CHAPTER 3

Monitoring Donor and IFI Support Behind Country-owned Poverty Reduction Strategies in Ghana

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I Introduction

This chapter presents the second of the country reports prepared under the Commonwealth Secretariat project to monitor implementation of the Poverty Reduction Strategy (PRS) process in Commonwealth countries. The report on Ghana was prepared by Professor Ernest Aryeetey, Director of the Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, and David Peretz, a senior consultant and adviser to the Commonwealth Secretariat. This case study was completed in June 2005.

In preparing the report, we drew on a number of previous studies. We held a series of discussions in Ghana with representatives of government, the private sector, civil society and development partners, including a workshop and a second series of discussions to discuss a draft of the report. We also had discussions with officials of the IMF and World Bank. The conclusions are, however, our own. We focus this report and its findings on a set of key issues and questions developed as a template for the series of country reports. With at the time of the Ghana study only three years' experience of implementation of the Ghana Poverty Reduction Strategy (GPRS), it was too early to say much about final outcomes and results. The focus of this report, therefore, is more on processes and intermediate outcomes.

The chapter is organised as follows. Section II describes the PRS process as it evolved and continues to evolve in Ghana. Section III examines issues to do with the strategy itself and its implementation. Section IV discusses the quality of support being given by development partners. Section V summarises key findings and recommendations.

II Evolution of the Ghana Poverty Reduction Strategy

Origins of the GPRS

The first Ghana Poverty Reduction Strategy (GPRS) was prepared by the Government of Ghana in consultation with the World Bank, the IMF and other development partners as part of the global initiative to introduce poverty reduction strategies within the development assistance framework. After three years of implementing the first programme under the strategy, an update of the GPRS was under preparation, and a first consultation draft was scheduled to be ready at the end of June 2005.

The first GPRS ('An Agenda for Growth and Prosperity') is a comprehensive policy document intended to guide and support growth and poverty reduction activities over the period to 2005. The document provides policies, programmes and projects judged by the various stakeholders to be essential in improving the development of the country on a sustainable basis through 'wealth creation for the benefit of all Ghanaians'. The document outlines strategies and targets to achieve growth and reduce poverty, first providing an overview of the macroeconomic situation, structural and social policies in support of growth and poverty reduction, as well as associated domestic and external financing needs, while identifying the major sources of finance. The GPRS is also intended to ensure that all Ghanaians have access to basic social services such as health care, quality education, potable drinking water, decent housing, security from crime and violence, as well as the ability to participate in decision-making.

It is important to underscore the fact that the adoption of the GPRS in 2003, reflects a series of activities associated with Ghana's long-term development ideals, relationships with donors or development partners and changes in global governance arrangements. In this section we discuss events leading to the preparation of the GPRS, the processes used for its preparation and an overview of its contents.

Long-term development strategies before the GPRS

One of the biggest problems that the economy of Ghana has faced in the last two decades has been the difficulty in dealing with adverse terms of trade shocks, which would suggest a major failure after almost two decades of macroeconomic reform. To tackle the problem, towards the end of the 1980s, the authorities began to consider various options for structural transformation that would make the economy more robust. A National Development Planning Commission (NDPC) was set up and charged with the responsibility of preparing a long-term development framework, to be implemented in a number of medium-term phases. This resulted in the development of a 'Ghana: Vision 2020' document, with a first medium-term plan that covered the period 1996–2000. This was done fully cognisant of the failures of the 1960s' attempts at long-term planning, which focused on significant public-sector participation and a determination not to repeat those mistakes. There was a desire to emulate what were perceived to be the indicative roles of the state in bringing about structural transformation in East Asia.

Various reports from both the Ghana government and independent sources have suggested that the implementation of Ghana: Vision 2020 was haphazard at best. The planning commission was poorly equipped to carry out the tasks assigned to it, and the decentralised public-administration system continued to function under a lot of strain as a result of both financial and other institutional inadequacies (NDPC, 2001). An important weakness related to the lack of clarity on the role of the district assemblies, as central government institutions continued to be the agencies for the most significant public expenditures on social and economic infrastructure, a fact which continued to affect the efficiency of such expenditures (NDPC, 2001). Despite rapidly rising capital expenditures in the 1990s, their impact on rural development and poverty reduction remained questionable (Wetzel, 2000). Moreover, progress was also set back by imprudent budget expansions prior to elections in 1996 and 2000.

In early 2000, the government began the process of putting in place a second medium-term programme (MTP) under Ghana: Vision 2020. After this process was launched, the government also agreed with its development partners to prepare a Poverty Reduction Strategy Paper in the new international spirit of putting in place PRSPs for developing countries. The domestic debate at the time among government officials and donors was whether to let the MTP inform the PRSP or vice versa. The view tended to be that the MTP reflected a broader development strategy, which should guide the PRSP. The two processes ran in parallel, with occasional consultations in order to inform both processes. Thus the Interim PRSP (I-PRSP) emphasised economic growth with integrated rural development; the expansion of employment opportunities; and improved access to basic public services such as education, health care, water and sanitation and family planning services. However, neither of these processes were completed before a change in government with the elections of December 2000.

The I-PRSP was perceived to have had very little local ownership in view of the major roles donors played in getting it started and supporting it. The document was also seen to have unrealistic implementation strategies and inadequate financing. Nonetheless, the authorities' attitude to a PRSP soon changed.

Factors leading to the adoption of the Ghana Poverty Reduction Strategy

Shortly after the 2000 elections, officials of the new government indicated, unofficially, that Ghana: Vision 2020 had been abandoned. While the government itself did not state categorically any position on the status of the Vision, this disregard for it soon became apparent. It is thought the new government perceived the processes relating to the Vision to have been politicised. What the abandonment of the Vision implied was that the preparations for a full poverty reduction strategy were also suspended.

The pressure for instituting a new PRSP came from donors, who conditioned debt relief through a HIPC programme on the pursuit of poverty-reducing activities on the basis of a PRSP. It may be noted that for several weeks after the new regime came into office, the government indicated that it was studying critically the issue of whether Ghana should opt for HIPC debt relief or not. This debate took place publicly for several weeks, with indications of clear division among government ministers and other politicians, and even among the public. Interestingly, the debate immediately ended with the visit of the UK Secretary of State for International Development in early 2001, which was largely perceived by the public to have given the government a strong signal that there would be no major assistance from development partners without a HIPC agreement. Since the HIPC agreement was predicated on a strong and acceptable PRSP, the National Development Planning Commission was once again given the instruction to prepare a PRSP. Thus, it was the need for immediate debt relief that eventually forced a new interest in developing a PRSP, but this time without the broader development framework of Ghana: Vision 2020 as its anchor.

Under the current strategy, the government has maintained that it is more focused on creating wealth by transforming the economy to achieve growth. This is more in line with the party's political ideology of having private sector-led growth in a market-based economy, although accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralised and democratic environment are also given emphasis. In the discussions for a second GPRS, the attention to growth has been strengthened even further and the 'G' in the acronym is being translated to mean 'growth'.

III Preparation and content of the GPRS

Both in the process for drawing up the GPRS and in its content, officials of the National Development Planning Commission sought to take into account the various weaknesses of earlier strategy documents. The document itself provides extensive discussion of poverty, and sets out strategies intended to ensure that macroeconomic stability and the framework for economic growth support poverty reduction.

For the preparation of the document, five core teams were established to manage the five thematic areas of the GPRS, namely: macroeconomy; production and gainful employment; human resource development and basic services; vulnerability and exclusion; and governance. The teams comprised representatives of appropriate government ministries, civil society organisations, non-governmental organisations, the private sector, development partners and some private individuals.

The NDPC maintains that the GPRS was formulated through a fairly transparent and participatory process as demanded by the guidelines of the international financial institutions (IFIs). This was to ensure ownership, transparency and accountability of the policy document. The process of the sequential preparation of the document by the NDPC was officially outlined as follows:

- Five core teams were established for macroeconomic issues, production and gainful employment, human resource development and basic services, vulnerability and exclusion and governance. This initial stage was based on the preliminary findings of a task force of consultants.
- Local-level consultations were held on dimensions of poverty and recommended solutions involving a sample of 36 communities in 12 districts and six administrative regions.
- Consultations were held among core teams and key agencies on analysis of data from local consultations and quantitative data-gathering exercises, leading to identification of priority issues and required actions for poverty reduction.
- A forum of civil society, private sector bodies, government agencies and development partners was held to review and harmonise priority issues and actions.
- A special forum for civil society was organised to validate priority issues and actions.
- A review and prioritisation was organised at the national economic dialogue, comprising representatives of development stakeholders in Ghana.

At the national economic dialogue, the conclusion was drawn that the GPRS document addressed the challenges facing the country with respect to poverty reduction and growth. The first draft of the document was made public in mid-May 2001, after key government agencies had looked over it and given their technical inputs. Other development stakeholders, including planning and budget staff of ministries, departments and agencies were also consulted for their contributions during a week-long training workshop on the process and content of the poverty-reduction policy framework. This was followed by discussions with development partners forming five working groups to comment on the first draft document in July 2001. Consultation workshops were held with several different groups including the Trades' Union Congress and Civil Society

Coalition, women's groups, the media, Ghana Association of Private Voluntary Organisations in Development, policy activists and independent think tanks. Other groups were the Ghana Employers' Association, the Private Enterprise Foundation, the Association of Ghana Industries, the Ghana National Chamber of Mines, the National Union of Ghana Students, the National Association of Local Governments, public ministries, departments and agencies and identified individuals in the development arena. After all of these consultations, the cabinet also reviewed the document.

The Finance and Public Accounts Committees of the Parliament of Ghana each held one-day workshops to deliberate on the draft GPRS. The final document was then laid before the entire parliament for approval. A forum for all political parties was also held to seek the views and comments of the various political groups on the GPRS. The president held a two-day meeting with all the ministers to discuss the content and scope of the draft strategy, as well as the expenditure shares for the administrative categories. Another meeting by the president and his ministers was held in January 2002 for review and costing of the GPRS, which was completed in February 2002 for inclusion in the 2002 budget statement. However, this initial 2002 GPRS was not properly prioritised and partners, not least the IMF, had a strong say in the production of a revised, prioritised version eventually adopted by the government, presented to parliament and endorsed by the boards of the IMF and the World Bank in 2003. There have been several discussions of the issue of ownership in relation to the stage at which the Bretton Woods institutions came into the picture and the extent of their involvement. There was often the argument among Ghanaians interviewed that the influence of the IFIs in prioritising the strategy was considerable, and did not necessarily reflect the national development priorities. The argument made by Jeffrey Sachs (2003) in Accra in this regard has been that the development partners only sought to achieve an outcome that was compatible with their resource envelope, without giving Ghana the option of seeking or developing additional resources for the task of sustainable development.

Turning to the content, the GPRS sets out a strategy for poverty reduction including: ensuring macroeconomic stability through prudent fiscal, monetary and international trade policies; increasing production and gainful employment through an enabling environment for improved private sector-led agro-based industrial production driven by the application of science and technology and the promotion of tourism; human development and provision of basic services through increased and improved access to and utilisation of basic services by the poor, especially in regards to health, HIV/AIDS control, population management, water and sanitation, education and training; special programmes for the vulnerable and excluded through the provision of resources and measures to promote gender balance and equity, expansion of the social security scheme coverage and introduction of mutual health insurance to cover a majority of workers; and good governance through the establishment and strengthening of the leadership and oversight functions of the executive and parliament.

Integration of the GPRS into the national policy-making framework

Fully integrating the GPRS into the national policy-making framework has proved a difficult and ongoing process. One set of difficulties is constitutional. The government sees the GPRS as the central medium-term strategy for development, supplemented by a range of sectoral and cross-sectoral strategies. The Co-ordinated Programme for

Economic and Social Development (CPESD), which is constitutionally mandated, might appear to be a rival process, although in practice it appears to have little operational significance (and it includes some actions to address poverty, such as housing, which are not, but probably should be, included in the GPRS). Moreover, the constitution makes clear what processes are to be used in generating development priorities, including the establishment of a decentralised planning framework, which matches a decentralised governance structure that promotes strong local government through partially elected district assemblies. It envisages that there will be district development plans, based on which national medium-term development priorities will be developed to form the basis of a medium-term expenditure framework (MTEF). In practice, the GPRS was initiated outside of the arrangements anticipated under the constitution and other development planning laws. As a result, the methods for linking it with other public planning were ad hoc, and often not clearly understood by implementing agencies.

Thus in practice the Government of Ghana developed an MTEF and its three-year medium-term priorities (MTPs) for the period 2002–2004 without any significant reference to the district assemblies. The process had to be fast-tracked in order to match the timing of the GPRS after it had already begun. The MTPs include consideration of

Box 3.1 Objectives of Ghana's medium-term priorities (MTPs)

- To open up the country, introduce competition and create an enabling environment for the private sector through the improvement of infrastructure. Activities that would facilitate the achievement of this objective included: the construction of major highways as well as link up with the trans-ECOWAS highway project and a major road to a productive area in every region in the country; acceleration of further development of ports through private-sector participation; improvement of telecommunication accessibility; and the increase of the availability of energy to boost industrial growth and production.
- To develop the country so that it would become an agro-industrial economy by the year 2010 through modernised agriculture based on rural development. The government hoped to achieve this objective through: land acquisition reforms for easy access and efficient land ownership and title process; assisting the private sector to increase the production of grains and tubers for food security, as well as cash crops through research services, irrigation and affordable credit facilities; and supporting the private sector to add value to traditional crops such as cocoa.
- To enhance the delivery of social services to ensure locational equity and quality, mainly with regards to education and health. This would seek to: change the educational system to facilitate uninterrupted education for all Ghanaians from pre-school to age 17; develop a model health centre and senior secondary school in every district in the country; and phase out the 'cash-and-carry' system for health charges payment.
- To ensure the rule of law, respect for human rights and the attainment of social justice and equity by strengthening the three arms of government – the executive, the judiciary and the legislature. This would be done through: support for the work of parliament; restructuring the civil service to ensure efficiency and effectiveness; strengthening the capacity of the Attorney-General and the judiciary; enhancing social order by improving the police service by equipping them with vehicles, communications equipment and technology, enhancing their training and increasing their numbers; and ensuring transparency and accountability in resource generation, allocation and management.
- To strengthen the private sector in an active way to ensure that it is capable of acting effectively as the engine of growth and poverty reduction.

infrastructure, modernised agriculture based on rural development, enhanced social services, good governance and private-sector development. The objectives of the MTPs appear to be to a degree aligned with those in the GPRS, but the match is by no means perfect.

The guidelines for the MTPs were prepared through consultation between the NDPC, responsible for the GPRS, the Budget Division of the Ministry of Finance and the medium-term expenditure framework secretariat. Implementation of the GPRS was intended to assist in achieving the medium-term priorities, and a large part of the GPRS was to be funded under the MTEF, assuming convergence between the GPRS and the MTPs.

In practice, while a degree of convergence may exist, this has proved difficult. A number of the ministries, departments and agencies (MDAs), including health and education, concede that it has not been easy to align their programmes under the MTEF with the framework of GPRS – a process made even more difficult with operational problems of the MTEF. There are also disconnects in the further process of linking the MTEF with annual budgets. In short, linking the GPRS to the budgetary process has been problematic, although MDAs suggested that they were beginning to get a handle on the problems by the time the Ghana study was undertaken.

Progress in implementing the GPRS: annual progress reports

The implementation of the GPRS started in 2002 (before final adoption of the strategy in 2003) with the understanding that it would be updated regularly by relying on the contents of a comprehensive monitoring and evaluation system and leading to an annual progress report (APR). The monitoring and evaluation exercise was expected to inform Ghanaians about whether targets were achieved or not, so that corrective action could be taken well before the end of the GPRS period, if necessary. The APR provides a framework for the systematic review of the GPRS programme and project implementation, as well as their impact on socio-economic development for the year. It also provides feedback for future policy-making and implementation. The APR uses the MTPs, and the relevant 52 indicators identified in the GPRS monitoring and evaluation plan, as its main frame of reference. The APR also comments on the status of the GPRS-based triggers and targets for assessing performance in the donor support programmes, such as the Poverty Reduction Support Credit (PRSC); the Multi-Donor Budget Support programme (MDBS) and the Poverty Reduction and Growth Facility (PRGF) as well as for meeting the floating targets for the HIPC completion point. The APR assesses performance in achieving the Millennium Development Goals. It uses earlier surveys by the Ghana Statistical Service (GSS), as well as two new surveys conducted by the GSS in the first quarter of 2003, the Core Welfare Indicator Questionnaire (CWIQ) and the Ghana Demographic and Health Survey. At the time of the country report highlighted here, Ghana had had two APRs, for 2002 and 2003.

The first APR in 2002 focused on the implementation of the medium-term priority programmes, mainly consisting of sector programmes and projects and concentrated on the establishment of baseline data to form the basis for future monitoring and evaluation. The 2003 report provided a more comprehensive assessment of progress. As pointed out by the Institute of Statistical Social and Economic Research (ISSER, 2005), the major challenge of the APRs is the lack of consistent and reliable data and the lack of harmonisation in data from the various sector ministries, departments and agencies that provide inputs for the APR. Other challenges include: problems related to accuracy and timeliness of data from primary and secondary sources; lack of motivation for staff in the MDAs and districts to institutionalise the collection and provision of data; infrequent national outcome/impact surveys by the GSS due to inadequate resources; and the challenge of reporting on multiple indicator/trigger achievements for a number of programmes, such as the GPRS, MTPs, PRSC, MDBS, HIPC and MDGs.

In fact evidence of the impact of the GPRS on the composition of the budget has been reasonably strong in some respects, but less so in others. According to government budget figures, the budget allocation for administration declined from 19.79 per cent in 2002 to 14.84 per cent in 2003, which was close to the GPRS target of 14.2 per cent. The social-service sector allocation increased consistently to 38.67 per cent from the beginning of the implementation of the GPRS, which was slightly higher than the GPRS target of 38.1 per cent. The social-service resources increase translated into an increase in the allocation to the vulnerable and excluded, education and health, emphasising the importance of social-service access and delivery as the core of the GPRS. Expenditure on infrastructure increased from 11.64 per cent in 2001 to 17.2 per cent in 2002, and declined to 15.5 per cent in 2003, which was lower than the projected GPRS target of 17.2 per cent. The allocation for the public-safety sector, however, increased from 9.67 per cent in 2002 to 11.52 per cent in 2003, exceeding the GPRS target of 11.1 per cent. The government saw the increased allocation to the public-safety sector as reflecting the importance of upholding the rule of law, public order and safety as major pillars of the GPRS. On the other hand, the allocation to economic services declined by almost 50 per cent, falling from 18.02 per cent in 2002 to 9.06 per cent in 2003: as this includes expenditure on agriculture (about half), this drop may have had significant negative implications for the poverty-reduction programme.

Experience with GPRS outcomes

By the time the Ghana study was conducted in 2005, it was still much too early to make a proper assessment of the success or failure of the GPRS in terms of final results. This country report therefore focus mainly on issues of process and intermediate outcomes.

Box 3.2 Institutional arrangements for monitoring and evaluation

The National Development Planning Commission (NDPC) is the main institution responsible for the monitoring and evaluation of the GPRS. It is supported by the National Intra-Agency Poverty Monitoring Groups (NIPMG), the GPRS Strategic Environment Assessment Group, the GPRS Dissemination Committee and the Poverty and Social Impact Assessment, Technical and Advisory Committees.

The NIPMG involves five groups based on the GPRS thematic areas. The groups are intersectoral and involve both governmental and non-governmental representatives selected for their knowledge of the respective thematic area. The members are from the policy, planning, monitoring and evaluation divisions of the various MDAs, Development Agency staff, the GSS and selected researchers. Their functions include highlighting the importance of monitoring and evaluation of the GPRS within the relevant MDAs; providing data towards an update of the selected indicators and policy interventions; and reviewing and validating data, as well as policy recommendations.

Nonetheless, the following paragraphs seek to identify some of the achievements identified in the report.

In the short- to medium-term (2003–2005) real GDP growth was expected to rise from 4.7 per cent in 2003 to about 5 per cent in 2005; agricultural growth from 4.1 per cent per annum in 2002 to 4.8 per cent per annum by 2005; and the service sector was expected to have a growth rate of 5.1 per cent in 2005 relative to the 4.7 per cent growth rate in 2002. An inflation target was set at 5.0 per cent in 2005, with credit to government targeted to decline from a growth rate of 32.5 per cent in 2002 to 0 per cent in 2003 and −7.7 per cent in 2005. All the above targets were set with an underlying assumption that there would be no sustained domestic and/or external shocks.

At the time of writing, the macroeconomic indicators showed macro stability to be on track. The 5.2 per cent growth rate of GDP in 2003 exceeded the target of 4.7 per cent set at the beginning of the year and the 4.9 per cent target of the GPRS. In 2004, GDP growth was 5.8 per cent, which was 0.6 percentage points higher than the expected growth. The domestic debt/GDP ratio decreased from 29.1 per cent in 2002 to 22.6 per cent in 2003 and partly contributed to a reduction in inflation and a decline in interest rates. Growth of credit to the private sector also increased from −11 per cent in 2001 to 37.5 per cent in 2003. The budget deficit declined from 6.8 per cent in 2002 to 4.9 per cent of GDP in 2003, against a target of 4.3 per cent. The inflation rate was at 23.6 per cent at the end of 2003, against a target of 9.0 per cent, due to a 90.4 per cent increase in petroleum prices at the beginning of 2003. This went up again in 2004 (see table 3.1 for a summary of Ghana's macroeconomic situation.)

The annual progress reports provide some information on the development outcomes. The proposed outcomes from the GPRS can be looked at from the point of view

Table 3.1: Macroeconomic trends under GPRS I

Indicator	*2002*	*2003*		*2004*	
(% unless otherwise stated)	*Actual*	*Target*	*Actual*	*Target*	*Actual*
National GDP					
Nominal GDP (¢ billion)	47,764	65,262	66,158	77,620	79,803
Real GDP growth	4.5	4.7	5.2	5.2	5.8
Real per capita GDP growth	1.9		2.5		3.1
Sectoral growth rates					
Agriculture	4.4	4.5	6.1	6.0	7.5
Industry	4.7	5.1	5.1	5.2	5.1
Services	4.7	4.9	4.7	4.7	4.7
Fiscal indicators					
Domestic revenue/GDP	20.7	21.3	21.4	22.4	23.8
Domestic expenditure/GDP	18.5	19.0	18.8	20.7	23.1
Tax revenue/GDP	17.9	19.2	19.6	21.5	21.8
Primary balance/GDP	2.1	2.3	2.5	1.7	0.7
Overall balance/GDP	−5.3	−3.3	−3.4	−1.7	−3.2
Net domestic financing/GDP	4.9	0.0	−0.004	−2.2	0.5
End of year inflation %	15.2	9.0	23.6	10.0	11.8

Source: Compiled from Bank of Ghana, Statistical Bulletins of hardware or infrastructural benefits or from the software perspective, namely, improvements in quality and coverage in service delivery. The strategy prioritised some projects for immediate execution. Notable among these were the construction of feeder roads, the West Africa Gas Pipeline project, modernisation of agriculture via irrigation and storage facilities, agro-processing and establishment of agri-business zones. Under human resource and provision of basic services, education, health and water and sanitation received the most attention, re-echoing the HIPC priorities. The 2003 APR presented achievements to that date on the GPRS targets.

For instance, the government proposed under the education component to establish one model secondary school in each district. A total of 48 billion new cedi (¢) were disbursed for the model senior secondary schools in 2003. There was a significant increase in the gross primary enrolment rate (GPER) in the three deprived northern regions. The GPER in the Upper West Region increased by 6.5 per cent from 63.1 per cent in the 2001/2002 academic year to 69.6 per cent in the 2002/2003, exceeding the GPRS target. For health, the main activity was to abolish the 'cash-and-carry' system and replace it with a health-insurance scheme. Although the scheme was launched in March 2004 and a registration exercise begun, there were several newspaper reports about the considerable difficulty experienced in getting the scheme off the ground, largely as a result of poor management in districts. It is also likely that financial commitments were too low.

Community water and sanitation received a large boost from an acceleration of the provision of rural water through HIPC support. To improve access to safe water in rural and peri-urban communities, with emphasis on guinea-worm endemic areas, 1,290 new boreholes were constructed, 115 boreholes were rehabilitated, 61 new hand dug wells were constructed and 65 small community/town pipe systems were completed. It may be observed, however, that water charges have gone up considerably, particularly for poor urban households without access to their own domestic connections who have to pay for each bucket of water fetched from neighbouring houses. Together with those who pay for truck deliveries, such households were reported to be paying about 65 per cent more for water than other households.

Under governance, the priorities included providing logistics and increasing the police force; the passing of the Local Government Service Bill and the National Procurement Code Bill; and establishing an ad hoc committee on poverty in parliament. Several activities were ongoing at the time of the report that were intended to improve the general framework for safeguarding freedoms as well as promoting transparency, accountability and safety in the country. Capacity development is being carried out in the police force in the form of recruitment and training, new equipment and expansion in coverage of services. In the meantime, the Local Government Service Bill and the Procurement Bill have both been promulgated into law. A Ghana anti-corruption coalition has also been formed to stamp out corruption.

For vulnerable and excluded groups, the GPRS proposes to improve the quality of life of people living with HIV/AIDS, orphans and the physically handicapped, as well as improving services for women and children. The Women and Juvenile Unit of the Ghana Police Force is benefiting from several training programmes to prepare staff for the task of handling victims of domestic violence and child abuse in general. HIV/AIDS has created a new category of vulnerability in the country, and Ghana has embarked on an AIDS treatment project. At the time of writing, only 2,000 people living with HIV/AIDS (PLWHAS) could be supported on the programme, out of an estimated 29,000 who needed treatment.

Irrigation had improved only slightly for the period of the GPRS under examination, expanding by an additional 1,200 hectares of land. This was a very modest step given the central importance of improved irrigation in the agriculture sector. Indeed, it is clear that not much structural change will be forthcoming without a major transformation of agriculture, and irrigation is central to that process. In the roads sector, marked improvement was recorded in the routine and periodic maintenance of feeder roads, achieving 88.8 per cent of targets in 2003 compared to 53.8 per cent in 2002.

In terms of the ultimate objective of poverty reduction, however, the evidence of the report is mixed. According to the GLSS3 and GLSS4 household surveys, the national incidence of poverty fell significantly between 1991/1992 and 1998/1999. The CWIQ1997 and CWIQ 2003 surveys, as well as recent data on macroeconomic trends, seemed to confirm the overall trends reported in the GLSS3 and GLSS4. However, statistical analyses show that the decline in poverty has been concentrated in specific localities (Accra and the rural forest region) and also within particular economic activities (notably, export-oriented sectors and commerce). Similarly, there is some evidence to suggest the deepening of poverty in the northern savannah regions (Coulombe and McKay, 2004).

A new GPRS

Around the time of this study, and after nearly three years experience with implementing the GPRS, the Government of Ghana began developing a new GPRS for the period ahead. This was an important opportunity to learn from any weaknesses in process and content from the initial GPRS. The NDPC expected to produce a consultation document by the end of June 2005. (In fact the document was not ready then, but was expected to be out within a few weeks of the completion of the Ghana country report). It is important to underscore the fact that in the exercise of putting together an update, the process of consultation was quite similar to the first. The use of cross-sectoral planning groups (CSPGs) was maintained and the thematic areas were reduced to give the document a sharper focus. Thus, in the update, the discussion of 'macroeconomy' and 'production and gainful employment' were merged to generate synergy. Environment and gender, as cross-cutting issues, are also strongly emphasised. A validation workshop on the first full draft was held at Sogakope on 30 April 2005 and regional and district consultations began May 2005. In discussions with the NDPC, we observed the strong intent to merge the GPRS with the CPESD, thus solving the problem of possible duplication and also strengthening parliamentary accountability.

IV Quality of the GPRS and its implementation

This section seeks to answer a set of key questions about the nature and quality of the GPRS process. We focus on the whole process – including GPRS documents, the process of drawing them up, strategy implementation and including the link with budget and other government processes – not just on the GPRS documents themselves.

Ownership

A central question is how far the GPRS is seen and accepted – by the Ghana's government, parliament and other country stakeholders – as a country-owned and country-driven strategy? Or is it seen as just another requirement for qualifying for external assistance? Different stakeholders were found to have different perceptions, and in this section we seek to explain reasons for the differences.

ISSER (2005) argues that the process of developing the GPRS and the results of the process are generally perceived to be satisfactory. It notes, however, that while extensive consultations were held prior to the issuing of the document, these were generally among selected bureaucrats, CSOs and donors. In its study, the ISSER observes that many stakeholders believe that consultations should have been extended to local government bodies in a more structured way (as required by the constitution) and also to other members of society in order to foster ownership. Only 12 out of 110 districts were consulted on a draft document. ISSER (2005) observes from fieldwork material that:

> **'At downstream levels there is less confidence about the success of the participatory process. ... respondents selected from elite and non-elite groups[1] in focus-group discussions held in all ten regions of Ghana indicate lower levels of awareness and consultation, especially among the non-elite groups compared to the elite group. For example, non-elite respondents from Eastern and Central Region reported little or no knowledge of the GPRS, let alone make some input. They generally blamed decentralisation problems such as dormant unit committees, assembly members' inability to report to communities and poorly organised durbars for GPRS dissemination as some bottlenecks hampering the GPRS participatory process.'**

Table 3.2, below, captures the types of consultation undertaken in relation to the initial GPRS.

In our own discussions with stakeholders, we observed a strong perception that the initial GPRS was developed in haste for PRGF and HIPC purposes. We also found the perception that development partners, including the IFIs, played a particularly strong role at a late stage in the process when priorities were being set.

Within government, there was initially little involvement of sector ministries – their involvement was often described as limited to one or two persons representing the institution at meetings to discuss documents already prepared and not having been previously discussed at the ministry, department or agency. At the same time, while many ministries, departments and agencies (MDAs) were invited to attend meetings to discuss their sectors, they themselves were not required to develop arrangements for an internal discussion of the GPRS, leading to initial discrepancies between their own programmes and the GPRS. We observed that as the GPRS developed through progress reports, the sector ministries felt their strategies were fully included – so that by the time of the report there was reasonably strong ownership across government, as well as in the Ministry of Finance and Economic Planning (MoFEP) and the National Development Planning Commission (NDPC).

Turning to participation and ownership outside central government, we have already noted the limited engagement of local government and district assemblies, an important gap since many of the actions have to be delivered at the district level.

Table: 3.2 Chronology of early consultations by activity

Activity	*Participants*	*Date*
Conceptualisation forum	Cross section of stakeholders on poverty reduction	March 2000
Launching of GPRS process	Cross section of Ghanaian Society	July 2000
Core teams orientation forums	Core teams	August 2000
Community, district and regional consultations	Community groups, district and regional representatives	Oct.–Nov. 2001
Harmonisation	Core teams, CSOs, private sector, development partners	March 2001
Special Forum for Civil Society (as input into the National Economic Dialogue)	Civil society organisations	May 2001
National Economic Dialogue	Cross section of Ghanaian Society	May 2001
Linking GPRS to annual /MTEF budget	MTEF, Budget Division/ Ministry of Finance	June 2001 to date
Presentation on draft GPRS	Development partners	3 July 2001
GPRS instructional workshop for MDAs	MTEF sectional groupings	23–27 July 2001
GPRS consultation workshop	Chief directors, MDAs	2 August 2001
Calls for comment	Divisional directors, MDAs	8 August 2001
GPRS consultation workshop	NGOs and religious bodies	10 August 2001
GPRS consultation workshop	Labour unions and civil society	17 August 2001
GPRS consultation workshop	Policy advocacy groups and think tanks	20 August 2001
Review workshop	Think tanks, research institutions and policy activists	20 August 2001
Calls for comments	Professional bodies & NUGS, NUPS	24 August 2001
Calls for comments	PEF, AGI, GNCCI, NBSSI[2]	24 August 2001
Calls for comments	Core teams for GPRS	24 August 2001
Calls for comments	National Association of Local Governments	24 August 2001
Calls for comments	Gender networks	31 August 2001
Calls for comments	National Association of Local Governments	24 August 2001
GPRS consultation workshop	Women's groups and media	31 August 2001
Consultation and training workshops	Budget officers, Ministry of Finance	4 Sept. 2001
Policy review workshops with MTEF/ Budget Division	Admin. Group A, Economic and Public Safety Groups	17–18 Sept. 2001
Policy review workshops with MTEF/ Budget Division	Social, Infrastructure and Admin. Group B	19–20 Sept. 2001
GPRS/MTEF cross-sectoral meetings	MDAs	October 2001
Policy hearings	MDAs	10–12 Oct. 2001
Retreat	Parliament	25–27 Oct. 2001
Budget hearings	MDAs	29 Oct.–2 Nov. 2001
Finalisation of draft estimates from MDAs	Ministry of Finance	13–18 Nov. 2001
Review of draft estimates	Cabinet	November 2001
Review of budget with GPRS priorities	Parliament	30 Nov. 2001
Regional and district workshops	Regional & district personnel, CSOs, NGOs	June–December 2001
Stakeholders Forum on draft	Cross section of Ghanaian Society	14 March 2002

Source: GPRS document, pp. 9–10

Parliament is formally engaged in the process, but in practice engagement has not been active. As noted above, participation by other stakeholders in the original process of drawing up the GPRS was extensive, but carried out more on a 'headcount' basis and lacking in substance. The government seemed more anxious to show which civil society organisations participated than in the substance of their participation. Some civil society organisations indicated that they did not have enough time to consider the proposals that were discussed. All commented on the inadequate level of consultation on the macroeconomic framework. Neither did the private sector have much engagement in the process. There were also some doubts about whether enough time and space had been left for more effective consultation on the GPRS that was in preparation in 2005. The effectiveness of the National Economic Dialogue process for generating participation requires some more thinking through.

Other studies[3] have also noted similar shortcomings, summarised below:

- The short GPRS timetable limited the depth and breath of consultation and participation
- The preconceived ideas of the core team dominated decision-making, at the expense of grassroots opinion
- There was a desire to achieve particular outcomes that would satisfy donors
- There was a general lack of active involvement of parliament
- There were difficulties in co-ordinating the MDAs' involvement

While the 2005 GPRS provided an opportunity to address these shortcomings in the consultation process, it is not obvious that the opportunity was properly utilised. We stress, in particular, the need for more engagement with the private sector, including small businesses (and including agriculture), and with local government. More broadly, there is more to be done to develop a national consensus on the approach to development and poverty reduction – and this will require explicit political leadership and endorsement of the new GPRS from the top. There is still a widespread impression that the first GPRS was 'written' in Washington. Indeed, there has been concern that the document presented by the minister to parliament for approval had had far too much influence from the World Bank and the IMF. In our discussions with development partners, some indicated that they were seeking to stand back to give the government more space to make its own decisions. At the same time, recent changes in Washington procedures should help reduce the impression that the strategy needs to be 'approved' by the World Bank and IMF boards. Despite this, we observed from comments at our validation workshop to discuss the initial draft of the report that there was still a strong perception that the process of updating the GPRS was suffering from the earlier haste after a late start to the process. As noted earlier, consultation with selected local government bodies took place after a draft had been completed, and this did not reflect adequately the bottom-up process envisaged in the planning laws. The level of consultation with MDAs also attracted criticism, as did the engagement with civil society and the private sector. It was not so much a question of whether they were invited to meetings or not; it was more a question of how adequately prepared all parties were to engage in fruitful discussions on what the contents of the document should be. The consensus appeared to be that little time was left for that, leaving all the parties poorly prepared. The availability of data to all parties was also questioned.

A point worth noting from the various consultations that were documented on the GPRS was the frequent claim by several groups of stakeholders that they were neither consulted during the preparation of the GPRS nor had they seen the document. The best illustration of this was when a Minister of State said at a meeting of parliament's Appointments Committee that she had not seen the GPRS document. The NDPC responds that consultation was quite wide, which is indeed true. However, it was not wide enough to reach every part of Ghana. It would be desirable to expand outreach and education across the country in order to make all Ghanaians familiar with the contents of the strategy. Getting civic education groups to discuss the document is essential.

National framework or a basis for accountability to development partners?

Underlying many of the issues discussed above is the question: is Ghana's Poverty Reduction Strategy primarily a national framework for guiding policy action, or is it first and foremost an instrument of accountability to the BWIs and other development partners? All those we consulted – government, civil society and donors alike – were clear that the GPRS should be a national document, for which the government is nationally accountable. Donors, however, as well as others were very much aware of the risks of accountability being more to development partners than to a domestic audience, with domestic accountability mechanisms relatively weak and the MDBS group providing a vigorous forum for external accountability. In this context, there was broad support, including from development partners, for efforts to strengthen domestic accountability and the role of parliament in particular. Civil society organisations could play an important role here, interacting with parliament and providing parliamentarians with the material and assistance they need to exercise their oversight role. One donor told us he hoped to see the day when donors would first learn of government policy decisions when sitting in the public gallery of parliament – a hope that we share.

An important related issue is the role of the National Development Planning Commission in preparing the GPRS and monitoring implementation. In discussions during the Ghana study, concerns were expressed about the position of NDPC within government, and the quality of its permanent staff and heavy reliance on consultants. If the GPRS is accepted as a central function of government, providing a framework of accountability to parliament and people, then the process needs strong political leadership and very close integration (as discussed below) with the medium-term and annual budget process. This suggests the need for some repositioning of the NDPC and its work within government, to achieve a closer link with MoFEP on the one hand and on the other, stronger and more active political sponsorship of its work, and the GPRS process, in cabinet and at the highest level. It was strongly suggested during consultations that the MoFEP should be more closely involved in economic management, with a stronger analytical role complementing the strategic thinking role assigned to the NDPC. This means that the Policy Analysis Division of MoFEP needs considerable strengthening in order to backstop the GPRS process, at the same time that NDPC is strengthened with the requisite technical skills for undertaking strategic planning. Equally important is the need for government to signal its commitment to the work of NDPC by according it a higher status in the decision-making arrangements of the state and ensuring it has staff of sufficiently high quality. It is also necessary that the documents of the Commission receive greater attention in cabinet. These are important in showing that commitment to GPRS is total and not just a way of meeting donor requirements.

Nature and quality of the GPRS: what improvements have been made and what further improvements could there be?

The GPRS seeks to address problems that most Ghanaians can identify with. That makes its goals relevant. Indeed, the five areas that were selected for increased policy focus and public expenditures have not been much contested. As was earlier indicated, what has often been raised is the issue of whether adequate emphasis was placed on accelerating growth as an important precondition for poverty reduction. There is no doubt that considerable emphasis was placed on macroeconomic stability. The question is more: was enough made of the possibilities of generating more rapid growth based on a more stable regime? While the GPRS mentions 'production and gainful employment' there is very little by way of a clear policy framework towards achieving that. Indeed, many donors complained of the initial GPRS strategy document being a shopping list that failed to associate particular outcomes with the proposed policy/project interventions.

We thought this a valid criticism, and hoped that without losing the progress made in focusing more attention on key social investments in health, education, water and establishing a poverty monitoring system, the 2005 GPRS would give more attention to policy actions needed to strengthen growth. We believe stronger involvement of the private sector in drawing up the strategy is going to help. This report also highlights that key policy components are likely to include improving the climate for doing business, modernising relevant laws and removing unnecessary regulations on businesses, providing the basic infrastructure needed – roads, port facilities and irrigation – and acting to strengthen the financial sector to make more finance available – especially to small businesses.

In the long term, the key issue is how to get over the various structural bottlenecks to doing business in Ghana. Attention will have to be focused on using public policy and institutions to facilitate the functioning of markets, including financial, land and labour markets. It is worth pointing to the fact that in a number of recent studies on the economy of Ghana and pro-poor growth (Aryeetey and McKay, 2004) emphasis has been placed on enhancing economic management with a view to achieving the synergies that are inherent in the relationship between the public and the private sectors. This is also emphasised in the study by Booth et al (2004) on the 'drivers of change' in Ghana.

In addressing some of the issues above, we note that in the 2005 GPRS the focus on growth led to greater attention to private-sector development. For many of the stakeholders, a key issue was how best to bring down interest rates from well above an average of 25 per cent to manageable levels. Noting that the Bank of Ghana's prime rate had come down somewhat at the time of writing, hitting 16.5 per cent in May 2005 from 18 per cent, the issue remained what it would take to bring the general level of rates down further and bank lending rates closer to the prime rate. This is tied to the maintenance of fiscal responsibility, even as public expenditures must expand in order to deal with large-scale poverty. While some stakeholders called for public policy in allocating credit to small borrowers, there were indications that removing the structural constraints to the operations of financial institutions would be of immense help in getting credit to small and micro-enterprises. Beyond the issue of credit, however, there are several other structural constraints that need to be tackled in order to facilitate private enterprise growth, including entrepreneurship development.

How well is the strategy being implemented?

There is a growing awareness both in government and among development partners that however good the strategy document is, and however well conducted the preparation process, it is worthless unless it is implemented effectively. This recognition – that it is the whole PRS 'process' that matters much more than the PRSP itself (however well written) – is welcome. The process encompasses or should encompass links with sector strategies and action plans, the annual PRS reviews, agreement each year on a policy assessment framework (PAF) and revised medium-term expenditure framework, the annual budget process, and also implementation and results achieved on the ground.

Here, as noted in section II, we see grounds for concern about apparent disconnects between the GPRS and the MTEF, and between the MTEF, the MTP and the budget. Underlying these are concerns about the quality of basic budget and financial management. As discussed in section V below, some of the problems are the result of donor practices. However, it will also take focused government efforts to address them. Many stakeholders were concerned about what they saw to be an uncertain link between the budget and the GPRS activities or programmes, and some identified errors in budget arithmetic designed to demonstrate the link. For a number of reasons, it was difficult to track through from GPRS to decisions set out in the MTEF, MTP or the budget, and some have claimed to find little relationship. Meanwhile, there is a perhaps even more serious concern about uncertainty between budgetary items and actual expenditures on poverty-reduction items. Killick (2004) reports that actual expenditures in health and education deviated markedly from the approved budget. This is attributable partially to other inflows that were not recorded in the budget, largely from donors under sector-wide approaches (SWAps). However, the difference between what was actually spent from government sources and the budget was also quite sizeable, which was attributed to substantial leakages from the system as a result of poor financial management. This situation arose in spite of several attempts to overhaul the system of financial management with assistance from donors.

A World Bank review of public expenditure management identifies the issues that need to be addressed, and suggests a number of important reforms. The first problem is that the budget is highly fragmented and incomplete. Expenditure financed by HIPC debt relief, a number of statutory funds and departmental internally generated funds are outside the budget altogether. We recognise new efforts are being made to address this problem. In addition, despite efforts to improve reporting, many donor project grants remain outside the budget; and expenditure on personnel emoluments is protected. The result is that around 60 per cent of primary public expenditure is not subject to the normal discipline of annual budget decisions, and around 50 per cent falls outside the consolidated fund. A second problem is that the budget is set out in a manner – with much detail and largely activity based – that makes it hard to assess links with the programme priorities set out in the GPRS. The MTEF, which might be expected to provide a link between the GPRS and the budget, has similar shortcomings. It excludes around 60 per cent of primary spending. And while it provides a high level of detail – running to several volumes – it does not group spending into programmes, so it is hard to track the relation with programme priorities as set out in the GPRS.

The final challenge in the public financial management system is to implement better auditing and tracking systems to ensure that budget allocations are used effectively, and reach the front line services they are intended to fund.

Addressing these challenges effectively is a crucial element of creating an effective PRS system and achieving growth and poverty reduction in Ghana. In addition to actions by government, it will require a number of changes by development partners – discussed in the next section – either to move away from project finance or to ensure that their project spending is fully integrated and reported in the national and sectoral budgets. The government recognises the changes that need to be implemented. Recent legislation – the Financial Administration Act, Internal Audit Act and Public Procurement Act – gives the government the powers it needs – for example, to collect project-spending information from development partners; however, that legislation needs to be implemented. Similarly, the new computer-based financial management system (BPEMS), when rolled out, has the potential to produce the right kind of programme-based expenditure forecasts and outturns – but it will be important to use it to do so.

There are other key issues relating to the annual budget process that will need to be addressed if the GPRS strategy is to be implemented more effectively. First, it is important to strengthen the link between the GPRS and annual progress reviews (APR), and the annual performance assessment framework (PAF) negotiated with the IMF and MDBS group of donors. Ideally, the PAF should derive directly from the APR – indeed the two documents might be merged. If they are, it will give the right signal about the appropriate status of the PAF: it should be seen as a statement of government commitment to policy action over the year ahead, and should perhaps be presented to parliament as such, not as a negotiated document.

Second, there is a need, as the government recognises, to greatly strengthen economic management capacity at the MoFEP and national statistical office. The government needs to be able to make its own calculations and forecasts of GDP and growth, revenues and expenditures – rather than rely on the IMF as it does at present – and so determine the fiscal parameters for annual budget decisions. This is unlikely to be achieved without raising pay levels for professional staff sufficiently to recruit individuals for the MoFEP and statistical service with the right levels of competence.

In summary, we believe an effective 'GPRS system' should include the following elements:

- A PAF that relates directly to the GPRS and APR, seen as a statement of government policy intent, rather than as a document negotiated with donors.
- An MTEF and an MTP that includes all relevant expenditure, including donor-financed projects, showing expenditure by programmes aligned with the GPRS.
- Sufficient macroeconomic management capacity at the MoFEP and elsewhere for the government to make its own decisions about the macroeconomic constraints affecting budget decisions.
- An annual budget that also includes all relevant expenditure, again showing expenditure proposals and outturns by programme, aligned with the MTEF and GPRS.
- Arrangements for auditing and tracking to ensure that spending is productive and reaches the front line services for which it is intended.
- A logical annual sequence of decision taking, starting with the GPRS annual progress report, leading to a revised MTEF, with the first year of the MTEF set

out in more detail in the annual budget proposals. The process should run throughout the year.

V Quality of support given by development partners

This section assesses the support being given to Ghana by development partners – both multilateral organisations and bilateral partners. Have they given appropriate support to the PRS process, while leaving the government the space it needs to set national priorities? Have partners acted to align their support behind the priorities set out in the GPRS? Are they moving to improve the effectiveness of their support, reducing administrative demands on government and implementing global agreements to harmonise donor procedures and practices?

Support for preparation and review of the GPRS

For the most part, external support for the GPRS process has been appropriate, both for the original GPRS and the one in preparation at the time of the present study. By this we mean that for the most part external partners appeared to be ready to stand back and let the government set its own priorities for growth and poverty reduction, giving advice and support when asked; and that in general advice when given – as in the IMF/World Bank Joint Staff Assessments (JSAs) of the GPRS and annual progress reports – has been on target.

However, practice has evolved over time, and there are differences between practice at the sectoral level and experience with the GPRS itself. In retrospect, it seems clear that the priorities adopted in 2003, with heavy emphasis on social-sector spending in education and health (and much less emphasis on support for private-sector development, including agriculture, infrastructure or for areas such as social housing) closely reflected what were seen as donor priories at the time and actions seen as necessary to secure HIPC debt relief. With successive annual progress reports and the preparation of the 2005 GPRS, a more balanced set of priorities began to emerge; partners also stood back much more – providing finance for technical assistance but limiting, if not totally avoiding, involvement in policy debate.

To some degree there was a similar evolution with respect to sectoral strategies. In education, for example, as the government has developed and adopted its own education sector strategy it has been able to move from a situation where partners were largely setting the agenda to one where the government sees itself as setting the agenda, and having considerable, if not yet complete, success in persuading donors to support government priorities.

Nonetheless, **we draw attention to a range of more specific points, including some comments on individual partners.** The World Bank has rightly pointed to the need for the Government of Ghana to strengthen its budgeting and public expenditure and financial management systems as critical, but has also tried to stand back, to give the government space to set its own objectives in the GPRS, and has encouraged other donors to do the same. It has helped that the Bank local office is resourced to make a substantial contribution in supporting the process and to be influential in determining the scale and nature of the Bank's support.

The IMF has been trying to strengthen the capacity of the Ministry of Finance and Economic Planning to set its own macro framework. There is the concern, however, that current arrangements by which IMF staff take responsibility themselves for carrying out the calculations and financial programming exercise, rather than insisting that the MoFEP takes on this responsibility itself, may undermine the efforts to achieve significant ownership. There are clearly only very limited numbers of professional staff at the MoFEP with the necessary technical capacity. This can and must be addressed by recruitment and training – and by more effectively using and developing those staff who have received training, for example at IMF-run courses in Washington. A general perception that the quality of external consultation on the macro framework has been significantly lower than in other policy areas could also reflect a relative weakness of government capacity in this area. The very small size of the local IMF office, and its dependence on backup from Washington, has limited its ability to interact locally, though the office does all that is possible with the resources available.

Other partners, including the UNDP and several bilateral donors, have been providing significant technical support for the process – indeed without this it is hard to see how the NDPC, which is poorly resourced, could do its job of producing the GPRS. However, as noted above, this is a second best substitute for strengthening the permanent capacity of the NDPC.

At the sectoral level, where GPRS priorities are linked with detailed sector action plans, partner involvements were found to be rather close. The Ministry of Education and Sports, for example, has general co-ordination meetings with donors every two months, and monthly meetings with donors of four separate thematic groups. Where partner inputs provide useful technical support – for example, providing information about approaches that work in other countries – this can be helpful. However, while progress is being made in the right direction, not all partners yet accept that there is a single national education strategy that they support. While some are prepared to support the strategy, either with finance channelled through the budget or through the education basket fund, others still seek to impose their own priorities by offering funds that are earmarked or to be channelled to individual projects that would not otherwise be on the government's priority list.

Despite the general growing willingness of partners to give the government the space it needs to make its own decisions in the GPRS, and the clear adoption of the GPRS as the present government's central medium-term strategy for growth and poverty reduction as mentioned above, the perception persists that the strategy in some sense has to be approved in Washington. Indeed, we were told that the initial GPRS was presented to parliament as a strategy already 'approved' by the boards of the World Bank and IMF. In our view, this is not appropriate for the government's central development strategy document, which should be approved by government and parliament, not by the boards of the Bank and the IMF (although clearly the boards need to assess the level and nature of support they are prepared to give). We hope that recent changes in procedures for considering country PRSs in the boards of the Bank and the IMF removed any impression that the 2005 GPRS had to be 'approved' in Washington.

Alignment of support from development partners

Has financial support from the IMF and the World Bank – e.g. through the Poverty Reduction Growth Facility (PRGF) and Poverty Reduction Support Credits (PRSCs) – been grounded as intended in the GPRS? And have other partners and donors accepted the PRS and sector strategies as the basis for their continued financial support? In this context, we see the development of the Multi-Donor Budget Support programme (MDBS) as particularly encouraging, providing assistance from development partners to finance budgetary operations over the medium-term in support of the GPRS. MDBS represents a shift from a sectoral- and project-driven approach to a more long-term development partnership based on budget support. Ten development partners are involved in a memorandum of understanding with the Government of Ghana: the African Development Bank, Canada, Denmark, Germany, the European Union, France, the Netherlands, Switzerland, the UK and the World Bank. Budget support with funding commitments from development partners totalling 232.6 million euros was given in the first year of operation (2003).

The benefits of the MDBS, as seen by the Government of Ghana, are the reduction of transaction costs associated with official development assistance (ODA), including those transaction costs arising from meeting multiple conditions attached by different donors to flows of ODA; increased predictability of ODA flows, allowing for better long-term planning; increased institutional capability; increased democratic accountability to its electorate; institutionalised strategic policy dialogue; and increased local ownership of the programme since the GPRS represents a government-led process and document. MDBS is the key tool for supporting the implementation of the GPRS, by strengthening the institutional environment within the GPRS mandate and by emphasising the importance of public financial management, public sector reforms and governance issues. The support is staggered in two tranches; the first tranche (base payment) is payable following a positive IMF review and the payment of the second tranche (performance payment) depends on the outcome of a progress assessment on five key areas of reform: public financial management, the budget process, decentralisation, public sector reform and governance. (It is of interest that remaining direct donor funding to sectors was less consistent with the GPRS than budget spending by the Government of Ghana). In 2002, donor sectoral allocation of resources decreased in both the administration and economic sectors. Social services and infrastructure resources were increased, while agriculture resource allocation decreased. The increase in social services as a whole did not include education (which decreased by 0.1 per cent), but the health sector had a substantial increase from 4.9 per cent to 8 per cent in 2002.

That said, we believe that most donors, particularly those giving budget/sector support, appear to have been trying to take the government's policies and priorities set out in the GPRS and sector strategies as the basis for their support; nonetheless, we think there are several issues that will need attention in future.

While the macro frameworks in the GPRS and the annual progress reports are reasonably well aligned with those in the PRGF, this is at least in part because, as noted above, the government has in practice left it to IMF staff to take a lead role in the construction of the macro programme in both documents. Like other GPRS processes, the government's macroeconomic strategy should be – and should be seen to be – government-led, with government accountability to parliament and people (and not to the IMF). As is also noted above, achieving this will require a significant strengthening of the government's macroeconomic management and related statistical capacity.

The trend towards budget or sector-wide support is clearly helping align support better with government strategies. At the level of the overall budget, the MDBS policy assessment framework (PAF), which also acts as a framework for the World Bank's PRSC, is partly but not wholly grounded in the GPRS. Moreover, the MoFEP expresses strong ownership of the measures set out in the PAF. Pressures from some donors to add a number of specific conditions from outside the GPRS framework are being resisted by other donors. However, we suggest that it would help presentationally if the PAF was presented not as a document negotiated with partners, but as a simple statement of government policy derived from the GPRS and setting out objectives and targets in more detail – perhaps as part of the GPRS/APR – with the MDBS group of donors indicating which actions they would take as triggers. At present, the PAF has the appearance to some of being a negotiated document listing a set of donor imposed 'conditions'.

The trend to financial support through the MDBS or in sector support through SWAps has also in practice helped increase the predictability of aid flows. Compared with significant shortfalls against commitments in earlier years, MDBS donors disbursed 100 per cent of their commitments over the two years preceding the report, and most of them are in practice making multi-year commitments. Donors still largely follow their own domestic budget cycles, however, but suggest that they are working on changing this to coincide with the Ghana budget cycle where feasible.

Hopes that the move to budget and sector support will reduce transactions costs have not so far been realised. As discussed further below, the work of the MDBS group of donors, and individual sector groups as well, is backed by an extensive system of donor working groups, each of which places considerable demands on the time of sector ministries. And although the government has imposed some discipline by insisting on joint sessions between the MDBS group and the IMF and MoFEP, working to the ministry's timetable, the group continues to place considerable demands on the time of MoFEP officials. There is, of course, a natural tension here, with both sides accepting the need for sufficiently frequent and intense contact to establish mutual trust between government and development partners. Over time, it should be possible to maintain an adequate level of trust with less frequent and time-consuming meetings.

At the sector level, however, as discussed above, the perception in government at least is that some partners providing support for sector funding baskets seem to be less willing to simply follow the government's lead, seeking to influence or change sector strategies by earmarking funds.

We have even greater concerns about the continued support provided by nearly all partners for individual projects, including support from those – the US (including the Millennium Challenge Corporation [MCC]) and Japan – who remain reluctant to provide budget or sector-wide support and remain observer members only of the MDBS. It is by no means clear that all projects supported fall within government priorities as set out in the GPRS, central budget documents and sector strategies. The MCC is negotiating a programme of support with the government, so when agreed it will also be agreed by the government, but the resulting financial flows – like other US aid – will fall outside the government's budget framework, unless steps are taken (as proposed below) to ensure that they are included. Another example quoted to us during this research was a recent proposal from the World Bank Group for a micro-, small and medium enterprise (MSME) project separate from the set of agreed policies supporting this sector set out in the PAF: the question asked was why could the World Bank not simply increase its support through the budget for the set of policies already set out in the PAF? In any event, it will be important for the government to ensure that all projects supported by the MCC, World Bank and other donors fall clearly within its GPRS priorities. In general, we feel that the government could and should take a stronger stand to ensure that where donors prefer to support individual projects, all such projects are within the government's programme and priorities, and in line with GPRS priorities. On occasion, the government should be prepared to say 'no'.

As discussed in section III, it is problematic for sector ministries and the MoFEP to capture and reflect donor expenditure in support of projects and sector strategies in their tracking of implementation of the GPRS, and it will take action by donors as well as government to address this. For the MoFEP, the current fragmented and weak national budgeting and financial management system – with only some 60 per cent of primary spending subject to adjustment in the budget process – is at least in part a result of partner demands for separate funds for individual purposes. The continued emphasis by some donors on providing support direct to individual projects with separate accounting and auditing arrangements adds a further level of complexity to the task of tracking and accounting for overall progress in implementing GPRS policies. At a minimum, all planned and actual donor project outlays should be promptly reported to government, so they can be included in sector and overall expenditure planning and monitoring.

Could Ghana use an increase in donor financing for the MDGs effectively?

Aid flows to Ghana have been increasing substantially in recent years, and there is a good prospect of further increases in future so long as policy reform continues on track. Indeed recent debt relief announcements show Ghana as a major recipient of new assistance. We believe that with the further improvements in the GPRS process – especially financial management, attention to service delivery on the ground and improved modalities for support by development partners – Ghana will be able to make effective use of steadily increasing aid flows over the years ahead.

The Multi-Donor Budget Support (MDBS) programme arrangements, in particular, provide a good framework for a substantial scaling up of aid, and we encourage donors to channel increased resources in this way as far as possible.

However, there are two potential risks to guard against. First, there is the risk that a substantial increase in aid volumes could bring with it demands for stronger accountability to donors. This makes it all the more important to take steps to strengthen the government's financial management capacity and accountability to parliament and the people, on the lines suggested above – and to insist that donors accept such capacity and accountability as adequate, rather than insisting on separate accountability to them.

Second, there is the concern that a large increase in aid inflows could bring problems of 'Dutch disease', appreciating the real exchange rate and crowding out private activity. This of course is a 'problem' that could result from other forms of foreign exchange inflows also, such as increased remittance flows or increased inward investment. However, it seems unlikely to us that this constitutes a problem – so long as aid flows build steadily, over a period, and are sustained, with action taken to address bottlenecks such as the supply of trained teachers and health workers. Much of the spending

Table 3.3: Net aid from all donors in current millions, US$

Year	*Aid (Current Millions, US$)*
1980	192
1987	413
1988	577
1989	718
1990	563
1991	882
1992	615
1993	624
1994	548
1995	651
1996	651
1997	494
1998	702
1999	609
2000	600
2001	653
2002	653
2003	565
2004	709

Source: African Development Bank, African Development Indicators

financed by extra aid will result directly or indirectly in increased imports – and in any event, at the margin non-price factors such as quality and access to markets are likely to be more important than price in determining the competitiveness of Ghanaian products.

Donor co-ordination and harmonisation of practices and procedures

How well is the process of donor co-ordination and harmonisation working? It is clear that in the past development partners imposed major costs on the Ghanaian government, with demands on the time of key officials and practices and procedures that have complicated – and probably to some degree undermined – financial management. It is an indicator of how much MoFEP officials' time is spent handling relations with partners that the ministry has had to appoint an individual 'desk officer' for each partner. For the key sector ministries too, as already illustrated, there are severe demands on the time of key officials from complex sector donor co-ordination arrangements. Meanwhile, at the national level, there are now quarterly 'mini' consultative group meetings as well as regular meetings of the MDBS group of partners, with parallel regular meetings of MDBS sector groups.

It is clear that better donor co-ordination and harmonisation could make a major contribution to strengthening government capacity, by reducing unnecessary demands, and also to strengthening government systems. Efforts are already being made by some partners in this respect, particularly those engaged on the MDBS group. Nonetheless, there is a large agenda, with much to be done, and it would help if – as in some other countries – the government itself were to take a stronger lead in driving change in donor behaviour.

A key element, as discussed in section III, has to be reform of the budget planning, and financial management and control systems. Recent analysis and advice by the World Bank indicates what is needed, but reform will require changes on the part of partners also.

The trend towards channelling more support through budget support or sector baskets will help, but substantial flows in direct support to projects will remain. The World Bank, for example, envisages moving to channelling around 40 per cent of its support through the budget in PRSCs, but the remainder will flow to other projects or as technical assistance. It is important to move to a situation where all continuing support to individual projects is properly included in the budget envelope, and if possible accounted for within normal government systems – cutting out parallel systems.

All members of the MDBS, including the World Bank and IMF, have agreed to a timetable that involves joint missions, a critical point in the process and this appears to be working well. However, those engaged in the MDBS group believe that initially it may have increased rather than reduced transactions costs. To some extent, this reflects a period in which trust is being built on both sides – in the predictability of donor budget support, and in the strengthening of government budgeting and accounting procedures. Over time, it will be important to act to reduce these costs by reducing the number and frequency of MDBS and sector group meetings. Other important donor actions to reduce transaction costs include acceptance within the MDBS group of 'lead agencies' on different issues; and the trend in many donors to decentralise decision taking to local offices.

We believe the time may have come for the Government of Ghana to give a stronger lead to all these efforts: increasing awareness across all ministries of the global agenda for better alignment and harmonisation of donor procedures and practices; holding partners in Ghana to the global commitments they have made and setting out an agreed programme of change; and instituting a system for monitoring compliance and implementation by partners (for example, by reporting numbers of missions, percentage of projects captured in budget documents and so on).

V Main findings and recommendations

Successes and areas for attention in the Ghana PRS process

Developing and implementing the Ghana Poverty Reduction Strategy was a learning process, and the second GPRS, launched summer 2005, benefited from these lessons. As GPRS II was developed and implemented, it was also important to continue to learn from the experience of implementing GPRS I. Recognising that in most cases relevant improvements were already under way at the time of writing, we find scope for such improvement in six areas.

Establishing full national ownership of the GPRS process

Fully integrating the GPRS into the national policy framework proved a difficult and continuing task, partly as a result of the origins of the first GPRS – which was drawn up in some haste and with an emphasis on policies believed to be important to qualify for heavily indebted poor country (HIPC) debt relief. Even with the development of the 2005 GPRS, the process was not yet complete. In this respect, we see a need for action in the areas outlined below.

First, **further steps could be taken to set the strategy more firmly in the context of Ghana's constitution and national political processes.** The Government of Ghana sees the GPRS as its central strategy for development, supplemented by more detailed sectoral strategies, and in that sense there is strong ownership, at least at the centre of government. However, under Ghana's constitution, the government is required to develop and present a 'Co-ordinated Programme for Economic and Social Development' (CPESD), and to use processes in generating development priorities that start at the local level with district development plans – the opposite of processes used in generating both the first and second GPRSs, which have been top down rather than bottom up. A fully nationally owned process might be expected to be based on the national constitution rather than a pattern suggested by the Bretton Woods Institutions. The 2005 GPRS takes a step in this direction, as it was also presented as a new CPESD. However, the process of preparation was still top down, rather than the process envisaged in the constitution and the planning laws, with only minimal engagement of local government and district assemblies. We believe it is not too soon to consider bringing the process for preparing future PRS strategies in Ghana more fully into line with the country's constitutionally mandated political process.

Second, **the content of the GPRS should cover all elements of a national development strategy.** If key elements are missing or given insufficient priority, the strategy is unlikely to succeed. It is also essential for enhancing ownership across government: all ministries and agencies need to feel part of the process. We welcome the emphasis in the 2005 GPRS on economic growth, and the policies and infrastructure needed to promote it, as well as on continued social investment. A clear macroeconomic framework and prioritisation are also essential, not least to ensure continued progress in reducing real and nominal interest rates as an important contribution to growth and investment. We hope this macroeconomic framework can be set out both in the GPRS and in annual progress reports in a way that will provide a basis for more effective dialogue – for example, with civil society and parliament – than was achieved in the first GPRS. We also note that representatives of the private sector feel they had insufficient chance to provide input to the 2005 GPRS, and hope further opportunities can be given as the strategy is developed and implemented.

A third area for action is that **sector ministries and agencies should see their sector strategies as clearly linked to and flowing from the GPRS.** We believe that there has been progress in this direction, but that there is also some way to go. Despite efforts to involve sector ministries more in preparation of the 2005 GPRS, their representatives did not always provide an effective two-way link, and for this and other reasons preparation of the 2005 GPRS was not fully successful in providing the opportunity it should have for rethinking sector strategies.

Strengthening and rationalising the implementation process (as discussed below) will also help embed the PRS process better into the national policy framework, **but it is important for all elements, including policy assessment frameworks and letters of intent to the IMF, to be seen and presented as national policy documents for which the**

government is responsible – and not as documents negotiated with or imposed by development partners.

Finally, we see an essential role for parliament in approving the strategy, and holding the government to account for its implementation. Parliament itself needs to build up its capacity to exercise an effective accountability role, and we believe civil society organisations can and should provide much assistance in this respect – devoting as much if not more effort to interacting with parliament as they do to interactions with government and development partners.

Strengthening and rationalising the implementation process

The recognition that it is the whole PRS 'process' that matters much more than the PRSP itself (however well written) is welcome. **Ongoing efforts to strengthen and rationalise public financial management and accountability arrangements in Ghana are therefore central to success – not only in implementing the GPRS, but also in deepening national ownership and establishing an efficient relationship with development partners**. The process encompasses or should encompass: links with sector strategies and action plans; the annual PRS reviews (APRs); agreement each year on a policy assessment framework (PAF), and revised medium-term expenditure framework (MTEF) and MTP; the annual budget process; and also implementation and monitoring of results achieved on the ground. Each of the following elements needs further attention:

- A PAF that relates directly to the GPRS and APR, seen as a statement of government policy intent, rather than as a document negotiated with donors.
- An MTEF that includes all relevant expenditure, including donor-financed projects, showing expenditure by programme aligned with the GPRS.
- Clear government decisions each year on the macroeconomic framework and the macroeconomic constraints affecting budget decisions.
- An annual budget that includes all relevant expenditure, showing expenditure proposals and outturns by programme, aligned with the MTEF and GPRS.
- Arrangements for auditing and tracking to ensure that spending is productive and reaches the front-line services for which it is intended.
- A logical annual sequence of decision-taking, starting with the GPRS APR, leading to a revised MTEF, with the first year of the MTEF set out in more detail in the annual budget proposals.

Enhancing central government capacity

Implementing these changes will require further strengthening of capacity in the MoFEP and NDPC – and probably some consideration of the relative roles and relationships between these two bodies. **At the MoFEP, capacity needs strengthening for both its macroeconomic management and budget management tasks.** The government needs to be able to make its own calculations and forecasts of GDP and growth, revenues and expenditures – rather than rely on the IMF as it does at present – and so determine the fiscal parameters for annual budget decisions. Similarly, it needs a larger and more professional group of staff handling budget preparation, implementation and auditing. In both cases, this means recruiting people with the right skills: in neither case is it satisfactory to rely on external consultants. This is unlikely to be achieved without raising pay levels for professional staff sufficiently so as to be able to recruit individuals for the MoFEP and statistical service with high enough levels of competence.

At the NDPC there is a similar need to upgrade full-time staff and reduce reliance on consultants. In addition, given its central role in the GPRS process, we would like to see the NDPC's role strengthened in two ways. First, ensuring implementation of the GPRS will require increasingly close involvement of the NDPC with the MoFEP, and with PAF, MTEF, budget and other annual financial management processes. Second, given the central national importance of the GPRS, the NDPC may need stronger political leadership both inside and outside government from the highest level in cabinet.

Moving from accountability to development partners to national accountability

Over the years, development partners have established quite elaborate arrangements for ensuring accountability to themselves for the Ghanaian government's development strategies and progress made in implementing policies and projects. Arrangements for continuing policy dialogue with the MDBS group of donors, and also at the sector level, have acted to strengthen such accountability further. To avoid undermining moves to strengthen national accountability, development partners need over time to draw back from these arrangements, and rely more on the government's arrangements for accounting to parliament and people for the country's development strategy and its implementation.

Changes already made in procedures in the BWIs should help to reduce any impression that the GPRS itself has to be 'approved' in Washington. However, we believe partners can do more to remove any impression that the macro framework, or PAF, is 'written in Washington'. Partners should accept that the process is and should be seen to be government led. Meanwhile, the government should publish the relevant documents, including its letters of intent to the IMF, as setting out policies for which the government is responsible and accountable to parliament and people, rather than as texts negotiated with development partners.

As domestic financial management and accountability is strengthened, development partners must be ready to draw back. For example, sector-level meetings should become less frequent, with partners only interacting at key points in the annual policy cycle; and partners must become more willing to accept the government's own regular financial and statistical reports as indicators of progress.

Increasing external support and aligning it better with country priorities

Aid flows to Ghana have been increasing substantially in recent years, and there is a good prospect of further increases in future so long as policy reform continues on track. We believe that with the further improvements in the GPRS process, especially in financial management and attention to service delivery on the ground, and with improvements being made in modalities for support by development partners, **Ghana will be able to make effective use of steadily increasing aid flows over the years ahead**. The MDBS arrangements, in particular, provide a good framework for a substantial scaling up of aid, and we would like to encourage donors to channel increased resources in this way as far as possible.

Most donors, particularly those giving budget/sector support, appear to have been trying to take the government's policies and priorities set out in the GPRS and sector strategies as the basis for their support. Nonetheless, we see several issues that need attention in future. First, while the macro frameworks in the GPRS and annual progress reports are reasonably well aligned with those in the PRGF, this is at least in part because the government has left it to IMF staff to construct the macro programme in both documents. As noted above, we think that like other GPRS processes, the government's macroeconomic strategy should be government-led, with government accountability to parliament and the people (and not to the IMF).

Second, the trend towards budget or sector-wide support is clearly helping align support better with government strategies. If, as we suggest, the PAF was presented not as a document negotiated with partners, but as a simple statement of government policy derived from the GPRS (although setting out objectives and targets in more detail) – perhaps as part of the GPRS/APR – then the MDBS group of donors could indicate which of the proposed actions they would take as benchmarks influencing future levels of support. At present, the PAF has the appearance to some of being a negotiated document listing a set of donor-imposed 'conditions'.

The trend to financial support through the MDBS or in sector support through SWAps has also in practice helped increase the predictability of aid flows. Compared with significant shortfalls against commitments in earlier years, MDBS donors disbursed 100 per cent of their commitments over the two years leading up to the Ghana study. Most such donors are also making multi-year commitments, and we urge others to move swiftly to follow suit. A country like Ghana, which is financing 40 per cent or more of its budget from donor flows, has to have a reasonable assurance of the continuity of such flows.

Finally, at the sector level the perception in government is that some partners providing support for sector funding baskets are not always willing to simply follow the government's lead, seeking rather to influence or change sector strategies by earmarking funds. We have even greater concerns about the continued support provided by nearly all partners for individual projects. It is not clear that all such projects fall within government priorities as set out in the GPRS, central budget documents and sector strategies. In general, we feel that the government could and should take a stronger stand to ensure that where donors prefer to support individual projects, all such projects are within the government's programme and priorities, and in line with GPRS priorities. At the very least, all planned and actual donor project outlays should be promptly reported to government so they can be included in sector and overall expenditure planning and monitoring. On occasion, the government should be prepared to say 'no'.

Implementing commitments by development partners to reduce transaction costs

Development partners can and should do more to reduce strains on government by implementing in Ghana the global commitments they have made on harmonisation and co-ordination of donor practices. Efforts are already being made by some partners in this respect, particularly those engaged on the MDBS group. However, there is a large agenda, with much to be done, and it would help if the government itself were to take a stronger lead in driving change in donor behaviour.

A key element will be reform of budget planning and of financial management and control systems, as noted above. At the same time it is important to move to a situation where all continuing support to individual projects is properly included in the budget envelope, and if possible accounted for within normal government systems – cutting out parallel systems.

All members of the MDBS, including the World Bank and the IMF, have agreed to a timetable that involves joint missions at a critical point in the annual process and this appears to be working well. In other respects, those engaged in the MDBS group believe that initially it may have increased rather than reduced transactions costs. Over time it will be important to act to reduce these costs, for example by reducing the number and frequency of MDBS and sector group meetings. It is also important to continue efforts to reduce the number of visiting donor missions and to establish quiet periods of the year when no missions visit.

Other important donor actions to reduce transaction costs include acceptance within the MDBS group of 'lead agencies' on different issues; and the trend among many donors to decentralise decision-taking to local offices.

The Government of Ghana could give a stronger lead to all these efforts, increasing awareness across ministries of the agreed global agenda for better alignment and harmonisation of donor procedures and practices; holding partners in Ghana to the global commitments they have made and setting out an agreed programme of change; and instituting a system for monitoring compliance and implementation by partners.

The government could also consider implementing periodic independent and transparent reviews of donor practices and progress in implementing a programme of change.

Lessons for other countries and the international community

What lessons do we draw from this study for other countries and the international community? In general, experience with the Poverty Reduction Strategy process in Ghana seems to confirm many of the lessons from elsewhere, in particular:

- The role that respect for pre-existing national processes – in Ghana's case, processes laid down in the constitution and planning laws – can play in enhancing national ownership.
- The need for the strategy to cover all policies relevant to development, including, crucially, policies for promoting growth and private-sector development, as well as social priorities.
- The importance of the whole PRS process, including implementation arrangements. However good a strategy document, it is useless unless implemented effectively.
- The central importance in this respect of establishing good systems of public financial management, including monitoring and evaluation, firmly linked to the PRS.
- The parallel importance of establishing and strengthening arrangements for national accountability to parliament and the people, both for the strategy and its implementation.
- The need for donors to stand back, respect national processes and ensure that where they provide project or sector support it is firmly grounded in country priorities, with spending included and accounted for in national budgets.

- The many benefits of budget or sector-wide support as aid modalities in relation to the traditional project-based approach.

The need for donors to also take a range of actions to reduce transactions costs, and the parallel need for the government to take a lead in holding partners to their global commitments in this respect.

Notes

1. The 'elite' group comprised people who could speak English and are often engaged in formal employment while the 'non-elite' was made up of persons who could neither speak nor write in English.
2. Public Enterprise Foundation, Association of Ghana Industries, Ghana National Chamber of Commerce and Industry and National Board of Small Scale Industry.
3. Killick, T and C Abugre (2001) p. 30.