

**African Forum and Network on Debt and
Development**



**A CRITICAL ASSESSMENT OF AID
MANAGEMENT AND DONOR
HARMONISATION IN GHANA**

A CASE STUDY

Preface

Although donors argue that they have changed their approach and that conditionality has been replaced by ‘country ownership’, poverty reduction and pro-poor growth strategies, experience on the ground seems to suggest otherwise. Lack of harmonization and alignment of policies, procedures and programs among various donors’ agencies continue to mar effective aid delivery to recipient governments who in turn have been eluded by the key concepts of inclusiveness, popular participation and ‘good governance’.

Problems of economic governance and ineffective utilization of development assistance have ranged from poor or no consultation with the intended beneficiaries; lack of coordination between various government agencies, the failure to harmonize policies, programs and procedures harmonization and alignment, poor project design within parastatals, public or private enterprises; to poor monitoring of foreign funded projects and consequently in indebtedness and poverty..

This international agenda has evolved over time, and hopefully will continue to evolve. Its principal manifestation at this time is the Paris Declaration of March 2005. The Paris Declaration on Aid Effectiveness represents a landmark achievement for the international community, which brings together a number of key principles and commitments in a coherent way. It includes a framework for mutual accountability, and identifies a number of indicators for tracking progress on the part of donors and partner countries. At the same time, there is a general recognition that the *Paris Declaration* is a crucial component of a larger aid effectiveness agenda that could engage civil society actors in a more direct manner. The power of the Paris Declaration is its focus on a limited number of general principles for action. As such, the Paris Declaration is not intended to provide operational instructions for how to achieve specific development results. The Paris Declaration is therefore limited in terms of the stated purpose of aid effectiveness in that it does not, and cannot, by itself, tell us how to reduce poverty, improve democratic governance, or promote greater gender equality.

As development actors, CSOs share an interest in the concept of aid effectiveness as an important one for keeping development efforts on-track, for drawing attention to outcome and impact level results, and for drawing lessons of good practice from accumulated experience. The shared pursuit of aid effectiveness provides a legitimate entry point for dialogue among all development cooperation actors, including CSOs. This case study by AFRODAD is but one of the civil society contributions to monitoring and tracking Aid effectiveness in Sub-Saharan Africa, which by and large constitutes the bulk of aid beneficiaries. We do hope that the thoughts and ideas shared by this case study will help enlighten issues and move the continent and its development partners step a head.



Charles Mutasa
Executive Director, AFRODAD

TABLE OF CONTENTS

1	EXECUTIVE SUMMARY	5
2	INTRODUCTION	6
2.1	Analytical Framework	8
2.2	Methodology	8
2.3	Political Context	9
2.4	Economic Context	10
2.5	National Development Frameworks—GPRS I and GPRS II	14
3	HARNESSING AID FOR EFFECTIVE DEVELOPMENT IN GHANA	18
3.1	Comprehensive Development Framework (CDF)	18
3.2	Multi-donor Budget Support (MDBS) Process	19
3.3	Joint Assistance Strategy (JAS)	23
4	COUNTRY OWNERSHIP	26
5	COUNTRY LED PARTNERSHIP STRATEGIES	30
6	RESULTS ORIENTATION	36
7	RECOMMENDATIONS AND CONCLUSION	39

LIST OF ABBREVIATIONS

ADMU	Aid and Debt Management Unit
AFRODAD	African Forum and Network on Debt and Development
APR	Annual Progress Report
BPEMS	Budget and Public Expenditure System
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CIDA	Canadian International Development Agency
CG	Consultative Group
CPAP	Country Programme Action Plan
CSO(s)	Civil Society Organization(s)
DAC	Development Assistance Committee of OECD
DANIDA	Danish International Development Agency
DfID	United Kingdom Department for International Development
DP(s)	Development Partner(s)
EBPM	Evidence-Based Policy-Making
ERP	Economic Recovery Program
EU	European Union
FDI	Foreign Direct Investment
FM	Framework Memorandum
FY	Fiscal Year
G-JAS	Ghana Joint Assistance Strategy
GBS	General Budget Support
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GoG	Government of Ghana
GPF	Growth and Poverty Forum
GPRS	Ghana Poverty Reduction Strategy
GPRS I	Ghana Poverty Reduction Strategy
GPRS II	Growth and Poverty Reduction Strategy
GPS	Ghana Partnership Strategy
GSS	Ghana Statistical Services
HIPC	Highly Indebted Poor Country
IFAD	International Fund for Agricultural Development
IFIs	International Financial Institutions
IMF	International Monetary Fund
IPPD II	Integrated Personnel and Payroll Database
JAS	Joint Assistance Strategy
LDC(s)	Least Developed Country/(ies)
SWAp	Sector- Wide Approach
MDAs	Ministries, Departments, and Agencies
MDBS	Multi-Donor Budgetary Support
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation

MoFEP	Ministry of Finance and Economic Planning
MOU	Memorandum of Understanding
MTEF	Medium- Term Expenditure Framework
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NGO	Non-Governmental Organization
NLC	National Liberation Council
NPP	New Patriotic Party
ODA	Official Development Assistance
OECD	Organisation for Economic Co-Operation and Development
PIU(s)	Project Implementation Unit(s)
PMU(s)	Project Management Unit(s)
PNDC	Provisional National Defense Council
PRSP(s)	Poverty Reduction Strategy Paper(s)
PSIA(s)	Poverty and Social Impact Assessment(s)
PSO(s)	Private Sector Organization(s)
SBS	Sector Budget Support
SSA	Sub-Sahara Africa
SWAp(s)	Sector-Wide Approach(es)
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WB	World Bank
WG	Working Group

1 EXECUTIVE SUMMARY

This study is a critical assessment of the aid architecture in Ghana against the principles of performance set forth in the Paris Declaration. The study explores the fundamental policies that guide the process of aid management and the evaluation of results with the objectives of a) assessing the current facts about the quality of aid and its effectiveness in Ghana and b) providing recommendations of improving aid management and delivery in the hopes of reducing poverty.

In attaining the objectives of the study, this report is structured in six main sections. An introduction that discusses the broad context of the Paris Declaration for better aid, outlining the methodology of the study, and providing working definitions of aid harmonization. The subsequent sections present the case of Ghana, beginning with an examination of the National Development Framework of Ghana and aid management strategies in the country. This is followed by an examination of the principle of Country Ownership as espoused in the Paris Declaration and its application in Ghana. The fourth section assesses the extent of country-led ownership of development initiatives in Ghana, while a fifth section explores the country's orientation towards managing for results. The concluding section presents a summary of the findings and makes recommendations for addressing the identified challenges based on the findings of the study.

Efforts to improve aid management and donor harmonization in Ghana by both GoG and development partners are advanced and commendable. However, the framework for strengthening aid/ donor coordination, partnership, national ownership of the development process, and managing the external resources for development must be assessed and reinforced by strengthening the GoG mechanism for monitoring aid delivery and programme outputs. The attempts at improving aid effectiveness in Ghana appear to be largely donor-driven with minimal evidence of active government leadership in the process. Of importance to the Ghanaian population is the harmonization of donor practises and procedures as well as the alignment of donor priorities and processes (to the maximum extent possible) with national priorities and processes to minimise transactions costs and increase the effectiveness of aid. Within MoFEP, the capacity of the Aid and Debt Management Unit (ADMU) should be bolstered to ensure that the absorptive capacity of Ghana is increased by removing impediments to aid delivery and at the sector levels, MDAs must develop their capacity to measure programme outcomes and the effectiveness of donor- funded programmes. Challenges and bottlenecks, as well as successes, in implementing GPRS programmes and projects must be documented to facilitate the dissemination and sustained application of best practices.

2 INTRODUCTION

Contemporary debates on aid management have resulted in the consensus that aid disbursement, reporting and other practices among donors should be aligned and harmonised to the maximum extent possible to improve aid delivery and effectiveness. However, such efforts at alignment and harmonisation must be made taking into consideration the national context of the beneficiary country. The Paris Declaration on Aid Effectiveness stated in succinct, unambiguous terms that “Development Assistance works best when it is fully aligned with national priorities and needs”. The commitment made by the donors and partner countries as stated in the Paris Declaration reflects the realization that the management of development assistance must be reformed if poverty and inequality are to be reduced, growth increased, national capacity developed, and the Millennium Development Goals are to be achieved. The Paris Declaration therefore represents a new way of doing the business of development assistance—a new approach that emphasises the essential tenets of harmonization and alignment in providing development assistance to partner countries.

Harmonization and alignment refers to the harmonization of donor practices and the increasing alignment of donor priorities with national development priorities and strengthened national systems for planning, implementation, monitoring, evaluation, and reporting. Discussions and decisions emanating from the Monterrey Conference on Financing for Development (2002), the Rome Declaration (2003) and the Paris Declaration (2005) resulted in the formulation of a national policy paper on Harmonisation and Alignment in Ghana for Aid Effectiveness, which recognised that the implementation of a large number of uncoordinated donor activities undermines the effectiveness of development assistance. The document defines harmonisation as “the use of common arrangements with the aim of increasing aid efficiency by reducing the cost of managing multiple activities”, noting that harmonisation and alignment are not ends in themselves, but tools to strengthen aid effectiveness directed toward poverty reduction, economic growth, and the achievement of the Millennium Development Goals. The outcomes of the global meetings resulted in the formulation of policies and strategies reflecting the change in managing aid at the national level.

The Paris Declaration clearly identified key areas for improvement and fundamental principles of partnership commitment necessary for success in aid management reform, including:

- i. Strengthening the national development strategies and related operational frameworks (i.e. planning, budget, and performance assessment frameworks) of partner countries.
- ii. Increasing the alignment of aid with the priorities, systems, and procedures of partner countries, while helping to strengthen their capacity.
- iii. Enhancing the accountability of donors and partner countries to their respective citizens and legislatures for their development policies, strategies, and performance.
- iv. Eliminating the duplication of efforts and rationalising donor activities to make them as cost-effective as possible (aid coordination).

- v. Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with the priorities, systems, and procedures of partner countries.
- vi. Defining the measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and the rapid and common application.

In broad terms, the principles of Partnership commitment were considered in the following categories:

1. Ownership (Partner countries exercising effective leadership over their development policies and strategies and coordinating development actions);
2. Alignment (Donors basing their overall support on the national development strategies, institutions, and procedures of partner countries);
3. Harmonisation (making the actions of donors more harmonised, transparent, and collectively effective);
4. Managing for Results (managing resources and improving decision-making for results); and
5. Mutual Accountability (Donors and partner countries being accountable for development results).

Under each classification, donors and partner countries identified specific actions to be implemented and also developed Indicators of Progress to be measured at the national level and monitored internationally. As a further definite commitment to reforming aid management and the decisions made at the Paris High Level Forum on Aid Effectiveness, a commitment was made to conduct two rounds of monitoring to review the progress of actions programmed for implementation in the Paris Declaration as well as a follow-up High Level Forum, to be held in a developing country, to assess the implementation of the Paris Declaration.

Against the background of the Paris Declaration and the follow-up High Level Forum scheduled for 2008, AFRODAD commissioned a study of five African countries that have substantially benefited from donor support (i.e. Ghana, Liberia, Kenya, Malawi, and Mozambique). The main focus of the study is to study and promote public dialogue within Africa on aid management practices by officials of both donor and beneficiary countries and to analyse the impact of these activities on the development efforts of the developing countries. The study explores the fundamental policies that guide the process of aid management and the evaluation of results.

The specific objectives of the study are to:

- Assess current significant facts and policies about the quality of aid and its effectiveness in the context of a possible large increase in aid to Africa.
- Recommend ways of making aid management and delivery effective to facilitate poverty reduction and development in Africa.
- Influence public policy makers and donor agencies to establish national mechanisms for translating international donor commitments on aid to the national levels.

2.1 Analytical Framework

The principles enshrined in both the Comprehensive Development Framework (CDF) and the Paris Declaration recognise that managing aid effectively is the responsibility of both government and development partners; and the shared objectives of poverty reduction and attainment of the MDGs cannot be realised without a strong dynamic and working partnership between the two key stakeholders. Improving aid effectiveness requires inputs from both stakeholders to ensure that the country's development agenda is executed to benefit all its citizens, particularly the poor and vulnerable, and entails several fundamental actions, including:

- i. The formulation of a coordination framework that accomplishes the following:
 - Clearly indicates desired outcomes/ results in specific thematic areas.
 - Establishes targets;
 - Provides baseline indicators to facilitate assessment;
 - Clearly outlines activities;
 - Delineates responsibilities;
 - Provides implementation status of identified activities; and
 - Constructs an operational framework for monitoring the implementation of identified activities, evaluating the effectiveness of the implemented activities, and identifying, documenting, and disseminating best practices in aid management, donor harmonization and alignment.
- i. The efficient implementation of the coordination framework with the partner country taking initiative and maintaining the lead in the implementation process and with development partners providing support at the request of the partner country.
- ii. A continuous joint monitoring and evaluation of the coordination framework and an assessment (both internal and external) of the relationship between donors and partner countries, as well as the practices and processes of key stakeholders pertaining to and involved in aid allocation, disbursement, management, and reporting.
- iii. The identification, documentation, and dissemination (national and global) of best practices in implementing the coordination framework.

The extent to which the aid resources are efficiently disbursed and effective in attaining the expected outcomes depend on not only whether the actions identified are pursued, but perhaps more importantly, the commitment and capacity of both donors and partner countries to make the necessary changes in their aid management practices, as well as the nature of the interaction between donors and partner countries. In this sense, the nature of the interaction refers to the level of confidence and cooperation between the two fundamental actors. Do development partners lack confidence in the financial and procurement systems of the partner country, do development partners place more trust in the ability of non-state actors, specifically Civil Society Organizations (CSOs) to implement projects?

2.2 Methodology

The study relies on desk research as well as interviews with officials from the bilateral donors (Britain, European Union, France, and Germany) pre-identified by AFRODAD as

well as with officials from the Ministry of Finance and Economic Planning (MoFEP), which is the agency constitutionally mandated to coordinate external development assistance in Ghana. Interview questions as well as the Terms of Reference document that guided the study are included in the Annex.

2.3 Political Context

Subsequent to the country's first coup d'état that removed Kwame Nkrumah as its political leader in 1966, Ghana was led by six military and civilian governments until 1981 when the Provisional National Defence Council (PNDC) seized power in a coup d'état, suspending the Constitution and banning all political parties. The PNDC maintained political power until the late 1980s when it yielded to international pressure to allow for democratic reforms. The first of such reforms was the creation of District Assemblies, comprised of non-partisan representatives. A new Constitution was drafted in 1991 and approved in a referendum in early 1992. In November 1992, General elections were held and the incumbent PNDC, under its new name, National Democratic Congress (NDC), under the leadership of J.J. Rawlings, won. The NDC retained power following the 1996 General elections. Due to the two-term limit on the presidency established by the 1992 Constitution, the NDC presented a new presidential candidate for the 2000 General elections. Political power was peacefully transferred to the National Patriotic Party (NPP) following a run-off election in December 2000. The NPP retained political power following the December 2004 General elections. By all accounts, the NPP administration has been marked by greater transparency, liberalization (particularly in the media), as well as popular participation in the decision-making process. For instance, following the 2000 elections, the NPP administration, under the leadership of J.A. Kufuor, instituted the National Economic Dialogue and the Peoples' Assembly, both forums to facilitate dialogue and bridge the chasm between the Executive and the citizenry. In recent times however, the NPP administration has come under fire from critics who indicate that the administration is not doing enough to address corruption in the country.

The problem of decentralization continues to plague the political structure in the country. While the necessary local government structures have been established, decentralization remains in name only. Under Ghana's decentralized system the District Assemblies embody the central government at the local level and are charged with the responsibility of planning and implementing government policies at the grassroots level. The role of District Assemblies can be categorized in the following areas:

- Local level policy formulation within context of implementation of national sectoral policies;
- District planning and budgeting; and
- Implementation of Plans

National ownership of the country's development frameworks as well as accelerated national development cannot fully occur without the comprehensive decentralization. For example, voter turn-out for District level elections remain abysmally low. Between 1988 and 2002, voter participation in the District-level Elections has ranged from 29% to 59%.

Voter- turnout in the District- level elections hit a record 59.2% in 1988 and hit a record low of 29.3% in 1994. This phenomenon of voter apathy towards local level elections can be attributed to the inadequate education of the benefits of a decentralized government system. The table below indicates the Voter turn-out in local government elections since 1988.

Voter Turnout in Local Government Elections (Varied years)

Year	Voter- Turnout (%)
1988	59.2
1994	29.3
1998	41.6
2002	32.8

Source: Electoral Commission of Ghana

In addition to the problem of voter apathy towards local government, efforts at effective decentralization are hampered by lack of infrastructural and human resource capacity at the decentralized level of government. The vital constituents of the State (i.e. health, education, security, judicial, and audit services) have not been able to completely decentralize. In effect, the local government structure is incomplete and unable to effectively implement its mandate.

2.4 Economic Context

In 1983, Ghana began implementing the Economic Recovery Program (ERP) in response to a crisis in the Ghanaian economy characterized by a decline in the real GNP per capita, negative growth rates in three consecutive years, declining investment rates, declining import and export volumes, and accelerating inflation rates. During the crisis, the state was unable to provide basic social services to its population as the country's physical infrastructure weakened tax revenues. Additionally, government expenditures declined as a ratio of GDP and in real terms. To address the country's economic crisis, the ERP was negotiated between GoG and the IMF with the aim of increasing production (predominantly of food, industrial raw materials, and exports) through an improvement in the incentive structure; increasing the availability of consumer goods; restore physical infrastructure; increase the overall availability of foreign exchange and improve its allocation; and lower the rate of inflation through the pursuit of prudent macroeconomic policies¹. While the first three years of ERP implementation centered on stabilizing the economy, the second phase of the ERP, which began in 1987, focused on structural and institutional reform, particularly in the education, financial, state enterprises, and civil services sectors. Economic growth remained relatively stable in the 1990s but did not exceed 5% annually. The combination of the decline in cocoa and gold process, rising oil prices, and a deficit in expected external inflows, well as the large budgetary deficits that began in 1998 negatively impacted the Ghanaian economy in 1999 and 2000.

In 2001, the newly- elected NPP government set out to stabilize the economy. It succeeded in reversing the strongly negative inflationary tendencies through prudent

¹ World Bank (2005). 'Evaluation of the Comprehensive Development Framework (CDF) - Ghana Case Study' Report.

fiscal management and a tight monetary policy, resulting in the reduction in inflation from 42% when the NPP administration took office to 21% by the end of 2001. In addition to improved inflow of official capital transfers, agreements were made to defer the repayment of Paris Club and other bilateral debts. The NPP Government also made the controversial decision to apply to be included in the Heavily Indebted Poor Country (HIPC) debt relief initiative. In February 2002, Ghana reached the decision point and benefited from US\$96 million in debt relief in 2002 (out of total external repayments budgeted at US\$ 375 million). The NPP Government also committed to undertake reforms in several areas to reach its completion point and thus receive irrevocable debt relief under the enhanced framework. The benchmarks included:

- Completion of a full PRSP through an extensive participatory process, and satisfactory assessment by the Bank and Fund;
 - Maintenance of a stable macroeconomic environment;
 - Implementation of key structural reforms in governance, education, and health.
- All of the completion point triggers were met, with the exception of one relating to petroleum pricing.

In 2004, Ghana became the 14th country to reach HIPC completion point under the Enhanced HIPC Initiative², a stage which commits creditors to irrevocably and full deliver debt relief to the debtor country. Total debt relief under the enhanced HIPC Initiative from all of Ghana's creditors amounts to US\$3.5 billion in nominal terms. The World Bank anticipates that between 2004 and 2013, Ghana would save approximately US\$230 million annually in debt service costs. Resources made available by debt relief under the enhanced HIPC Initiative are being allocated to fund pro-poor expenditure programs, as outlined in Ghana's Poverty Reduction Strategy (GPRS) Paper, which was completed in February 2003 using an extensive participatory approach. The GPRS has five strategic pillars: (i) macroeconomic stability; (ii) production and employment; (iii) human resource development; (iv) special programs for the vulnerable and excluded; and (v) governance. Even though the stabilization of the economy has been lauded, concern has been expressed by internal and external observers about the implications of the fiscal restraint for investment, employment generation, and the implementation of programs and projects, particularly in the social sector³.

An additional contextual feature crucial in an analysis of Ghana is the country's heavy dependence on external aid as a source of financing imports, public investment and other state expenditure. Aid flows to Ghana as well as the aid strategies of Ghana's principal donors have varied considerably over the decades. Prior to the mid-1960s, aid flows were relatively unimportant in Ghana⁴ partly due to the Nkrumah government's high level of suspicion of the Western donors and largely due to the substantial foreign exchange

² Other countries that have reached the HIPC completion point are Benin, Bolivia, Burkina Faso, Ethiopia, Guyana, Mali, Mauritania, Mozambique, Nicaragua, Niger, Senegal, Tanzania, and Uganda.

³ World Bank (2005). 'Evaluation of the Comprehensive Development Framework (CDF) - Ghana Case Study' Report.

⁴ Harrigan, J., and S. Younger (2000). 'Aid, Debt and Growth' in E. Aryeetey, J. Harrigan and M. Nissanke (eds), Economic Reforms in Ghana: The Miracle and the Mirage. London: James Curry Ltd.

reserves, little debt, and a relatively small public sector⁵. In the 1960s, aid flows as a share of GDP increased from 0.002% in 1960 to 0.22% in 1965 because the National Liberation Council (NLC) which toppled the Nkrumah administration was more favourable to foreign interests⁶. While the declined aid inflows during the first half of the 1970s could be attributed to the unattractive economic policies of the 1970s, the second half of the 1970s saw an increase in aid inflows. Hence, ODA as a share of GDP increased from 0.013% in 1974 to 0.023% in 1978. While the general reduction in aid flows to developing countries in the early part of the 1980s affected Ghana, the nationalism of the Rawlings administration and the economic decline in Ghana at the time further exacerbated the deteriorating situation in the country. However, aid flows increased considerably by the end of the 1980s and early in the 1990s when the liberalization of the foreign exchange market induced an appreciation in foreign exchange. Ghana's foreign aid per capita, which was estimated at US\$18 in 1980, has increased sharply since, particularly following substantial influxes of aid in the 1990s in support of economic and structural reform, reaching a peak of US\$38 in 1998. Between 1999 and 2000, foreign aid per capita fell to US\$32; however, net aid as a percentage of gross national income (GNI) which remained in the neighbourhood of 10% throughout the 1990s, rose to 13% in 2000⁷. The table below indicates aid dependency ratios in relation to sub-Saharan Africa in 2000.

Comparative Aid Dependency Ratios (2000)

	Ghana	Sub-Sahara Africa
Net aid as % of gross national income	13	4
Net aid as % of gross capital formation	52	23
Net aid as % of imports	18	11
Net aid per capita (US\$)	32	20

Source: Evaluation of the Comprehensive Development Framework (CDF) - Ghana Case Study.

Net aid as a percentage of investment and imports were estimated at 52% and 18% (2000) respectively. These are comparatively lower than the 1990s when Ghana averaged 50% and 30% respectively, but considerably higher than the averages for sub-Saharan Africa. External aid represented more than 50% of government expenditure in the early 1990s, and has fluctuated between 40-50% ever since⁸. The Ghana CDF Evaluation observes that the fiscal crisis following the terms of trade losses in 1999-2000 and elections spending further increased the country's reliance in foreign aid, with grants and loans financing about 46% of government spending in FY 2001.

⁵ Killick, T. (1978). *Development Economics in Action: A Study of Economic Policies in Ghana*. London: Heinemann Educational Books

⁶ Quartey, P. (2002). *Finance and Small and Medium Enterprise Development in Ghana*. Manchester: University of Manchester. PhD Thesis.

⁷ World Bank (2005). 'Evaluation of the Comprehensive Development Framework (CDF) - Ghana Case Study' Report.

⁸ Ibid.

While development assistance in Ghana has taken various forms at different periods, external aid flows have also fluctuated from year to year. For the most part of the post-independence period, development assistance was provided through donor-managed projects. This approach was based on the premise that, lack of physical investment was the major obstacle to development. During the 1980s, the focus shifted more to policy-based lending by the International Financial Institutions (IFIs) i.e. the World Bank and the IMF aimed at addressing structural constraints (including high inflation, trade imbalances, and exchange rate over-valuation in the economy). In the 1990s, the emphasis of development assistance further shifted towards providing budget support to promote growth and poverty reduction. Central to the change in Ghana was the adoption of the Poverty Reduction Strategy Paper (PRSP) in 2000 as a new framework for development assistance. This change was also in response to the recognition of the importance of country leadership and ownership of the development process, and a focus on results as a way of measuring development impact (these elements are fundamental components of the new approach in aid management), including the achievement of targets set out in the Millennium Development Goals (MDGs). Aid disbursement levels averaged around US\$500 million per annum between 1990 and 1994, this increased to approximately US\$800 million in 1995 and 1996. In 1999 and 2000, aid disbursement levels in Ghana declined due to budget constraints in the wake of the East Asia financial crisis and donor concern about the high-level off-budget government spending for the 2000 presidential election. The terms of trade crisis during the period further worsened the impact of donor cutbacks on the country's economy⁹. Between 2003 and 2005 however, actual disbursement of aid increased from US\$872 million to US\$1,109 million. According to the Ghana Consultative Group (CG) Meeting held in August 2006, it is anticipated that projected disbursements to Ghana between 2006 and 2008 will total US\$3,760 million. These amounts include assistance channeled through the Multi-Donor Budgetary Support (MDBS) mechanism.

The increase in DP assistance to Ghana since 2003 has been largely attributed to the MDBS mechanism as well as a number of public reforms aimed at improving efficiency and transparency in the public sector. Such reforms include the development of an automated Budget and Public Expenditure System (BPEMS) to track government expenditure more accurately, the introduction of an Integrated Personnel and Payroll Database (IPPD II), and the Treasury Realignment System to facilitate fiscal decentralization. The Medium-Term Expenditure Framework (MTEF) budgeting system, which was introduced in 1998, has been strengthened to facilitate the move from line-item to activity-based budgeting. The National Procurement Act established in 2003, also increased donor confidence in the capacity of public bodies to acquire goods and services in a transparent manner. The capacity of the Office of the Auditor-General of Ghana has also been strengthened bolstered to enable it execute its mandate as prescribed in Article 187(2) of the 1992 Constitution. The Report of the Auditor-General on the Public Accounts of Ghana, which is submitted to Parliament on an annual basis, examines the financial operations of Ministries, Departments, and Agencies (MDAs) to ensure that allocated resources have been utilized as appropriated to improve expenditure management and control. Government-led initiatives aimed at reinforcing the capacity of

⁹ Ibid.

national public bodies and mechanisms to enhance transparency have increased donor confidence and resulted in DPs relying increasingly on country systems for disbursements and monitoring. The table below indicates the results of the 2006 Baseline Survey on the implementation of the Paris Declaration in Ghana and provides a snapshot view of the challenges and priority actions for the tenets of the Paris Declaration.

Implementation of Paris Declaration in Ghana

Dimensions	Baseline	Challenges	Priority actions
Ownership	Moderate	<ul style="list-style-type: none"> Operationalisation of the Poverty Reduction Strategy is incomplete, with activities not monitored. 	<ul style="list-style-type: none"> Improve budget execution and reporting.
Alignment	Moderate	<ul style="list-style-type: none"> Government lead and information capture is weak in some areas. 	<ul style="list-style-type: none"> Prepare a government initiative on capacity development. Improve reporting and accounting for aid.
Harmonisation	Low	<ul style="list-style-type: none"> Harmonisation is uneven across sectors and donors, with some major areas of weakness. 	<ul style="list-style-type: none"> Adopt programme-based approaches with common procedures in more sectors.
Managing for results	Moderate	<ul style="list-style-type: none"> Good poverty data is not matched by good data on budget execution/activities. 	<ul style="list-style-type: none"> Improve budget execution and reporting.
Mutual accountability	Moderate	<ul style="list-style-type: none"> The aid effectiveness matrix is only a first step. 	<ul style="list-style-type: none"> Demonstrate that monitoring commitments can change behaviour.

Source: 2006 Baseline Survey on Paris Declaration, OECD

2.5 National Development Frameworks—GPRS I and GPRS II

2.5.1 Ghana Poverty Reduction Strategy (GPRS I) — [2003—2005]

In addressing the issue of poverty reduction in Ghana, the GPRS embodies a broad range of policies and programmes to support macroeconomic growth, poverty reduction, and the protection of the vulnerable and excluded in a decentralized, democratic environment. Growth enhancement in all sectors of the economy, reducing macroeconomic instability, as well as a reduction in the vulnerability of the economy vis-à-vis price changes in key imports and exports remains high on the government's priority. The development agenda of Ghana as set out in GPRS I spans all key sectors of the economy with a focus on reducing poverty among the country's population and providing access to basic social services such as health care, quality education, and potable drinking water.

The identified GPRS I objectives are:

- Ensuring sound economic management for accelerated growth;
- Increasing production and promoting sustainable livelihoods;
- Direct support for human development and the provision of basic services;
- Providing special programmes in support of the vulnerable and excluded;
- Ensuring good governance and increased capacity of the public sector; and

- The active involvement of the private sector as the main engine of growth and a partner in nation- building.

GPRS I stipulated that the emphasis over the period 2003-2005 will be on stabilizing the economy and laying the foundation for a sustainable, accelerated and job creating agro-based industrial growth. GPRS I concentrated the GoG policies and programmes on providing an enabling environment with the aim of empowering all Ghanaians to participate in wealth creation and to partake in the wealth created. The main targets of GPRS I are:

- Reduce poverty from 39% to 32%.
- Reduce extreme poverty from 27% to 21%.
- Increase gross primary school enrolment from 77.6% to 82% for all and from 71% to 80% for girls.
- Reduce child mortality (under 5 years) from 110 to 95 for every 1000.
- Reduce maternal mortality from 200 to 160 out of every 100,000

The document also identified food crop farmers in Ghana as a population with high poverty prevalence. Hence the following specific targets were established to address this problem:

- Reduce poverty among food farmers from 59% to 46%.
- Improve growth in agriculture from 3.8% to 5%.
- Reduce the infant mortality (under 1 year) from 56 to 50 out of 1000.
- Improve mastery of the English language in primary schools to 11% and of mathematics to 6.4%.
- Improve JSS enrolment from 60% to 65%.
- Reduce poverty in the three northern regions of the country by rates between 9% and 14%.
- Improve access to safe water from 70% to 78% in urban areas and from 40% to 54% in rural areas.
- Improve female condom use for HIV/ AIDS prevention from 6% to 20% for females and from 14% to 30% for males.

GPRS I, which established stronger links between measures for macroeconomic growth and poverty reduction, set clear targets, strategies and implementation arrangements and identified indicators for monitoring and evaluating the identified programmes. The GPRS indicated the amount of resources required to achieve GPRS I targets and identified the following medium- term priorities for which GoG would spend a greater part of its resources.

1. Infrastructure development (specifically, roads, energy, ports, and harbors) with the aim of making all parts of the country more accessible, thereby facilitating economic activities and supporting the private sector.
2. Modernization of agriculture based on the development of rural areas to ensure increased production and employment.
3. Increasing GoG funding in the social services sector (particularly, education, health, and sanitation) to ensure that the conditions of social services are improved country-wide.

4. Ensuring the rule of law, respect for human rights, and the achievement of social justice and equality.
5. Supporting the private sector to ensure that it is capable of acting effectively as the engine of growth and poverty reduction.

It was estimated in the GPRS I document that GoG would require US\$5.3 billion over the three-year implementation period to implement the GPRS. Sources of funding for GPRS I implementation included GoG revenue, grants, savings from the HIPC initiative, development partners, and loans and savings from GoG bonds. Under the HIPC initiative, savings accumulated from debt-relief were also to support pro-poor programmes identified in the GPRS. GPRS I was prepared through a consultative approach that sought to engage all aspects of the Ghanaian populace to ensure national ownership of the strategy, implementation, and monitoring processes. Mechanisms used to ensure input from all facets of Ghanaian society included information dissemination, collaboration, coordination, and multi-level consultations (within government, as well as between GoG and Civil Society Organizations at both the national and local levels) in the context of existing political and governance systems. DPs also provided input in the formulation of GPRS I.

2.5.2 Growth and Poverty Reduction Strategy (GPRS II) — [2006—2009]

While GPRS I reflected a policy framework directed towards achieving the anti-poverty objectives of the Millennium Development Goals (MDGs), the central goal of GPRS II is the acceleration of economic growth to propel Ghana into the middle-income status by 2015. Hence, GPRS II indicates a clear policy shift from poverty reduction to economic growth. GPRS II aims at pursuing the following objectives:

- Continued macroeconomic stability
- Accelerated private sector-led growth
- Vigorous human resource development
- Good governance and civic responsibility

In recognition of the need for a rapid and radical transformation of the country's internal production and foreign trade, GPRS II set Ghana's sights on strategic objectives beyond what the document describes as "the minimal goals of poverty reduction as envisaged in GPRS I"¹⁰. GPRS II focuses on fundamental pre-requisite areas to foster and sustain the foreseen economic growth namely, (i) Human Resource development, (ii) Enhancing private sector competitiveness (particularly in the agricultural sector), (iii) Modernisation of Ghana's agriculture and agro-based processing industry, and (iv) Investment.

GPRS II, which is Ghana's national development framework for implementation between 2006 and 2009, reveals the commitment of GoG to its number one priority of the development of the country's human resource base and identifies the following policy areas to propel human resource development:

- Education and skills development
- Access to health care, malaria control, and HIV/AIDS prevention and treatment
- Access to safe water and adequate sanitation

¹⁰ GPRS II. Volume I (Policy Framework). National Development Planning Commission: November 2005

- Housing and slum upgrading
- Population management

The document outlines the decision of GoG to cultivate a workforce that is equipped with more than the basic levels of education to serve the economy of the middle-income status that Ghana is striving to attain. Hence, GPRS II stipulates that school attendance will be mandatory for all children for eleven years (from ages 4 to 15). The document also identifies reforming the public sector to effectively and efficiently manage the business of the nation, hinting that DP support would be crucial in this area. Modernisation of the country's agriculture and agro-based processing industry is the one policy element that remains consistent with GPRS I. GPRS II, like its predecessor (GPRS I), outlines a comprehensive programme for modernising the agricultural sector by increasing training to farmers and the application of research, science and technology to agriculture in a bid to raise the average real income of farmers. To encourage investment, GPRS II commits GoG to developing a financial sector that deepens the process of intermediation and promotes local savings and FDI.

GoG estimates that a total of US\$ 8.06 billion is needed to fund the implementation of programmes outlined in GPRS II over the three-year period. Identified sources of funding include savings from the HIPC and debt cancellation initiatives, resources from the capital market, Millennium Challenge Account, as well as domestic and international capital market resources. The document does not however possess a resource allocation plan clearly identifying the amount of resources to be committed to each of the different areas outlined in the plan.

3 HARNESSING AID FOR EFFECTIVE DEVELOPMENT IN GHANA

In Ghana, the Ministry of Finance and Economic Planning (MoFEP), is constitutionally mandated to coordinate external development assistance in Ghana. As such, officials from MoFEP are involved in all bilateral sector- DP discussions for assistance. Once negotiations are complete, the Programme Documents are signed by the Minister for Finance and Economic Planning as the designated and recognized representative of GoG. Major donors to Ghana include the World Bank (infrastructure, education, and health); the IMF (structural adjustment); UN agencies; Japan (until the country's decision to participate in the HIPC initiative, the largest bilateral donor with programmes in education, health, and agriculture); the EU (transportation infrastructure); Great Britain (currently the country's largest bilateral donor with programmes in public administration, health, education, rural infrastructure, and agriculture); Denmark (health, energy, and water); the Netherlands; Germany; France (Agriculture, Energy, and Water); Canada; Italy and Spain.

In terms of the composition of aid flows to Ghana, total project aid (grants and loans) has been significantly higher than total programme aid throughout much of the 1990s. It is also worth noting that for both types of aid, the share of loans has been greater than grants. However, this trend was reversed in 2001 when programme grant rose sharply to US\$148 million in 2001, in comparison with US\$44 million in 2000. Project grant was estimated at US\$71 million in 2001, compared to US\$62 million in 2000. The increase in programme aid was a reflection of a growing confidence and willingness by Ghana's external partners to move toward more programme aid as the country continued to adhere to more prudent economic and fiscal policies and reforms, while exploring viable approaches to improve aid management in the country¹¹. Efforts to improve aid effectiveness in Ghana emphasized enhancing the capacity of the government to manage and disburse foreign assistance in a consistently transparent manner. One such measure was the designation of the Ministry of Finance and Economic Planning (MoFEP) as the State agency responsible for aid harmonization and donor coordination. In a bid to foster donor confidence and facilitate the transition from project and programme aid to a more holistic aid management mechanism, other measures to synchronize aid to improve predictability and facilitate planning state have emphasized reinforcing financial and accountability mechanisms. These efforts culminated in the institution of the MDBS, which will be discussed in a later section.

3.1 Comprehensive Development Framework (CDF)

Efforts to improve the impact of aid in Ghana by promoting aid coordination began in the early part of 1999 when the World Bank launched the CDF initiative and Ghana was selected as one of twelve CDF pilot countries. Culled from over five decades of development experience by both developing countries and development partners, the CDF consists of a number of fundamental principles aimed at guiding development and poverty reduction, including the provision of external assistance. As such, the CDF is based on the principles of long-term holistic development framework; country ownership; country-led partnership; and results orientation. The CDF aspired to bring external

¹¹ Ibid.

partners together to finance the development programmes formulated by the developing country, rather than support numerous individual projects, most of which had no country ownership. This further enhanced coordination among Ghana's development partners, and facilitated country ownership and leadership since the CDF aimed at supporting government policy and reform as opposed to driving government reforms, as had been the case before. The immediate effects of the CDF were (i) the formation of fourteen government-led thematic "CDF-groups" for coordinating dialogue between the government and donors; (ii) hosting of full CG meetings in Accra, now chaired by the Vice President of Ghana; and (iii) monthly working lunches between donor representatives. The influence of the CDF notion in the global design of PRSPs is exhibited by the fact that the processes and activities related to PRSP formulation and implementation aimed at representing the four core principles of the CDF. To enhance the synergy between the CDF and attempts to improve aid effectiveness in developing countries, countries like Ghana which sought to secure HIPC debt relief and continuing access to soft-window credits from the IMF and World Bank were required to produce PRSPs that would be endorsed by the Boards of both institutions. Hence, the GPRS embodies the CDF principles at the macro-level and fulfilled the HIPC pre-requisite.

Further discussions on how to make aid more effective led to the formulation of the aid policy known as Multi-Donor Budgetary Support (MDBS). Budget support, which is a form of programme aid, is defined by Svensson¹² as funds channelled through local accounting systems directly to beneficiary governments; it is not linked to a specific project activity and disbursement is expedited. It is important to note, however, that there are two forms of budget support namely, (i) General Budget Support and (ii) Specific Budget Support. General Budget Support refers to the financial contribution to the overall budget and conditionality is directed towards policy measures that relate to the overall budget priorities. Hence, funds may be spent on certain sectors but there is no formal limitation on where the support should be channelled. However, Specific Budget Support is financial aid targeted at supporting a particular sector or sectors, with conditionality relating to only the supported sectors.

3.2 Multi-donor Budget Support (MDBS) Process

The MDBS in Ghana aims at ensuring a continuous flow of aid to enable the government finance its poverty-related expenditures. It is regarded as innovative in the sense that the MDBS also seeks to harmonise the policies and procedures of the participating development partners in order to minimize transaction costs for the beneficiary country. The MDBS attains the goal of harmonization by:

- i. Agreeing on a common benchmark/matrix and triggers against which performance is assessed;
- ii. Improving dialogue between government and the development partners, and
- iii. Conditioning funding commitments and disbursements on the achievement of the agreed targets.

The operational framework of the MDBS comprised of two phases. First, the Ghana Poverty Reduction Strategy (GPRS), which outlined the poverty reduction strategy of the

¹² Svensson, J. (2000). 'When is Foreign Aid Policy Credible: Aid Dependence and Conditionality?'. *Journal of Development Economics*, 61:61-84

Government of Ghana; and second, the Medium-Term Expenditure Framework (MTEF) budget process, which provides the mechanism for allocating resources according to the GPRS priorities and the available resources. The assessment of the progress of the MDBS would be based on the goals set by the government in the GPRS. A common review process would be held for all development partners including scheduled meetings to jointly review MDBS activity implementation and the attainment of MDBS objectives. According to the Framework Memorandum (FM)¹³ governing the MDBS, the Government of Ghana, subject to the availability of funds, would ensure the following:

- i. Implementation of the GPRS;
- ii. That the total expenditure and sector allocations effectively reflect the government's commitment to poverty reduction, and that the budget is comprehensive;
- iii. The submission of agreed reports to the development partners;
- iv. The organization of MDBS, semi- annual coordination, and mini- Consultative Group (CG) meetings.

The development partners (DPs) would:

- i. Support the implementation of the GPRS by advising the government of planned budget support with indicative commitments for the following years. However, actual commitments would be identified in individual bilateral arrangements between each development partner and the government of Ghana (GoG);
- ii. Work towards achieving the goal of a programmatic approach within a common framework; and
- iii. Endeavour to coordinate the timing of disbursements to government's budgetary requirements.

The FM also outlined provisions for settling disputes, and differences arising with regard to the MDBS. The FM also stipulated that consultations must be held between GoG and development partners prior to the suspension or termination of all or partial support to the GPRS. On the provision of technical assistance, the development partners proposed a flexible and responsive technical assistance programme that would allow the GoG to identify, budget, monitor, and evaluate technical assistance. The distinctive feature of the MDBS is that all technical assistance would be programmed and budgeted for in a manner like other resources, regardless of the source of funds.

Following the signing of the FM in March 2003, the development partners contributing to the MDBS (the African Development Bank, Canada, Denmark, European Union, France, Germany, Netherlands, Switzerland, United Kingdom, and the World Bank)¹⁴ began providing support towards the GPRS under the MDBS framework. In June 2003, the World Bank made US \$125 million available for disbursement as part of its MDBS contribution to Ghana. The funds were programmed to support the implementation of agreed poverty reduction reform programmes which are grouped into three broad areas namely, (i) promoting growth, incomes, and employment; (ii) improving service delivery

¹³ The Framework Memorandum (FM) was signed in March 2003 between the government of Ghana and participating Development Partners.

¹⁴ Japan, Italy, and USA participate in MDBS activities as observers.

for human development; and (iii) improving governance and public sector specified in the GPRS and the 2003 budget. An assessment of MDBS support to the Ghana Poverty Reduction Strategy (GPRS) and Growth and Poverty Reduction Strategy (GPRS II) will be discussed in a later section of this study.

In order to balance predictability of funding with the objective of rewarding performance, development partners and the GoG agreed on a common set of norms (triggers) as part of the Memorandum of Understanding to guide disbursements. The “triggers” were derived from the five key areas of reform considered critical for the successful and efficient implementation of the GPRS I. These areas are: Public Finance Management, the Budget Process, Decentralisation, Public Sector Reform, and Governance. For each of these key areas, lead partners were identified and chosen in recognition of their expertise and commitment in that area (refer to table below). In sectors where more than one donor possesses expertise, the lead partner position may rotate over the course of the MDBS programme. The table below indicates the principal reform areas and Lead DPs in each area under GPRS I.

GPRS I: 2003—2005

KEY AREAS OF REFORM	LEAD PARTNER
Public Finance Management	EU
The Budget Process	DFID
Decentralisation	CIDA
Public Sector Reform	World Bank
Governance	DANIDA

Source: IDEG Briefing Paper (June 2006)

The major advantage of the MDBS over other aid frameworks is that, it allows for better identification and articulation of government priorities (through the priorities identified in the Ghana PRSP), enhanced national capacity to manage aid and coordinate the activities of DPs, as well as improved predictability in aid flows.

MDBS as well as other initiatives by GoG to increase transparency and accountability in the aid management structure has resulted in increased DP confidence and translated into increased aid. The table below is based on data received from the Ministry of Finance and Economic Planning and indicates aid flow levels between 1993 and 2003.

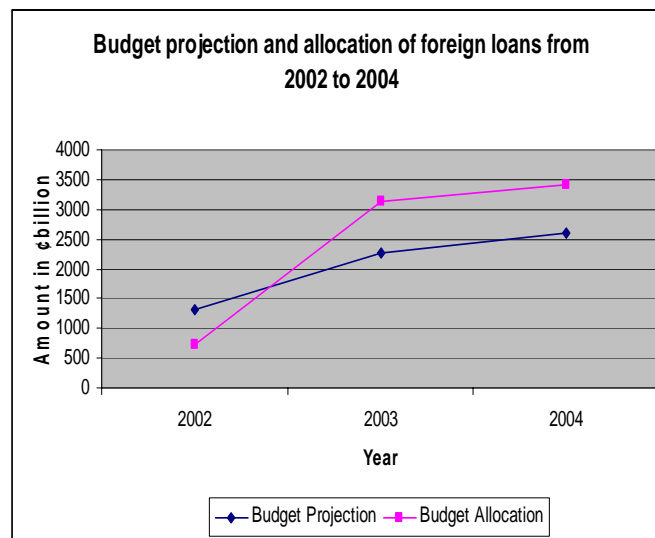
Ghana: Total Foreign Aid Received (1993 – 2003)

Facility	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
I. Loans	336	303	368	409	343	411	442	524	503	257	265
II. Grants	199	203	376	312	239	225	150	254	589	209	170
Total	535	506	744	721	582	636	592	778	1,092	466	435

* Amounts indicated in US\$ Million.

Source: Aid and Debt Management Unit (MoFEP), Study of Aid Flows (Various Years)

In his presentation of the 2004 Budget Statement and Economic Policy of Ghana to Parliament in February 2004, the Former Minister of Finance, Hon. Yaw Osafo-Maafa stated “the remarkable performance in the foreign inflows in 2003 was the result of timely disbursement influenced by the innovative MDBS arrangement with the development partners”. The graph below indicates that budget allocations from foreign loans for 2003 and 2004 have been over and above the projected targets, except for 2002, when allocations were below budget projections.



*Data in the graph was derived from the 2004 National Budget of Ghana.

Through the MDBS, donor support is used to augment the national budget which contains priorities established by GoG. Sector dialogs are also held between GoG and DPs to facilitate alignment of DP priorities with national priorities. The sector dialogs enable DPs who are not MDBS contributors to formulate their country action plans and programme work plans based on the national priorities articulated by GoG; and provide a forum for aid coordination between DPs and GoG.

3.3 Joint Assistance Strategy (JAS)

To further strengthen the MDBS process and to consolidate existing efforts aimed at ownership, harmonisation and alignment, a cluster of development partners initiated efforts to move the development partnership to a higher level under a single framework for development cooperation known as the Joint Assistance Strategy (JAS). The JAS provides a strategic framework for improving the effectiveness of development assistance in Ghana by offering a harmonised approach to development away from the tradition of different development partners possessing different assistance strategies with the GoG. The JAS also presents Ghana's development partners with a platform for harmonising their assistance to GoG, discussing the actions they are taking to change their respective practices to ensure that high quality aid demands are aligned with national ownership, predictability, and transparency. The JAS approach, which is similar to the World Bank's Country Assistance Strategy (CAS) and the UNDP's Programme of Assistance, is being supported by Canada, the European Union, the U.K. Department for International Development, German Development Cooperation, and the World Bank.

It is anticipated that preparation of the JAS will draw on examples of similar strategies from countries like Tanzania and Uganda. Following completion of the JAS document, Civil Society Organizations will be required to monitor implementation of the aid partnership framework for a 4-year period (2007-2010). The Growth and Poverty Forum (GPF), which comprises Civil Society Organizations (CSOs) and Private Sector Organisations (PSOs) in Ghana was established to ensure the active participation of civil society and other non-state actors in the PRSP formulation, implementation, and monitoring processes. The objectives of the GPF are to understand the GPRS I review process; participate in shaping the national policy framework of the GPRS II; promote collaboration between state and non-state actors to build consensus on the national policy framework; and assist in setting the priorities for the allocation of national resources. Hence under the JAS framework, the GPF is expected to play a key role in the processes involved in PRSP formulation, implementation, and monitoring.

Proponents of the JAS contend that the framework once fully implemented, will result in the following:

- Better alignment of development partners' country strategies and spending plans with GPRS II priorities and targets;
- Improving aid delivery by moving towards a more efficient "division of labour" and allocation of development partners' resources;
- Strengthening GoG ownership and leadership of the development process;
- Simplifying aid management and improve predictability; and reduce transaction cost for GoG.

The JAS framework in its current structure however raises crucial challenges that could profoundly impact efforts at improving aid effectiveness in a negative way. Firstly, it is not clear if the current framework of the JAS takes legal precedence over the development frameworks of the individual development partner countries. Secondly, what would be the connection between the JAS and the CAS? Is the JAS meant to supplement the CAS? It stands to reason that since more development partners can

ascribe to the JAS, it must take legal precedence over the CAS in order to effectively propel the harmonisation agenda forward. Furthermore, due to the fact that only five of the ten MDBS signatories support the JAS, one wonders how the JAS can currently support and strengthen the MDBS. In this regard, what then, becomes the operational linkage between the MDBS and the JAS? The World Bank Country Director, Mats Karlson offered a clarification on the MDBS and JAS, stating that the MDBS included a Progress Assessment Framework, which is consistent with the results matrix produced by GoG while the JAS puts forward a holistic view of the various agreements between GoG and the development partners, including a compilation indicating the amount of resources provided by each DP to the country's development plan.

The Ghana Partnership Strategy (GPS), agreed at the November 2005 Consultative Group/ Annual Partnership Meeting (CG/APM) forms the basis for the Ghana Joint Assistance Strategy (G-JAS), which was signed in March 2007 by Canada, Denmark, the Delegation of the European Commission in Ghana (EU), France, Germany, Japan, the Netherlands, Switzerland, United Kingdom, United States, Africa Development Bank (ADB), International Fund for Agricultural Development (IFAD), United Nations, and the World Bank. The G-JAS represents the commitment of DPs to improve the harmonization of their processes and alignment of development assistance with the indicated priorities of GoG by working toward mutually agreed harmonization principles and GPRS II objectives. The G-JAS also involves the majority of Ghana's GPS development partners (representing about 95% of official development assistance flows), and consists of five interlinking elements that contribute to a comprehensive approach on the part of DPs to the aid relationship in Ghana:

- i. A joint assessment of the current country situation (political, economic, social);
- ii. A joint description of the major challenges facing Ghana in its quest to achieve the Millennium Development Goals (MDGs) and middle-income status;
- iii. A statement of principles and commitments on how G-JAS partners will work with each other, with Government, and with civil society and private stakeholders;
- iv. Priorities for the joint DP response at the GPRS II pillar and sector level; and
- v. Arrangements for results monitoring and risk mitigation.

The G-JAS timeframe, which was adopted in consideration of Ghana's national cycles, is a four-year period starting in 2007 and ending in 2010. In interviews with the DPs identified for the study indicated their commitment to the G-JAS as evidenced by better cooperation and joint programming based on the GPRS II. It is important to note that the G-JAS is a DP response to the GPRS II and aims at attaining the following by the end of the G-JAS period:

- Higher quality dialogue between DPs and the government,
- Improved aid delivery through a better division of labor and a solid process for deciding who does what,
- Greater harmonization in the way development assistance is delivered,
- Increased reliance on programme based modalities and coordinated technical assistance programmes that support government priorities,
- Improved predictability in resource flows and reduced transactions costs for government, and

- Better alignment of DP country strategies and resource allocations with GPRS II goals and priorities.

Prior to the signing of the G-JAS, co-financing of development programmes and projects was the preferred development funding modality by DPs. Indeed, since 2003, 80% of programmes and projects funded by France were co-financed with other DPs. As DPs harmonize their procedures to make aid more effective, the project approach is increasingly becoming the defunct in Ghana as donors pool their resources and develop country assistance programmes that utilize the MDDBS and SWAp mechanisms, as well as other “pooled funding” modalities. In 2006 for instance, 50% of development assistance from France was pooled with other donors (this percentage exclude funds contributed to MDDBS)¹⁵ while the EU indicated that approximately 70% of its aid resources were provided through MDDBS and Sector Budget support. The pooling of funds by donors has also led to the increase of joint M&E field missions with co-financing partners to the extent that joint M&E field missions are the norm rather than the exception. France indicated that visiting missions from the home office held joint meetings with participants of the Sector Groups to minimize the detrimental effects of such missions on national capacity. The Delegation of the European Commission (also referred to in this paper as the “European Union) indicated that joint missions often comprised EU member states. To make aid more effective in Ghana through the harmonization of DP practices, DPs are developing new initiatives such as the “silent partnership”¹⁶ and cross-funding mechanisms to reduce the span of their programmes and developing expertise in specific fields. Hence, EU interests in the agriculture sector may be represented by France (who possesses the comparative advantage in the field while French interests in the Transportation sector may be represented by the EU which possesses the comparative advantage in the sector. This also implies that funding from one donor for a sector may be channeled through the “Lead” DP in the sector. According to the interviewed DPs, the aid financing modality depends largely on the capacity of the sector MDA/ beneficiary institution to efficiently manage the aid resources and effectively implement the programme.

¹⁵ This is expected to increase to 70% in the next two years.

¹⁶ ‘Silent’ or ‘delegated’ partnerships between DPs take on different forms in different settings. They can involve an agreement between two (or more) DPs to share technical/advisory resources in order to represent one another in policy dialogue (often called ‘silent’ partnership). They can also involve one DP managing the financial contribution to a programme or project of another partner (sometimes called delegated contribution). The value of such partnerships is two-fold. First, they reduce the number of DPs around the policy table and make technical coordination simpler, and second, they facilitate the promotion of common understandings and positions among DPs. Currently DFID and the Netherlands share a sector advisor in health, and DFID and the EC share an advisor in transport. Proposals for additional silent partnerships exist between CIDA and DFID in the agricultural sector and between the EC, Netherlands and DFID in education. Currently DFID support to the water sector is being managed by Denmark and GDC/KfW, although DFID maintains a presence in policy dialogue in the sector.

4 COUNTRY OWNERSHIP

The Paris Declaration on Aid Effectiveness defines Country Ownership as a situation in which “partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions”. In recognition of the fact that the task of making aid more effective is dictated by the donor-partner relations and a mutual commitment to making aid more effective, commitments were made by both partners and donors to facilitate and encourage the national ownership of development policies and programmes. Partner countries committed to:

- Exercise leadership in developing and implementing their national development strategies through broad consultative processes.
- Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets.
- Take the lead in coordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.

While donors committed to:

- Respect partner country leadership and help strengthen their capacity to exercise it.

To operationalise country ownership, the Indicator of Progress in the Paris Declaration specifies that by the year 2010, at least 75% of Partner countries should have operational development strategies (including Poverty Reduction Strategies that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets).

A 1996 study coordinated by the Overseas Development Council on increasing aid effectiveness in Africa found that the ability of the recipient government to integrate the aid it receives into its own development strategy is critical to the success of aid¹⁷. The principle of “country ownership” which is, in simple terms, giving recipients more control over how aid is spent, is therefore seen as a requirement for the efficient and effective use of aid. While the introduction of the PRSPs in 1999 were intended to provide a framework for donor support based on national plans and to make aid flows more predictable and stable, they were also aimed at enhancing the national ownership of a country’s development process. Hence, national governments were expected to take the lead role in developing their national development frameworks and establishing their development priorities and strategies with donors supporting the formulation and implementation, monitoring, and evaluation processes. The UNDP 2005 Human Development Report¹⁸ suggests that the existence and implementation of national development strategies setting out clear poverty reduction goals and linked to medium-term financing plans is a vehicle for transparency in aid management.

¹⁷ Van der Walle, N. (1996). ‘Increasing Aid Effectiveness in Africa’. USIA Electronic Journals, Vol. 1, No. 11, August 1996

¹⁸ UNDP (2005). International Cooperation at a Crossroads: Aid, Trade, and Security in an Unequal World (Human Development Report).

The principle of Country Ownership in the context of Ghana is articulated in 'Harmonisation and Alignment in Ghana for Aid Effectiveness: A Common Approach for Ghana and its Development Partners' to which GoG and its development partners agreed on 25 February 2005. Under the principle of Leadership and Ownership in the document, GoG commits to:

- Intensify efforts to mobilise domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments.
- Establish the principles on which they expect DPs to operate in support of the GPRS.
- Lead a transparent and consultative process to update the GPRS and provide an operational, results- oriented framework with clear policy commitments with improved costing and strategic prioritisation of programmes aimed at growth and social progress.

While development Partners will:

- On the basis of the updated GPRS policy matrix, prepare a common response showing how their support will be aligned to GPRS objectives. DPs commit to increasing alignment of their country strategy processes with in-country policy planning and review processes, including an MTEF based on the GPRS, and will explore the possibilities for preparing a joint assistance strategy.
- Base decisions to finance activities on progress towards the attainment of targets and objectives from the Government's strategies and policies wherever possible.

To ensure national ownership of Ghana's development frameworks, the PRSPs (GPRS I and GPRS II) were formulated in consultation with a broad spectrum of the Ghanaian population, including Civil Society Organizations. However, it is even more crucial to assess the nature and extent to which Development partners were involved in the preparation of the GPRS to identify whether Ghana's national development framework is donor- driven rather than country-led. A study on the PRSP processes in Ghana¹⁹ which, among other things, provides an insight into the preparation phase of the initial GPRS and explores the extent of country ownership of the process concluded that the GPRS preparation in Ghana was exemplary in the sense that the formulation of the document was not heavily reliant on the model provided by the IFIs and development partners.

Pertaining to the process, the study deduced:

"To start with the ownership of the GPRS process, it has been complained elsewhere (Eurodad, 2000) that local efforts to construct anti-poverty programmes are being "shouldered aside" by the IFIs specifications of what a PRSP should consist of. In Ghana this is not the case. The NDPC Task Force is preparing what it insists is Ghana's poverty reduction strategy, which was conceived independently of, and prior to, the conceptualization of PRSPs. They are using the World Bank's PRSP Sourcebook only as a reference guide to dip into at their discretion. And they expect Ghana's PRSP to be the same in substance as the GPRS, perhaps modified in certain respects to comply with specific PRSP requirements. There seems no doubt that the government is in the driving

¹⁹ Killick, T. and C. Abugre (2001). 'Poverty-reducing Institutional Change and PRSP processes: The Ghana Case'.

seat on this. Both IFI resident representatives are conscientiously avoiding entanglement and, although various donor officials are members of the five Core Teams, there is no question that they are in any sense dictating terms. In these respects the situation is exemplary”.

Following a discourse on the GPRS process, one must examine the motivation of GoG to formulate a national PRSP. In other words, was the GPRS formulated to fulfill a donor’s requirement for financial support or was it formulated, at the initiative of GoG, to facilitate national planning for effective development? Various views have been offered on the driving force behind the formulation of a national PRSP. In some circles, the GPRS is viewed as a framework that appears to be country- led on the surface but really caters to the funding priorities of development partners. Others however see it as a more holistic approach towards development since it provides a framework indicating the government’s development priorities and strategies. Indeed, the Killick and Abugre study on the GPRS process also makes reference to the diverse views on the extent to which the GPRS is truly owned by the government and people of Ghana. The study reveals

“First, there are a good many people in Ghana who suspect that the key motivation for preparation of the GPRS and its predecessors has been in order to jump onto a donor bandwagon. For example, a UN official doubted whether the (NDC) government would have been willing or able to proceed with the GPRS in the absence of donor willingness to provide material support for the process. The head of a local NGO disputed this arguing, perhaps optimistically, that NGO pressures would have ensured that the government would prepare an anti-poverty strategy but if the former view is correct this rather qualifies assertions of Ghanaian ownership. Second, however, Ghana’s belated decision to apply for HIPC debt relief makes such speculation rather irrelevant, for now Ghana must prepare a PRSP in order to qualify for debt relief. But that decision itself raises additional questions about ownership by considerably raising the financial stakes and increasing the temptation for IFI representatives to become involved. It was not so difficult for them to remain outside the process at the earlier stages when not too much money hung on the outcome. But now that more serious money is involved and as the deadline comes nearer it will be much harder to remain detached if they come to believe that the preparations are going off track.”²⁰

Whatever the motive of GoG for formulating a PRSP, there is no doubt that the process has been advanced by the development partners who have supported the GPRS formulation process and provided technical and financial assistance as well as key inputs to address apparent variances and gaps in the GPRS. For instance, in a discussion with Civil Society about the GPRS II, the World Bank Country Director for Ghana, Mats Karlson, noted that the document did not address a number of key challenges that impact Ghanaians. In identifying critical issues in the implementation of GPRS II, he stated “the document does not have greater depth on a number of issues. For instance, the issue of

²⁰ Ibid.

energy though an important one that greatly affects the country in diverse ways receives very little attention”. In addition to this, development partners have expressed concern about the absence of an unambiguous results matrix in the GPRS II to enable all stakeholders clearly identify the country’s priorities and measure policy outcomes. The feedback provided by the donors has, to a large extent, refined the strategies outlined by GoG in both GPRS I and GPRS II.

According to the World Bank’s Aid Effectiveness Review (AER), the government of Ghana takes overall leadership in co-ordinating development assistance. Specifically, the Ministry of Finance and Economic Planning – whose role has been enhanced by the multi-donor budget support initiative – oversees the work of 18 sector partner groups. Some of these are better established than others, and the government role in them varies. Over half are convened by ministries and meet regularly, but there are some that meet infrequently or consist only of donor representatives.

Ghana’s policy framework is strong on vision and setting medium-term objectives however, it remains weak on the operationalisation and provision of resources needed for implementation by means of working linkages to the national budget process. Since the mid-1990s, Ghana’s National Development Planning Commission has been responsible for preparing both long-term and medium-term national plans. These planning processes, and equivalent exercises down to the district level, are constitutional requirements. While the structure and substance of the national development policy has changed under the different administrations of Presidents Rawlings and Kufuor, it provides the basic framework for the country’s development policies.

Whereas GPRS I was affected by a presidential change, GPRS II has benefited from the continuity provided by the election of the NPP administration for a second term. GPRS II sharpens the emphasis of the first on economic growth and infrastructure (and policies to promote them), while maintaining a focus on social investment. However, the document has some limitations as a holistic, balanced and well-sequenced strategy. As the AER notes, there are significant gaps in its coverage of factors seen as key to long-term growth, such as public sector reform. Government activities are not yet fully prioritised, and a framework for tracking implementation and results has not been completed.

The lack of prioritisation of the GPRS at the activity level has undermined its use as a guide to resource allocation. Some costing of targets has been done, however, and since 2002 allocations to GPRS priority sectors have been increasing as a share of the budget. PRS annual progress reports are highlighting budgetary implications, and efforts are now being made in the annual budget hearings to ensure that the budget estimates from each ministry and public agency draw on these reports. These are important steps towards an efficient allocation of available resources that enable implementation of the strategy. However, for this objective to be achieved, it will also be necessary to make headway on budget execution, so that agreed resources are delivered and applied in a reliable way and more importantly, for the agreed purposes.

5 COUNTRY LED PARTNERSHIP STRATEGIES

The Paris Declaration commits donors to respecting the leadership of partner countries and helping to strengthen their capacity to exercise it. The essence of the country-led partnership strategy in aid management is to develop and enhance the capacity of partner countries to manage mobilized development assistance. A successful working partnership, among other things, relies on donor countries to:

1. Provide support and resources (both financial and technical) to build the capacity of the partner country. To this end, donors must encourage the use of national consultants rather than employing the services of international consultants.
2. Ensure that the government actively engages its citizens in formulating its development programme.
3. Actively participate in dialogue based on the development agenda of the partner country.
4. Actively monitor the implementation of the formulated development programme.
5. Participate in the evaluation of executed activities outlined in the development programme.
6. Clearly articulate reporting requirements and schedules to facilitate the disbursement of pledged resources.
7. To the maximum extent possible, harmonise their practices (reporting, disbursements, procurement, etc.) to reduce the burden on the partner country.

In the dynamic working partnership for making aid work more effectively, governments of developing countries must:

1. Develop their capacity to adequately assess, determine, and articulate the country's development agenda and needs. At the most basic level, the government must ensure that it has the capacity to gather data and statistics necessary for programme formulation and monitoring.
2. Actively engage all internal stakeholders in formulating its development programme.
3. Mobilise all facets of society to implement the national development agenda.
4. Provide the most appropriate policy frameworks and environment conducive to facilitating national development.
5. Strengthen public financial and procurement systems to ensure the efficient use of resources and enhance transparency and accountability to both internal and external stakeholders.
6. Provide active leadership in the donor-partner country relationship to ensure continuous dialogue and effective coordination, while reflecting national ownership of the country's development agenda.
7. Proactively monitor and provide regular feedback on progress in the implementation of the national development programme to both internal and external stakeholders.
8. Take the lead role in organizing joint evaluation taskforces comprising internal and external stakeholders to assess programme implementation.

Additionally, both donor and partner countries must be jointly responsible for organizing joint dialogue sessions to ensure common understanding of the dynamics

of the donor- partner relationship, in addition to the documentation of best practices for dissemination.

Subsequent to the High Level Forum in Paris, four African countries namely, Ethiopia, Ghana, Tanzania, and Uganda began implementing pilot programmes aimed at strengthening harmonization and coordination at the national level. In Ghana, several strides were taken by GoG and its development partners to intensify efforts aimed at harmonizing and coordinating development assistance, including:

- The formulation of ‘Harmonisation and Alignment in Ghana for Aid Effectiveness: A Common Approach for Ghana and its Development Partners’;
- The preparation of the Ghana Harmonisation and Aid Effectiveness Action Plan (a Working Paper endorsed by the November 2005 Consultative Group meeting); and
- The formulation of the Ghana Partnership Strategy: Aid Harmonisation and Effectiveness Matrix²¹ (this represents the final product emanating from the Ghana Harmonisation and Aid Effectiveness Action Plan).

The ‘Harmonisation and Alignment in Ghana for Aid Effectiveness: A Common Approach for Ghana and its Development Partners’ document recognised the negative impact of a substantial number of uncoordinated donor activities on development cooperation and the development of Ghana and the benefits associated with harmonisation. The document asserts “harmonisation, by promoting the use of common arrangements, helps increase aid efficiency by reducing the cost of managing multiple activities”. The document aptly notes that “*harmonisation and alignment are not ends in themselves but tools to strengthen aid effectiveness directed toward poverty reduction, economic growth, and the achievement of the Millennium Development Goals (MDGs)*”. The document, to which GoG and development partners agreed on 25 February 2005, stipulates the following principles to which both GoG and its development partners commit themselves:

- Recognizing Ghanaian **leadership and ownership** of the development process and the modelling of all development assistance on that premise.
- Continuing the development of a **GPRS- based M&E system** producing progressively better data which increasingly informs both GoG policy and DP allocations.
- Increasing **predictability of aid flows**, ensuring the timely disbursement of resources and working together to strengthen public financial management.
- Increasing the **use of country systems** to deliver assistance, align assistance with Ghana’s planning and budget cycles and giving GoG greater control over the allocation and management of development resources.
- Increasingly use the strengthened **national procurement system**.
- Continue to foster **sector harmonisation**.
- Maximize **complementarities and shared resources** among donors to increase effectiveness and reduce transaction costs.

²¹ See attached.

- Work together to increase the sustainability and impact of **capacity development**.
- Further develop and strengthen **mutual accountability**.
- Maximise, where possible, the use of **untied and unearmarked aid**.

The Ghana Harmonisation and Aid Effectiveness Action Plan (G-HAP) was a working paper endorsed by the November 2005 Consultative Group meeting and formed the basis for the Ghana Partnership Strategy: Aid Harmonisation and Effectiveness Matrix. To develop the Action Plan, four working groups were formed around the following thematic areas:

- A. Country Environment
 - National strategy (indicator 1)
 - Country Fiduciary Systems (Indicator 2a and 2 b)
 - Country Results Framework (Indicator 11)
- B. Program- based Frameworks
 - Coordinated Technical Cooperation/ TA (Indicator 4)
 - Program- based modalities (Indicator 9)
 - Country Analytic Work (Indicator 10b)
- C. Transaction Costs
 - Arrangements for sector support (indicator 3)
 - Use of Country Systems (indicator 5a + 5b)
 - Use of Parallel PIUs (indicator 6)
 - Use of tied aid (indicator 8)
 - Predictability of aid (indicator 7)
 - Visiting missions (indicator 10a)
- D. Partnership Framework
 - Mutual Accountability (Indicator 12)

The Action Plan indicated Country Outcomes, Activities, Responsibilities, Targets, and the implementation status of each of the thematic areas. A replication of the Partnership Framework component of the Action Plan is included as an annex to the report.

The Ghana Partnership Strategy: Aid Harmonisation and Effectiveness Matrix, which represents the final product emanating from the Ghana Harmonisation and Aid Effectiveness Action Plan, linked the Ghana Action Plan to the Indicators of Progress outlined in the Paris Declaration. As such, the document specified the tenet and indicators according to the Indicators of Progress in the Paris Declaration, developed an assessment criteria and methodology, as well an assessment baseline and provided tangible outputs for measurement. The flaw of this document appears to lie in the fact that it does not offer any indicators for measuring the capacity of and the extent to which a beneficiary country drives the partnership process in national development, as well as the initiatives of development partners to support and empower the beneficiary country to execute leadership in the partnership process. Fortunately, in the context of Ghana, this weakness is adequately addressed in the recently signed G-JAS which articulates the commitments of Ghana's DPs in addressing the pillars identified in the G-HAP. The G-JAS partner commitments are illustrated in the table below:

Harmonization and Aid Effectiveness Commitments

Ghana Harmonization & Aid Effectiveness Plan	G-JAS Partner Commitments
<i>Program Based Frameworks</i>	
Program Based Approaches Increase and transaction costs for Government Institutions decrease.	DPs commit to use program based approaches where sector strategies are in place. Budget support donors commit to increase the level of assistance provided through budget support mechanisms, assuming that macro-stability is maintained and country system performance shows steady improvement.
Coordinated frameworks for technical cooperation support national and sector capacity development requirements.	DPs commit to align technical cooperation on national and sector strategies. DPs commit to support coordinated programmes for capacity development at national and local levels.
Joint country analytic work increases.	DPs commit to align country analytic work on national and sector policies and strategies. DPs commit to increase the country analytic work carried out jointly.
<i>Transactions costs / harmonization</i>	
Aid flows aligned with national priorities.	DPs commit to reorient assistance programs, where possible, to improve alignment with emerging national priorities. DPs commit to better coordinate among themselves and with Government through the adoption of common standards for sector groups and through delegated representation arrangements.
DPs increasingly use Ghana PFM systems for managing flows.	DPs commit to use the Public Expenditure and Financial Assessment (PEFA) framework for medium-term monitoring of country financial management capacity.
DPs increasingly use Ghana's public procurement system for purchases of goods & services using aid funds.	DPs commit to use a standard tool for monitoring country procurement performance and capacity.
Parallel implementation structures are reduced and national management arrangements increase.	DPs commit to phase out parallel implementation structures in accordance with sector strategies. DPs commit to avoid creating new parallel implementation structures. DPs commit to strengthen country systems and national capacity for program implementation

	wherever possible.
Tied aid practices decline.	DPs commit to accelerate progress in reducing tied aid.
Joint DP aid framework (multi-year).	Budget support donors commit to align their disbursements with the budget year and to release funds in the first half of the financial year. DPs commit to provide multi-year data on projected disbursements and timely information on actual disbursements, using a common format.
Joint missions increase and predictability of visits improves.	DPs commit to observe the national mission free period from Sept 15 to Nov 15, annually. DPs commit to coordinate mission planning at the sector group level and to share information on mission schedules using the multi-donor website.
<i>Partnership Framework</i>	
Independent Assessment Mechanism	DPs commit to develop jointly with Government and to participate in a Mutual Accountability Mechanism that involves civil society and the private sector.
<i>Managing for Results</i>	
DPs use indicators derived from the GPRS/detailed sector strategies to monitor their assistance.	DPs commit to align the GPS Results Framework on national GPRS II results indicators and targets. DPs commit to use the GPRS II Annual Progress Report and APRM Progress Report to monitor the GPS Results Framework.

Source: G-JAS 2007

To a large extent, GoG takes the lead in coordinating development assistance, particularly following the institution of the MDBS. Specifically, GoG and the World Bank co-chair quarterly mini-CG meetings. DPs in Ghana have been working in close collaboration with each other through a variety of coordinated programmes, and increasingly at the sector levels, especially through the Sector Working Groups (Sector Groups). Both GoG and development partners are represented in the eighteen Sectoral Partner Groups, which are formed based on thematic areas like Health, Agriculture, HIV/AIDS, Education, Water, Roads and Public Sector Reform. According to interviewed DPs, working coordination at the sector level is advanced in Private Sector Development (PSD), Health, Transport, Decentralisation, HIV/AIDS, Education, and in the context of MDBS. Good practices, including clear GoG leadership of the sector working group; aligning DP assistance with sector strategy (and to the extent possible, including it in the national budget process); pursuing joint policy dialogue and analytical with GoG; as well as streamlining monitoring and reporting procedures based on a common results framework,

were also identified in Financial Sector Reform, M&E, Water and Sanitation, Agriculture, and Natural Resources Management sectors. Interviewed DPs indicated that progress is varied for a number of reasons. Firstly, there is a lack of fully developed strategies and results frameworks in a number of the sectors. Secondly, most sectors lack clearly prioritised annual work plans. Thirdly, and perhaps most important is the disturbing absence of a clearly articulated aid policy in which GoG indicates its modality for working with DPs at the central, sector, and local government levels. To address the problem of disparities in the effectiveness of the Sector Groups, a Joint Guide book on Sector Groups was developed by DPs and presented to GoG in December 2006 for review, endorsement and dissemination to MDAs. To date, the document, which aims at ensuring that Sector Group modality is standardized and consistently implemented in a harmonized approach has not been officially endorsed by GoG.

While interviews with GoG officials express a preference for the MDBS and Sector support modalities, it is interesting to note that of the approximately US\$ 1.2 billion that Ghana receives in aid, only some 25%-30% is channelled through the MDBS mechanism. Between 65% and 70% of aid received by GoG are channelled through other aid modalities. There is therefore a strong case for creating mechanisms for harmonization and better aid management to ensure the optimal utilization of aid. This strong case is further made particularly in the absence of a clear GoG policy on aid management, which is especially disconcerting considering that there has been no policy document outlining GoG leadership in its relationship with DPs or the roles DPs are expected to play vis-à-vis GoG. It is encouraging though that the problem of the absence of an unambiguous aid management policy is currently being addressed with GoG with DP support. A pillar and sector working group has also been created to facilitate the identification and improvement of good practices.

6 RESULTS ORIENTATION

To ensure the effectiveness of development assistance in reducing poverty and attaining the Millennium Development Goals (MDGs), it is essential that donors and governments focus less on how much aid is provided or delivered to partner countries and more on how and whether the aid provided achieves the expected results. A contemporary discussion on the effects of the traditional focus on the quantity of aid instead of the qualitative output of the aid provided also indicates its detrimental impact on development. For instance, the World Bank notes

“Excessive focus on inputs and outputs has weakened the incentives among both development assistance agencies and the recipients of external financial assistance to ensure that resources are used in ways that will achieve sustained developmental results. More generally, the pressures to disburse have weakened the willingness of development assistance agencies to discriminate between countries with institutions and policies such that external financial support will be well used and those in which funds are likely to be wasted”. The WB notes that the “quantity- centered” thinking in aid has “reduced the incentive for selectivity in the allocation of development assistance resources. Attention to inputs and outputs rather than outcomes has also contributed to the under-development of institutions in developing countries for financial accountability, for measuring economic and social conditions, and for monitoring and evaluation of public programs and policies. There has been a vicious circle in which the attention to inputs and outputs has prevented growth of capacity to measure outcomes, thus reinforcing dependence on input and output measures. All these concerns make it especially important to shift the focus of measurement to results and to build the capacity to do so”.

The Paris Declaration defines results management as “managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making”. Based on this definition, both donors and partner countries communicated the following pledges:

Partner countries commit to:

- Strengthen the linkages between national development strategies and annual and multi-annual budget processes.
- Endeavour to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies; and that these frameworks should track a manageable number of indicators for which data are cost-effectively available (**Indicator 11**).

Donors commit to:

- Link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners’ national development strategies.

- Work with partner countries to rely, as far as possible, on partner countries' results-oriented reporting and monitoring frameworks.
- Harmonize their monitoring and reporting requirements, and, until they can rely more extensively on partner countries' statistical, monitoring and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting.

Partner countries and **donors** jointly commit to:

- Work together in a participatory approach to strengthen country capacities and demand for results based management.

To signify its commitment to the new approach for making aid effective, the Indicators of Progress outlined in the Paris Declaration establishes a criterion and a target for measuring the “managing for results” tenet²². In the context of Ghana, the ‘Harmonisation and Alignment in Ghana for Aid Effectiveness: A Common Approach for Ghana and its Development Partners’ document makes no reference to efforts directly address this tenet. Instead, the document appears to rely on the GPRS results matrix to effectively monitor programme outcomes and results and commits GoG to the following:

- Continue to strengthen statistics and M&E capacity, in order to produce more robust, timely and transparent indicators of actions and outcomes, including the APR, to inform policy design; and to hold managers in the public service accountable for policy outcomes.

Development Partners will:

- Use the APR as the basis to work with GoG to evaluate progress on poverty reduction and growth

And GoG and its development partners will:

- By 2006, base the MDBS policy matrix on the updated GPRS and supporting sector strategies and continue to monitor using the GPRS Annual Progress Report (APR).

The subject of results-based management of development assistance in Ghana is addressed in the Ghana Partnership Strategy: Aid Harmonisation and Effectiveness Matrix, which is based on the Indicators of Progress in the Paris Declaration and is included as an annex to the report.

In accordance with the M&E plan under GPRS I, GoG has, since 2003, produced an Annual Progress Report (APR) to report on GPRS policy implementation and make policy recommendations for input into the national budget process. The APR has to date been complemented by five Poverty and Social Impact Assessments (PSIAs). As well as the matrix, APR, and PSIAs, Ghana's DPs conducted a joint review of Evidence- Based Policy-Making (EBPM) in 2004. The appraisal examined existing support for sectors, limitations, variances, and future requirements for the effective implementation of the Monitoring and Evaluation component of the GPRS I. Based on the findings of the review, an EBPM project was formulated to strengthen the use of results in policy-making. The framework for the project identified three main outputs namely, Coordination, Capacity- building, and Communications. The objective of the EBPM project is to make information available for monitoring and evaluating programmes and

²² See Indicator 11 in Paris Declaration Indicators of Progress.

projects identified in the GPRS documents. Due to an increasing demand for timely and accurate (quality) data from GoG and DPs to facilitate M&E, the EBPM initiative is seen as a crucial step in ensuring the availability of accurate data for tracking progress on poverty-reducing programmes and projects.

7 RECOMMENDATIONS AND CONCLUSION

Efforts to improve aid management and donor harmonization in Ghana by both GoG and development partners are advanced and commendable. However, the framework for strengthening aid/ donor coordination, partnership, national ownership of the development process, and managing the external resources for development must be assessed and reinforced by strengthening the GoG mechanism for monitoring aid delivery and programme outputs. The attempts at improving aid effectiveness in Ghana appear to be largely donor-driven with minimal evidence of active government leadership in the process. The creation of a mechanism by the government (specifically, MoFEP) to allow the monitoring of aid delivery would not only increase accountability and transparency on the use of donor funds, but also underscore the importance of optimally using allocated aid, particularly in view of the fact that unutilised aid is often returned to the funding agency at the end of the programme cycle to the detriment of the country. Such a mechanism would address the grey area of governance in aid management in that it would improve the country's ability and capacity to mobilise and manage aid resources more effectively and efficiently. With the increasing use of GBS and SBS, public financial management systems must be developed and strengthened further not only to enhance donor confidence in national systems, but more importantly, to increase the qualitative impact of aid to the Ghanaian population. It must also be recognised that the attempts at harmonization and alignment go beyond the current discussions of the payment of allowances and per diems to Government staff. While this must definitely be addressed, of more importance to the Ghanaian population is the harmonization of donor practises and procedures as well as the alignment of donor priorities and processes (to the maximum extent possible) with national priorities and processes to minimise transactions costs and increase the effectiveness of aid.

Within MoFEP, the capacity of the Aid and Debt Management Unit (ADMU) should be bolstered to ensure that the absorptive capacity of Ghana is increased by removing impediments to aid delivery and at the sector levels, MDAs must develop their capacity to measure programme outcomes and the effectiveness of donor-funded programmes. The fiscal analysis capacity of MDAs and MoFEP to assess the sustainability of donor-funded programmes must also be developed in a bid to improve the long-term effectiveness of aid. The frameworks and matrices that have been developed in Ghana to improve aid effectiveness include indicators that are heavily dependent on data and statistics. It is therefore crucial that the capacity of the Ghana Statistical Service (GSS) is enhanced to provide accurate data to track the impact of poverty-reduction projects and programmes identified in the GPRS documents. As N. van de Walle notes in the ODC study on Aid Effectiveness in Africa, greater support must also be provided to the policy, planning, and evaluation departments of government, as well as to central budgeting activities. In relation to this, challenges and bottlenecks as well as successes in implementing GPRS programmes and projects must be documented to facilitate the dissemination and sustained application of best practices. For instance, the institution of a "quiet period" (mission-free period) at MoFEP during the preparation of the national budget (from mid- September until mid-November annually) ensures that the agency is

able to focus on the important task of preparing the country's budget without intrusions from donor missions.

Donors must intensify efforts to harmonise their practices and procedures to the maximum extent possible in a bid to reduce the capacity-reducing impact they have on partner countries. This also applies to aligning donor and partner country priorities to ensure that development assistance is utilised where it is most needed. These cannot be attained without strengthening the capacity of partner countries to be effective leaders in assessing and determining national priorities. To further encourage country-led partnership, GoG must proactively take on the duty of coordinating all aid activities, and donors should support GoG initiatives to enhance its leadership in aid management. To this end, MoFEP, as the legal representative of GoG must develop its capacity to adequately execute its mandate. Also, in a bid to enhance aid effectiveness in Ghana, it is vital that the Ministry of Finance and Economic Planning (MoFEP) is recognised by donors and sector ministries as the Government-designated central aid coordination agency through which all development assistance to GoG must be channelled. The capacity of MoFEP must therefore be augmented to enable it carry out this mandate. Linkages between MoFEP and the National Development Planning Commission (NDPC) must be reinforced to ensure greater synergies in the identification of national development priorities and the efficient allocation of resources to make aid more effective.

REFERENCES

Agence Française de Développement. 2005 Annual Report

Agence Française de Développement. Development Profile (2006—2007).

Agence Française de Développement, 2005 Registration Document.

Agence Française de Développement. Agency Responses to the 2006 Baseline Survey on the implementation of the Paris Declaration.

Agence Française de Développement, Report on Development Aid (2005—2006): The Challenges of an Unstable International Context.

Bourguignon, F. and M. Sundberg (2007). ‘Aid Effectiveness—Opening the Black Box’. <http://siteresources.worldbank.org/DEC/Resources/Aid-Effectiveness-MS-FB.pdf> (accessed on 13 February 2007).

Development Partners of Government of Ghana. GJAS Final Document (March 2007)

Government of Ghana (2005). GPRS II Volume I (Policy Framework). National Development Planning Commission.

Government of Ghana (2005). Harmonisation and Alignment in Ghana for Aid Effectiveness: A Common Approach for Ghana and its Development Partners. NDPC.

Government of Ghana (2006). Ghana Partnership Strategy: Aid Harmonisation and Effectiveness Matrix. NDPC.

Harrigan, J. and S. Younger (2000). ‘Aid, Debt and Growth’ in E. Aryeetey, J. Harrigan and M. Nissanke (eds), Economic Reforms in Ghana: The Miracle and the Mirage. London: James Curry Ltd.

Institute for Democratic Governance [IDEG] (2006). ‘What does the Joint Assistance Strategy mean to Improving the Effectiveness of Development Assistance in Ghana?’ (Briefing Paper).

Development Partners’ Working Paper on Sector Groups. Joint Guide book on Sector Groups (this document has not been officially endorsed by the Government of Ghana).

Killick, T. (1978). Development Economics in Action: A Study of Economic Policies in Ghana. London: Heinemann Educational Books

Killick, T. and C. Abugre (2001). ‘Poverty-reducing Institutional Change and PRSP processes: The Ghana Case’.

- Lawson, A. et al (2005). Learning from Experience with Performance Assessment Frameworks for General Budget Support (Synthesis Report). OECD-DAC.
- Lawson, A. et al (2006). Initial Observations on Immediate Effects and Recommendations on Future Design & Management of Ghana MDBS.
- OECD- Club du Sahel (2000). A Review of Aid: Coordination Mechanisms.
- OECD-DAC (2003). Harmonising Donor Practices for Effective Aid Delivery.
- OECD-DAC (2006). 2006 Baseline Survey on Paris Declaration and Aid Effectiveness (Working document).
- Quarthey, P. (2002). Finance and Small and Medium Enterprise Development in Ghana. Manchester: University of Manchester (Ph.D. Thesis).
- Quarthey, Peter (2005). 'Innovative Ways of Making Aid Effective in Ghana- Tied Aid versus Direct Budgetary Support'. UNU-WIDER.
- Svensson, J. (2000). 'When is Foreign Aid Policy Credible: Aid Dependence and Conditionality?'. *Journal of Development Economics*, 61:61-84.
- UNCTAD (2000). Aid, Private Capital Flows and External Debt: The Challenge of Financing Development in the LDCs. (The Least Developed Countries Report)
- UNCTAD (2006). Economic Development in Africa, Doubling Aid: Making the "Big Push" Work.
- UNDP (2005). International Cooperation at a Crossroads: Aid, Trade, and Security in an Unequal World (Human Development Report).
- van de Walle, N. (1996). 'Increasing Aid Effectiveness in Africa'. *USIA Electronic Journals*, Vol. 1, No. 11, August 1996.
- Vordzogbe, S. and Swainson, J. (2006). MOU Between the Government of Ghana and Participating Development Partners for the Implementation of the Coordinated Support for Evidence- Based Policy-Making (EBPM) Project (2006-2010).
- World Bank (2005). Evaluation of the Comprehensive Development Framework (CDF) - Ghana Case Study.
[http://lnweb18.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/9BE751F982A2E3E685256E4C0077BEFA/\\$file/CDF_Ghana_WP.pdf](http://lnweb18.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/9BE751F982A2E3E685256E4C0077BEFA/$file/CDF_Ghana_WP.pdf) (accessed on 13 February 2007).

World Bank (2005). Paris Declaration on Aid Effectiveness.
<http://www1.worldbank.org/harmonization/Paris/FINALPARISDECLARATION.pdf>
(accessed on 30 January 2007).

World Bank (2006). Aid Effectiveness Review: Ghana Profile.

ANNEX 1 INTERVIEWS

Interviews were held with:

- Siriboe, Nana Juaben (Chief Director, MoFEP)
- Simpson- Ekuban, Effie (Director, MoFEP)
- Addo, Mary-Ann (Deputy- Director, ERM/ EU, MoFEP)
- Okyere Nyako, Yaw (Senior Planning Officer, ERM/UN MoFEP)
- Arnal, Jean-François (Resident Manager, Agence Française de Développement)
- Borghèse, Maelis (Programme Officer, Agence Française de Développement)
- Theodorakis, Athanassios (Deputy Director-General, Directorate-General for Development, European Commission)
- Samzun, Guy (Head of Cooperation, Delegation of the European Commission in Ghana)
- Lalisse, Marion (Programme Officer, Delegation of the European Commission in Ghana)
- Izmetiev, Artemy (Aid Effectiveness Specialist, UNDP Ghana)
- Kimes, Cristine (Portfolio Quality Specialist, World Bank Ghana Office)

Discussions were held with senior officials from the **Ministry of Finance and Economic Planning (MoFEP)**, which is the designated GoG representative in aid management and coordination, to analyze the following:

1. The authority and resources required by the GoG- designated central custodian of aid management (MoFEP) to demonstrate leadership over the various executing sector ministries.
2. Public sector reform in concordance with creating an enabling environment for aid harmonization to flourish.
3. The central agent of GoG responsible for determining the consistency of Ghana's procedures pertaining to aid management.
4. The reliability of Ghana's financial management system in view of MDBS.
5. The role of GoG in the management and coordination of development partners, aid resources, and the national development strategy.
6. The relationship among GoG, development partners, and other stakeholders marked by identified components, specifically, mutual trust (consultations and transparency), assumption of mutual accountability, and reviews of the performance of development partners, and demand-led support for strengthening the management and coordination capacity of GoG.