



**Global  
Partnership**  
for Effective Development  
Co-operation

## Country Case

### Ghana

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## A. INTRODUCTION AND PURPOSE OF THE BRIEF

This country brief seeks to provide a snapshot of the various processes, stages and outcomes of efforts to reform the development architecture in Ghana. It traces the antecedents of the reform agenda while discussing the progress made at country level by discussing how Ghana has localized these global commitments in-country.

The brief is prepared as part of the process of promoting international learning by sharing the country's own experience in order to contribute to the international dialogue led by the Global Partnership.

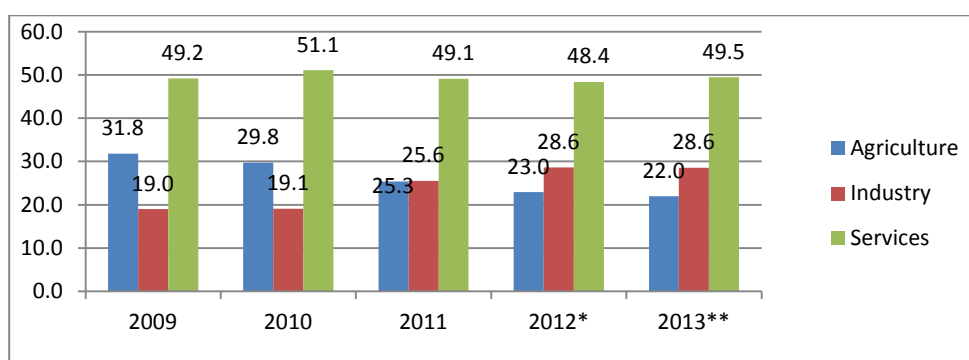
In the spirit of Busan and Mexico commitments, it also seeks to situate Ghana's recent experience in the context of the evolving development landscape. It seeks to shed light on the complexities of development cooperation in Lower Middle Income Countries (LMICs) such as Ghana.

## B. COUNTRY CONTEXT

Ghana has demonstrated strong performance in democratic governance over the past two decades with peaceful election process, multi-party political system, press freedom and social activism. These factors have also been critical for attracting FDI and for securing significant levels of development cooperation over the years.

Ghana has also made significant progress in terms of economic growth and development. It attained lower middle income status in 2010 with the rebasing of its GDP.<sup>1</sup> It has also seen some degree of structural change with the services sector becoming the largest contributor to GDP. Services sector has attracted FDI – particularly in telecommunications, hospitality and retail. The oil production commenced in 2011 in commercial quantities and along with mining and construction contributed to the rise of industry by 6.7% points of GDP from 19.1% in 2010 to 25.6% in 2011.<sup>2</sup> However, to date, revenues have not been enough to support the anticipated investments in key national priority sectors, especially infrastructure.<sup>3</sup>

Figure 1: Sectoral Distribution of GDP (2009 - 2013)



Source: GSS, April, 2014 Notes: \*Recently finalized \*\*Revised

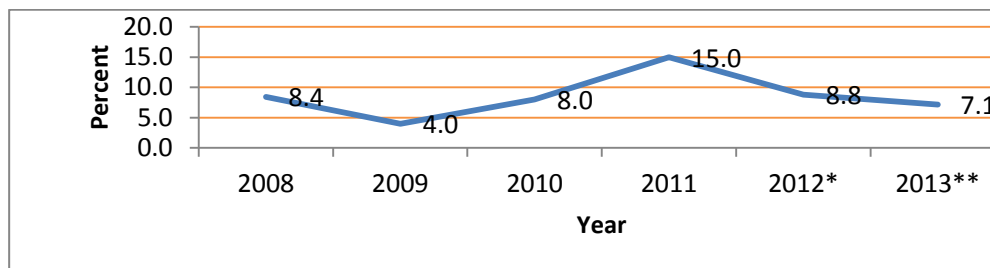
<sup>1</sup> The rebasing was done in 2010 using 2006 constant prices

<sup>2</sup> Ghana Statistical Service, Ghana's Economic Performance 2011 in figures, May 10, 2011

<sup>3</sup> Government of Ghana, GSGDA II, 2014

More recently, growth rates, while still enviably high, have been below the target mostly as a result of pressure on its macroeconomic fundamentals. Its real GDP for the first quarter of 2014 grew by 6.7% (year-on-year).<sup>4</sup>

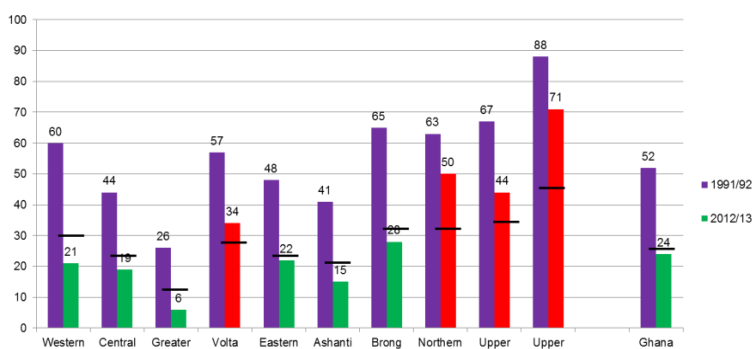
Figure 2: GDP Growth Rate (2008 - 2013)



Source: GSS, April 2014 Notes: \* Recently finalized; \*\*Revised

In part, this is due to its less than optimal macroeconomic fundamentals which have been undermined by widening budget and trade deficits and rising inflation rates. Going forward, its proposed budget consolidation measures and the upcoming IMF reform programme are expected to lead to an easing of the fiscal deficit and to contribute to restoring stability, including of the Ghanaian cedi which had depreciated rapidly in the first quarter of 2014.<sup>5</sup>

Figure 3: Poverty by Region: 1991/02, 2012/13



Source: Henderson (2014) drawing on GLSS 6 (2012/13 data)

In terms of development results, Ghana became the first country to meet the MDG 1 target of halving extreme poverty by 2015 in Sub-Saharan Africa.<sup>6</sup> Performance has, however, been mixed for regions and localities, with four of the ten targets being off track on MDG 1.<sup>7</sup> (See figure 3) Additional challenges remain with regard to other MDGs such as under five, infant, maternal mortalities and access to improved sanitation which

are unlikely to be met with the current pace of progress.<sup>8</sup> (See Annex 1)

### C. DEVELOPMENT COOPERATION TRENDS IN GHANA

In Ghana, ODA is provided by multilateral and bilateral development partners<sup>9</sup>; it takes the form of programme aid for general and sector budget support; as well as project support for specific

<sup>4</sup> Ghana GSS Newsletter Quarterly Gross Domestic Product (QGDP) 1st Quarter 2014 (June 2014)

<sup>5</sup> AEO, African Economic Outlook 2014, 2014; IMF 2014 press release 26, Sept 2014

<sup>6</sup> UNDP Ghana Website, MDG1 Eradicate Extreme Hunger and Poverty (Accessed 5 October, 2014)

<sup>7</sup> Ghana Living Standards Survey (GLSS), April 2014

<sup>8</sup> Ghana Statistical Service, Millennium Development Goals in Ghana, July, 2013; GLSS, April 2014

<sup>9</sup> Source: Ghana Aid policy: **Multilateral Development Partners:** African Development Bank (AfDB), Arab Bank for Economic Development in Africa, ECOWAS Bank for Investment and Development, European Investment Bank, European Union (EU), Global Alliance for Vaccines and Immunization (GAVI), Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund), Nordic Development Fund, OPEC Fund for International Development (OFID), IMF, the organs/agencies of the United Nations (UNDP, UNFPA, UNICEF, FAO, WFP, WHO, IFAD, ILO, IOM, UNAIDS, UNESCO, UNHCR, UNIDO) and the World Bank.

interventions; and it has also encompassed Balance of Payments support from the International Monetary Fund (IMF) and debt relief (e.g. HIPC and MDRI)<sup>10</sup>.

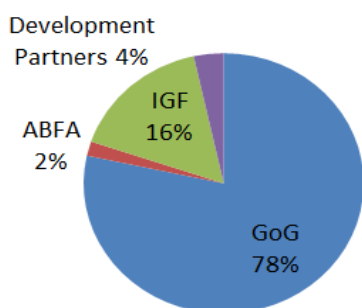
An analysis of ODA inflows to Ghana shows that aid increased from US\$ 1,003 million in 2003 (in nominal terms) to US\$1,649.6 million in 2008. In 2010, it stood at US\$1,896.8 million (See Table 1). Ghana's aid policy document (2014-17) notes that, as a percentage of GDP, aid declined significantly from approximately 25.2% in 2000 to 9.8% in 2008 as a result of Ghana's qualification to access HIPC funds and the MDRI. ODA then rose to 14.6 % in 2009 but fell to 12.8% by 2010.

**Table 1: Ghana ODA Envelope in Millions US\$ (2003-2010)**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total</b>	<b>1003.0</b>	<b>1130.1</b>	<b>1205.8</b>	<b>1471.8</b>	<b>1656.5</b>	<b>1649.6</b>	<b>2102.5</b>	<b>1896.8</b>
<b>IMF<sup>11</sup></b>	<b>76.6</b>	<b>38.7</b>	<b>38.2</b>	<b>116.6</b>	<b>0.0</b>	<b>0.0</b>	<b>200.0</b>	<b>200.0</b>
<b>Debt Relief Grants</b>	<b>154.2</b>	<b>174.1</b>	<b>196.9</b>	<b>307.3</b>	<b>342.7</b>	<b>229.5</b>	<b>289.6</b>	<b>235.8</b>
HIPC	154.2	174.1	196.9	209.8	246.1	158.4	191.9	168.8
MDRI	0.0	0.0	0.0	97.5	96.6	71.1	97.7	67.0
<b>Budget Support</b>	<b>277.9</b>	<b>316.7</b>	<b>313.2</b>	<b>349.3</b>	<b>386.7</b>	<b>473.1</b>	<b>700.4</b>	<b>619.2</b>
MDBS	277.9	309.0	281.9	312.2	316.6	368.1	525.2	451.2
SBS	0.0	7.7	31.3	37.2	70.1	104.9	175.2	167.7
Swap	0.0	0.0	0.0	0.0	12.1	15.2	86.9	81.2
Earmarked	0.0	7.7	31.3	37.2	58.0	89.8	88.2	86.5
<b>Project Aid</b>	<b>494.4</b>	<b>600.6</b>	<b>657.5</b>	<b>698.6</b>	<b>927.0</b>	<b>947.0</b>	<b>912.5</b>	<b>841.8</b>
<b>GDP</b>	<b>7621</b>	<b>8853</b>	<b>10726</b>	<b>12729</b>	<b>14984</b>	<b>16085</b>	<b>14385</b>	<b>14870</b>
Total ODA (% of GDP)	13.2	12.8	11.2	11.6	11.1	10.3	14.6	12.8

Source: Aid & Debt Management Division, MOFEP; IMF; GoG Budget Statements in Ashong and Gerster (2010)

**Figure 3: Sources of Funding for Education Sector in 2014**



Source: Ghana Budget Document 2010 to 2014 analyzed in UNICEF-ISODEC 2014

According to World Bank, Multi-Donor Budgetary Support<sup>12</sup> (MDBS)'s contribution to total aid fell from about 35% in 2009 to about 20% in 2012 and the contribution to Government of Ghana's (GoG) expenditures fell from 8.5% to 3.5% over the same period.

It should be noted that while aid has been declining, it plays a critical role in funding for the *Capital Expenditure* and *Goods and Services* components especially in the context of the social sectors. For example, as illustrated in Figure 4, DP's contribution is small compared to 78 % of the funding for the education sector that comes from the GoG. However, DP's have provided concerted support to the government in

providing quality education at various levels of the education system for national development.

**Bilateral Development Partners:** Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Israel, Japan, Kuwait, Netherlands, Norway, Portugal, Russia, Saudi Arabia, South Korea, Spain, Sweden, Switzerland, the United Kingdom, and United States of America

<sup>10</sup> Debt Relief Under the Heavily Indebted Poor Countries (HIPC) and The Multilateral Debt Relief Initiative (MDRI)

<sup>11</sup> Balance of Payments support

<sup>12</sup> MDBS is responsible for overseeing the implementation of providing direct support to GoG's budget towards the implementation of the medium term national development policy framework.

## D. GHANA REACHES LOWER MIDDLE INCOME COUNTRY (LMIC) STATUS: IMPLICATIONS FOR DEVELOPMENT COOPERATION

Ghana has undertaken a number of measures to make development cooperation more effective in light of its commitments at global fora and in cooperation with its partners at the country level with a view to responding to its development priorities and challenges.

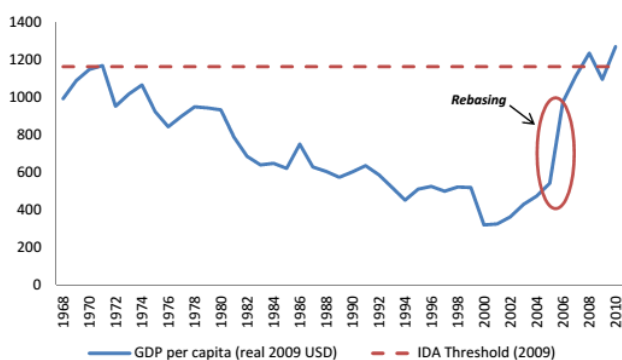
The issues that have arisen for Ghana in the context of realizing more effective aid-coordination need to be situated against the backdrop of its shift to LMIC status in 2010 with all the complexities that this unleashed by way of reorganization of institutional responsibilities, system changes and implications for aid flows and pattern of development cooperation. Basically, the LMICs are a varied group that are faced with a double challenge – i.e., how not to slide back down into LIC status and how to transition up to MIC which requires significant institutional and capital investments.

On the one hand, in theory, being a LMIC presupposes that Ghana would have substantially moved beyond food insecurity, economic stagnation, aid dependence, and widespread poverty which tend to characterize low income countries. However, the reality of Ghana today still reflects some of the salient characteristics of a low-income country as is the case with many other countries in the band of lower middle income countries. It faces some of the structural problems that affect low income countries and it also has a number of infrastructural priorities that it needs to meet if it is to transition to a MIC and to achieve inclusive structural transformation.

### Mexico High Level Meeting Communiqué on development cooperation with MICs<sup>13</sup>

Mexico High Level Meeting Communiqué recognizes that the Middle Income Countries (MICs) category as limited since it is an indicator based on the income per capita which does not capture the diversity and complexity of development challenges of MICs and the risks of “Middle Income Trap”. It further elaborates on the need for “flexible, targeted and differentiated strategies for “effective development cooperation with MICs, based on their specific country situations and relevant sectorial and regional capacities, including through innovative finance mechanisms and the provision of loans and technical cooperation as well as grants where necessary, and bilateral ODA for those countries that still require so, in particular Lower-MICs.”

Figure 4: Ghana’s GDP/ Capita vs. IDA threshold



Source: world bank indicators cited in Moss et al. 2012

implications for its access to concessional finance and grants (see figure 5 with regard to access to IDA) although it does open up private sector financing.

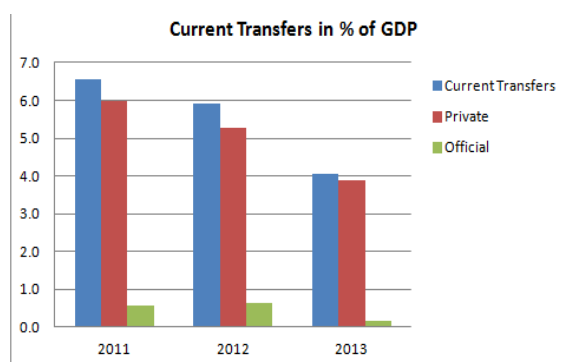
Ghana achieved LMIC status as a result of a re-basing of its GDP in 2010 (2006 prices) and discovered oil in commercial quantities at more or less around the same time. While the re-basing reflects the growth and evolution of its economy that had been taking place but were not visible in the previous measures of GDP, nevertheless institutions and the perceived realities could not change at the same pace. Further, the fact that it has achieved LMIC has adverse

<sup>13</sup> Global Partnership for Effective Development Co-operation (2014) Mexico High Level Meeting Communiqué, 16 April 2014

As noted earlier, ODA flows have already started to decline. The Ghana Shared Growth and Development Agenda (GSGDA II), Ghana’s current medium-term National Development Policy Framework, fully takes note of the dwindling aid flows and explores the implications of these for needed capital expenditures and the pressure on the budget and balance of payments.

In fact, Ghana has sought to plan for and pro-actively smoothen the transition by negotiating a 10 year transition period with development partners – i.e. Government of Ghana – Development Partners Compact 2012-2022.<sup>14</sup>

**Figure 5. Current Transfers in % of GDP**



In keeping with its LMIC status, Ghana has also moved towards mobilizing non-aid and non-concessional resources through domestic resource mobilization and commercial borrowing on the capital market with a view to funding capital expenditures, refinancing previous debt at more attractive terms and with a better maturity profile and to address budgetary priorities and meet counterpart funding requirements.<sup>15</sup>

However, Ghana’s recent macro-economic challenges have served to raise the cost of credit

for Ghana and the levels of debt repayments, particularly for external debt in recent years.

The latter have served to heighten the attention on development cooperation particularly for the social sectors to ensure that gains in the MDGs and social development are not lost.<sup>16</sup> Continued progress on development indicators for Ghana will require strategic interventions by GoG and Development Partners (DPs) to fully exploit the opportunities for growth and development that the country’s advantages provide. As a demonstration of commitment, in 2013, a total of US\$1,207.24million for the implementation of Two Hundred and Ten (210) on-going Development Partner funded projects was disbursed to support socioeconomic development. (Ministry of Finance, External Resource Mobilization Division)

### **E. TRACKING GHANA’S IMPLEMENTATION OF DEVELOPMENT EFFECTIVENESS AGENDA IN LINE WITH GLOBAL FOCUS AREAS AND INDICATORS**

With a view to improving development cooperation in the national context, Ghana has formulated, and is in the process of operationalizing two key national policy documents:

<sup>14</sup> See Leveraging Partnership For Shared Growth And Development Government Of Ghana – Development Partners Compact 2012 - 2022

<sup>15</sup> Government of Ghana Official Portal, Ghana Priced Third Eurobond, 12, Sep, 2014. Ghana issued its first Euro bond, a 10-year Eurobond in 2007 for US\$750million at a coupon of 8.5%. Ghana was the second nation in sub-Saharan Africa (after South Africa) to borrow from the international capital market. In 2013, Ghana raised \$1 billion from the international market – a 10-year bond for US\$750million in cash and for US\$250million in a buy-back of the 2007 issue. In 2014, it raised a third bond - for USD1 billion with a 12 year maturity at a coupon of 8.125%.

<sup>16</sup> See <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=329446>. The ministers of Employment and Labour Relations, Gender, Children and Social Protection as well as Trade and Industry were included in the team meeting with the IMF in Washington. President Mahama indicated that Ghana’s commitments to the three-year IMF programme are being pursued in five areas which include having a strong social development and social protection policies. The president has also reached out to development partners in this regard.

- The Ghana Aid Policy and Strategy: 2011-2015 (revised 2014-17)<sup>17</sup>; and
- Leveraging Partnership for Shared Growth and Development: Government of Ghana – Development Partners Compact (2012 – 2022)

While the Compact has the objective of improving the effective and strategic use of ODA in support of Ghana’s medium to long-term development, the revised Ghana Aid Policy & Strategy provides the guiding framework setting out how the Government envisions the development of the country’s aid architecture by outlining its preferences in terms of the type of aid, and the processes to be used in the management of external assistance.<sup>18</sup> According to Ghana’s Aid Policy and Strategy 2014-2017, which is in line with the Paris Declaration on Aid Effectiveness (PD), Accra Agenda for Action (AAA), and the Busan Partnership for Effective Development Cooperation,<sup>19</sup> the guiding principles for effective development cooperation are: improving country ownership and leadership of aid management processes; ensuring effective aid coordination; managing for development results; strengthening mutual accountability; and moving beyond aid dependency.

**Table 2: Ghana’s implementation of Development Effectiveness Agenda according to Busan Partnership Agreement (BPA) Global Monitoring Indicator and Government of Ghana (GoG)’s Aid Coordination principles**

Busan Principles	Ghana	Selected reflections on progress and challenges
<p><b>BPA: Ownership of development priorities by developing countries</b></p> <p><b>GoG: Improving country ownership and leadership of aid management processes</b></p>	<p><b>Defining National Development Priorities</b></p> <p>Ghana’s National Development Planning Commission (NDPC) is the lead institution in setting national development priorities for inclusive development and growth.</p> <p>The GSGDA I,<sup>20</sup> recognized that Ghana “in spite of the prospects of increased revenue from oil, will continue accessing development assistance on account of the existing large deficit in economic and social infrastructure, the need to intensify efforts to achieve the MDGs as well as reduce spatial disparities in development.” Further, to ensure “aid effectiveness and coordination, the Ghana Aid Policy and Strategy provides for aligning external aid to Ghana’s national development priorities; and serves as a guide to Government, Development Partners, Civil Society Organizations and other stakeholders in the management and coordination of external aid in Ghana.”</p>	<p>Following on the Ghana Shared Growth and Development Agenda, GSGDA I (2010-2013), GoG moved to formulate the GSGDA II (2014-2017) through a participatory process involving development partners, public and private sector agencies, and civil society groups among others. It is now close to being published and DPs are expected to align their development programming to GSGDA II as they did with GSGDA I.</p>
<p><b>BPA: A focus on results</b></p>	<p>The M&amp;E system of the medium-term national development policy framework (GSGDA II) is expected to guide the results management monitoring and evaluation system. In relation to development cooperation, though the Ghana Aid Policy and Strategy is yet to be fully operational, discussions on several agreed actions such as re-alignment of sector working groups, preparations of manuals and guidelines outlined in its action</p>	<p>NDPC is currently costing the GSGDA II which is a critical step prior to developing the results framework</p>

<sup>17</sup> Following further consultations, the Ministry of Finance submitted the final draft to Cabinet for approval in 2014.

<sup>18</sup> Ghana Ministry of Finance Annual Progress Report 2012

<sup>19</sup> The Busan Partnership agreement hinges on 4 principles for achieving development goals: 1) ownership of development priorities by developing countries, 2) a focus on results, 3) inclusive development partnerships, and 4) transparency and accountability; Source: OECD, The Busan Partnership Agreement in Brief, July 2012

<sup>20</sup> See Ghana Shared Growth and Development Agenda (GSGDA I) 2010-2013

plan have commenced.

**GoG:  
managing for  
development  
results**

The *Ghana Aid Policy and Strategy 2011-2015* (revised 2014-17) recognizes the need for the Government of Ghana (GoG) to improve its structures and systems to ensure effective coordination and delivery of aid.

To date, the Ministry of Finance has undertaken various activities towards integrating Aid flows into the government financial system, i.e. putting “aid-on-budget”. The purpose is to ensure that aid is: \* On Plan (i.e. included in the planning documents behind budget submissions); \* On Budget (included in the budget document) \* On Parliament (approved by Parliament as part of the Appropriation Act) \* On Treasury (all funds channelled through government systems) \*On Accounting (accounted for through GoG systems and by GoG Chart of Accounts) \*On Audit (audited through GAS’ audit of GoG accounts) \* On Report (included in ex-post reports from GoG)<sup>21</sup>

Other proposed complementary strategies and systems include: introduction of the budget law; introduction of budget execution reforms; adoption of measures to manage the wage bill efficiently; introduction of efficient financial management in key sectors of the economy; continuation with treasury management reforms; implementation of asset management systems in all MDAs and MMDAs; adoption of a comprehensive Ghana Integrated Financial Management Information System (GIFMIS) for effective budget management; and develop a well-functioning domestic debt market as a vibrant and alternative source of financing for public investment projects.

GoG/Ministry of Finance is currently developing a *Ghana Aid Information Management System (AIMS)* - an online information collection, tracking, analysis and planning tool to provide a uniform platform for disbursement forecasting by DPs and validation by MDAs.<sup>22</sup>

In keeping with its LMIC status, as the volume of grants declines and non-concessionary finance increases, the system is expected to be innovative in enabling the debt and aid platforms to be inter-operable and to keep track of commitments.

**BPA:  
Inclusive  
development  
partnerships**

Ghana has been active in implementing aid effectiveness agenda through the efforts of establishing broad-based consultative process involving all stakeholders, including DPs, Ministries, Departments and Agencies (MDAs), local Governments, Parliamentarians and CSOs. Ministry of Finance is the lead Ministry that oversees aid coordination, management and mobilization.

**GoG:  
ensuring  
effective aid  
coordination**

A number of different coordination mechanisms have been used over the years : a) Annual Policy Hearings to determine sector policies and priorities to inform the preparation of the national budget; b) National Aid Roundtables to provide a platform for MDAs to deliberate on aid issues at a technical and political level; c) DP quarterly programme reviews to assess the performance of DP-funded programmes and projects; and d) DP portfolio reviews to assess, and if necessary, revise DP country assistance strategies.

<sup>21</sup> See Ministry of Finance Annual Progress Report 2012

<sup>22</sup> The Ghana Aid Policy and Strategy 2014-2017 (final draft) indicates that the Ministry of Finance will gradually deploy a system which will facilitate a) Recording of relevant elements of aid agreements; b) Analyzing and reporting on aid portfolio; c) Monitoring and evaluating the utilization of inflows; d) Management of debt servicing in the case of concessional loans; and e) Dissemination of aid information; for status, see Ministry of Finance Annual Progress Report (2012); support is being provided by AfDB through the Ghana Institutional Support Project/ Ministry of Finance;



The main dialogue platforms for development cooperation mechanisms between the GoG and DPs include:

a) Government - Development Partner Group (G-DPG)

The Government Development Partner Group (G-DPG) is the highest-level aid coordination body responsible for overseeing the implementation of aid effectiveness principles through the Ghana Aid Policy and Strategy, GoG-DP Compact (2012-2022), the Mutual Accountability Framework, Aid Information Management System, Resource Mobilization efforts and Sector Working Groups, among others. GDPG hosts The Annual Progress Review of the medium term national development policy framework as well as the Consultative Group/Annual Partnership Meeting

b) The Multi-Donor Budget Support (MDBS) Group

Ghana's Aid policy states that the "GoG's preferred modality for the delivery of aid is General Budget Support (GBS). GoG recognizes that it does not have the capacity to formulate, monitor and report on all project interventions. In this regard, pooled funding in the form of GBS ensures more effective coordination of aid, ultimately leading to improvements in country systems." The MDBS was initiated in 2003. Within the context of the MDBS, an important framework memorandum was signed in May 2008 which defined the common rules for Budget Support disbursement mechanisms and the policy. According to this, as part of the MDBS process, an annual review is to be held to discuss the overall implementation of the *National Medium Term Development plan*, macroeconomic performance as well as Ghana's public financial management. Under the MDBS arrangement, there are two budget support disbursements each year: a base tranche and an annual performance tranche. The base tranche is disbursed on a yearly basis upon a positive assessment of the above mentioned criteria. The annual performance tranche is disbursed in full or in part upon the realisation of mutually agreed specific targets of the jointly agreed Progress Assessment Framework (PAF).

c) Sector Working Groups (SWGs)

SWGs facilitate dialogue on pertinent matters relating to sector strategies, performance, challenges, as well as monitoring and evaluation, among others. The Joint Guide Book on Sector Working Groups governs sector dialogues. Sector Budget Support programme review meetings are expected to be held at least bi-annually within the framework of SWGs to assess the implementation status of aid programmes, and among other things, provide a forum to address potential challenges prior to the Annual Partnership Meeting.

In 2014, the Ministry of Finance plans to establish a joint Task Force to facilitate the operations of the G-DPG as well as support the preparation of the action plan for the Government-Development Partner Compact (2012-2022).<sup>23</sup>

The Development Partner-Performance Assessment Framework (DP-PAF) which is designed to assess and measure the extent to which donors adhere to the common agreed principles for aid delivery in the PD and the AAA have been developed.

According to Ashong et. al. (2010) Close to a100% of funds pledged in support of Ghana's budget in 2003, 2005 and 2007 were fully disbursed while in 2006 and 2009 recorded disbursements rates below 90% but these were still markedly better than the average DPs' disbursement /pledge ratio of 64% in the 1990s. However, the PAF exercise with government has been challenging in recent years particularly around macroeconomic targets.

**BPA:  
transparency  
&**

Parliament has the legal authority to provide oversight of public financial management. GoG is committed to strengthen the role of its parliamentary system in strategy and budget

The fact that the aid data systems are still under development means that that public access to data on DP

<sup>23</sup> Source: Government of Ghana/Ministry of Finance (2013) The Budget Statement

<p><b>accountability</b></p> <p><b>GoG: strengthening mutual accountability</b></p>	<p>setting. To enhance the role of parliament, the governance sector working groups has facilitated the setting-up of a parliamentary platform to serve as a dialogue avenue among stakeholders.</p> <p><u>Mutual Accountability</u>: the G-DPG is expected to develop a set of indicators based on the existing aid effectiveness and DP-PAF indicators, taking into account Ghana's specificities as described in this Compact, to measure progress and success of the Compact implementation. Reporting on performance is to be included in the annual Compact Implementation Report (CIR), which is to be presented to the G-DPG.<sup>24</sup></p> <p><u>Engagement of Civil Society</u>: Ghana has a vibrant civil society and free press. Democratic governance in Ghana enables active participation from Civil Society. CSO expertise in policy formulation and dialogue is acknowledged and utilised for the development of policy document on issues of governance and poverty reduction<sup>25</sup> such as mid-term National Development Policy and Aid policy.</p> <p>CSO involvement was central for the preparations for the Accra High Level Forum on Aid Effectiveness in 2008 through Ghana Civil Society Aid Effectiveness Forum. In turn, the AAA also provided increased space for participation from civil society in national level policy dialogue. CSOs participate in several structures on development cooperation such as budget discussions and on the MDDBS.<sup>26</sup></p> <p>Furthermore, the Cross Sectoral Planning Groups (CSPGs) are expected to constitute forums for dialogue between CSOs and GoG on policy formulation, implementation and M&amp;E at the national and sub-national levels.<sup>27</sup> Civil society can be involved in monitoring of the Compact implementation.</p>	<p>commitments and tracking government utilization of funds is a challenge;</p> <p>See separate discussion below on extensive use of IATI by 8 of the top 10 DPs for Ghana.</p> <p>CIVICUS Enabling Environment Index for Ghana in 2013 was 0.56 which placed Ghana 48th among 109 countries. It is slightly above the global average of 0.55 yet placing Ghana the third after South Africa and Botswana among 29 countries surveyed in Sub-Saharan Africa. (CIVICUS, 2013)</p> <p>In part due to the shift to LMIC status for Ghana, engagement with civil society through fora such as the aid effectiveness forum have not been as active as before; there are engagements with civil society in the lead-up to the preparation of the budget.</p> <p>As a step towards a mutual accountability, Ghana's aid data management system will enable access to information and serve as a tool for accountability whiles the Aid Policy proposes a National Aid Roundtable Meeting with national stakeholders.</p>
<p><b>GoG: moving beyond aid dependency</b></p>	<p>The GoG has sought to implement reforms of revenue institutions and revenue collection to ensure increased domestic resource mobilization;</p> <p>It has also focused on attracting private sector financing and investment: A Second National Medium Term Private Sector Development Strategy 2010-2015 has been formulated. A Private Sector Development Council was inaugurated in 2012 and Ghana is also increasingly promoting Public Private Partnerships (PPPs) modality for the provision of infrastructure and services. National Policy on Public Private Partnerships (2011) was developed to provide enabling policy framework and the PPP bill has been drafted to ensure investor confidence.</p>	<p>Ghana issued its first Eurobond in 2007, a second in 2013, and the third recently in 2014.</p> <p>It is impressive that at the time, Ghana was only the 2nd country in SSA, after South Africa, to secure funding through the Eurobond market; however challenges in its macro fundamentals have meant that it often had to pay relatively high yields; its macroeconomic fundamentals have also had implications for the Performance Assessment Framework (PAF) with DPs.</p>

<sup>24</sup> See Government Of Ghana –Development Partners Compact 2012 - 2022

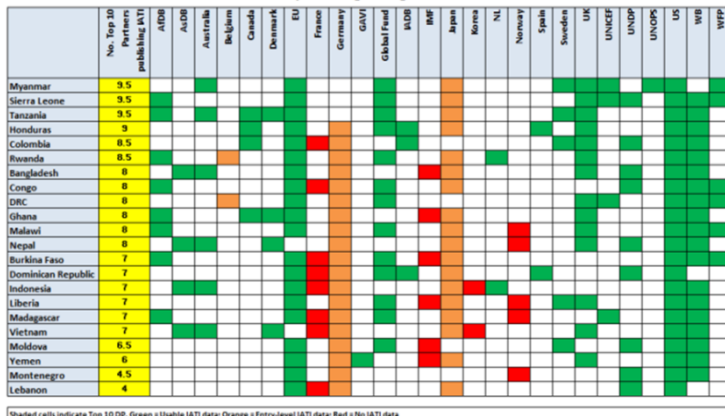
<sup>25</sup> CIVICUS (2013)

<sup>26</sup> Matthew Martin and Richard Watts (2012) ; also see Government of Ghana/National Development Planning Commission (2012) and appendix 2 in this document for more details;

<sup>27</sup> Ghana Aid Policy; also see Annex 2

## GHANA AND IATI

IATI Reaches Tipping Point - In the majority of countries over 7 out of 10 of the largest development partners are publishing through IATI



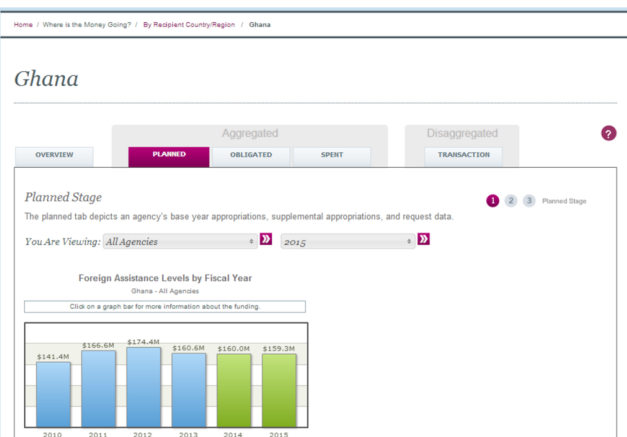
Source 1: Bill Anderson (2014)

Ghana as a partner country endorsed the International Aid Transparency Initiative (IATI) initiative and has been an active member of the IATI movement. Ghana was selected in 2012 as one of the five countries for a study to investigate how in practice, countries and their development partners have gone about solving the complexity of integrating aid management information flows, processes and cycles, with country budget information flows, processes and cycles, the inherent obstacles faced as well as emerging good practices. The final report, in no small way, provided evidence that shaped Government's position and decision in areas such as budget classification.

In keeping with Ghana's wider commitment to transparency the GoG accepted the invitation to join a Consortium to host IATI. Ghana's participation in the Consortium ensures that the interests of partner countries are fully represented in the management and operations towards the achievement of the objectives of the Initiative.

In simple terms, the IATI platform offers room to engage other countries on the best means of capturing and storing aid information since through IATI meetings partner countries freely share experiences from adopting either of-the-shelf Aid Information Management Systems (AIMS) or developing a customized system in country. These engagements have even become more crucial as both the revised Ghana Aid Policy and Strategy and the 2012 Budget Statement (pg 212) signaled Government's intention to "design and install an online database to capture and report more accurately information on external resources".<sup>28</sup>

USAID is conducting aid transparency country pilots in Ghana, as well as in Zambia, and Bangladesh. The objective is "to take stock of how aid flows are tracked in each country, assess other aid transparency efforts to date, and inform overall aid transparency policies going forward. Aid transparency tools will assist partner countries in monitoring public financial and program-related data, thereby promoting greater transparency, accountability, and effective governance."



As discussed above, Ghana anchored its implementation of the development effectiveness agenda on the strengthening and use of country systems and leadership by national institutions. This approach was adopted on the premise that it contributes towards building stronger and more effective partnerships for development, reduces transaction costs and the burden on government officials, promotes sound systems (PFM, Procurement etc) across government as a whole, enhances alignment, ownership and domestic accountability and supports sustainable national development.

<sup>28</sup> Efforts to develop and roll-out Ghana's Aid Information Management System (G-AIMS) are progressing steadily

In its Annual Progress Report for 2012, the Ministry of Finance reported that, following consultations with Development Partners, CSOs, local Think Tanks as well as other line Ministries Department and Agencies, agreement was reached on a number of shared priority areas. In line with the outcome of the consultation and the agreed focal areas, work commenced on: (a) an audit Working Group, which was established under the PFM Sector working Group;

In 2012, preparations were also finalised to pilot a single audit exercise for all DP-funded programmes and it is working to harmonize the audit language of the Ghana Audit Service and that of Development Partners; (b) The Ministry of Finance prepared an accounting manual which outlines how DP funds can be captured by Controller and Accountant-General's Department (CAGD) as part of the broader Budget Reform that is currently on-going. Further dialogue is required on accounting and reporting formats; (c) The first phase of the *Aid on Budget* exercise, which involved the mapping of the current work processes of both Government and DPs and identification of challenges with using the budget system to manage development assistance was completed. The rationale of the exercise was to go beyond just reflecting data on development assistance in the budget to having the assistance use as much as possible the budget system from the planning; now the focus is on the implementation of the Budget Reform incorporates the second phase of the "Aid on Budget" exercise as a key component.

#### **F. THE GLOBAL PARTNERSHIP AND ITS CONTRIBUTION TO THE DEVELOPMENT EFFECTIVENESS AGENDA AT COUNTRY LEVEL**

The *Global Partnership* plays an important role for the development effectiveness agenda both globally and in Ghana.<sup>29</sup> The key outcome of the *Busan Partnership* has been to push for both development effectiveness (not just aid effectiveness) and inclusiveness in development cooperation and has thus enlarged the tent for engaging the various stakeholders at the national and global levels.

Further, the *Global Partnership*, as an international network of professional and policy makers, is serving as a catalyst for spurring on needed changes at the country level including through peer-to-peer sharing, learning and engagement. Through its events and document subscription, it contributes to building capacities of national officers and provides options for local implementation. In preparing in-country development cooperation capacity building programmes for stakeholders such as MDA and CSOs in 2013, the documentation and reports by the Global Partnership were valuable source of information.

The *Global Partnership* is a great source of support for the technical officers involved in issues of development cooperation in Ghana. Through the continued participation of officers in global and regional meeting, Ghana has managed to build a network of local professional across the broad spectrum of government stakeholders engaged in promoting Development Effectiveness. The professional community created through the international network has provided pool of knowledge, technical know-how and support system for officers to push for development effectiveness progress even in times of the political transition. For instance in 2009, the visit of

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<sup>29</sup> The Finance Ministry organized a national stakeholders' forum for solicitation and consolidation of inputs as part of efforts to evolve and implement a Post-Busan Implementation Framework to track the outcomes of the 4th High Level Forum in Busan, South Korea. The Ministry is expected to complete the development of the Framework and sign up to the Global Partnership Monitoring Framework in 2014. Source: Budget Statement 2013

Co-Chair of the Working Party on Aid Effectiveness was instrumental in enlisting the political support from the new administration.

Ghana's participation in IATI over the years has served to drive the on-going efforts towards the acquisition and installation of the GAIMS. By participating in the Effective Institutions Platforms (EIP), Ghana has benefited from its work on '*Supreme Audit Institutions and Citizens Engagement Strategies*' by developing a modality for de-technicalizing audit reports to enhance use by CSOs and engagement with the population. Further, Ghana is waiting with bated breath for the outcome of the "i-challenge" on the governance indicators for consideration and adoption.

Ghana expects that the *Global Partnership* will continue to be an important arena of debates, knowledge sharing and exchanges on country experiences. The expectation is also that it still works as the keeper of the promises outlined in various commitments, with the *Busan Partnership* as the reference of the principles to adopt.

## G. CONCLUSIONS, ISSUES FOR DISCUSSION AND RECOMMENDATIONS

Going forward, it is important to contextualize development cooperation in Ghana against the backdrop of its attainment of lower middle income status in 2010. While Ghana has been able to negotiate a 10 year transition period, aid has already begun to decline and concessional finance is more challenging to secure even as it has a number of major infrastructural and developmental investments to undertake. In line with the Mexico Communiqué, the challenges during transition period of MICs should be recognized and addressed accordingly to sustain inclusive development progress through effective development partnerships.

Ghana has made significant steps towards inclusive growth and development and it has an enviable record of political stability. However, its recent macroeconomic challenges and rising inequality pose risks to the significant development gains that it has made. While Ghana has a clear policy framework to move beyond aid dependency, development cooperation, while insignificant in total volume, plays a significant role (financing, technical cooperation, capacity strengthening) in supporting Ghana's effort to continue to realize sustained growth and equitable development at this critical juncture of its socio-economic transformation,. The GoG-DP compact is the framework that has been developed to ensure dialogue among stakeholders on development cooperation for a continued partnership and the recognition of significance of ensuring that development gains are preserved.

An inclusive structural transformation of the economy has emerged as a priority not just in Ghana but also in the Pan-African and post-2015 contexts.<sup>30</sup> Increasingly, for countries such as Ghana, there is a need to explore how to work with partners across aid and trade agendas coherently such that local industry and agriculture can be promoted for equitable and sustainable growth even as the countries meet their commitments on the global and regional development agendas and partnership agreements.

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<sup>30</sup> See, e.g., African Economic Outlook 2014 Global value chains and Africa's industrialisation; African Economic Outlook 2013: Structural Transformation & Natural Resources (2013); ECA – Eco Report on Africa 2014: Dynamic Industrial Policy in Africa: Innovative Institutions, Effective Processes and Flexible Mechanisms; ECA - Economic Report on Africa 2013 Making the most of Africa's Commodities: Industrializing for Growth, Jobs and Economic transformation; "African Common Position on the Post-2015 Development Agenda";

The processes for the global reform agenda for development effectiveness and for post-2015 have seen an emerging focus on ensuring an enabling “global governance architecture”. Ghana supports the Common African Position (2014) which encompasses a focus on “working with partners to develop a global framework that includes technology and skills transfer, and that takes into account Africa’s specific characteristics; promoting public private partnerships; boosting intra-African trade; promoting Africa’s access to global markets and the fair trade system; and ensuring that the global governance architecture is inclusive, responsive, legitimate, democratic, equitable and accountable; and calling for a new spirit of solidarity, cooperation, and mutual accountability to underpin the post-2015 Development Agenda;<sup>31</sup>

Drawing on Ghana’s experience, a few specific recommendations to enhance development cooperation effectiveness can be identified:

- **Fast-track development of national systems:** In the Ghana Aid Policy and Strategy 2014-2017, the government has committed to gradually deploying a aid-management system and there is progress on moving forward to implementing this; simultaneously, the government is focusing on the introduction of budget execution, treasury management reforms and efficient financial management in key sectors of the economy and the adoption of a comprehensive Ghana Integrated Financial Management Information System (GIFMIS) for effective budget management amongst other things. Given Ghana’s recent vulnerabilities on account of its macroeconomic indicators, these systems need to be fast-tracked to enhance confidence and facilitate evidence-based policies. Further, aid data should be accessible to all stakeholders; ensuring data availability also requires development partner’s cooperation in terms of timely, transparent, and coherent input and sharing. The capacity to coordinate with partners and manage data effectively will contribute to development cooperation transparency and accountability as it is directly linked to Busan Partnership Indicator 4. Transparency: information on development cooperation is publicly available.
- **Focus on an integrated platform for aid and debt management, especially for MICs:** Given its LMIC status, Ghana is channelling its efforts to look for alternative sources of financing beyond development cooperation which is likely to have an impact on the external debt level management. Ideally, the aid data system needs to speak to debt management system and there should be institutional mechanisms to coordinate among departments within the government structure to manage development financing. GoG is currently going through the process of procurement for an Aid Information Management System which is expected to facilitate interoperability between the aid and debt systems so as to facilitate timely monitoring of implications of concessional loans for the management of external debt.
- **Jointly focus on measures to enhance aid predictability and timely disbursement of funds:** While there has been tremendous progress, in recent times, GoG has been faced some bottlenecks in the implementation of development programmes. Given the importance of development cooperation for programme funding, uncertainties in financing and any slowdown in the disbursement of funds can have a significant impact on national budget implementation. DPs have committed to provide, to the GoG regular and timely rolling three to five-year indicative forward expenditure and/or implementation plans as required by the Aid

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<sup>31</sup> See AU (2014) “Common African Position (Cap) on the Post-2015 Development Agenda”

Policy and Strategy. Timely release of data, particularly revised estimates, with clarity on outturns has been found to be critical for building confidence related to agreed targets.

- **Mutual Assessment framework to be implemented.** The Development Partner-Performance Assessment Framework (DP-PAF) exists though efforts are on-going to review the indicators and make it operational for monitoring progress on current development cooperation. This relates to Indicator 7. Mutual accountability among development cooperation actors is strengthened through inclusive reviews. The assessment can trigger discussions to identify challenges in implementation of global indicator as well as hold partners accountable for effective development cooperation in Ghana.
- **Fast-track Approval of Aid Policy.** The draft policy is in its final stages of receiving approval. Once passed, it is expected to provide a coherent framework for ensuring effective aid coordination.
- **Regular dialogue with Partners.** Aid coordination platforms exist however the dialogue effectiveness and the frequency of the meetings varies among platforms and sectors. Institutionalizing dialogues in a more regular manner can create momentum to push for aid and development effectiveness agenda and forge strong partnership in a sustainable fashion especially priority domains in sector working groups. The Ghana Aid Policy, once approved will provide the framework for reviewing the functionality of these platforms and for possible reforms.
- **Follow up to GoG-DP compact and preparation for Aid exit strategy.** The GoG-DP compact lays out the commitment of government of Ghana's to move beyond aid dependency and double the efforts to mobilize non-aid resources. With a view to facilitating a smooth transition, development partners committed to provide assistance over 2012-2022. It is recommended that the compact action points are followed up in aid coordination meetings to ensure commitments are implemented including biannual meetings, multi-year work plans, and annual compact Implementation Report (CIR).

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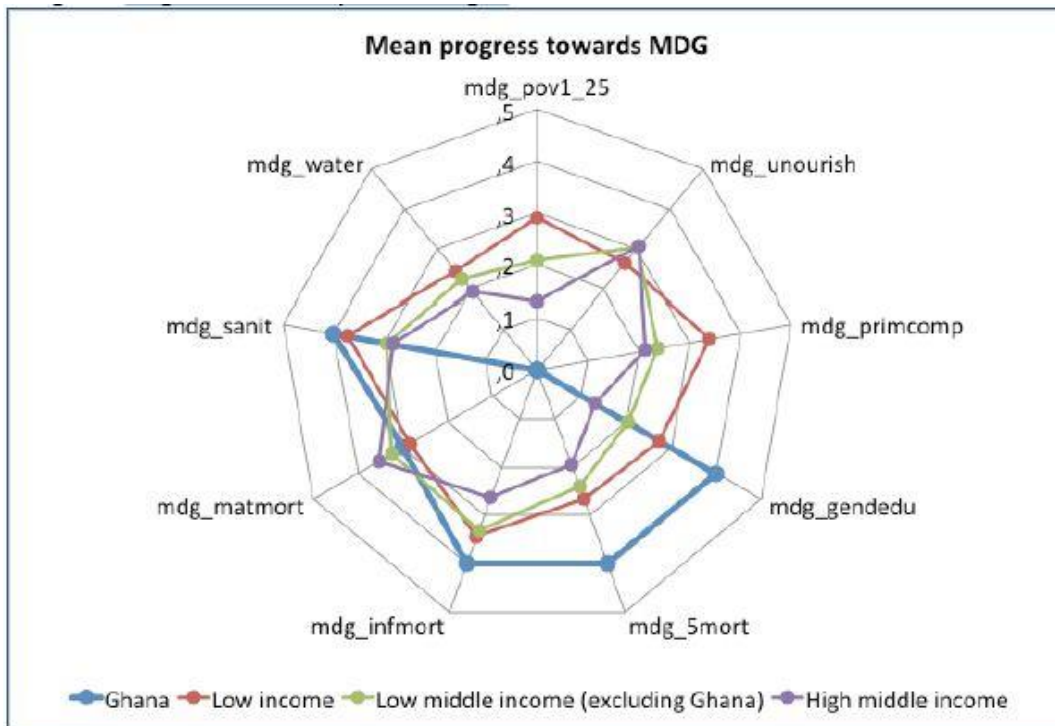


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## ANNEX 1. GHANA'S RELATIVE PROGRESS TOWARDS MAJOR MDG TARGETS <sup>32</sup>



Source: Emmanuel et al. 2013

<sup>32</sup> A higher score registers worse/little progress. 0 means that the MDG indicator has been met. This graph can be read as a target, with each point showing the degree to which each MDG is 'off target'.

## ANNEX 2. Level of CSOs Engagement in Policy Formulation Process cited in NDPC 2012

INDICATOR	2012 Target	2009 Baseline	Indicator Level in 2011	Indicator Level in 2012	Progress towards target
3. Level of CSOs engagement in the Policy formulation and development process	CSOs Participate in preparing annual monitoring report on national development plans	- <b>National Policy formulation, implementation, monitoring and evaluation:</b> CSOs, think thanks, etc represented on the drafting teams (i.e. CSPGs)	- CSOs participated in preparing annual monitoring and evaluation reports.	CSOs participated in preparing annual monitoring and evaluation reports.	Target achieved
	NA	- <b>Budgetary Process:</b> ISODEC Open Budget Index (OBI) Score = C (54 points on the scale of 100)	Na A number of key PFM reforms are on-going, including: the PBB, GIFMIS, review of the organizational codes, and revision of the Chart of Account	Ghana recording OBI a score of 50 out of 100	Slow progress
	CSOs representation in the CG meetings and the annual MDBS review	- <b>GOG-DPs Dialogues:</b> CSOs represented in the SWG under the MDBS, and Consultative Group (CG) meetings	CSOs were represented the key GoG-DPs dialogue meetings including the 2011 MDBS review meeting, SWGs meetings	CSOs were represented the key GoG-DPs dialogue meetings including the 2012 MDBS review meeting, SWGs meetings	Target achieved
	District APRM Oversight Committees meetings conducted	- <b>APRM:</b> Formation of District APRM Oversight Committees across the country, consisting mainly of voluntary associations of civil society and public sector actors.	District APRM Oversight Committees meetings were conducted  40 districts collected data, analyzed and validated report	District Governance Assessments undertaken by District Oversight Committees in 30 districts.  Validation workshops carried out in all 10 regions of the country.	Target Achieved

Source: NDPC, ISODEC, MOFEP, and APRM Secretariat, 2012