



Joint Evaluation of Budget Support to Ghana (2005-2015)

Final Report

Volume 1

June 2017

Independent evaluation jointly managed by the European Commission (DG DEVCO's Evaluation Unit), the World Bank's Independent Evaluation Group, the Government of Ghana, Denmark, France and Germany.

Acknowledgments

The Final Report is authored by a joint EU and IEG team of evaluators. The EU team of evaluators was provided by Particip GmbH, a Germany-based consultancy firm.

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The evaluation team would like to express gratitude to the ministries and agencies of the Government of Ghana, international donors, think tanks, and civil society organizations that kindly shared their views, data, and information during this evaluation. We also thank the EU and World Bank offices in Ghana for the overall support provided to facilitate the implementation of the study.

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Joint evaluation of budget support to Ghana (2005-2015)

Final report

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List of acronyms

ASM	Artisanal Small-Scale Mining
BPEMS	Budget and Public Expenditure Management System
BS	Budget Support
CAGD	Controller and Accountant General's Department
CHAG	Christian Health Association of Ghana
CHPS	Community Health Planning and Services
CHRAJ	Commission on Human Rights and Administrative Justice
CIDA	Canadian International Development Agency
CSO	Civil Society Organisation
DACF	District Assemblies Common Fund
DDF	District Development Facility
DFID	Department for International Development (UK)
DG DEVCO	Directorate-General Development and Cooperation (European Union)
DHS	Demographic and Health Surveys
DP	Development Partner
DPF	Decentralisation Policy Framework
EC	European Commission
EGPRC	Economic Governance and Poverty Reduction Credit
ENR	Environment and Natural Resources
EPA	Environmental Protection Agency
EQ	Evaluation Question
ESP	Education Strategic Plan
EU	European Union
FASDEP	Food and Agriculture Sector Development Policy
FMIS	Financial Management Information System
FOAT	Functional and Organisational Assessment Tool
GBS	General Budget Support
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GHc	Ghana Cedi
GHS	Ghana Health Service
GIFMIS	Ghana Integrated Financial Management Information System
G-JAS	Ghana Joint Assistance Strategy
GPRS	Ghana Poverty Reduction Strategy
GSGDA	Ghana Shared Growth and Development Agenda
HIPC	Heavily Indebted Poor Countries
HSMTDP	Health Sector Medium-Term Development Plan
ICT	Information and Communications Technology
IDA	International Development Association
IEG	Independent Evaluation Group
IGFF	Intergovernmental Fiscal Framework
IGF	Internally-Generated Funds
IL	Intervention logic
IMCC	Inter-Ministerial Coordinating Committee
IMF	International Monetary Fund
IUU	Illegal, Unreported and Unregulated (Fisheries)
JC	Judgement Criterion
LEAP	Livelihood Empowerment Against Poverty
LGS	Local Government Service
MAF	Millennium Development Goals Acceleration Framework
MDAs	Ministries, Departments and Agencies
MDBS	Multi-Donor Budget Support
MDG	Millennium Development Goals
MESTI	Ministry of Environment, Science, Technology and Innovation
METASIP	Medium-Term Agriculture Sector Investment Plan

MG	Management Group
MIC	Middle-Income Country
MICS	Multiple Indicator Cluster Survey
MLNR	Ministry of Lands and Natural Resources
MMDA	Metropolitan, Municipal & District Assemblies
MOF	Ministry of Finance
MOFA	Ministry of Food and Agriculture
NDAP	National Decentralisation Action Plan
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NHIA	National Health Insurance Agency
NHIS	National Health Insurance System
NPP	New Patriotic Party
NREG	Natural Resources and Environmental Governance Programme
ODA	Official Development Assistance
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
PAF	Progress Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPMED	Policy, Planning, Monitoring and Evaluation Division (Ministry of Agriculture)
PRSC	Poverty Reduction Support Credit (World Bank)
PSD	Private Sector Development
PSDS	Private Sector Development Strategy
RG	Country Reference Group
RRU	Rapid Response Unit
SBS	Sector Budget Support
SDGs	Sustainable Development Goals
STAR	Strengthening Transparency, Accountability and Responsiveness in Ghana
SWAp	Sector-Wide Approach
SWG	Sector Working Groups
TA	Technical Assistance
ToR	Terms of Reference
TSA	Treasury Single Account
TSS	Total Suspended Solids
TVET	Vocational Education and Training
UK	United Kingdom
USAID	United States Agency for International Development
USD	US Dollar
WB	World Bank

Executive summary

Introduction and context

Main objectives and scope of the evaluation The **objective** of this evaluation is to assess the extent to which budget support has contributed to achieving its expected results by helping the Government of Ghana (GoG) to strengthen the implementation of its national and sectoral strategies. The study covers all operations with disbursements in the period 2005-2015. It covers the effects of budget support on macro-fiscal management, public financial management, decentralisation, private sector development, various cross cutting issues such as gender, and outcomes in the sectors targeted by budget support. **In-depth analyses** have been carried out in Health, Environment and Natural Resources, and Agriculture. The evaluation follows the OECD methodology for the evaluation of budget support.

Joint nature of the exercise The process was led by a **Management Group**, consisting of: the Evaluation Unit of the Directorate General for International Co-operation and Development – European Union, the Independent Evaluation Group – World Bank, the GoG represented by the Ministry of Finance, as well as officials from Denmark, France and Germany. The evaluation was carried out by a **team** composed of experts from the Independent Evaluation Group and independent experts contracted by the European Union.

The national context In 1957, Ghana became the first West African country to gain independence from colonial rule. Since **multi-party democracy** was restored in 1990, seven consecutive competitive general elections have successfully been held, resulting in three transfers of power between the ruling party and the main opposition party. While there are still important geographical disparities, with the three northern regions having the highest incidence of **poverty**, the level of poverty has decreased by half since 1990. Cocoa production expanded quickly in the late 1990s, and Ghana became the world's third-largest cocoa producer. The country benefited from stable and rapid economic **growth**, which was accompanied by a structural shift away from agriculture and an increase in tax revenues. The country also benefited from international debt relief initiatives in the early 2000s. Offshore oil in commercial quantities was discovered in 2007. This significantly improved the country's fiscal space and generally positive economic outlook. However, a number of persisting structural problems left the economy exposed to supply and demand shocks, and various policy risks. Following a serious deterioration of the **macroeconomic situation**, implementation of an International Monetary Fund (IMF) stabilisation programme began in early 2015, and is continuing under the new administration which assumed power in January 2017.

Budget support to Ghana A **Multi-Donor Budget Support** (MDBS) framework was established in 2003. It has included 11 Development Partners (DPs): the African Development Bank, Canada, Denmark, the European Union, France, Germany, Japan, the Netherlands, Switzerland, the United Kingdom, and the World Bank. Over the evaluation period, DPs have provided about USD 3.4 billion in General Budget Support (GBS) and USD 1 billion in Sector Budget Support (SBS). The IMF has provided about USD 1 billion in balance of payments support. **The MDBS partnership broke down** in 2013-2014, after most DPs decided to suspend budget support because of the deteriorating macroeconomic situation and serious concerns regarding PFM. Most suspended disbursements were released in 2015, but only a few DPs decided to continue providing budget support to Ghana.

Findings on Budget Support design and delivery

The initial situation The provision of budget support started in 2003-2005 in **the context of a success story** – with the country experiencing robust economic growth, important strides in poverty reduction, strong progress in democratic processes, and increased human rights and freedom of expression. The national policy framework and aid architecture had developed on strong foundations, and the commitment of GoG towards structural reforms was visible in the context of the debt relief initiatives. A strong momentum around aid effectiveness principles at international level also created a conducive environment for the provision of budget support. An increasing emphasis was placed on GoG ownership, and incremental improvements were made to the dialogue structure and performance review mechanisms. Budget support design integrated important new elements of the national context (e.g. new dynamic around the decentralisation process, and advent of Ghana's oil era). Building on the Sector-Wide Approach developed in the Health sector, joint **SBS** arrangements were introduced in various sectors around 2008.

Opportunities created by budget support

Budget support created a number of opportunities for GoG to strengthen the implementation of the national medium-term development framework. **Budget support funds** contributed to the expansion in discretionary expenditure observed in the mid/late 2000s, which complemented other important factors such as strong economic growth and debt relief. Budget support funds buoyed the GoG's ability to respond to external shocks and temporary falls in revenues, such as in the aftermath of the 2008 financial crisis. In the second half of the evaluation period, in a context of increasingly tight fiscal constraints, SBS funds contributed somewhat to compensating for the dwindling resources of sector ministries and agencies available for operational costs and discretionary spending.

Budget support was also accompanied by intense **policy dialogue** and substantial **technical support** – including the financing of substantial analytical work. This generated a wealth of knowledge and created numerous opportunities to enhance policy formulation (in almost all policy areas reviewed), intra-sector collaboration (especially in the area of Decentralisation and the Environment sector) and the capacity development of key public entities. Budget support also contributed to the conception and introduction of elaborated technical tools such as the timber legality assurance system.

In addition, the MDBS framework played a key role in enhancing **sector dialogue**, consolidating the link between the Ministry of Finance and sector stakeholders, and strengthening the **national aid architecture**. Policy monitoring, which was an integral part of budget support dialogue and accompanying measures, also helped partners (GoG and DPs) to maintain some attention on priority spending actions.

Finally, DPs recognised, at an early stage, the important role played by **civil society** in the country's policy processes. Substantial efforts were made to actively involve them in policy dialogue and MDBS performance reviews. Direct support was provided through complementary interventions to develop civil society organisations' capacities and enhance their role in a wide range of areas.

Limits to the opportunities created

The full use of the opportunities created by budget support has been prevented by a number of important and often interrelated constraining factors. They include: i) the **deterioration in the macroeconomic environment** in the second half of the evaluation period; ii) the **complex political economy** prevailing at various institutional levels in Ghana; iii) the **weakening of the partnership** around budget support and, more generally, development aid.

In the second half of the evaluation period, the country experienced serious **macroeconomic destabilisation** associated with a large increase in public expenditure (especially, a surge in the wage bill) and massive debt accumulation. Beyond some external factors that were not adequately anticipated (e.g. the fall in global oil prices), macroeconomic imbalances were mainly related to structural factors (e.g. weaknesses in the PFM system), as well as a number of questionable policy choices (e.g. increase in commercial borrowing) and political decisions (e.g. expenditure slippages in elections years). As a result, the excessive increase in the wage bill and costly debt servicing crowded out critical budget resources for pro-poor expenditure items and public investments, and reduced the availability of discretionary funds necessary for operational and maintenance costs.

While public institutions and the overall development process are shaped by **powerful political and economic actors and dynamics** like in other countries, Ghana also displays some important specificities. Given the high level of competition between the two main political parties and the short electoral cycle (four years), the political settlement has had a particularly strong influence on policy decisions, with a premium being put on visible, short-term actions, as opposed to longer-term structural reforms. The persistence of clientelist and political patronage systems are illustrated by the continuous strong influence played by interest groups in the mining sector, the complexity of the public sector wages and the difficulties in changing the system of presidentially-appointed members on district assemblies. This has put a strain on improving the allocative efficiency of public spending and on achieving greater transparency and accountability in governance, especially at the local level.

The evolution in the **partnership around budget support** has been characterised by a decreasing engagement of both GoG and DPs. On the DPs' side, there has been a growing feeling that, with the country's access to the middle-income country status and the subsequent decreasing availability of official development assistance, less could be achieved via budget support. At the same time, the disenchantment of several bilateral

donors with budget support at global level – accompanied by an increased pressure from their taxpayers on accountability issues – contributed to accelerating the withdrawal of some DPs from budget support, to a reduction of the critical mass of DPs supportive of budget support, and to an increasing divergence on the way to address some critical development challenges. On the GoG side, the provision of budget support was confronted by an increasing assertiveness of the successive governments and the country's elite – as further strengthened by the country's access to middle-income country status in 2010. Moreover, the attention of political players – absorbed by the tight electoral calendar, the prospects of oil revenues, and the access to new sources of finance (including the issuance of Eurobonds or concessional lending from new partners such as China) – got diverted from the budget support partnership and the related medium-term policy commitments.

In this context, the tools – including the **space for policy dialogue** – offered by the partnership built around budget support turned out to be increasingly inadequate to allow for open discussion on the pressing structural challenges the country was facing. In particular, this applies to the areas of budget execution and macroeconomic management, modernisation of the public service, and the reform of the energy sector.

Recent evolutions

Although the suspension of budget support by several DPs in 2013-2014 was justified and relatively well explained, it led to a pronounced deterioration in GoG-DPs relations and the collapse of the MDBS framework. Nonetheless, a high-level and frank dialogue on macro-fiscal issues and PFM challenges was maintained between a few budget support DPs and GoG. After some initial reluctance, GoG finally recognised the **need for an IMF-supported stabilisation programme** and the implementation of a vigorous reform agenda in PFM and macroeconomic management.

Results achieved by budget support in terms of policy formulation and implementation

Strong induced effects on policy formulation

The country's **legal and policy framework**, which was already quite robust in the early 2000s, continuously improved during the evaluation period, although some issues related to prioritisation in the sector strategic frameworks persisted. While budget support was not, in most instances, the main driver of reforms, the opportunities it created provided useful elements for GoG to strengthen the country's legal and policy framework, and to accelerate the reform agenda. This is, for instance, illustrated by the positive role played by SBS in fostering the decentralisation reform process. More generally, financial support, combined with an active policy dialogue, contributed to inclusive **policy formulation** processes based on extensive analytical work, while strengthening GoG ownership. Budget support has also contributed to some extent to strengthening inter-ministerial/inter-agency collaboration.

Limited induced effects on policy implementation

Budget support has contributed to enhancing **policy implementation** at various levels, but the major bottlenecks that have hindered public action in Ghana for decades persisted during the evaluation period. While public services have markedly expanded and some public policies, such as in the Health sector, have been rather successfully implemented, the general quality of policy implementation in most sectors has not substantially improved. There have been important achievements in terms of strengthening the legal framework for decentralisation in recent years, but these evolutions – not least the ones related to fiscal decentralisation – are yet to be effectively implemented and supported by corresponding measures.

The policy dialogue on **PFM** failed to help ensure the effective implementation of important reforms. The deployment of a functioning Integrated Financial Management Information System facilitated control, data management and oversight of some central government finances. However, its application only to a narrow part of the budget limited its overall effectiveness. As a result, overall gains in the management of government finances have been modest, and strong shortcomings in terms of budget formulation and execution persist in all sectors.

Some progress has been achieved in the legal devolution of functions to **local governments**. However, important aspects of the decentralisation policy and legal framework still need to be operationalised. The practical aspects of fiscal decentralisation still need to be implemented.

Budget support has had visible positive effects on the **strengthening of some public institutions** (e.g. Ghana Revenue Agency and Ghana Audit Service in the area of PFM, Forestry Agency in the Environment sector). All Budget support inputs (dia-

logue/conditionality, financial transfers and accompanying measures to budget support) have played a significant role in this regard. Moreover, at least until the MDDBS broke down in 2013, budget support helped GoG to improve the monitoring of policy implementation by enhancing policy dialogue at national and sector levels. Despite persisting shortcomings in the availability of reliable data in many sectors, budget support consolidated the role of the National Development Planning Commission. However, in the absence of a coherent framework for capacity development, 'accompanying measures' to budget support (embedded institutional capacity-building components or complementary projects, including stand-alone technical assistance, specific analytical work or more comprehensive programmes such as in the PFM area) often remained fragmented and excessively donor-driven. Budget support DPs have shown some willingness to back GoG's attempts to modernise the public sector, but remained wary of getting deeply engaged in this politically sensitive area. They preferred to address these challenges indirectly – for instance, via technical interventions in the PFM area focusing on human resource management information system and payroll. Overall, attempts to modernise more comprehensively the public sector have not achieved the desired results, and overall improvements in the performance of the country's public sector have remained limited.

Gender issues have been increasingly well integrated in the national policy framework, in part thanks to budget support. But, much remains to be done. Gender Desks (present in most ministries since 1998) do not participate actively in the resource allocation process within their sector. The gender-responsive budgeting initiative introduced with budget support DPs support in 2007 quickly came to a standstill.

Budget support has had visible positive effects on intra-sector and inter-sector collaboration where there was political will (e.g. decentralisation). However, Ghana's **fragmented institutional framework** made it particularly difficult to coordinate policy implementation across sectors in the absence of strong high-level political commitment (e.g. on Agriculture-related issues).

In addition, in the second half of the evaluation period, **strong budget constraints** due to the crowding out of resources by the wage bill and very high interest payment made it increasingly difficult for sector ministries and agencies to adequately implement the planned sector strategies.

Limited induced effects on governance

Budget support has contributed to the strengthening of **certain accountability institutions** (e.g. CHRAJ, Ghana Audit Service). It also contributed to consolidating the role played by Ghana's already active and quite vocal civil society. However, major challenges persist. Civil society participation and the role of women in governance have improved, but remain suboptimal. General improvements in governance have actually mainly concerned the consolidation of the legal framework and the strengthening of some aspects of the institutional environment. Changes achieved have been insufficient to ensure the effectiveness of accountability mechanisms and to limit political interference. The relevant accountability institutions remain largely under-resourced, and the power imbalance among the arms of governance has not significantly improved. There are limited examples of independent institutions effectively challenging the government in power. Law enforcement has remained very weak in all areas. Political interference at local level and the strong influence of vested interests in sectors such as mining have made the effective implementation of reforms particularly difficult. The system of central government's appointment of councils and leadership at local government level has remained untouched by recent decentralisation reforms.

Transparency and evidence-based decision making have remained weak. There have been attempts in making budget data more widely available, including through citizens' budgets. However, the fragmented budget structure and insufficient reporting have made detailed sector assessments difficult, which had implications on the GoG's ability to allocate resources effectively. Overall, budget credibility has remained poor. Despite some usefulness, the number and depth of the studies analysing levels, composition and trends in public expenditure – many of which were supported by DPs providing budget support – have been insufficient to enhance strategic planning and policy implementation in a sustainable way, given the scale of the problem. Moreover, the quality and usefulness of these often one-off exercises were undermined by the lack of comprehensive and reliable data.

Outcomes at sector level and budget support contribution

Health

In general, health outcomes indicators have shown a **steady progress** over most of the evaluation period. Utilisation of health services has increased and some progress has been achieved in reducing inequities. Key **policy factors** explaining these positive evolutions include an increase in supply/coverage of health services, the implementation of specific health programmes such as immunisation campaigns, the increased financial protection offered by the National Health Insurance Scheme, and a number of exempted public health services.

Building on the Sector-Wide Approach launched in the 1990s, budget support has made **clear contributions** to the sector's overall positive performance, especially until around 2012. Dialogue and accompanying measures have had positive effects on strengthening the quality of the sector's **strategic framework** and the **capacities** of key stakeholders (e.g. some ministerial departments and "private" actors, such as the Christian Health Association of Ghana). The development of the **National Health Insurance Scheme** has been the result of a strong domestic process but still benefited from DPs budget support specific contributions and their strong backing during the introduction of the scheme. GBS funds are very likely to have contributed to the **expansion in health service coverage**, and SBS "ring-fenced" funds proved to be a badly-needed source of funding for **discretionary spending** in times of tight budget constraints.

However, **progress has slowed down** in many areas in recent years. In particular, the sector is constrained by PFM bottlenecks. It lacks a consistent framework for **health system strengthening** as a whole, and recent evolutions have run against the principles of the health district system. **DPs have missed a number of opportunities** to use SBS more strategically and help GoG to limit the sector's increasing institutional fragmentation and deteriorating financial situation. DPs' progressive withdrawal from the sector following the country's access to the middle-income country status lacked any clearly-identified phased approach to consolidating past gains. In addition, remaining DPs have been increasingly focusing their support on specific interventions/areas, following their own priorities in an insufficiently coordinated way.

Environment and Natural Resources

Ghana has witnessed a **continuous degradation** of the environment. In the mining sector, illegal Artisanal Small-Scale Mining increased and transformed into a highly-mechanised activity. As a direct consequence, **conflicts related to mining** increased, and the environmental impact of mining worsened considerably. In the forestry sector, the **resource base has dwindled** and most high-value timber species have already been cut down. However, the **forest cover** has slightly expanded, which is in part due to an increase in plantations. GoG undertook efforts to counter environmental degradation and expanded the scope of its actions. The combination of dialogue and quite substantial SBS funds has contributed to strengthening the sector's **policy and legal framework**, consolidating the role played by **civil society** and **expanding public actions** in various areas, such as the management of protected areas and enforcement actions in forestry and mining sub-sectors.

However, these actions remained **limited in size and time** compared to the scale of the needs. A number of factors related to the particular **political economy** of the sector have seriously hampered the effects of budget support and, more generally, any improvement in public policies in this sector. **Vested interests** have continued to make the implementation of certain reforms difficult and have limited the welfare effects generated by the extraction and use of the natural resources. **Enforcement** in the mining sub-sector remains a key issue that has only temporarily been addressed. Increased population and lack of employment alternatives put **pressure on forest resources** through agricultural expansion and drive people into illegal forestry and especially mining activities – the latter being exacerbated by increasing gold prices.

Agriculture

Performance has been variable, with a sharp decline in recent years. Production of key crops has been fluctuating, and post-harvest losses are high. Yields of most major staples have remained relatively flat, with a large gap between actual and potential yields. Marine fisheries production has also declined.

Budget support has provided the Ministry of Agriculture with additional **discretionary resources and technical support** that enabled it to focus on leading the revision of the sector strategic framework and to implement four priority programmes. However, budget support did not prevent the generally **weak performance in the implementation** of these programmes, which largely explains the mixed outcomes observed. Moreover, the

programmes absorbed a substantial part of the ministry's budget, squeezing other critical areas, such as research and irrigation.

Sector stakeholders, hindered by a **lack of high-level political commitment**, did not manage to sustain the gains achieved under budget support in terms of enhanced sector collaboration over time. In addition to **weak capacities for strategic planning and management** at all levels, a key bottleneck in implementing agriculture sector strategies has been the **insufficient leverage that Ministry of Agriculture has had over other ministries** and agencies impacting on the sector.

Recent efforts in the area of decentralisation are likely to be positive in the medium term. However, much more needs to be done at **local level** to strengthen service delivery directly related to agricultural activities in the new decentralisation context. In particular, district administration still does not play the role it should play in terms of supervising and enhancing service delivery and investment in rural infrastructure.

Overall conclusion

Some positive impact on growth & poverty...

Budget support has played a **moderate, but not negligible role**, in the country's considerable achievements in reducing both monetary and non-monetary poverty. The budget support mix of inputs has contributed to substantially increasing **access to basic services** and to maintaining, to some extent, a focus on pro-poor interventions, especially during the first half of the evaluation period. Budget support dialogue and the considerable accompanying technical support have also supported the country in its **transition towards a middle-income oil-producing economy**, which helped sustain growth in the second half of the period. While budget support dialogue did not prevent the destabilising trends observed in the accumulation of arrears, the level of salary spending and the overall indebtedness, budget support contribution to **macroeconomic stabilisation** and its indirect effect on growth have been important in various ways. Coupled with debt relief initiatives, budget support contributed to substantial fiscal space in the mid-2000s and co-financing of the IMF-led stabilisation programme of 2009-2012 has been significant. Moreover, budget support dialogue contributed – including through the suspension of budget support – to GoG's return to the path of stabilisation in 2015.

... but limited achievements in most targeted areas

However, most achievements have been observed during the first part of the evaluation period. Overall budget support effects on **policy implementation** and improving the **quality of local service delivery** have remained limited. Due to a complex political environment around the issue, budget support was not able to help GoG maintain its initial commitment to achieve accelerated **growth** through increased productivity in the agriculture sector, improvements in the business environment and the diversification of the economy. The strong growth observed during most of the evaluation period was mostly as a result of a favourable external environment (high prices for gold and cocoa) and oil production.

Main structural challenges persist

The main **structural challenges** the country faced in the mid-2000s (e.g. PFM reform, transparency and accountability) persist. These challenges became more acute in the late 2000s as fiscal constraints became more pressing. They led to important macroeconomic imbalances that – together with persisting bottlenecks in the public sector – seriously undermined effective strategic planning and policy implementation. The deteriorating fiscal situation of the country removed a substantial part of the resources envisaged for line ministries to consolidate and expand social and economic interventions, thus hindering the achievement of the overarching objectives of accelerating sustainable and inclusive growth.

Political economy factors not well addressed

The **focus of the MDBS** has ended up being too large and too much geared towards the short term for budget support to be truly strategic. Moreover, in the context of a weakening policy dialogue and a waning overall partnership, underestimated **political economy factors** turned out to be too 'adverse' for budget support to have a more substantial impact.

New opportunities are arising

After a period characterised by tense GoG-DPs relations and by an overall deterioration in policy dialogue, **new opportunities are arising**. In particular: i) in the context of the ongoing IMF programme, the central administration is now firmly engaged in an accelerated reform process in the PFM and macroeconomic management areas; ii) the strong commitment of GoG and DPs to the 2030 Agenda for Sustainable Development calls for intense dialogue and collective actions to address global and local challenges, including those relating to climate change; iii) a new group of political leaders is steering

the country's political and economic engines since the December 2016 elections, offering the possibility of initiating fresh new relations with international partners.

Main recommendations

Positive medium-term prospect for development co-operation There is a general agreement on the fact that **development co-operation cannot resolve all problems of the country** and Ghana needs to gradually move away from traditional aid. However, as underlined in major recent national policy documents, Ghana can still benefit substantially in the medium term from the support of the international partners that assisted the country's development for decades. Moreover, new opportunities are arising from a number of **important changes** in the context surrounding development co-operation in Ghana.

The need for a new partnership better using the co-operation modalities and tools available If GoG is willing to genuinely engage in new, strong, medium-term partnerships, this could be the right time to move resolutely away from piecemeal approaches and relaunch a comprehensive partnership to support some of the country's major policy reforms. Assuming that GoG and DPs manage to genuinely share a common vision of the future role of development co-operation in the country, it is suggested that GoG and the DPs **relaunch a comprehensive development partnership** based on GoG ownership, strong political commitment and tight coordination, recognising the unique mix of financial, political and technical leverage that budget support and similar forms of co-operation can offer. The partnership should be structured around **two key dimensions**:

- a core component focussing on **economic governance**, including accountability and transparency: in particular, the partners should re-initiate a joint budget support programme focused on PFM and macroeconomic stabilisation, with the view to strengthen the strategic prospects of the ongoing GoG-IMF agreement
- **strong partnerships at sector level**: these partnerships would aim at developing coherent strategic frameworks which would integrate new challenges that Ghana is facing as a middle-income country (including policy issues related to trade, climate change, science and technology and social protection).

Moreover, it is suggested that, at sector level:

- Policy dialogue and complementary measures maintain a strong emphasis on **speeding up progress towards enhancing evidence-based decision-making** (including data production and analysis) and **improving accountability and transparency** in the public sector.
- The partners also consider **continuing to strengthen sector-wide approaches and developing new ones**, possibly through SBS or similar modalities, depending on the degree of political commitment and the sector's progress in the policy and institutional environment.
- The partners **consolidate the good dialogue established so far on cross-cutting issues such as gender equality**, so as to better identify appropriate joint responses to persisting and evolving challenges at central and local levels.
- Finally, **a consistent package of accompanying measures, increasingly focusing on policy innovation, risk-taking initiatives and local governance**, is provided, with the view to promoting solutions emerging from domestic processes and strengthening the contributions from national research bodies.

Importance of adopting differentiated strategies to build strong sector-wide approaches The heavy weight of domestic political factors and the complexity of many sector challenges that need to be addressed call for **great subtlety in the way budget support and similar modalities of co-operation are used**. In addition to adopting ambitious, but realistic and clearly spelled-out objectives, such support should be launched only if:

- there is strong political backing by GoG, and explicit willingness of relevant Ministries, Departments and Agencies, to consolidate the sector-strategic dialogue, while avoiding reducing co-operation instruments to being mere financing tools;
- DPs are ready to deploy the necessary resources to understand the sectors' reality and to firmly engage on issues of strategic planning, while avoiding the temptation to interfere with the management of the funds transferred.

Regardless of whether the above conditions are satisfied, GoG and DPs should strive to **ensure strong sector approaches** based on dialogue and adequate sets of coherent and well-coordinated actions, while aiming to build support at political level over time.

1 Introduction

1.1 Objectives and scope of the evaluation

The main objective of the evaluation is: “*To assess to what extent General Budget Support and Sector Budget Support in Ghana have contributed to the expected results by helping the Government of Ghana to strengthen the implementation of national / sector strategies, and to enhance the efficiency and effectiveness of its policies, strategies and spending actions*”.

The current study covers the planning and implementation of budget support (BS) operations with disbursements in the period 2005-2015. In-depth analyses have been carried out in three sectors: i) health, ii) environment and natural resources (ENR), iii) agriculture¹, with other key areas comprising: public finance reform, local governance / decentralisation, private sector development and cross-cutting issues (including gender).

This evaluation is a joint EU-IEG effort with close collaboration ensured with Ghana’s Ministry of Finance (MoF). The larger evaluation team was composed of two sub-teams: one team which was contracted by the European Union (EU) and the other one being from the Independent Evaluation Group (IEG). The IEG team focused on issues related to public financial management, macroeconomic policies and the agriculture sector, while the EU team focused on all other sectors and policy areas. The EU team led the exercise, but both teams jointly developed the analytical tools that were used in the evaluation and applied the OECD-DAC methodology for evaluating budget support. In addition to that, the field mission was jointly conducted by the two teams.

1.2 Management of the evaluation

The overall evaluation process was led by a Management Group (MG), which was made up of the Independent Evaluation Group and the Evaluation Unit of DG DEVCO, the Government of Ghana represented by the MoF, as well as representatives from Denmark, France and Germany. The Evaluation Manager in the DG DEVCO Evaluation Unit provided a pivotal role in facilitating the overall quality assurance process and ensuring that the evaluation was undertaken in accordance with the ToR.

The MG worked in a transparent manner based on regular consultations with a Country Reference Group, which consisted of key government stakeholders, civil society, Parliament representatives and interested development partners.

The output of the evaluation will be presented and discussed at different levels. First, a workshop will be held in Accra to discuss the findings, conclusions and recommendations of the evaluation with government officials, academics, civil society organisations (CSOs), private sector representatives and the donor community. The evaluation report will then be revised and finalised in light of comments and discussions, and will then be disseminated through workshops in Brussels / Washington.

1.3 Structure of the final report

The report consists of four Volumes. **Volume 1**, the synthesis — consists of six main sections:

- Section 1. Introduction includes a brief overview of the evaluation objectives and scope;
- Section 2. Key methodological elements details the conceptual framework used in the evaluation as well as some methodological challenges and limitations;
- Section 3. Context presents some key elements of the national context and an overview of the evolution of budget support to Ghana (key figures);
- Section 4. Overall synthesis summarises the key findings of each of the three analytical steps followed in the evaluation.
- Section 5. Main findings and response to the Evaluation Questions it provides the results of the analysis for each of the evaluation questions and the overall assessment;
- Section 6. Conclusions and recommendations contains lessons learnt and recommendations.

Volume 2a is a detailed report, which presents an information matrix with the main evaluation evidence that underpins the synthetic findings of the evaluation. **Volume 2b** contains the in-depth sector studies for Health, ENR and Agriculture. Complementary information, including complete results of the eSurvey and quantitative analyses, is provided in various annexes compiled in **Volume 3**.

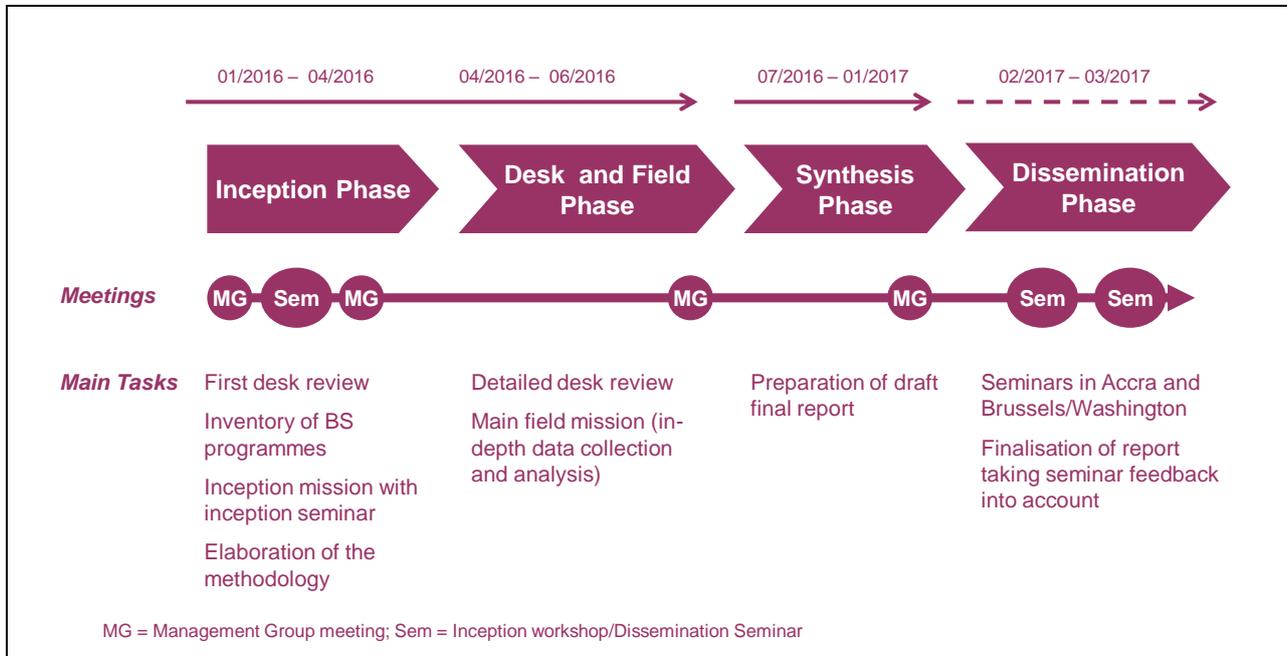
¹ As it was not specifically targeted by BS, the cocoa sub-sector is not covered by the in-depth analysis in the Agriculture sector.

2 Methodology

2.1 The evaluation process

The evaluation is being conducted in four main phases (as summarised in the figure below) between January 2016 and February 2017. The figure also lists the main tasks implemented in each phase and the MG meetings held. Each phase started after formal approval of the deliverables of the previous phase.

Figure 1 The evaluation process



2.2 General methodological issues

The methodology applied in this evaluation follows the '3 Step' approach as established in the OECD-DAC guidelines². To ascertain how and to what extent the opportunities provided by BS have been used to strengthen the government policies geared towards the achievement of the agreed results, the evaluation uses a contribution analysis, divided in two steps (Step 1 and Step 2) and then synthesised in Step 3. Through the evidence collected, the contribution analysis aims at building a credible story on the relationships between BS inputs and targeted development outcomes via the government policies.

As a result, two separate assessments are carried out: Step 1 focusing on the contribution of BS to the country's policy and institutional processes and Step 2 focusing on the achievement of the targeted results in some focal sectors and the underlying causal factors. In Step 3, the assessments are compared and combined to explain the actual contribution of BS to the targeted results. This approach allows for a full consideration of the interaction between the policy processes and the context, including the consideration of a country's political economy and the overall national economic environment. Its comprehensiveness also appears suited to the assessment of clusters of BS operations for which issues of coordination, harmonisation, and broad political and political economic context might be particularly important.

2.3 The overall intervention logic

Consistent with the OECD-DAC methodological approach for the evaluation of BS ('3 Step' approach), the intervention logic (IL) of the evaluation is based on the BS 'Comprehensive Evaluation Framework' and reflects a specific theory of change. The IL, which provides a synthetic representation of the theory of change, has four main components:

- the government policies and spending actions (level 3 – induced outputs);
- the development results (levels 4 and 5 – outcomes and impact);

² <http://www.oecd.org/dac/evaluation/dcdndep/Methodological%20approach%20BS%20evaluations%20Sept%-202012%20with%20cover%20Thi.pdf>

- the various inputs to the government policies and spending actions, namely BS, and their direct effects (levels 1 and 2 – inputs and direct outputs); and
- the context, including country and sectoral level political economy, various political, economic and social factors intervening in the process (the context interacts with all the levels and with overall government and development partners' priorities).

Compared to the standard model of budget support ILs, the specificities of BS to Ghana are the following.

Level 1 – BS inputs BS inputs are threefold including funding, policy dialogue and accompanying measures³. As indicated in the inventory (Annex 4 in Volume 3), there were 62 BS operations, of which 21 Sector Budget Support (SBS) operations were implemented in Ghana during the evaluation period. The provision of BS was guided by the Multi-donor Budget Support (MDBS) framework memorandum agreed in 2003 and updated in 2008. It created a common basis for Development Partners (DPs) and the Government of Ghana (GoG) to support the national development policy (GPRS I and subsequent policies: GPRS II, GSGDA I & II)⁴. The framework identified different forms of disbursements (base and performance tranches), highlighted five specific “*underlying principles*”⁵ and clearly set rules for performance assessments and policy dialogue.

It is noteworthy that the MDBS framework does not cover SBS. Consistent with the ToR, the evaluation and the IL do cover SBS inputs (as long as they are in line with the OECD-DAC definition of BS⁶). The 2008 framework memorandum explains that “*the [GBS and SBS] arrangements should be seen as mutually supportive.*”

BS inputs interact or compete with a number of other inputs provided by domestic and international stakeholders. It is thus crucial to take into account other major inputs in Level 1 of the IL. These non-BS inputs concern the main GoG programmes but also other inputs such as the private sector’s involvement in service delivery, non-BS external aid (project or pool funds), or loans⁷ and sovereign bonds.

Level 2 – Direct outputs Reflecting the nature of BS (as defined by the OECD-DAC), the theory of change does not provide detailed assumptions on how BS inputs should be used, apart from the understanding that they should contribute to creating opportunities which allow the GoG to enhance national policies/strategies targeted by BS and improve their implementation. In particular, the theory of change assumes that BS strengthens the links between external aid and national budget and processes. This comes through a better application of aid effectiveness principles (including greater use of country systems and harmonisation between DPs) and enhanced policy dialogue structure and processes.

BS funds should also contribute to increase the fiscal space of the GoG while reducing the resource gap and ensuring further discretion in resource management. The dialogue should allow for monitoring policy implementation highlighting any specific bottlenecks, including specific needs to be fulfilled through additional measures. Capacity development support and other accompanying measures (e.g. interventions like the GIFMIS⁸ programme in the PFM area) can reinforce policy implementation where deemed important by both the GoG and DPs.

It is important to highlight that the three BS inputs interact with each other, with the contextual factors and with other government and non-government interventions to create opportunities for the GoG to strengthen its own policy and institutional processes.

³ In general, accompanying measures cover interventions which were: i) financed by BS DPs; ii) closely linked to BS operations (including to the MDBS and SBS-specific frameworks); iii) were provided either as part of the BS package or through complementary projects. More specifically, accompanying measures cover institutional capacity-building components embedded in BS programmes or complementary interventions, including stand-alone technical assistance, specific analytical work or more comprehensive programmes such as in the PFM area.

⁴ First and second Ghana Poverty Reduction Strategy, first and second Shared Growth and Development Agenda

⁵ Five underlying principles (MDBS 2008): i) *Continuing sound macroeconomic policies and management;* ii) *Commitment to achieving the GPRS II objectives and MDGs;* iii) *Sound budgeting and PFM systems;* iv) *Continuing peace and respect for human rights, the rule of law, democratic principles, and the independence of the judiciary;* and v) *Good governance, accountability of the GoG to the citizenry, and integrity in public life, including the active fight against corruption.*

⁶ For instance, the financial support provided by DPs at the local level via the District Development Facility have not been considered as BS because, among other reasons, funds are not integrated into the national budgeting system.

⁷ As an illustration, GoG agreed on a USD 3 billion loan facility with China in 2011,

see http://www.mofep.gov.gh/sites/default/files/reports/CDB_Loan_Summary_050112.pdf

⁸ Ghana Integrated Financial Management Information System

**Level 3 –
Induced
outputs**

The induced outputs⁹ concern the expected positive changes in the quality of public policies and processes, the strengthening of public sector institutions and local governments, the quality of public spending (increased allocative and operational efficiency) and the resulting improvements in public service delivery.

At service delivery level, induced outputs concern all public actions in the areas/sectors targeted by BS and include, for instance, interventions aiming at achieving universal health coverage in the Health sector, environmental mainstreaming activities implemented by the Environmental Protection Agency in the ENR sector, initiatives aiming at accelerating modernisation in the agriculture sector, etc.

In this context, a number of persistent challenges in Ghana's public administration such as debt sustainability, inconsistencies in public investment planning, and weak budget planning and execution (including overall poor credibility of the budget and inadequate commitment controls) have received particular attention in the analysis carried out. In addition, given Ghana's ongoing decentralisation process, a specific focus has also been put on the evolution in local government capacity.

**Level 4 –
Outcomes**

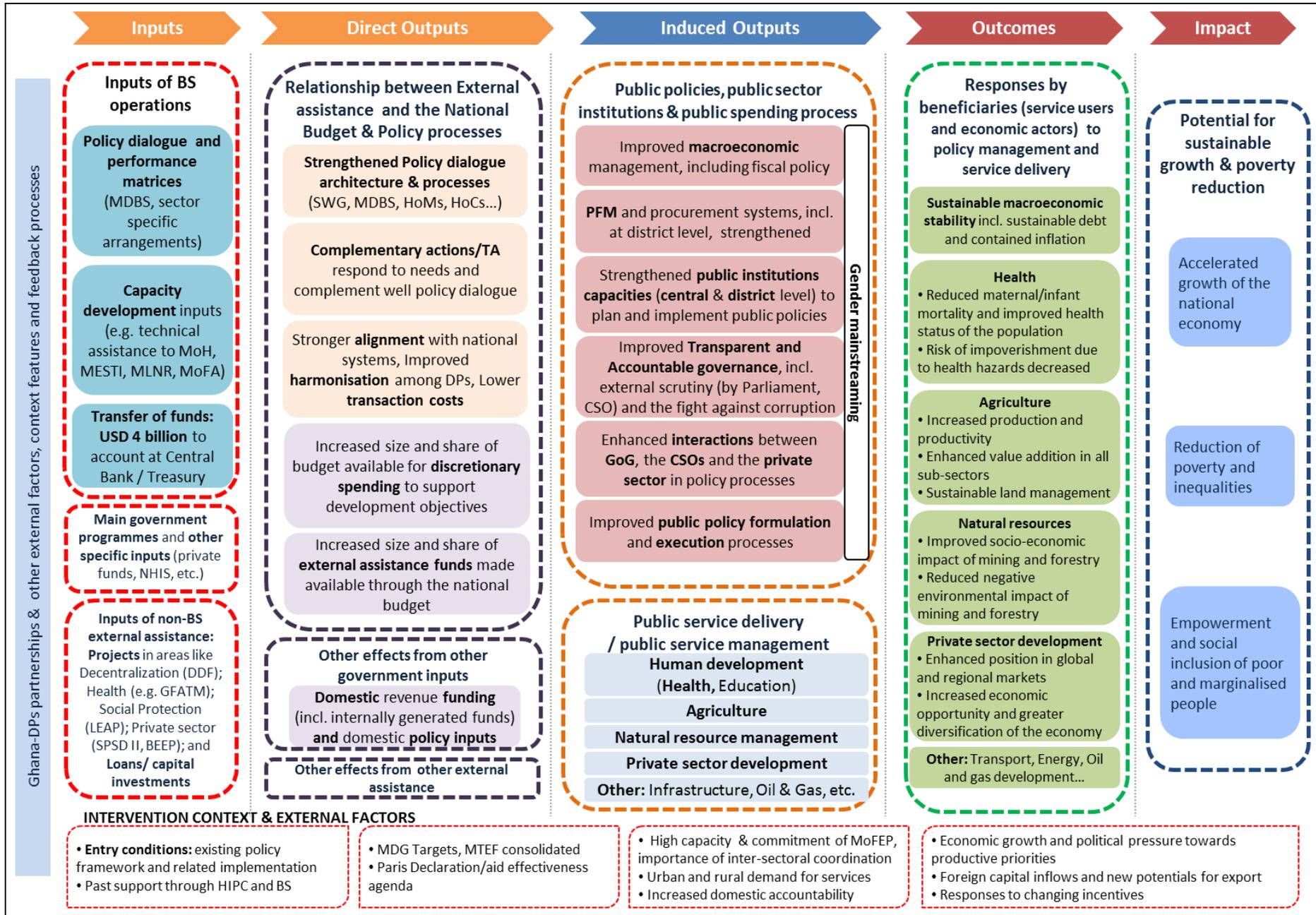
The outcome level synthesises the envisaged and/or unexpected short- medium-term effects of the enhanced GoG policies and spending actions at the level of final beneficiaries – service users and economic actors. The outcomes indicated in the IL diagram correspond to policy objectives pursued by the specific sector strategies identified in BS operations.

**Level 5 –
Impact**

This level highlights the positive medium- to long-term effects on sustainable economic growth, poverty reduction, empowerment of the poor, and other issues and priorities specified in the BS operations being subject of the evaluation. The impact indicated in the diagram correspond to high level objectives stated in Ghana's national development strategies (GPRS I & II and GSGDA I & II) and explicitly shared in the BS operations.

⁹ As explained in the OECD-DAC methodological approach for budget support evaluations, “*the accomplishment of a policy reform has to be considered as an ‘output’ in the intervention logic. It cannot be considered as an ‘outcome’ because it does not represent per se a benefit to the people targeted by the BS. On the other hand, the accomplishment of a policy reform is not a direct output of the BS programme although the programme may have been designed to promote it, but rather an accomplishment of national stakeholders influenced by a number of other factors including BS. That is why this crucial level of the CEF is called ‘induced outputs’.*”

Figure 2 Overall intervention logic



2.4 Main tools for data collection and analysis

The table below summarises the mix of data collection tools and methods that was used for the different levels of analysis.

Table 1 Main tools for data collection and analysis

	Step 1 (direct contribution)	Step 2 (sector outcomes)		
		Health	ENR	Agriculture
Documentary review	✓	✓	✓	✓
Semi-structured interviews (central and local level)	✓	✓	✓	✓
eSurvey	✓			
Political economy analysis	✓	✓	✓	✓
Statistical analyses and analyses of financial data	✓	✓	✓	✓
Econometric analysis		✓		
Benefit incidence analysis		✓		
Focus group		✓		
Site visits/direct observations		✓	✓	✓
ENR Expert panel	✓		✓	

2.4.1 Documentary review

A reference library comprising about 3,000 documents from a multitude of sources has been collated for this evaluation. It includes:

- National and sectoral strategies / policies;
- Thematic documents related to each sector covered by this evaluation, and beyond;
- Information about most budget support interventions and related accompanying measures;
- Abundant documentation about the MDBS – structure, dialogue, PAFs, etc.;
- Numerous background documents at sector and country level;
- DP strategies;
- Other documents.

The main references are listed in Annex 2 (Volume 3).

2.4.2 Semi-structured interviews (central and local level)

The team conducted about 200 interviews covering a diversity of stakeholders:

- Key government officials / departments at both centralised and decentralised levels;
- DPs having provided BS, and 'non-BS DPs';
- Non-state actors: civil society, private sector;
- Academia and research institutions;
- Other: representatives of regulatory bodies; project staff; public services users; etc.

Annex 3 (Volume 3) provides a list of interviewees.

During the inception phase, the team elaborated a database of 'potentially interesting persons to meet' at central level. For each key informant, information on the organisation, the position held and the contact details were recorded. This tool facilitated the organisation of semi-structured interviews and, in particular, ensured that sufficient informants with a good level of institutional memory would be spoken to¹⁰. It was also used to identify the participants to the eSurvey. In the end, the database contained more than 600 contacts and covered around 100 organisations (public entities, DPs, civil society organisations, the private sector, research and academic institutions, independent consultants, etc.).

¹⁰ During the inception mission, efforts were made to collect names of key informants who were not in the country any longer in order to address issues of limited institutional memory within certain organisations.

2.4.3 eSurvey

The eSurvey (online stakeholder survey) was geared towards the collection of information on issues related to: i) the design and implementation of the BS operations under consideration; ii) policy reforms supported by BS and their results at outcome and impact level. The survey was primarily targeted at national level stakeholders (including government officials across the different line ministries and institutions, development partners and civil society) strongly or partially involved in BS operations. The survey complements the information gathered through documentary reviews, interviews, focus groups and quantitative analyses.

The survey featured the same set of questions for all categories of respondents, although – according to the group and the question – there were differences in the depth of the replies and the views expressed. Around 400 potentially relevant key informants with contact details were identified drawing on various sources of information. A total of 112 persons responded to the questionnaire. Most respondents were involved in policy formulation and implementation and had access to data and reports on the evolution in the main sectors targeted by BS. More than half of the respondents had some experience of BS and related policy reforms implemented between 2008 and 2012. A quarter of the respondents had some experience of BS and related policy reforms implemented before 2008.

2.4.4 Political economy analyses

Political economy analyses were performed by drawing on knowledge from recent studies. The analyses adopted a historical perspective. This qualitative analysis was the result of the processing of information collected through a variety of sources, including journals of economic literature and the literature on institutional developments of the country; a qualitative analysis of available data on growth and poverty trends; and interviews with high profile key informants. Elements of the analyses are presented directly in the various EQs.

2.4.5 Quantitative analyses

For most of the EQs, the evaluation team performed simple statistical analyses using financial data, data on service provision and development outcomes. In addition, the following more sophisticated analyses were performed for the in-depth case study in the Health sector:

- **Econometric analysis:** The purpose of the econometric study was to estimate the causal effects of a range of health resources on service delivery outputs and health outcomes. It sought to complement the evidence gathered from other sources in the Step 2 analysis of the health sector by identifying some of the main determinants of sector results. The econometric approach applied fixed effects estimation at district level to an annual panel dataset for 2012-2015. The panel covers all districts in the country and was constructed from various sources of administrative data (including the District Health Information Management System – DHIMS). Simpler, regional-level estimates for 2005-2013 were considered from a complementary perspective. Annex 7 provides more details on the econometric analysis.
- **Benefit-incidence analysis (BIA):** BIA studied the distributional patterns of the Government of Ghana's (GoG) spending on public health care, in particular with regard to the poorest individuals and regions. Following standard methodology, the 'benefits' are the shares of the national GoG budget for health facilities that can be attributed to the different poverty quintiles of the national population based on their actual attendance of these facilities. The BIA presented here builds on an existing similar study for the health sector in Ghana, which used data for 2006, and updated those estimates with more recent data from 2013-2015. A comparison of key results in 2015 and 2006 identified changes in the distribution of public health care benefits over the evaluation period to inform both the Step 1 and 2 analyses. Annex 7 provides more details on the BIA.

The two other key sectors (environment and natural resources; agriculture) did not meet the feasibility conditions - either in terms of data availability and structure or BS and service delivery approaches - for more econometrics and BIA, and the analysis in these sectors thus relied on other methods / tools.

2.4.6 Focus groups (central and local level)

At the beginning of the evaluation it was envisaged to organise several focus groups, but, due mainly to difficulties in bringing together participants, only one focus group (in the health sector) could eventually be organised. The focus group included representatives from the GoG (financial controller at MoH) and from three DPs (Danida, EU, DFID). The aim consisted in collecting qualitative information and reaching a consensus on (1) the direct effects of BS and (2) the influence of health sector policies on sector outcomes. The discussion was structured around a few key questions and the design used elements from the literature review and individual interviews carried out in the previous phases. De-

spite its usefulness, the focus group had some important limitations: (1) a small number of participants, (2) limited institutional memory of some participants, (3) limited time available (only one hour) due to organisational issues.

2.4.7 Site visits/direct observations

During the main field mission, the evaluation team undertook a number of visits outside the capital to deepen the understanding of the sectors and assess how policies have been implemented at the local level: Central region (sites: Cape Coast for Health and Dunkwa for ENR), Ashanti (ENR) and Northern Region (decentralisation). The sites were selected based on parameters such as wealth (based on data from the Ghana Living Standards Survey), geography, logistics and service delivery/public interventions carried out in the area.

2.4.8 Expert panel to validate findings in the ENR sector

In the ENR sector, the availability of quantitative data represented a big challenge for the analysis. To enhance the analysis of development outcomes and their determining factors, the evaluation team convened a panel of ENR experts. Building on the evidence gathered by the evaluation team through interviews and documentary reviews, the panel provided an independent assessment of the main determinants of development outcomes in the sector. The review of the panel focused on the major development outcomes in the ENR sector, particularly on forestry (forest quality and forest cover), biodiversity and pollution aspects. The panel members assessed the analysis made using i) a scoring of closed questions (to make the contributions of the different panellists comparable) and ii) a qualitative assessment. Annex 9 (Volume 3) provides more information on the ENR panel.

2.4.9 Datasets

In addition, and as a basis for subsequent analyses, several datasets have been elaborated as summarised in the table below.

Table 2 Overview of datasets elaborated

<i>Dataset</i>	<i>Description</i>
Inventory of BS operations	Datasheets with comprehensive list of BS operations, tranche structure, planned and actual disbursements, disbursement dates, etc.
Budget tables	This includes two types of tables on the national budget: <ul style="list-style-type: none"> Actual expenditure: Public accounts tables consolidated by the Controller and Accountant General Department (CAGD); Voted budget: Budget Appropriations (budget statements).
Health resources, service delivery outputs and health outcomes	Panel datasets at district and regional levels, with annual data on physical, human and financial resources in the health sector, as well as indicators of service delivery outcomes and health outcomes (for econometric analysis).
Health budget and user data	Cross-sectional dataset at regional level, by poverty quintile and type of health facility, with health budgets of budget management centres, data on health facility attendance and poverty status of users (for benefit-incidence analysis).
Macroeconomic indicators	Datasheets with GDP, Inflation rate, etc.
Service delivery and outcome data	Database (STATA) with information from administrative data and survey data (LSS, DHS, etc.).
Other	Datasheets <ul style="list-style-type: none"> MDBS reviews (PAF targets/triggers and policy objectives, SWG, etc.) Good Governance indicators: CPIA, Corruption Perceptions Index, etc. PEFA indicators

2.5 Challenges and limitations

The team faced a number of challenges with regard to the collection and analysis of data and information. These include the following:

- Financial data: The main challenge concerns the fact that Ghana's financial reporting does not allow to have a comprehensive and detailed overview of actual public expenditure in the various sectors. In particular, in the health sector, the analysis of the financing profile over the evaluation period (foreseen in the econometric analysis) was difficult because of lack of consistent data series and consolidated financial reports presenting budgets and expenditure from all sources. It was difficult to assess on what basis resource allocation was made and whether it has improved over time. As a consequence, an array of financial data sources, which are

neither consistent nor comparable, had to be used (see health sector note in Volume 2b for more details). This problem also affected the benefit incidence analysis.

- High staff turnover on both the GoG and the DP sides meant that institutional memory of some interviewees was limited. This represented a challenge for the team's effort to obtain an overview of the entire evaluation period, especially since the evaluation covered 11 years (2005-2015). This was mitigated by: i) the extensive documentary review carried out; ii) the eSurvey which also covered people not in the country any longer; and iii) the good network established and efforts deployed by the team to reach out to key informants with knowledge of the earlier years of the period.
- Contextual data: In the econometric study for the Health sector, a key challenge was that the sector management information system contained only a part of the data needed for the analysis; it was thus necessary to construct the dataset by manually linking multiple sources. Specifically, there were virtually no systematic annual data on contextual variables with sufficient coverage at district level. To the extent that relevant external factors changed within districts over time but were not included in the regressions, the econometric results should be interpreted with some caution. Similarly, health budget data at district level, except for 2015, were not made available to the evaluation team.
- Data on planned and disbursed BS: Among MDDBS partners, only one DP did not react to the evaluation team's requests for information on the BS operations provided in the country. Given the fact that it has been the smallest BS contributor in the country and the most important information related to this DP could be retrieved from other sources, this situation does neither have a significant impact on the inventory of BS operations nor on the overall analysis carried out in the evaluation.

3 Context

3.1 The social, political and economic context

Ghana was the first West African country to gain independence from colonial rule. Since **multi-party democracy** was restored in 1990, seven consecutive competitive general elections have been held, resulting in three transfers of power between the ruling party and the main opposition party.¹¹ There were no reports of major violence recorded during the most recent elections, which have been described as generally free and fair by international and domestic observers.

The population is moving steadily into **urban** areas. By 2012, this trend resulted in the population being equally split between urban and rural areas, while in 1991 70% of the population was still living in rural areas. The populations of Accra and Kumasi¹² have grown exponentially but outside of these metropolitan areas, it has grown more quickly in towns and smaller cities than in larger cities. The total **population** of the country has increased from 18.9 million in 2000 to 24.7 million in 2010 with a recorded annual intercensal growth rate of 2.5% in 2010 (against 2.7% in 2000). At the end of the evaluation period, life expectancy was above 61 years and newborns in Ghana were expected to live four years longer than newborns born in 2000.

After over a decade of stable annual growth at around 4.5%, Ghana's Gross Domestic Product (GDP) began to increase in the early 2000s. Ghana's gains in democratic governance since the 1990s and a robust pro-poor growth in the early 2000s created strong incentives for DPs to engage in a close **development co-operation partnership** with the GoG. The start of the evaluation period coincides with the completion of the HIPC¹³ process initiated in the late 1990s and a surge in external aid (see also EQ1 in section 5 below).

As illustrated in the figure below, **Ghana's economy** grew more quickly than most of the other Sub-Saharan African economies between 2008 and 2013 and more quickly than the average among lower-

¹¹ In 2008, the New Patriotic Party (NPP) which was in power since 2000 lost the elections to National Democratic Congress (NDC). In the 2012 elections, the candidate for the NDC party, the incumbent President John Mahama, was declared as the winner with 50.7% of the vote (turnout was high at over 79% of registered voters). The election results were challenged by the losing party, the New Patriotic Party (NPP), which filed a petition to the Supreme Court. However, the outcome of the case confirmed the NDC as the winning party. In the 2016 elections, former foreign minister Nana Akufo-Addo of the NPP was elected President on his third attempt, defeating incumbent President John Mahama of the NDC.

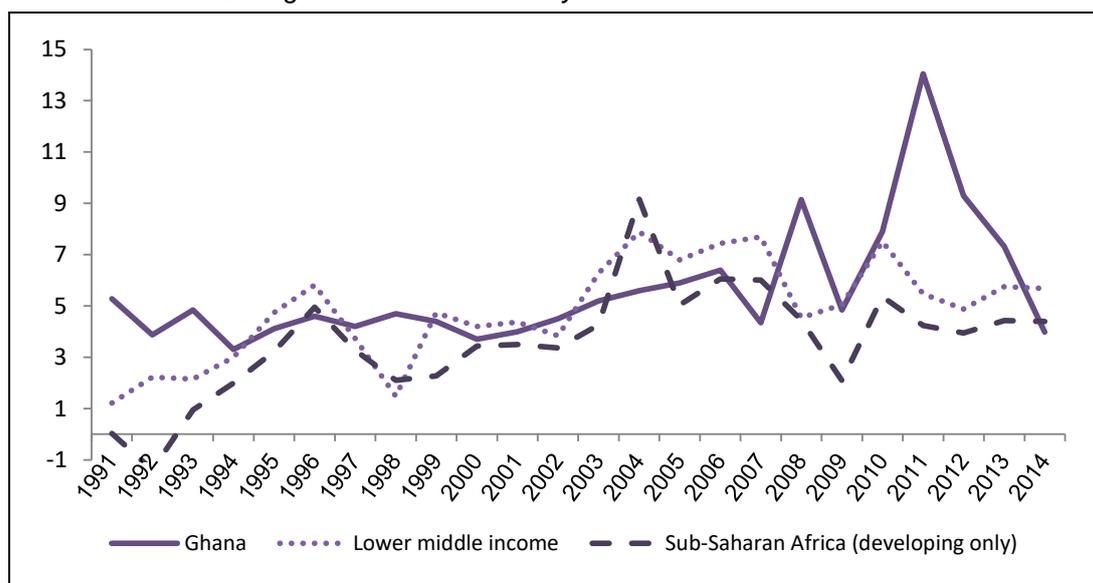
¹² Between 1991 and 2012, over 8 million Ghanaians migrated to urban areas, mostly into the metropolitan areas of Accra and Ashanti (capital city: Kumasi), which gained over 2.4 million inhabitants each.

¹³ Heavily Indebted Poor Countries Initiative.

middle-income countries between 2010 and 2013¹⁴. Ghana discovered oilfields in commercial quantities in 2007 and accessed the “middle-income country” status in 2010. However, during the last decade, economic growth was quite volatile, reflecting frequent policy “stop and go” situations and various supply and demand shocks.

Although the country experienced an increase in per capita GDP from around USD 2,500 (PPP, 2014) in 2006 to 4,000 in 2014, **slippages in fiscal management** resulted in large public debt accumulation that erased the benefits of debt forgiveness of the early 2000s. As a high risk debt distress country Ghana, in 2015, is exposed to external and domestic sources of vulnerability, including risks of refinancing of non-concessional short-term debt and international obligations, and changes in external environment (see also EQ3 below).

Figure 3 Real GDP growth over the last 25 years



Source: World Development Indicators (WDI)

Poverty has decreased by half over the last two decades. However, the highest rate of poverty reduction of 13% was recorded between 1991 and 1998. Since then, and despite increasing GDP growth, the speed of poverty reduction has declined to 11% between 1998 and 2005 and to 7% between 2005 and 2013. There are still important geographical disparities with the three northern regions having the highest incidence of poverty. Moreover, 80% of the poor lived in rural areas in the past decades.¹⁵

Box 1 Ghana's progress on the Millennium Development Goals

Ghana's progress on the Millennium Development Goals (MDGs) has been mixed. Targets such as halving extreme poverty (MDG1A), halving the proportion of people without access to safe drinking water (MDG 7B), universal primary education (MDG 2A) and gender parity in primary school (MDG 3) have been attained. Substantial progress has been made in reducing HIV prevalence (MDG 6C), access to ICT (MDG 8F) and reducing the proportion of people suffering from hunger.

However, only slow progress has been made on full and productive employment (MDG 1B), equal share of women in non-agriculture wage employment, and women's involvement in governance (MDG 3), reducing under-5 and child mortality (MDG 4), reducing maternal mortality (MDG 5), reversing environmental resource loss and improving sanitation (MDG 7)¹⁶.

¹⁴ GDP growth peaked in 2011 mainly because of the rebasing of GDP and the discovery of oil.

¹⁵ Inequalities between regions explain, on average, 40% of the total change in the Gini, which was situated at 42.8% in 2005. See World Bank, 2015: *Poverty reduction in Ghana: "The crucial role of the spatial dimension in explaining income inequality is evident in the magnitude of disparities across regions. The incidence of poverty has historically been higher in the north than in the rest of the country because of the less favourable climate, the distance from the sea, and the lack of infrastructure. (...) In 2012, as a result of this gap, nearly 40 percent of the poor were living in the north, which accounted for only 17 percent of the country's population and despite the large outflows to the richer south. The number of the poor was rising in the north, while it was declining everywhere else."*

¹⁶ Further details, also related to regional disparities, e.g. in GoG (NDPC), 2015: *Ghana Millennium Development Goals 2015 Report*.

3.2 The policy and institutional framework

3.2.1 Ghana's public sector

Ghana is a constitutional democracy with a unicameral parliament. The head of state and government is the executive President who is directly elected by universal adult suffrage. The President can serve for a maximum of two four-year terms. The Members of Parliament (around 230) are directly elected by universal suffrage from single-seat constituencies for four-year terms. The cabinet, known as the Council of Ministers, is nominated by the President and approved by Parliament.

The Public sector is structured around a system of Ministries, Departments and Agencies (MDAs) and, at the local level, Metropolitan, Municipal, District Assemblies (MMDAs). The country is divided into ten administrative units or regions, each headed by a regional minister appointed by the President. The assemblies are the highest units of local government. There are three types: metropolitan, municipal and district. There are also sub-district political and administrative structures which are subordinate bodies of the assemblies. These include sub-metropolitan, district, urban, town, zonal and area councils and unit committees. They perform functions assigned to them by law or delegated to them by the assemblies.

3.2.2 National development policy framework

Ghana issued its first Poverty Reduction Strategy (GPRS I) in 2003 to cover the period 2003-2005¹⁷. It established five areas of intervention, described as 'pillars', namely: infrastructure development, agricultural development, enhanced social services delivery, strengthening of governance institutions and private sector development. In 2005, Ghana issued the successor Growth and Poverty Reduction Strategy II (GPRS II, 2006-2009). GPRS II was intended to introduce a shift of strategic focus, even though many of the actual programmes were implemented in the same areas as before. The central goal of the new policy was to accelerate the growth of the economy so that Ghana could achieve middle-income status within a measurable planning period. In 2010, following sustained economic growth, Ghana attained lower middle income status. A new national development strategy, the Ghana Shared Growth and Development Agenda (GSGDA I), was formulated for the period 2010-2013. The last strategy paper adopted (GSGDA II – 2014-2017) follows the structure and main lines of its predecessor.

3.2.3 Public financial management

There are four main sources of funding for public expenditure in Ghana: i) the GoG central government funds (the "Consolidated funds"); ii) five "Statutory funds"¹⁸; iii) MDAs internally-generated funds; iv) DPs' funding. The main central GoG agencies relating to PFM are the MoF, the Controller and Accountant General's Department (CAGD) which reports to the MoF, the Public Services Commission (PSC), the Office of the Head of the Civil Service (OHCS), the State Enterprises Commission (SEC), and the National Development Planning Commission (NDPC).¹⁹ The Bank of Ghana is the Government's banker but the GoG also operates accounts at commercial banks. External scrutiny agencies include the Ghana Audit Service (GAS), headed by the Auditor-General, and two Parliamentary committees, the Finance Committee (FC), and the Public Accounts Committee (PAC).

There was no overarching and coordinated reform strategy to guide the Public Financial Management (PFM) reforms in Ghana during the evaluation period. The 2006-2009 PFM Short and Medium-Term Action Plan was only partly implemented with a significant amount of outstanding issues. There has not been a comprehensive plan for PFM reform in the subsequent years. The suite of reforms associated with the Ghana Integrated Financial Management Information Systems (GIFMIS) that began in 2010 may be considered to represent a large part of the PFM reform programme which was ongoing during the evaluation period. A comprehensive review of PFM was carried out during the second half of the period under review. A PEFA assessment was undertaken in 2012 to track the progress since the last assessment in 2009. The review of PFM culminated in the approval of the PFM Reform Strat-

¹⁷ After some delays due to the change of Government and a number of amendments and additions to the initial draft, the strategy paper was formally approved by Cabinet in late 2002 and by Parliament in February 2003.

¹⁸ Earmarked revenue sources are allocated to five "Statutory funds" (Ghana Education Trust Fund; National Health Insurance Fund; District Assemblies Common Fund; Road Fund; Petroleum Fund) by legislation. They amounted to close to 20% of all tax and non-tax revenue during the evaluation period. The resources transferred to these funds can be spent only on goods, services and capital expenditure in the respective sectors.

¹⁹ Also part of the central management framework, and critical for PFM, are the Public Procurement Authority (PPA), the Internal Audit Agency (IAA), and the Ghana Revenue Authority (GRA).

egy 2015-2018 in June 2015. The PFM Strategy document broadens PFM reforms from the previous focus on GIFMIS.²⁰

3.2.4 Good governance (Fight against corruption)

Ghana's score on the Transparency International Corruption Perception Index has been improving over the past decades. However, perceived corruption remains high and public cynicism towards the fight against corruption is regularly highlighted in high level cases reported by the media. Interviews carried out indicate that there is a growing perception that corruption in the public sector is on the rise.

Ghana has a number of vibrant anti-corruption organisations. These include the Ghana Anti-Corruption Coalition (GACC), a cross-sectoral grouping of public, private and civil society organisations. The GoG launched a National Anti-Corruption Action Plan (NACAP) in November 2014, which had been under development since 2009. It also took some measures to improve public procurement such as the amendment of the Public Procurement Act 2003, the revision of the 2007 Procurement Regulations, etc. The Whistleblowers Act 2006 provides for the protection of witnesses/informants from prosecution and victimisation and the Anti-Money Laundering Act 2008 criminalises money-laundering related offences.

3.2.5 Decentralisation process

For several decades, the GoG has pursued a decentralisation reform as part of wider efforts for enhancing good governance. Its objectives are enshrined in the 1992 Constitution of Ghana which stipulates that "*Parliament shall enact appropriate laws to ensure that functions, powers, responsibilities and resources are at all times transferred from central government to local government units in a co-ordinated manner*". This constitutional requirement has been further articulated in local government legislation just as it led to the creation of the District Assemblies Common Fund (DACF) for management of development transfers to the local governments (Metropolitan, Municipal and District Assemblies – MMDAs). GoG sought to bring together various DP support in the early 2000s. DPs and GoG decided to support a jointly funded performance based development grant to MMDAs: the District Development Facility (DDF) – operational from 2008.

However, it was acknowledged that further real progress of the decentralisation reform would require: i) a more coherent and coordinated approach; ii) policy clarification to guide implementation, in particular in terms of linkages between the local government reform (in a narrow sense) and overall decentralisation aspects at sector level. A first Decentralisation Policy Framework (DPF I) was finally launched in April 2010 and was accompanied by a five-year Action Plan (NDAP 2010-2014). An Inter-Ministerial Coordinating Committee Secretariat (IMCC) was established as the key institutional mechanism for policy coordination and for ensuring that the objectives of the DPF were attained. A specific Legislative Instrument, the "Local Government Instrument" (L.I.1961), was enacted in 2009 and came into force in early 2010. It initiated the creation of 17 deconcentrated 'Departments' in the districts (Departments of the MMDAs) and established the Local Government Service (LGS), migrating over 30,000 civil servants working in the districts and the regions from the Civil Service to the LGS. Further details are provided in EQ5 (section 5 below).

3.2.6 Sector strategic and institutional frameworks

Health

In Ghana, the health sector policy orientations are translated into sector medium-term development plans (HSMTDP), which are in turn translated into Annual Programmes of Work (APoWs). In September 2007, GoG finalised a comprehensive National Health Policy "Creating Wealth through Health" which redefined the broad goals and objectives of the health sector. During the evaluation period, three key strategies were implemented by the MoH, its agencies and partners to reach sector objectives: i) the Community Health Planning and Services (CHPS), which was adopted as a national programme to bridge the gap in healthcare access²¹; ii) the National Health Insurance System (NHIS), which was developed to address the problem of financial barriers to healthcare access due to out-of-pocket payment for health care at the point of service delivery; ii) the Millennium Development Goals

²⁰ In recent years, preparatory work was also carried out in relation to the Public Financial Management Act of 2016 (Act 921) which provides a comprehensive legislative framework to the operations of the entire public sector (including central government, local authorities, statutory boards and State-Owned Enterprises). The Act was passed in August 2016, outside the period under review but the bulk of the drafting process was undertaken in the previous years.

²¹ The aim of this policy is to attain the goal of reaching every community with a basic package of essential health services towards attaining Universal Health Coverage and bridging the access inequity gap 2020.

Acceleration Framework (MAF), which was developed in 2010 by the MoH and Ghana Health Service (GHS) in collaboration with DPs, in order to accelerate progress in achieving the goals which were likely not to be met by 2015.

The health sector institutional framework is characterised by the important role played by various organisations which are independent from MoH: the Ghana Health Service (GHS), an autonomous Executive Agency established by the Ghana Health Service and Teaching Hospitals Act in 1996²²; the Christian Health Association of Ghana (CHAG), an umbrella organisation that coordinates the activities of the Christian Health Institutions and Christian Churches' Health programmes in Ghana; and the National Health Insurance Agency (NHIA), established as a regulatory body for health insurance operations in 2003²³.

Education

The strategic framework of the GoG for the education sector is spelled out in long term Education Strategic Plans (ESP). The ESP 2010-2020, the fifth one of this kind, has been guided by policy initiatives that emerged in the years following the publication of the previous ESP in May 2003, most notably the National Education Reform (NERIC, 2007) and resulting 2008 Education Act. A number of sub-sector strategies were also developed during that period, such as in Science, Technology and Mathematics Education – STME, ICT in Education, Vocational Education and Training – TVET, Inclusive Education, Special Educational Needs – SpED, etc.

The 2008 Education Act clarified the role of the main sector stakeholders: the Ministry of Education (MoE), the National Teaching Council (which has wide-ranging powers regarding the professional development, quality, registration and licensing of teachers), the National Council for Curriculum and Assessment – NCCA (with overall responsibility for the national curriculum and student assessment at the 1st and 2nd cycles), the National Inspection Board (NIB), and district assemblies.

Environment and Natural Resource Management (ENR)

In the early 2000s, a lack of a coherent overall policy statement and definitive strategy on environment and natural resource management was identified as a limitation to implementing a sector wide approach in the sector. In response, the government prepared an overarching policy statement in 2007²⁴ and later, in 2009, presented another document, the NREG²⁵ Statement of Policy, reiterating the GoG policy commitments and strategies for the sector. Among other things, these documents identified the need to harmonise and coordinate the discrete and sometimes conflicting policy documents operating in the sector. During the evaluation period, a major policy action was the GoG's decision to be the first country in the world to commence negotiations on a Voluntary Partnership Agreement (VPA) concerning trade in legal timber with the EU. Significantly, GoG is also implementing, the Extractive Industries Transparency Initiative (EITI) via a multi-stakeholder process that includes representatives of the government, industry, and civil society.

After some evolutions in the institutional environment in 2009²⁶, the sector is now composed of two parent ministries: the Ministry of Environment, Science, Technology and Innovations (MESTI) dealing with the brown environment (pollution) and climate change and the Ministry of Lands and Natural Resources (MLNR) that deals with lands, forestry and mining. The main agency within MESTI responsible of environmental management and regulation is the Environmental Protection Agency (EPA). The EPA is also responsible for the climate change agenda. For the MLNR, the Forestry Commission, Lands Commission and Mineral Commission are the responsible agencies.

Private sector development (PSD)

Private sector competitiveness has always been a key pillar of national development policies since the first Ghana Poverty Reduction Strategy. A specific Private Sector Development Strategy (PSDS) was

²² It is responsible for implementation of national policies under the control of the MoH. It continues to receive public funds and thus remains within the public sector; however, its employees are no longer part of the civil service, and GHS managers are no longer required to follow all civil service rules and procedures.

²³ The NHIA regulates and supervises Health Insurance Schemes, accredits and monitors healthcare providers and manages the national health insurance fund (NHIF).

²⁴ Letters of Development presented to the Development Partners, to indicate government commitment to implementing a sector wide strategy across the subsectors.

²⁵ Natural Resources and Environmental Governance.

²⁶ The Ministry of Environment and Science was created in 1993, but dissolved in 2006 when the environment portfolio was added to the Ministry of Local Government. It was reconstituted in 2009 as Ministry of Environment Science and Technology (MEST) and renamed Ministry of Environment, Science, Technology and Innovation (MESTI) in 2013. Before 2006 and after 2009, EPA was under the direction of MESTI and its predecessors while it reported to the Local Government Ministry in the period 2006-2009.

formulated in 2003 and finally adopted in 2004. It was accompanied by an action plan covering the period 2005-2009²⁷. A National Trade Policy and its related implementation plan (the Trade Sector Support Programme - TSSP) were launched in February 2005 to further guide the specific interventions to be carried out in the trade sector.

In 2009, the newly elected government decided to build on the achievements of the first PSDS and started the formulation of a PSDS II. A new institutional set-up was designed, the scope of the strategy was expanded and four flagship initiatives (Reforming the business environment; Financial innovation/intermediation; Stimulating export diversification; and Improving business linkages) were identified. However, difficulties in establishing the governance structure in charge of supervising the strategy were compounded by a lack of resources to finance the strategy's action plan. The implementation of the PSDS II faced important delays and the strategy never really took off. In the meantime, a number of specific strategies were developed: the National Export Strategy and the Ghana Industrial Policy²⁸ in 2011; and the Financial Sector Strategic Plan II (FINSSP II) in 2012.

The Ministry of Trade and Industry (MoTI)²⁹ was the main institution involved in the implementation of the PSDS strategic framework.³⁰ Other key ministries include: Finance, Employment and Social Welfare, Local Government and Rural Development, Food and Agriculture, and Justice. PSDS I implementation was supervised by an Oversight Committee comprising representatives from both GoG (including the key ministries mentioned above) and the Private sector (e.g. the Private Enterprise Foundation, the Federation of Association of Ghanaian Exporters, the Trades Union Congress).

Agriculture

The sector consists of: i) crops and livestock, ii) cocoa, iii) fisheries, and iv) forestry. A comprehensive sector strategy was developed in 2007, the 'Food and Agriculture Sector Development Policy II' (FASDEP II). Since then, a number of policy developments took place³¹. Ghana signed its CAADP³² Compact in October 2009. A Fisheries and Aquaculture Sector Development Plan was launched in 2011. A strategic document on irrigation, 'National irrigation policy, strategies and regulatory measures', was finalised in 2011 and a tree crops policy was developed in 2012. Finally, the G-8 New Alliance for Food Security and Nutrition Cooperation Framework was designed in Ghana in 2012.

The subsectors fall under different MDAs. The Ministry of Food and Agriculture (MOFA) is the lead ministry for the sector and is responsible for non-cocoa crops, livestock and fisheries. COCOBOD³³ is responsible for cocoa, coffee, and peanuts, and is under MoF. The Ministry of Lands and Natural Resources is responsible for the forestry subsector.³⁴

Other

Together with the attainment of the middle income status, adopting an overall **social protection** system became a central goal in the national policy framework of Ghana in the mid-2000s. A National Social Protection Strategy was finally launched in 2007 with the objective to 'create an all-inclusive society through the provision of sustainable mechanisms for the protection of persons living in situations of extreme poverty, vulnerability and exclusion'. The strategy largely relies on a flagship initiative, the Livelihood Empowerment Against Poverty (LEAP) programme, a cash transfer scheme introduced in 2008.

²⁷ The Action Plan was expected to be largely financed by external resources via a joint financing mechanism involving DPs active in the sector (Denmark, DFID, France, the EU and the World Bank).

²⁸ The Ghana Industrial Policy mainly focuses on the manufacturing sector.

²⁹ Formerly: Ministry of Trade and Industry, Private Sector Development, and President's Special Initiatives.

³⁰ It is important to note that the institutional setup around the PSDS changed over the evaluation period. In particular, in 2009, the new President declared that the PSD agenda would be driven and monitored directly from the Presidency. In 2015, the responsibility came back to the Ministry of Trade and Industry.

³¹ For the forestry sub-sector, see the section above on Environment and Natural resources.

³² The Comprehensive Africa Agriculture Development Programme (CAADP) is Africa's policy framework for agricultural transformation, wealth creation, food security and nutrition, economic growth and prosperity for all. In 2003, in Maputo, Mozambique, the African Union (AU) Summit made the first declaration on CAADP as an integral part of the New Partnership for Africa's Development (NEPAD). See <http://www.nepad-caadp.net/>

³³ Ghana Cocoa Board.

³⁴ Other key sector institutions include: the Agricultural Research Institutes of the Council for Scientific and Industrial Research (CSIR) and other agencies in the National Agricultural Research System (NARS) are responsible for agricultural research. CSIR is under the Ministry of Science and Technology; MOTI supports the production of selected commodities for local markets and export. At the local level, the Ministry of Local Government and Rural Development (MLGRD) supports agricultural activities through the Metropolitan, Municipal and District Assemblies (MMDAs).

Substantial evolutions in terms of strategic framework can also be observed in the **Energy** sector which covers three sub-sectors: power, petroleum and renewable energy. The GoG launched a National Energy Strategy Plan spearheaded by the Energy Commission in 2006. After the discovery in commercial quantities of petroleum resources (which started in 2007), a National Energy Policy was developed (and finalised in 2010) to guide the development and management of the country's emerging oil and gas sector. In the **Transport** sector, a National Transport Sector Policy was finalised in 2008 and, the following year, a Ministry of Roads and Highways was established to direct and oversee road infrastructure development, maintenance and road maintenance financing.

3.3 Budget support

The Multi Donor Budget Support (MDBS) framework was established in 2003. It has included a maximum of 11 members, namely the African Development Bank, Canada, Denmark, the European Union, France, Germany, Japan, the Netherlands, Switzerland, the United Kingdom and the World Bank (WB).

Each year, the MDBS members have conducted an annual review based on two components. The first component measured progress against specific targets laid out in the three year rolling Progress Assessment Framework (PAF) covering 12-15 sectors. The second component, the 'holistic assessment' was introduced in 2008 and assessed progress towards the overall development strategy (GPRS II followed by GSGDA). The last MDBS annual review was carried out in 2013; since then DPs have either relied on their own assessments or pulled out of BS.

Over the evaluation period, SBS mainly focused on health (Denmark, EU, Japan, UK), education (UK), natural resource and environmental governance (EU, France, Netherlands, UK, WB), agriculture (Canada, WB) and decentralisation (EU). The SBS operations were not covered by the MDBS framework, which makes them more difficult to track.

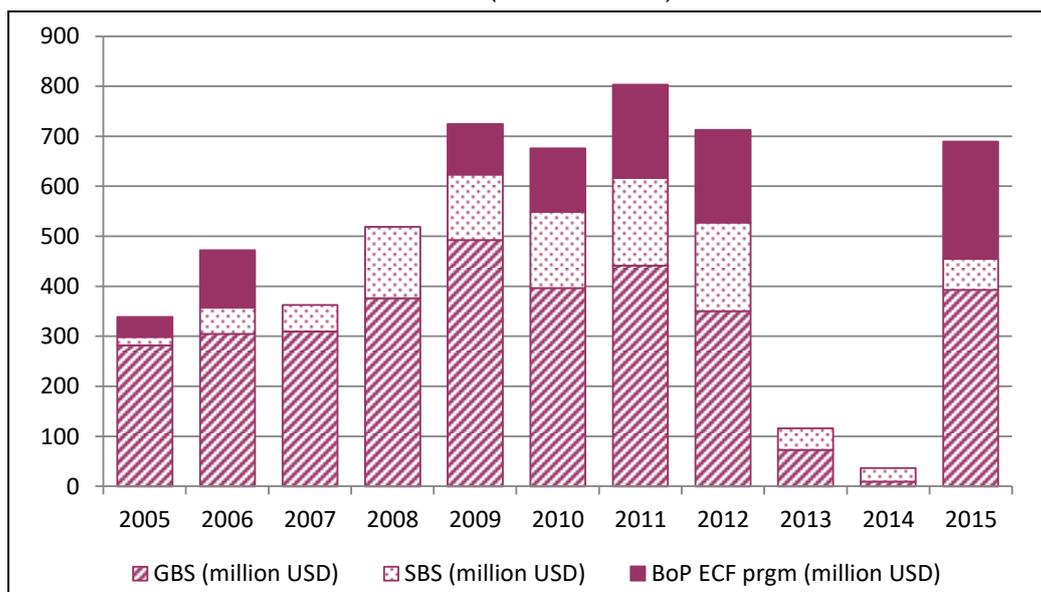
Overall, DPs have provided about USD 3.4 billion in GBS and USD 1 billion in SBS in the 2005-2015 period³⁵. In addition to that, the International Monetary Fund (IMF) has provided about USD 1 billion in balance of payments (BoP) support. As illustrated by the figure below, one can observe four different phases of BS in Ghana:

- 2005-2009: Strong increase of BS, nominal USD disbursements almost doubled in 5 years.
- 2009-2012: BS plateaued at a high level;
- 2013-2014: BS basically came to a halt;
- 2015: BS disbursements resumed at a high level, GBS and SBS disbursements amounting to more than USD 450 million. However, this does not indicate a return to 'business as usual' since about half of these disbursements are linked to tranches that were withheld in the years 2013 and 2014.

The figure below presents the evolution in BS disbursements since 2005. It also includes the balance of payment (BoP) support provided by the IMF via the Extended Credit Facility (ECF).

³⁵ This does not include USD 400 million of guarantees provided by the World Bank in 2015 for the issuance of Eurobonds.

Figure 4 BS disbursements 2005-2015 (in USD million)



Source: Particip based on data provided by GoG and DPs.

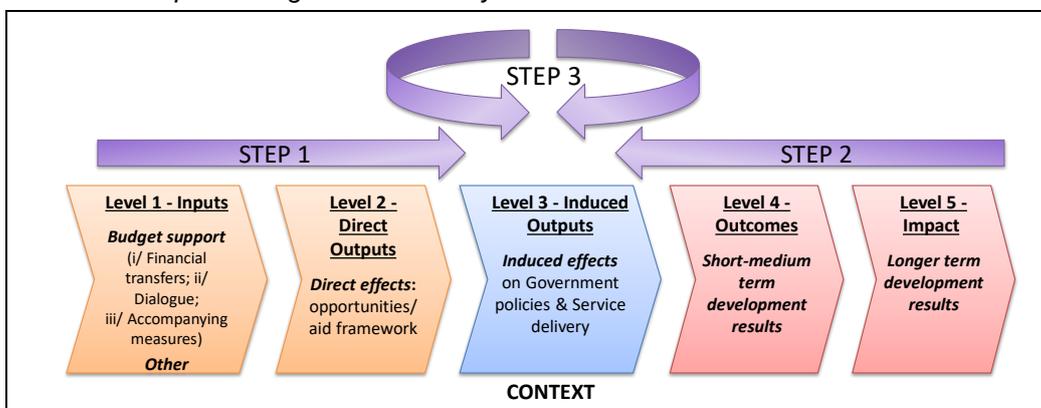
4 Overall synthesis

4.1 Introduction

The OECD-DAC methodological approach for budget support evaluations (3 Step approach) is based on a comprehensive evaluation framework that emphasises the political responsibility of the government and civil society and the role of the context, which interacts at all levels with the results' generation process. The evaluation includes:

- An assessment (Step 1) aimed at identifying the specific contribution of the BS operations – in their interaction with other government, non-government and donor funded programmes and with the context – to the improvement of government strategies and civil society action.
- An assessment (Step 2) – in the sectors supported by BS and selected as focal sectors of the evaluation – aimed at identifying the actual achievements in terms of development results and the policy and non-policy factors that have determined such achievements.
- A synthesis exercise (Step 3) that brings together the results of the two assessments mentioned above, aimed at identifying to what extent BS has contributed, through the strengthening of the policies supported by the different BS components (as described in Step 1), to the achievement of the targeted development results (as described in Step 2).

Figure 5 Simplified diagram of the analytical framework used in the evaluation



The sub-sections below summarise the key findings of each of the three analytical steps. Detailed findings related to Step 1 and Step 2 are presented in section 5.

4.2 Summary of Step 1 assessments

The provision of BS through the MDBS joint arrangement started in a very positive context with the country experiencing, for example, robust economic growth, important strides in poverty reduction, strong progress in democratic processes, and increased human rights and freedom of expression. The national policy framework and aid architecture had developed on strong foundations and the commitment of GoG towards structural reforms was visible in the context of the debt relief initiatives.

During the evaluation period, BS created a number of opportunities for GoG and its international partners to strengthen the national medium-term development framework and its implementation (see also EQ2 in section 5). In particular,

- BS funds contributed to the expansion in discretionary expenditure observed in the first half of the evaluation period. However, BS could not prevent a dramatically narrowing fiscal space caused by the crowding out of budget resources by the wage bill and interest payment, and, later on, by lower-than-expected oil revenue. The “quantitative” effects of BS financial transfers still continued after 2010, given the rigidity of the country budget. At sector level, BS funds were used to enhance policy formulation, and intra-sector collaboration, and, above all, helped MDAs to compensate for the dwindling resources available for their operational costs.
- At least until 2011, BS dialogue has helped GoG to maintain a certain focus on priority spending actions and to foster policy discussions on important themes for the country’s development process (e.g. oil economy, decentralisation, PFM). Overall, the MDBS framework played a key role in strengthening the national aid architecture, enhancing sector dialogue and strengthening the link between MoF and MDAs.
- BS accompanying measures have been substantial in all policy areas and provided numerous opportunities to develop analytical work on major policy issues and to strengthen public institutions. Accompanying support was also judiciously provided to an already very active civil society for greater participation in national policy processes.

BS has had an obvious added value at the macroeconomic level, especially in the first part of the evaluation period. It helped the country to enhance the implementation of the HIPC Initiative on debt relief and to respond to external shocks, such as in 2009. BS has also played a distinctive role in developing an overarching framework for dialogue and policy monitoring that could not have been developed so quickly through other means. BS has offered a unique opportunity for small donors to engage in high-level dialogue and for DPs to speak with one voice. Finally, there have also been clear signs of policy processes being increasingly domestically led during the evaluation period and BS proved to be an adequate modality to accompany this evolution.

The evaluation shows that BS has had positive effects on policy reforms and policy implementation at various levels (see also EQs 2-6 in section 5). For instance:

- GBS funds have contributed to the expansion in basic social services’ coverage in the first half of the evaluation period. SBS appeared to be an appropriate modality to strategically support policy implementation in the already well organised Health sector. Although BS was not the main driver of reform, BS inputs (especially dialogue and accompanying measures) made positive contributions to the consolidation of the NHIS and the expansion of its coverage.
- BS dialogue and accompanying measures have supported the country in its transition towards being a middle-income oil producing economy.
- The technical and financial support mobilised through GBS and SBS provided important inputs to strategy development in sectors such as ENR.
- BS has substantially contributed to strengthening the overall institutional framework for management of the reform process in decentralisation, and has also had visible positive effects on intra-/ inter-sector collaboration in other policy areas (e.g. ENR sector).
- BS has contributed to the strengthening of several public institutions (e.g. Ghana Revenue Agency and Ghana Audit Service in the area of PFM, and Forestry Agency in the ENR sector). All BS inputs (dialogue/conditionality, financial transfers and accompanying measures) have played a significant role in this regard.
- BS has helped GoG to improve the monitoring of policy implementation by enhancing policy dialogue and, despite persisting shortcomings in the availability of reliable data in many sectors, consolidating the role of the National Development Planning Commission.

However, there have been some significant missed opportunities in the provision of BS. In particular, a suboptimal strategic focus of the MDBS dialogue led to important national challenges being insufficiently addressed through BS. Particularly noteworthy here are issues relating to public sector mod-

ernisation, fiscal discipline, fundamental reforms relating to the public finance environment, and the energy sector, as well as insufficient due diligence on quality of public investments.³⁶

Moreover, adverse contextual factors (outside the direct realm of influence of BS) have greatly limited the direct and induced effects of BS. For instance:

- A number of political decisions – some of them driven by electoral considerations and the overly-optimistic expectations created by the discovery of oil in commercial quantities – have led to: i) serious macroeconomic imbalances that have crowded out resources from priority spending actions, and ii) declining efforts to promote accelerated growth through the diversification of the economy and agricultural modernisation.
- The persistence of clientelist and political patronage systems have put a huge strain on improving the allocative efficiency of public spending and achieving greater transparency and accountability in governance.
- A fragmented institutional environment has contributed to opaque information on public expenditure and has made it particularly difficult to measure in a timely manner, at the aggregate level, the exact magnitude of the (macroeconomic) challenges facing the country.
- The failure, or only partial implementation, of the public sector reform initiatives carried out by the successive governments and the weak demand for capacity development by public institutions have considerably limited the overall effects of accompanying measures on the strengthening of the public sector.
- Adherence to aid effectiveness principles was made difficult by the important transformations in the international development finance landscape, including factors such as abruptly decreasing commitments to ODA by certain DPs (which was amplified by the country's access to the MIC status), growing risk-aversion of many DPs, and increasing aid fragmentation – partly due to vertical programmes not being well integrated in sector strategic frameworks.

All this has resulted in only a partial implementation of the national medium term development framework. Despite the positive achievements highlighted above, progress has stagnated in other areas. For instance:

- Overall, macroeconomic management and fiscal discipline have weakened although tax revenue has improved (see EQ3).
- Pro-poor spending and public investment have decreased (in relative terms) and allocative and operational efficiency of public spending remains weak (EQ3).
- Actual improvements in PFM systems have been limited although the costly and protracted efforts deployed in putting in place an integrated financial information system may prove quite fruitful in the near future, if an increased share of the budget is routed through it (EQ4).
- There was limited progress in transparent and accountable governance despite increased CSO participation (EQ6).
- The capacities of public institutions and local governments, especially in terms of strategic planning, have not substantially increased (EQ5 and EQ6).
- Generally, service delivery systems have remained weak (EQ6).

Overall, the modest evolutions observed in the last decade highlight the fact that, despite strong democratic governance and robust economic growth, Ghana is still in the middle of a transition period with considerable persisting challenges. While there have been some missed opportunities and BS has made only moderate contributions in most policy areas, no evidence was found that an alternative modality would have ensured greater overall success. In particular, any effort to improve public policy implementation in Ghana seems to be strongly challenged by various negative contextual factors such as the ones described above.

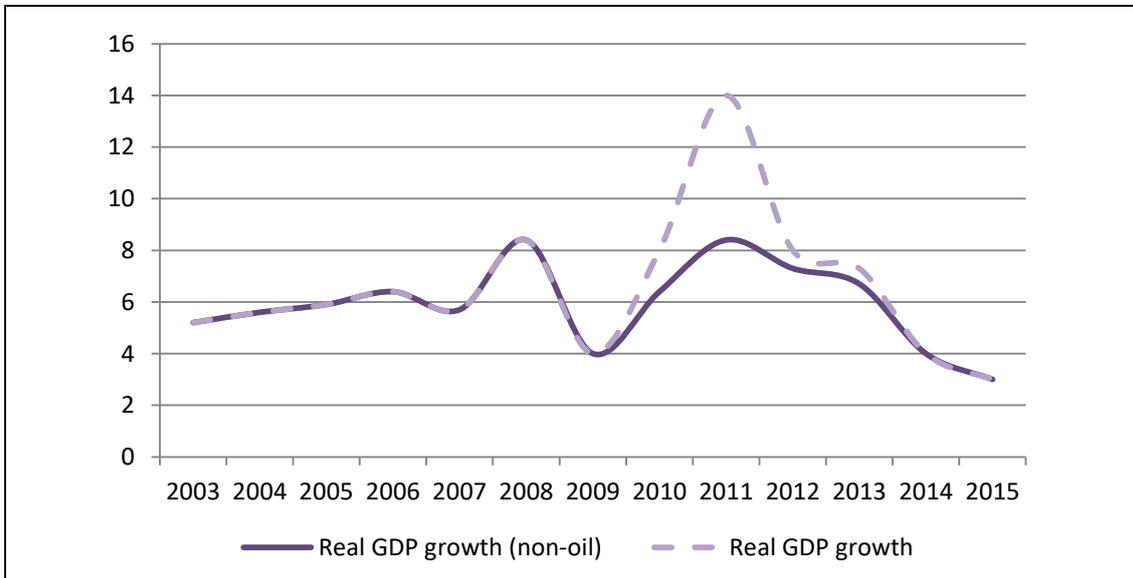
³⁶ It should still be noted that BS DPs have, for instance, showed some openness to back GoG's attempts to pursue new reforms aimed at modernising the public sector as illustrated by the inclusion of specific targets related to institutional change induced by these reforms in the MDBS PAF (e.g. establishment of the PSR secretariat) or their financial support to technical notes and fact-finding missions (e.g. *World Bank, 2010: Fact findings mission on the New Approach to Public Sector Reform*). But, in general, DPs have remained wary of pushing hard the reform process in these politically-sensitive areas.

4.3 Summary of Step 2 assessments

Overall evolution in terms of economic growth

During the evaluation period, economic growth has remained robust, but with important yearly fluctuations and a decline in recent years. Non-oil growth accelerated in 2011-2012, averaging 8% per year (helped by high international gold prices, an expansionary policy, and strong cocoa exports), but it fell to a low of 4% in 2014, and 3% in 2015 (see figure below).

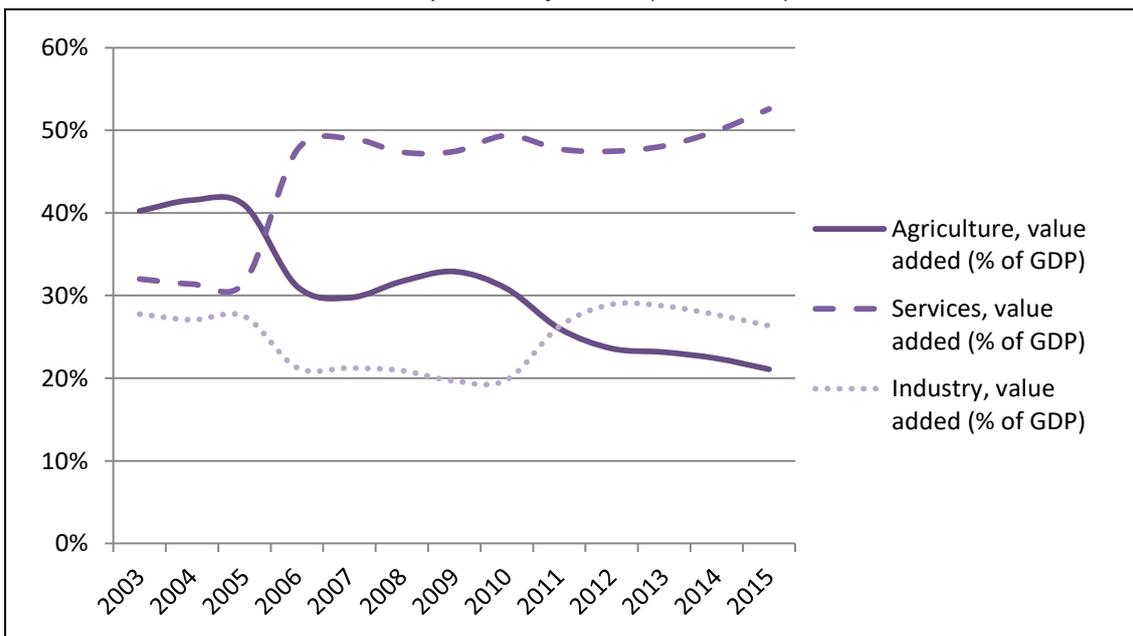
Figure 6 Evolution in real GDP growth (2003-2015)



Source: World Bank.

Ghana's recent economic growth has been associated with a shift of the economy out of agriculture and into services (see figure below). The share of agriculture in GDP declined from over 40% in 2005 to less than 22% in 2014, although it is still the main sector of employment – representing around 43% of total employment. In 2011, the share of the industrial sectors in GDP exceeded the corresponding share of agriculture for the first time since Ghana's independence in 1957. While such an evolution is not necessarily an unusual one in a country reaching MIC status, it has been one the fastest in Sub-Saharan Africa.

Figure 7 Evolution in GDP composition by sector (2003-2015)



Source: World Bank.

In general, the economy has remained largely undiversified, relying heavily on primary commodities – namely, cocoa, gold and oil – that accounted for 75% of export receipts in 2014. Most newly-created

jobs were concentrated in services, but it should be noted that, outside Accra, the bulk of the increase in the service sector was in low-value added activities (such as retail activities, construction, local transport) that are not fully integrated in the formal sector. While agricultural productivity increased substantially in the 1990s and 2000s, this was driven mainly by the cocoa sub-sector. During the evaluation period, there have been limited results achieved in terms of modernising the agriculture sector, including boosting food crop productivity (see also analysis in EQ9).

The competitiveness of Ghana's economy has also not substantially improved during the evaluation period. Due largely to a deterioration in the macroeconomic environment, the country's ranking even declined from 111th in 2014 to 119th in 2015 on the Global Competitiveness Index (out of 144 countries). In 2015, Ghana was still among the five top-ranked African countries in terms of Ease of Doing Business³⁷. However, reliable electricity supply and access to affordable credit have represented considerable challenges that have adversely affected the development of a competitive private sector. Other challenges regularly quoted in sector studies and "barometers"³⁸ are the low-skill workforce, corruption, and inadequate tax systems.

Despite repeated strong commitments made by successive governments, important public policies completely stalled (for example the new private sector development strategy never took off) or were only partially implemented (for example the implementation of the agriculture sector strategy eventually focussed on a few programmes, with mixed performance).

Overall evolution in terms of poverty

Ghana has experienced significant success in poverty reduction, compared with the average of African countries. Using the new lower poverty line of GHc 792 (around USD 1.10)³⁹, extreme poverty declined further from 17% to 8% between 2006 and 2013⁴⁰. However, progress at the sub-national level was found to vary significantly across regions and rural-urban locations.

The positive trend has been driven by the sustained economic growth that characterised the country in the period 1991-2014 (around 4.5% per year in the decade before the evaluation period, and almost 8% per year, on average, between 2005 and 2013). Some important factors have enhanced the distributional effect of growth, thereby accelerating its poverty-reduction impact. According to recent studies⁴¹, the key factors associated with the relatively high elasticity of poverty to growth (at least until 2006) have been: i) the structural changes in the economy, which have seen a faster shift from agriculture to services than in other African countries (see Figure 7 above); ii) the growing level of education of the work force; iii) the geographical mobility of the population. These factors have facilitated the shift from less productive to more productive sectors, jobs and geographical areas, thus creating better job opportunities for the poor, although major challenges persist. In addition to this income improvement, there are a number of non-monetary factors that played a role in reducing poverty, such as the reduction of infant and child mortality, and the decline of the fertility rates.

Some underlying factors are rooted in the history of the country. In particular, the existence of a widespread entrepreneurial capacity among the core groups of the Ghanaian population has contributed to the multiplication of new business opportunities in a general framework of accelerated growth. Moreover, the traditional unity of the country has facilitated a certain degree of competitive mobility of the work force.⁴²

The robust economic growth, the increase in educational levels and other non-monetary improvements in the livelihood of the population observed during the evaluation period are mostly related to past achievements. During the evaluation period, despite some important shortfalls in terms of financial stability and delays in the reform process, the evolutions related to poverty continued to benefit

³⁷ In the last WB "Doing Business" report, Ghana ranked among the top 50 countries on getting credit (36) and registering property (43), but is lagging behind on indicators related to resolving insolvency (161), trading across borders (120), dealing with construction permits (106), paying taxes (101), starting businesses (96), and getting electricity (71). Even in the area of getting credit, in which Ghana is highly ranked, the exorbitant cost of credit undermines the country's competitive position. A bank lending interest rate of about 29%, one of the highest in Africa, makes credit unaffordable to SMEs and is also a major source of the rising GoG domestic debt service.

³⁸ E.g. Association of Ghanaian Industries (AGI) business climate surveys.

³⁹ As in many countries, Ghana uses two poverty lines based on consumption expenditures: an upper one below which an individual is considered to be unable to meet all their food and non-food needs; and a lower poverty line below which an individual is considered unable to even meet their food needs ("extreme poverty"). The consumer price index which is used to calculate the poverty lines has been rebased in 2012 to take into account the introduction of new consumer items onto the Ghanaian market and changes in household consumption.

⁴⁰ See the reports of the sixth round of the Ghana Living Standards Survey (GLSS).

⁴¹ E.g. *World Bank, 2015: Poverty reduction in Ghana – Progress and challenges*.

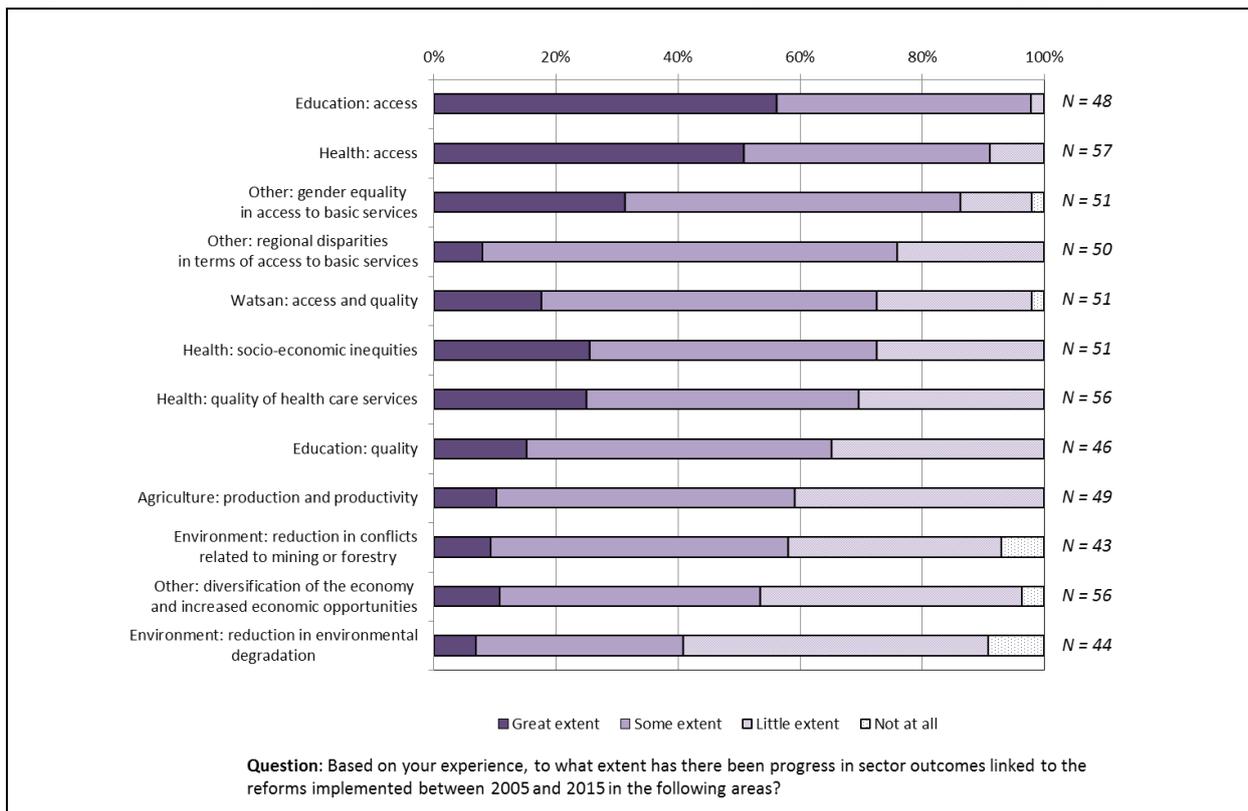
⁴² See *IEA, 2015: socio-economic and governance survey*.

from strong democratic stability, the above-mentioned positive factors for growth, and important social development policies that have been gradually strengthened since the 1990s.

Development outcomes and main determining factors

The responses given to the eSurvey (see figure below) illustrate the mixed performance across sectors (for example, important improvements in education and health, but poor outcomes in the agriculture and environment sectors) and the existence of similar patterns (for example, increases in access, but important persisting challenges in terms of quality) in a few sectors. This overall picture has been largely confirmed by the evidence gathered from other sources during the evaluation and, in particular, by the analysis carried out in the in-depth sector case studies (Health, ENR, Agriculture).

Figure 8 eSurvey - Perceived improvements in development outcomes in key policy areas



Source: eSurvey.

The Step 2 sector analyses (see EQs7-9 below, and the details provided in the sector case studies in Volume 2b) show that:

- In the Health sector, most development outcomes pursued have been achieved. There has been steady progress in increasing access to preventive, promotional and curative health services – and, consequently, in improving health outcomes. Although the Health sector is characterised by important regional and socio-economic inequities, some progress has also been achieved in reducing inequities in healthcare utilisation and outcomes. However, much of the improvement was achieved in the first half of the evaluation period and, in many areas, progress has slowed in recent years.
- In the ENR sector, Ghana has witnessed a continued degradation of the environment over recent years. In the mining sector, the increase in illegal artisanal small-scale mining, and its transformation to a highly-mechanised activity, has been the most important development. As a consequence, conflicts related to mining increased, and the environmental impact of mining worsened considerably. In the forestry sector, the resource base has dwindled and most of high-value timber species have already been cut, but the forest cover has slightly expanded, partly due to an increase in plantations.
- In the Agriculture sector, performance has been variable, with a sharp decline in recent years. Production of key crops has been variable, and post-harvest losses are high. Yields of most major staples have remained relatively flat, with a large gap between actual and potential yields. Marine fisheries production has also declined.

As highlighted in EQs7-9 (see section 5), a complex mix of policy and non-policy factors has influenced the evolutions in development outcomes during the evaluation period. In particular, in some sectors (e.g. Health, Education), GoG policies and strategies have played a clear role in improving development outcomes. In several other sectors (e.g. ENR, Agriculture, Justice), GoG's interventions were too weak or too limited in scope to contribute to any substantial change.

In many sectors, the very active civil society (e.g. in the ENR and Justice sectors) and also the relatively dynamic private sector (e.g. in Health) have also played an important role in enhancing the effects of GoG interventions and in strengthening service delivery. In some instances, interventions supported by non-BS DPs (e.g. immunisation programmes) have had a significant short-term positive effect on specific outcome areas, such as Ghana's political and trade agreements with international partners (e.g. EU restrictions on imports related to illegal fishing).

The limited achievements observed in many outcome areas are linked to a variety of factors. Similar characteristics explain the situation observed in some instances – in particular, the proliferation of negative practices in several sectors due to weak law enforcement (e.g. illegal mining involving heavy machinery, or illegal fishing, including by non-African industrial vessels). As illustrated by the situation in the ENR sector, the political economy and vested interests have also seriously hindered the effectiveness of GoG initiatives and, more broadly, limited the welfare effects generated from the use of national resources. Moreover, limited improvements in rural infrastructure resulted in important persisting obstacles to stronger improvement in development outcomes in specific regions of the country.

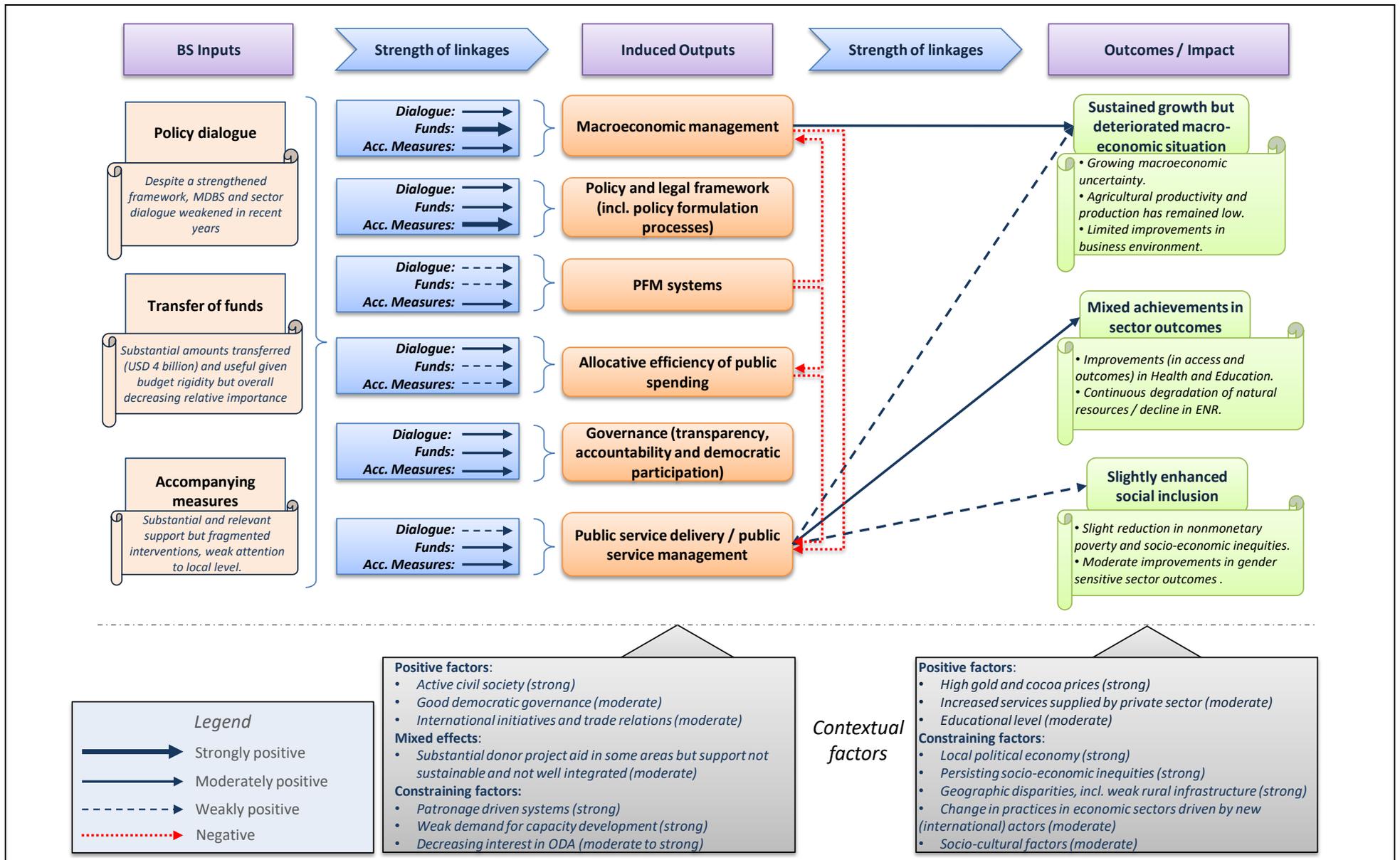
4.4 Overall synthesis

BS inputs have contributed to consolidating the national policy framework and strengthening the institutional environment in some policy areas. BS helped the country to improve its macroeconomic situations during the first part of the evaluation period and to confidently advance its transition towards being a middle-income oil economy. However, the main structural challenges the country faced in the mid-2000s (e.g. public sector modernisation, PFM reform, transparency and accountability) persist and were only partially addressed. These challenges became more acute in the middle of the evaluation period. They led to important macroeconomic imbalances that – together with persisting bottlenecks in the public sector – seriously undermined effective policy implementation.

Growth remained strong during most of the evaluation period, although lower than anticipated. This was mostly as a result of a favourable external environment (high prices for gold and cocoa) and oil production, rather than improvements in the business environment, a diversification of the economy or the modernisation of the important agriculture sector. During the evaluation period, important development outcomes were still obtained in some sectors such as Health, but were mainly linked to past achievements and domestically-driven processes such as the NHIS, which only moderately benefited from BS.

The objectives set in the country's medium-term development policy and supported by BS have been only partially achieved. This is largely explained by the modest improvements in the quality of the public action observed in most policy areas, and a host of negative factors that have contributed to further weakening the effects of GoG policies and strategies. Overall, while the effects of BS have not been negligible, BS did not succeed in expanding the achievements made in the early 2000s and only moderately contributed to the improvements in outcomes observed in the various areas.

Figure 9 Step 3 synthesis diagram



5 Detailed findings

Based on preliminary analyses carried out during the inception phase, nine evaluation questions (EQs) have been formulated as indicated in the table below. The table also shows the link with the overall intervention logic and the Step 1 and Step 2 of the evaluation methodological approach.

Table 3 Overview of the Evaluation Questions

No.	Scope of Evaluation Questions	Step/Level
EQ1	Relevance and design of BS	Step 1, Level 0→1
EQ2	Direct effects of BS financial and non-financial inputs	Step 1, Level 2
EQ3	Induced Effects on Macroeconomic management	Step 1, Level 2
EQ4	Induced Effects on PFM	Step 1, Level 3
EQ5	Induced Effects on Local governance	Step 1, Level 3
EQ6	Induced Effects on Policy formulation and implementation processes	Step 1, Level 3
EQ7	Outcomes and related attribution in the Health sector	Step 2, Levels 4 & 5
EQ8	Outcomes and related attribution in the ENR sector	Step 2, Levels 4 & 5
EQ9	Outcomes and related attribution in the Agriculture sector	Step 2, Levels 4 & 5

5.1 (Step 1) EQ1 - Relevance and Design of BS

EQ1 – Relevance and Design of BS	To what extent did the design of the budget support interventions respond to the specificities of Ghanaian context (including evolution in country needs and government’s policies) and to the evolution in the aid framework at country and global levels?
Overall answer to the evaluation question	
<p>The provision of BS through the Multi-Donor Budget Support (MDBS) joint arrangement started in 2003-2005 in the context of a success story – with the country experiencing, for example, robust economic growth, important strides in poverty reduction, strong progress in democratic processes, and increased human rights and freedom of expression. The national policy framework and aid architecture had developed on strong foundations. The commitment of GoG towards structural reforms was visible in the context of the debt relief initiatives and the long-term policy orientations followed by the country were clear enough to not require extensive discussions between GoG and its international partners.</p> <p>Overall, BS inputs – which comprised a good combination of financial inputs, dialogue and accompanying measures – were well aligned with the country’s policy orientations. They integrated well some important elements that appeared in the national context (e.g. changes in the dynamic around the decentralisation process, and the advent of the oil era). In the early part of the evaluation period, the provision of BS also followed the momentum in terms of aid effectiveness, which had picked up at international level. Probably influenced by the generally positive context, the partners (DPs and GoG) did not really make explicit the rationale behind the partnership around BS, nor did they try to address more vigorously many of the structural challenges Ghana was facing (e.g. modernisation of the public and civil service, and reform of the energy sector).</p> <p>At the same time, the specificities of Ghana’s political economy context became quickly more pronounced. The attention of political players – absorbed by the tight electoral calendar, the prospects of oil revenues after 2007, and the access to new sources of finance – got diverted from the partnership around BS and some of the commitments made in the medium-term development policies. The provision of BS was confronted with an increasing assertiveness by the successive governments and the country’s elite that was further strengthened by the access to middle-income country (MIC) status in 2010.</p> <p>Combined with the decline in the volume of development aid fuelled by the international economic crisis, this situation weakened DPs policy leverage. GoG and DPs showed decreasing interest in seizing the opportunities offered by the MDBS. In this context, the tools – including the space for policy dialogue – offered by the partnership framework built around BS in previous years proved to be increasingly inadequate to respond to the evolution in context and the pressing structural challenges the country was facing. In the period 2009-2012, dialogue on important issues related to macroeconomic management were, to a large extent, relegated to the discussions taking place within the ongoing IMF programme.</p> <p>When DPs adjusted their stance around 2012 because of the seriously deteriorating macroeconomic situation, the basis of the partnership relating to BS had already substantially weakened and did not</p>	

allow for earnest dialogue to be conducted on the hard remedial measures needed by the country. Several DPs, also facing increased pressure from their taxpayers on accountability issues, eventually decided to withdraw or take a step back from BS. This evolution has been governed only to a small extent by aid effectiveness considerations, and contrasts with the important persisting needs of the country and its public institutions. Although the development finance landscape in Ghana was clearly being modified by the expanding economy, stakeholders on both DPs and GoG side never fully recognised the significant role BS could play as a source of financing⁴³, and also in terms of consolidating a fragile national aid architecture and fostering policy reforms through stronger policy dialogue and co-ordinated capacity development support (see EQ2).

5.1.1 JC11. The focus and design of BS operations respond to evolving GoG priorities and country context (including evolution in the income status)

On the establishment of the partnership around BS

The start of the evaluation period coincides with the completion of the debt relief initiative instigated in the late 1990s and a surge in external aid. Ghana received relatively little external aid in the 1960s and 1970s. The amount of official development assistance (ODA) increased progressively in the years after the “economic recovery programme” was launched in 1983 largely following global trends. The increase was particularly considerable in the period 2000-2004 when many donors decided to intensify their support to the country as Ghana pushed forward an ambitious structural reform agenda in the context of the Heavily Indebted Poor Countries (HIPC) debt relief initiative.⁴⁴

Ghana’s gains in democratic governance since the 1990s and robust pro-poor growth in the early 2000s created strong incentives for DPs to engage in a close partnership with GoG. Although it took place in a difficult political and economic environment, the restoration of Constitutional rule in 1993 created a climate of peace and stability. Ghana experienced its first peaceful democratic transition in 2000. In the early 2000s, the country’s rankings on political rights, civil liberties, and freedom of press were among the best in the region.⁴⁵ Moreover, after a robust economic expansion over two decades, Ghana’s economic performance further improved in the early 2000s benefitting from a favourable external environment. During the 1990s, there was a declining trend in poverty, falling from 52% in 1991 to 40% in 1999.⁴⁶ These evolutions led its African peers to consider the country as “a beacon of hope in the volatile West African sub-region”.⁴⁷

The new national development policy framework also created momentum for a significant group of DPs to increase their support to the country, and to align it under a common framework. In 1994, one year after the approval of the Constitution, Ghana adopted its first national development policy framework.⁴⁸ A Medium-Term Development Plan, the MTDP 1997-2000, followed after the 1996 elections. Building on an interim strategy, a Ghana Poverty Reduction Strategy (GPRS) covering the period 2003-2005 was eventually initiated as a condition for development assistance under the HIPC debt relief initiative in 2002. Early in 2003, GoG also rolled out the initial phase of the Budget and Public Expenditure Management System (BPEMS), and submitted for Parliamentary approval the legal and regulatory framework to reform public procurement, and to strengthen financial management, reporting and audit functions of public sector institutions and to decentralise functions to district levels. All these evolutions helped consolidate Ghana’s position as a pioneer in innovations related to development aid in the late 1990s/early 2000s.⁴⁹

⁴³ It should be highlighted that disbursed amounts during two years of BS (taking any years between 2008 and 2012) exceeded any of the Eurobond issuances made by GoG since 2007 (with no interest payments attached to BS – the largest part of BS being provided in the form of grants).

⁴⁴ External aid accounted for in the national budget increased from 1.7% of GDP in 1999 to 6.4% of GDP in 2004. While HIPC resources explain part of the increase, project and programme grants have also strongly influenced this evolution: they represented, respectively, 0.9% and 0.7% of GDP in 1999, and 2.8% and 2.2% in 2004 (source: IMF fiscal data).

⁴⁵ This is illustrated by the scores achieved in the Worldwide Governance Indicators (in particular, the indicators ‘Voice and Accountability’ and ‘Rule of law’) or the assessment made in the Freedom House’s annual reports published over the past decades (<https://freedomhouse.org/>).

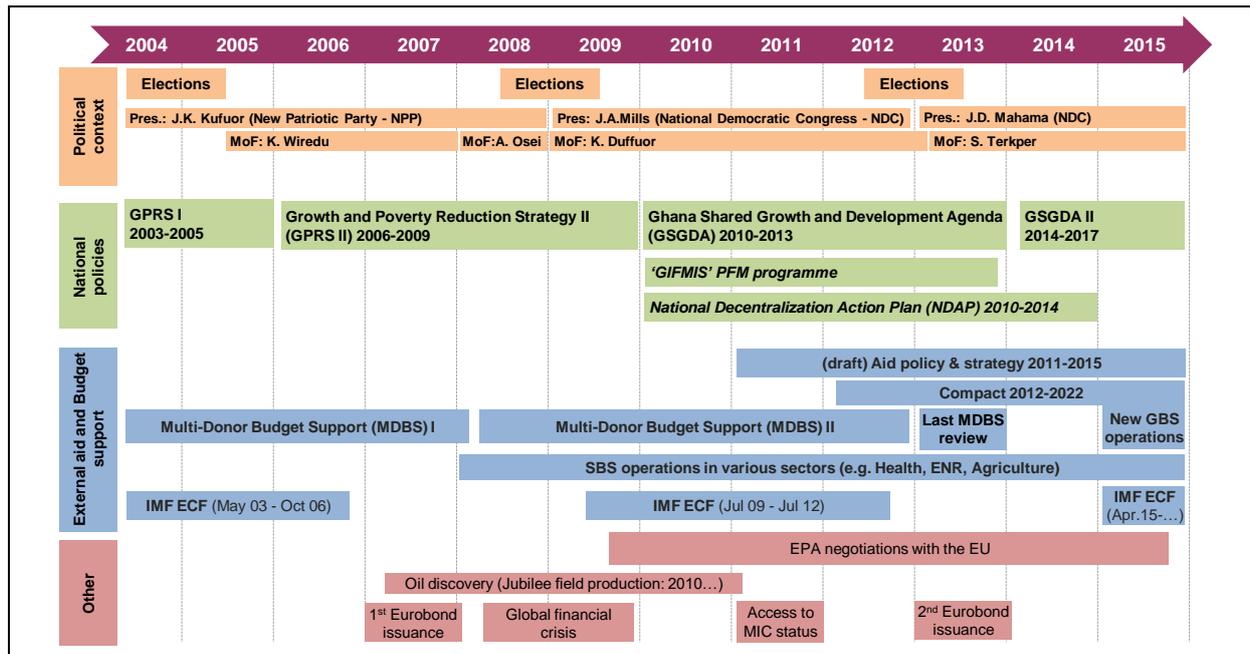
⁴⁶ The proportion of the population living below the national ‘upper poverty line’ declined further to 29% in 2006 (source: MDG reports – based on the upper and lower poverty lines of GHc 1,314 and GHc 792).

⁴⁷ 2005 African Peer Review Mechanisms – Country review report of the Republic of Ghana.

⁴⁸ *Vision 2020*, originally entitled *National Development Policy Framework*, was a wide-ranging, 25-year perspective dedicated to the improvement of individual and social well-being. The development of *Vision 2020* was preceded by the National Development Goal-Setting Exercise, in which all districts and regions participated.

⁴⁹ In particular, Ghana was one of the first countries in the world to experiment with a ‘Sector-Wide approach’ (a SWAp was established in the Health sector in 1997). Moreover, Ghana was selected as a ‘pilot country’ for the

Figure 10 Country context – Timeline



Source: *Particip*.

BS naturally emerged as the preferred modality to support the partnership established between GoG and its DPs around the new national development policy framework. An MDDBS framework was launched in 2003 to structure the DP's financial and technical support to the GPRS and to organise the policy dialogue linked to the implementation of the national strategy. Since then, as evidenced by the references made to the modality in the main national aid policy documents⁵⁰, the GoG has repeatedly encouraged DPs to increase the share of BS in total ODA provided to country. Prompted by a favourable dynamic in the international aid effectiveness agenda, some DPs made a dramatic shift in favour of this modality in the mid-2000s.⁵¹

BS became an increasingly important aid modality in the first part of the evaluation period despite the fact that the importance of BS funds compared to national aggregates remained unchanged. The annual financial transfers provided by DPs in the form of BS increased from USD 300 million to USD 617 million between 2005 and 2011. They represented, on average, around 8% of total public expenditure and 2% of Ghana's GDP over the period. However, given the expansion of the country's economy, the related continuous increase in public expenditure and the overall increase in ODA, the evolution in BS financial transfers did not translate into a larger share of BS compared to national aggregates (see EQ2). Despite this situation, the MDDBS framework still emerged as the principal forum for policy dialogue in Ghana.

While GBS remained the main BS modality, sector stakeholders increasingly favoured SBS. In 2005, SBS – which corresponded to a few individual operations financed in different sectors⁵² – represented only 5% of the BS provided to Ghana. Building on the success of the MDDBS and the SWAp experience in the Health sector⁵³, some DPs and sector ministries pushed for an increase in SBS. The process was driven by two factors: i) the desire of some DPs to deepen the policy dialogue at sector

development of the Comprehensive Development Framework (CDF) initiative led by the World Bank in 1999. In this context: i) 14 government-led thematic "CDF-groups" for co-ordination and dialogue between GoG and DPs were institutionalised; ii) quarterly mini-consultative group meetings (mini-CGs) were institutionalised; iii) regular CG meetings were organised; iv) monthly working lunches between DPs representatives were arranged.

⁵⁰ E.g. *2007 Ghana Joint assistance strategy, 2010 GoG Aid policy and strategy, 2012 GoG-DPs compact*.

⁵¹ BS has represented more than two-thirds of the total assistance provided by the UK and Canada to Ghana in some years. In 2009, 85% of DFID Ghana's budget was delivered through BS, 60% through GBS and 25% through SBS (source: *DFID 2011-2015 Operation Plan*). It has also represented around 70% of the EU bilateral co-operation with Ghana under the 10th EDF (source: interviews with EU Delegation to Ghana).

⁵² Between 2005 and 2007, only two SBS operations were being implemented in the country: one by Canada in the Agriculture sector, and one by DFID in the Education sector. The Netherlands was providing support to the Health sector in a form very similar to BS, but it was not based on a sector-wide approach

⁵³ Ghana was one of the first countries in the world to experiment with a 'sector-wide approach (SWAp)'. In 1997, the World Bank, Denmark, the Netherlands and Norway decided to develop a joint framework to support the Health Programme of Work 1997-2001.

level and to ensure a greater involvement of MoF on sectoral issues; ii) the expectations of sector ministries to secure more resources to implement their strategies. In 2008, specific arrangements were developed in the ENR and Health sectors for DPs to jointly provide BS to the relevant sector plans and strategies. Thereafter, the proportion of SBS in total BS provided to the country steadily increased, reaching 34% in 2012.

On the design of BS operations

Although the design of BS operations varied noticeably from one DP to another, most of the BS provided in Ghana followed a similar model along the lines specified in the joint arrangements established at national and sector levels. BS operations consisted of either a 'single component' (a performance tranche released each year) or 'two components' (a base tranche and a performance tranche that can either be 'fixed' or 'variable' released each year). The achievement of a subset of the PAF targets, called 'triggers', determined whether (and, in the case of variable tranches, the extent to which) the performance component was disbursed. As highlighted in Annex 4 (Volume 3), while Multilateral Development Banks (WB, AfDB) used the 'single component' structure, all bilateral donors used the 'two components' model with, in most instances, an 80%/20% split between the base and the performance component. While the majority of BS transfers corresponded to grants⁵⁴, some DPs (AfDB, Germany, and the WB) also provided an important portion of their support in the form of concessional loans.⁵⁵

The stability in BS design was accompanied by a relatively good level of adaptability and, during a large part of the evaluation period, a clear willingness of DPs and GoG to learn from experience. The MDBS design, including the structure of the PAF, has been relatively stable with the most notable design change related to: i) the disbursement decision-making calendar (to a "n +1" basis) to strike a better balance between predictability and conditionality; ii) the increasing reliance on sector dialogue for the assessment of the PAF. Early on, GoG and some DPs raised concerns about the level of rigidity of the PAF. The problem became acute in the 2008-2009 period, when the country faced a serious financial crisis. This led to intense discussions between DPs and with GoG on the way to deal with unpredictable events, and to the World Bank's decision to abandon temporarily the MDBS PAF. A short-term mechanism allowing adaptation to abrupt changes in context was later introduced in the MDBS process. At a broader level, although GoG expressed some concerns regarding a too rigid application of the MDBS framework, DPs have demonstrated a reasonably good overall level of flexibility. There is also considerable evidence of DPs continuously trying (at least between 2005 and 2011) to learn from the past and to improve the MDBS mechanism with GoG.⁵⁶

BS design built on a substantial amount of analytical work and detailed risk assessments, but some risks turned out to be more severe than anticipated. BS design in Ghana has benefited from a wealth of knowledge gathered through a wide range of studies and reviews, some of them jointly carried out in the context of the MDBS or SBS programmes. The interviews and the documentary review carried out show that the main political, macroeconomic or governance-related risks threatening the success of BS were well identified by the DPs, although the risk assessments presented in the BS financing agreements are of very varying quality. It appears that there was less clarity on the way to respond to these risks and, in particular, on how certain structural challenges faced by the country (e.g. right-sizing and enhancing the performance of the public and civil service, strengthening the budget credibility and the fiscal commitment mechanisms, or addressing governance issues such as the reduction of political interference in public decisions) could be suitably addressed. In particular, DPs have shown a heavy reliance on the IMF for the monitoring of macroeconomic issues. As illustrated in the MDBS annual reviews aide memoires. and in several studies and reports of the IMF and the World Bank, the risks associated with the repeated fiscal slippages, the accumulation of arrears and the surge in the public wage bill following the introduction of new integrated salary structure were all well recognised by the key stakeholders in the period 2008-2012, but were only partially addressed in the dialogue with GoG. When these risks added up and the fiscal imbalances worsened in 2012-2013, the result turned out to be more severe than anticipated, and the DPs struggled to find a common position to respond to the situation.

⁵⁴ While grants and loans represented a similar share of the total BS provided in 2005-2006, the majority of BS (62% on average) was provided in the form of grants between 2007 and 2012.

⁵⁵ It is noteworthy that there have been some particular cases (e.g. France) in which support was neither in the form of grants nor of loans, but consisted of a 'debt relief' type of initiative (whereby, instead of cancelling Ghana's debt to France, GoG was to reinvest the money in its own budget).

⁵⁶ Various 'MDBS retreats' organised until 2011, internal memos and studies – such as the *ODI, 2008: MDBS evaluation* or the study on the *2007 Ghana Joint assistance strategy* – are all illustrations of these efforts.

The way SBS was put in place in practice increasingly deviated from the concept initially envisaged in the joint arrangements made between DPs and GoG at sector level. Most of the SBS has been provided as un-earmarked support. The funds were usually disbursed on the basis of satisfactory implementation of the sector/sub-sector strategy/plan or, in some cases, a set of key indicators. The joint SBS arrangements ('Framework memorandum of understanding') and bilateral financing agreements signed by DPs and GoG did not include specific requirements with regard to the activities for which these funds should be used. According to these arrangements, the SBS funds were made available to be added to the Consolidated Fund of the Treasury. However, the national budget only partially reflected SBS funds, and GoG decided to 'ring-fence' the SBS funds for being used for a specific list of activities implemented by the relevant spending agencies.⁵⁷ This choice is closely related to the low budget credibility that prevailed during the evaluation period.⁵⁸ In recent years, this situation, combined with increasing attention by donors on public accountability systems, eventually led some DPs active in the Health and Agriculture sectors – sometimes at the request of sectoral ministries – to explicitly earmark their budget support.

BS has been characterised by an overall good combination of financial inputs, dialogue and complementary support but innovations have remained limited. As detailed under EQ2, a variety of accompanying measures have been implemented, including institutional capacity-building projects and stand-alone technical assistance to support to non-state actors, specific analytical work (e.g. public expenditure reviews), and comprehensive reform projects (e.g. GIFMIS in the area of PFM). The level of accompanying measures has been quite substantial in all sectors reviewed and technical assistance proved to be relevant and well appreciated by the national stakeholders. Although some fluctuations can be observed over time, there has been an important level of continuity in the support provided in the various policy areas as illustrated by the two decades of technical and financial support to PFM. There is little evidence of DPs having supported innovative initiatives to foster 'horizontal' co-operation with institutional peers in other countries or to promote policy experimentation.

On the focus of the partnership

BS operations have been strongly aligned with the national policy framework. The analysis of (GBS and SBS) annual PAF matrices⁵⁹ confirms that there has been a strong alignment of BS with the policy objectives spelled out in the national development strategies and plans.⁶⁰ There is an intrinsic link between the provision of BS and medium-term development plans, which has ensured a high degree of alignment. The MDBS PAF did integrate major evolutions in the national policy framework – such as the new dynamic around the decentralisation process after the 2008 elections, and the emphasis on social protection and macroeconomic stabilisation in the GSGDA. They were coherent with sector priorities. Most BS DPs have also given appropriate attention to the importance of oil and gas management in the national agenda following the discoveries made in the Jubilee fields off the coast of the Western regions in 2007. DPs were particularly concerned to help Ghana avoid the 'natural resource curse' – the paradox whereby countries with oil or other natural resource wealth have failed to grow more rapidly than those without – and accordingly adjusted the level and content of their BS operations and accompanying measures.

The MDBS partners (DPs and GoG) have struggled to find a strategic focus in their partnership. As confirmed by the evidence collected through the eSurvey and interviews, the MDBS PAF displayed several positive features. Overall, it was considered to be relevant and realistic, and reflected a common vision between GoG and DPs. However, as explained in EQ2, despite regular attempts to "rationalise" the instrument, the PAF triggers/indicators and the dialogue around them have remained very broad in scope, with several DPs eager to see their particular areas of interest being well reflect-

⁵⁷ SBS funds are received on a central bank account dedicated to the sector programme and administered by MoF. Thus, they do not flow directly into the Consolidated Fund of GoG. From that dedicated account, funds are transferred to the relevant MDAs – which also have special bank accounts where they keep the SBS funds – for financing a list of specific activities defined in sector work plans.

⁵⁸ There was a clear interest from line Ministries to earmark SBS contributions in order to exert pressure on the MoF to actually transfer the amounts disbursed by DPs to their Ministries/Agencies. More generally, it is noteworthy that some stakeholders considered that the cash based resource allocation system in place had basically replaced the budget as the guide to actual expenditure.

⁵⁹ In the Health sector, there was no PAF matrix specific to the sector. The triggers used for the release of SBS tranches were defined in the individual bilateral arrangements and were taken from, or closely aligned to, the MoH's annual plan of work (APoW) and the health sector medium-term development plan.

⁶⁰ As in other countries, the national development strategy and the related monitoring structure were not sufficiently detailed to act as an effective framework for monitoring of key reform actions – hence the need to negotiate a new assessment framework every year. Together with the overall objectives spelled out in the financing agreements of BS operations, the content of the PAF determined the focus of the support provided.

ed in the final matrices. As the national policy framework itself lacked an adequate level of prioritisation, and because the MDBS framework covered the full breadth of the national policy framework, the MDBS dialogue did not focus sufficiently on some areas of reforms with a high potential for impact at the ‘macro’ level – such as public sector reform, the energy sector and PFM. In addition, many observers highlighted the short-term dimension of reform measures taken by GoG regardless of the party in power – a characteristic partially explained by the short electoral cycle in Ghana and the tendency of newly-incumbent staff to distance themselves from the initiatives of their predecessors, at least initially. The way the MDBS process functioned – it was built on annual releases of funds related to the positive assessment of short-term actions taken by GoG with a limited focus on policy outcomes – made it difficult to overcome this challenge and focus on long-term structural changes. In this context, the tendency of the DPs has been to be accommodating in the assessment of the scope and pace of country reform processes largely due to their overall satisfaction with the open dialogue GoG maintained with them during the first part of the evaluation period and the positive evolutions Ghana experienced in a number of areas particularly important for them (e.g. democracy, freedom of expression, growth, poverty reduction).

DPs’ efforts to grapple with the complex political economy context were undermined by various factors. As in other countries, the development process and the public institutions in Ghana are shaped by powerful political and economic actors and dynamics.⁶¹ In particular, the influence of the political settlement in Ghana has been particularly important, given the high level of competition between the two main political parties and the short electoral cycle that prevails in the country. This situation has put a huge strain on the pace of reform, and has resulted sometimes in a disconnect between political decisions and the priorities spelled out in national medium-term development policies and supported by BS. In addition, some key national institutions (e.g. the Presidency, MoF, NDPC) have had a fluctuating role and ‘legitimacy’ in pushing forward the country’s reform process, with sometimes diverging positions between and within these institutions. On top of that, the advent of oil on the national agenda in 2007 diverted a lot of the energy that was had been going into broader national development process issues (e.g. private sector development). This situation contributed to what several observers described as a ‘lack of leadership’ in various policy areas, which hindered the full implementation of reform measures (see also EQ6). In this context, although they generally continued to participate in the dialogue on important national development issues, most DPs decided to stand back somewhat, rather than get to grips with the persisting structural challenges of the country and its complex institutional dynamics. This tendency was reinforced by the belief of many DPs after 2010 that: i) there was limited policy leverage available and – as shown by the failures of some initiatives taken in the early 2000s – no major reform process could succeed without strong ownership and political backing; ii) Ghana would easily be able to rise alone to the expectations related to its new status as an MIC; iii) the support should focus on aspects of the reforms where adequate capacity on the DPs side was available.

On the decline in external aid and the breakdown of the partnership around BS

With the steady increase in incomes and the prospect of oil revenues, development aid – including BS – was perceived by GoG officials but several DPs as gradually losing its relevance as a source of financing. While ODA as a share of GDP already started to decline in 2006⁶², the access to the international capital market with Ghana’s Eurobond issuance in 2007 was the first strong signal that the country had entered into a new era in terms of development finance. This trend was reinforced by prospect of oil revenues from 2007 onwards⁶³, the increased access to non-concessional loans from new partners (e.g. China) during the period 2007-2011, and the access to MIC status in 2010. During the same period, in the wake of the high-level forums on aid effectiveness (Paris and Accra), a number of attempts were pursued to improve the development aid framework of the country. In early 2007, 16 DPs signed a four-year ‘Ghana Joint Assistance Strategy’ (G-JAS), and in 2010, a ‘Ghana Aid Policy and Strategy’ was developed under the leadership of the MoF. However, GoG declined to sign the G-JAS, and the Aid Policy was never approved by Cabinet. This illustrated an in-

⁶¹ See, for instance: Booth et al (CDD/ODI), 2005: *What are the drivers of change in Ghana?*; Keefer (the World Bank), 2007: *The resilience of clientelism and the political economy of growth-supporting policies in Ghana*; Whitfield (DIIS), 2011: *Competitive clientelism, easy financing and weak capitalists: The Contemporary political settlement in Ghana*; Ayee & al (the World Bank), 2011: *Political economy of the mining sector in Ghana*; Lund & al, 2012: *Political economy of the timber governance in Ghana*; or ESID, 2014: *A dynamic mapping of the political settlement in Ghana*.

⁶² According to available figures (source: OECD CRS), ODA as a share of GDP declined from more than 12% in 2005 to around 8% in 2006, and to less than 2% in 2014. The decrease of ODA in nominal terms really started in 2013.

⁶³ Oil in commercial quantities was discovered in 2007, production started in 2010, and actual revenues in 2011.

creasingly low buy-in to development assistance efforts by top government officials – despite a continuing strong appetite for development aid by stakeholders at the sector level. In 2011, BS (GBS & SBS) still represented close to 8% of national expenditure. Moreover, it is noteworthy that two years of BS disbursements (taking any years between 2008 and 2012) exceeded any of the Eurobond issuances made by GoG since 2007 (with no interest payments attached to BS). The GoG reactions⁶⁴ to the suspension of most BS in 2013-2014 confirmed that BS was, in fact, not seen as a completely insignificant source of financing for the country.

The deteriorating macroeconomic situation (and its implication in terms of being an underlying principle for the provision of BS) was the last blow to an already weakened partnership around BS. Interestingly, when most DPs decided to suspend their BS because of a deteriorating macroeconomic situation and serious concerns regarding PFM in 2013, it was not clear that this would result in the complete breakdown of the MDBS framework, although the partnership around BS was already affected by a number of factors explained above.⁶⁵ DPs had already started to express serious concerns on macroeconomic issues already in early 2009 – a few months after the 2008 presidential elections, and when the full extent of the fiscal imbalances accumulated in the previous period became apparent.⁶⁶ DPs' pressure with regard to measures to restore macroeconomic balance continued to increase until late 2013, when it was finally decided to suspend BS.⁶⁷ The change in staff at MoF (e.g. Chief Director of the ministry, senior staff of the MDBS secretariat), some "fatigue" among MoF staff with the dialogue process, and the limited understanding of the BS instrument by several key stakeholders did not help to overcome the increasing divergence of views between DPs and GoG. The evidence gathered in this evaluation shows that GoG did not fully comprehend the situation although DPs' decision to temporarily suspend BS was justified and relatively well explained.

A number of mechanisms around BS were reactivated in 2015 to help the country overcome its macroeconomic challenges. After the negotiations with the IMF were concluded in February 2015, DPs that had suspended their BS took a number of decisions such as the release of all suspended tranches in the course of the year. SBS was also reactivated. Macroeconomic stability, monitoring of payroll management and a certain level of control over the government's wage bill, were finally regained after the start of the IMF programme in early 2015 which was further supported by a large World Bank operation that combined a traditional budget support operation with a policy-based guarantee for Eurobond issuance to refinance maturing debt. At the same time DPs decided in May 2015 to formally signal – in a letter to GoG – the end of their engagement in the MDBS framework.

5.1.2 JC12. The design of BS operations is coherent with the evolution of DP's strategic orientations at country and global level

The provision of BS was consistent with DPs' country assistance strategy and was positively influenced by the international aid agenda. Overall, a high level of consistency can be observed between the provision of BS (in terms of the level of ODA provided through BS and the focus of the support) and DPs' co-operation strategies at country level. As in many other countries, the provision of BS in Ghana was also strongly influenced by DP's engagements in international forums (in particular, the Paris Declaration on aid effectiveness). This is illustrated by the agreement of the various DPs to adhere to common 'framework memoranda' at GBS and SBS levels, with the aim of ensuring harmonised provision of their support.

⁶⁴ For instance, in the 2013 MDBS annual review aide memoire, GoG clearly underlined the fact that "*the inability of some Development Partners to disburse in the first half of 2013 adversely affected its cash flow*".

⁶⁵ There were still intense discussions with GoG, between DPs and within development agencies about the possibility of releasing funds in 2013. While some DPs decided to release BS tranches in 2013, others (e.g. the EU and the WB) decided to postpone the release of all BS funds until later in the year. In 2014, the WB and the EU eventually decided to maintain the suspension of BS. They finally reactivated BS after GoG and the IMF signed a new programme in 2015. It was only in May 2015 that DPs decided to actually dissolve the MDBS framework. Some of the last suspended tranches were also released around that time.

⁶⁶ The 2009 ACET Mid-Term Review of the G-JAS noted: "*In mid-2009, GoG adopted a set of IMF-backed austerity measures designed to reduce the budget deficit (...) [which] helped reassure DPs that there is no general deterioration in economic governance. However, the episode is likely to have a lasting impact on the development partnership. It greatly complicated an already extended post-election transition period, causing implementation of the national development strategy to falter. In terms of aid management issues, DPs have been in a long period of limbo, which they hope is now drawing to an end.*"

⁶⁷ The 2012 MDBS annual review aide memoire already indicated: "*while the focus of the MDBS annual review was on the year 2011, for some MDBS donors, any occurrence that threatens macroeconomic stability in the course of 2012 could affect disbursements in 2013*".

However, the rationale behind BS had never been clearly spelled out, and the dimensions underpinning BS received varying degrees of attention by individual DPs. Overall, DPs country strategies did not provide a clear justification of the choice of BS as a form of co-operation. Given DPs international commitments to aid effectiveness principles, the fact that GoG had clearly stated its preference for the modality and the positive experience associated with the launch of the MDBS framework, BS was *de facto* seen as the modality to opt for. There was initially a strong focus on ‘macro’ aspects in BS provision. BS was mostly seen as a way to safeguard macroeconomic stability and guarantee that sufficient resources were available for the implementation of the national development strategy while ensuring adherence to aid effectiveness principles. The deepening of the policy dialogue on specific sector issues became a concern only after a few years of implementation of the MDBS. However, while some ‘small’ bilateral donors have highlighted the opportunity that BS (in particular, GBS) provided to enhance their level of dialogue with GoG, BS was still largely seen by various stakeholders as a source of financing and only partially as a partnership to foster policy reforms. Very few documents reviewed present a detailed discussion of the comparative advantages of BS relative to other modalities nor do they mention the strategic role BS could play as a way of strengthening the overall development partnership between DPs and GoG. In general, interviews carried out show a rather weak understanding of the various dimensions of the modality among stakeholders.

The decision by DPs to phase out GBS or to move to earmarked SBS turned out to be governed only to a small extent by aid effectiveness considerations. By 2016, the majority of the original MDBS partners had officially ended the provision of BS in the country⁶⁸ and all DPs had agreed to formally close the MDBS mechanism. The breakdown of the MDBS partnership in 2013 was influenced by two parallel dynamics that had been in play since at least 2011: i) the decision of most DPs to automatically start decreasing the level of ODA to Ghana given its access to MIC status; ii) a certain disenchantment of several ‘bilateral donors’ with BS at global level which was accompanied by an increased pressure from their taxpayers on accountability issues. In the available documents, the new income status of the country was the only reason used by some DPs to officially end their BS. A few DPs representatives interviewed also put forward the increasingly narrow space for frank dialogue with GoG representatives (especially MoF) in recent years as the reason for not continuing BS. Overall, none of the DPs that will not provide BS in the near future have put forward aid effectiveness considerations as the justification for their position.

5.1.3 JC13. Aspects related to inclusion (gender equality, socio-economic inequities, regional disparities, participation of CSOs) are addressed and have been mainstreamed during the design of BS operations

Gender mainstreaming has only partially been achieved. The MDBS policy matrices have integrated gender equality issues at various levels (e.g. overall programming and specific policy measures to bridge gender equality gaps in health and education, inclusion of sex-disaggregated data to strengthen M&E systems), reflecting the integration of these issues in the national policy framework. Important attention has also been given to these issues by many DPs. However, the level of mainstreaming in BS operations – as illustrated by the inclusion of gender-related elements in the GBS/SBS financing agreements and monitoring and evaluation activities – has remained particularly weak, except in the social sectors (Health and Education). Gender-equality issues were not specifically addressed in BS operations implemented in the ENR sector, and they appear only partially in the ones implemented in the Agriculture sector⁶⁹.

The attention given to socio-economic inequities has remained quite general. In the context of the MDBS, there have been clear efforts to foster the implementation of special programmes to support vulnerable and excluded groups, as illustrated by the specific policy measures/indicators included in the PAF and the complementary support provided to the LEAP programme⁷⁰. DPs have also tried to help in the development of the National Health Insurance System (NHIS), and specific conditions were also integrated in the PAF to support this reform process. Moreover, in parallel with their BS, several

⁶⁸ Only two DPs had a BS operation ongoing or in the pipeline, and thus still planning to provide BS in the near future. Three other DPs did not have any immediate plan to reactivate their BS, but were leaving the door open to potential new BS operations in the coming years.

⁶⁹ Particularly in the Agriculture sector, there is a strong focus on meeting the specific needs of women farmers and processors, rather than on actual gender mainstreaming.

⁷⁰ The Livelihood Empowerment Against Poverty (LEAP) intervention is a social cash transfer programme that provides cash and health insurance to extremely poor households across Ghana to alleviate short-term poverty and encourage long-term human capital development. LEAP eligibility is based on poverty and having a household member in at least one of three demographic categories: households with Orphan or Vulnerable Child (OVC); elderly poor; or Person With Extreme Disability unable to work (PWD).

DPs have supported analytical work in the area of social exclusion and national health insurance. However, despite these multiple efforts, socio-economic aspects are not apparent as important issues in specific BS interventions. Socio-economic inequalities are not explicitly referenced in the operations implemented in the Agriculture and ENR sector.

Aspects related to geographical disparities have been mainstreamed in the BS design, mostly in relation to the provision of basic services. There are regular references to geographical disparities in the MDBS PAF, but they relate mostly to the provision of basic services in health, education, and water & sanitation. In the Agriculture sector, SBS operations have supported the implementation of national agriculture policies that had a specific concern for regional disparities. However, none of the SBS operations provided in the sector have explicitly integrated regional disparities in their objectives or performance assessment frameworks. There was also no focus for the design and implementation of the SBS operations that supported GoG's NREG programme.

DPs have provided substantial support to enhance CSOs' participation in national policy issues. DPs have implemented regular CSOs consultations during the formulation of their BS operations. The participation of CSOs was an explicit focus in the support provided to PFM. In the ENR sector, substantial complementary support was provided to CSOs, in parallel with the SBS operations. In the Health sector, specific support was also provided to faith-based organisations, as well as to some CSOs.

5.2 (Step 1) EQ2 - Direct effects

EQ2 – Direct effects	To what extent have the financial and non-financial inputs of budget support contributed to creating new opportunities for GoG and improving the aid framework?
<p>Overall answer to the evaluation question</p> <p>BS inputs (funds, policy dialogue and accompanying measures) created multiple opportunities for GoG and its international partners to strengthen the national medium-term development framework and its implementation. BS funds have contributed to the expansion in discretionary expenditure observed in the first half of the evaluation period, although this evolution has been driven mainly by other macroeconomic factors – such as the debt relief initiatives and robust economic growth. After 2010, BS could not prevent a dramatically-narrowing fiscal space caused by the lower-than expected oil revenue and the crowding out of budget resources by the wage bill and interest payment (see EQ3). The relative importance of BS to other macroeconomic variables also decreased considerably, despite the fact that financial transfers continued to increase (in nominal terms) until 2012. Although the 'quantitative' effects of BS financial transfers at national level became low after 2010, it was not completely negligible, given the country's budget rigidity. In addition, the way SBS was used (funds were ring-fenced by GoG) ensured that it contributed to maintaining reasonable levels of resources for non-salary recurrent expenditure and, to a lesser extent, for capital expenditure in the targeted sectors.</p> <p>Building on the successful experiences that took place in various policy areas (e.g. health, economic reform) at the end of the 1990s, and on a positive momentum around the international aid effectiveness agenda, GoG and DPs substantially consolidated the country's dialogue structures and mechanisms in the first half of the evaluation period. The strengthening of the dialogue at all levels created multiple opportunities to enhance policy analysis, energise policy reform, strengthen the monitoring of policy implementation, and improve ownership, donor co-ordination and the overall aid framework. There is a general consensus that BS has played an instrumental role in this evolution and in strengthening the pivotal position of the MoF in the national institutional framework. Despite these positive evolutions, BS continued to be perceived more as a mere source of finance, rather than as a tool to promote enhanced policy dialogue – a perception reinforced by the way SBS was eventually implemented. The effective use of the increasingly well-developed sector dialogue has also been hampered by insufficient adjustments made to the sector institutions' particular political economy context. Moreover, the relatively open dialogue between partners (DPs and GoG) that characterised the MDBS framework at the beginning of the evaluation period shrunk considerably in the period 2009-2013 – mainly due to the perceived declining relevance of BS and to diverging views and interests between DPs and GoG and among DPs themselves (see EQ1). A serious deterioration of dialogue at national and sector levels followed. This evolution was compounded by important transformations in the country's development finance landscape.</p> <p>The level of accompanying measures to BS (e.g. technical support, institutional building projects, comprehensive reform projects, or support to non-state actors) has been substantial in most sectors and areas covered by BS. There are multiple examples of the results of accompanying measures feeding into policy dialogue. However, there have been a number of missed opportunities, such as developing synergies between these interventions and with the overall MDBS framework, and fostering</p>	

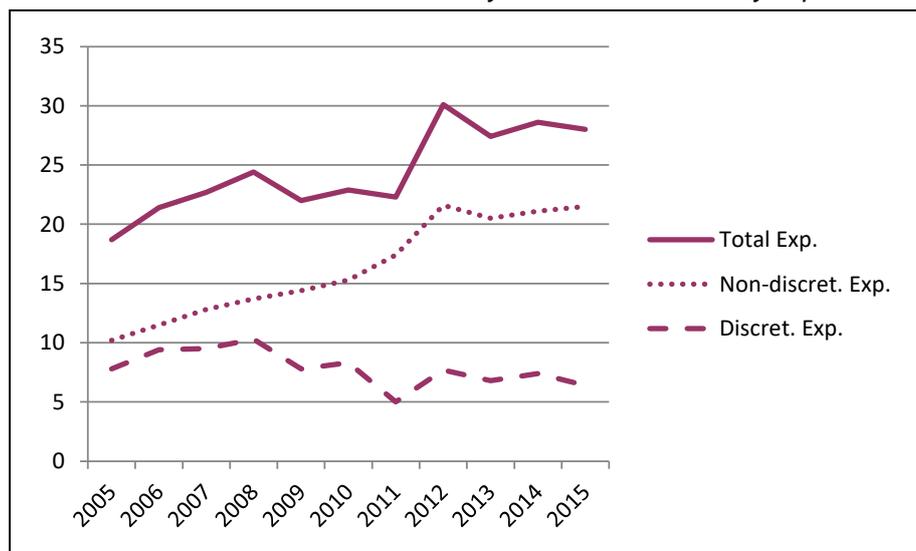
stronger ties between sector stakeholders – including the academia and think-tanks. In the absence of a coherent framework for capacity development, accompanying measures remained very much donor-driven, and with limited possibilities to have a substantial impact on the public sector capacity in key targeted areas.

5.2.1 JC21. Increased size and share of budget available for discretionary spending

The macro-fiscal context in which BS was provided was characterised by a considerable expansion of public expenditure, driven by various macroeconomic and political factors. The relatively comfortable fiscal space ensured by the debt relief initiatives at the beginning of the evaluation period (see EQ3), robust economic growth and the high expectations associated with oil revenue from 2007 onwards provided strong incentives for national decision-makers to expand public expenditure (see Figure 11 below). However, the expansion in public spending ended up being largely driven by a growing wage bill (from 6.3% of GDP in 2005 to 12% in 2012, the year before the breakdown of the MDBS), which squeezed out resources available for capital and non-salary recurrent expenditure (see also EQ3 and EQ4).

Ghana's budget has also been characterised by extreme rigidity. This was mainly the result of a substantial part of national revenues being earmarked to Statutory Funds, as set out in law, but also by the important constraints posed by a steadily increasing debt service (from 1.9% of GDP in 2007 – after two years of HIPC and MDRI⁷¹ assistance – to 3.2% in 2012 and 7% in 2015) and the quickly expanding wage bill. This situation severely limited the availability of discretionary resources for GoG. It also meant that any shortfall in revenues could not easily be met by appropriate cuts in expenditure, which led to an important accumulation of arrears in some years and to higher costs for the financing of the deficit, contributing to a further narrowing of GoG's fiscal space.

Figure 11 Evolution in the level of discretionary and non-discretionary expenditure⁷² (% of GDP)



Source: Revenue and expenditure from GoG Fiscal data & IEG 2016.

The direct 'quantitative' effects of BS financial transfers have decreased over time, but did not become negligible given the budget rigidity. On one hand, BS financial transfers were quite substantial, especially in the early part of the evaluation period. BS contribution has also been particularly appreciable, given the budget rigidity described above. Until 2010, BS represented, on average, 11% of total revenues, 8% of total public expenditure, 21% of discretionary expenditure and 30% of public investments. In combination with the very important debt relief initiatives, BS has contributed to the increase in discretionary expenditure observed until 2008, which clearly helped GoG in expanding public investment and sustaining economic growth. BS, which represented 40% of expenditure on public investment in 2009, still supported GoG to respond to the fall in revenues that year. On the other hand, despite the fact that BS financial transfers continued to increase (in nominal terms) until 2012, their relative importance to other macroeconomic variables considerably decreased. In particular, 2009-2010, public investments in some critical areas (e.g. energy and transport) were largely financed by

⁷¹ Multilateral Debt Relief Initiative.

⁷² Non-discretionary expenditures have been calculated adding the expenditures from the Statutory Funds to the other usual main types of non-discretionary expenditure (salaries and interest payments).

new resources mobilised in international capital markets. In 2012, BS represented only 1.2% of GDP and 7% of total revenues. BS could not prevent a dramatically-narrowing fiscal space caused by the lower-than-expected oil revenue and the crowding out of budget resources by the wage bill and interest payments as mentioned above. The 'quantitative' effects of BS financial transfers at national level became very low after 2010, but were not completely negligible, given the budget rigidity described above.

Because of the way SBS was used, it contributed to maintaining reasonable levels of resources for non-salary recurrent expenditure and, to a lesser extent, for capital expenditure. In Ghana, the government budget (the Consolidated Fund) finances most of the public workers' salaries, but only a small part of the sector expenditures on goods & services and public investment. In many sectors, goods & services and public investment are actually financed by Internally-Generated Funds (IGFs)⁷³ and donor resources.⁷⁴ As mentioned under EQ1, SBS funds were ring-fenced by MoF and not merged with GoG funds in national budget estimates.⁷⁵ Although this approach is not in line with the original concept of BS, it actually ensured that SBS resources were effectively transferred to the relevant MDAs (to be used for non-salary recurrent expenditure), despite the difficult macroeconomic context and the budget constraints that prevailed after 2008⁷⁶. However, this also posed a number of challenges: i) SBS ring-fenced resources cannot be considered as 'discretionary resources' because they were allocated to specific sector activities or expenditure items; ii) the set-up created issues of sustainability with, in some instances, MDAs facing shortfalls in resources once SBS operations ended. Moreover, weaknesses in the public expenditure management system created inadequate and delayed release of resources for operations and maintenance at local level, undermining the 'quantitative' effects of BS on policy implementation (see EQ6).

There is no evidence of a substantial increase in the share of external aid aligned to GoG budgeting processes. BS DPs made strong commitments to increase the share of their support provided in the form of BS or using a programme-based approach. BS DPs commitments were largely upheld until 2011. However, the effects of these positive evolutions were offset by a number of factors, such as: i) the continuing overall dominance of project aid in the country's wider donor landscape (including non-BS DPs); ii) weaknesses in the national budget and planning processes (see EQ4) that didn't allow effective integration of external aid in these processes; iii) the absence of a single, consistent and exhaustive source of information on external aid in GoG systems; iv) the decreasing quantitative importance of ODA in Ghana, when compared to macroeconomic aggregates; v) the poor sharing of information related to some projects by certain DPs, and the limited achievements of DPs' harmonisation efforts. Based on the data available⁷⁷, it appears that the share of ODA accounted for in GoG's financial information systems temporarily increased in 2006-2008, but subsequently followed a clear downward trend. Overall, external aid (including BS and other forms of support) has remained poorly integrated in the national budget processes and in decision-making on planning and strategic priorities at sector level.

5.2.2 JC22. Frameworks for policy dialogue between GoG and DPs have been strengthened and cover both performance assessment and broader policy issues

Between 2005 and around 2011, the architecture of dialogue between GoG and DPs, and between national stakeholders, substantially improved. Structures and mechanisms of dialogue have been gradually established to serve two main purposes: i) strengthen the policy dialogue related to the formulation and implementation of the national medium-term development strategies; ii) increase donor harmonisation and, more generally, operationalise the concepts developed in the increasingly important international aid effectiveness agenda. The overall dialogue architecture was closely linked to the annual review process of the national medium-term development strategy (led by the National Development Planning Commission – NDPC) and essentially relied on two levels of dialogue (see diagram below): i) overarching dialogue structures, such as GoG-DPs Consultative Group and the MDBS group, which built on a close dialogue between (but not only) the DPs and the MoF; ii)

⁷³ Internally-Generated Funds (IGF) are non-tax revenues collected by public institutions, and which include fees and charges, licences, fines, sales of goods, dividends, divestiture proceeds. The focus here is on the MDAs. The analysis does not include IGFs generated by MMDAs, because the funds are usually not considered in sector budgets and are not accounted for in the national fiscal tables.

⁷⁴ In sectors such as Education or Transport, Statutory Funds are also financing a large part of public investment.

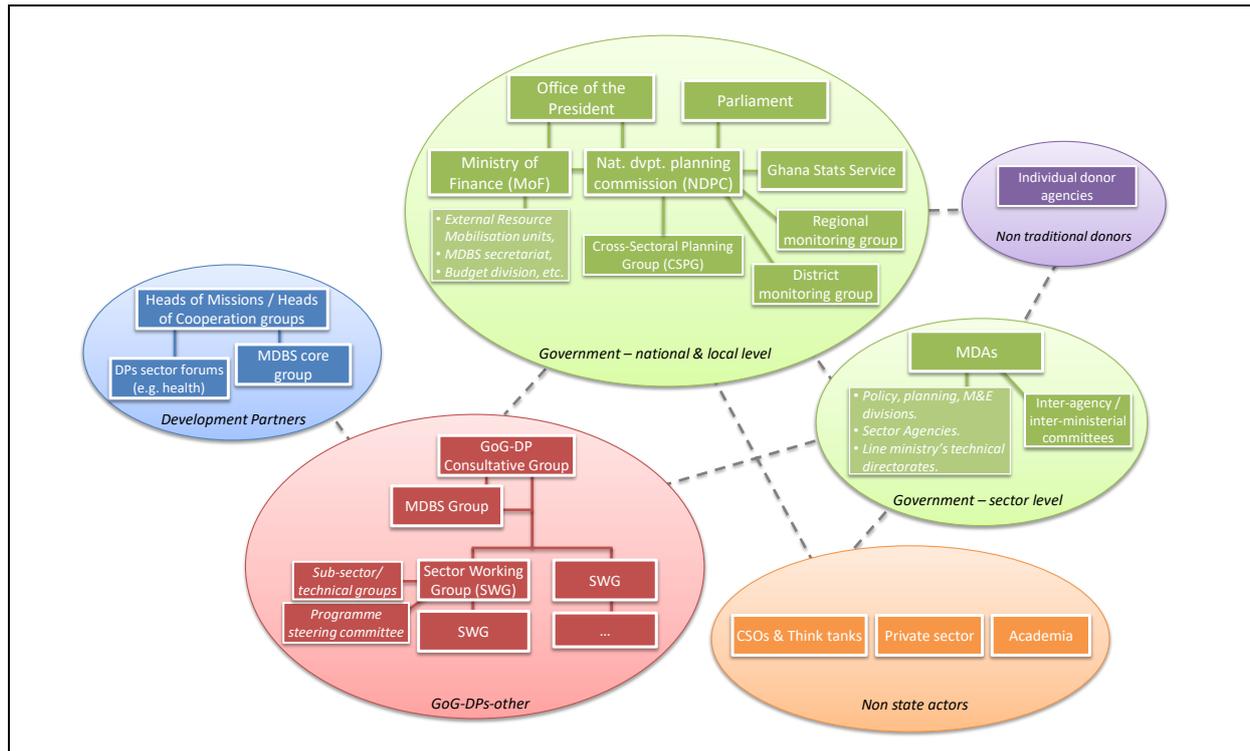
⁷⁵ SBS was classified under the same category as 'donor money' provided in the form of project aid (in contrast to GBS funds, which were combined with other resources in the GoG Consolidated Fund).

⁷⁶ See the Volume 2b for a detailed analysis in the Health sector.

⁷⁷ There are serious limitations with regard to the accuracy of data related to ODA in general, and to aid accounted for in GoG budget documents in particular.

around 15 Sector Working Groups (SWGs)⁷⁸, which covered the main areas of the national development policy framework and involved a variety of stakeholders at sector level. Following regular pushes by a very dynamic group of DPs, dialogue structures and mechanisms were formalised in successive official documents – such as the 2005 Ghana Partnership Strategy (GPS), the 2007 Ghana Joint Assistance Strategy (G-JAS), and the 2012 Compact. In general, the first half of the evaluation period was characterised by intense formal and informal dialogue. Although some challenges persist, the dialogue architecture successfully fulfilled several of the objectives pursued by GoG and the DPs – for example, greater national ownership in the formulation and implementation of development strategies, reduced fragmentation in the sourcing and management of external assistance, and enhanced monitoring and reporting systems for the review of the implementation of the national development strategy.

Figure 12 Policy dialogue and aid co-ordination - Main platforms and stakeholders



Source: Authors' compilation based on 2012 draft Aid Policy and own sector analyses.

BS has been instrumental in the strengthening of the country's dialogue architecture. It is important to highlight that some dialogue structures, such as in the Health sector, predate BS.⁷⁹ However, there is a general consensus in the literature available and among stakeholders interviewed that BS has been important in strengthening the dialogue architecture during the evaluation period. BS naturally embodied many of the partnership principles that underpinned DPs' harmonisation efforts at sector and national levels. The launch of the MDDBS in 2003 and the introduction of SBS in 2007 created a momentum that strongly supported these efforts. As highlighted in the interviews and the eSurvey carried out in this evaluation, BS has played a key role in introducing broad policy issues in the sector dialogue, and in improving the dialogue between line ministries and MoF. The increased focus of the MDDBS on the sectors also helped to some extent GBS being seen a little less as a tool that mainly supported the actions of just a few national institutions, such as MoF. The review process of annual PAF matrices imposed a certain discipline in the reporting mechanisms of some SWGs in the context of the national development strategy's review process. MoF and DPs staff involved in the

⁷⁸ The number of SWGs slightly fluctuated over the years. The main policy areas with an SWG were: Agriculture; Decentralisation; Education; Energy; Gender; Good governance; Health; Monitoring and Evaluation; Natural Resources Management and Environment; Private Sector Development/Trade; Public Finance Management; Public Sector Reform; Social Protection/Vulnerability & Exclusion; Transport; Water and Sanitation. Other areas included: Employment, Financial Sector, Harmonisation & Aid Effectiveness, HIV/AIDS.

⁷⁹ As mentioned under EQ1, the Health 'Sector-Wide approach (SWAp)' which was launched in Ghana in 1997 was one of the first in the world. In particular, in the context of the SWAp, GoG and DPs developed a Common Management Arrangement (CMA) which defined the structure of dialogue and collaboration in the sector.

MDBS group were the main drivers of many of the evolutions that took place during the period, as illustrated by the establishment of guidelines to standardise the functioning of the SWGs in 2006. The role of BS has been so prominent that some observers have highlighted that the whole aid architecture was actually evolving around the MDBS framework, and that the MDBS dialogue overshadowed the over-formal Annual Partnership Meeting of the GoG-DPs Consultative Group.

The sector dialogue relied on well-established mechanisms. Overall, the functioning of the sector dialogue followed a similar organisation across sectors with: i) regular (usually monthly) GoG-DPs SWG meetings organised around a system of co-chairing, ensuring some level of leadership by the relevant national stakeholders (usually the Chief Director of the relevant line ministry) and rotating co-chairing role among DPs; ii) regular DPs internal meetings to exchange information and prepare the meetings with the other sector stakeholders; iii) broad annual meetings (e.g. 'Health Summit', Agriculture 'Joint Sector Review' – JSR, Education Sector Annual Review – ESAR) to discuss sector performance in a large dialogue platform. In several sectors, additional instances of dialogue would allow for deepening of the dialogue throughout the annual cycle (e.g. 'Business meetings' in Health). Although a standardisation process took place between 2006 and 2011, many SWGs continued to display very distinctive features, as illustrated in the recording systems of the meetings and the size and composition of these groups (up to 50 partners were involved in the Agriculture SWG in some years, compared to a dozen in other sectors).

However, sector dialogue suffered from various adverse factors. The quality of sector dialogue has greatly varied across sectors, with some particularly strong performers, such as the Health SWG. That said, the evidence gathered in interviews and documents reviewed (e.g. SWG aide-memoires) shows that the SWGs have faced very similar challenges during the evaluation period – in particular, a weak 'follow-through' of the recommendations formulated during the meetings. This can be partially explained by fluctuating GoG engagement in sector dialogue and, in particular, no consistent involvement of GoG senior staff across sectors and over time. Sector dialogue has also suffered from a high turnover on both GoG and DPs sides, and from institutional 'asymmetries' – such as a strong emphasis put by GoG and DPs on the 'Policy, planning, monitoring and evaluation' divisions/directorates, which undermined the capacity development and level of ownership of other important sector entities (e.g. technical directorates in the Ministry of Agriculture). Well identified challenges, such as the tendency of SWGs to work in silos, have never been overcome, despite several attempts to structure the dialogue architecture around the 'pillars' of the national development strategy.

Other adverse factors include: i) the lack of a clear sector policy and institutional framework in certain sectors (e.g. ENR); ii) the existence of vertical or stand-alone programmes of substantial size (e.g. Global funds in Health, MCC in Agriculture) that did not follow the same logic as other donor support; iii) the new strategies pursued by national stakeholders to find new sources of development finance (e.g. partnerships established with non-traditional donors that didn't adhere to the harmonisation principles); iv) the overall decrease in ODA linked to evolving DPs orientations at global level, the international economic crisis, and the access of the country to MIC status. Overall, after a general improvement in dialogue until around 2012, sector dialogue has substantially deteriorated in recent years – as illustrated by the decreasing frequency of GoG-DP meetings (e.g. Agriculture, Education, ENR) and the lack of joint responses to annual sector reviews (e.g. Health). Several sectors now lack a critical mass of DPs pushing for adherence to aid effectiveness principles and supporting harmonisation efforts.

There have been regular attempts to improve the dialogue at MDBS level. Although several DPs were particularly eager to see their specific areas of interest⁸⁰ being well reflected in the final MDBS policy matrices, DPs and GoG endeavoured to 'rationalise' the instrument by decreasing the number of targets and triggers used in the assessment frameworks. A large part of the dialogue was decentralised to the sector level to deepen the discussions on particular thematic issues, and to give the responsibility to SWGs to agree, monitor and assess the performance against agreed actions in the MDBS PAF. The introduction of a 'holistic assessment' in 2007 allowed for looking beyond individual sectoral indicators to gain a broader understanding of overall progress in the implementation of the national medium-term development strategy. Moreover, a mechanism to discuss cross-cutting issues during the annual reviews was put in place at MDBS level in 2010. Topics related to macroeconomic management, which had previously been left to the discretion of the IMF, also became increasingly important in the MDBS dialogue in the period 2009-2011.

⁸⁰ It is noteworthy that although, by nature, the MDBS comprehensively supported the entire national development strategy, some DPs decided to place a stronger focus on specific themes in the design of their BS operations and in the dialogue with GoG. For instance, the EU laid emphasis on social services in the MDG-C operation, while the AfDB put the emphasis on private sector development.

However, the space for frank and open dialogue between MDBS partners (DPs and GoG) shrunk considerably in the period 2009-2013. Despite regular improvements, the MDBS PAF and the related dialogue have remained very broad in scope. At the same time, by and large, the MDBS dialogue remained narrowly focused on the formulation and assessment of targets and triggers related to GoG short-term policy actions, and became entangled in the short-term nature of the reform process in Ghana (see also EQ1). Consensus between DPs and with GoG on sensitive issues, such as the appreciation of government measures to improve the macroeconomic situation, became increasingly difficult to achieve. From 2009 onwards, in a context of declining volumes of ODA and with top-level GoG officials showing little enthusiasm for aid co-ordination and external assistance in general⁸¹, DPs increasingly started to follow individual strategies. The situation was reinforced by the high turnover within development agencies and the MoF, which considerably limited the institutional memory among stakeholders and undermined the pursuit of a close dialogue and informal exchanges between GoG and DPs.

5.2.3 JC23. Accompanying measures (provided either as part of the BS package or through complementary projects) support capacity development of the relevant stakeholders, including public institutions

Substantial levels of accompanying measures have been provided in all sectors and areas. All the main forms of accompanying measures have been implemented in Ghana, including: i) Institutional building projects (e.g. multi-donor support to the Ghana Audit Service) or stand-alone technical assistance (e.g. Canada's support to MOFA); ii) Specific analytical work (e.g. public expenditure reviews financed by the WB); iii) Comprehensive reform projects (e.g. multi-donor support to GIFMIS in the area of PFM); iv) Support to non-state actors (e.g. Dutch and Danish support to KASA in the ENR sector). The level of accompanying measures has been substantial in most sectors and areas.

Policy dialogue has benefited from the technical assistance and extensive analytical work financed by DPs as a complement to BS. There are multiple examples of the results of accompanying measures feeding into policy dialogue. At national level, the MDBS dialogue has relied on numerous thematic studies carried out during the period (e.g. PEFA reports⁸² or studies on the management of oil revenues). In the Health sector, DPs have financed surveys and studies that fed into the annual review process of the sector. In the ENR sector, the Country Environmental Analysis (co-financed by France, the Netherlands and the WB) was the origin for multiple policy initiatives that took place in the following years.

In the absence of a coherent framework for capacity development, accompanying measures aimed at strengthening sector institutions remained very much donor-driven. MDAs have generally been poor at articulating their capacity needs, although there have been a few positive attempts.⁸³ In the absence of a coherent framework for capacity development⁸⁴, the support ended up being very much donor-driven. Moreover, although overlaps were avoided, efforts supported by the various DPs often remained fragmented. Attempts to provide a comprehensive support to M&E and statistical development were either aborted or faded out rapidly. There has also been a certain level of disconnect between the individual technical support projects financed by DPs at sector level and the wider (mainly GoG-led) initiatives in the area of public sector reform.

There is also little evidence of DPs playing the role of 'knowledge' brokers. There have been only few attempts to foster the ties between academia, thinktanks, public institutions and other stakeholders, or to explore innovative ways of nurturing links between Ghanaian public institutions and regional or international peers.

⁸¹ It is noteworthy that there has been no core national aid-effectiveness agenda able to attract bipartisan support during the whole period.

⁸² Public expenditure and financial accountability reports.

⁸³ In the context of GoG's 'New Approach' to Public Sector Reform, launched in 2010, a Capacity Development Mechanism (CDM) began to be implemented in 2012. However, it was still in the pilot stage in 2015.

⁸⁴ The Ghana Aid Policy and Strategy 2011-2015, which was ultimately never signed by GoG, underlined the fact that: "The absence of a national strategy for capacity development has been a major impediment to harnessing the full potential of external aid, in particular technical assistance, which also seeks to build the capacity of Government officials. Therefore, a broad framework for capacity development is needed if technical co-operation in Ghana is to have the intended impact on building Government's capacity."

5.2.4 JC24. Levels of co-ordination and complementarity between DPs, BS operations and, more largely, between DPs interventions have improved, and transaction costs have decreased

Co-ordination and harmonisation efforts between BS DPs were strong in the first half of the evaluation period. BS DPs supported the multiples initiatives that were launched in the wake of the 2005 Paris High-Level Forum on Aid Effectiveness (e.g. donor mapping, aid effectiveness surveys), and engaged in intense formal and informal dialogue during the first years of the evaluation period. They formalised their commitments to harmonisation principles in a 2007 document, the Ghana Joint Assistance Strategy (G-JAS). At the same time, the system of rotating co-chair put in place in the various dialogue structures allowed enhanced participation of small donors in national and sectoral dialogue. Paris Declaration surveys highlight a marked increase in a number of aid effectiveness indicators (e.g. co-ordinated country analytic work, co-ordinated donor missions) between 2005 and 2007. By the late 2000s, a number of pool funds had also been put in place (e.g. DDF for decentralisation, GIFMIS for PFM, GSS for national statistics, BUSAC for business advocacy organisations, GHARI for civil society organisations), most of them largely supported by BS DPs. Efforts reached their climax with the launch of important sector-wide support programmes in Education, Agriculture and ENR in 2008, which were all strongly supported by BS DPs.

Co-ordination efforts dramatically decreased in the second half of the evaluation period. Co-ordination efforts were sustained until around 2011. However, as illustrated by the results of the Paris Declaration surveys, they had already started to fade away between 2008 and 2010. An attempt to launch a more ambitious division-of-labour process had failed in 2008 (mainly due to a lack of GoG engagement, according to observers) and the national aid policy and strategy, finalised in 2010, was ultimately never adopted. The period 2008-2010 also showed the increasing tendency of some DPs to take unilateral actions with regard to the provision of their budget support.⁸⁵ Moreover, SBS arrangements to ensure harmonisation between DPs were not fully respected. In the Health sector, DPs interventions may have avoided overlaps between their actions thanks to the various joint dialogue mechanisms set up in the context of the Sector-Wide Approach (SWAp), but they have very much remained oriented towards their own priorities, and this increasingly reduced 'strategic coordination' and synergies.⁸⁶ Attempts to enhance mutual accountability through the introduction of a DP-PAF⁸⁷ after 2010 never succeeded, and the GoG-DPs 'compact' signed in 2012 never really took off. The decreasing level of support provided by DPs after the country's access to MIC status in 2011 and the collapse of the MDBS framework in 2013 precipitated the decline in co-ordination efforts in the second half of the evaluation period.

Overall, transactions costs remained low (much lower than other forms of aid), although earmarking of SBS led to increased costs in recent years. Due to a tight schedule, some issues were faced in relation to the timely closure of the MDBS PAF. Despite these challenges, which led to delays of a few months in the release of tranches, BS disbursements have been, in general, predictable. This is confirmed by the 2012 PEFA and by the results of the eSurvey carried out in this evaluation, which highlight that a majority of respondents (including on GoG side) perceive that BS has been implemented in a well-scheduled and predictable manner. It should also be underlined that the monitoring of BS was well integrated in the national review processes, and the main evaluation of BS that took place during the period (2007 ODI evaluation of the MDBS) was commissioned in a joint fashion. Moreover, the continuous high level of (often joint) analytical work carried out meant that BS formulation could rely on a wealth of information. Several SBS initiatives (e.g. ENR, Health) were designed jointly. However, it is noteworthy that there was some "fatigue" with the dialogue process among MoF officials in the middle of the evaluation period. The transaction costs were perceived as being too high, considering the level of resources expected from the MDBS and compared to other potential new sources of finance (see also EQ1). Moreover, SBS became increasingly 'earmarked' (especially in the Health sector). This posed a number of problems, including: i) the flow of funds would not be fully integrated in national systems; ii) DPs were now making separate requests to GoG to report on the use of

⁸⁵ In 2008, the AfDB converted a target from the 2008 MDBS policy matrix into a trigger, without consulting its partners – which, in particular, created some frustrations on GoG side. In 2009, the World Bank's decision to temporarily abandon the MDBS PAF in order to more efficiently respond to the country's financial crisis came as a surprise to many DPs.

⁸⁶ It should be noted that DPs and GoG have never designed any joint framework to monitor and evaluate the performance of SBS (including to assess progress against the objectives of the associated 'theory of change'), nor has there been any joint recording of BS disbursements made by the various DPs (including timing and conditions attached to tranches).

⁸⁷ The aim of the DP-PAF was to assess the performance of DPs in the provision of their support and, in particular, track progress in their alignment to aid effectiveness principles.

SBS funds; iii) funds would be released directly to sector agencies (without passing through the MoH), and MoH would still be held accountable (in theory) for the decisions taken by agencies.

5.3 (Step 1) EQ3 - Macro-economic management

EQ3 – Macro-economic management	To what extent has budget support contributed to improvements in the quality of macroeconomic management?
<p>Overall answer to the evaluation question</p> <p>In the mid-2000s, Ghana emerged with a very low and sustainable debt level from the successful HIPC process to which all BS inputs contributed. In the subsequent years, despite a few improvements in specific areas, the overall quality of macroeconomic management seriously weakened.</p> <p>Ghana made important progress in managing its newly found oil wealth by establishing institutions that allow for transparent oil revenue management and account for intergenerational consideration.⁸⁸ Ghana is compliant with the Extractive Industries Transparency Initiative and regularly publishes annual reports. The Public Interest and Accountability Committee, a citizen-led statutory body established to provide additional independent oversight of the collection and utilisation of Ghana's petroleum revenues further enhances the transparency of oil revenue management. Through dialogue and specific accompanying measures, DPs played an important role in supporting Ghana's objectives in creating effective institutions for management of revenues from natural resources.</p> <p>The overall fiscal envelope has increased from around 18% of GDP in 2005 to around 26% in 2015 as a result of higher tax revenues and oil revenues. However, although BS did help to protect some pro-poor expenditure items, including the strengthening of a social safety programme, the increase in the overall fiscal envelope did not translate into a proportional increase in pro-poor spending. The eight percentage point increase in the overall fiscal envelope went entirely to higher interest payments and public sector wages and the share of pro-poor expenditures actually declined from more than 8% in GDP in 2005 to less than 6% in 2015. The ratio of pro-poor expenditures in total expenditures declined from 45% in 2005 to only 22% in 2015.</p> <p>At the beginning of the evaluation period, DPs had relatively high confidence in Ghana's macro-management and not much emphasis was placed in BS dialogue on corrective measures of a fiscal regime that became increasingly unsustainable. In the subsequent years, the authorities were unable to safeguard Ghana's macro-management from the impact of political cycles. Large increase in public spending before the elections in 2008 and 2012 resulted in serious macroeconomic destabilisation. The continuous and excessive debt accumulation led to a situation where Ghana was considered a country with high risks of debt distress, and with very costly debt service that crowded out development projects and discretionary expenditures.</p> <p>Despite warning signs – such as the authorities' appetite for concessional borrowing and their unwillingness to renew the IMF programme – emerging immediately after HIPC completion in 2006, DPs and GoG did not agree on major steps to strongly mitigate risks at macroeconomic level. BS still played an important role in the IMF-led stabilisation programme of 2009-2012 providing important co-financing.</p> <p>The collapse of the IMF programme in 2012 as a result of the second wave of pre-election fiscal overspending led to the withdrawal of several DPs from BS. The decision not to provide BS in 2013 and 2014 played an important role in the authorities' return to the path of stabilisation supported by large IMF and World Bank programmes launched in 2015. Since 2015, Ghana has made important strides in strengthening its fiscal position under a stabilisation programme supported by the IMF and the WB.</p>	

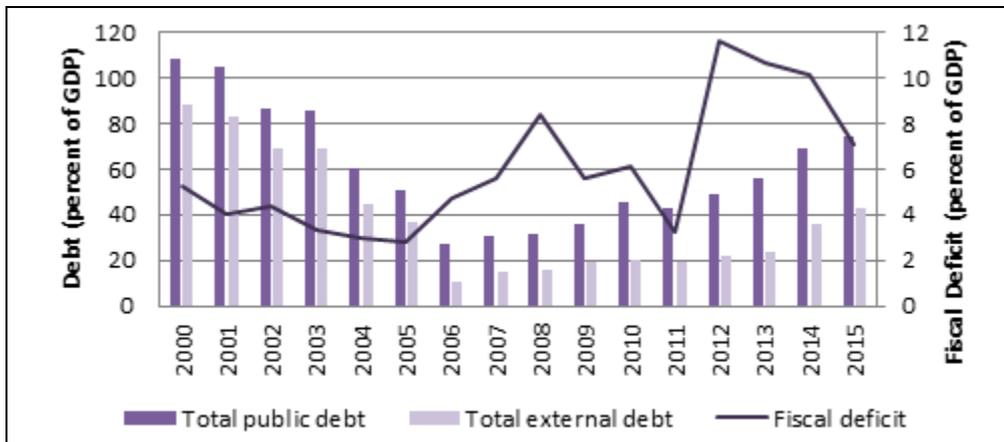
5.3.1 JC31. Fiscal Policy, incl. the quality of capital expenditure, has improved

The large increase in public spending before the elections in 2008 and 2012 resulted in macroeconomic destabilisation and massive debt accumulation. In the mid-2000s, Ghana emerged from the successful HIPC process with very low and sustainable debt level. In the subsequent period, however, the quality of macro-management progressively weakened. The authorities were unable to safeguard Ghana's macro-management from the impact of political cycles. Large increases in public spending before the elections resulted in macroeconomic destabilisation and massive debt accumula-

⁸⁸ According to the Petroleum Revenue Management Act approved in 2011, 70% of oil revenues go to the country's consolidated budget, 10% to the Ghana Heritage Fund (that accumulates oil wealth for future generations) and 15% to the Ghana Stabilization Fund. The law also stipulates that 70% of annual disbursements from the Ghana Stabilization Fund for the budget should be used for capital expenditures.

tion – see figure below. This, in turn, led Ghana to become a country with high risks of debt distress in recent years and very costly debt service that crowded out development projects. Since 2015, Ghana has made important strides in strengthening its fiscal position under a stabilisation programme supported by the IMF and World Bank.

Figure 13 Deficit Trend (cash basis) and Public and External Debt



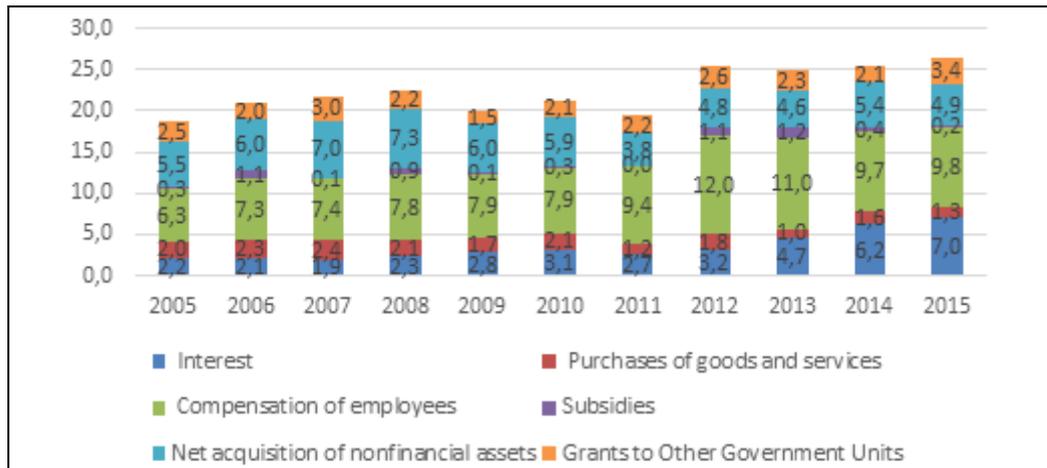
Source: Government of Ghana fiscal tables; Oppong, Aykut, and Smith 2014; IEG.

The increase in the overall fiscal envelope did not translate into an increase in pro-poor spending.⁸⁹ The overall fiscal envelope has increased during the evaluation period as a result of higher revenues on the back of higher tax revenues and oil revenues that increased from around 18% of GDP in 2005 to around 26% in 2015. However, this did not translate into an increase in pro-poor spending. The eight percentage point increase in the fiscal envelope went entirely to higher interest payments and public sector wages. The share of pro-poor expenditures has declined from more than 8% in GDP in 2005 to less than 6% in 2015. The ratio of pro-poor expenditures in total expenditures declined from 45% in 2005 to only 22% in 2015. Pro-poor expenditures were crowded out through excessively high wage and salary expenditures and interest payments.

Public wages became an important spending item in Ghana's budget. A reform proposal in 2006 aimed to address the inequities in public sector pay and provide a significant pay increase for most civil servants. To offset the fiscal impact, the proposal also included staff rationalisation. However, while the GoG did conduct a costing exercise, it significantly underestimated the reform's eventual fiscal implications. Some factors such as a number of parallel wage increases across the salary scale and an increase in allowances contributed to an explosion in the final costs of the reform. In addition, the single spine salary reform was implemented with retroactive effect, thus instituting wage arrears. Efforts to contain civil (and public) service growth were ineffective as they did not apply to teachers and health workers. Public wages and salaries increased from 3.9% of GDP in 2000 to 12% in 2012, well above figures for peer countries. In recent years, these figures decreased after a strict adjustment programme and nominal increases below inflation. However, they remain at the high end of regional comparator countries.

⁸⁹ More details including a definition of pro-poor expenditures is provided in volume 2a.

Figure 2 Breakdown of Government expenditures



Source: GoG fiscal tables; Oppong, Aykut, and Smith 2014; IEG.

Capital expenditures have been excessively subject to political economy considerations. Funding of high priority capital expenditures with presumably high social return was the key rationale behind non-commercial borrowing by Ghana following HIPC. Capital expenditures surged in 2008. However, the selection of candidate projects was compromised by a lack of efforts and capacities in project assessments as well as by decisions that were too often reflecting political considerations rather than economic returns. Tightened fiscal constraints as a result of spending choices that favoured wages and led to high interest payment, led to a decline in capital expenditures as a percentage of GDP.

The GoG's response to the shocks that Ghana experienced in the period of 2007-2012 led to substantial allocations of resources for fuel and energy subsidies. It is estimated that taxes and levies constituted about 35-40% of the final price of fuel.⁹⁰ However, important subsidies were also introduced to support gasoline consumption due to the lack of pass-through of higher international prices and exchange rate depreciation to the domestic retail prices. The GoG started passing on a larger share of the increased cost of energy production to consumers as the budget pressure became unsustainable due to currency depreciation. The GoG removed the subsidies completely in January 2016 as part of the implementation of the IMF Extended Credit Facility and the World Bank's new Development Policy Operation (DPO). Concerning fuel subsidies, the government continued to set inadequately low administrative prices for the retail prices of fuel in 2008-12 that did not reflect the extent of currency devaluation. This led to subsidies to the operators, which further increased the fiscal burden. A new policy took effect in February 2013 when gasoline and diesel prices increased by 20%. Prices increased further in December 2014 by 100%. The GoG discontinued subsidies in June 2015 and eliminated the remaining subsidies and cross-subsidies in January 2016, except for the subsidy for boat fuel, which is a cross-subsidy funded by a levy on premium gasoline.

With respect to the management of natural resources, Ghana made important progress in managing its newly found oil wealth by establishing institutions that allow for transparent oil revenue management and account for intergenerational consideration. According to the Petroleum Revenue Management Act approved in 2011 (and amended in 2015), 70% of oil revenues go to the consolidated budget, 10% to the Ghana Heritage Fund (that accumulates oil wealth for future generations) and 15% to the Ghana Stabilization Fund. The law also stipulates that 70% of annual disbursements from the Ghana Stabilization Fund for the budget should be used for capital expenditures. Ghana is compliant with the Extractive Industries Transparency Initiative and regularly publishes annual reports. The Public Interest and Accountability Committee, a citizen-led statutory body established to provide additional independent oversight of the collection and utilisation of Ghana's petroleum revenues further enhances the transparency of oil revenue management. Through BS, DPs played an important role of supporting Ghana's objectives in creating effective institutions for management of revenues from natural resources

⁹⁰ <http://www.slideshare.net/theoacheampong/breakdown-of-petroleum-pricing-in-ghana>

5.3.2 JC32. Debt Management has been strengthened

Debt management weakened because of unsustainable fiscal expansion. Public debt, which was brought down to less than 20% of GDP as of 2006, has increased to more than 70% as of end 2015 virtually eliminating the borrowing space for Ghana. As of 2015, the average interest rate was around 10%, largely reflecting very high nominal interest rates on Ghana's domestic bonds. The large share of short-term domestic debt for deficit financing in total public debt is costly and has negative implications for debt refinancing. The yields on Ghana's international bonds have been around (sometimes above) 10% in recent years, highlighting the country's high borrowing costs. The fiscal consolidation underway positively contributed to improve debt management in 2015 and 2016.

Despite important shortfalls, there were some improvements in the debt management functions. Ghana's first debt management strategy was prepared in 2010 covering the period of 2012-2013. It has been reviewed and updated several times since then. A preliminary Debt Sustainability Analysis conducted for the strategy in 2007 indicated that Ghana had significant borrowing space and could therefore borrow to fill the financing gap needed to achieve the MDGs and accelerate infrastructure development and growth. However, the analysis also recommended a restraint on commercial borrowing since it could trigger higher risk level and jeopardise the support from the IMF and the World Bank. This important policy prescription was not implemented in subsequent years: short-term borrowing became an important source of deficit financing leading to adverse changes in the average costs of public debt and its composition. The new debt management strategy (covering the period 2015-2018) reflects authorities' cautious approach in light of substantially reduced borrowing space.

5.3.3 JC33. Monetary and exchange rate policies have improved

Fiscal dominance was a key feature of macroeconomic management until recently. The link between the fiscal deficit and inflation in the period 2008-2015 highlights the Bank of Ghana's strong monetary accommodation of fiscal expansion. Central Bank financing was an important source of deficit financing in the period of high inflation, including in 2008 and in the period between 2012 and 2014. Monetary accommodation of the budget deficit took place through various mechanisms in different periods. In the early and mid-2000s the monetary authority could engage in direct credits to the government. By 2009 the Central Bank had already used the space to accommodate the fiscal policy defined by the law at 11% of GDP (measured as the balance of outstanding credits to the government in percent of GDP). After hitting this ceiling, the Central Bank continued accommodation of the fiscal deficit through government bonds purchases, including from the primary market. The Central Bank's practice of automatically buying unsubscribed bonds continued until 2014. As a result of strong accommodation in the period of 2008-2014 the slippages in fiscal policy translated into total macro-destabilisation because the Central Bank monetised the fiscal deficit. Significant progress has been made since, as monetisation has been disallowed following the introduction of the IMF programme in 2015. The Central Bank cannot buy government bonds even for its repurchase (REPO) operations. This is an important safeguard against possible macro-shocks arising from monetisation of fiscal imbalances.

The exchange rate has been largely flexible, albeit some instances of inflexibility over the evaluation period that resulted in reserve loss and postponed adjustment. The Monetary Policy Framework of Bank of Ghana is based on inflation targeting, which assumes relatively free floating exchange rate regime. The key monetary policy instrument has been the policy rate, which was on rise in recent years in response to persistently high inflation. The exchange rate largely followed the changes in the strength in external position, including terms of trades and capital inflows. The initial wave of fiscal expansion and large monetisation of debt in 2008 was followed by depreciation. The policy response was slower during the second wave of destabilisation in 2012, which led to a brief period of real exchange rate appreciation and large reserve losses. The exchange rate was adjusted in 2014 and has been relatively stable since mid-2015, while the current account balance of payments deficit was reduced because of the mix of fiscal consolidation and devaluation. The high policy rate that has been above 20% during 2015 and 2016 has also eased exchange rate pressures.

5.3.4 JC34. BS contribution

Macroeconomic management has not been an operational focus of BS operations until around 2009. In the early parts of the evaluation period, DPs had high confidence in the GoG's macro-management and thus did not sufficiently focus the BS dialogue or policy content on macro and fiscal policies. However, an excessively positive macroeconomic outlook in combination with the recent oil discovery and high commodity prices actually contributed to non-prudent fiscal policies that were subsequently difficult to reverse. Although several warning signs emerged immediately after HIPC completion, such as authorities' appetite for concessional borrowing not typical for a post-HIPC IDA-only country, and unwillingness to renew the IMF programme, DPs did not take any major steps as part of BS to mitigate those policy risks.

However, BS did play an important role thereafter, especially during the IMF-led stabilisation programmes providing important co-financing for the programmes. The collapse of the stabilisation programme in 2012 as a result of the second wave of pre-election fiscal overspending contributed to the withdrawal of most of DPs from BS. The decision of most DPs not to provide BS in 2013 and 2014 played an important role in authorities' return to the path of stabilisation supported by a large IMF and World Bank programmes launched in 2015.

Moreover, the MDBS helped GoG to maintain somewhat of a pro-poor focus and contributed to improving the country's management of revenues from natural resources. BS has contributed positively to the protection and strengthening of some pro-poor sectors, including the allocation to and administration of social safety net programmes. MDBS DPs also regularly expressed concern regarding the apparent weakening of the GoG's commitment to maintaining pro-poor expenditures which helped raising awareness on this issue⁹¹, although pro-poor expenditures were crowded out by fiscal pressures and budget rigidities in the second half of the evaluation period. In the management of revenues from natural resources, the Department for International Development (DFID) and the WB provided active support which accompanied the country's transition process after the discovery in commercial quantities of petroleum resources in 2007 which included more equitable redistributive measures of the expected resource windfall. More specifically, the World Bank's PRSC-7 supported the adoption of the Petroleum Revenue Management Act in 2011 (the main legislation governing oil revenue management), which was revised in 2015. Ghana's Petroleum Commission was established in 2013 after approval of the law submitted to the parliament, the preparation of which was supported by World Bank's PRSC-8. The World Bank (under EGPRC⁹² and the PRSCs) also supported the adoption of action plans for the utility companies' financial recovery and reintroduction of an automatic tariff adjustment mechanism.

In recent months, BS contributed to several important achievements which were made to improve the quality of macroeconomic management. Ghana's overall macroeconomic situation remains fragile given its continuing high level of public debt and considerable risks of policy slippages. However, there have been some important positive developments since 2015. The WB BS operation implemented in close coordination to an IMF stabilisation programme helped the GoG to substantially improve the country's macro-fiscal environment as illustrated by the reduction in the primary deficit and the elimination of some of the fuel and energy subsidies.

5.4 (Step 1) EQ4 - PFM

EQ4 – PFM	To what extent has budget support contributed to the improvements in the quality of Public Finance Management?
<p>Overall answer to the evaluation question</p> <p>There have been modest improvements in the management of government finances. Most notable, the Chart of Accounts has been updated to follow good international practice, programme based budgeting has been introduced, the deployment of a functioning FMIS (Ghana Integrated Financial Management Information System - GIFMIS) facilitates control, data management and oversight of some central government finances, and transparency of government operations has somewhat improved. While arrears remain problematic, inroads have been made with regards to over-commitment of central government finances and arrears are better monitored and audited.</p> <p>However, considerable shortcomings remain. The public finance environment was not conducive for a prudent fiscal position, as evidenced by the repeated slippages from fiscal balance targets. The rigid and fragmented budget meant that the GoG was unable to reduce spending when there were revenue shortfalls, or a need to raise certain priority expenditures, including during election years. Extensive investments in GIFMIS have not been able to prevent budget overruns, as only a limited number of expenditure items are subject to budgetary controls.⁹³ Allocative efficiency has been constrained by the budget structure that does not lend itself to an intuitive assessment of how funds are allocated. In ad-</p>	

⁹¹ The MDBS holistic assessments regularly made references to the evolution in pro-poor spending. It was a specific topic discussed under the cross-cutting issue "Ensuring Equitable Development" analysed in the 2011 MDBS review. The World Bank's EGPRC operation had an explicit outcome indicator on protecting of pro-poor expenditures and both PRSCs and EGPRC operations had a specific focus on factors potentially affecting public resource allocation, such as public sector employment and subsidies.

⁹²Economic Governance and Poverty Reduction Credit

⁹³ In particular, wages and salaries as well as domestic debt payments continue to be managed outside the GIFMIS and are not subjected to its internal ex-ante budgetary control, despite the broad recognition that these items contributed significantly to fiscal risks in recent years.

dition, 'quasi statutory funds' (wage and interest payments) have made up an excessive share of the budget in recent years, crowding out discretionary funds and thus limiting the GoG's ability to make strategic budgetary decisions. Finally, the slow progress with setting up a Treasury Single Account has raised operational efficiency concerns, as significant balances remain outside the scope of the Treasury.

While overall progress with PFM reform has been limited, there is a consensus among stakeholders that BS has contributed positively to the progress that has been observed. A considerable amount of analytical work – such as the joint annual external review assessments carried out until 2012 – and advisory services has been provided in PFM by the DPs in parallel to the provision of BS. These have been very technical with a large set of recommendations spanning the entirety of the budget cycle. However, while they were useful in identifying PFM bottlenecks, they were not supported by a clearly articulated and sequenced reform strategy. The lack of prioritisation has meant that investments in some dimensions were not fruitful. The implementation of advanced budgeting modalities was not accompanied by sufficient investments in strengthening execution capacity. Accompanying measures, such as the introduction of the GIFMIS, have been important, but the link between such measures and the BS dialogue has remained limited. Overall, BS and accompanying measures have only had limited effect on facilitating an enabling environment for PFM investments in Ghana.

5.4.1 JC41. The budget has become more credible

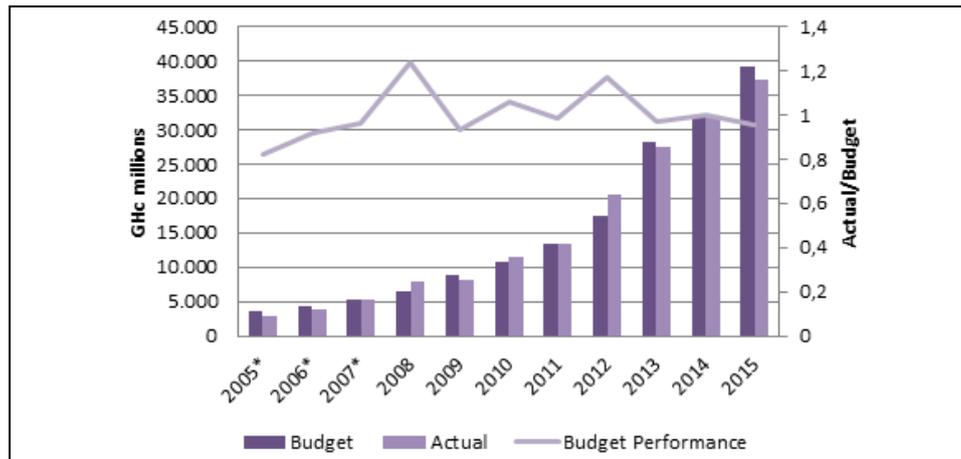
Ghana's budget is characterised by a high level of fragmentation and a number of rigidities which mainly stem from the fiscal rules governing the budget process, the poor administration of internally generated funds, the increasing share of earmarked budget revenue, and the dependence of state owned enterprises on central government budget. The rigidities reduce fiscal space when there are shocks in the economy as they limit the discretionary power of the MoF to adjust spending. As a consequence, they contribute to the overall deterioration of fiscal indicators and missing deficit targets.

Moreover, the GoG has tended to finance its revenue shortfall (or spending excesses) by borrowing heavily from the domestic market and accumulating arrears on Statutory Funds. This is an expensive policy stance as it results, on the one hand, in high domestic interest payments, crowding out of the private sector and increasing interest rates, and, on the other, increased uncertainty and higher prices.

Budget credibility has been adversely affected by significant variances in the use of resources across budget heads (both economic and administrative). Ghana did not perform well in terms of budget credibility in the PEFA assessments carried out during the evaluation period.⁹⁴ As illustrated in the figure below, while expenditure and revenue outturns have broadly matched budget plans over the recent years, it has not always been the case during the evaluation period. The credibility of the budget has been adversely affected by significant variances in the use of resources across budget heads (both economic and administrative). These variances reflect weaknesses in budget formulation as well as insufficiently disaggregated reporting of contingency amounts. Aggregate budget performance has also remained volatile in part because of unanticipated wage increases and insufficient budgetary controls. Frequent budget overruns were made despite considerable FMIS investments, evidencing that budgetary controls were insufficiently implemented over the majority of the evaluation period. Overruns were particularly high for domestic debt servicing and wages and salaries, where transactions were posted to the general ledger after they had occurred. However, the situation appears to have stabilised in the context of the ongoing IMF programme. By 2015, the deviation of actual deficit from the planned deficit was 9%, thus significantly lower from that of 2012, 2013, and 2014 when the actual deficit exceeded the planned deficit by 142%, 28% and 20% respectively.

⁹⁴ Using numerals (0-6, 6 being the highest score) to allow averaging of scores across dimensions, the PEFA scores for budget credibility were 2.25 in 2006, 1.25 in 2009 and 1.25 in 2012.

Figure 14 Aggregate budget performance



Source: GoG Budget Speeches; Fiscal Tables; and IEG 2016.

Note: 2005 – 2007 figures were rebased by 1:10,000 GHc.

5.4.2 JC42. The strategic allocation of resources has improved

Progress with the strategic allocation of resources has been mixed. Most importantly, the fragmented yet rigid budget architecture has not allowed for the necessary flexibility to make strategic expenditure adjustments during times of fiscal stress. This situation has worsened during most of the evaluation period after an expansionary expenditure trajectory, in that quasi-statutory payments had increased significantly leaving little space for making allocative decisions. To compensate, arrears to Statutory Funds were accumulated.

Gains in terms of policy based budgeting have been modest. On the upside, an updated chart of accounts has aligned Ghana with international good practice. The economic classification segment of the budget classification structure is a subset of the CoA and these are consistent across all levels of government. This is an important facilitating step for effective budgeting and the application of the Financial Management Information System. However, on the whole, budgeting has remained incremental and input oriented, despite the early introduction of advanced budgeting methodologies. Moreover, slow progress in strengthening budget execution (see JC4.3) limited their value as an instrument to strengthen the strategic allocation of resources.

In addition, the comprehensiveness of the budget remains an issue that undermines the budgeting process. The integrity of budget institutions is weakened by off-budget expenditures, as they are not applied to the budget law and undermine accountability and transparency as the public cannot hold the authorities accountable. They also underestimate the level of government expenditures and render the budget ineffective as a device to signal the direction of economic policy. While the size of extra-budgetary expenditures was not estimated, weak reporting of flows, stocks and use of IGFs constitutes a problem. Moreover, incomplete coverage of financial assistance raises stewardship concerns, and restricts the GoG's ability to prioritise resources against need. The PEFA assessments (2006, 2009, and 2012), which are discussed in volume 2a, provide further details on the issue of strategic allocation of resources.

5.4.3 JC43. Budget execution's operational efficiency has improved

Overall, budget execution's operational efficiency has somewhat improved. Arrears in 2014 were reported at 5.2% of GDP, which is high, but a relative reduction to previous years. Responsible for arrears were in part non-payments to Statutory Funds and that - at times - Treasury did not have the funds to honour invoices generated from warrants that had already been issued. Arrears to Statutory Funds were largely cleared in 2015, which was a condition of the IMF programme. Moreover, for the expenditure items routed through the GIFMIS, the problem of over-committing government resources has been addressed. However, as GIFMIS coverage remains limited, the risk of continued accumulation of arrears remains high. A notable improvement in the management of arrears is that they are better monitored and audited than they were prior to 2009.

The introduction of GIFMIS has constituted a major improvement in terms of subjecting central government finances to rigorous internal controls. The system was set up expeditiously and budget managers at central levels were using it for day-to-day transactions regarding goods and services. However, while the system is now operational, GIFMIS is not yet sufficiently comprehensive to serve as a budget management tool. For GIFMIS to be able to provide accurate, comprehensiveness and timely information on all commitments, expenditures and receipts government-wide, and credible

information required for controlling the fiscal deficit accurately determining the ways and means position, cash balances and for cash management, it would need to be implemented across all levels of government and used for the entirety of the budget. In 2015, only 12,000 transactions amounting to about 21% of total expenditures were subjected to the rigorous 'P2P' cycle in the system. Large expenditure items, such as domestic debt servicing and the majority of salaries and wages, are posted to the system after the transactions have occurred, and are thus not subject to the same ex-ante budgetary controls. Other items (such as Statutory Funds, internally generated funds, and extra budgetary funds) are not routed through the IFMIS at all. An effort is currently being made to expand IFMIS⁹⁵ coverage, which will be critical for improved budget management and operational efficiency.

There have been some improvements in revenue and cash management, but budget releases have been frequently late. This resulted in local budget managers developing informal arrangements to by-pass the commitment and budget control procedures embodied in the system. Thereby government enters into informal credit agreements with suppliers for delivery of goods and services which are paid for after the release actually takes place. A GIFMIS produced purchase order is created and commitment and invoice transactions are entered at this time. This defeats the purpose of the commitment system. Sometimes, payment is made from funds from other sources such as internally generated funds, which are not banked in the Treasury Single Account (TSA) and are not under control of the treasury. The laxity in budget release procedures was reported to have built up resistance for the inclusion of these funds in the TSA.

Progress with regards to the TSA has been limited, bank accounts remain fragmented and idle balances remain a considerable problem. Some bank accounts have been closed since 2009. However, the bulk of Statutory Funds, internally generated funds and donor funds continue to be banked outside the treasury and balances are not swept. Instead, an effort was made to link accounts, such that information on balances would be available to the treasury. With this approach, however, the Central Bank will not be able to draw on the money available in the accounts for investment (or fund requests from other spending units), nor will it extend the government's overdraft limit.

The quality of procurement procedures constitutes an important factor to operational efficiency. The legislative foundations are robust and make for an adequate provision of an enabling environment. However, procurement suffers from only partial competition, procurement information to the public and potential bidders is still not fully disclosed, and a fair system to handle procurement complaints is still lacking. On balance, progress is in form rather than function, and evidence that better value for money in procurement has been achieved is limited.

5.4.4 JC44. External oversight in relation to financial accountability and the fight against corruption has become more effective

Financial statements have been produced timely and within the statutory foreseen period. In addition, the National Audit Service produces frequent audit reports, which ensures that parliament receives audit reports timely and can thus hold controlling officers accountable in case of irregularities. This is a significant achievement and makes Ghana stand out with respect to regional comparators such as Malawi and Zambia.

On the downside, financial statements received by the national Audit Service have been found to be partial and unreliable. The controller, as per mandate, is only required to report against expenditures of the consolidated fund. Financial statements of Statutory Funds and others are subject to much less rigorous (and not ex-ante) internal control and their quality is thus mixed. This complicates the external audit assessments, makes thematic and performance audits more difficult, and reports not fully comprehensive and systemic. Moreover, the Ghana Audit Service faces capacity constraints and outsources much of its work to private contractors.

The Parliamentary Committee (the Public Accounts Committee) receives audits timely but does not have the resources or capacity to sufficiently follow up on audits. Although the situation has improved in recent years, a significant backlog of cases remains. In addition, there is mixed evidence that in cases where irregularities have been identified, stakeholders are sufficiently held accountable.

On balance, preconditions for an effective accountability chain are in place. Undermining factors are the quality and comprehensiveness of financial statements, insufficient capacity at the National Audit Service and the Parliaments Accounts Committee, and insufficient follow up on executive action to implement the government's anti-corruption policy framework and ensure law enforcement.

⁹⁵ Integrated Financial Management Information System.

5.4.5 JC45. BS contribution

While overall progress with PFM was limited, stakeholders note that BS significantly contributed to the progress observed. The eSurvey carried out in this evaluation has yielded rather positive responses across stakeholders regarding the contribution of budget support to PFM reform. Out of 88 respondents, 82% indicated that they believed budget support has advanced PFM reform in the last ten years, almost half of which indicated that it advanced to a great extent. Stakeholders interviewed also noted BS positive effect on the pace and content of some aspects of the PFM reform.

The MDDBS was recognised for providing a useful forum for policy dialogue. The opportunities provided by the MDDBS in terms of policy dialogue were highlighted in the 2012 Evaluation of PFM reform in Ghana.⁹⁶ The exhaustive dialogue on PFM was underpinned by a set of External Reviews of Public Financial Management that were conducted on an annual basis up until 2012. This type of analytical work provided deep insights into sector constraints. For example, the 2007 and 2009 review highlighted inefficiencies surrounding fragmented banking modalities. Several stakeholders recognized the importance of these reviews, and some voiced regret about their discontinuation in 2012, as such analytical work could have importantly contributed to the dialogue in a period of fiscal stress.

BS helped to elevate technical discussions to a political level. Providing budget support with associated conditionalities provided an opportunity to elevate discussions from a technical dimension to a political one that was necessary to garner momentum. This was done with, for example, the need to harmonize the budget classification structure across all levels of government, which is critical for effective budgeting, execution and reliable reporting. The issue was raised in analytical work, technical assistance was provided on international good practice, and BS dialogue provided the necessary political leverage to implement the reform.

BS dialogue has played an important role in expedited improvements in the legislative enabling environment. For example, the Internal Audit Regulations (2010), the Audit Service Regulations (2011) and the Anti-Money Laundering Regulations (2011) were established or amended after clearly being targeted for reform by the MDDBS partners who also provided accompanying technical assistance in these areas. Stakeholders interviewed noted that BS contributed to ensuring high level political support for these reforms, especially during change of administrations. In addition, accompanying technical assistance was seen as useful for supporting the execution of the reforms.

However, there was, at times, lacking recognition of the political economy that hampered reform progress. External reviews were technical in nature pointing out potential reform areas, but did not include in-depth assessments of the political realities that underpinned the status quo. The importance of political economy in Ghana's budgetary system had already been noted in studies carried out in the mid-2000s⁹⁷. For example, the importance of instituting a TSA has been recognized for many years, and there has been extensive dialogue on this. A WB operation in 2012 eventually attempted to introduce hard conditionalities in that regard. However, lacking understanding of the perspective of powerful stakeholders in the private sector undermined progress. Similarly, GIFMIS is fully operational, and as such provides legitimacy for apparent good budget management. However, only limited funds are routed through the system and thus subject to associated budgetary controls. A more comprehensive use of the management tool could have been made relatively quickly and at low cost, but the lack of having done so to date may be explained by important political economy factors influencing Ghana's budgetary system.

Technical support accompanying BS was provided in the absence of a clearly articulated reform strategy and, in this context, recommendations have tended to be ineffective and insufficiently sequenced. Lacking prioritisation meant that investments in some dimensions were not effective as certain preconditions had not been met. For example, the implementation of advanced budgeting modalities has been pursued, with insufficient regard to budget execution capacities of the public institutions. The lack of a clear reform strategy also limited the absorptive capacity of the government.

Moreover, at times, the dialogue was insufficiently candid. Progress with regards to BPEMS for example was modest and political support waning, whereas this did not surface adequately from the prevailing dialogue at the time. One instance is that deployment of all six BPEMS modules in eight pilot MDAs was required by 2006. This was not achieved but was declared 'met' by the 2007 MDDBS Review even though it was only partially met. Only in the 2008 MDDBS Aide Memoire, was the respective indicator considered as not met, which is shortly before the BPEMS effort was abandoned.

The synergies between BS and accompanying investments operations was mixed. On the one hand, substantial complementary investments were made in terms of analytical work and broad initia-

⁹⁶ Betley et al., 2012: *Evaluation of PFM reform in Ghana*.

⁹⁷ See, for instance, Killick (CDD/ODI), 2005: *The politics of Ghana's budgetary system*.

tives such as the deployment of GIFMIS. There has also been some positive experience with BS providing an impetus to, for example, updating the Chart of Accounts. The introduction of an updated and harmonized Government Financial Statistics (GFS) compliant Chart of Accounts was critical and is, at least in part, attributable to extensive dialogue of BS partners – including the introduction of relevant triggers in the MDBS PAF in 2010-2011 – and the accompanying technical assistance that they provided. This was timely to the complementary GIFMIS support, for which an updated GFS compliant accounts structure is a precondition. As such the reform effort was well coordinated and BS appropriately leveraged. On the other hand, GIFMIS is fully functional but the investment is not yet effective as it covers an insufficiently small share of the budget. An opportunity to leverage BS towards that end was missed, but remains important going forward. Similarly, BS partners recognised the importance of a TSA but were unable to facilitate sufficient progress through dialogue or conditionalities.

5.5 (Step 1) EQ5 - Local governance

EQ5 – Local governance	To what extent has budget support contributed to strengthening local governance?
<p>Overall answer to the evaluation question</p> <p>Decentralisation reforms started to make significant progress halfway into the evaluation period. Some of the progress has been remarkable, not least in comparison with the deadlock observed at the beginning of the period⁹⁸. The main changes have been in the form of a much more co-ordinated and coherent approach to reform. This was spearheaded by an Inter-Ministerial Coordinating Committee (IMCC) on decentralisation that was established in 2009 and has overseen the development of more comprehensive reform policies and plans. Since 2012, the IMCC has been chaired by the President of Ghana. Major aspects of the reform are still to be implemented, but groundwork has been completed and has led to the development of major pieces of draft legislation for overall guidance of local governments (the 2016 Local Governance Bill), as well draft bills for the decentralisation of several important functions – not least, education and health. This legislation was expected to be reviewed and approved by parliament before the end of 2016.</p> <p>Some important practical steps for decentralisation have also been implemented. These include the establishment of several decentralised departments for local service delivery (in sectors such as works, agriculture and community development/social welfare) from 2010 and the introduction of composite budgeting in all MMDAs from 2012. Moreover, GoG decided to increase DACF funding from 5% to 7.5% of net revenue (although this achievement is moderated by the significant central government deductions). GoG and DPs also introduced the District Development Facility (DDF) from 2008 which has provided additional development funds to MMDAs and established a performance assessment system and related system for partly decentralised capacity development.</p> <p>Nevertheless, important challenges remain. In addition to the finalisation of the legal aspects of the reform (decentralisation of education and health in particular), it has proved difficult to progress practical aspects of fiscal sector decentralisation as well as citizen participation.</p> <p>Decentralisation specific targets or triggers were included in the MDBS PAF from 2008, and GoG and the EU entered into an agreement for SBS support for decentralisation from 2012. In combination with a range of other DP-funded programmes, BS has contributed to the reform progress. In particular, BS has helped to focus stakeholders attention on overall reform co-ordination, and has been instrumental in strengthening the IMCC and in progress of overall legal reforms. The contributions of BS on other aspects of decentralisation have been more limited in comparison with other aid modalities. In particular, the DDF – funded jointly by GoG and DPs – has been very instrumental in efforts towards capacity development of MMDAs and increasing locally-available development funding, while the SBS focused more on capacity development of the national structures for management of the reforms (the IMCC). However, it is not yet possible to establish any significant contribution of BS to improved decentralised service delivery. Indeed, BS has not led to any increase of the DACF that, together with the DDF, has been the main financing source for local decentralised service delivery. The GoG sector-conditional transfers from Treasury were minimal in budgets and eventually not even realised.</p>	

⁹⁸ For instance, see the findings of the 2007 evaluation of the MDBS carried out by ODI.

5.5.1 JC51. Enabling legal and institutional framework for decentralisation strengthened

For several decades, GoG has pursued a decentralisation reform as part of wider efforts to enhance good governance (see Box 2 below). Its objectives are enshrined in the 1992 Constitution of Ghana which stipulates that “Parliament shall enact appropriate laws to ensure that functions, powers, responsibilities and resources are at all times transferred from central government to local government units in a coordinated manner”. This constitutional requirement has been further articulated in local government legislation just as it led to the creation of the District Assemblies Common Fund (DACF) for management of development transfers to local governments (Metropolitan, Municipal and District Assemblies – MMDAs).

Box 2 Political economy (or economies) of decentralisation reforms in Ghana

The broad political direction for the decentralisation reforms in Ghana was first issued in 1988, with the Local Government Law (PNDC Law 207). The intended reforms were subsequently endorsed by the 1992 Constitution, but have since progressed only painstakingly slowly. The politics of reform have centred on three major issues, each with a distinctive set of main actors – of which only one has been directly influenced by budget support:

- The political autonomy of the assemblies. In particular, this concerns the extent to which the system of presidentially appointed assembly members (30%) and presidentially-appointed political head of the assemblies should be upheld. This issue has been discussed by political parties and has received significant attention in public media throughout the evaluation period but especially in the period of Constitutional debates. Ruling parties – whether the National Democratic Congress – (NDC) or the New Patriotic Party (NPP) – have always chosen to maintain the system.⁹⁹ The recent Constitutional Review committee made recommendations in the direction of greater democratisation (elections of the executives, initially in urban areas, and consideration of the introduction of partisan political elections). However, at the final stage, GoG rejected these recommendations¹⁰⁰ and this position is unlikely to change in the near future.
- The administrative powers of the assemblies. In particular, this concerns the transfer of functions and staff from sector ministries to local governments. This debate has been far less of a party political issue, but was still debated among civil servants of the various ministries. Generally speaking, various sector ministries have, since 2002, resisted decentralisation of staff and functions from their respective ministries or services to the local governments. Many of the sector ministries were more powerful than the ministry responsible for local government that during the initial years of reform was expected to spearhead the reforms within GoG. The balance of power changed significantly when reform co-ordination was placed more directly under the President, through the IMCC. This particular aspect of the reform was (as discussed below) significantly supported by development partners – in particular, through budget support dialogue.
- The fiscal allocation for the assemblies through the DACF. Representatives of the local governments – including the Ministry of Local Government, in alliance with the members of Parliament – have over the years fought for increased allocations to the DACF. The Constitution stipulates that a minimum of 5% of GoG net revenue should be allocated to the DACF. Parliament has, since 2008 increased the allocation to 7.5%, and has subsequently argued for even higher increase to 10%.¹⁰¹ The Ministry of Finance has sought to reduce the various statutory deductions including the DACF.¹⁰² While the DACF has increased, the share of direct allocations going to local governments has actually remained small and is increasingly spent on administrative and recurrent costs rather than the originally-intended development expenditures (see discussion below).

Source: Review of multiple sources¹⁰³.

⁹⁹ For a historical overview of the position of the political parties on direct elections of executives see the article: 2008 University of Ghana “Direct Election of District Chief Executives Mayors: A Tool for Effective Decentralization and Political Stability” by Gyampo, R.E. <http://ugspace.ug.edu.gh/handle/123456789/2605>

¹⁰⁰ See 2012 GoG - White Paper on the Report of the Constitution Review Commission of Inquiry – chapter nine – decentralisation and local government (http://ghanaoilwatch.org/images/Articles/crc_white_paper_report.pdf).

¹⁰¹ Parliament approved an increase from 5% to 7.5% to take effect from January 2008:

<https://www.modernghana.com/news/140096/district-assemblies-common-fund-increased.html> May 2013 Parliament calls for increase DACF from 7.5% to 10% of net revenue:

<http://www.viasat1.com.gh/news/local/article.php?postId=2461>

¹⁰² See e.g. the IGFF or the recent MOF analysis “3 years of composite budgeting”.

¹⁰³ Sources include: i) The Political Economy of Decentralization in Ghana by Barak D. Hoffman and Katherine M. Metzroth Centre for Democracy and Civil Society, Georgetown University June 2010; ii) Democratic decentralisation in Ghana: issues and prospects by Dr Gordon Crawford POLIS Working Paper No. 9 February 2004; iii) the

The first overall guiding GoG programming document that sought to bring together various DP support was the National Decentralisation Action Plan (NDAP) for the period 2003-2005. The NDAP initiated a transition process towards the development of a comprehensive, well-sequenced and costed approach to decentralisation, with initial emphasis on practical issues such as harmonisation of development funding and capacity building targeting the local governments (MMDAs). DPs and GoG decided to support a jointly-funded performance-based development grant to MMDAs – the District Development Facility (DDF), which has been operational since 2008¹⁰⁴.

At the beginning of the evaluation period there was significant consensus on the fact that “Decentralisation has stalled on all fronts”. This situation was well described in a number of studies such as the 2007 MDBS evaluation and the 2007 decentralisation policy review. The GoG and its DPs had acknowledged that further real progress of the decentralisation reform would require a more coherent and coordinated approach. This, in turn, will require policy clarification to guide implementation, particularly the linkages between the local government reform in a narrow sense and the overall decentralisation linkages with the sectors. Thus, GoG and the DPs agreed to include the “*formulation of a comprehensive decentralisation policy*” as the trigger in the MDBS policy matrix 2006. In preparation of this policy and related strategy it was agreed – as part of NDAP activities – to undertake a “*Decentralisation Policy Review*”.

Progress in decentralisation reform has since then been steady. One of the most notable achievements has been a much more strengthened overall institutional framework for management of the reform process with the establishment of the IMCC (Inter-Ministerial Coordinating Committee on decentralisation) in 2009. The IMCC oversaw the development of a strengthened policy framework and related action plans.

However, further real progress would require a more coherent and coordinated approach, and policy clarification to guide implementation. This means, in particular, clarifications in terms of linkages between the local government reform (in a narrow sense) and overall decentralisation aspects at sector level. A first Decentralisation Policy Framework (DPF I) was finally launched in April 2010 and was accompanied by a five-year Action Plan (NDAP 2010-2014). The IMCC was established as the key institutional mechanism for policy co-ordination, and for ensuring that the objectives of the DPF were attained. A specific Legislative Instrument – the “Local Government Instrument” (L.I.1961) – was enacted in 2009 and came into force in early 2010. It initiated the creation of 17 deconcentrated ‘Departments’ in the districts (Departments of the MMDAs) and established the Local Government Service (LGS), migrating over 30,000 civil servants working in the districts and the regions from the Civil Service to the LGS.

5.5.2 JC52. Fiscal framework for decentralisation strengthened

The legal and policy framework for fiscal decentralisation has not changed fundamentally over the evaluation period and results – in terms of improving the practical aspects of fiscal decentralisation – have been mixed. As part of its decentralisation reform work plan, the GoG developed an Inter-Governmental Fiscal Framework (IGFF) that provides guidance for future reforms. Although the framework is sound, it also appears that practical aspects of fiscal decentralisation lag behind progress on administrative decentralisation. For instance, the decentralised departments for works have been established, without practical steps for decentralising parts of the Road fund intended for routine maintenance. The most evident practical improvements of local government financing has been the roll out of composite budgeting¹⁰⁵ to all MMDAs from 2012 – incorporating all aspects of decentralised activities into one plan under the MMDA, rather than as separate deconcentrated departmental budgets – and the establishment of the DDF, which pools funding from several DPs (all active MDBS partners) into one performance-based development grant that supplements DACF. Recent progress has been made regarding effective devolution of important functions to Local Governments (roads and more tentatively education and health) – yet the arrangements for fiscal decentralisation related to the same functions lag behind.

various annual decentralisation reviews undertaken since 2007 and consultant teams own personal experiences with the reforms since 2000.

¹⁰⁴ This modality (a) harmonised previous separate DP funding for MMDAs; (b) introduced a joint system for performance assessments of local governments (the FOAT); (c) provided fiscal incentives for the MMDAs to perform, as the size of the grant is adjusted in according to their FOAT score; (d) harmonised DP support for MMDA level capacity building as the DDF included a joint-funded capacity building grant.

¹⁰⁵ The composite budget is defined as the ‘integrated’ budget of the MMDAs, which includes the budget of the central administration, as well as the decentralised departments. It is seen as one of the first steps toward fiscal decentralisation.

Direct transfers to MMDAs have been uneven. The most important source of MMDA funding is DACF. According to the Constitution, it should be funded with a minimum of 5% of net tax revenue to enable MMDAs to finance development projects. In 2007, the share was increased by Parliament to 7.5%. However, a large part of the DACF budget (about 40%) is deducted at source for various central government priorities, rather than transferred to MMDAs. In recent years, the share of direct transfers to MMDAs has been less than 50% of DACF. At the same time, MMDA functions have been effectively expanded and MMDAs have started to use DACF also for recurrent financing.

5.5.3 JC53. Local government capacities and local accountability improved

Some aspects of local government capacity have improved. In particular, from 2010 onwards, GoG has proceeded with the gradual establishment of local MMDA departments for selected local service provisions (Works department, Agriculture, Social Welfare and Community Development). Technical aspects of planning and public financial management have also been strengthened although there are still many issues raised by the Auditor General (e.g. procurement and cash management irregularities).

However, the newly-established MMDA departments are not yet fully functional. MMDA departments still lack budget allocations to function adequately and, so far, have been excluded from capacity development support in the decentralisation sector. Most of the capacity building funds have been provided by DPs through the DDF facility, which was financed by MDBS DPs through a pool funding mechanism. The EU SBS has also contributed to some of the capacity development efforts – for example through the strengthening of the policy and legal framework for the establishment of the decentralised departments.

Local accountability of the MMDAs has not improved significantly over the evaluation period. In particular, the political aspects of local accountability have been unchanged. Local residents elect only elect two-thirds of their assembly, the political head of the assembly is appointed by the President, and the sub-district structures for facilitation of direct participation in local affairs are widely recognised as being non-functional. In addition, voter fatigue is on the rise in local government elections, with a worrying downward trend in voter participation.

However, some technical aspects of accountability have improved. The reports of the Auditor General are now covering all MMDAs on a timely basis and, since 2008, the MLGRD has undertaken regular performance assessments of all MMDAs (through the Functional and Organisation Assessment Tool - FOAT).

5.5.4 JC54. BS contribution

The specific contributions of BS on the observed changes are difficult to establish not least because many other forms of aid also have been provided in direct support to decentralisation and local governance (see the Inventory in Annex 4 Volume 3). Nevertheless, it is possible to identify some significant complementarities and synergies between the many DP interventions in support of decentralisation.

At GBS level, the inclusion of certain targets or triggers related to decentralisation in the MDBS PAF has focused stakeholders' attention on important issues. For example, this was the case with the establishment of the IMCC (target in 2010), the finalisation of the Decentralisation Policy and Action Plan (trigger in 2011). Some of the MDBS targets/triggers received complementary technical support from the DPs such as the strengthening of the LGS' capacities (trigger in 2009). This benefited from technical assistance provided by both Danida and the EU, the development of the IGFF (trigger in 2008) whose practical development benefited to a large extent from a WB TA support, and the MMDAs composite budgets (target in 2012), which was technically supported by several technical assistance (TA) projects.

The recent EU SBS operation has contributed to improving the performance of the IMCC and key aspects of administrative decentralisation. The SBS operation is quite recent. However, the evidence gathered shows that it has already had significant impact on the performance of the IMCC (e.g. its ability to develop a coherent policy framework) and key aspects of administrative decentralisation (e.g. gradual establishment of decentralised departments). Certain aspects of the reforms (e.g. particular activities related to ministerial realignment and consultations on various legal amendments) were delayed in the absence of SBS funding, but gained momentum when the programme effectively started (in 2014). This is explained by the fact that GoG decided to ring-fence the SBS funds for financing IMCC-recommended activities.

BS accompanying measures have played a positive role in the strengthening of key central institutions. The precise relative contribution of SBS preparatory activities and specific TA complementary to BS to the reform progress, described above is difficult to determine. However, it can be noted

that the Local Government Service Secretariat (LGSS) has been supported with substantive TA from both Danida and EU. Moreover, the World Bank LGCSP¹⁰⁶ programme has provided TA for fiscal decentralisation within the MoF Fiscal Decentralization Unit, and the MoF has received support from the PFMRP¹⁰⁷ for the development of various PFM activities, also at MMDA levels.

Other support – not directly linked to BS – has been important to develop capacities at local level or in areas that could directly influence the strengthening of local governance. Capacity building for MMDAs (in the form both of training and equipment) has largely been funded from the GoG-DPs' pooled fund (DDF), and only partially by the overall GoG budget. Although the DDF support was not directly tied to BS, it is noteworthy that the DDF DPs are all MDBS partners. Other DPs support has also been very important for some achievements observed in the area of decentralisation and local governance. In particular, progress on property taxation has been supported by individual DPs, such as GIZ and USAID. Progress on urban development has mainly been achieved through dedicated urban development projects financed by the World Bank and the Agence Française de Développement (AFD)

5.6 (Step 1) EQ6 - Policy formulation & implementation processes

EQ6 – Policy formulation & implementation processes	To what extent and through which mechanisms (funds, dialogue and TA) has budget support contributed to any improvement in the policy formulation and implementation processes and related accountability (including service delivery)?
<p>Overall answer to the evaluation question</p> <p>The country's legal and policy framework, which was already quite robust in the early 2000s, has continuously improved during the evaluation period. Policy formulation has been domestically-led and has increasingly relied on extensive analytical work and inclusive consultation processes. Inter-ministerial/inter-agency collaboration has also somewhat improved and the capacity of some public institutions has strengthened.</p> <p>However, the institutional framework has remained very fragmented. The overall performance of the public service has not substantially improved. Planning and budgeting processes have remained poor in many MDAs. The lack of reliable and systematically-collected information has seriously hindered monitoring and accountability mechanisms. Compounded by a deteriorating macroeconomic framework, weak budget execution processes, and strong interferences from resilient clientelist and political patronage systems, this has prevented the translation of the relatively good policy framework into adequate operational plans and effective policy actions. As a result, while basic services have expanded and important achievements can be observed in some areas (e.g. Health), service delivery systems are still weak and regional disparities in service provision have remained high.</p> <p>BS dialogue and accompanying measures at national (MDBS) and sector (SBS) levels have played a positive role in maintaining the pace of reform and improving the quality of policies. BS funds, combined with the active policy dialogue of BS DPs, also helped in fostering sector and cross-sectoral coordination, facilitating the implementation of important sector strategies, and assisting the expansion in service delivery. However, BS could not help GoG to remove the important persisting barriers to effective policy implementation. The narrowing fiscal space in the second half of the period reviewed, the weak accountability mechanisms and the sectors' particular political economy context wiped out many of the positive efforts supported by BS.</p>	

5.6.1 JC61. The legal framework, the policy processes and the quality of the policies and strategies improved overall

The legal and policy framework has been continuously enhanced during the evaluation period and, overall, policies are comprehensive and identify clearly some critical sector challenges.

Ghana's national development policy framework relies on a long history of 'medium term development plans' and a well-established legal framework mostly developed in the years after the adoption of the Constitution in 1993. During the evaluation period, the overarching policy framework has evolved to integrate changes in the context and lessons from the past. It also increasingly relied on rather well-developed sector strategies that were continuously fine-tuned. In the Health and Agriculture sectors, the sector strategic frameworks are largely to be considered comprehensive and coherent. The ENR sector has been characterised by the absence of a unique sector policy, but GoG developed overarch-

¹⁰⁶ Local Government Capacity Support Project

¹⁰⁷ Public Financial Management Reform Project

ing policy statements in 2007-2008 to indicate its commitment to a sector-wide strategic framework relying on well-elaborated strategies in the various sub-sectors. In the PSD sector, an updated and ambitious Private Sector Development Strategy (PSDS II) was developed in 2009-2010 to expand the efforts initiated in 2004, and to better reflect the evolving national policy framework which increasingly emphasised the key role of PSD in the country's development path.

Policy processes increasingly relied on extensive analytical work and broad consultations although challenges have remained with regard to participation at the local level and inclusion of the private sector. The GPRS II and GSGDA I & II were prepared in a participatory manner, with the active involvement of public and private sector agencies, civil society groups and traditional authorities often organised in 'Cross-Sectoral Planning Groups' under the overall leadership of NDPC. In all sectors reviewed, policy formulation processes have benefited from extensive consultations and comprehensive analytical work. In particular, in the ENR sector, a wide array of non-governmental and not-for-profit organisations has been involved in various policy processes. In the Agriculture sector, a few deficiencies in the local-level consultations have been reported – for example, during the METASIP formulation of the Medium-Term Agriculture Sector Investment Plan (METASIP). Finally, the fact that the main 'private sector' players do not have a common and coherent voice has sometimes made it difficult to engage them in policy processes, although they have been involved to some extent in policy discussions in a few sectors (e.g. Health).

The country's policy framework has been marked by a lack of prioritisation at sector and national levels, an abundance of policy documents with loose links between them in some sectors, and lengthy formal adoption processes. Most policies have remained very broad and have relied on poorly-costed strategic frameworks. Some sectors (e.g. PSD, ENR) have seen a proliferation of such things as 'policies', 'strategies', 'action plans' that are not always well connected with each other. This largely reflected a fragmented institutional environment, with different public institutions pursuing in parallel specific actions in various sub-sectors (see also JC62 below). Some observers linked the abundance of policy documents at sector level to the existence of many under-resourced policy areas, and the fact that MDAs used sector strategies more as a resource mobilisation instrument than a tool to identify critical sector issues and ways of responding to them in a prioritised and sequenced manner. Finally, in many instances, the formal adoption process of the policies and strategies has been quite lengthy. Several policy documents have been formally adopted only one or two years after the start of the period they were meant to cover (e.g. PSDS II was finalised in 2010, adopted in 2011, launched in 2012) or remained in draft stage for many years before being finally updated and launched (e.g. the Minerals and Mining policy was initially drafted in 1999, but formally launched only in 2016). Some policy documents have never been formally approved (e.g. Ghana Aid Policy was finalised in 2010, but remained in draft stage).

While issues related to inclusion are rather well identified in national policies and well integrated in some sector strategic frameworks, this has not been the case in all policy areas. Gender issues have been increasingly well integrated in the national policy framework, and in some sectors – such as Health and Education. However, in the Agriculture sector, gender issues have not been well articulated in the main policy documents and the specific gender strategies that were developed (Gender and Agricultural Development Strategy - GADS I & II) have remained stand-alone documents with little weight in the sector's strategic framework. In the ENR sector, gender mainstreaming has remained extremely limited. Issues related to regional and socio-economic disparities have been increasingly well integrated in the national development policy framework. They have changed from a mere reference to these themes in relation to access to basic services and have moved towards a more comprehensive integration of these challenges in various policy areas and the initiation of an identification process of specific policy responses. In particular, regional disparities have been a central concern of all agriculture policies developed during the evaluation period.

5.6.2 JC62. Public sector institutional and technical capacities, including M&E capacities and systems, have been strengthened

There have been some improvements at the level of inter-ministerial/inter-agency collaboration, but, overall, the country remains characterised by a high level of institutional fragmentation. There is evidence of enhanced sector collaboration in several policy areas (e.g. ENR and, to a lesser extent, Agriculture). However, Ghana is characterised by the existence of many autonomous or semi-autonomous public institutions, including statutory bodies (e.g. GETFund in the Education sector), executive agencies (e.g. GHS in the Health sector), or subvented agencies (e.g. EPA in the ENR sector). Some of these institutions have had a conflicting relationship with their parent ministry which made their oversight difficult and their degree of autonomy created a number of challenges such as misalignment with the existing sector strategic frameworks, lack of financial transparency and uneven incentive structures in the public sector. Moreover, there are many examples of public institutions ac-

tive in the same policy area that are competing among themselves over reform processes (e.g. the Public Service Commission and the Office of the Head of the Civil Service in the area of Public Sector Reform) or making little effort to generate synergies (e.g. training and human resources management institutions in the Health sector). Moreover, in most instances, coordinating bodies with cross-MDAs/cross-sectoral coordination mandates (e.g. MOFA in the Agriculture sector, the PSDS Oversight Steering Committee in the PSD sector, or even, to some extent, the NDPC at national level) have not had sufficient delegated authority or political legitimacy necessary to fully assume their mandate. Finally, in many sectors, mechanisms to encourage improved performance and accountability of senior managers within public institutions (e.g. efforts initiated in the context of the New Approach to Public Sector Reform in 2010-2011) have so far not provided the expected results. All this led to a situation where reform processes and policy implementation still suffer from weak leadership and coordination across directorates or agencies of a specific line ministry and across ministries remains suboptimal.

Improvements in public institutions' capacities to implement sector strategies have been modest. Public institutions and their partners have put substantial efforts into enhancing implemented actions' performance via such measures as the strengthening of internal staff's technical skills, the acquisition of equipment, and the reorganisation of the internal services' structure. For instance, in the Health sector, there has been considerable progress in the production of mid-level 'cadre' staff and their distribution. In the ENR sector, agencies carried out multiple training programmes, created new dedicated units to strengthen their work in specific areas (e.g. Rapid Response Units of the Forestry Commission), develop tools to implement new systems (e.g. Ghana Legality Assurance System), and establish new offices to expand their local presence (e.g. Minerals Commission new local offices). However, efforts to develop internal capacities have often been limited in scope, focusing on specific sub-areas (e.g. ENR sector), and were sometimes not sustained over a sufficiently long period to have a meaningful impact. More generally, in all sectors reviewed, public institutions have remained largely under-resourced, and many of them have been affected by staff attrition or lack of motivation. Overall, there is a consensus that the successive public sector reforms implemented over the past decades (including the recent rises in the wage bill) have had limited impact on the productivity of the public sector. Despite several reforms and policy initiatives, areas such as human resource management and pay systems still face numerous challenges. In many sectors, there is insufficient appropriately skilled staff in strategic positions at central and sub-national levels to firmly engage in complex analytical work and results-oriented management of sector programmes. There are also important persisting regional disparities in staff appointments.

Some positive initiatives to enhance planning capacities have been implemented, but, overall, the quality of budgeting and planning processes has remained very weak in most sectors. There have been various attempts to improve the planning capacities of MDAs and to enhance their links to key national institutions (MoF and NDPC). For instance, in the ENR sector, efforts were made to move from an activity-based to a programme-based approach, and enhanced budgetary and planning processes have emerged (e.g. the use of 'Results Frameworks' by sector agencies). On a wider scale, progress has been experienced – albeit uneven – across sectors, with Programme-Based Budgeting (PBB) being gradually introduced in the various MDAs. However, planning and budgeting processes have remained very weak, as illustrated by the often huge discrepancies between planned budgets and actual expenditure, and the difficulties in clearly linking implemented actions to the planned budget or the overall policy framework. The poor availability of reliable data and the lack of capacities for analytical work have presented important obstacles to improved planning. Weaknesses in the PFM system – such as poor commitment controls (see EQ4) and inadequate and late releases from the MoF due to the difficult fiscal situation the country has been facing – also partly explain the problem. Parallel donor-funded projects and vertical programmes have contributed to further weakening the quality of strategic planning (e.g. in the Health sector). Gender Desks (present in most ministries since 1998) still do not participate actively in the resource allocation process within the sector (beyond involvement in negotiating resources available to their units), and the gender-responsive budgeting initiative introduced in 2007 quickly came to a standstill¹⁰⁸. Finally, the specificities of Ghana's institutional framework mentioned above with numerous institutions operating in a somewhat autonomous way, have made it difficult for line ministries or leading public entities to ensure coherent planning and transparent allocative decisions at sector level.

M&E capacities and systems have moderately improved in some sectors. The Health sector has experienced continuous strengthening of its M&E system over the evaluation period. By the end of the

¹⁰⁸ There is also no clear guideline on how to follow national commitments towards Gender-Responsive Budgeting.

period, the quality of M&E data produced (comprised of both routine data and survey results) was reliable and relatively easily accessible (reports regularly published). More generally, enhanced sector dialogue structures (see EQ2) have contributed to improving reporting and some M&E activities at sector and national levels during most the evaluation period. Despite serious restrictions posed by its limited resources, the NDPC has engaged in a number of initiatives (e.g. draft M&E manuals, training, etc.) to enhance capacities of, and coherence between, the various M&E activities of MDAs and MMDAs. Moreover, the Policy, Planning and M&E Divisions/Directorates in several ministries have consolidated their capacities over time. However, M&E systems and the quality of data have remained very weak in most sectors (e.g. Agriculture, ENR). The NDPC has continuously faced challenges in the timely finalisation of the Annual Progress Report, which assesses overall progress in the implementation of the national development strategy. Demand for evaluation by policy makers has remained low. Moreover, efforts to institutionalise and strengthen the national M&E and statistical systems (e.g. the Joint Agenda for Strengthening M&E and Statistics developed in 2011-2012) have largely failed because of the initiative being largely donor-driven and, according to various observers, because of a weakening leadership in and ownership of the results agenda by high-level GoG officials in recent years.

Despite improvements in some institutional mechanisms and a vocal civil society, public sector accountability has not significantly improved and public action is still undermined by strong political interference. In recent years, there have been a number of initiatives to improve accountability within public institutions such as the re-introduction of performance agreements with senior GoG officials in 2013. However, these initiatives have not been fully implemented, or are too recent to see any significant changes in the institutional culture of public bodies. Moreover, there is a general perception among stakeholders interviewed that institutions are often too under-resourced to effectively carry out their oversight role, and that, in any case, sanctions remain virtually non-existent. There also appears to have been strong resilience of clientelist and political patronage systems.¹⁰⁹ In terms of horizontal accountability, a number of key institutions (e.g. Ghana Audit Service, Commission on Human Rights and Administrative Justice, Parliament/Public accounts committee) have been strengthened during the evaluation period. However, overall, investigation and prosecution still suffer from the accountability institutions' lack of resources and inadequate staffing (see also EQ4). The GoG also signed up to the Global Open Government Partnership Initiative in 2013 and committed itself to a number of reforms to strengthen governance, but progress has been limited to date. Despite lengthy gestation and intensive policy discussions, a number of critical pieces of legislation (e.g. Freedom of Information Act or Code of Conduct for Public Officers Bill) have still not been adopted. A notable area of improvement has been the strengthening of civil society organisations, which have increasingly participated in policy processes. But their accountability role has been undermined by the lack of data collected or made publicly available by national public institutions. Ghana's score on "transparency, accountability, and corruption in the public sector" decreased from 4 to 3.5 in the WB's Country Policy and Institutional Assessment (CPIA) rating system in 2014.

5.6.3 JC63. Public service delivery / service management (including infrastructure and human resources) has been strengthened, particularly at the local level

Public services have markedly expanded during the evaluation period. In all sectors reviewed, public institutions have increased the scope of their actions (see box below). It is noteworthy that, although the overall public wage bill eventually reached alarming levels after 2012, GoG's decision to continuously increase the public workforce in the social sectors (Education and Health) appeared necessary given the expansion in service delivery in these sectors.

Box 3 Examples of progress in the expansion of public service delivery during the evaluation period

In the Health sector, basic service coverage has continuously improved during the period and there is now an extensive network of (public and private) facilities, including at community level. The doctor-to-population ratio has continuously improved to meet WHO standards. There have also been substantial efforts put into recruiting and training nurses and midwives. The nurse-to-population ratio improved, from 1 nurse per 1,109 inhabitants in 2008 to 1 nurse per 739 inhabitants in 2015. Finally, the share of the population enrolled in the National Health Insurance Scheme (NHIS) has continuously increased

¹⁰⁹ In particular, given the high level of competition between two main political parties and the short electoral cycle which prevails in the country, Ghana's politics at national and local level has been strongly influenced by the country's political settlement.

over the period and has reached more than 10 million active members, according to the latest data available.¹¹⁰

In the Education sector, in addition to the growth in private education, there have been important investments in school buildings and efforts by GoG to increase teacher training. These actions resulted in positive trends in terms of access to education as illustrated by substantial improvements in gross enrolment rates in primary schools (from 92.1% in 2005/2006 to 110.4% in 2014/2015) and kindergarten (from 60.1% in 2005/2006 to 128.8% in 2014/2015). Net enrolment rates have fluctuated since 2005, but have followed an upward trend.

In the ENR sector, all agencies have expanded their activities. The Minerals Commission has increased revenue collection through the establishment of a multi-agency revenue task force, and has increased its local presence to better respond to the increase in (illegal) artisanal small-scale mining. The Forestry Commission has implemented an important plantation programme, and has increased the scope of its work related to the management of national parks and protected areas.

In the Agriculture sector, a few national programmes (e.g. fertiliser subsidy, agricultural mechanisation – AMSEC, youth block farming) have absorbed an important part of MoFA's available capacities. Some of the planned activities have been successfully carried out, but results in terms of increased service delivery have been mixed. In particular, while there have been slight improvements in the ratio of extension agents to farmers, the ratio remained particularly low by international standards.

In the PSD sector, a variety of initiatives have been implemented to strengthen business associations, address skills gaps via TVET in key economic sectors, and develop rural finance.

In the area of Social protection, a common targeting mechanism to identify the extreme poor has been developed and various specific programmes (e.g. free school uniforms, capitation grants, school feeding, eradication of 'schools under trees') have been implemented albeit with different levels of success. The GoG has also put in place a cash transfer system to support social security of its citizens (LEAP).

However, the service delivery systems have remained weak in most sectors – with important gaps in terms of quality of services and goods delivered – and the situation has deteriorated in many areas in recent years. While each policy area has faced its own specific challenges, they have all experienced a difficult financial situation in recent years due to the country's fiscal situation and the squeezing of resources for non-salary recurrent expenditure and investments due to the dramatic increase in the public wage bill.

Box 4 Examples of challenges in the quality of public service delivery

In the Health sector, greater service availability (especially at primary health care level) has contributed to an increase in utilisation of services and patients are generally satisfied with the quality of healthcare, but most of the progress was actually made at the beginning of the evaluation period. The health sector has been facing a vulnerable financing situation in recent years, which was aggravated by the growing earmarking of external assistance. It is now very difficult for the MoH, the GHS and districts to find adequate resources – and get them in a timely manner – to finance public health (preventive and promotional) activities, and to ensure continuity in quality healthcare.

In the Education sector, there has been a heavy focus on access to the detriment of quality – as in most countries of the region. Teacher absenteeism, especially in rural areas, has remained important. Although some temporary improvements have occurred (e.g. in 2013), textbook-to-student ratios for English, Mathematics and Science subjects have not substantially improved, and even greatly declined between 2009 and 2012. The achievements in secondary education have been limited – for example, growth and net enrolment rates have only very slightly improved since 2008.

In the ENR sector, despite an expansion of activities, public action remains largely insufficient, given the scale of the needs and the evolving context. The implementation of actions in some areas (e.g. timber legality) dragged on, with few concrete outputs by the end of the evaluation period. Law enforcement efforts were often limited to one-off actions and the overall quality of services delivered has remained poor – mainly due to under-resourced units in the various agencies. The political economy of the sub-sectors was characterised by a strong system of political patronage, and a lack of transparency also seriously undermined the effectiveness of the regulatory mechanisms put in place.

In the Agriculture sector, despite some achievements, the implementation of the GoG-led programmes

¹¹⁰ The proportion of NHIS members in the total population rose from 18% in 2006 to 50% in 2009. Since many of them were not active, the indicator changed in 2010 to cover only active members. The indicator increased from 33% in 2010 to 38% in 2014 (10.3 million active members in 2014).

has been particularly weak. Extension services actually came to a virtual standstill in recent years, due to the country's fiscal crisis and changes in the institutional environment.¹¹¹

In the PSD sector, efforts at improving the competitiveness of the private sector have recorded limited progress during the evaluation period, and business environment has been affected by unreliable electricity supply and difficult access to affordable credit. Initiatives carried out have rather focused on small groups of economic agents, and were largely implemented in the context of donor-supported projects. The new GoG-led strategy (PSDS II), which was officially launched in 2012 (two years after its finalisation) never really took off.

In the Justice sector, court procedures continue to be subject to long delays and access to legal aid is inadequate with some prisoners spending years awaiting trial (21% of total prisoners in 2014). In addition, access to justice is constantly hampered by a geographic imbalance in court distribution that is concentrated in areas of high economic activity instead of in areas with high density of population.

In the area of Social protection, the LEAP programme has achieved some important results and its coverage was gradually expanded to reach almost 150,000 households in 2015. However, it was also characterised by irregular payments to the selected households, and it is unlikely that such a programme can be scaled up to reach the millions of poor in the country. There is also still a lack of a holistic approach to adequately assist vulnerable groups through an integrated set of interventions.

Moreover, the capacity of sub-national entities – whether they be local governments or decentralised units of sector institutions – to supervise and enhance service delivery at the local level has been seriously hampered by a lack of resources. It is important to highlight that the country's public sector has remained very centralised during the evaluation period with only a limited role played by local government in actual service delivery.¹¹² In some sectors, such as Health, there is evidence of improved collaboration between the main players involved in service delivery (local representations of the sector executive agency – GHS – and non-governmental service providers) at regional and district levels. However, inadequate and late transfers from the central level made it difficult for sub-national entities to fully assume their role. Moreover, local spending units could only partially rely on other sources of finances, such as internally-generated funds to cover basic operating costs. As explained under EQ5, while some aspects of local government capacity have improved, they have not benefited from substantial capacity-development efforts and, due to a lack of resources, local governments have played only a minor role in supervising service provision in most sectors.

Regional and socio-economic disparities have remained widespread although there have been some improvements over the long term. In some areas (e.g. nurse-to-population ratio) geographic inequities have improved, but in other areas (e.g. outpatient attendance) they have worsened (see also EQ7). More generally, the distribution and profile of trained teachers and health staff has continued to vary very significantly across districts and regions. Multiple obstacles still seriously impede adequate service provision in deprived areas. This is partially explained by the fact that initiatives to address hindering factors in deprived districts (e.g. infrastructure development, capitation grants for the poorest households, incentives for staff appointment) have remained limited or largely ineffective. Moreover, the quality of allocative decisions at local level has greatly suffered from political interference – for example selection of sites for school construction has sometimes been guided by the need to benefit targeted constituencies in the implementation of clientelist political strategies. Politicians have also often been incentivised to make investments in visible aspects of public services (e.g. in the Health sector, the bulk of public expenditure is concentrated in high-level health facilities) to the detriment of investment in the most needed types of facilities or the most in-need geographical areas. Finally, since the level of IGFs (e.g. user fees) varies across regions (and facilities), the fact that resources available for goods and services have increasingly come from IGFs in recent years has contributed to strengthening geographical disparities in terms of service provision in some sectors or sub-sectors (e.g. secondary education).

5.6.4 JC64. BS contribution

BS contribution to the strengthening of policy formulation

At national level, the mix of BS inputs (dialogue, funds and accompanying measures) has made clear contributions to the strengthening of the medium-term development policy frame-

¹¹¹ Extension services have been placed under the Ministry of Local Government and are now competing for resources with other services of higher priority to this ministry.

¹¹² For instance, in the Education and Health sector, the local assemblies were responsible for the provision of basic education, although central government retained control over the sector-strategic orientations and human resource management.

work. MDBS DPs paid a lot of attention to ensuring GoG's ownership of national policy processes. During the evaluation period, the development of the national policy framework did essentially rely on domestic processes. BS (especially GBS) still provided important inputs to the development of the policy framework. The MDBS framework offered a useful platform to maintain continuous exchanges between key national stakeholders (e.g. NDPC and MoF) and DPs, and this enriched the 'in-country' policy dialogue. The strengthening of the country's dialogue architecture, to which BS made clear contributions (see EQ2), allowed for issues stemming from the sector dialogue to be integrated into the national development policy framework. MDBS DPs financed detailed analytical work on key themes of the evolving context¹¹³, contributing to further enhancing national policy formulation. Finally, MDBS DPs' commitment to contribute to the financing of the implementation of the medium-term development plan reinforced GoG's inclination to engage in an ambitious programme of reforms in various policy areas.

BS contribution to policy formulation at sector level has been modest but not negligible. The results of the eSurvey carried out in this evaluation suggest an overall positive role of BS in strengthening the reform process at sector level. The interviews carried out and the in-depth sector analyses show a more nuanced picture. In some instances, BS did provide a few specific thematic inputs that were integrated in the formulation of sector policies.¹¹⁴ However, overall, policy processes at sector level remained largely domestically-driven. If BS's influence on the content of the policies was rather limited, there is ample evidence that BS did actually contribute quite substantially to strengthening the policy formulation process, including through the role BS dialogue played in enhancing sector dialogue (see EQ2). BS (GBS and SBS) has contributed to the development of a sector approach in various policy areas (ENR, Agriculture and decentralisation) and has helped sustain sector collaboration efforts in areas where a sector approach was already well-established (Health). In the ENR and Agriculture sectors, SBS and the substantial financial amounts it represented appear to have helped in strengthening sector stakeholders' efforts to make the case for greater attention being paid to their respective sectors at national level. In some areas (ENR), SBS funds also ensured the availability of discretionary resources for line ministries and sector agencies to expand mechanisms for sector collaboration. Finally, BS financial transfers and the use of conditionalities appear to have played a role in accelerating the pace of reforms in most policy areas, but this was mostly the case where there was already a strong buy-in by national stakeholders.

BS contribution to the strengthening of policy implementation

The effects of BS financial transfers on the level and composition of public spending (including at local level), which were already seriously hampered by the PFM system's important inefficiencies, have been further reduced by the country's deteriorating macroeconomic situation. It is not possible to assess exactly how much of the BS funds reached the local level, but there is ample evidence that, during the evaluation period, local spending units have suffered from late and partial releases (by MoF) of the funds planned in annual budgets (see also EQ4). More generally, weaknesses in planning at all levels of the public sector have hampered the adequate use of public resources (including BS funds) for policy implementation. In the second half of the evaluation period, the situation became worse, given the increasing fiscal pressure. After 2010, pro-poor expenditure and spending on public investment and recurrent costs were crowded out by the excessive increase in the wage bill and the high level of interest payments (see EQ3).

BS (GBS & SBS) funds have still contributed to some extent to the positive evolutions observed in terms of service delivery expansion. As noted in EQ2, BS has contributed to maintaining some level of discretionary resources for GoG in the first half of the evaluation period, and this helped in sustaining investment and expanding the public workforce in critical areas, such as in the social sectors. After 2008, SBS funds helped secure some resources for expenditure on goods and services. These discretionary resources (secured via ring-fencing by GoG) became more and more needed by sector stakeholders due to the increasing fiscal pressure related to the country's deteriorating macroeconomic situation after 2010. In the Health and ENR sectors, the reduction in SBS provision at the end of the evaluation period and the suspension of some SBS in 2013-2014 can be correlated with the non-implementation of planned sector activities (e.g. MAF activities in the Health sector) and reductions in expenditure on goods and services. This indicates an important role played by SBS funds in the implementation of the sectors' strategic framework.

¹¹³ E.g. the 2007 WB's Ghana Country Environmental Analysis, the 2009 WB 'Economy-Wide Impact of Oil Discovery in Ghana' study, and the 2012 PEFA.

¹¹⁴ Such contributions are clearly visible in the Health sector, where, for instance, greater attention has been paid to mental health in the sector's strategic framework after it has become one of DFID's SBS focus areas.

BS dialogue and accompanying measures have substantially contributed to improving the monitoring of policy implementation although important ‘black boxes’ still curtail DPs and GoG’s understanding of what is actually happening on the ground. In the Health and Agriculture sectors, although budget support was not the primary driver in setting up sector dialogue structures and creating the momentum for higher level of engagement, BS played a role in reinforcing the coordination and policy dialogue dynamics. In all sectors reviewed, BS DPs have been actively engaged in policy dialogue and provided direct contributions to the processes set up to annually review the sector’s performance (e.g. MDBS influence on the introduction of an annual ‘holistic assessment’ in the annual review process in the Health Sector). Sector case studies also highlight clear contributions of BS to the development of the Policy, Planning and M&E Divisions/Directorates capacities. There has also been a correlation between the collapse of the MDBS framework in 2013 and the decline in sector dialogue observed in recent years in sectors such as Agriculture and ENR. Moreover, several sector studies – such as public expenditure reviews provided by BS DPs – helped GoG and DPs to gain a better understanding of the challenges faced during policy implementation in terms of PFM systems, sector planning or management of service delivery. However, the depth of these studies was severely limited by the availability of data and its reliability. Although the main overall challenges are rather well identified, there is a poor understanding by DPs and, surprisingly, also by GoG officials of how public resources are actually spent at sector level. There is great opacity around the financing of service delivery at local level. As one DP representative put it: *“There is no way to know exactly how the money is spent by MDAs and it is not clear for anybody how it all adds up.”* Without BS contributions to strengthening sector dialogue, annual review processes and M&E, DPs and GoG would most probably have even less clarity on these issues. In the ENR sector, the implementation of the NREG programme benefited from regular ‘financial support missions’ financed by one of the SBS DPs during a few years. The aim was not to ‘audit’ the use of public funds or SBS, but to help in getting a better picture of how funds were utilised and to highlight good practices that could be strengthened or replicated. No other such positive experience was identified in other sectors.

In general, BS has not contributed to ensuring greater ‘follow-through’ by GoG of recommendations stemming from sector dialogue. In the Health sector, at the beginning of the evaluation period, there was a ‘critical mass’ of DPs – with converging views clearly aligned behind a common framework – that seem to have achieved some degree of positive influence on the quality of sector planning. Conversely, in recent years, it appears that the deterioration in the quality of sector dialogue and DPs’ increasing focus on their own priorities led to a situation where national sector stakeholders slackened their efforts in terms of sector planning. Quite logically, BS achieved the most in the areas and in the years where there was strong buy-in and ownership by high-ranking GoG officials and a strong level of convergence between DPs actions. In most sectors, while the main challenges faced at sector and national levels were well identified and well recognised by national decision-makers, BS dialogue did not manage to influence decision-makers to undertake the appropriate actions to address them. Similarly, at a broader level, while BS has had some influence on accelerating GoG decisions to kick-start some sector reforms, BS and related assessment frameworks had limited influence on the full implementation of these reforms – as illustrated by the delays and partial reforms in the PSD sector or in the PFM area. This led to a situation where many reforms remained ‘at the surface’. Given the complex political economy prevailing in most sectors, it is unlikely that a more stringent PAF would have achieved greater effects.

Accompanying measures contributed to some institutional strengthening at central level, but with little visible impact on overall public sector capacity. BS DPs provided a host of accompanying measures that helped in strengthening the capacities of numerous public institutions. In the Health sector, all critical institutions and strategic thematic areas in need of capacity strengthening have been covered by technical assistance or institutional building projects. In the Agriculture sector, Canada’s SBS was accompanied by technical assistance to MOFA, and, in the context of complementary projects, the WB provided technical support to the development of tools and systems, such as a new regulatory regime for seeds registration. In the ENR sector, DPs financed numerous training activities and the development of tools and systems, such as the Ghana Legality Assurance System in the area of timber export. However, these initiatives were often donor-driven and remained focused on very specific elements of institutional building. Wider efforts to improve public sector capacity (e.g. through improvement of the public sector’s incentives structures or the mainstreaming of performance management) were essentially domestically-led and received only limited inputs from BS DPs (mainly the WB and Canada). There have been some attempts to strengthen PFM at sector level (e.g. in the Health sector), but with few concrete results. As highlighted in EQ4, efforts to strengthen the PFM system supported by DPs at a broader level were not really successful, although some improvements have emerged in the area of local governance (see EQ5/JC53).

BS dialogue and accompanying measures have played a moderate role in strengthening accountability mechanisms. In the MDBS dialogue, DPs have focused a lot of attention on strengthening

ing the main national accountability institutions (e.g. Ghana Audit Service, CHRAJ, Public Accounts Committee of the Parliament). Specific triggers and targets were included in the MDBS PAF. Moreover, a few DPs provided some complementary institutional-building support targeted at these institutions. According to interviews with DPs and representative of these institutions, BS has contributed to a stronger role played by accountability institutions in national policy processes and, in particular, led to a notable increase in resources available to some of these institutions (e.g. CHRAJ). BS DPs have also supported a variety of CSOs at sector level (e.g. KASA in the ENR sector) and national level (e.g. STAR Ghana). These accompanying measures have made clear contributions to consolidating the participation of CSOs in national policy processes.

5.7 (Step 2) EQ7 - Health sector outcomes and main determinants

EQ7 – Health	To what extent, in the <u>Health sector</u>, have the development outcomes pursued through the national policy and related strategies and programmes of work supported by BS been (or are being) achieved? And what have been the determining factors in their achievement?
<p>Overall answer to the evaluation question</p> <p>Overall, the development outcomes pursued through the national policy and related strategies and programmes of work have been achieved in the Health sector. Over the evaluation period, indicators have shown a steady progress in increasing access to preventive, promotional and curative health services – and, consequently, in improving health outcomes. Although the sector is characterised by important regional and socio-economic inequities, some progress has been achieved in reducing inequities in healthcare utilisation and outcomes. However, much of the improvement was achieved in the first half of the evaluation period. In recent years, progress has slowed in many areas.</p> <p>The in-depth analysis carried out¹¹⁵ points to a number of specific policy factors that have contributed to the positive results achieved. In particular, expanded coverage of health services (expansion of the CHPS strategy, promotion of availability of nurses in disadvantaged regions) explain a substantial part of the evolution in sector outcomes. Moreover, results from our econometric analyses show that estimated effects of human resources on health results tend to be more pronounced in the poorest regions. Results from our benefit-incidence analysis show that despite the fact that socioeconomic inequities in the benefits of public health care have persisted, there has been a modest reduction in these disparities since 2006. NHIS coverage has also been expanded, and about two thirds of NHIS members now belong to exempt categories. This has had direct positive effects on enrollees' financial protection from impoverishment as a result of health hazards.</p>	

The analysis under this evaluation question is structured around four outcome areas:

1. Increased access to preventive, promotional and curative health services;
2. Reduction in inequities in healthcare utilisation and results;
3. Reduction in risk of impoverishment due to health hazards;
4. Improved health status of the Ghanaian population.

5.7.1 JC71. Increased access to preventive, promotional and curative health services

As detailed in the table below, health indicators have shown a steady progress in increasing access to and utilisation of health services during the evaluation period, extending the positive trends initiated in the late 1990s/early 2000s. However, progress has slowed in recent years and some indicators have even worsened.

¹¹⁵ The sector analysis in Volume 2b relies on a wide range of tools and methods including an econometric analysis, a benefit-incidence analysis, an in-depth documentary review, interviews and a focus group discussion. details on these tools are provided in Volume 3.

Table 4 Health outcome area 1 'Preventive, promotional and curative health services' - Progress in key indicators reviewed

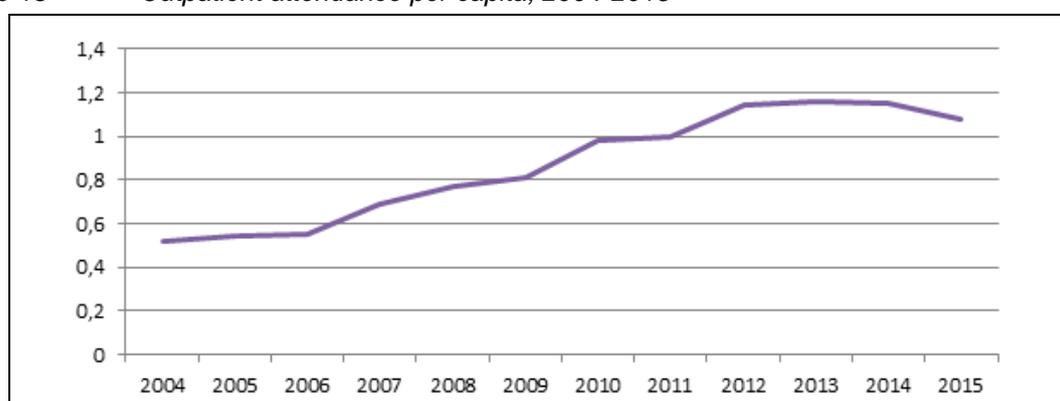
Indicator	Progress during the period	Score
Outpatient attendance per capita per annum	Doubling of outpatient attendance which, however, hides important regional disparities.	++
Skilled Delivery Rate	Substantial increase in skilled attendance at birth.	+++
Contraceptive prevalence	Slight increase in use of contraceptive methods but regional disparities remain important.	+
DPT3/Penta3 and measles Immunisation rates	Substantial increase in immunisation rates in the first half of the period but slight decrease in recent years.	++
Proportion of children and pregnant women sleeping under insecticide-treated net	Substantial increase in proportion of children and pregnant women sleeping under insecticide-treated net.	+++

Source: authors' own sector analysis (see full case study in Volume 2b).

Legend: "+++" = the situation has substantially improved; "++" = the situation has moderately improved; "+" = the situation has somewhat improved; "0" = no change observed or evolutions have been mixed (equally positive and negative); "-" = the situation has deteriorated.

As shown below, outpatient attendance per capita has doubled over the evaluation period, to reach 1.08 at national level in 2015. However, this hides important regional disparities: outpatient attendance per capita ranged between 1.76 in the Upper East to 0.72 in the Northern Region in 2015.

Figure 15 Outpatient attendance per capita, 2004-2015



Source: GHS Facts & Figures 2014; Draft Holistic Assessment of the PoW 2015

5.7.2 JC72. Reduction in inequities in healthcare utilisation and results

The health situation in Ghana has been characterised by significant inequalities, both at the geographical and socio-economic levels. Yet, some progress has been achieved in reducing inequities in healthcare utilisation and results during the evaluation period (see table below).

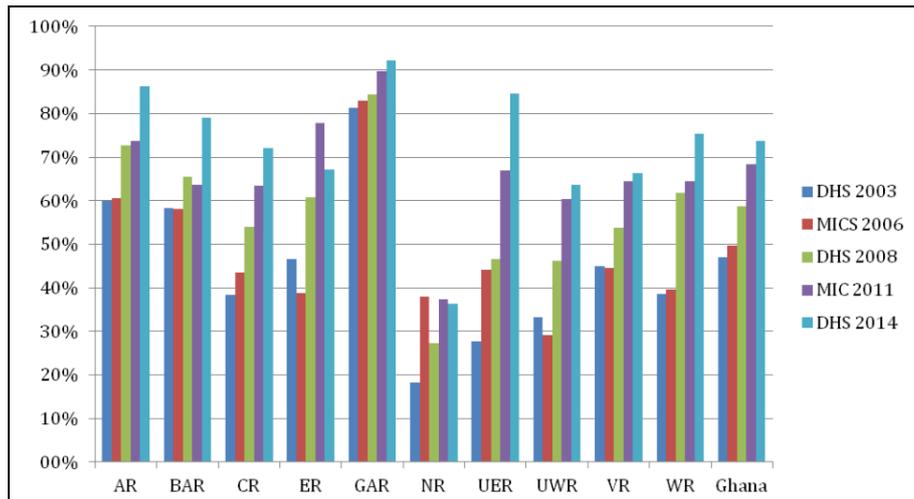
Table 5 Health outcome area 2 'Inequities in healthcare utilisation and results' - Progress in key indicators reviewed

Indicator	Progress during the period	Score
Reduction in regional disparities in key health outcomes	Mixed evolutions in regional disparities in key health outcomes: reduction with respect to supervised deliveries, but increase with respect to outpatient attendance.	0
Reduction in socio-economic inequities (wealth quintiles) in key health outcomes	Reduction of socio-economic inequities relative to wealth for a number of healthcare service utilisation and outcome indicators but not in all areas (e.g. status of NHIS active members).	+
Reduction in socio-economic inequities (mother's education) in key health outcomes	Overall reduction of socio-economic inequities relative to mother's education level.	+++

Source: authors' own sector analysis (see full case study in Volume 2b).

For instance, skilled delivery coverage (survey-based) has improved in all regions between 2003 and 2014, particularly in the worst-performing regions – see figure below.

Figure 16 Skilled delivery coverage by region (survey based)



Source: Holistic Assessment PoW 2014, based on DHS and MICS¹¹⁶

Furthermore, results from our benefit-incidence analysis show that, despite socioeconomic inequities in the benefits of public health care have persisted, disparities have been modestly reduced since 2006 (see Volume 3).

5.7.3 JC73. Reduction in risk of impoverishment due to health hazards

NHIS membership has increased, and about two thirds of NHIS members belong to exempt categories, with notably an increased number of indigents being covered. However, it is difficult to assess whether risk of impoverishment due to health hazards has decreased because despite a clear trend in increase of pre-financing (NHIS premiums), figures on the amount and share of out-of-pocket expenditure vary a lot from year to year as well as from source to source.

Table 6 Health outcome area 3 'Risk of impoverishment due to health hazards' - Progress in key indicators reviewed

Indicator	Progress during the period	Score
Out-of-pocket expenditure (cash-and-carry)	Out-of-pocket expenditure remains high in Ghana, ¹¹⁷ despite increase in NHIS coverage.	+
NHIS members in exempt categories	Steady increase in the proportion of NHIS members in exempt categories.	++

Source: authors own sector analysis (see full case study in Volume 2b).

5.7.4 JC74. Improved health status of the Ghanaian population

Overall, the health status of the Ghanaian population has substantially improved during the evaluation period and, when compared to other African countries with comparable level of development, Ghana does pretty well.

¹¹⁶ Demographic and Health Survey (DHS) and Multiple Indicator Cluster Survey (MICS).

¹¹⁷ However, figures vary from year to year and from source to source.

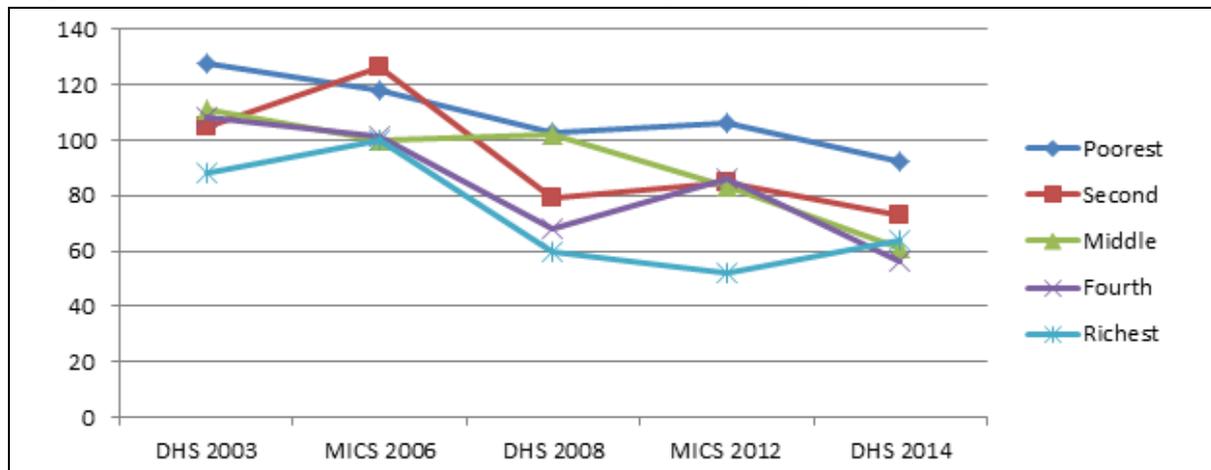
Table 7 Health outcome area 4 'Health status of the population' - Progress in key indicators reviewed

Indicator	Progress during the period	Score
Malaria prevalence	Substantial reduction of case fatality rate from malaria for children under-5, but important regional disparities persist in terms of prevalence.	+++
Proportion of children under 5 who are stunted	Important progress in the nutritional status of children over the period, and reduction in geographic and urban/rural disparities	+++
Neonatal, Infant and Under-five mortality rates	Substantial decrease of neonatal, infant and under-five mortality rates, particularly in the first years.	+++
Maternal mortality rate	Considerable decrease in institutional maternal mortality rate and substantial reduction in regional inequalities.	+++
Regional disparities in key high-level health outcomes	Substantial reduction in regional disparities in key high-level health outcomes (e.g. case fatality rate for malaria, infant mortality rate)	+++

Source: authors' own sector analysis (see full case study in Volume 2b).

As illustrated below, under-five mortality rate has been reduced for all wealth quintiles over the evaluation period. But socio-economic inequities were actually not reduced. The equity ratio (poorest / richest) fluctuated during the period. According to the data available, it increased from 1.45 in 2003 to 1.72 in 2008 and 2.04 MICS 2012 but came back to its initial level (1.44) in 2014.

Figure 17 Under-five mortality rate 2003-2014, per wealth quintile



Source: Holistic Assessment of the PoW 2012 based on DHS and MICS; DHS 2014.

5.7.5 Analysis of main determinants

Improvements in health outcomes correlate with increased utilisation of health services, which is largely explained by policy factors (increased supply/coverage of health services, specific programmes, financial protection through NHIS and a number of exempted public health services) and non-policy factors (economic growth). The increased utilisation of outpatient services in all the regions can be related to the improved access ensured by NHIS, as well as to improved coverage of health services (infrastructures, staff).

In particular, our econometric analyses show clearly that there are statistically significant effects of increased numbers of health staff on improved service delivery outputs:

- There are significant effects of community health and enrolled nurses on health service utilisation rates (outpatient attendance and hospital admission rates).¹¹⁸
- The results for selected service delivery outputs in Maternal and Child Health also provide strong evidence that they can be improved through additional doctors and nurses.
- The positive effects of health staff on immunisation coverage are statistically very significant, robust and (at least for nurses) of large size.¹¹⁹

¹¹⁸ For instance, results suggest that a 10% increase in community health nurses per 100,000 inhabitants raised outpatient attendance by 0.5-1% and hospitals admission rates by 1.5% from their respective sample means.

¹¹⁹ A 10% increase in community health nurses per 100,000 inhabitants would reduce the number of non-vaccinated children by one-fifth from the existing levels.

However, consistent health system strengthening has also lagged behind (for example, in terms of implementing a coherent human resources development and motivation policy, and improving health sector governance and financing). This may explain some of the slower progress observed in recent years.

The effect of NHIS on enrollees' financial protection is mostly positive, as testified by a number of studies. Main determining factors for increased NHIS coverage are definitively policy-linked, since its expansion is a political commitment of the government backed by special earmarked tax dedicated to contributing to its financing.

In terms of reduction in inequities, expansion of the CHPS strategy, promotion of availability of nurses in disadvantaged regions, disease control programmes and reduction of financial barriers to healthcare (e.g. the initiative managed by NHIS to improve attended deliveries through free maternal healthcare) are clearly policy factors that have contributed to the observed positive evolutions in the health outcomes. Results from our econometric analyses show that estimated effects of human resources on health results tend to be more pronounced in the poorest districts. This suggests that health staff were particularly effective in providing access to primary health care for the hardest-to-reach children in the poorest areas. Results from our Benefit-Incidence Analysis (BIA) also show that there has been a modest reduction in these disparities since 2006, concentrated among users of district hospitals.

However, non-policy factors (economic growth) are also likely to explain a large part of the evolutions in socio-economic inequities and regional disparities in some outcome areas (e.g. in outpatient attendance). Indeed, our BIA confirms that wealthier individuals attend health facilities more often than the poor. In terms of gender inequities, the development and implementation of a specific gender equality policy for the health sector has also contributed to the positive evolutions observed.

As for the policy impact on the health status of the population, the impacts of human resources on higher-level Maternal and Child Health outcomes are less well established. There is some evidence suggesting that human resources has also improved specific Maternal and Child Health outcomes – in particular, reduction of maternal and child mortality rates.

Finally, it should be noted that the increase in DPs support to specific disease control programmes has also helped to improve health services' performance in some areas (especially, the fight against malaria and immunisation). The expansion of CHPS – which has been a key priority in the health sector in recent years, and has been supported through SBS – has also been instrumental in achieving progress in primary healthcare service delivery.

Table 8 Step 2 synthesis table - Health sector

<i>GoG policies/strategies (Induced outputs) which contributed to...</i>	<i>Degree of influence</i>	<i>Development outcomes</i>	<i>Degree of influence</i>	<i>Other factors</i>
NHIS (incl. free services)	<i>Strong</i>	Considerable increase in access to preventive, promotional and curative health services	Beneficial factors	
HSMTDP objective 1 ¹²⁰ (incl. MAF and CHPS programme)	<i>Moderate</i>		<i>Moderate</i>	Increase in private health sector coverage
Other health specific programmes (e.g. malaria, immunisation)	<i>Low</i>		Hindering factors	
			<i>Strong</i>	Difficulties in enrolling the poorest quintile in NHIS
			<i>Strong</i>	Weak rural infrastructure
<i>Moderate</i>	Socio-cultural barriers			
NHIS (incl. free services)	<i>Strong</i>	Sensible reduction in inequities in healthcare utilisation and results but persisting regional disparities	Beneficial factors	
HSMTDP objective 1 (incl. MAF and CHPS programme)	<i>Moderate</i>		<i>Moderate</i>	Increase in private health sector coverage
Other health specific programmes (e.g. malaria, immunisation)	<i>Low</i>		Hindering factors	
			<i>Moderate</i>	Gender policy
			<i>Strong</i>	Insufficient quality of healthcare
<i>Strong</i>	Socio-cultural barriers			
NHIS (incl. free services)	<i>Strong</i>	Risk of impoverishment due to health hazards somewhat reduced	Beneficial factors	
HSMTDP objective 1 (incl. MAF and CHPS programme)	<i>Low</i>		<i>Moderate</i>	Economic growth
Other health specific programmes (e.g. malaria, immunisation)	<i>Low</i>		Hindering factors	
			<i>Strong</i>	Difficulties in enrolling the poorest quintile in NHIS
			<i>Moderate</i>	Insufficient quality of health services in some areas
<i>Moderate</i>	Non application of the full NHIS package in some facilities (remaining costs)			
NHIS (incl. free services)	<i>Strong</i>	Notable improvements in the health status of the population	Beneficial factors	
HSMTDP objective 1 (incl. MAF and CHPS programme)	<i>Moderate</i>		<i>Strong</i>	Economic growth
			<i>Strong</i>	Progress in other development sectors (education, water & sanitation)
			<i>Moderate</i>	Increase in private health sector coverage
Other health specific programmes (e.g. malaria, immunisation)	<i>Strong</i>		Hindering factors	
		<i>Moderate</i>	Socio-cultural barriers	

¹²⁰objective 1 "Bridge the equity gaps in geographical access to health services".

5.7.6 BS contribution to the main policy factors

The table below provides an overview of the level of contribution BS inputs (funds, dialogue and accompanying measures – including TA) to the main policy factors identified above. Further details are provided in the in-depth sector analysis (Step 1 part) presented in Volume 2b.

Table 9 Step 1 synthesis table - Health sector

BS inputs	GoG policies/strategies (Induced outputs)	Other factors
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Strong • Acc. measures: Strong 	<p>HSMTDP (some progress in achieving objective 1 “Bridge the equity gaps in geographical access to health services”, incl. MAF and CHPS programme)</p>	<p>Beneficial factors: Domestic political support (<i>Strong</i>); Earmarked financial and technical support (<i>Strong</i>).</p> <p>Hindering factors: Lack of coordination between DPs and with CHAG (<i>Strong</i>).</p>
<p>(This area was not a strong focus of BS operations)</p> <ul style="list-style-type: none"> • Financial inputs: Absent • Dialogue: Moderate • Acc. measures: Moderate 	<p>NHIS (coverage expansion and refinement of policy)</p>	<p>Beneficial factors: Domestic political support (<i>Strong</i>); NHI Levy (<i>Strong</i>); National consultants & international exchanges. (<i>Strong</i>); TA from non-BS donors (<i>Moderate</i>)</p> <p>Hindering factors: Internal design issues (<i>Strong</i>); Abuses from clients (<i>Strong</i>).</p>
<p>(This area was not a focus of BS operations)</p>	<p>Other specific health programmes (e.g. implementation of immunisation campaigns or malaria-related programmes)</p>	<p>Beneficial factors: DPs earmarked / project support (<i>Strong</i>).</p> <p>Hindering factors: Lack of domestic financing (<i>Strong</i>); Suspension of EU’s MHSP funding in 2013-2014 (<i>Moderate</i>).</p>

Contribution scale: Strong, Moderate, Weak, Absent.

More generally:

- Building on the successful SWAp experience implemented in the sector since the 1990s, BS dialogue and accompanying measures have had positive effects on strengthening the quality of the sector’s strategic framework and the capacities of key stakeholders (including MoH and “private” actors such as CHAG). This contributed to the overall positive implementation of the HSMTDP. The development of the NHIS has been the result of a strong domestic process but still benefited from some DPs BS contributions – including useful sharing of experience with other countries and a strong backing through active dialogue during the introduction of the scheme.
- BS financial transfers have also, at least moderately, contributed to the implementation of the sector strategies. GBS funds are very likely to have contributed to the increase in government expenditure on health and the related expansion in health service coverage (especially increased availability of health personnel) until 2012, and SBS “ring-fenced” funds have proved to be a badly-needed source of funding for discretionary spending in recent years, especially for goods and services. At a broader level, it should be noted that the overall increase in public health expenditure has undoubtedly largely benefited from the new funding sources for the national health insurance system (NHIS) to which, as indicated above, the BS DPs have somewhat contributed through active policy dialogue and some technical support.
- However, the quality of dialogue and the level of harmonisation and coordination efforts in the sector have been declining in recent years, increasingly limiting BS effects on policy implementation.

5.8 (Step 2) EQ8 - ENR sector outcomes and main determinants

EQ8 – ENR	To what extent, in the <u>Environment and Natural Resources sector</u>, have the development outcomes pursued through the policies and programmes supported by BS been (or are being) achieved? And what have been the determining factors in their achievement?
<p>Overall answer to the evaluation question</p> <p>Overall, Ghana has witnessed a continued degradation of the environment over the evaluation period. In the mining sector, the increase in illegal Artisanal Small-Scale Mining (ASM) and its transformation to a highly-mechanised activity has been the most important development. As a consequence, conflicts related to mining increased and the environmental impact of mining worsened considerably. In the forestry sector, the resource base has dwindled and most high value timber species have already been cut down, but the forest cover has slightly expanded, partly due to an increase in plantations.</p> <p>The government undertook efforts to counter environmental degradation and expanded the scope of its actions. However, enforcement in the mining sector remains a key issue that has only temporarily been addressed. More generally, increased population and lack of employment alternatives put pressure on forest resources through agricultural expansion and drive people into illegal forestry and especially mining activities – the latter being exacerbated by increasing gold prices. Also, the political economy surrounding the sector has made the implementation of certain reforms difficult and limits the welfare effects generated by the extraction and use of the natural resources.</p>	

The analysis under this evaluation question is structured around three outcome areas:

1. Improved compliance in the forestry and mining sectors;
2. Improved socio-economic impact of mining and forestry;
3. Reduced negative environmental impact of mining and forestry.

5.8.1 JC81. Improved compliance in the forestry and mining sectors

As indicated in the table below, there has been some progress related to legality in the forestry sub-sector and with regards to compliance of manufacturing and large-scale mining companies as evidenced by the AKOBEN monitoring system. However, these advances were somewhat overshadowed by the strong increase in illegal small-scale mining operations in the country.

Table 10 ENR outcome area 1 'Compliance in the forestry and mining sectors' - Progress in key indicators reviewed

Indicator	Progress during the period	Score
Incidence of illegal small-scale mining	Strong increase and change of nature of illegal ASM, despite temporary improvements in enforcement in 2013 and 2014.	-
Number of companies roped into the AKOBEN and evolution of companies' rating	Clear increase in the number of companies roped into the AKOBEN and improvement in companies' rating, but usefulness of the tool constrained by delays in publication of assessments.	+
Percentage of timber from legal sources (both for domestic market and exports)	Slight increase of the level of timber from legal sources.	+

Source: authors' own sector analysis (see full case study in Volume 2b).

Legend: "+++" = the situation has substantially improved; "++" = the situation has moderately improved; "+" = the situation has somewhat improved; "0" = no change observed or evolutions have been mixed (equally positive and negative); "-" = the situation has deteriorated.

Artisanal small-scale mining (ASM) in Ghana underwent a large transition in recent years. For a long time, it used to be characterised by the employment of simple tools and a low level of technology. Nowadays, it features the deployment of heavy machinery, a development that is associated with the influx of a large number of foreign illegal miners.

5.8.2 JC82. Improved socio-economic impact of mining and forestry

The evolutions of the socio-economic impact of mining and forestry are mixed. While there has been some progress in the area of revenue collection, conflicts (especially related to mining) have also increased (see table below).

Table 11 ENR outcome area 2 'Socio-economic impact of mining and forestry' - Progress in key indicators reviewed

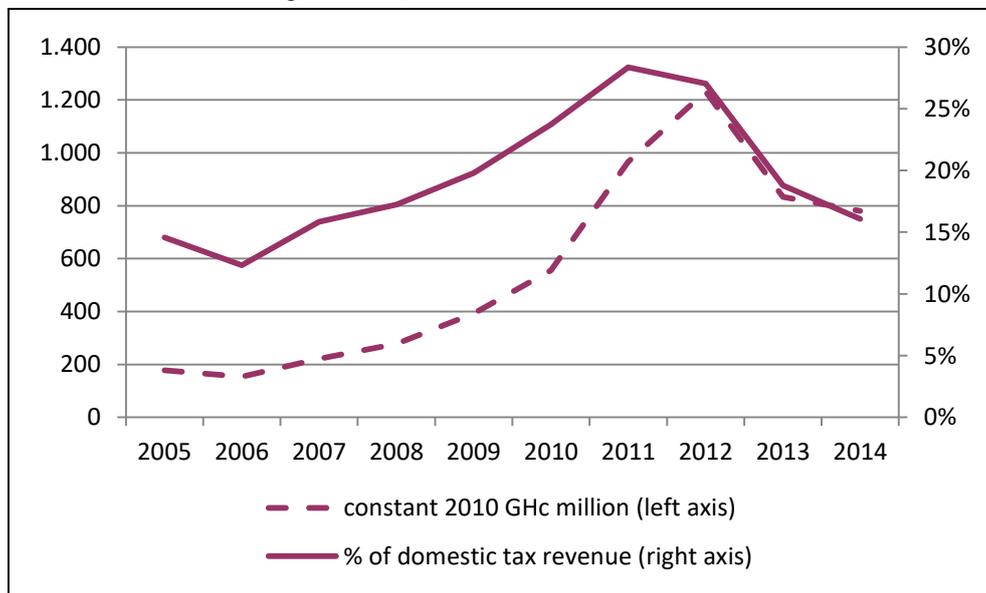
Indicator	Progress during the period	Score
Trends in number of conflicts related to mining	Overall, worsening of conflicts related to mining because of the changing nature of ASM.	-
Trends in number of conflicts related to forestry	Reduced tensions between companies, the government and the communities, but increased conflicts with miners in forest zones.	0
Revenue collected from mining sector	Strong increase in mining revenue, but low share going to mining communities.	+
Revenue collected from forestry sector	Improved collection of forestry royalties.	+

Source: authors' own sector analysis (see full case study in Volume 2b).

Legend: "+++" = the situation has substantially improved; "++" = the situation has moderately improved; "+" = the situation has somewhat improved; "0" = no change observed or evolutions have been mixed (equally positive and negative); "-" = the situation has deteriorated.

The figure below shows the trends in mining revenue collection between 2005 and 2014. Revenue collection strongly increased between 2005 and 2012 – both in constant GHc and in share of domestic revenue – but have decreased since due to a fall in the gold price.

Figure 18 Trends in mining revenue, 2005-2014



Source: GHEITI and WB

5.8.3 JC83. Reduced negative environmental impact of mining and forestry

The reviewed indicators point to a degradation of the environment in Ghana with regards to forests, biodiversity and water quality (see table below).

Table 12 ENR outcome area 3 'Environmental impact of mining and forestry' - Progress in key indicators reviewed

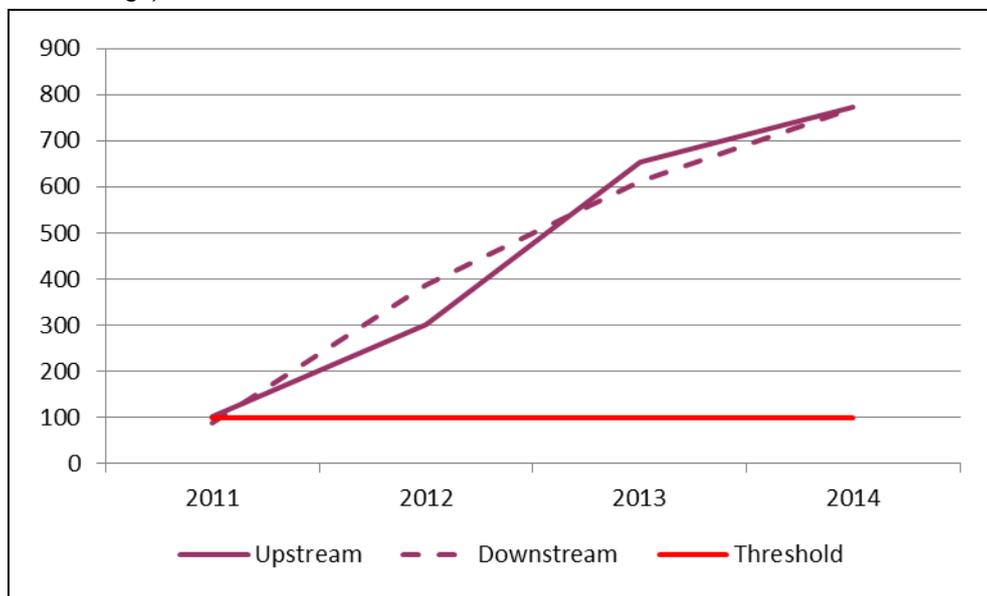
Indicator	Progress during the period	Score
Forest cover (in % of total land area)	Slightly increased forest coverage but continued forest degradation.	-
Biodiversity (e.g. presence of keystone species in protected areas)	Decrease in biodiversity both in flora and fauna.	-
Trends in water pollution	Strong deterioration in water quality.	-

Source: authors' own sector analysis (see full case study in Volume 2b).

Legend: "+++" = the situation has substantially improved; "++" = the situation has moderately improved; "+" = the situation has somewhat improved; "0" = no change observed or evolutions have been mixed (equally positive and negative); "-" = the situation has deteriorated.

The quality of water in Ghana has significantly deteriorated, particularly in mining areas. The Ankobra river in Western Ghana is one striking example of that. The figure below shows the concentration of Total Suspended Solids (TSS), which is a measurement of turbidity, in the Ankobra river between 2011 and 2014. While in 2010 TSS values were still under 100mg/l, the threshold defined by Ghana Raw Water Criteria and Guidelines, they have exceeded that number by almost 700% in 2014, rendering the water unusable for domestic, irrigation, or fishing purposes.

Figure 19 Yearly mean TSS concentration upstream and downstream of the Ankobra river (in mg/l)



Source: Particip, based on data from WRC (2014)

5.8.4 Analysis of main determinants

In the mining sector, the decrease in compliance and the increase in conflicts and negative environmental impacts are strongly linked to the rise and transformation of illegal ASM activities. The government has attempted to address this problem by: i) facilitating the regularisation of illegal operators; ii) providing alternative sources of income; iii) increasing enforcement. However, these efforts did not prove to be sufficient, with enforcement being the weak link – apart from a short period during which a specific task force was deployed.

In the forestry sector, government actions – especially the plantation scheme – have contributed to a small extension in forest cover, but the quality of the forests has further degraded. While illegal operators remain a concern, the government's enforcement efforts have been more sustainable than in the mining sector. The increase in the collection of stumpage fees has led to a rise in revenues, shared with local communities. However, the political economy of the sector has acted as counter to transparency measures and has prohibited a stronger contribution from the forestry sector to development.

Overall, the lack of employment alternatives pushes people into illegal mining and forestry activities to sustain their livelihoods. While dwindling forest resources mean that engaging in illegal forestry has become somewhat less attractive, as the most valuable trees have already been cut down, the increase in the price of gold has played an important role in the rise of illegal ASM.

Finally, civil society plays a positive role in the environment and natural resources sector in Ghana by increasing transparency and lobbying for a fair allocation of the revenues from the extraction of natural resources. Their role could have been further strengthened by involving them more actively in monitoring schemes such as the AKOBEN.

Table 13 Step 2 synthesis table - Environment and natural resources sector

GoG policies/strategies (Induced outputs) which contributed to...	Degree of influence	Development outcomes	Degree of influence	Other factors
Enforcement actions (Rapid Response Units - RRUs in forestry, mining task force)	Moderate	Some improvements in compliance in the forestry and mining sectors	Beneficial factors	
(Forestry) Ghana Legality Assurance	Moderate		Moderate	Role of civil society
(EPA) AKOBEN and EPA awareness activities	Low		Hindering factors	
(Mining) Support to alternative sources of income / regularisation of illegal operators	Low		Strong	Increase in gold prices
			Moderate	Political economy and vested interests
			Moderate	Increased population pressure and lack of employment
			Moderate	Role of traditional authorities
(Forestry & mining) GoG actions to increase revenue collection	Strong	Mixed results in terms of the socio-economic impact of mining and forestry	Beneficial factors	
(Mining) Support to alternative sources of income / regularisation of illegal operators	Low		Moderate	Role of civil society
Enforcement actions (RRUs in forestry, mining task force)	Low		Hindering factors	
			Strong	Political economy and vested interests
		Moderate	Dwindling forest resources	
		Moderate	Lack of transparency and accountability with regards to mining revenue for communities	
Enforcement actions (RRUs in forestry, mining task force)	Low	Continuous negative environmental impact of mining and forestry	Beneficial factors	
(Forestry) Management of protected areas and Plantation programme	Low		Moderate	Role of civil society
(Mining) Support to alternative sources of income / regularisation of illegal operators	Low		Hindering factors	
			Strong	Agricultural expansion
		Strong	Increase in illegal mining activities	
		Moderate	Increased population pressure and lack of employment	

5.8.5 BS contribution to the main policy factors

The table below provides an overview of the level of contribution BS inputs (funds, dialogue and accompanying measures – including TA) to the main policy factors identified above. Further details are provided in the in-depth sector analysis (Step 1 part) presented in Volume 2b.

Table 14 Step 1 synthesis table - Environment and natural resources sector

BS inputs	GoG policies/strategies (Induced outputs)	Other factors
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Moderate • Acc. measures: Weak 	(Forestry) Management of protected areas (slight increase in capacity to cover protected areas and support implementation of management plans) and Plantation programme (notable increase in plantation areas)	<p>Beneficial factors: Involvement of non SBS DPs (Moderate).</p> <p>Hindering factors: Lack of incentives for public/civil service (Moderate).</p>
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Moderate • Acc. measures: Moderate 	(Forestry & mining) GoG enforcement actions , including RRUs in forestry and mining task force (slight increase in actions carried out)	<p>Beneficial factors: Role of the media: (Strong).</p> <p>Hindering factors: Political economy and vested interests (Strong); Weak political backing (Strong); Lack of incentives for public/civil service (Moderate).</p>
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Strong • Acc. measures: Weak 	(Forestry) Ghana Legality Assurance (system developed but not yet rolled out)	<p>Beneficial factors: Political dialogue in the context of EU-Ghana relations such as around FLEGT (Strong); Role of CSOs (Moderate).</p> <p>Hindering factors: Political economy and vested interests (Strong).</p>
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Moderate • Acc. measures: Moderate 	(Mining) Support to alternative sources of income and regularisation of illegal operators (interventions slightly strengthened)	<p>Beneficial factors: Role of the media (Moderate).</p> <p>Hindering factors: Fragmented institutional framework (Moderate).</p>
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Strong • Acc. measures: Weak 	(Forestry & mining) GoG actions to increase revenue (increased royalty rates in mining and significantly improved revenue collection in mining and forestry)	<p>Beneficial factors: Increase in gold prices (Strong); International initiatives such as EITI (Moderate).</p> <p>Hindering factors: Weak PFM (Moderate); Political economy and vested interests (Moderate).</p>
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Moderate • Acc. measures: Weak 	(EPA) AKOBEN and EPA awareness activities (significant increase in coverage and scope)	<p>Beneficial factors: Role of CSOs (Strong); Openness from industry towards environment monitoring (Moderate).</p> <p>Hindering factors: Fragmented institutional framework (Moderate).</p>

Contribution scale: Strong, Moderate, Weak, Absent.

In brief:

- The combination of BS dialogue and quite substantial SBS funds has contributed to strengthening the sector's policy and legal framework and to the expansion of public actions in various areas such as the management of protected areas and enforcement actions in forestry and mining sub-sectors – although these actions remained limited in size and time compared to the scale of the needs. A number of factors related to the particular political economy of the sector have also seriously hampered the effects of BS.
- In terms of accompanying measures, DPs have financed some training activities and have technically supported the development of tools and systems (e.g. the Ghana Legality Assurance System in the area of timber export). However, the actual effects of BS accompanying measures have remained modest in terms of institutional strengthening. It should also be underlined here that the actions supported remained limited in size and time compared to the scale of the needs. The measures targeting CSOs have had more visible effects.

5.9 (Step 2) EQ9 - Agriculture sector outcomes and main determinants

EQ9 – Agri-culture	To what extent, in the <u>Agriculture sector</u>, have the development outcomes pursued through the policies and programmes supported by BS been (or are being) achieved? And what have been the determining factors in their achievement?
<p>Overall answer to the evaluation question</p> <p>Performance of the agriculture sector during the evaluation period has been variable, with a sharp decline in recent years. The share of agriculture as a percentage of GDP and of national employment has declined, while real growth in the sector has lagged in comparison with other sectors. Production of key crops has been variable, and post-harvest losses are high. Yields of most major staples have remained relatively flat, with a large gap between actual and potential yields. Marine fisheries production has also declined.</p> <p>MOFA has introduced various policy reforms, which have had only a moderately positive influence on the sector outcomes. Legislation and policies have been passed with the intent of enhancing the availability and use of improved seed varieties, but with limited results. The fertiliser subsidy programme which was introduced to bring down costs and encourage greater use, has contributed to some extent to a small increase in the use of fertilisers. However, many weaknesses in policy implementation have limited the effects of GoG actions in this area, and the use of fertilisers has remained very low. While policy changes in the irrigation sector have resulted in an increase in the management of irrigation schemes by water user associations, most schemes are not fully utilised, and there has been minimal expansion of area brought under irrigation. Moreover, extension services have remained limited and are a key bottleneck to the dissemination of productivity-enhancing technologies. In general, increases in production of major crops have been largely attributed to area expansion, rather than to productivity improvements.</p> <p>Other factors have also influenced the evolutions in the sector. Critical infrastructure such as rural roads has been lacking. Agriculture credit, land tenure and other factors have constrained private sector investment in the sector. The national average rainfall has shown a declining trend from 2008 to 2015. Rainfall distribution is also unfavourable, with some regions experiencing heavy rainfall and flooding, while others experience dry spells and only sporadic rains. Climate change has intensified droughts and floods recently.</p> <p>Finally, environmental conditions for fish production have been favourable, but have been offset by illegal fisheries activities. Several policy and regulatory reforms have been instituted to improve governance in the fisheries subsector, but implementation and enforcement remains a challenge.</p>	

The analysis under this evaluation question is structured around four outcome areas:

1. Increased access and use of productivity enhancing technology in the crop sub-sector;
2. Increased access to productivity enhancing infrastructure (irrigation) in the crop sub-sector;
3. Improved management of fisheries resources;
4. Overall improved production and productivity in the agriculture sector.

5.9.1 JC91. Improved access and use of productivity enhancing technology

The use of agro inputs in Ghana is low. As detailed in the table below, there has been a slight increase in the use of fertilisers over the evaluation period, but it is still low by international standards and the production of certified seeds has actually declined.

Table 15 Agriculture outcome area 1 'access to productivity enhancing technology' - Progress in key indicators reviewed

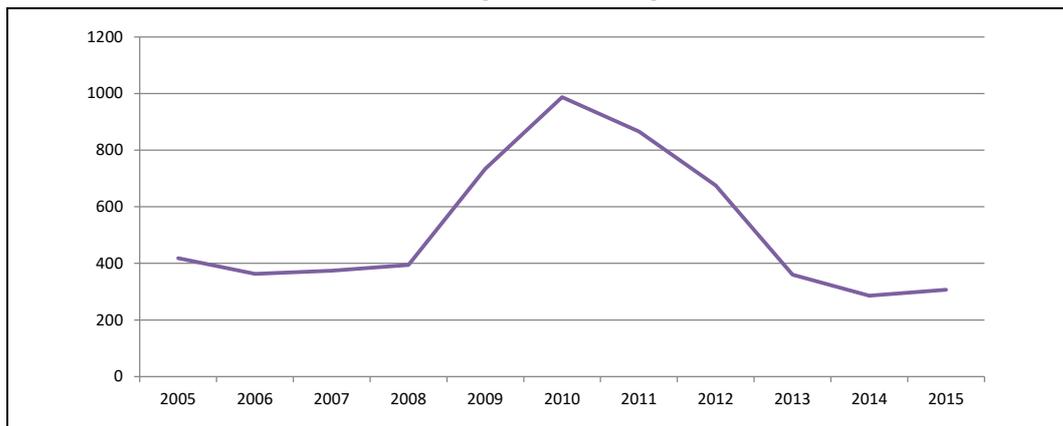
<i>Indicator</i>	<i>Progress during the period</i>	<i>Score</i>
Access to fertiliser	Slight improvement (according to available data) but use of fertilisers remained very low.	+
Availability of improved seeds	Decline in certified seed production of major crops staples and number of registered seed growers, especially in recent years.	-

Source: authors' own sector analysis (see full case study in Volume 2b).

Legend: "+++" = the situation has substantially improved; "++" = the situation has moderately improved; "+" = the situation has somewhat improved; "0" = no change observed or evolutions have been mixed (equally positive and negative); "-" = the situation has deteriorated.

Figure 20 shows how the number of registered seed growers has declined in recent years.

Figure 20 Evolution in the number of registered seed growers



Source: GSID, Annual Reports 2009, 2015.

5.9.2 JC92. Improved access to productivity enhancing infrastructure (Irrigation)

As indicated in the table below, there has been marginal growth in the area cultivated under irrigation but land use efficiency ratios have remained low.

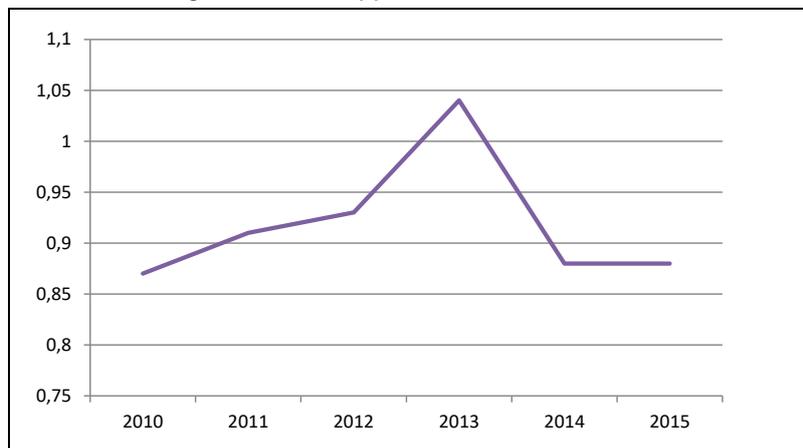
Table 16 Agriculture outcome area 2 'access to productivity enhancing infrastructure' - Progress in key indicators reviewed

Indicator	Progress during the period	Score
Area of Irrigated Land	Marginal growth in the area developed for irrigation	+
Land Use Efficiency	Overall, no improvement in land intensification ratios and land use efficiency remained low.	0

Source: authors' own sector analysis (see full case study in Volume 2b).

For instance, according to the data available, land intensification has improved in 2012 and 2013 but then dropped to come back to its initial levels, which suggests limited overall improvements.

Figure 21 Total formal irrigated area cropped



Source: Ghana Irrigation Development Authority.

5.9.3 JC93. Improved management of fisheries resources

According to the data available, total marine fish production has declined between 2008 and 2015. An independent audit is ongoing to assess the exact number of active/licensed vessels but, according to the evidence gathered, it seems that there was no significant increase in the size of the licensed fishing fleet. During the evaluation period, the Gulf of Guinea has been identified as an endemic Illegal, Unreported and Unregulated (IUU) fishing area and, at least until recently (2013), Ghanaian commercial tuna vessels were implicated in IUU activities.

Table 17 Agriculture outcome area 3 'management of fisheries resources' - Progress in key indicators reviewed

Indicator	Progress during the period	Score
Size of licensed fishing fleet	No substantial increase (according to the evidence available).	0
New licences issued for industrial and semi industrial vessels	N/A	n/a

Source: authors own sector analysis (see full case study in Volume 2b).

5.9.4 JC94. Overall improved production and productivity in the agriculture sector

The rate of growth of the agriculture sector during the evaluation period has declined with a significant decrease in the recent years. Production of key crops over the period has been variable, with increases for some crops but decreases or fluctuation for others. Increases in production are largely due to area expansion rather than productivity improvements. Yields have remained relatively flat for most crops, with large gaps between actual and potential yields. The use of agro-inputs among smallholders is low, there is limited access to irrigation and other key services such as mechanisation. Post-harvest losses are high.

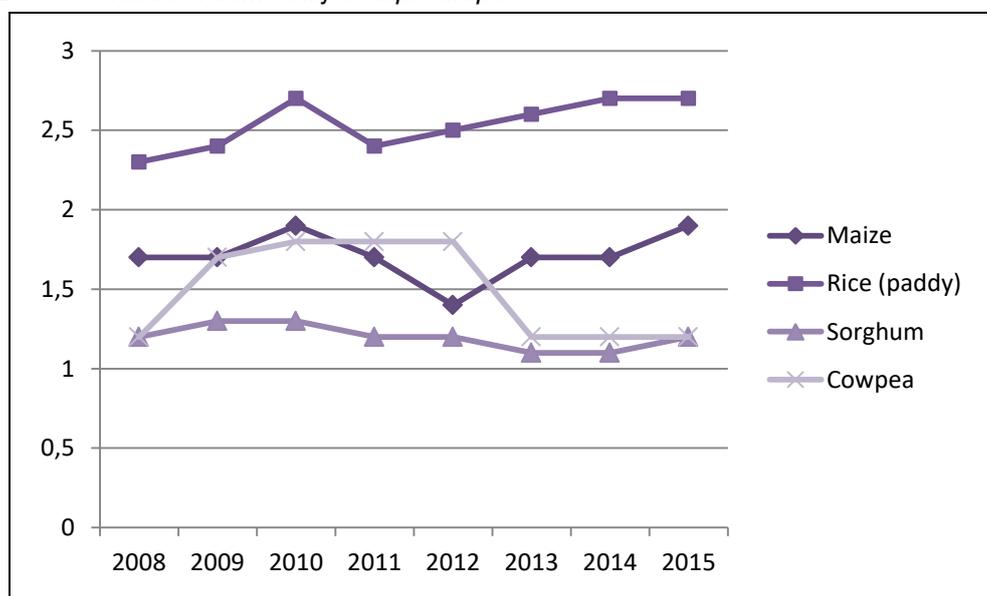
Table 18 Agriculture outcome area 4 'overall production and productivity' - Progress in key indicators reviewed

Indicator	Progress during the period	Score
Actual yields compared to achievable yields of selected crops	Yields have been relatively flat, with a large gap between actual and potential achievable yields.	0
Production of selected staple crops	Increase for some crops (rice, cassava, yam) but fluctuations (maize, cowpea) or decrease (sorghum) for other crops.	0
GDP growth by sector	Growth rates in the agriculture sub-sectors (excluding cocoa) have shown a declining trend with a marked decline in 2015.	-

Source: authors' own sector analysis (see full case study in Volume 2b).

While some improvements in the yields of some crops (e.g. cassava, yam) can be observed, the yields of other major staple crops have not substantially improved during the period (see figure below).

Figure 22 Yields of some major staple crops



Source: Ghana Agriculture Facts and Figures.

5.9.5 Analysis of main determinants

Production and productivity are impacted by the main determinants of fertilisers, seeds and irrigation, as noted above. In addition, the government has developed four key programmes in the agriculture sector to provide support services to farmers (Fertilizer Subsidy Program, Agriculture Mechanization Centres, Youth Block Farms, and a National Buffer Stock Company), but all suffer from inefficiencies that have limited their effectiveness.

A number of policies have been implemented to improve the use of agricultural inputs (fertilisers and seeds). A fertiliser subsidy programme was introduced in 2008, in response to the global food price crisis. The programme has reduced the cost of fertilisers and has led to an increase in use compared with pre-subsidy levels. However, a host of issues constrain the effectiveness of the programme (see detailed case study in volume 2b). The government introduced several policy changes aimed at encouraging greater private sector involvement in the seed sector and regulating the quality of inputs, but effective implementation of the new policies has been problematic. The low use of, and access to, inputs is also affected by non-policy factors – notably, costs and limited liquidity. Even with the fertiliser subsidy, the cost of fertilisers remains high, and the lack of access to seasonal agriculture credit limits the ability of farmers to purchase inputs.

Policy changes in the irrigation sector have resulted in an increase in the management of irrigation schemes by water user associations, but most schemes are not fully utilised, and there has been minimal expansion of area brought under irrigation. Extension services are limited, and have come to a virtual standstill in recent years. Limited availability of credit, lack of clarity on land ownership, lack of transparency from the government in sharing policy and strategies, and inconsistent enforcement of regulations constrain private sector investment in the sector. Soil fertility is low, and the effectiveness of fertiliser use is limited by a number of factors – including the lack of access to improved seed varieties. Lack of co-ordination across ministries also limits important synergies that could improve rural roads. Rainfall is erratic. The national average rainfall has shown a declining trend from 2008 to 2015, and dry periods have been increasing in duration. The volume and distribution is mixed across regions. Northern regions experience only one rainy period and are prone to drought. Other regions typically experience heavy rains and flooding, followed by sporadic rains and dry spells. Climate change has intensified drought and flooding throughout the country. Land tenure uncertainty is an impediment to long-term investment in the sector. Leaseholds are common in many areas, but farmers are not guaranteed to keep the same plot to farm from one year to the next. Disputes and protracted legal battles over land claims, compounded by the lack of easily searchable titles, are a deterrent to private sector investment in land acquisition.

In the fisheries sub-sector, several policy and regulatory reforms have been approved to improve governance of the sector to bring exploitation down to sustainable levels, with a view to allowing stocks to recover and even to increase overtime. A fisheries and aquaculture policy was approved, and regulations to the 2002 Fisheries Act were passed in 2010. A moratorium was imposed on the registration of industrial and semi-industrial trawlers, with the aim of reducing the overall size of the fishing fleet. Additional amendments to the Fisheries Act were passed in 2014 and 2015. A Fisheries Enforcement Unit was established (under Section 94 of Fisheries Act) to undertake monitoring, control and surveillance. Ghana developed a National Plan of Action to Combat IUU Fishing in 2015. However, effective implementation and enforcement of regulations is an ongoing challenge. In the few cases where an IUU catch is discovered and the owners prosecuted, fines are often too small to have a deterrent effect. Environmental conditions (temperature, salinity and average upwell) have been conducive to favourable fisheries production, but have been offset by illegal fishing activities.

Table 19 Step 2 synthesis table - Agriculture sector

GoG policies/strategies (Induced outputs) which contributed to...	Degree of influence	Development outcomes	Degree of influence	Other factors
FASDEP II / Crop development policy (including sector legislation)	Moderate	Limited improvement in access and use of productivity enhancing technology	Beneficial factors	
			Moderate	Support by non-BS donors (USAID)
			Hindering factors	
			Moderate	Lack of access to credit is a barrier to smallholder ability to purchase agro inputs
			Moderate	No substantial improvement in feeder road network coverage and quality
Moderate	Lack of adequate processing and storage facilities and low integration into markets are a deterrent to investing in agro inputs			
FASDEP II / Crop development policy	Low	Limited improvement in access to productivity enhancing infrastructure	Beneficial factors	
			Moderate	New policies/legislation allow for the establishment of PPPs
Moderate	Joint management of formal irrigation through Water Users Associations			
Hindering factors				
FASDEP II / Irrigation development strategies	Moderate		Strong	Difficulty faced by government to meet high capital requirements for the construction of new schemes
		Strong	High electricity tariffs	
FASDEP II / Fisheries policy	Low	No improved management of fisheries resources	Beneficial factors	
			Moderate	Favourable environmental conditions
			Moderate	EU formal warning of potential ban on import due to Illegal, Unreported, and Unregulated (IUU) fishing in the area
			Hindering factors	
			Strong	Lack of effective enforcement of restrictions
Strong	Change of practices in illegal fishing at regional level (increase in non-African industrial vessels)			
FASDEP II / Crop development policy	Moderate	Very limited improvements in overall production and productivity in the (non-cocoa) agriculture sub-sectors	Beneficial factors	
			Moderate	Improved planning material for cassava and yams introduced by WAPP ¹²¹ and Root & Tuber Improvement Program
Hindering factors				
Strong	Erratic rainfall and increasing dry periods			
FASDEP II / Irrigation development strategies	Moderate		Strong	Lack of adequate agriculture credit
			Strong	Land tenure uncertainty, competing claims, protracted legal disputes
FASDEP II / Extension services strategy	Absent		Strong	Limited private sector investment in the sector
		Strong	High post-harvest losses associated with inadequate storage facilities, poor road infrastructure and the lack of ready market	
		Moderate	Access to land by women restricted by customary practices	

¹²¹ World Bank West Africa Agricultural Productivity Programme.

5.9.6 BS contribution to the main policy factors

The table below provides an overview of the level of contribution BS inputs (funds, dialogue and accompanying measures – including TA) to the main policy factors identified above. Further details are provided in the in-depth sector analysis (Step 1 part) presented in Volume 2b.

Table 20 Step 1 synthesis table - Agriculture sector

BS inputs	GoG policies/strategies (Induced outputs)	Other factors
<ul style="list-style-type: none"> • Financial inputs: Moderate • Dialogue: Weak to Moderate • Acc. measures: Weak to Moderate 	<p>FASDEP II / Crop development policy (Improved policy formulation in the seed sector but implementation has been incomplete and further policy reforms are needed)</p>	<p>Beneficial factors: WAAPP project operationalise of seed regulation capacity (<i>Strong</i>); USAID projects/initiatives such as funding of upgrading/modernizing seed labs (<i>Moderate</i>).</p> <p>Hindering factors: Lack of incentives for public/civil service weak implementation of policy (<i>Strong</i>); Low engagement of the private sector in policy processes (<i>Strong</i>).</p>
<ul style="list-style-type: none"> • Financial inputs: Weak • Dialogue: Weak to Moderate • Acc. measures: Weak 	<p>FASDEP II / Irrigation development strategies (Improved policy formulation and strong implementation response in terms of shifting to joint management of irrigation system)</p>	<p>Beneficial factors: GCAP project supporting reorganisation of GIDA (<i>Weak</i>).</p> <p>Hindering factors: Low engagement of the private sector in policy processes (<i>Strong</i>); Weak capacity of national public/civil service (<i>Strong</i>).</p>
<ul style="list-style-type: none"> • Financial inputs: Weak to Moderate • Dialogue: Weak to Moderate • Acc. measures: Weak to Moderate 	<p>FASDEP II / Extension services strategy (Improvements in extension services provided initially but implementation deteriorated overtime due to other factors)</p>	<p>Beneficial factors: E-agriculture platform supported by WAAPP project as a complement to traditional extension services (<i>Weak</i>).</p> <p>Hindering factors: Lack of incentives for public/civil service, weak capacity and low number of extension agents (<i>Strong</i>); Delays in transfers to districts in some years (<i>Strong</i>); Low engagement of the private sector in policy processes (<i>Moderate</i>).</p>
<ul style="list-style-type: none"> • Financial inputs: Weak • Dialogue: Weak to Moderate • Acc. measures: Weak to Moderate 	<p>FASDEP II / Fisheries policy (Some improvements in the policy framework but implementation has been very weak)</p>	<p>Beneficial factors: Political dialogue in the context of EU-Ghana relations (<i>Strong</i>); West Africa Regional Fisheries Programme support to operationalise enforcement unit in the ministry and modernise of license/registration database (<i>Moderate</i>).</p> <p>Hindering factors: Weak capacity of national public/civil service (<i>Strong</i>); Low political commitments (<i>Strong</i>); Lack of incentives for public/civil service (<i>Strong</i>).</p>

Contribution scale: Strong, Moderate, Weak, Absent.

In brief:

- BS dialogue has moderately contributed to strengthening some aspects of the policy framework (e.g. crop development policy and fisheries policy) but, in general, it has had only limited effects on public policies in the sector.
- BS financial inputs have helped GoG to implement four priority programmes (e.g. fertiliser programme). However, BS did not prevent very mixed performance in the implementation of these programmes.
- Accompanying measures have been focused on very specific areas with mixed results. The weak institutional environment of the sector has limited the overall effects of BS and the design of BS operations did not sufficiently take into account the main capacity gaps.

6 Conclusions and recommendations

6.1 Conclusions

This section presents the main conclusions of the evaluation, based on the findings and overall synthesis detailed above. As summarised in the table below, the conclusions cover the main results of the analysis related to: i) the overall effects of BS; ii) the way BS has been provided; iii) sector specific lessons learnt.

Table 21 Overview of the main conclusions

Category	Conclusion
Conclusions on the overall effects of BS	C1. Effects on the strength of the GoG-DPs partnership
	C2. Effects on growth & poverty
	C3. Effects on the strengthening of public institutions' capacity
	C4. Effects on governance, including domestic accountability and transparency
Conclusions on BS delivery	C5. On the focus of BS
	C6. On gender equality
	C7. On accompanying measures
Sector conclusions	C8. Health
	C19. Environment and natural resource management (mining & forestry)
	C10. Agriculture

6.1.1 Conclusions on the overall effects of BS

C1. Effects on the strength of the GoG-DPs partnership

BS partners (GoG and DPs) did not succeed in sustaining and consolidating the strong partnership established in the early 2000s, thus increasingly limiting the overall effectiveness of the MDBS.

The provision of un-earmarked financial contributions to the Treasury against policy targets and development objectives began in the country long before the provision of multi-donor budget support. In particular, structural adjustment programmes initiated in the 1980s and debt relief initiatives in the late 1990s and early 2000s have supported a number of GoG's courageous and partially successful reforms in various policy areas (including macroeconomic policy, education, health, and infrastructure). They generated a substantial amount of experience that put GoG, with the support of its international partners, in a relatively strong position to address the well identified challenges facing the country at the beginning of the evaluation period. As identified in the MDBS evaluation carried out in 2007, these challenges lay, in particular, in the areas of budget execution and macroeconomic management, modernisation of the public service, and reform of the energy sector.

Yet, while the establishment of the MDBS had some positive effects on a number of policy reforms and consolidated the country's aid framework in the early part of the evaluation period, BS partners (GoG and DPs) were not able to sustain and strengthen the partnership in subsequent years. The decreasing engagement of GoG and DPs in the partnership around BS, which occurred for a variety of reasons not linked to its performance, seriously hampered the effective use of BS as a tool for strategic dialogue. While there have been attempts by a few DPs to continue engaging in high level policy dialogue, the modality was increasingly reduced to being a mere financing tool, thus limiting its overall effectiveness. Two main dynamics that eventually undermined the MDBS were at play from at least 2008 onwards.

First, national decision-makers' priorities became more and more skewed by the important transformations of the national economy and the political context resulting from the country's sustained economic growth and the discovery of oil in commercial quantities. In part due to its access to new sources of finance (including oil revenues and international capital markets), GoG's increasing assertiveness was accompanied by a decreasing commitment to engaging in a genuine partnership and dialogue over development co-operation. GoG chose not to fully seize the opportunities offered by the MDBS to create a platform to openly discuss important reform processes with a core group of international partners and engage with them on policy solutions to the country's structural challenges.

Second, DPs' engagement in BS declined due to important transformations in development co-operation at global level occurring in the wake of the global financial crisis, the opinion of some DPs that BS is less relevant in the context of a middle-income country, and a perception of decreased leverage as a result of the evolution in the national political context. Moreover, in part due to inadequately

equipped donor agencies present in the country, important issues related to macroeconomic management had been relegated to discussions between GoG and the IMF during a large part of the evaluation period.

Against this backdrop, the quality of BS dialogue became of insufficient quality to avoid expenditure slippages driven by political considerations, non-prudent fiscal decisions and unsound short-term policy responses to the country's structural challenges, as epitomised by the piecemeal approach to PFM reform. Frequent turnover of staff on both GoG and DPs staff contributed to further deterioration of the use of BS as a strategic tool. BS ended up being an instrument to hold GoG accountable for its own reform agenda. In 2013-2014, the collapse of the MDBS framework precipitated the overall decline in development coordination efforts and donor harmonisation that had started in the middle of the evaluation period.

However, GoG-DP continued strengthening their partnerships in a few areas such as decentralisation, where SBS made clear contributions to the national policy and legal framework in recent years. At the same time, a frank dialogue on the country's macroeconomic situation took place between GoG and a few DPs, which, despite a pronounced general deterioration of GoG-DPs relations, eventually contributed to GoG agreeing to conclude a programme with the IMF. The change in the country's political leadership after the December 2016 elections, combined with the new IMF programme creates opportunities for a renewed strong development co-operation partnership.

Robustness of the conclusion: Strong

Related findings: see EQ1 to EQ6

C2. Effects on growth & poverty

BS did not prevent the serious deterioration of the country's macroeconomic situation, but still played a moderately positive role in helping GoG to achieve its objectives of accelerated growth and poverty reduction.

BS has played a moderate, but not negligible role in the country's considerable achievements in reducing both monetary and non-monetary poverty, especially in the first half of the evaluation period. It has contributed to substantially increasing access to basic services, and has helped GoG to somewhat maintain a focus on pro-poor interventions. Although the effectiveness of many policy changes have ultimately been hindered by a number of contextual factors, the BS mix of inputs helped GoG to maintain a steady pace of reform in most areas under review. BS dialogue and the considerable accompanying technical support have also supported the country in its transition towards a middle income oil producing economy, which helped sustain growth in the second half of the period. In addition, BS contributed, to some extent, to macroeconomic stabilisation (see EQ2 and EQ3), and as a corollary to growth and poverty: i) BS, coupled with debt relief initiatives, contributed to creating substantial fiscal space at the beginning of the evaluation period; ii) BS co-financing of the IMF-led stabilisation programme of 2009-2012 has also been significant; iii) BS contributed – including through the suspension of BS disbursements in 2013-2014 – to GoG's return to the path of stabilisation in 2015.

However, GoG and DPs excessive optimism in the first part of the evaluation period – which was partially related to the country's impressive past achievements and the recent oil discovery – contributed to non-prudent fiscal policies that were subsequently difficult to reverse. In part due to a weakening of the policy dialogue, BS did not prevent the destabilising trends observed in the level of salary spending and indebtedness. The country's deteriorating fiscal situation removed a substantial part of the resources envisaged for the MDAs to consolidate and expand social and economic interventions – hence, hindering the achievement of the overarching objectives of accelerating sustainable and inclusive growth.

Moreover, BS effects on strengthening sector policy implementation and improving the quality of local service delivery have remained limited. Due to a complex political environment around the issue, BS was not able to help GoG maintain its initial commitment to achieve accelerated growth through increased productivity in the agriculture sector and the diversification of the economy. The results of the targeted social interventions promoted in the context of the MDBS dialogue have remained modest. In general, various political economy factors in key sectors turned out to be too 'adverse' for BS to have a strong effect on the effective implementation of the many policy reforms initiated and, thus, achieve a more substantial impact.

Robustness of the conclusion: Strong

Related findings: see EQ3 to EQ6, Step 3 synthesis.

C3. Effects on the country's institutional environment

Although BS has made significant contributions to fostering sector dialogue and collaboration across public entities, its effects on institutional strengthening remained limited to specific areas or institutions.

BS has contributed to strengthening policy processes by enhancing sector dialogue, reinforcing GoG ownership and facilitating more inclusive consultation processes during policy formulation. Moreover, BS has helped GoG to improve the monitoring of policy implementation and to consolidate the role of NDPC in this regard, despite persisting shortcomings in the availability of reliable data in many sectors. BS has had visible effects on the strengthening of several public institutions (e.g. Ghana Revenue Agency and Ghana Audit Service in the area of PFM, Forestry Agency in the ENR sector and IMCC coordination role in the area of decentralisation). All BS inputs (dialogue/conditionality, financial transfers and accompanying measures) have played a significant role in this regard.

However, there is a general consensus in Ghana that overall public sector capacity has not improved much during the period under review, with some observers highlighting such problems as the persistence of an inadequate organisational culture in public institutions, poor incentive structures, and weak accountability mechanisms. While BS DPs have, in general, shown some openness to backing GoG's attempts to modernise the public sector, they actually remained wary of engaging too heavily in the reform process in this politically-sensitive area. DPs preferred to address these issues indirectly through technical interventions (e.g. in areas such as the human resource management information system, and the payroll), which eventually showed limited overall effects during the period under review. Moreover, in the absence of a coherent framework for capacity development, accompanying measures remained fragmented, and very much donor-driven in most policy areas reviewed. This weakness was already clearly identified in Ghana's Aid Policy and Strategy 2011-2015, but this policy document was ultimately never endorsed by the GoG which focused on other priorities after 2011.

Robustness of the conclusion: Strong

Related findings: see EQ4, EQ5, EQ6.

C4. Effects on governance, including public finance and accountability

BS has had some positive effects on aspects of governance such as the strengthening of accountability institutions, but there have been only limited improvements in public sector accountability overall, and considerable weaknesses in the PFM system persist.

BS has contributed to strengthening the role played by certain accountability institutions (e.g. Ghana Audit Service, CHRAJ) and to consolidating the involvement of Ghana's already active and quite vocal civil society in policy processes. BS contribution to the progress made in the national decentralisation process has also been very significant.

While there has been clear progress in the area of governance, major challenges persist. Improvements have mainly concerned the strengthening of the general institutional framework (see also conclusion C3). They have been insufficient to ensure the effectiveness of accountability mechanisms. The relevant institutions remain largely under-resourced, and the power imbalance among the arms of governance has not significantly improved. There are limited examples of independent institutions effectively challenging the government in power. Public institutions' transparency and evidence-based decision-making have remained weak, and funding research in the area of governance has not been a priority.

The fragmented nature of the budget continues to inhibit effective policy based allocations and decision making. The introduction of programme-based budgets has been largely ineffective given persisting bottlenecks in budget execution. BS DPs have provided substantial support for the implementation of an Integrated Financial Management Information System (GIFMIS), but this investment is not fully utilized as only a fraction of the budget is routed through it, meaning that benefits have still remained largely elusive, especially with regards to budgetary controls. Further progress with instituting a TSA has been very slow and there continue to be considerable inefficiencies in the national PFM system, especially with regards to cash management.

More could have been done to improve the financial monitoring in the key sectors targeted by BS. The number and depth of the studies analysing levels, composition and trends in public expenditure have been insufficient, given the scale of problems related to the availability of information on public expenditure. Moreover, the quality and usefulness of these often one-off exercises have been seriously undermined by the lack of comprehensive and reliable data on public expenditure.

Robustness of the conclusion: Strong

Related findings: see EQ4, EQ5, EQ6.

6.1.2 Conclusions on the way BS was provided

C5. The focus of BS

The focus of the MDBS has ended up being too large and too much geared towards the short term for BS to be truly strategic. The reasons lie in the specific design adopted for the MDBS PAF, the lack of comprehensive and reliable data, and the decreasing engagement of some of the main stakeholders in the overall partnership.

Studies carried out in the early and mid-2000s had highlighted a number of important political economy factors which seriously hamper the reform process in Ghana. In particular, the country experienced particularly resilient clientelist and political patronage systems as illustrated by the complexity of the public sector wages, the continuous strong influence played by interest groups in the mining sector and the difficulties in changing the system of presidentially-appointed members on district assemblies. As shown in this evaluation, some of these factors got amplified by important evolutions in the context (e.g. oil discovery and high international gold prices). While some sensitive reforms (e.g. decentralisation) have been dealt with subtly by GoG and the DPs, the influence of major political economy factors on the effective implementation of the supported policy reforms has, in general, been underestimated during BS design and implementation.

DPs and MoF put in a lot of effort to regularly consolidate and make more efficient the MDBS dialogue mechanism, but improvements largely remained at a technical level. Despite significant direct effects of BS on the strengthening of the country's aid architecture and policy dialogue structures, DPs and GoG did not succeed in really deepening policy dialogue on key national reforms and medium-term structural changes. Attempts to make the MDBS more strategic and more focused on a few central issues occurred at a moment (2011-2012) when the overall partnership had already seriously weakened due to a decreased engagement of some of the main stakeholders (see conclusion C1).

As highlighted in this evaluation, reform measures in Ghana have generally been of a short-term nature – a characteristic partially explained by the tight electoral cycle and the tendency of newly-incumbent staff to distance themselves from the initiatives of their predecessors, at least initially. The way the MDBS process functioned made it difficult to overcome this challenge. When establishing the MDBS, DPs chose to relate the annual releases of funds to the positive assessment of short-term policy measures (with the exception of indicators in the Education and Health sectors). At the same time, MoF which was the main MDBS interlocutor on the GoG side, needed to maintain a degree of influence on the achievement of the targets. Despite the overall mechanism being based on medium-term frameworks, the limited focus on development outcomes and medium-term strategic issues created incentives for GoG to establish modest performance targets.

In addition, the BS dialogue has suffered from the lack of comprehensive and reliable data, and the weaknesses in studies analysing trends in development outcomes in several sectors. The regular 'surprises' around some of the country's macroeconomic indicators illustrate the difficulties faced both by GoG and its international partners to get a precise idea of the scope of major challenges faced by the country and the urgency of the situation at the macroeconomic level.

This evaluation has also highlighted a limited understanding of the BS modality by sector stakeholders. The situation described above reinforced the misconceptions of those stakeholders who saw BS as a mere source of finance that could be relatively simply accessed by meeting a few triggers. Instead of adopting this modality to enhance strategic planning, identify sector priorities and foster policy discussions on these priorities, BS has often been used by GoG (and its international partners) as a simple tool for financing relevant but not necessarily well prioritised, activities.

Robustness of the conclusion: Strong

Related findings: see EQ1, EQ2, EQ3, EQ4, EQ6.

C6. Gender equality

Uneven attention has been given to gender equality issues during BS design and implementation, and important challenges persist.

The mainstreaming of gender equality issues in BS operations has been uneven, although the topic has been increasingly well integrated in the overarching MDBS framework and in some sector strategic frameworks (e.g. Health and, to a lesser extent, Agriculture). Several BS DPs (e.g. Danida and, especially in the Agriculture sector, the Canadian International Development Agency – CIDA) have been particularly active in this area. They have played a key role in pilot initiatives carried out during the evaluation period (e.g. gender-responsive budgeting) and in the strengthening of the national policy framework (e.g. formulation of the recent national gender policy).

However, important challenges persist, and women's participation in governance is far from satisfactory. In 2016, the gender-responsive budgeting initiative was at a standstill. Gender desks in line minis-

tries still do not participate actively in the resource allocation process within the sector (beyond involvement in negotiating resources available to their units). More generally, stakeholders involved in gender activities still lack resources and appropriate capacities to fulfil their function. In particular, while the use of sex-disaggregated data in reporting on public policies increased during the evaluation period, there was a shortfall in capacity to adequately analyse or use the data in decision-making and implementation. Moreover, efforts to promote gender equality at local level have been rather limited so far. As power and resources shift downwards to local governments, gender mainstreaming, including gender-responsive budgeting, will have to be increasingly integrated into the planning processes at those levels.

Robustness of the conclusion: Strong

Related findings: see EQ1, EQ2, EQ6.

C7. Accompanying measures

Accompanying measures have been useful to strengthen policy processes and capacity development, but their full potential was not sufficiently exploited.

Relying on a wide range of forms of support, BS DPs have provided substantial levels of accompanying measures in all sectors and areas reviewed. The support has been largely relevant – such as the support provided to local government capacity building measures, public institutions in the Health sector or to PFM and governance agencies (including entities in charge of decentralisation reforms) at the central level. The actions targeting civil society organisations have also been successful, as illustrated by the increasing role played by organisations such as GIRAF¹²² or KASA in the ENR sector or the positive results of the STAR-Ghana programme. The recent capacity development efforts supported at the level of MMDAs have also shown some promising results.

However, there have been a number of missed opportunities. Many accompanying measures have been implemented in parallel, with limited synergies achieved between them (e.g. in the area of PFM or in the Health sector). Support to CSOs has been substantial, but could have been less dispersed. CSO capacity to engage in complex analytical work, organise collective action and communicate effectively with decision-makers and the public has proved to be suboptimal. Moreover, there have been too few attempts by BS DPs to foster the ties between academia, thinktanks, public institutions and other stakeholders, and to explore innovative ways of nurturing links between Ghanaian public institutions and regional or international peers. Finally, some DPs have been very active in promoting a joint agenda for strengthening M&E and statistical capacities, but efforts to ensure a buy-in by national stakeholders (especially at the highest level of GoG) came late, and at a moment (2012-2013) when this topic had little chance of featuring very highly in GoG's list of priorities, given the accumulation of other burning issues in that period.

Robustness of the conclusion: Strong

Related findings: see EQ1 to EQ6.

6.1.3 Sector conclusions

C8. Health

BS, especially through the provision of (GBS and SBS) funds and adequate accompanying measures, has made clear contributions to the substantial improvements in health outcomes, but DPs have missed a number of opportunities to use SBS more strategically and help GoG to limit the sector's increasing institutional fragmentation and deteriorating financial situation.

Most health indicators have shown steady progress in increasing access to preventive, promotional and curative health services, and, consequently, in improving health outcomes. Some progress has also been achieved in reducing inequities in healthcare utilisation and outcomes. Building on the successful SWAp experience implemented in the sector since the 1990s, BS (GBS and SBS) dialogue and accompanying measures have had positive effects on strengthening the quality of the sector's strategic framework and the capacities of key stakeholders (including MoH and "private" actors such as CHAG), especially at the policy-making and monitoring & evaluation levels. This contributed to the strengthening of the sector strategic framework and its overall positive implementation. In addition, GBS funds are very likely to have contributed to the increase in government expenditure on health and the related expansion in health service coverage up to 2012. The increased availability of health personnel observed has been demonstrated as being a key factor impacting on health service utilisation and health outcomes. Moreover, SBS funds, which accounted for 5% of health expenditure over the period 2008-2014, proved to be a badly-needed source of funding for discretionary spending in recent

¹²² Governance Initiative for Rights & Accountability in Forest Management.

years, especially for goods and services (i.e. spending related to health system strengthening and 'soft' activities necessary to run the sector).

However, SBS would have been an even more appropriate modality to strategically support an already well organised sector provided if a number of missed opportunities had been addressed – especially if the MoH had provided more consistent analytical data on health expenditure, allowing for more strategic allocations, and BS had been better monitored. Overall, much of the improvement in sector outcomes was achieved in the first half of the evaluation period and, in many areas, progress has slowed down in recent years. The complex and vulnerable financing situation of the sector has recently been aggravated by a number of factors. DPs progressive withdrawal from the sector, following the country's access to the MIC status lacked any clearly-identified phased approach to consolidating past gains. In addition, remaining DPs have increasingly earmarked their support and focussed it on specific interventions / areas following their own priorities and in a rather uncoordinated way. Given the country's difficult fiscal situation and the dramatic increase in wages in the Health sector, MoH (like many other MDAs) has been left with very little discretionary funding to fill gaps in the implementation of the sector strategies. The sector also lacks a consistent framework for health system strengthening as a whole, and main sector stakeholders (MoH, GHS, CHAG and districts) face difficulties in finding – and getting in a timely manner – the adequate resources to finance public health and preventive and promotional activities, and to ensure continuity in quality healthcare. Recent evolutions have run against the principles of the health district system.

Despite the sector still benefiting from a good overall policy dialogue, the dialogue has deteriorated in recent years, with some evidence pointing to a weakening of coordination and harmonisation, and to a number of missed opportunities for DPs to play a greater role in strategic planning. Many DPs have been unable to engage convincingly in overall financial monitoring, and help to address the sector's strategic bottlenecks and main weaknesses in budget mechanisms. They have preferred to increase the earmarking of funds and reduce the role of SBS to a project type of support, insisting on focussed and rather fragmented areas, with increasingly limited contribution to the sector-wide approach in place.

Robustness of the conclusion: Strong

Related findings: see EQ1, EQ2, EQ6 and EQ7.

C9. ENR

BS positive contributions to strengthening public policies and the institutional environment in the ENR sector have been insufficient to ensure any substantial impact on sector outcomes.

BS in general, and SBS in particular, have made aid delivery more harmonised and coherent in the ENR sector. BS has contributed to an improved legal and policy framework – most notably with regards to the National Environmental Policy and the National Climate Change Policy – and has helped to strengthen relevant sector agencies. In addition, inter-agency cooperation has improved and CSO engagement has increased, especially in the forestry sector. Although behind schedule, there have been notable advances in the area of timber legality, and BS dialogue has played an important role in that process.

However, BS's positive contributions have been insufficient to ensure any substantial impact on sector outcomes, as the implementation of the strengthened policy and institutional framework has been hindered by a multitude of factors. As a consequence, the state of the environment in Ghana appears to be deteriorating further. Data is scarce, but indicates that the resource base is dwindling and that pollution (especially of water) is rising. The sector agencies have shown weak planning and M&E capacity, including reporting on the sector performance and monitoring of sector spending. In addition to the limited capacities, insufficient political commitment at the highest level of GoG has hampered the implementation of some of the adopted policies – especially in the mining sub-sector. Another major obstacle is the complex political economy surrounding especially the forestry and mining subsectors.

While BS made some important contributions to improving the sector's performance, there were also some missed opportunities. First, SBS targeted illegal logging, but it did not focus on illegal mining, although this is arguably at the heart of the most pressing environmental issue in Ghana. Second, there has not been a follow-up sector-wide support programme to NREG, or any other attempt to support a sector-wide approach – thus leading to a fragmentation of DP actions and jeopardising the advances made.

Robustness of the conclusion: Strong

Related findings: see EQ1, EQ2, EQ6 and EQ8.

C10. Agriculture

BS contributions to enhancing outcomes in the non-cocoa crops and fisheries sub-sectors have been limited, not least because of inadequate responses given to the complex institutional dynamics that characterised the agriculture sector in Ghana.

Performance of the agriculture sector (excluding cocoa) has been variable during the evaluation period, with a sharp decline in recent years. In particular, production of key crops has been variable, post-harvest losses have been constantly high, and yields of most major staples have remained relatively flat.

BS has provided MOFA, with additional discretionary resources and technical support that enabled it to focus on leading the revision of FASDEP and preparation of METASIP, and to design and implement four priority programmes: the fertiliser subsidy; the Youth in Agriculture Programme; the Agriculture Mechanization Centres; and the National Buffer Stock Programme. However, BS did not prevent very mixed performance in the implementation of these programmes. Moreover, the programmes absorbed a substantial part of MOFA's budget, squeezing out other critical areas such as research and irrigation. In general, national stakeholders did not manage to sustain the gains achieved under BS in terms of enhanced budget execution and sector collaboration over time.

In addition to weak capacities for strategic planning and management at all levels, a key bottleneck in implementing agriculture sector strategies has been the insufficient leverage that MOFA has had over other MDAs impacting on the sector. Lack of progress in key areas such as post-harvest losses, was in part due to the need to engage across various MDAs. Moreover, MOFA was cautioned by MoF to agree only on BS triggers and targets for which MOFA had direct control. This makes sense from the standpoint of ensuring that targets are in fact met in the short term, but it limits the utility of BS in tackling critical bottlenecks in the sector that are covered by other MDAs (e.g. rural roads, agricultural research, post-harvest losses, sustainable land management).

Another key limitation of DP support to the agriculture sector has been the strong emphasis put on PPMED¹²³. While PPMED has a pivotal role at institutional level, and it is important for DPs to identify a few strong national counterparts on which to build the sector partnership, insufficient effort has been put into sensitisation and capacity-building of other directorates. In particular, directorates outside of PPMED did not fully comprehend the intention of budget support and how it could benefit their particular area beyond budget resources provided.

There is also significant room to improve the M&E of METASIP/sector policies, and the quality of data in the sector remains a key bottleneck both for sector planning and assessment. Improving M&E would also be beneficial to MOFA to help demonstrate performance to MoF, which has been a reported weakness in MOFA's ability to negotiate with MoF in the budgeting process.

Finally, much more needs to be done at local level to strengthen service delivery in the new decentralisation context. In particular, district administration still does not fulfil the role it should play in terms of supervising and enhancing service delivery, as well as investment in rural infrastructure.

Robustness of the conclusion: Strong

Related findings: see EQ1, EQ2, EQ6 and EQ9.

¹²³ Policy, Planning, Monitoring and Evaluation Division (Ministry of Agriculture).

6.2 Recommendations

Building on the conclusions, nine key recommendations have been formulated, at both the overall strategic and sector-specific levels. The recommendations are structured around five key ideas:

- The need (but also the current unique opportunity) to relaunch an overall partnership to support policy reform in Ghana;
- The need to focus future support on PFM and macroeconomic stabilisation, with the MoF as the main counterpart and a strong focus on transparency and accountability;
- The need to avoid piecemeal approaches at sector level and, thus, consolidate coherent sector strategic frameworks – possibly through sector-wide approaches underpinned by SBS interventions or similar forms of support in areas such as Health or Decentralisation, and through coordinated sector support programmes in areas such as Agriculture or Governance;
- The importance of developing more coherent accompanying measures and policy dialogue with a focus on policy innovation and better integration of cross-cutting considerations;
- The need to address a number of clearly-identified specific priorities at sector level.

Table 22 Overview of the main recommendations

Category	Recommendation
General recommendations	R1. Towards a new development co-operation partnership
	R2. BS for an improved macroeconomic environment
	R3. A stronger focus on improving information management and the use of data
	R4. Coherent sector approaches based on enhanced policy analysis
	R5. Better articulated and innovative accompanying measures
	R6. A more vigorous response to gender inequalities
Sector specific recommendations	R7. Health
	R8. Environment and natural resource management (mining & forestry)
	R9. Agriculture

6.2.1 General recommendations

R1. Towards a new development co-operation partnership

Provided that GoG and DPs manage to genuinely share a common vision of the future role of ODA in the country, they should relaunch a comprehensive partnership to support some of the country's major policy reforms while supporting the country's transition away from traditional aid. In such a context, the use of modalities based on GoG ownership, strong political commitment and coherent multifaceted support actions should be favoured and strengthened.

There is a general agreement on the fact that ODA cannot resolve all problems of the country and that its volume follows an irreversible declining trend. But, as underlined in the 2012 Compact, Ghana can still substantially benefit in the medium term from the support of the international partners that assisted the country's development for decades.

After a period characterised by tense GoG-DPs relations and by an overall deterioration in policy dialogue, new opportunities arise from a number of important changes that are taking place in the context surrounding development co-operation in Ghana. If GoG is willing to genuinely engage in new strong, medium-term partnerships, this could be the right time to revive BS and similar forms of co-operation, and to resolutely move away from piecemeal approaches and traditional aid. In particular: i) the central administration is now firmly engaged in an accelerated reform process in the PFM and macroeconomic management areas; ii) the strong commitment of GoG and DPs to the 2030 Agenda for Sustainable Development calls for intense dialogue and collective actions to address global and local challenges, including those relating to climate change, while exploring new ways of financing development; iii) a new group of political leaders is steering the country's political and economic engines since the December 2016 elections, offering the possibility to initiate fresh new relations with international partners.

Against this backdrop, it is suggested that GoG and the DPs relaunch BS and similar forms of co-operation (e.g. pool funds in the context of sector-wide approaches) recognising the unique mix of financial, political and technical leverage they offer compared to other instruments. Such forms of co-operation offer the possibility of focusing activities on the promotion of solutions emerging from domestic processes, relying on regional and international experience where appropriate. Such a focus should become a core principle of future co-operation programmes. Moreover, as shown in this evaluation, such forms of co-operation can be particularly useful to foster strategic dialogue and policy thinking and are key to supporting a strong national framework for policy monitoring and coordination.

Finally, transaction costs can remain very low if requirements in terms of engagement on both sides and the purpose of the partnership are clearly spelled out from the outset.

As detailed in the next recommendations, there is a need within the PFM and macroeconomic management areas to support and complement the ongoing IMF programme through longer-term comprehensive institutional actions. In other key policy areas – such as health, decentralisation, governance, agriculture, and energy – there is a need to avoid actions that are piecemeal and not coordinated, and to consolidate or build new sound and owned sectoral approaches instead, while integrating new challenges that Ghana is facing as a middle-income country (including policy issues related to trade, climate change, science and technology and social protection).

This recommendation is mainly linked to the conclusions:

C1 to C4 and C8 to C10

R2. BS for an improved macro-fiscal and governance environment

A joint BS programme firmly focused on macroeconomic stabilisation and PFM reform should be re-initiated to consolidate the recent gains in PFM reform and macro-stabilisation and strengthen the strategic prospects of the ongoing GoG-IMF agreement.

GoG is currently undergoing an adjustment process, supported by an IMF programme and subject to its close review. Some critically-needed structural reforms had already been identified in the MDBS framework. However, BS has had little influence on their implementation because of the weakness of the overall dialogue framework – including its lack of strategic focus – and the detachments of the country's leaders from BS-related commitments following increased access to new sources of funding. For a successful transition process, the country should continue actively pushing forward some of these important reforms, while recognising and seizing the opportunities offered by traditional international partners' support.

To accompany the ongoing efforts around the implementation of the national PFM reform strategy 2015-2018, DPs should re-activate a joint BS programme, putting a strong focus on working with the MoF without excluding other relevant public entities involved in PFM (including its transparency and accountability aspects). A special emphasis should be placed on improving budget credibility and expenditure control. Ensuring that a larger share of the budget be subjected to GIFMIS could be an important and feasible first step. The provision of any future BS should also be preceded by a precise assessment of the persisting inefficiencies in cash management and the severity of the problems related to idle balances in commercial banks.

A substantial joint support in PFM would strengthen GoG responses to the recent macroeconomic destabilisation, fit the adjustment process initiated by the agreement between the GoG and the IMF, and consolidate its strategic prospects. It would clearly engage with the MoF as the main counterpart and would focus on prioritised essential reforms relevant to macroeconomic stabilisation and improvements in the quality of public expenditure. This support should also provide GoG with an amount of resources sufficient to reduce its need for commercial borrowing. It should be accompanied by: i) a framework for performance review and dialogue, based on close medium-term monitoring of the reform processes; ii) a strong technical assistance component that would integrate South-South exchanges and co-operation; iii) clear linkages to the support to CSO engagement in national policy processes (see R5 below).

This recommendation is mainly linked to the conclusions:

C1, C2, C3 and C5

R3. A stronger focus on improving information management and the use of data

Any future support should include a strong focus on improving information management and the strategic use of data, with the view to enhance evidence-based decision making but also transparency and accountability in the public sector.

Given the state of the country's transition process and the challenges that arose from its access to MIC status, there is a huge need for stakeholders at national and sector levels to speed up progress towards enhancing evidence-based decision making and improving accountability and transparency in the public sector.

In particular, future BS or similar modalities should integrate, among other aspects, a comprehensive component focussing on enhancing capacities for data generation and analysis in order to strengthen, from bottom up, national initiatives aimed at consolidating Ghana's M&E and statistical capacities. Efforts in this area should take into account the commitments the country has made to international agreements, including to the Sustainable Development Goals (SDGs), and use the country's strong private sector and academic research capacities which are unique in the region. Accountability mech-

anisms should also be consolidated by improving the availability of public data to non-state actors and strengthening CSO's engagement in policy processes.

GoG and DPs should also increase efforts to enhance financial monitoring and reporting at sector level, in close collaboration with relevant MoF units. The primary objectives are to: i) better understand bottlenecks in terms of budgeting and spending mechanisms that could be dealt with at sectoral level; ii) increase the capacity of national stakeholders to better anticipate the magnitude of the challenges associated with them; iii) improve strategic planning.

This recommendation is mainly linked to the conclusions:

C4, C5 and C8 to C10

R4. Sector approaches based on enhanced policy analysis and experimentation

In the areas where there is clear willingness of relevant MDAs to consolidate sector strategic dialogue, GoG and DPs should consider strengthening sector-wide approaches, through SBS or similar modalities. Such support should then be accompanied by adequate complementary measures and should increasingly integrate policy experimentation.

Despite the bottlenecks in policy implementation highlighted in this evaluation, SBS proved to be a key tool to support sector-wide reforms in periods of a stable macroeconomic environment. SBS and other similar forms of aid (e.g. pool funding mechanisms, such as in the Health sector in the past) helped in supporting multifaceted partnership frameworks (based on performance objectives, policy dialogue, access to TA as needed, and flexible financial resources). Although it was not always fully recognised, this gave MDAs opportunities to enhance strategic dialogue and co-ordination and to strengthen the implementation of some aspects of the sector policies. Despite the limitations related to the country's specific context, such support – including arrangements which ensured 'additionality' of resources transferred to MDAs – has been key to ensuring ownership by national counterparts and contributing to institutional strengthening. It should thus be continued to accompany reforms in key policy areas (e.g. Health, Decentralisation, natural resource management), while putting even greater emphasis on leveraging private-sector investment.

In sectors with some level of maturity in terms of the policy and institutional environment, GoG and DPs should actively explore ways of using future support to create some fiscal space for policy innovation and risk-taking initiatives with the view to promoting solutions emerging from domestic processes. In all cases, GoG and DPs should ensure that future sector support integrates components that allow for the fostering of national counterparts' exposure to innovative ideas coming from Ghanaian policy research organisations (academia, think tanks) and for improving their access to regional and international best practices.

The country context (with the heavy weight of domestic political factors) and the complexity of many sector challenges that need to be addressed call for great subtlety in the way such modalities of co-operation are used to achieve better development outcomes. First, they should be based on objectives that are ambitious, but are realistic and clearly spelled-out. Second, such support should be launched only if: on the one hand, there is clear, strong political backing by GoG and explicit willingness of relevant MDAs to consolidate the sector-strategic dialogue while avoiding reducing co-operation instruments to mere financing tools; on the other hand, DPs are ready to deploy the necessary resources to better understand the sectors' reality and to firmly engage on issues of strategic planning, while avoiding the temptation to interfere with the management of the funds transferred.

Even if some of the above conditions are not met, the GoG and DPs should still strive to ensure a strong sector approach based on strategic dialogue and a set of coherent actions. In particular, if the strength of the sector-strategic and institutional environment does not allow the use of BS, the GoG and DPs should consider using pool funds or "clustered support activities" linked by a common strategic framework and clear dialogue mechanisms. In particular, such approaches could be considered in sectors such as Agriculture and Governance (including the Justice sector).

This recommendation is mainly linked to the conclusions:

C1, C5 and C8 to C10

R5. Better articulated and innovative accompanying measures

Accompanying measures, including the support to CSO, should be better articulated, more actively promote policy innovation, and increasingly focus on the strengthening of local governance.

The need for capacity development is still substantial not only at all levels of government, but also among non-state actors. As highlighted in this evaluation, technical assistance and other forms of support which used to accompany BS alone cannot be expected to fundamentally change the capacity of national stakeholders to design and implement public policies and effectively deliver services to final

beneficiaries. However, they can contribute to strengthening specific actors or mechanisms in targeted areas, and can accompany broader initiatives of public sector modernisation led by GoG at national level. This calls for: i) setting realistic objectives for future support; ii) continuing the efforts supported so far to consolidate past achievements; iii) expanding these efforts to some new areas. In particular, future support will need to pay greater attention to the issues highlighted in the above recommendations (policy innovations, and capacities for information generation and analysis), keep a strong link to the overall partnership framework and put emphasis on the following additional aspects:

- Key institutions involved in the PFM and governance areas: it will be crucial to continue the initiatives supported in recent decades (including GIFMIS) to make effective use of the potential they offer. To increase the impact of the support provided to the multiple initiatives implemented (by, for example, the MoF, the CAGD, the Ghana Audit Service) in the PFM area, it will also be important to seek more actively synergies between the various initiatives. The Parliament's oversight capacity will need to be further strengthened. Finally, future support measures should also look beyond the actors at central level and, in particular, help GoG to strengthen the budget execution and human resource management capacities of MDAs and MMDAs, in the context of the recent PFM reform strategy.
- Public institutions at sector level: in the absence of a clear demand and of a coherent capacity development framework, DPs should increase their efforts to provide harmonised support and, where possible, pooled resources to use them in strategic areas. In particular, stronger emphasis should be put on the areas mentioned in the above recommendations. Moreover, there is room to considerably improve and expand ongoing initiatives aimed at fostering ties among sector stakeholders, including between Ghanaian public institutions and research organisations (academia, thinktanks) at national or international levels.
- Local governance: GoG and DPs should sustain the current positive momentum in the decentralisation process. In particular, DPs should build on the positive experience of the support to the DDF and SBS on decentralisation by developing a broader and more harmonised approach to support the important transition phase the country is currently in (along the recent recommendations of the 2016 SWAp mission). Special emphasis should be put on fiscal decentralisation and the development of MMDAs' planning and budget capacities based on the experience of the FOAT assessments.
- CSO: support to CSOs should better integrate the lessons from the past and, in particular, adopt a more prioritised approach focused on the broader catalyst role that targeted organisations could play. Moreover, future support should seek innovative ways to engage citizens (not only well-established CSOs) in policy processes.

This recommendation is mainly linked to the conclusions:

C7 and C8 to C10

R6. A more vigorous response to gender inequalities

GoG and DPs should maintain and consolidate the good dialogue established so far on gender equality, enabling them to better identify appropriate joint responses to persisting and evolving challenges at central and local levels.

GoG and DPs should maintain and consolidate the good dialogue developed on gender issues in the last decade. The gender equality goals and targets in the current Sustainable Development Goals (SDGs) offer a holistic opportunity for DPs to support gender equality in Ghana by establishing clear written agreements on how future support will help to achieve these goals and targets prioritised by the GoG.

As highlighted in this evaluation, the effective mainstreaming of gender equality requires stronger political will as well as more adequate allocation of resources for programming of relevant activities. DPs should support GoG to pursue its agenda towards gender-responsive budgeting – which was at a standstill in 2016 – by using workable regional (e.g. developed at ECOWAS¹²⁴ or African Union level) and global strategies. Concrete efforts should be made to re-establish the procedures and processes already identified by GoG to ensure that all sector ministries and departments comply to the National Budgeting Guidelines on integrating (and reporting on) gender equality in sector budgets.

In addition to support to relevant policy and institutional reforms, parallel direct support from DPs should be considered by GoG as a means of fostering the mainstreaming of gender equality and social inclusion in some relevant areas. In particular, the sector ministry for the promotion of gender equality, women's and children's issues and social protection still has major capacity issues especially

¹²⁴ Economic Community Of West African States.

in the coordination of inter-sectoral programming. DPs, through the Sector Working Groups, should identify better strategies to work with the Ministry of Gender, Children and Social Protection to address the different levels of capacity gaps.

Finally, programming on gender equality and social inclusion at the local/decentralised level is probably an area that will require important external support in the near future. GoG should mobilise such support to help address the current weaknesses in the structures and systems – including the role of gender desks at the MMDAs – and assist the current shift of power and resources to local governments.

This recommendation is mainly linked to the conclusions:

C6

6.2.2 Sector recommendations

R7. Health

GoG and DPs should ensure that future support to the Health sector (whether through SBS or similar forms of aid) continues to respect the principles of a sector-wide and inclusive approach while greater attention should be paid to issues of overall leadership, strategic planning, financial monitoring and evidence based policy dialogue.

Despite many DPs having moved away from sectors (including Health) traditionally prioritised in ODA to Ghana, there are still many stakeholders – both donors and domestic stakeholders – involved in the Health sector. This calls for continued important attention being paid to coordination and coherence in sector interventions under the broad principles of a SWAp. Moreover, the sector will still need substantial external assistance in the near future. In particular, budget support or other similar forms of aid – such as pool funding – are badly-needed (provided they are accompanied by appropriate technical support and accountability measures). This type of support is required to: i) secure non-earmarked/discretionary funding to allow for financing public health and functioning activities (goods & services); ii) restore a strong partnership between GoG and DPs in the sector (based on comprehensive and coherent dialogue and interventions); iii) continue improving strategic planning, implementation and M&E to consolidate the gains of sector institutions from the past period and to assist the country's transition process.

Budget support is crucial to continue supporting the SWAp, but it should not be seen as the only type of intervention to be implemented in the framework. Appropriate complementary projects should also be designed to work in synergy with BS-type interventions so as to address critical issues that would be better managed via a direct support from DPs (e.g. pilot projects, interventions needing rapid responses, specific technical support). Moreover, the common fund established before the start of the provision of SBS was displaying similar advantages as SBS, while, at the same time, being more easily manageable by sector entities.

As in other sectors, a number of conditions relating to the provision of budget support or a similar modality in the future would have to be respected by GoG in order to make BS a credible and efficient modality. These are: i) increased budget credibility and transparency over actual expenditure, by developing appropriate financial reporting system – at least, providing consistent data series and consolidated financial reports presenting budgets and expenditure from all sources (e.g. GoG, DPs, NHIS) by economic classification and, if possible, by region, level of service and programme; ii) reducing fiduciary risk more generally; iii) commitment to keeping the wage bill under control, in order to secure sufficient resources for 'operating' costs; iv) commitment to ensuring both sufficient resources for the health sector and to improving efficiency of health expenditure (notably, by putting cost containment measures in place within the NHIS); v) budget allocations must favour cost-effective and equitable expenditure, especially by favouring primary health care over tertiary care that can be left to the private sector.

A number of preconditions should also be met by the DPs. In particular, they should: i) resist the temptation to directly control the management of the funds provided; ii) reaffirm their commitment to respecting aid effectiveness principles. In particular, BS and complementary support should be better designed and harmonised so as to respond to the missed opportunities identified in terms of providing coherent joint support to strategic planning and implementation.

This recommendation is mainly linked to the conclusions:

C8 and, to a lesser extent, C3, C5, C7

R8. ENR

Despite the fact that no sector-wide support is planned in the near future, GoG and DPs should still strive to strengthen the capacities for strategic planning and monitoring of the ENR sector's national stakeholders (including sector agencies and CSOs), and to enhance the sector's governance and accountability mechanisms.

Sector-wide support is very much needed to consolidate the gains of the sector – for example, in terms of inter-agency collaboration, and improved strategic framework and institutional capacities. However, according to the information available, no DP has planned direct sector-wide support. Instead, the World Bank provides (much-needed) technical assistance in the area of M&E, while the EU focuses on climate change adaptation and mitigation in northern Ghana and, together with the UK, on timber legality.

Independently of whether there will be a sector-wide approach to the ENR sector, the GoG should show stronger political commitment to ensuring more effective law enforcement and increased transparency in the sector. GoG should also enhance financial monitoring and planning capacities. In particular, it should develop systems/capacities to regularly generate data that can be used for strategic planning.

CSOs should play a greater watchdog role in the sector. For them to fully assume their role in sector governance, it is important to build their capacities not only in terms of awareness raising but also for carrying out analytical work. In the same vein, greater involvement of research institutions and exchange between peers (at international level) should be promoted.

In the short term, the DPs should reactivate dialogue among DPs involved in the sector in order to ensure harmonised aid delivery. In addition, DPs should engage in policy dialogue with GoG – in particular, to identify areas where compliance with international standards is still needed – and continue enhancing the monitoring of sector performance.

This recommendation is mainly linked to the conclusions:

C9 and, to a lesser extent, C3, C4, C5, C7

R9. Agriculture

GoG and DPs should consider continuing developing a sector-wide approach and strengthening central-level stakeholders, and this effort should be complemented by more direct support at local level, especially in the most deprived districts.

Support at central level is still needed to consolidate the gains achieved during the implementation of the previous SBS operations, but – given the sector's past performance – SBS may not be the most effective way to ensure this. In particular, experience indicates that BS will not be effective without strong GoG commitment to support and fund implementation of reforms. Budget support should be provided in the future only if there are clear improvements in terms of ownership and also visible progress in policy implementation and reduced fiduciary risks.

GoG and DPs should make sure that future interventions continue to promote a sector-wide approach – in particular, paying greater attention to ensuring co-ordination across the various MDAs and across the MOFA directorates. Future sector-wide support could play a role in improving this by: i) incentivising structural changes and ensuring that co-ordination bodies have an appropriate leverage across MDAs; or/and ii) incorporating technical assistance or other complementary measures to ensure that capacity building is provided over a sustained period of time to build coordination capacity alongside the structural changes that need to take place. There is also a need to broaden the range of MOFA counterparts with which DPs engage with, actively including directorates other than the PPMED in policy dialogue and technical assistance.

Greater attention to M&E is also required in order to better demonstrate the impact of the policy actions supported. This is important to enhance the ability of DPs to demonstrate the impact of their support to their HQ, and also to help MOFA demonstrate performance to MoF – and thus increase its negotiation power in the budgeting process. This would need to be tackled by more active policy dialogue on this theme but also by explicitly incorporating complementary measures into the design of future support. Accompanying measures to provide field-based technical monitoring and financial and narrative reporting could be of use in this regard.

Finally, future sector support should help to ensure that resources are directed to the local level. Until budgeting and broader PFM bottlenecks are sufficiently addressed, targeted complementary interventions could be considered to provide direct support to local stakeholders and beneficiaries, focusing on deprived districts of the Northern region. This support should focus on improving farming practices in areas where staple crops are cultivated with low input use under rainfed conditions, with a view to

achieving greater productivity and also to enhancing crop diversity. It will be crucial to ensure synergies between the top-down interventions focusing on the central level and the bottom-up support provided at the local level.

<i>This recommendation is mainly linked to the conclusions:</i>	<i>C10 and, to a lesser extent, C4, C5, C7</i>
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