



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

Final Report

Volume 2a

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

APR	Annual Progress Report
BPEMS	Budget and Public Expenditure Management System
BS	Budget Support
CA	Canada
CAADP	Comprehensive Africa Agriculture Development Programme
CAGD	Controller and Accountant General's Department
CAPEX	Capital expenditure
CAS	Country Assistance Strategy
CF	Consolidated fund
CG	Consultative Group
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
CMA	Common Management Arrangement
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DACF	District Assemblies Common Fund
DANIDA	Danish International Development Agency
DDF	District Development Facility
DFID	Department for International Development (UK)
DG DEVCO	Directorate General Development and Cooperation (European Union)
DHS	Demographic and Health Surveys
DMD	Debt Management Division
DP	Development Partner
EC	European Commission
EDF	European Development Fund
EFA- FTI	Education for All: Fast-Track Initiative
EGPRC	Economic Governance and Poverty Reduction Credit
EMIS	Education Management Information System
ENR	Environment and Natural Resources
ENRAC	Environmental Resources Advisory Council
EPA	Environmental Protection Agency
EQ	Evaluation Question
ERM	External Resources Mobilisation
ESAR	Education Sector Annual Review
ESID	Effective States and Inclusive Development
ESP	Education Strategic Plans
ESPR	Extensive Annual Performance Report
EU	European Union
EUR	Euro
FASDEP	Food and Agriculture Sector Development Policy
FDU	Fiscal Decentralisation Unit
FMIS	Financial Management Information System
FOAT	Functional and Organisational Assessment Tool
GADS	Gender in Agricultural Development Strategy
GAS	Ghana Audit Service
GBS	General Budget Support
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GHc	Ghana Cedi
GHS	Ghana Health Service
GIDA	Ghana Irrigation Development Authority
GIFMIS	Ghana Integrated Financial Management Information System

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
G-JAS	Ghana Joint Assistance Strategy
GoG	Government of Ghana
GPRS	The Ghana Poverty Reduction Strategy
GSDP	Ghana Statistical Development Plan
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Service
HIPC	Heavily Indebted Poor Countries
HOD	Heads of Department
HR	Human Rights
HRMIS	Human Resource Management Information System
ICT	Information and communications technology
IEG	Independent Evaluation Group
IFMIS	Integrated Financial Management Information System
IGF	Integrated Financial Management Information System
IGFF	Intergovernmental Fiscal Framework
IGF	internally generated Fund
IMCC	Inter-Ministerial Coordinating Committee
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JASMES	Joint Agenda for Strengthening Monitoring and Evaluation, and Statistics
JICA	Japan International Cooperation Agency
KFW	Kreditanstalt für Wiederaufbau
LEAP	Livelihood Empowerment Against Poverty Programme
LG	Local Government
LGCSP	Local Government Capacity Support Project
LGS	Local Government Service
LGSS	Local Government Service Secretariat
MAF	Millennium Development Goals Acceleration Framework
MBDS	Multi Donor Budget Support
MC	Minerals Commission
MDA	Ministries, Departments and Agencies
MDBS	Multi Donor Budget Support
MDG	Millennium Development Goal
MESTI	Ministry of Environment, Science, Technology and Innovations
METASIP	Medium Term Agriculture Sector Investment Plan
MIC	Middle Income Country
MLGRD	Ministry of Local Government and Rural Development
MLNR	Ministry of Lands and Natural Resources
MMDA	Metropolitan, Municipal, District Assembly
MOE	Ministry of Education
MOF	Ministry of Finance
MOFA	Ministry of Food and Agriculture
MOFEP	Ministry of Finance & Economic Planning
MTDP	Medium Term Development Plan
MTEF	Medium-Term Expenditure Framework
MTR	Mid-Term Review
NACAP	National Anti-Corruption Action Plan
NALAG	National Association Of Local Authorities of Ghana
NDAP	National Decentralisation Action Plan
NDPC	National Development Planning Commission
NGO	Non-Governmental Organisation
NHIS	National Health Insurance Scheme
NREG	Natural Resources and Environmental Governance Programme
OBI	Open budget index
ODA	Official Development Assistance

ODI	Overseas Development Institute
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
OHCS	Office of the Head of Civil Service
PAC	Public Accounts Committee
PAF	Progress Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PES	Performance Evaluation System
PFM	Public Financial Management
PM	Performance Measures
POW	Programmes of Work
PPMED	Policy, Planning, Monitoring and Evaluation Division
PPP	Public-Private Partnership
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit (World Bank)
PRSL	Poverty Reduction Support Loan
PSD	Private sector development
PSDS	Private Sector Development Strategy
PSR	Public Sector Reform
SADA	Savannah Accelerated Development Authority
SBS	Sector Budget Support
SECO	State Secretariat for Economic Affairs (Switzerland)
SWAp	Sector-wide approach
SWG	Sector Working Group
TA	Technical Assistance
TSA	Treasury single account
TVET	Education, Vocational Education and Training
UDG	Urban Development Grant
UK	United Kingdom
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
USA	United States of America
USAID	United States Agency for International Development
USD	US Dollar
VAT	Value Added Tax
VPA	Voluntary Partnership Agreement
WB	World Bank
WIAD	Women in Agriculture Development Directorate



## 1 EQ1 - Relevance and Design of BS

<b>EQ1 – Relevance and Design of BS</b>	<b>To what extent did the design of the budget support interventions respond to the specificities of the Ghanaian context (incl. evolution in country needs and government’s policies) and the evolution in the aid framework at country and global level?</b>
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### 1.1 JC11. The focus and design of BS operations respond to evolving GoG priorities and country context (incl. evolution in the income status)

<i>EQ1 (Relevance and Design of BS) – Main findings and sources of information</i>	
<b>JC11: The focus and design of BS operations respond to evolving GoG priorities and country context (incl. evolution in the income status)</b>	
I.1.1.1 Degree of alignment of BS operations’ objectives with GoG priorities and national policies (incl. sector policies)	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• BS objectives have been strongly aligned with the national policy framework.</li> <li>• The Multi Donor Budget Support (MDBS) Progress Assessment Framework (PAF) was aligned with national medium term development strategies and its focus evolved with new GoG priorities (e.g. introduction of themes such as oil revenue or social protection and, from 2010 onwards, emphasis on macroeconomic stabilisation).</li> <li>• Conducive context in the first part of the evaluation period.</li> <li>• BS considered by GoG as the preferred modality during most of the period.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Inventory of BS interventions.</li> <li>• Documentary review: <i>programme documents, MDBS documents, national policies, budget statements, evaluations / reviews, etc.</i></li> <li>• Interviews.</li> </ul>
I.1.1.2 Quality (ownership, coverage and measurability) of BS performance assessment frameworks, including the criteria and tools for assessing the underlying principles	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• Overall, the MDBS PAF has been of good quality (relevant, realistic, reflecting a common vision) and there have been constant attempts to further improve it.</li> <li>• Efforts to make the MDBS PAF more focussed on pressing strategic issues have only partially succeeded.</li> <li>• Ownership by GoG has fluctuated over time and across public entities (Ministries, Departments and Agencies - MDAs).</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Inventory of BS interventions.</li> <li>• eSurvey.</li> <li>• Interviews.</li> <li>• Documentary review.</li> </ul>
I.1.1.3 Evidence that BS inputs have been adjusted to the evolutions in the country context (including the evolution in the income status)	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• BS inputs have been regularly adjusted to enhance BS’s efficiency and relevance. BS provision has been flexible and helped the country face difficult macroeconomic situations like in 2009. The suspension of BS in 2013-2014 was also justified. But, overall, there was no substantial change in DPs’ approach to engage in the partnership with GoG around BS.</li> <li>• 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.</li> <li>• Substantial complementary support, including for capacity development, was provided. But GoG has not articulated a clear strategy to enhance the demand for capacity development and DPs didn’t seek innovative ways of providing support in this area.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>

## I.1.1.4 Existence of risks assessments underpinning the design of BS operations (and quality of these assessments)

**Main findings:**

- 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.
- Overall, assumptions on macroeconomic-related risks proved too optimistic.

**Strength of the evidence base:** Strong

**Main sources of information:**

- Documentary review.
- Interviews.

### 1.1.1 I.1.1.1. Degree of alignment of BS operations' objectives with GoG priorities and national policies (incl. sector policies)

#### *Evidence related to national policies and GoG priorities*

The country formulated its first national development policy framework shortly after its Constitution was approved<sup>1</sup>. This policy framework, *Vision 2020* (originally entitled *National Development Policy Framework*), was a wide ranging, twenty five year perspective dedicated to the improvement of individual and social well-being. It set the basis for all subsequent development policies and plans – see Box 1 below.

#### *Box 1 History of development policy frameworks in Ghana*

The development policy framework in place during the evaluation period built on a series of policies, strategies and plans focusing on poverty reduction and human development. The first was the report entitled *Making People Matter: A Human Development Strategy for Ghana* (1991) followed by the *National Development Policy Framework* (1994) which outlined a twenty five year development perspective for the country shortly after the Constitution of Ghana was approved. This document was the basis of the *Vision 2020: the First step*<sup>2</sup> and a five year policy statement adopted in 1995 later developed into the First Medium Term Development Plan (MTDP) 1996-2000.

The *Vision 2020: the First Step* and the *MTDP 1996-2000* were not costed and the latter prepared in insufficient detail to provide effective guidance by which MDA could prepare appropriate programmes and projects. Moreover, analysis of the five thematic areas<sup>3</sup> covered by the plan indicates that the plan had strictly limited success. This was largely due to limited co-ordination between the National Development Planning Commission (NDPC) responsible for plan formulation and the Ministry of Finance (MoF) responsible for economic and fiscal management. In the event, annual budgetary allocations did not reflect MTDP policy and programme objectives. There also appeared to be a lack of political commitment to implementation of the plan.

The limited impact of the *Ghana Vision 2020: the First Step* and the *MTDP* in laying the foundation for sustained poverty reduction led to attempts to formulate more poverty-focused policy initiatives. Consequently, the Interim Poverty Reduction Strategy Paper (I-PRSP) for Ghana was prepared in June 2000 for the period 2000 to 2002 and has been used as an outline for growth and poverty reduction. The first Ghana Poverty Reduction Strategy (GPRS I), which covers the period 2003-2005) was initiated as a condition for development assistance under the International Monetary Fund (IMF)-World Bank (WB)-supported Heavily Indebted Poor Countries (HIPC) debt relief initiative in 2002. The GPRS for 2003-2005 largely built on the I-PRSP. The GPRS I was subsequently updated to form the GPRS II which covered the period 2006-2009. The Ghana Shared Growth and Development Agenda (GSGDA) I (2010-2013) and II (2014-2017).

*Source: 2003 GoG GPRS I and 2014 GoG - GSGDA II policy documents.*

The evaluation period covers the implementation of four national medium term development plans which are summarised in Table 37 (see EQ6/JC61). The excerpts below provide some illustrations of the different focus adopted in the various strategies.

*2010 GoG GSGDA I: GPRS I was initiated as a condition for development assistance under the IMF-World Bank-supported Heavily Indebted Poor Countries (HIPC) debt relief initiative in 2002. It sought to restore macroeconomic stability and reduce the incidence of poverty. It focused on the following themes: Production and Gainful Employment, Human Resource Development and Basic Services,*

<sup>1</sup> The Constitution of Ghana was approved on 28 April 1992 through a national referendum after 92% support.

<sup>2</sup> The development of the *Vision 2020* was preceded by the National Development Goal Setting Exercise, which consisted in a large consultation process including all districts and regions.

<sup>3</sup> Economic growth, human development, rural development, urban development and the development of an enabling environment.



*Special Programmes for the Poor and Vulnerable, and Governance. Across these themes, five areas were selected for priority action: Infrastructure, Rural Development based on Modernized Agriculture, Enhanced Social Services, Good Governance, and Private Sector Development.*

*The GPRS-II placed emphasis on growth as the basis for sustained poverty reduction “so that Ghana can achieve middle-income status within a measurable planning period”. Its thematic areas were: Continued Macroeconomic Stability, Private Sector Competitiveness, Human Resource Development, and Good Governance and Civic Responsibility. Both GPRS I and GPRS II contributed significantly to guiding the allocation of resources and also provided a platform for dialogue between the Government of Ghana and the Development Partners, and mainstreamed the Millennium Development Goals (MDGs) and other international commitments relevant to poverty reduction into the national development agenda.*

*Under GPRS I and GPRS II substantial progress was made towards the realisation of macroeconomic stability and the achievement of poverty reduction goals. However, structural challenges also emerged, characterized by large fiscal and balance of payment deficits mainly as a result of fiscal over-runs and external shocks including upsurge in crude oil and food prices. Remittances declined and access to private external financing became more difficult as a result of the global financial crisis. This was in spite of favourable global market conditions for cocoa and gold exports.*

*In many respects, the current medium-term framework seeks to address the challenges that had emerged at the end of 2008. These included a fiscal deficit that had risen to 14.5% of GDP excluding new domestic expenditure arrears of 4.2% of GDP as well as resurgence of macroeconomic instability that manifested in an end-year inflation rate of 18.1% and increased volatility on the foreign exchange market.*

*2014 GSGDA II: Given the large fiscal imbalances experienced in 2008 and the difficult macroeconomic situation at the beginning of 2009, the overarching goal for the medium-term economic under GSGDA I was to achieve and sustain macroeconomic stability whilst placing the economy on a path to higher growth and accelerated poverty reduction.*

Budget documents prepared by GoG also regularly highlight some key aspects of the national policy framework which received special political attention. For instance, the Budget statement of 2011 indicated that the key theme of the year was ‘Stimulating Growth for Development and Job Creation’ with the view “to focus attention on the need of the economy to be propelled onto a higher growth and development trajectory”.

The documentary analysis shows that the policy objectives included in the MDBS PAF largely draw on the policy priorities spelled out in the national development policies and the structure of the PAF policy matrices is closely aligned to the one of the national policy document. Details on the MDBS PAF policy objectives are given in Annex 5 (Volume 3).

### **Evidence related to alignment of BS operations to national policies and GoG priorities**

The inventory of BS interventions in Ghana (see Annex 4 Volume 3) also shows a strong alignment between the BS specific objectives and national policies. As illustrated in the documentary excerpts below and in EQ2, the documents reviewed also highlight strong links between the institutional set up around BS and the national policy framework.

*2007 ODI MDBS evaluation: Notwithstanding the conceptual weaknesses of the GPRS 1, it comprised an important building-block in the framework of national policy and budget making. Without it, initiation of the MDBS would not have been possible in 2003.*

*2009 EU Financing agreement of the MDG-C programme: The MDG-C will support the Government of Ghana (GoG) in the implementation of its Growth and Poverty Reduction Strategy (GPRS II) with a view to reaching the Millennium Development Goals (MDGs) by 2015. The use of budget support will enable GoG to cover financial needs while setting its own priorities, using national systems, strengthening its capacities and focusing on results. Furthermore the use of the MDG-C modality will offer longer-term commitment and greater predictability of disbursements.*

*2011 AfDB Appraisal report of the AfDB PRBESP<sup>4</sup> IV programme: The proposed budget support operation is in line with the GSGDA priorities and resource requirements to implement it. The country has started to produce oil which creates an opportunity for the government to vigorously pursue its growth and poverty reduction agenda. However, for the first years of oil production, there is a relatively high level of financing gap for investment, and thus a higher need for resources to close the financing gap of USD 12.5 billion over the GSGDA period. The program, designed to be disbursed within the next two years, is intended to help close such a financing gap. As the country builds upon its growth*

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<sup>4</sup> Poverty Reduction and Business Environment Support Programme

achievements by continuing its commitment to macroeconomic stability and improved business environment (to create a competitive and diversified economy), it is important that Ghana's development partners assist by providing budgetary and capacity building assistance.

2011 programme document of the WB Poverty Reduction Support Credit (PRSC) 7 programme: *This first Development Policy Operation of a programmatic series of two (PRSC7 and PRSC8) supports the authorities' efforts to consolidate ongoing fiscal stabilization efforts and protect the development objectives set in the Ghana Shared Growth and Development Agenda (GSGDA) for 2010-2013. The GSGDA emphasizes the need for macroeconomic stabilization and greater executive efficiency, transparency and accountability to provide the adequate setting for the reduction of poverty and socio-economic inequalities through agricultural, private sector, infrastructure and human resource development. Specifically, the PRSC7 supports continuing and deepening policy reforms initiated in 2009 to: (i) restore budgetary discipline and (ii) tackle longstanding public sector and energy issues, while (iii) protecting the poor, and (iv) preparing for the oil era. (...) The proposed operation takes place at a challenging juncture, as Ghana continues to grapple with large macro-economic imbalances, which sharply contrast with positive medium-term development prospects building on relatively strong institutions, recent oil discoveries and democratic dividends, as well as a strong record of poverty alleviation in the last two decades.*

2012 GoG-DPs compact – Leveraging partnership for shared growth and development (2012-2022): *The Consultative Group meeting held in September 2010 concluded on the need for DPs to support - Ghana's transition to an established middle income status, focusing on geographical disparities, lagging MOGs, and the strengthening of core Government functions. At the Multi Donor Budget Support (MDBS) retreat held in January 2012, capacity building, developing monitoring and evaluation systems, financial management reforms, strengthening of governance structures and poverty reduction interventions in the Northern Savannah zone were identified by GoG as areas where continued DP support would be critical. GoG also invited DPs to provide technical assistance and bolster initiatives that will facilitate market access to Ghanaian exporters, promote a better integration of Ghanaian exports into the global supply chains and strengthen Ghana's trade policies.*

2013 AfDB Project completion report of the Poverty Reduction Support Loan (PRSL) III programme: *PRSL III operation was relevant to the country's development priorities in that it supported the Government's objectives of growth, employment and income generation, good governance and civic responsibility as contained in the Government's Growth and Poverty Reduction Strategy (GPRS II) document.*

This strong alignment can also be observed at sector level. It is noteworthy that the launch of SBS operations in some sectors has actually been associated with major evolutions in the sectors' policy framework. For instance:

- In the Health sector, the joint SBS arrangement between three DPs (Denmark, the Netherlands and the UK, which were later joined by the EU) and GoG was finalised in 2008 to support the recently adopted National Health Policy<sup>5</sup>.
- In the environment and natural resources (ENR) sector, a similar joint arrangement (see box below) was agreed upon by five DPs after GoG issued the 'Letters of Development' providing a comprehensive view of GoG's strategic orientations in the sector.
- In the Agriculture sector, the World Bank AgDPO and the Canada SFASDEP were designed to accompany the evolution from the Food and Agriculture Sector Development Policy I (FASDEP I) to its successor FASDEP II and contribute to the implementation of the Medium Term Agriculture Sector Investment Plan (METASIP) which was also developed in 2009.

Each SBS arrangements relied on specific sector Performance Assessment Frameworks (PAFs) which highlighted the main policy objectives to achieve and included a set of indicators and targets for measuring and assessing the performance of the sector activities implemented. The type of targets/indicators included in the PAFs varies substantially from one sector to another (e.g. the ENR targets/indicators focus on specific policy actions while the Health sector targets/indicators include several outcome indicators). But all PAFs rely on country monitoring systems and remain closely aligned with GoG strategic priorities.

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<sup>5</sup> The 'National Health Policy – Creating Wealth through Health' was adopted in September 2007.

**Box 2**      *The Framework Memorandum between DPs and GoG in the ENR sector*

GoG and five DPs (the EU, France, the Netherlands, the UK and the World Bank) signed a 'Framework Memorandum' to launch the national 'Natural Resources and Environmental Governance Programme' (NREG) in April 2008. The Framework Memorandum, a non-legally binding document, sets the roles and responsibilities of GoG and its partners for the financing and implementation of the NREG programme. This was an innovative instrument for DPs and GoG within the ENR sector in Ghana. The model used in drafting the Memorandum was the MDBS MoU for the provision of general budget support. Such memoranda are increasingly in use due to the evolving complexity of development assistance, as DPs move away from isolated project interventions to more programmatic assistance. One defining feature of this increasing complexity is that such arrangements usually involve a number of DPs, whose differing systems and procedures need to be harmonised and aligned to national systems, as is acknowledged in the Paris Declaration on Aid Effectiveness. These memoranda have typically dealt broadly with:

- expected objectives and principles of co-operation, often stating broad objectives such as: obtaining the highest degree of alignment with the budgetary and accountability system and legislation of a country, so as to enhance effective implementation and to reduce the administrative burden on the Government;
- respective roles of each of the parties: setting out in separate sections the responsibility of the Government and the responsibilities of the donors;
- processes for monitoring and evaluating the co-operation and the operation(s): carrying out joint reviews and sharing information; and
- when financing is involved, the policy or institutional reform conditions for release of budget support.

The NREG Framework Memorandum addresses all of these points, whilst retaining a high degree of flexibility in its approach. This flexibility responds well to the complexity of the sector. Three sectoral agencies and two sector ministries are involved in the NREG programme, as well as the Ministry of Finance and Economic Planning. This contrasts with most SBS arrangements, which lie with a single parent Ministry and Agency.

The external financing modality for the NREG programme is restricted to sector budget support, consisting of '*transfers of financial resources to the Consolidated Fund of the Treasury of the GoG*' (paragraph 2.1). This is somewhat unusual for a sector programme, which can be supported by a range of financing modalities. The implication of this financing modality is that such operations are not designed to finance specific activities and expenditures, but support government policy objectives and spending priorities.

*Source: 2010 NREG Mid-Term Review (MTR)*

**Evidence related to other relevant elements for this indicator**

Documents reviewed show a good level of coherence between the MDBS framework and key documents structuring the provision of external aid in Ghana. In particular, the MDBS framework is consistent with the orientations taken in the Ghana Joint assistance strategy (G-JAS) which was established in 2007<sup>6</sup>.

2007 Ghana Joint assistance strategy (G-JAS): *The government also encouraged DPs to keep in mind its desire to see budget support increase as a share of official development assistance, within a scaled-up financial envelope for the country. DPs have taken these comments on board, and will seek to apply their spirit in the implementation of the G-JAS.*

As also explained in EQ2, the MDBS framework actually became the main functional building block of the development co-operation framework between GoG and its international partners. BS is clearly seen as the preferred modality in the main national policy documents. The choice of BS as the preferred modality also reflects Ghana and DPs' engagement in international high level fora on aid effectiveness (see JC12).

2010 GoG (draft) Aid policy and strategy (2011-2015): *The Government has identified General Budget Support as its preferred option; and Sector Budget Support is also encouraged. Project aid will be considered based on its sustainability and potential to achieve national development priorities.*

2012 GoG-DPs compact – Leveraging partnership for shared growth and development (2012-2022): *The Compact confirms the priorities outlined in the GSGDA for which concessional flows are the preferred choice of development financing. (...) While GoG preferred aid modality continues to be general budget support, within the MDBS framework, proposals for development assistance*

<sup>6</sup> In February 2007, 16 development partners (DPs) signed the 4-year Ghana Joint Assistance Strategy (G-JAS). G-JAS was designed to improve alignment of development assistance with Ghana's development priorities and provide a framework for implementing the Paris Declaration.

*instruments that could be considered more suitable for a middle income country and better tailored at targeting geographical poverty will be welcomed by GoG. The expectation is that any such changes will of itself not affect the overall size of development financing and cooperation during the transition phase; these modifications will be aligned to GoG Budget, through the agreed instruments of "Aid on Budget". On the other hand, DPs acknowledge the important role of the Ghana Aid Policy and Strategy (2011/2015) in providing overall guidance and procedures for sourcing and managing aid to Ghana. Acknowledging that GoG's preferred modality for aid is general budget support, DPs will endeavour to continue providing general budget support through the Multi Donor Budget Support (MDBS instrument, as well as seek a right balance among the full spectrum of aid instruments available to them - GBS; SBS; Pooled Funds; Project Aid etc. DPs will also work with GoG to further improve the GBS instrument's effectiveness.*

*2010 NREG Mid-term review: Two major processes appear to have had a significant influence on the design of the [NREG] programme. First, the Ghana Joint Assistance Strategy was emphasising harmonised donor action aligned to national systems. With the closure of DP projects in the ENR sector there was interest in exploring how international support might continue under the new development relationship set by the 2005 Paris Declaration on Aid Effectiveness. Second, a significant amount of analytical work had recently been completed, with the Ghana Natural Resources Management and Growth Sustainability report, the Ghana Country Environmental Analysis and the Ghana Environment Sector Study all pointing to the need to strengthen government policy, processes and systems to ensure strong environmental governance and sustainable management of the country's natural resources.*

However, it is important to highlight the changes in the policy framework which were linked to specific political dynamics and put a strain on the alignment between BS and national priorities. This situation is illustrated by the decisions taken by GoG on public wage increases and energy sector subsidies.

*2010 DFID study on GBS in the context of future oil revenues: Signs of a fluctuating political commitment to reforms that follows the electoral cycle as the election preparations in 2008 resulted in a reprioritisation away from the previously strong focus on poverty reduction initiatives towards more populist pressures for public wage increases and energy sector subsidies, along with specific social sector policies that were highly targeted towards key beneficiaries such as the National Health Insurance System and the School Feeding Programme.*

Interviews carried out have confirmed the indications given by documentary evidence on the general lack of engagement of GoG on aid policy issues. This situation puts into question the 'legitimacy' on national development policies and the robustness of the links between the development aid framework in Ghana and the national political priorities.

*2007 Ghana Joint Assistance Strategy (G-JAS): There is a range of risks to the development process in Ghana that relate to certain development challenges not being properly addressed; (...) A major potential risk is the possibility that the Government of Ghana does not provide adequate leadership on aid policy issues, which could undermine overall aid effectiveness as well as the process of developing an independent monitoring mechanism for the aid relationship between the government and DPs. This could affect the credibility of the aid partnership and be an obstacle for scaling up aid volumes in Ghana.*

*2009 Mid-Term Review of the Ghana Joint Assistance Strategy (G-JAS): GoG declined to sign G-JAS, and gave the document only lukewarm endorsement at its launch, describing it as a "good start" while encouraging DPs to be more ambitious in setting performance targets and introducing new aid modalities. (...) In the absence of strong leadership from GoG, there are clear limits to what DPs can achieve. A clear pattern has emerged in recent years of DPs launching aid effectiveness initiatives unilaterally, in frustration at the lack of action from GoG, only to find their initiatives failing for want of GoG engagement. (...) The G-JAS itself fits the same pattern. (...) While DPs have been continually frustrated at the lack of GoG engagement, some observers note that they have not been very effective either at making the case to GoG as to why aid effectiveness matters, or at helping to build institutional capacity within MoFEP to take the agenda forward.*

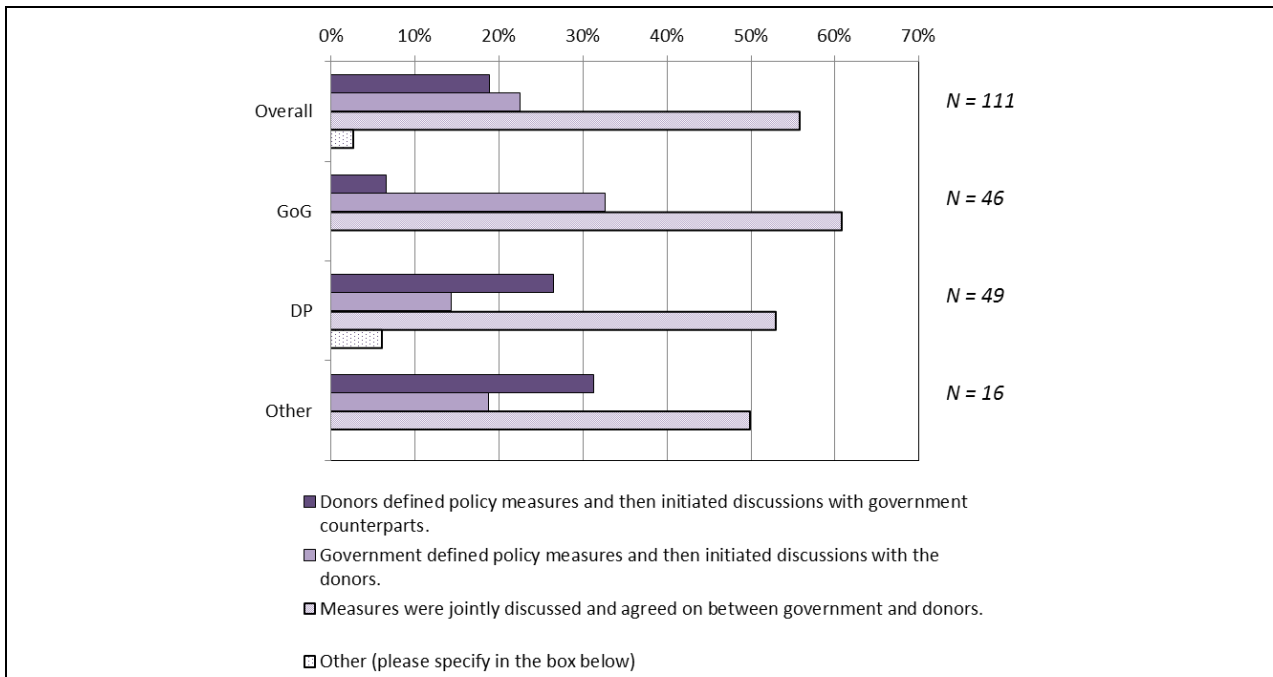
### **1.1.2 1.1.1.2. Quality (ownership, coverage and measurability) of BS performance assessment frameworks, including the criteria and tools for assessing the underlying principles**

#### ***Evidence on ownership of the BS performance assessment frameworks by national stakeholders***

The results of the eSurvey (see Annex 6 in Volume 3 and figure below) show that that measures supported by budget support are largely perceived as having been jointly discussed between GoG and DPs. But several GoG and DPs respondents also seem to have opposite perceptions: several GoG respondents (33%) perceived that "policy measures were first defined by GoG then discussed with the DPs" while only a few DPs respondents (14%) think so. Similarly, several DPs respondents (27%)

consider that the situation was the other way around while only a few GoG respondents (7%) think so. As highlighted in the qualitative answers presented below, this can be explained by the fact that the situation evolved over time. On the one hand, DP respondents perceive that the overall leading role played by GoG during the first half of the evaluation period seems to have decreased in recent years. On the other hand, some DPs withdrew from some sectors at the end of the evaluation period.

Figure 1 eSurvey - Who defined the priorities?



Source: 2016 Particip eSurvey.

The responses to the specific question “to what extent have budget support operations enjoyed country ownership between 2005 and 2015” are more convergent and show a rather high level of ownership (see Annex 6 in Volume3).

The 2007 evaluation of the MBDS highlighted the improvements in ownership which took place at the beginning of the evaluation period.

2007 ODI evaluation of the MBDS: *It is clear that the MDDBS arrangements have fostered a greater degree of policy ownership on the part of the GoG. Government officials acknowledge that this has induced them to pay more attention to setting priorities and to improving intra-government coordination. To a greater degree than was previously the case, the GoG sets the agenda for the MDDBS policy reviews and negotiations with donors. To a major extent and subject to qualifications below, the content of the policy matrix upon which MDDBS negotiations and monitoring are based is initiated by the government.*

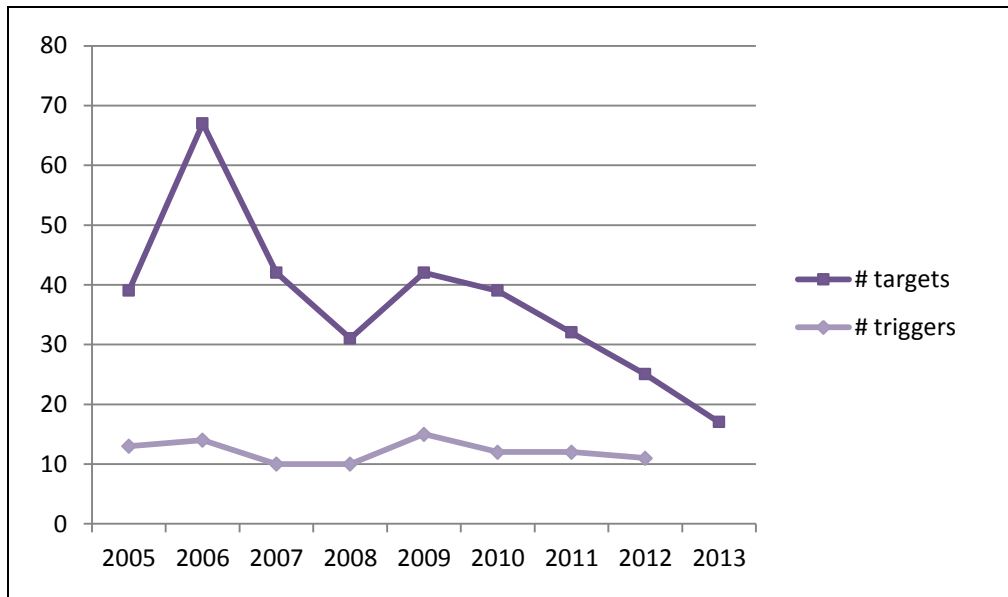
### Evidence on main evolutions in the MDDBS PAF

The evaluation team has carried out a detailed desk review of the MDDBS Performance assessment frameworks and related policy matrices used by GoG and DPs during the evaluation period – see Annex 5 in Volume 3. This review shows that the main changes in the policy matrices largely reflect the evolutions in the national policy framework during the evaluation period, incl. the introduction of emerging challenges like the management of oil revenues.

Moreover, it should be noted that there have been constant attempts to ‘rationalise’ the assessment framework with a view to make it more measurable and more focussed. In particular, this is illustrated in the evolution in the number of indicators used as targets in the MDDBS PAFs (see Figure 2 below).<sup>7</sup>

<sup>7</sup> A similar trend can be observed at sector level. For instance, in the ENR sector, the second phase of the NREG programme (covering the years 2012-2014) was streamlined with a reduction in the policy objectives (from 24 to 8) and targets (from more than 60 to 18), together with efforts to tighten the indicators to make them more precise and measurable (source: EUD assessment note for the disbursement of the 2014 NREG SBS tranche).

Figure 2 Number of targets and triggers used in the MDDBS performance assessment frameworks



Source: Particip analysis based on MDDBS policy matrices and annual reviews aide memoire.

The 2007 MDDBS evaluation depicts the situation at the beginning of the evaluation period and highlights the link between the PAF indicators, the PRSC matrix and the National development plan (GPRS):

2007 ODI MDDBS evaluation: *An important innovation in the Ghana MDDBS has been the establishment of a two tranche system of disbursement. This is based upon a 'base payment', disbursed in the first quarter of the fiscal year against satisfactory outcome of the annual PRGF<sup>8</sup> review in the previous year and a 'performance payment' linked to the achievement of 10-14 explicitly defined 'policy triggers'. A 50/50 split between these tranches was envisaged, although the performance tranche was designed to be disbursed in full or in part, depending on the number of trigger conditions fulfilled. It was explicitly agreed in the Framework Memorandum that the 'triggers for performance-based disbursement should be realistic, within the power of the GoG to achieve and limited in number'. The choice of performance triggers has been made through an annual process of negotiation between GoG and the MDDBS partners. In 2003, the MDDBS triggers covered PFM and governance issues only. In 2004, when the MDDBS and PRSC PAFs were merged, the scope of the triggers was widened to cover policy actions related to growth, income and employment as well as service delivery, mirroring the structure of the GPRS1 pillars. These triggers comprised a sub-set of a bigger group of policy targets<sup>9</sup>, derived from the pre-existing PRSC matrix and from the GPRS 1 commitments.*

The 2010 "PAF flexibility proposal" and the discussions between MDDBS partners in 2010 which led to this proposal illustrate the continuous efforts of GoG and DPs to improve the MDDBS framework:

2010 GoG & DPs PAF Flexibility proposal: *The meetings held prior to the 2009 MDDBS retreat with SWGs and GoG led to the call for: i/ Greater flexibility during the MDDBS review process; ii/ Greater reactivity; iii/ Focus on long-term development outcomes. (...) In order to make the PAF flexible, it is important to reduce the number of targets. It is important to keep the number of targets manageable - ideally around 30 each year - and avoid having multiple MoVs for individual targets.*

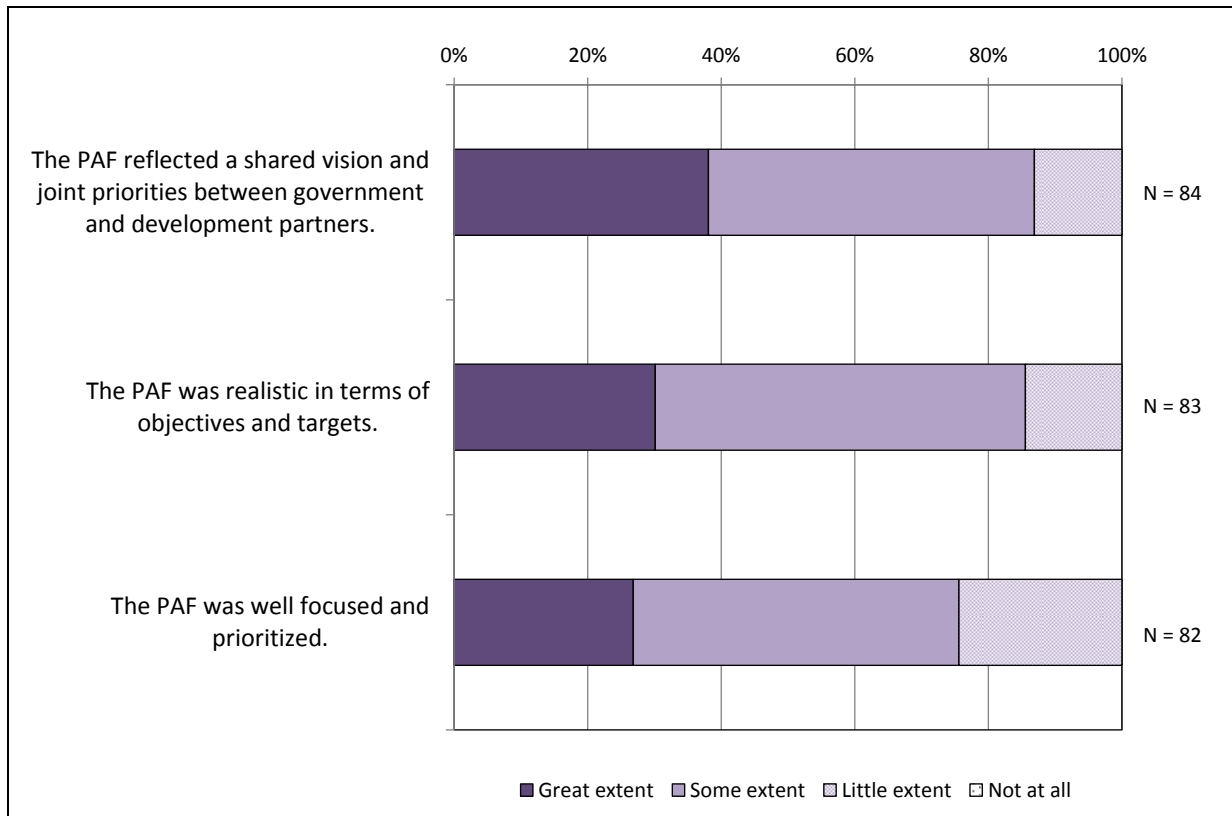
### Evidence related to the overall quality of BS PAFs

The results of the eSurvey carried out in the framework of this evaluation highlight overall positive opinions on the quality of the MDDBS PAF (see Annex 6 in Volume 3). As illustrated in the figure below, the majority of respondents indicated that, at least to some extent, the PAF reflected a shared vision between GoG and DPs, and it was realistic in terms of objectives and targets.

<sup>8</sup> Poverty Reduction and Growth Facility

<sup>9</sup> For the MDDBS/ PRSC PAF, policy 'targets' comprise a broad set of actions seen as important for the achievement of the GPRS. Policy 'triggers' are a sub-set of these targets, used to determine the level of disbursement of the PRSC as a whole and of the MDDBS performance payment.

Figure 3 eSurvey - Progress Assessment Framework



Source: 2016 Particip eSurvey.

When asked whether the PAF was well focussed and prioritised, respondents gave a more contrasted picture. A quarter of the respondents indicated that this was the case only to a little extent. See Annex 6 (Volume 3) for more details.

Moreover, the PAF have had a focus on short term policy actions, except in the education and health sectors where outcomes indicators have been used.

2008 EU 10<sup>th</sup> EDF country strategy paper: *Some of the requirements of the EC guidelines on budget support could not always be fulfilled, for instance the use of result-based indicators to trigger disbursements. This led to a certain trade-off between the unanimity principle of MDBS and the results-oriented nature of budget support. (...) In June 2006 the EC could not consider the PAF 2006-2008 a sufficiently solid basis for the disbursement of its performance tranche under the new PRBS<sup>10</sup> III. However, in order not to break the consensus under the MDBS arrangement, it was agreed with the Government to have only a base tranche for the first two years of the new programme (2007 and 2008).*

### Evidence on challenges related to the PAFs' rigidities

While most documents reviewed illustrate the overall good quality of the PAFs and the general adherence of GoG and DPs to this tool, interviews and some documents also underline the limitations posed by the rigidity of the framework developed. During the evaluation period, partners faced two types of challenges related to the PAF flexibility:

- Flexibility in terms of assessing triggers/targets;
- Flexibility in terms of adjusting the PAF to take into account abrupt changes in the context.

Regarding the first issue, documentary evidence shows that, in several instances, GoG's expressed some concerns regarding a too rigid application of the MDBS framework which would not allow accounting for progress made by the national parties. However, the analysis of the MDBS aide-memoire shows that, in general, DPs have shown a reasonable level of flexibility in validating the achievements of PAF targets. In some cases, certain targets were re-assessed after the MDBS review to take into account the lack of data to assess these targets but also to take into account delays in the implementation of certain actions.

<sup>10</sup>Poverty Reduction Budget Support

2009 MDDBS Annual Review aide-memoire: *Following the 2009 MDDBS Annual Review that was held in April 2009, it was determined that 4 out of the 10 disbursement triggers that were under assessment had not been achieved. Subsequently, the Government of Ghana requested that MDDBS development partners (DPs) reconsider the achievement of these outstanding triggers at a later date. DPs agreed to the reassessment of these triggers on the basis that progress towards their achievement had been delayed by the transition to a new Government that took place at the beginning of 2009.*

2010 MDDBS Annual Review aide-memoire: *The Minister of Finance and Economic Planning, in his opening statement delivered on his behalf by the Secretary to the Cabinet, highlighted one major difficulty faced by Government with regard to the level of flexibility exercised by DPs in their assessment of the MDDBS PAF. This becomes an issue specifically in cases where Government has made significant progress in achieving the set targets and triggers. In the same vein, it is necessary for the sectors to closely monitor their respective targets/triggers, to avoid the situation where DPs withhold resources due to non-achievement of triggers.*

2010 MDDBS Annual Review aide-memoire: *With regard to the 2009 review, the agreed Means of Verification (MoV) in the Education sector was technically not yet available. The MoV is the Education Management Information System (EMIS) 2009 survey which had not been completed due to delays in its commencement as a result of technical and resource-related issues. DPs were keen to show their flexibility in the process and it was agreed that the two targets and one trigger in the Education sector will be assessed by the 31st of July when the EMIS data is available. In addition, the trigger relating to the Petroleum Revenue Management Bill was considered met, but with a need for validation at a later date. This was due to the fact that substantial progress had been made towards achieving the trigger, although submission of the Bill to Cabinet had not been made partly due to exogenous factors. In order not to unduly rush the process to the possible detriment of the quality of the Bill, it was agreed that on submission of a timetable endorsed by the Minister of Finance and Economic Planning, as well as the provision of the summary of the consultations, this trigger could be considered met.*

2011 MDDBS Annual Review aide-memoire: *The Minister of Finance and Economic Planning, the Honourable Kwabena Duffuor, opened the Review, highlighting particular areas of progress in 2010. These included the emergence of a truly joint approach based on strategic dialogue supported by government-led SWGs, as well as evidence of DP flexibility where unexpected shocks had occurred.*

2012 MDDBS Annual Review aide-memoire: *On the issue of flexibility in PAF targets and triggers, participants were reminded that changes in the PAF require agreement of the MoFEP Chief Director and MDDBS co-chairs. It was however noted that no request for changes could be made during the review period. MoFEP asked that the needed flexibility be ensured since some challenges take a longer time to resolve. The DP co-chairs underlined that flexibility had been applied by changing few Means of Verifications that had been agreed in the PAF (no. 3, 7 and 21) and by accepting submission of some MoV on the last day of the review (regarding indicator no. 10 and 23, both Triggers).*

Regarding the second issue, the lack of flexibility of the PAF made it difficult for GoG and its partners to adopt appropriate responses to abrupt changes in context. This led to intense discussion in 2009-2011 around the introduction of flexibility mechanisms into the performance assessment process (see also EQ2/ JC22 and Annex 5 in Volume 3).

2009 MDDBS Retreat final synthesis report: *There was a consensus on the need for greater flexibility in the MDDBS instrument to accommodate and respond to exogenous shocks, changing priorities and performance. Yet some participants argued that there is flexibility already in the instrument although it may not be used fully. For example – holistic assessment provides a certain level of flexibility. Furthermore, from the perspective of DPs there is some inherent flexibility on the DPs side in the sense that if they recognise/understand the situation, they are able to determine how flexible they need to be. DPs have also shown flexibility in agreeing to reassess triggers that are not met at the time of the Annual Review. Nevertheless, outstanding issues which need to be resolved include determining the extent of sufficient flexibility to absorb varied unexpected shocks. Other issues include whether the occurrence of a shock will be taken into account when looking at the medium/long term PAF.*

2010 MDDBS PAF Flexibility proposal: *In order to allow some flexibility into the MDDBS process, a short-term window to address unexpected events that may arise within a particular year could be introduced. The creation of a short-term window (i.e. a period of time during which the GoG and DPs would consider request to alter a PAF target) would be based on issues outlined in section on Modalities for re-opening the PAF. The objective of creating a short-term window in the PAF is neither to allow for changes on account of predictable events nor to allow the fine tuning of the existing PAF, but for it to be used when it is considered absolutely necessary to address unpredictable events (shocks) that would affect implementation of the National Development Plan and the MDDBS dialogue.*

2011 MDDBS Annual Review aide-memoire: *Development partners and Government of Ghana have undertaken preliminary work to develop the basis for inserting more flexibility in the PAF and this will*



*be carried forward. Partners will jointly consider revisions to the Framework Agreement, perhaps as part of a proposed MDDBS Retreat yet to be confirmed.*

Finally, DPs faced difficulties to agree on what would constitute the most efficient and effective PAF with some DPs like the WB pushing for building a PAF on very specific strategic issues. Incidentally, this led to important delays in finalising the PAF in some years.

*2009 MTR of G-JAS: There are concerns about the time lags built into the MDDBS process. Since 2006, disbursement levels have been linked to the previous year's assessment of progress (the „N+1 formula“), in order to increase the predictability of budget support and avoid unexpected holes in the national budget. The N+1 formula makes sense for a budget support instrument designed to support implementation of the GPRS, where progress is best assessed over the medium term. However, it left the MDDBS without the capacity to respond to changing country conditions and emerging policy challenges.*

*This proved a particular problem in 2009, when a new government facing a major public finance crisis was obliged to request emergency assistance from the World Bank. The World Bank mobilised additional budget support, but decided that the existing PAF, negotiated before the election and silent on matters of macroeconomic management, did not provide an adequate framework for the extra resources. The Bank therefore rapidly negotiated a parallel PAF for its 2009 operation. There was considerable consternation among other DPs at the breakdown of the common PAF, exacerbated by multiple communication failures between the Bank and other DPs around the episode. Under pressure from donor countries, the World Bank Board has agreed not to provide budget support under a separate PAF in the future.*

*As well as causing a souring of relations within the DP community, the episode brought into sharp focus the limitations of MDDBS as a dialogue platform on strategic issues, particularly around budgetary management. Not only are the time lags too great in a changeable environment, but macroeconomic issues have been completely absent from the dialogue, due to its focus on sectoral issues. DPs have also been entering into annual negotiations without a clear understanding of what they want to achieve at the strategic level.*

*The 2009 problems have prompted DPs to undertake some substantial revisions to the MDDBS. To make sure the instrument is flexible enough to deal with macroeconomic shocks, they have agreed with GoG to introduce a short-term window into the PAF from 2010. It was also agreed to introduce a DP Performance Assessment Framework for analysing the quality of engagement of DPs in Ghana.*

*2009 MTR of G-JAS: In mid-2009, GoG adopted a set of IMF-backed austerity measures designed to reduce the budget deficit from 14.5% to 9.4% of GDP. (...) The episode (...) put heavy strain on the current aid instruments and architecture, with the World Bank departing from the common Multi-Donor Budget Support (MDDBS) mechanism for its 2009 emergency support operation, amid heavy criticism from the bilateral donors for its unilateral actions. While the World Bank is now committed to returning to the common MDDBS framework in 2010, DPs have reached the conclusion that they lacked the collective ability to respond flexibly and strategically in a volatile situation, and need to improve their collective quality of engagement.*

*2010 PCR of DFID PRBS 2009-2011: A way needs to be found (and agreed by all parties) to ensure that the PAF is agreed in good time, providing a reasonable amount of time for the results to be achieved, and hence a credible sense that the PAF and the MDDBS process has had an influence on achievement of targets. In 2009 there was major delay in finally agreeing the Progress Assessment Framework (PAF). It was not agreed, in fact, until February 2010. The World Bank led a move to make the initially-agreed PAF more directly relevant to key strategic issues such as approaching oil production and the large fiscal deficit. The PAF was delayed for a few months in 2010, also, awaiting the Government's overdue poverty reduction strategy to ensure compatibility.*

*2011 EU EAMR: In order to return to the MDDBS, the WB requested a revision of the Performance Assessment Framework (PAF), which was agreed in July 2009. WB was of the opinion that the PAF did not sufficiently address the critical short term macro-economic and financial issues. The re-negotiated PAF was only approved in March 2010 for an assessment in May. This PAF review caused a considerable delay in the MDDBS timetable, thus hampering the philosophy of the MDDBS.*

*2011 WB PRSC7 programme doc: In April 2009, Ghana's changing reality prompted the Bank to respond to Government's request for extraordinary (...) assistance through the EGPRC<sup>11</sup>, given the need to support efforts not anticipated when the PAF was designed in April 2008. Efforts were since conducted among DPs and the Government to fully align the proposed operation with the MDDBS.*

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<sup>11</sup> Economic Governance and Poverty Reduction Credit.

2013 MDBS Annual Review aide-memoire: *The 2012 assessment had highlighted the limits of the MDBS instrument in supporting reforms in critical areas, especially during periods of macro-economic challenges. To address these challenges, changes were being introduced in the MDBS instrument notably through the “Strategic Orientation of the PAF” and on-going discussions on the future of the MDBS instrument. (...) progress in the triggers was 54.5%, the lowest achievement since the initiation of the MDBS framework. The low outturn of the triggers is indicative of the current challenges of the PAF in its current form as a strategic instrument. To this end, the on-going discussion towards the strategic orientation of the PAF is welcome. (...) On-going policy dialogue is expected to include continuing attention to the issues raised by the Review as well as other matters which may arise. As noted earlier, a key focus of the dialogue with Government this year and the next would continue to be on the sound macroeconomic framework. To this end, the Honourable Minister of Finance committed to have regular interaction to intensify collaboration with the Sector Working Groups on Public Financial Management and Macro. Further, the MDBS Core Group would continue to engage Government as we embark on the Strategic orientation of the PAF and discuss the future of the MDBS instrument.*

### **1.1.3 I.1.1.3. Evidence that BS inputs have been adjusted to the evolutions in the country context (including the evolution in the income status)**

The assessment related to this indicator was structured around the three types of BS inputs: i/ Funds; ii/ Dialogue; and iii/ Accompanying measures. This section ends with the presentation of some elements related to the suspension of BS in 2013-2014.

#### ***Evidence related to the provision of funds – overall trends in BS***

In terms of short term evolutions, the inventory carried out in this evaluation (see Annex 4 in Volume 3) shows substantial annual variations in the financial support provided via BS. The documents reviewed show that, overall, DPs’ provision of BS funds has been flexible which, in particular, allowed helping the country to respond to external shocks or new priorities in specific years.

2010 EU External Assistance Management Report (EAMR): *the MDG-C has been increased from its original amount of EUR 175 to 219 million, after riders for V-FLEX (December 2009) and the GIFMIS<sup>12</sup> pool fund (December 2010). Following the signing of the rider and applying the agreed implementation modality of substantial decentralised management, the Delegation will join the Pool Fund (USD 60 million) with DFID and WB, and DANIDA who decided to contribute additional funding with respect to program-based budgeting initiative, in January 2011.*

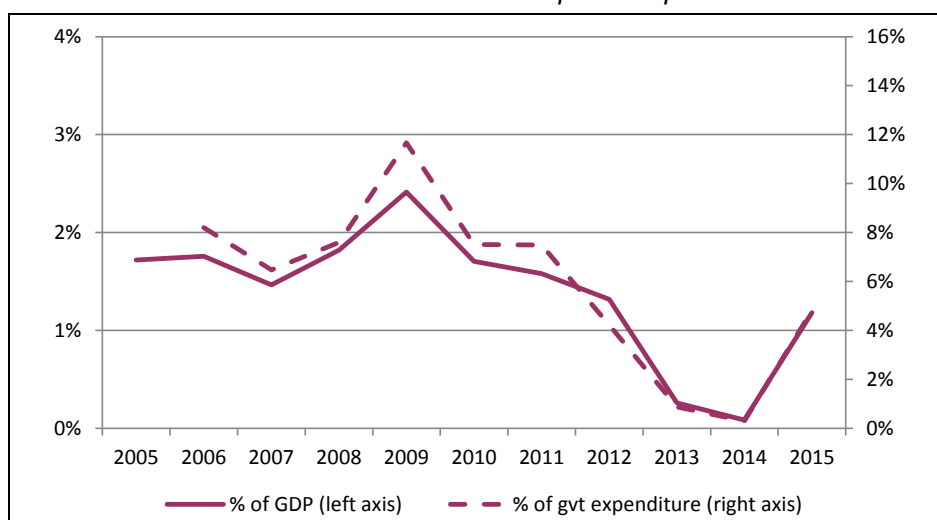
2011 WB PRSC7 programme doc: *In April 2009, Ghana’s changing reality prompted the Bank to respond to Government’s request for extraordinary (front-loaded) assistance through the EGPRC, given the need to support efforts not anticipated when the PAF was designed in April 2008. (...) With greater macro-economic stability and the finalization of the GSGDA, the return to programmatic support is also deemed warranted within the current [Country Assistance Strategy] period.*

In terms of longer term evolutions, the Figure 4 below shows that, until 2011, BS represented substantial levels when compared to the size of the country’s economy and national public resources (around 2% of GDP and 8% of total public expenditure).<sup>13</sup> These levels fell sharply after 2011 and were close to 0% after the breakdown of the MDBS partnerships in 2013.

<sup>12</sup> Ghana Integrated Financial Management Information System

<sup>13</sup> It should also be noted that aid accounted for in the 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.

Figure 4 *BS disbursements as % of GDP and total public expenditure*



Source: World Bank (GDP), GoG fiscal tables & 2016 Particip Inventory of BS operations in Ghana.

The share of BS in total Official Development Assistance (ODA) to Ghana follows a similar evolution as described in EQ2 (indicator I.2.1.1).

The trends in the level of BS funds provided in Ghana reflect distinct dynamics:

- At the beginning of the period, Ghana was still seen as a “donor darling”, which worked as an incentive for several DPs to provide rather high level of support to the country, incl. in the form of BS.<sup>14</sup> Until around 2010, BS was also seen by both GoG and DPs as a crucial source of financing for the implementation of the national development agenda.
- After 2011, the provision of BS funds was strongly influenced by:
  - A shift in the country external assistance context with GoG turning to new external sources of financing (see box below);
  - The breakdown of the MDBS partnership, which, as explained in JC12, occurred in a period where most DPs became increasingly risk adverse due to new political orientations in their home countries.

### Box 3 *Main evolutions in development finance in Ghana*

‘Development finance flows’ to Ghana have expanded nearly six-fold (in nominal terms) since 2000 (from USD 966 million in 2000 to USD 5.7 billion in 2012). Volumes of ODA flows have also continued to increase in nominal terms during the 2000s (from USD 600 million in 2000 to up to USD 1.8 billion in 2011). However, the relative contribution of ODA to the total development finance landscape is declining.

Foreign direct investment (FDI) inflows have exceeded ODA flows since 2008 and workers’ remittances, albeit small, are expanding rapidly as well. There is a positive overall trend for official non-concessional flows from DAC members and Multilateral Development Banks (MDBs), with a peak of nearly USD 150 million in 2009. Other official flows (OOFs) represent a small share of total resources but are increasing.

Budget support is still specified as the preferred aid modality. However, several DPs are phasing out of the country and/or have stopped their general budget support on the basis of weak macroeconomic performance. With regard to concessionality, Ghana is mainly guided by IMF disciplines (concessional loans containing a minimum grant element of 35%).

Flows from non-DAC donors have also been on the rise, although they remain small in comparison to traditional ODA flows. Several non-traditional donors are active in Ghana, with Brazil, China and India the most important partners. China’s presence has expanded over time, with a diversified set of instruments including interest free loans, resource-backed loans, export buyer’s credit, grants, debt relief, and cultural and education exchanges, and they have recently been shifting from interest-free to concessional and non-concessional loans. Ghana has had major access to Chinese credit lines for some

<sup>14</sup> See 2014 OECD – New development finance landscape – Ghana case study: “Ghana was a donor darling following independence, first for historical and geopolitical considerations and then for its willingness to pursue reforms, structural adjustments and a successful democratic transition.”

time, but take-up has been slow. Brazil's presence in Ghana is modest, with agriculture the main area of collaboration (both financial and technical assistance) between the two countries. With respect to other non-traditional development assistance flows, the volume remains low but trends have been increasing.

There is limited information available on philanthropic assistance at the country level. Based on Foundation Centre Data for United States foundations, Ghana received an average of USD 11 million of philanthropic assistance flows each year between 2003 and 2012, corresponding to only 0.6% of ODA in 2011.

Flows from the Global Fund amount to about 5% of ODA flows each year (on average). GAVI disbursed an average of USD 20 million each year, corresponding to approximately 1% of annual ODA flows. Climate finance pledges to Ghana totalled over USD 40 million from 2008-12, half of them disbursed so far, most in grant format, with the majority targeting mitigation objectives.

With respect to accessing new finance, Ghanaian government officials value access to more and diversified financing resources, which outweigh perceived greater complexity in the management of these flows.

*Source: 2014 OECD – New Development Finance Landscape – Ghana case study; GoG Fiscal data.*

The World Bank's PRSC 7 Programme document gives some elements justifying the decision of certain DPs to continue the provision of BS to Ghana despite the apparent declining relevance of ODA given the expanding economy and new sources of finance.

*2011 World Bank PRSC 7 Programme document: The GSGDA and the new Aid Policy Paper for the period 2011-15 reiterate the need for continued official development assistance – and budget support in particular. Indeed, financing needs to meet Ghana's development aspirations cannot be entirely funded from domestic resources combined with prudent external non concessional borrowing, even though the limit for the later was recently raised in agreement with the IMF.*

*(...) while forthcoming oil revenue could eventually prompt DPs to reduce their ODA to Ghana, it is the Government's view that continued support would be needed in the first years of oil production to limit the potential of the "oil curse" developing in Ghana, as well as providing additionality to oil revenues. Indeed, risks of political capture, macroeconomic instability, lost external competitiveness and increased regional inequalities stemming from oil are significant, and call for particular attention to public sector reform (single spine pay reform, decentralization, capacity building, transparency and external accountability), the enforcement of multi-year macroeconomic frameworks (public financial management, debt management strategy, medium term expenditure frameworks, tax collection), macro-economic stabilization (utilities financial recovery, oil stabilization funds, arrears liquidation, financial sector regulation), the investment climate (urban development, land regulation, informal labour markets), and rural development (commercial agriculture, connective infrastructure and social protection in the north, climate change adaptation and mitigation).*

*Against this background, continued ODA could be particularly instrumental to secure stable funding, encourage the development of macroeconomic stabilization mechanisms, continued progress in public financial management, transparency, executive accountability, capacity building, investment effectiveness, and overall reform implementation. In this context, general budget support would continue to be the preferred aid modality, within the aligned and harmonized MDDBS framework.*

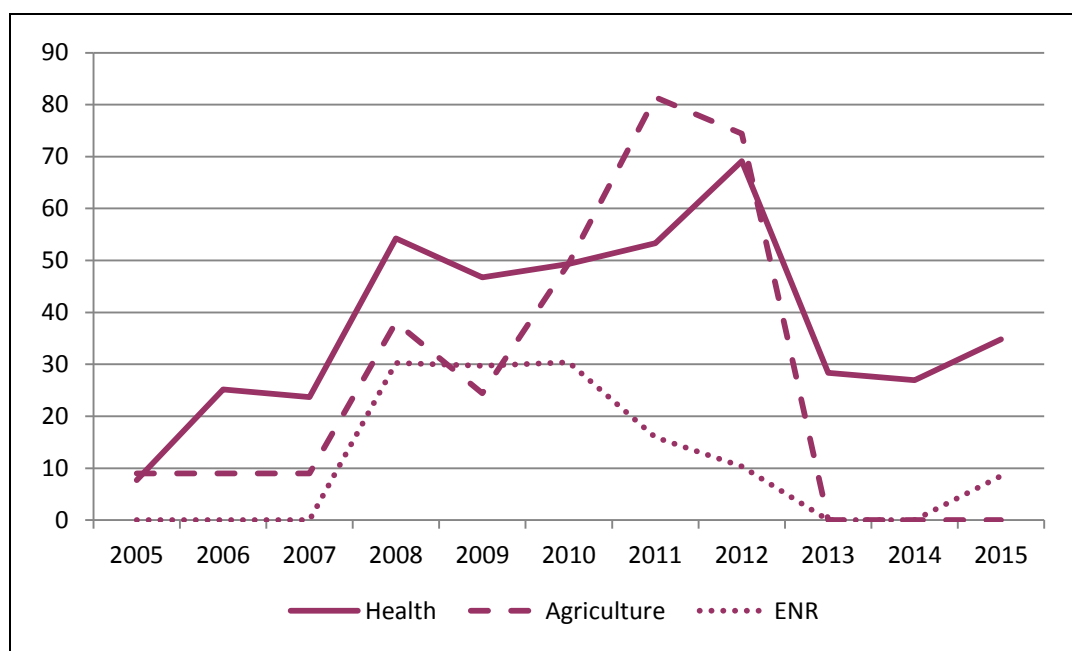
### **Evidence related to the provision of funds – trends in SBS**

The evolution of SBS funds (see figure below which focuses on the three focal sectors of the evaluation) is characterised by:

- A surge in SBS disbursements in 2008 which reflects the set-up of new sector wide arrangements for the provision of harmonised external support in these sectors.
- A fall in disbursements in 2013 which reflects the withdrawal of many DPs from BS in Ghana (some of them pulling out completely from development aid in the country).

Overall, SBS operations accompanied GoG's decision to expand services during the period 2008-2012. As explained in EQ2/JC21, SBS funds have represented a significant share of the sectors' budget during that period (from 5% in the Health sector to 20% in the ENR sector).

Figure 5 SBS disbursements in the three focal sectors of the evaluation



Source: 2016 Particip Inventory of BS operations in Ghana.

It is noteworthy that most of the SBS has been provided as un-earmarked support. Initial SBS arrangements foresaw that SBS would finance the overall sector's budget and would be thus merged with other sources of finance. However, the MoF agreed with line ministries to ring fence the funds received and allocate them directly to specific types of activities. The case of the ENR sector is detailed in the box below.

**Box 4** *The ring-fencing of SBS funds in the ENR sector*

DPs provide SBS for the NREG programme as un-earmarked budget support. There are no specific requirements regarding the activities and programmes for which these funds should be used. According to the financing agreements, the SBS funds are made available for being added to the Consolidated Fund of the Treasury of GoG. However, at the start of the NREG programme in 2008, GoG decided to ring-fence the SBS-NREG funds for being used specifically by the MDAs involved in the NREG programme.

A widely held view in the international debate on SBS is that ring-fencing and/or earmarking the use of SBS is not the preferred option. It often leads to (i) additional management costs because earmarking requires special financial programming and management procedures, (ii) funds not being available until donors have disbursed the SBS, and (iii) suboptimal use of the financial resources of the Government (including SBS) because earmarking avoids making a comparison whether or not the economic and social added value of an expenditure (investment) in the SBS sector is higher than the value added in another sector.

The latter mentioned disadvantage of earmarking is in particular relevant when relatively large amounts of money are earmarked for particular MDAs. Ring fencing could be replaced by an agreement on the level of GoG funding needed by the NREG-MDAs for reaching the NREG targets and for implementing the agreed work plans and possibly other high priority expenditures and investments. SBS should then be seen as non-earmarked funding from the DPs in order to allow GoG to increase its funding of the NREG-MDAs.

SBS receipts are received on a central SBS-NREG bank account administered by the MoF. From that account, funds are transferred to the NREG-MDAs for financing the implementation of a list of specific activities, which are defined in SBS-NREG work plans (later replaced by Results Frameworks) made by those MDAs. The NREG-MDAs have special bank accounts where they keep the SBS-NREG funds. Although the funds are thus ring fenced for specific use, the principle of fungibility within a MDA is maintained to a certain degree, in the sense that funding of an activity can be shifted relatively easily from one funding source to another (IGF, GoG, SBS-NREG or project funding) and some of the activities can also be funded by more than one source.

Source: 2012 ECORYS report of the NREG financial monitoring mission.

A respondent to eSurvey (see Annex 6 in Volume 3) provided the following complementary comment:

SBS-NREG was provided as non-earmarked SBS, but the Ministry of Finance and NREG institutions managed it in an earmarked way. This caused huge flows of additional money to the NREG institutions, which were not (clearly) audited. Accountability as regards for which purposes those funds were used was almost non-existent. GoG did not ask for justification of the use of the funds because it was "donor money". Donors did not ask for justification because they held the view that it was non-earmarked SBS.

### **Evidence related to dialogue and conditionality**

BS dialogue enjoyed a relatively good level of engagement of all partners until at least 2010 (see also EQ2).

2009 MTR of G-JAS: *MDBS has emerged as the principal forum for high-level policy dialogue in Ghana. It is the process by which GoG and DPs agree short-term policy priorities drawn from the sectoral dialogues. The percentage of external assistance channelled through MDBS has fluctuated (...). As a forum for dialogue, however, MDBS has assumed a significance that goes beyond the quantum of funds involved.*

As noted in Indicator I.1.1.2, the MDBS PAF was regularly adjusted to take into account changes in the context and lessons learnt from the past. Documents reviewed highlight that DPs closely followed the evolutions occurring in the country's context.

EU 2010 EAMR: *the context of external assistance in Ghana is thoroughly changing. In the last six months the following events provided ample evidence of this:*

- a) *On 15 December 2010 Ghana became an oil-producing country when the first oil was pumped up for commercial purposes from the Jubilee field;*
- b) *By means of a so-called "rebasings" of the National Accounts in November –leading to an increase of GDP with almost 70%- Ghana reached (lower) middle-income status;*
- c) *The influence by non-traditional donors (BRICS) came to the fore very strikingly when the Ghanaian press announced very significant concessional loan agreements, in particular with China. The exact content of these agreements nor their terms have been made public by the Government.*

*These issues were discussed at [a] Consultative Group (CG) meeting at the end of September. Development partners and GOG agreed that continued external assistance would be needed for at least another five to ten years, but that some of the priorities and modalities might change on the way towards preparing exit strategies. At the CG, a GoG paper with its views on ODA in the new context was presented, as well as a new development strategy (Ghana Shared Growth and Development Agenda – GSGDA) for the years 2011-2013 and a new Aid Policy & Strategy document.*

DPs and GoG continuously tried to improve the dialogue around BS during the evaluation period – see also EQ2 and Annex 5 (Volume 3). An increasing attention was put on cross-sectoral issues in the MDBS dialogue. A section on cross-cutting issues was introduced in the MDBS aide memoire for the years 2010 and 2011.<sup>15</sup> Macroeconomic issues also become increasingly important – see EQ3.

Despite the regular attempts to improve the structure, the process and the content of the dialogue around BS, there is no documentary evidence showing that DPs markedly changed their approach to engage in dialogue and strengthen the mutual accountability dimensions of the partnership.

2009 MTR of G-JAS: *In its place, the Multi-Donor Budget Support (MDBS) process emerged as the principal forum for dialogue, taking the aid architecture in Ghana in a different direction than that envisaged in G-JAS. If G-JAS was primarily about making DPs more accountable for their contribution to GPRS implementation, the role of MDBS was to make GoG accountable for the implementation of its own reform agenda, focusing on short-term priorities identified through sectoral dialogues.*

It is noteworthy that DPs never really found an appropriate entry point to engage in a close dialogue with GoG on the persisting macroeconomic issues that Ghana was facing. This is partly explained by the fact that, at least until some point (around 2011), they voluntarily relied on the IMF and refrained from engaging extensively with GoG on these topics.

2009 MTR of G-JAS: *In mid-2009, GoG adopted a set of IMF-backed austerity measures designed to reduce the budget deficit from 14.5% to 9.4% of GDP. Its efforts have 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*

<sup>15</sup> For instance, in 2010, it covered: i) budget related issues; ii) climate change; iii) decentralisation; iv) M&E. In 2011, it covered: i) equitable development; ii) PFM capacity; iii) oil and gas: co-ordination and revenue management.

management issues, DPs have been in a long period of limbo which they hope is now drawing to an end.

### **Evidence related to accompanying measures**

As highlighted in the inventory of BS operations (see Annex 4 in Volume 3), accompanying measures were provided directly in the 'BS package' (i.e. embedded support foreseen in the financing agreements of BS operations) only in very few cases. However, DPs have still financed considerable complementary support closely linked to BS. Accompanying measures have essentially taken five main forms (see EQ2 / JC23 / I.2.3.1 for further details on the support provided):

1. Institutional building project / stand-alone technical assistance (TA): this category includes the support provided in traditional technical assistance/capacity building projects and includes inputs like training, equipment, TA, etc.
2. Analytical work: this category includes a variety of analytical work ranging from reviews and evaluations of BS arrangements (e.g. review of the MDBS framework) to direct inputs to the drafting of new policies and laws and in depth studies in key sector areas. Supported analytical work has covered a very wide spectrum in terms of thematic areas ranging from debt management and management of oil & gas revenues to forestry management and constitutional review.
3. Reform support projects: this includes comprehensive support projects in specific areas such as the GIFMIS project on PFM or the Ghana Statistical Development Plan (GSDP) project in the area of statistical development.
4. Support to non-state actors: this includes diverse support aiming at strengthening the role of the civil society in national policy processes.
5. Other: other support includes financial support to national intergovernmental financial mechanism such as the District Development Fund (DDF) aiming at strengthening the capacities of local governments.

The level of accompanying support provided has been substantial in all sectors and areas although some fluctuations can be observed over time (e.g. decreasing level of support to statistical development). The content and type of the support has varied greatly from one sector to another. For instance,

- In the Health sector, the main focus has been on the provision of technical assistance to various key public institutions.
- In the ENR sector, during most of the evaluation period, the main efforts have been in the area of the strengthening of CSOs. Some technical assistance was also provided on PFM during various financial monitoring missions implemented in 2010-2012. A large capacity development support project was provided only since 2014.<sup>16</sup>
- In the area of PFM, accompanying support has consisted in a combination of a multitude of small scale technical assistance projects (focusing on a variety of actors such as the MoF's Tax Policy Unit, Ghana Audit Service (GAS), the Treasury, etc.) and one large reform support project (GIFMIS).

It appears that no major change in the type of support provided occurred with the evolution of the country context (e.g. with the accession to the Middle Income Country (MIC) status). On the contrary, there has been a strong level of continuity in DPs' support. In the area of public expenditure management reform, DPs have provided a support to the development of a national Financial Management Information System over more than 15 years as the support to the GIFMIS project prolonged some aspects of reform initiated under a previous programme (the Budget and Public Expenditure Management System – BPEMS – project, which was implemented between 1999 and 2008).

The 2012 GoG-DPs Compact mentioned the idea of a comprehensive National Capacity Development Strategy and Action Plan but such a strategy was eventually never developed.

*Capacity development will be a key priority in the transition phase. Partners are willing and committed to support an accelerated and coordinated approach to capacity development. DPs are prepared to discuss, and contribute to the preparation of, a comprehensive National Capacity Development Strategy and Action Plan and will support its implementation. DPs will coordinate their assistance in support of the plan and will provide financial and technical assistance, to include sharing and transfer of knowledge and expertise. Partnerships with private sector organisations and international and*

<sup>16</sup> This USD 4 million project was financed by the World Bank and covered a variety of areas such as revenue forecasting, local procurement, public expenditure review, forestry policy, district mining committees, climate change and Nationally Appropriate Mitigation Actions (NAMAs).

*domestic institutions of higher education will be sought for funding and implementation of capacity development programs.*

Overall, although some general strategic orientations were spelled out in certain sectors (e.g. the section 'capacity development for health delivery' in the 2007 National Health Policy), ministries have been poor at articulating their capacity needs and incorporating capacity development objectives into their strategies. At the same time, it appears from the evidence gathered that, while DPs have avoided overlaps in the provision of capacity development support and ensured some level of complementarity, they have not often sought opportunities of joint efforts. They preferred to pick separate institutions in their specific areas of interest without trying to jointly identify the most crucial capacity needs in the various sectors of co-operation.

It is noteworthy that, in general, little support has been provided in the area of M&E. In 2011-2012, some DPs and a number of national stakeholders (incl. NDPC) tried to impulse new efforts to strengthen M&E across public institutions and elaborated a draft Agenda for Strengthening Monitoring and Evaluation, and Statistics (JASMES). The 2012 GoG-DPs Compact noted:

*DPs collectively commit to support the strengthening of capacities and improvement of the M&E function across Government in a way that can ensure appropriate assessment of policy and program implementation and impact, building on and making the best use of the differentiated roles and responsibilities among the various players at all levels and spheres of Government. DPs are willing to provide support for the preparation and implementation of a country wide M&E and Statistics action plan, using the Joint Agenda for Strengthening Monitoring and Evaluation, and Statistics (JASMES) as the framework. Capacity-building of NDPC and GSS<sup>17</sup> will be a priority in this regard.*

However, the JASMES was eventually not fully endorsed by GoG and a comprehensive support to M&E by DPs never materialised.

Finally, there is very little evidence of DPs playing the role of 'knowledge' brokers. Support focusing on strengthening the involvement of academia and think tanks in policy processes has been very limited. 'Knowledge institutions' have relied on other sources of finance to conduct independent research, monitor policy implementation and foster policy innovation. For instance:

- The Institute of Economic Affairs conducted and published research on aid in Africa which facilitated broad-based discussion. The Institute of Statistical, Social and Economic Research (ISSER) monitors development outcome indicators through publication of the Social Development Outlook and the State of the Ghanaian Economy.
- The IMANI Centre for Policy and Education has been tracking budget performance since 2009.
- The Centre for Policy Analysis (CEPA) shared ideas on the macroeconomic situation with the IMF.

Such types of support are actually just starting to emerge. In 2016, the AfDB has launched the Ghana Policy dialogue series. This series of event has the objective of producing research papers on economic, governance and emerging developmental issues affecting Ghana and the West African sub-region. It is expected to provide a platform for the academia, researchers, think tanks, private sector, policy makers and the general public to contribute to the current debates on the pursuit of sustainable economic development.

DPs have also supported horizontal exchanges / south-south co-operation only to a very limited extent. Some examples have been identified in areas such as the development of export quality standards in the PSD sector where the EU has supported exchanges between Ghanaian stakeholders and their South African counterparts in the context of the TRAQUE programme.

### ***Evidence related to the suspension of BS in 2013-2014***

Most DPs decided to suspend their BS in 2013 because of a serious deterioration of the macroeconomic situation and the perception of DPs that GoG was not taking sufficiently strong measures to address the negative evolutions (see also EQ3). The table below shows the succession of events which were linked to the suspension of BS in 2013-2014.

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<sup>17</sup> Ghana Statistical Service



Table 1 Main events in 2012-2015 which accompanied the breakdown of the MBDS

Date	At the macroeconomic level	At the MBDS level	Other elements of the context
<b>2012</b>			
02/07	IMF 6 <sup>th</sup> and 7 <sup>th</sup> reviews under the Extended Credit Facility		
18/07	Revised estimates on annual budget deficit <sup>18</sup>		
Nov.	An internal audit's findings question the integrity of the payroll system <sup>19</sup>		
07/12			National elections
<b>2013</b>			
07/01			President is sworn-in despite opposition's petition
13/02	Central bank announces figures on 2012 budget deficit		
Feb-Apr		Several DPs decide to withhold the provision of BS <sup>20</sup>	
02/04	Cabinet approves the initiation of a second Eurobond transaction		
29/05	IMF Article IV report is finalised		
19/06		Decision to postpone the annual MBDS review to September	
25/07	Eurobond transaction launched		
29/08			Supreme Court of Ghana dismiss the opposition's petition
Aug		Fiscal data issued to MBDS DPs	
02/10		Last MBDS annual review	
19/11	2014 Budget statement and economic policy is presented to Parliament		
<b>2014</b>			
Jan-Feb	Dramatic depreciation of the cedi		
01/04	President's policy statement to the Parliament announcing home-grown fiscal consolidation plan		
Early April	The MoF develop a home-grown fiscal consolidation plan		
21/04	IMF Article IV report is finalised <sup>21</sup>		
14/05	Home grown fiscal consolidation presented to the National Economic Forum		
Early 2014		Most DPs decide to maintain the suspension of their BS and try to negotiate a macroeconomic PAF	
01/08	GoG finally enters in negotiations with the IMF <sup>22</sup>		
18/09	Two new international bond issuances		
Jul-Dec	Fall in global oil prices		
<b>2015</b>			
26/02	Negotiations with the IMF concluded		

<sup>18</sup> The mid-year review includes a figure of 6.7% compared to the November 2011 initial estimates of 4.8%.

<sup>19</sup> The KPMG audit which was confidential was leaked to the press two years later.

<sup>20</sup> Some DPs considered that the measures proposed in the budget pointed to increased revenue growth rather than a restricted expenditure as the main anchor for the fiscal consolidation.

<sup>21</sup> The report indicates: "Staff welcomes the government's homegrown strategy (...) In light of Ghana's significant fiscal and external imbalances, staff would strongly encourage the government to target a larger and more frontloaded fiscal consolidation."

<sup>22</sup> The President announced its decision after a meeting with its Advisory Committee on the Economy on 01/08.

Date	At the macroeconomic level	At the MDDBS level	Other elements of the context
03/04	IMF board approval		
27/05		MDDBS partners meet to officially end the MDDBS agreement	
Jul-Aug		The biggest part of previously suspended BS is finally released	

Source: *Particip GmbH (based on documentary review).*

The evidence gathered in interviews and the documentary review shows that the decision to suspend BS was justified. The first underlying principles of the MDDBS arrangement (continuing sound macroeconomic policies and management) was not respected (see EQ3) and DPs had repeatedly highlighted the risks associated to that situation. For instance, it was noted during the 2012 MDDBS annual review:

2010 MDDBS Annual review: *“it was noted that a substantial number of targets were not achieved and that these were often clustered in particular sectors, such as water & sanitation and decentralisation. [Moreover, the] issue of arrears, both their accumulation and liquidation, remains a concern for the future.”*

2011 MDDBS Annual review: *“The 2011 annual review concluded that overall progress was satisfactory (‘holistic assessment’). This was on the basis that sufficient progress was shown in implementing GSGDA and that macroeconomic management was sound. However, it was noted that the issue of arrears, both their accumulation and liquidation, as well as fiscal consolidation and deficit reduction remain concerns for all DPs.”*

2012 MDDBS annual review aide memoire: *although there was gross arrears clearance of more than GHS 1.5 billion (2.7% of non-oil GDP), the government accumulated new arrears (about 1.3% of non-oil GDP), missing the programme target. (...) Government was cautioned about the outlook for 2012 especially in view of the challenges as already identified by the Fund as well as risks that tend to be associated with election years. It was noted that while the focus of the MDDBS annual review was on the year 2011, for some MDDBS donors, any occurrence that threaten macroeconomic stability in the course of 2012 could affect disbursements in 2013.*

#### 1.1.4 1.1.1.4. Existence of risks assessments underpinning the design of BS operations (and quality of these assessments)

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 MDDBS as illustrated in the documentary excerpts below.

2009 ACET & Agulhas G-JAS Mid-Term Review: *All DPs reported increases in their production and use of joint analytical work. This is supported by the results of the Paris Declaration monitoring survey, which found that the proportion of analytical work conducted jointly increased from 40% in 2005 to 60% in 2007. Examples of joint analytical work given in the survey included: a joint policy review on decentralisation, contributing to the national decentralisation strategy; a joint review of Independent Governance Institutions; public expenditure tracking surveys (PETS) in education and health ...*

2010 DFID GBS programme memorandum: *Lessons are drawn from a range of sources, including the recently-completed Project Completion Report of the previous 2009-10 programme (Annex 11), the UK NAO’s 2008 report on budget support, the 2007 joint evaluation of budget support in Ghana, and an MDDBS ‘Retreat’ held in October 2009.*

2011 WB PRSC7 programme document: *The design of the proposed operation draws on a series of economic and social analyses. It draws in particular on: The World Bank Country Economic Memorandum completed in 2007, and the Africa Infrastructure Country Diagnosis completed in 2010 (...); External Reviews of Public Financial Management (ERPFM) of 2007 and 2010, the Public Expenditure and Financial Accountability (PEFA) report of 2010, and the IMF FAD report on the PFM framework of 2010 (...); The World Bank Poverty Report (2010), the World Bank review of Targeting Mechanisms in Social Programs (2010), and the World Bank Poverty and Social Impact Analysis (2010) on electricity tariff increases (...); Several World Bank Global Expert Teams missions reports in 2009 and 2010 on public sector reform (...); The World Bank report on the economy-wide impact of oil discovery prepared in 2009 (...); The MDDBS annual review of the Performance Assessment Framework 2009-11 of 2010, which discusses challenges and progress in upholding underlying principles for continued budget support (see Annex 6) and in meeting targets at the sectoral level; Implementation, Completion and Results Reports of PRSC1-3 (2007) and PRSC4-6 (2010) (...); and IMF and World Bank continued economic monitoring and analysis (Article IV reports, ECF reviews, DSA, Non Concessional Borrowing Policy papers, FSAP)...*

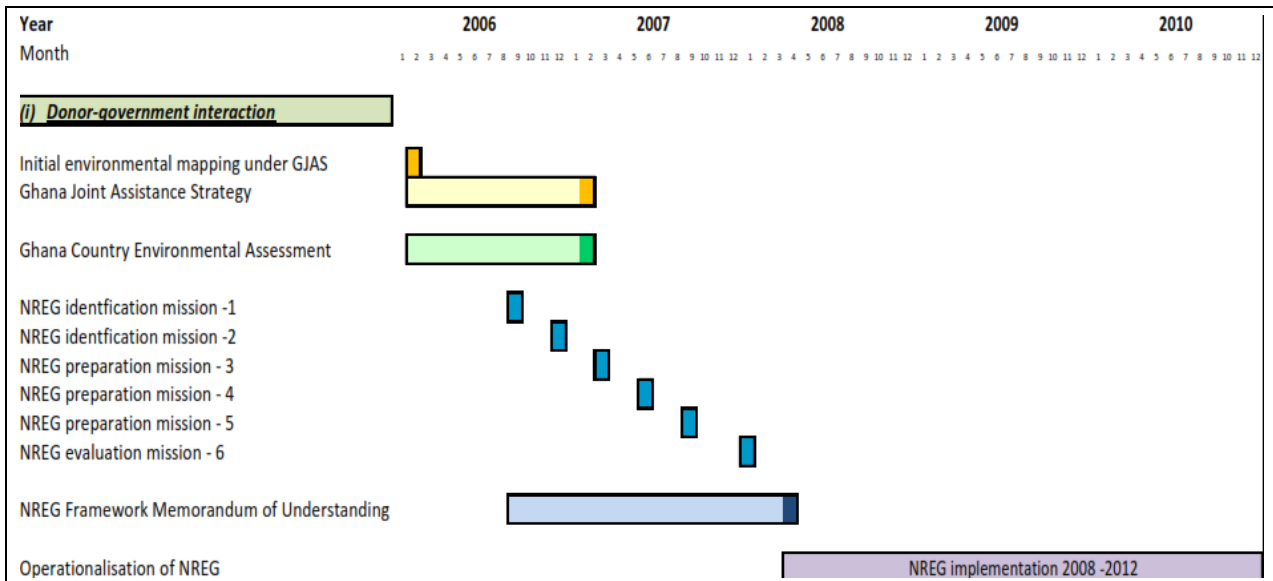
2011 AfDB PREBESP IV appraisal report: *The good practice principles on conditionality already exist in Ghana. The proposed operation will apply the existing good practice principles on good*

conditionality which include: reinforcement of ownership by beneficiaries; agreed upon coordinated accountability framework; modalities for support by DPs (under the MDBS framework); realistic and achievable conditions; and transparent progress reviews on predictable and performance based financial support.

The importance of the analytical work which underpinned the design of SBS operations is also illustrated by the case of the NREG programme in the ENR sector – see figure below.

2010 NREG MTR: *a significant amount of analytical work had recently been completed, with the Ghana Natural Resources Management and Growth Sustainability report, the Ghana Country Environmental Analysis and the Ghana Environment Sector Study all pointing to the need to strengthen government policy, processes and systems to ensure strong environmental governance and sustainable management of the country's natural resources.*

Figure 6 NREG programme timeline



Source: 2010 NREG MTR

Interview and the documents reviewed show that important risks were well identified by DPs during BS design.

2007 ODI MDBS evaluation: (...) as part of the requirements for the initiation of the PRSC and MDBS, a short and medium term action plan for the reform of PFM systems was defined. It was essentially as a consequence of these actions that agreement was reached to proceed with budget support, despite the identified weaknesses in PFM systems. The MDBS partners recognised the risk that this entailed and stressed the importance of efficient and timely implementation of the action plan. For example, the DFID MDBS project memorandum of 2003 noted that: "failure to move on this action plan will seriously prejudice future budget support disbursements from all sources."

Some measures to mitigate the risks were also identified but the evidence gathered does not show that measures envisaged were sufficiently robust to address the risks identified.

2006 DANIDA GBS Appraisal report: *Proposed risk management includes: (i) include more resource allocation issues, such as road maintenance and fiscal decentralisation in the PAF (as recommended in section 3 above); (ii) broaden dialogue between government and development partners on expenditure allocations, leveraging more frequent use of evidence-based decision-making through MDBS; (iii) conduct regular public expenditure tracking surveys to assess the extent to which front line service providers receive financing on time – and follow up through dialogue on expenditure allocations as part of MDBS monitoring; (iv) the current PAF includes indicators on both pay roll control and losses from quasi-fiscal activities of the electricity utility; and (v) it should be assessed whether the existing criteria for the base tranche should be reconsidered – and possibly include external debt management and domestic revenue mobilisation in the monitoring of MDBS.*

The existence of elaborated risk assessments has also varied among BS operations with some programme document showing a clear underestimation of the risks which prevailed during the period.

2010 EU Action Fiche for a GBS in response to high international food prices: *Risks mainly deal with eligibility criteria to budget support (macro-economic stability, public finance management and poverty reduction) but are considered limited. The increased domestic accountability evidenced recently, at Parliament or in the press, is moreover expected to limit the social risks attached to incoming oil*

revenues, to contribute to keeping public debt sustainable and to encourage an improvement of public finance management.

The 2007 evaluation of the MDBS explains that some important risks which could have affected the successful provision of BS were already addressed before 2005.

*2007 ODI MDBS evaluation: At the outset of the MDBS, there remained serious weaknesses in the quality of strategy formulation, budget preparation and execution which placed question marks over the ability of the Government of Ghana to utilise budget support effectively to enhance poverty reduction efforts. The MDBS partners were aware of these limitations and had identified them as significant risks within the programme design. However, there were four factors suggesting an improvement in the overall environment for budget support, which provided the essential justification for proceeding:*

- *The peaceful alternation of power following the December 2000 elections pointed to a steady continuation of the improvements in democratic governance witnessed since 1992. This gave confidence in the presence of a democratic challenge to the Executive.*
- *There were important improvements in the quality of macroeconomic management over 2001 and 2002, which allowed the Government to conclude a PRGF arrangement with the IMF and gave confidence in the Government's commitment to fiscal stability and sound macroeconomic management.*
- *Following a long process of consultation and development, the GPRS 1 was finally approved by Parliament in February 2003, thus establishing a mechanism for setting targets for poverty reduction measures and for reviewing their progress on an annual basis.*
- *Three new acts were tabled during 2003 covering Finance, Procurement and Internal Audit. These together with the short and medium term action plan for PFM reform provided both an illustration of the GoG commitment to improved PFM and a mechanism for tracking progress.*

Finally, several political economy analyses carried out in the early 2000s clearly indicated that the country was facing a number of specific challenges. Some studies highlighted the fact that, in Ghana, the state was still exposed to capture by patronage networks and “*challenges related to neopatrimonialism where the obligation of powerful individuals to support supporters tends to prevail over the interest of the nation*”<sup>23</sup>. Some studies also linked the slow progress in PFM reform to fluctuating political commitment linked to the threat to sources of patronage.<sup>24</sup> At another level, a number of studies (including the 2006 External Review of Public Financial Management) highlighted the relatively limited level of transparency and accountability in the budgeting process and the lack of capacity of Parliament to adequately monitor and review GoG's budgets and policies. Some DPs did recognise the importance of paying greater attention to these issues.

*2010 DFID PCR of PRBS 2009-2011: Increased sustainability may require a better understanding of the nature of the political settlement in Ghana, and seeking to ensure that political stability is maintained, but also that politics does not destabilise government delivery through, for instance, major changes in senior civil service staffing and weak budgetary control.*

But, very few programme documents did include such findings suggesting that only a limited use of political economy analyses was made during BS design.

### **1.1.5 Other documentary evidence relevant for the judgment criterion**

Evidence gathered during interviews pointed to the limited understanding (among stakeholders on both GoG and DPs side) of the BS instrument and of the specific arrangements underpinning the provision of BS in Ghana. This echoes the finding of a study carried out in 2011 on how to improve SBS flows in the Health sector.

*ECORYS (2011) Improving the flow of SBS funds in the health sector: A more general observation from the team is that among the different parties involved in the management of SBS (DPs, MoH, MoFEP, BoG) the understanding about the procedures and actual practice is rather limited. Similarly other stakeholders typically only show a limited conceptual understanding of the reasons for SBS and the actual procedures governing it.*

The study further highlights:

*ECORYS (2011) Improving the flow of SBS funds in the health sector: The way in which SBS was put in place in practice in the health sector in Ghana does not fully reflect the Framework Memorandum of*

<sup>23</sup> Killick (2004): What Drives Change in Ghana? A Political-Economy View of Economic Prospects.

<sup>24</sup> ODI and CDD (2007): Budget Support to Ghana: A Risk Worth Taking? Briefing Paper.

Understanding between the GoG and DPs, or the bilateral agreements between the GoG and DPs. Therefore procedures and conditions are not as harmonised and aligned as envisaged initially.

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

<b>EQ1 (Relevance and Design of BS) – Main findings and sources of information</b>	
<b>JC12: The design of BS operations is coherent with the evolution of DP's strategic orientations at country and global level</b>	
I.1.2.1 Existence of a clear rationale provided by DPs to use BS in their co-operation strategy in Ghana	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>The provision of BS was largely consistent with DPs' country assistance strategy but the rationale behind BS has not been clearly spelled out by DPs and there was no detailed discussion of the comparative advantages of BS relative to other modalities.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review</li> <li>Interviews.</li> </ul>
I.1.2.2 Level of coherence between the use of BS in Ghana and DP's global strategic orientations	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>The provision of BS was strongly influenced by the international 'aid effectiveness agenda' but also by bilateral donors' domestic politics.</li> <li>The decision by most DPs to decrease or phase out BS was not governed by aid effectiveness considerations.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review</li> <li>Interviews.</li> </ul>

### 1.2.1 I.1.2.1. Existence of a clear rationale provided by DPs to use BS in their co-operation strategy in Ghana

#### *Evidence related to country level co-operation strategies*

While some explicit links are made between BS and aspects of donor co-ordination and policy dialogue in DPs' country strategies, these documents did not provide a detailed explanation of the value added of BS and its comparative advantages with other modalities. They mainly emphasise the importance of continuing the positive experience started with the launch of the MDDBS in 2003 and put a strong focus on macroeconomic stability.

Table 2 Excerpts from some country strategies

<b>Document reviewed</b>	<b>Key concepts mentioned in references made to BS</b>	<b>Excerpts</b>
AfDB - Country Strategy Paper 2005-2009 (incl. 2010 update)	<ul style="list-style-type: none"> <li>Donor co-ordination;</li> <li>Macroeconomic stability.</li> </ul> No specific rationale provided for the use of BS.	<i>"to support the Government's policy reforms, a second Poverty Reduction Support Loan will provide budget support and assist the government maintain a stable macroeconomic framework, a sine qua non for economic growth and poverty reduction. (...) There has been significant progress on coordination among Development Partners (DPs) in 2004. The Bank and DPs participating in the Multi-Donor Support (MDDBS) framework agreed to align their support to the GPRS on the basis of a single Progress Assessment Framework (PAF) from 2005 onwards. (...) the Bank will continue to participate in the various sector-working groups that have been established within the MDDBS framework to enhance donor coordination at the sector level"</i>
AfDB - Country Strategy Paper 2012-2016	<ul style="list-style-type: none"> <li>Financing of economic reforms;</li> <li>Aid co-ordination.</li> </ul> No specific rationale provided for the use of BS.	<i>"With a view towards supporting economic reforms, which may require quick disbursing resources, the Bank will also continue to provide budget support assistance. (...) There are four levels of donor coordination; the Heads of Agencies, Heads of cooperation, the Multi Donor Budget support and 14 sector working groups."</i>
EU - Country Strategy Paper 2008-2013	<ul style="list-style-type: none"> <li>Alignment with country system;</li> <li>Financing of national development plan;</li> <li>Supporting GoG reform programme;</li> <li>Macroeconomic stability.</li> </ul>	<i>"Wherever possible, the EC Country Strategy and the National Indicative Programme provides budget support to strengthen government systems. (...) With general budget support, the aim is to support the Government's macroeconomic stability and reform programme, thus contributing to poverty reduction, economic growth, equitable access to social services and improvement in public finance"</i>

Document reviewed	Key concepts mentioned in references made to BS	Excerpts
	Rationale for the provision of BS partially explained (e.g. linked to increase use of country system).	<p><i>management. (...)</i></p> <p><i>Continue to support the Government's macroeconomic stability and reform programme through general budget support (GBS). Special attention will be given to the objective of poverty reduction and economic growth, particularly with a view to ensuring equitable access to social services. General budget support will underlie the national strategy and is provided in the context of Multi-Donor Budgetary Support (...)</i></p> <p><i>In case the eligibility conditions continue to be met, the general budget support will be provided to support the macroeconomic framework, the implementation of the national plan (GPRS II) and sector and institutional reforms as part of Multi-Donor Budget Support. This will therefore contribute to reducing poverty and to promoting economic growth while supporting macro-economic stability and progress in public finance management. In this context, the EC will pay special attention on service delivery in social sectors (in connection with the MDGs), the public sector and public finance reform process, private sector development and trade (including support to the Economic Partnership Agreement)."</i></p>
WB - Country Assistance Strategy 2008-2011	<ul style="list-style-type: none"> <li>• Macroeconomic stability;</li> <li>• Alignment with country system and harmonisation;</li> <li>• Financing of national development plan.</li> </ul> <p>Rationale for the provision of BS partially explained.</p>	<p><i>Support will be provided both through general budget support in the form of a series of poverty reduction support credits and further analytical and financial support to the three pillars of GPRS II. (...)</i></p> <p><i>The World Bank Program specifically addresses lessons learned from the implementation of the last program (...). The Multi-Donor Budget Support was critical to overall achievement of objectives. (...)</i></p> <p><i>The Multi-Donor Budget Support (MDBS) framework is the cornerstone of partners' contribution to macro-economic stability. This CAS reinforces the World Bank's support to the budget and its fiduciary underpinnings. (...)</i></p> <p><i>PRSC 6-9 will draw on a growing body of MDBS evaluation, but the fundamental role of the MDBS PRSC in promoting Ghana's recent progress is widely agreed. (...)</i></p> <p><i>In health, the Bank will no longer contribute through a Sector-Wide Approach (SWAP), responding to the closer budgetary alignment of the Ministry of Health, and seeing the Bank's financial support as coming mainly through general budget support and debt relief. (...)</i></p> <p><i>As committed to in the G-JAS, the Bank is aligning on government's programs and strategies, increasingly using harmonized aid modalities, such as development policy lending, sector-wide approaches, and joint analytical and technical advisory services, and relying more and more on government processes and systems. Government has stated that budget support is its preferred aid modality. This CAS sees a shift to increasing use of DPO instruments.</i></p> <p><i>As sector budget support increases, linkages between sector dialogues and the overarching framework for general budget support, the MDBS, are becoming crucial.</i></p>

Source: Authors' analysis based on country strategies between DPs and Ghana.

The deepening of the policy dialogue on specific sector issues became a concern only after a few years of implementation of the MDBS. It was reinforced by the strengthening of the SWG mechanism and the launch of various SBS initiatives such as in the Health and ENR sectors.

Most of the country strategy papers finalised after 2007 make references to the Ghana Joint Assistance Strategy (G-JAS) which contains several sections focusing on budget support as illustrated below:

*2007 G-JAS: The government indicated in the 2005 CG/APM communiqué its preference for an increased use of budget support and sector wide approaches for assisting the GPRS. G-JAS partners will seek to respond to this preference. Progress will depend on whether a clear aid policy is in place; credible sector strategies have been developed; and country systems are steadily being strengthened. (...) In selected cases partners are already planning to provide as much as 70 percent of their support through general and sector budget support instruments.*

*(...) Lack of progress in improving country systems (financial management, procurement, monitoring and evaluation) could undermine G-JAS partners' willingness to increase programme-based approaches and budget support modalities. The MDBS dialogue provides an overall umbrella for defining milestones and a joint monitoring progress, and GJAS partners will provide coordinated support for improving public financial management, procurement and monitoring capacity.*

Moreover, while the objectives of BS are not always clearly spelled out in DPs' country strategy papers, these documents systematically refer to the MDBS framework memorandum which does outline some key objectives related to the use of BS as a way:

- to provide additional and more predictable budgetary resources to implement the national development strategy;
- to increase aid effectiveness by harmonising DPs' policies and procedures, minimising transaction costs and fostering ownership, alignment, management for results and mutual accountability;
- to enhance the performance of the PFM systems;
- to strengthen institutional capacity for policy formulation and implementation;
- to accelerate policy reforms and enhance the performance of service delivery;
- to foster domestic accountability and transparency.

For 'small' bilateral donors (e.g. France, Germany, Switzerland, etc.), the evidence gathered from interviews and documents shows that BS was seen as a unique opportunity to get involve in policy dialogue with GoG. For instance, Switzerland's latest country strategy highlights Switzerland's positive involvement in policy dialogue in the period 2009-2012:

*SECO Ghana country strategy 2013-2016: SECO has been an active participant in the policy dialogue in the context of general budget support and sector working groups. This provided a platform for effective dialogue and has paid off. SECO punched above its weight with its technical contributions to the dialogue. However, the challenge remains to sustain a strategic dialogue between government and donors to guide overall resource allocation and prioritization while still focusing on achieving results and monitoring performance. The government's perception of the decreasing relevance of development aid makes coordinated policy dialogue even more relevant in the future.*

Finally, some interviewees also highlighted the fact that BS offered an easy way for many DPs to disburse quickly substantial funds available for the country co-operation (which would have been more difficult to disburse through other means).

### **Evidence related to BS operations' consistency with country co-operation strategies**

Most of the BS documents reviewed highlight the strong level of consistency between BS operations and DPs' country level co-operation strategies. For instance:

*2007 Denmark HSPS IV programme document: HSPS IV is formulated within the framework of the Ghana-Denmark Partnership Strategy for Development Co-operation 2004-2008. In line with the Paris Declaration on Aid Effectiveness and the G-JAS, the programme aims to promote ownership, harmonisation and alignment.*

*2008 EU MDG-C Financing agreement: The Country Strategy Paper for Ghana under the 10th European Development Fund (EDF) provides for 175 M€ of general budget support. This allocation will be used to implement a MDG-Contract (MDG-C) over the period 2009-2014. The MDG-C will support the Government of Ghana (GoG) in the implementation of its Growth and Poverty Reduction Strategy (GPRS II) with a view to reaching the Millennium Development Goals (MDGs) by 2015. The use of budget support will enable GoG to cover financial needs while setting its own priorities, using national systems, strengthening its capacities and focusing on results. Furthermore the use of the MDG-C modality will offer longer-term commitment and greater predictability of disbursements. This is consistent with the EU commitments on aid effectiveness (Paris Declaration), with the EU Consensus on Development and with the EU Code of Conduct, where budget support is considered the preferred aid modality.*

*2011 WB PRSC7 programme doc: The proposed operation is aligned with the recently updated World Bank Group's Country Assistance Strategy (CAS) objectives for FY08-12 and with the World Bank's Africa Action Plan.*

*[Link with the Country Assistance Strategy – CAS] The updated FY8-12 CAS progress report underlines the need and opportunity for adjustments in the strategy to flexibly address challenges unforeseen three years ago. While the overall objectives of reducing poverty and inequality set out under the CAS remain relevant, the difficult macroeconomic situation, the discovery of oil and gas and the arrival of a new administration warrant adjustments to the strategy, as reflected in the CAS progress report presented to the Board in Q3 FY10. (...) the proposed PRSC7 is a central instrument*

of the adjusted CAS, given its size and focus. The CAS progress report acknowledges the need for front-loaded assistance. Against demonstrated progress on critical actions and a credible adjustment and reform plan, the proposed front-loaded assistance would help maintain the development momentum by making the needed fiscal adjustment less abrupt and more credible, before the arrival of oil in 2011. The PRSC7 also encourages policy reform in the domains above mentioned: public financial management and transparency, energy (electricity, oil and gas), public sector reform, and social protection.

2013 AfDB PRSL III Project completion report: *The project was consistent with the Bank's country strategy paper and assistance programme.*

## 1.2.2 I.1.2.2. Level of coherence between the use of BS in Ghana and DP's global strategic orientations

### **Evidence on the coherence with DP's global strategic orientations**

Evidence of consistency with global orientations taken by DPs is regularly found in the BS programme documents and reviews/evaluations. For instance:

2009 CH GBS IV advocacy note: *This operation is in phase with the new orientation of [the Macroeconomic Support Unit of SECO], in which Ghana is one of the seven priority countries for SECO and the Agenda 2010 for Poverty Reduction since it supports a country to implement its poverty reduction strategy. Furthermore, GBS is defined in the Ghana Country Strategy Note as one of the main tool for our support in favour of the Government of Ghana.*

2010 ECORYS NREG mid-term report: *Two major processes appear to have had a significant influence on the design of the programme. First, the Ghana Joint Assistance Strategy was emphasising harmonised donor action aligned to national systems. With the closure of DP projects in the ENR sector there was interest in exploring how international support might continue under the new development relationship set by the 2005 Paris Declaration on Aid Effectiveness. Second, a significant amount of analytical work had recently been completed.*

In particular, the provision of BS in Ghana was influenced by the international aid effectiveness agenda. For instance:

Art. 1.5 of the 2008 updated MDDBS framework memorandum: *When implementing this FM, the signatories endeavour to follow international recommendations and best practices as regards budget support.*

2008 EU 10<sup>th</sup> EDF country strategy paper (covering the period 2008-2012): *The Paris Declaration and the European Consensus on Development strongly recommend the use of budget support as the preferred aid modality.*

2009 CIDA Country Strategy: *Program-based approaches, including budget support, are used only when it is determined that they are the most effective and efficient manner of providing assistance in line with the Aid Effectiveness principles and commitments of the 2005 Paris Declaration and the 2008 Accra Agenda for Action*

2010 OECD Paris Declaration Evaluation – Ghana: *Budget support has increased since 2003 and has been subjected to Paris Declaration principles compared to project aid. The improvement in Budget Support has largely been attributed to the introduction of the Multi-Donor Budgetary Support (MDDBS) mechanism (...). The MDDBS which currently constitute about 30% of donor inflows in Ghana has improved commitment and predictability of aid inflows, one of the cardinal principles of the Paris Declaration.*

2012 GoG-DPs Compact: *Acknowledging that GoG's preferred modality for aid is general budget support, DPs will endeavour to continue providing general budget support through the Multi Donor Budget Support (MDDBS) instrument, as well as seek a right balance among the full spectrum of aid instruments available to them - GBS; SBS; Pooled Funds; Project Aid etc. (...) In line with Busan commitments, DPs will by the year 2013 make greater use of country-led co-ordination arrangements, including division of labour, as well as programme-based approaches, joint programming and delegated co-operation.*

Finally, documentary evidence shows that the provision of BS was consistent with the 2007 Ghana Joint Assistance Strategy which reflects DP's global strategic orientations.

### **Evidence on the influence of DPs global strategic orientations on the declining level of BS**

The table below shows the evolution of DPs' position towards BS in the country. The table is ordered by the volume of BS disbursements provided by each DP during the evaluation period. We can see that all the 'small' most BS providers have decided to stop the provision of BS while, only two out of the six 'biggest' providers have done so.



Table 3 Evolution of DPs' position towards BS in the country in recent years

DP	BS in 2005-2015 <sup>25</sup>	Ongoing BS in 2016	Future BS	Evolution of recent engagement in BS
WB	1.433	Yes (GBS)	Yes	Suspended disbursements in 2013-2014 like many other DPs. Three year GBS operation launched in 2015. Last SBS (Agri) ended in 2012.
UK	819	No	No	Suspended disbursements in 2013-2014 like many other DPs. Last GBS and SBS operations were eventually restructured into projects.
EU	524	Yes but last tranche	Maybe	Suspended disbursements in 2013-2014 like many other DPs. Last GBS tranche disbursed in 2015. Two SBS operations to end in 2016. No new BS operation planned in the near future.
NL	403	No	No	Last tranche releases: GBS in 2011 and SBS (Health & ENR) in 2012. No new public sector oriented support planned since 2012.
AfDB	369	Yes but last tranche	Maybe	Suspended BS disbursements in 2013-2014 like many other DPs. New two year GBS operation launched in 2015 together with the WB. No new BS operation planned in the near future.
CA	314	Yes (SBS)	Yes	Suspended disbursements in 2014. Last GBS (one year programme) in 2015. New SBS in Agriculture to start in 2017.
DK	204	No	Maybe	Suspended disbursements in 2014. New GBS formulated but finally not launched due to the macroeconomic situation. Last tranche (GBS) provided in 2015.
DE	153	No	No	Suspended disbursements in 2013-2014 like many other DPs. One year loan agreement finalised in 2015 (last GBS operation).
FR	132	No	No	Did not suspend BS in 2013-2014. Last BS tranches released in 2013-2014. No public sector oriented support planned any more.
CH	89	Yes (GBS)	No	Did not suspend BS in 2013-2014. Decided to phase out gradually of BS until 2017.
JP	28	Yes but last tranche	No	Last GBS tranche provided in 2012. JICA ends its Health SBS contribution in 2016 (following late disbursement of the 2015 tranche).

Source: Authors' compilation based on documentary evidence and information from interviews.

Illustrative excerpts from DPs' country strategies are provided below.

2011 the Netherlands leaflet on Dutch co-operation: *General budget support to Ghana will end in 2011. In recent years, Ghana has made major strides in reducing extreme poverty. Extreme poverty has been halved, making Ghana the first country in sub-Saharan Africa to achieve Millennium Development Goal 1.*

2014 DFID updated operational plan for the period 2011-2016: *The declining trajectory on Budget Support (both sectoral and general) since 2011 and the move to a more projectised approach, reflects Ghana's increased economic strength and greater ability to fund core functions through domestic revenues. (...) Over the operational plan period, the office plans to reduce the level of general and sector budget support reflecting Ghana's lower middle income status and greater ability to raise domestic revenues.*

2014-2018 Denmark partnership policy: *the development cooperation between Ghana and Denmark will be reduced and gradually taken over by a new strategic partnership focusing on political and commercial cooperation. An exit programme is foreseen to be launched in 2017.*

*(...) budget support constitutes a decreasing share of the national budget. The country is on the outlook for alternative sources of funds from emerging economies and commercial loans. It calls for a re-thinking of the budget support modality in a lower middle-income context like Ghana.*

*(...) A possible continuation of general budget support to Ghana will be considered in light of the challenges encountered by the Ghanaian economy. More focused support for specific policy reforms, models of cash on delivery and programme for results will be considered, and a share of the development contract will be dedicated to tax and development in line with Denmark's Implementation Plan for Danish Engagement in Tax and Development. Support for civil society will aim to strengthen domestic accountability.*

*Considering that Danish development assistance to Ghana will eventually scale down, Ghana's own resource mobilization becomes key. In this regard the Danish and Ghanaian governments will*

<sup>25</sup> Total (GBS+SBS) BS disbursements in USD million.

*collaborate on inter alia analysis of the extent of and means to address illicit financial flows out of Ghana. The policy dialogue under the development contract will be strengthened even further.*

The box below provides further details on the scaling down of the Dutch development support in Ghana.

**Box 5**            *The scaling down of the Dutch development support in Ghana*

***Evolutions at the global level***

In January 2010, the Dutch Scientific Council for Government Policy published a report on Dutch development co-operation. While the report was fiercely debated in academic and professional circles, it was well received in the political arena. The authors sensed a change in the thinking about aid and advised the government to focus more on areas where the Netherlands was supposed to have a 'comparative advantage'.

In 2010, the Dutch government decided to reduce budgets for development co-operation. Budget cuts had to be realised by reducing the number of countries receiving aid. In addition, the Dutch government intended to enhance the effectiveness of support by focusing on sectors where the Netherlands would have the highest value added. The Dutch government decided to reduce expenditure to social sectors (especially health and education) and budget support, and to focus more on productive sectors (while Sexual and Reproductive Health and Rights remained a priority).

***Evolutions at the level of Ghana***

Ghana has been a partner country of the Netherlands development co-operation since 1998. A letter of 18 March 2011 to the House of Representatives presenting the spearheads of the Dutch development co-operation policy officially announced the decision that Ghana would remain on the list of countries with which the Netherlands maintains a bilateral development co-operation relationship and Ghana would fall in the profile "3" category of countries – middle income countries with healthy economic growth where activities focus on the main four spearheads of Dutch policy. The co-operation strategy was reviewed to concentrate on sectors of mutual interest and move away from public sector oriented support towards more project support with the private sector and knowledge institutes as important stakeholders.

In the meantime, the development budget for Category 3 countries was further reduced by the Dutch government at global level. In November 2012, the Dutch government announced new budget cuts in development aid at global level as part of a package that aimed at reducing the Dutch budget deficit.

As explained in the Multi-annual strategic plan for Ghana (2014-2017), the current strategy is "to gradually phase in an economic relationship with Ghana based on areas of mutual interest for Ghana and the Netherlands." The transfer of ODA funds will start to completely phase out by 2017 and, by 2019, the activities will be limited to small scale support funded from the private sector development budget.

*Source: Authors compilation from: 2011 leaflet on Dutch cooperation in Ghana; Dutch Multi-annual strategic plan for Ghana (2014-2017); 2015 ToR of the impact evaluation on the effects of the Dutch phasing out of bilateral aid; OECD.Stat CRS data.*

Overall, the evidence gathered from the documentary review and interviews points to two main arguments used by DPs to justify the phasing out of BS in the country (and, more generally, to justify the decrease in the level of ODA provided to Ghana):

- **Ghana's MIC status:** most stakeholders associate the size and growth rate of the economy with substantial progress in the development process of the country and robust institutions which do not need strong support any longer.
- **Ghana's increased access to new sources of finance** (incl. increased capacity to raise domestic revenues): this argument is closely linked to the perception of a decreasing relevance of development aid – incl. BS – as a source of financing.

Other arguments put forward by some DPs in interviews include:

- Perception of **persisting weaknesses in PFM** and governance in general (perception that "corruption is on the rise" as one DP stated it), which pose substantial fiduciary risks and does not create a conducive environment for the provision of BS, especially given the increasing pressure put by taxpayers on the efficient use of ODA.
- Perception of **weak engagement of the MoF on aid related issues and key areas of reforms as well as a lack of open dialogue**, which does not call for a strong basis for a partnership around BS.

However, there is very little evidence of the decision taken by DPs not to continue budget support relying on **aid effectiveness considerations** and a detailed (and open) discussion on the pros and cons of budget support compared to other forms of aid.

A recent study by two researchers of the German Development Institute highlights the important role played by domestic politics on budget support and barriers to improved donor harmonisation in Europe:

2014 GDI Foreign aid and the domestic politics of European budget support: *Our econometric analysis for the 2002–2012 period shows that government ideology, the economic context in donor countries, as well as the structure of their aid systems have been important determinants of budget support provision. A comparison of Germany and the United Kingdom sustains these findings with qualitative evidence. Our findings also indicate that these ideological, economic and bureaucratic factors have worked as important barriers to improved donor harmonisation.*

The study provides further details on the case of DFID.

2014 GDI Foreign aid and the domestic politics of European budget support: *The major turn in DFID's budget support policy took place under the Tory (centre-right) government, which came to power in 2010. Already in its Green Paper "One World Conservatism", published ahead of the elections, the Tories distanced themselves from the Labour Party's approach to budget support by stating that "we will not be as willing as Labour have been to give the benefit of the doubt to governments where we are not completely clear about the probity of the audit and accountability systems" (Conservatives 2009, 17). Subsequently, in 2011, the new Tory government announced that it would halve budget support operations by 2015 and that, in the future, sector budget support would be preferred over GBS. Sector budget support seems to be more in line with the government's focus on results in social sectors and value for money, whereas the previous government strongly focused on macro-political reforms and institution-building.*

The evolution in the strategic orientations of UK development aid highlighted in the study is confirmed by the recent ODA strategy published by the government of the UK.

2015 Government of the UK – UK aid – tackling global challenges in the national interest: *A number of programmes that were weak value for money or had a weak fit with the government's strategic objectives have been stopped, and resources re-allocated. This includes continuing the move away from traditional general budget support (unearmarked contributions to recipient countries' budgets) to more targeted forms of financing. DFID will neither start any new, nor restart any previous, traditional general budget support programmes in conventional aid settings.*

### 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

<b>EQ1 (Relevance and Design of BS) – Main findings and sources of information</b>	
<b>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</b>	
I.1.3.1 Inclusion of gender disaggregated performance and process indicators in BS performance assessment frameworks	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Gender mainstreaming in BS design has only been partially achieved.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review;</li> <li>Interviews.</li> </ul>
I.1.3.2 Integration of aspects related to socio-economic inequities in the objectives and performance assessment frameworks of BS operations	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>The attention given to socio-economic inequities has remained quite general.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review;</li> <li>Interviews.</li> </ul>
I.1.3.3 Integration of aspects related to regional disparities in the objectives and performance assessment frameworks of BS operations	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Aspects related to geographical disparities have been mainstreamed in the BS design mostly in relation to the provision of basic services.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review;</li> <li>Interviews.</li> </ul>
I.1.3.4 CSO participation is explicitly targeted in BS operations (e.g. in relation to budget transparency, service delivery...)	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>DPs have provided substantial support to enhance CSOs' participation in national policy issues.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review;</li> <li>Interviews.</li> </ul>

### 1.3.1 I.1.3.1. Inclusion of gender disaggregated performance and process indicators in BS performance assessment frameworks

As indicated in Annex 5 (Volume 3), the MDBS PAF matrices have included a number of specific indicators related to gender equality. They mainly related to three categories of measures/targets:

- Bridge equity gaps in access to health and nutrition services;
- Bridge gender gap in access to education;
- Bridge gender gaps in overall policy implementation and strengthen M&E system.

Various initiatives were specifically supported by BS partners in the area of gender equality, including gender assessments of budgets and government ministries and situation analyses on gender equality. Gender budgeting has been incorporated into the MDBS PAF to give it more prominence. In some years, in addition to specific indicators on gender equality in education and health, the MDBS PAF also included a specific gender equality target on improving collection of sex-disaggregated data.

However, in general, gender mainstreaming has remained weak. Except in the education and health sectors, BS financing agreements reviewed do not show a strong level of gender mainstreaming.

The 2009 ACET & Aghulas Mid-term review of the G-JAS notes:

*Follow-up interviews with DPs suggested that the engagement on cross-cutting issues is not yet very strategic. While cross-cutting issues are being pursued through specific projects or initiatives, they are not being taken up systematically in the policy dialogue. DP engagement is organised around sectoral silos. The pillar working groups were originally intended to provide a forum for exploring cross-sectoral linkages and synergies, but these have fallen away. As a result, the DPs are not well organised to promote cross-sectoral issues in a joined up way.*

#### **Evidence gathered in the Health sector**

It is important to underline the fact that the main focus of SBS operations in the Health sector (in particular, in the EU, Danida and DFID operations) has been put on maternal health. Gender is also seen by some DPs such as Denmark as a cross-cutting issue and/or priority theme. As a consequence, BS PAFs and most SBS programmes included indicators relative to maternal health and/or gender-based such as:

- Maternal mortality rate (e.g. Danida or DFID SBS operations),
- Under-five mortality rate (girls) (e.g. DFID last SBS operation which started in 2013),
- Contraceptive prevalence rate (e.g. Danida), Family planning acceptors (e.g. DFID) or Couple years of protection (EU),
- Deliveries attended by trained health worker (Danida, DFID, EU),
- HIV+ prevalence rate among pregnant women 15-24 years (Danida),
- 4<sup>th</sup> antenatal care consultation (e.g. DFID, EU).

DFID's Ghana Health Sector Support Programme (GHSSP) also includes "output indicators" linked to its objective of improved mental health care delivery, disaggregated by gender:

- Number of district physicians and medical assistants;
- Number of community health service providers able to provide mental health care (trained in mental health service provision and delivering mental health services);
- Number of persons treated in mental health outpatient and community settings.

Moreover, the MDBS PAF included a trigger relative to:

- the percentage of expected deliveries attended by trained health workers (targets of the trigger: 2009 = 45%; 2010 = 47%; 2011 = 50%; 2012 = 60%).

#### **Evidence gathered in the ENR sector**

Gender equity was not an explicit target and outcome of the NREG. This has already been highlighted in the NREG-SBS final report of the Netherlands embassy published in 2013.

Environmental Resources Advisory Council (ENRAC) would be the key entity to play a role in promoting gender equality as a cross-cutting theme but little was done in this regard. Nonetheless, it is noted that there is a general awareness of gender equity issues in all MDAs involved in NREG.

The Environmental Protection Agency (EPA) showed a strong commitment to gender policy with: i) explicit references to references in the institution's strategic orientations; ii) a female staff member in charge of NREG co-ordination and other key positions; and iii) project funding for gender related activities. Canada (CIDA) gave support to EPA to develop an environment-gender tool-kit for the Ghana Environmental Management Project (GEMP) in the North of Ghana which tool-kit has been applied to

other regions through EPA, which would increase the impact of NREG-SBS on the implementation of gender policy.

### **Evidence gathered in the Agriculture sector**

While there are no gender disaggregated indicators in the WB SBS assessment framework, Canada's SBS operations explicitly aimed to enhance gender mainstreaming. For instance, the SFASDEP<sup>26</sup> operation included two specific triggers on gender:

- The first indicator related to the development and adoption by the Ministry of Food and Agriculture (MOFA) of "an *Accountability Framework with clearly identified roles and responsibilities across MOFA for gender equality results in agriculture*". The Accountability Framework was prepared and endorsed at a Directors meeting on 15 April 2010.
- The second indicator related to improving extension services delivery to the needs of actors along the value chain: "*Generate national gender disaggregated baseline information about number and types of technologies adopted and level of access to extension services by agro-ecological zone.*" This target was partially met. Inception reports for the two studies were accepted by the Ministry and the consultants proceeded with the studies.

It is noteworthy that MOFA was responsible for defining its own triggers each year and Gender was one of the considerations listed in the guidance to MOFA on the preparation of performance triggers in the context of the Gender in Agricultural Development Strategy – GADS (see box below).

#### **Box 6 The Gender in Agricultural Development Strategy (GADS)**

The Gender and Agricultural Development Strategy (GADS) has eight key strategies which are being used as the basis for mainstreaming gender into the policies and programmes of the agricultural sector. To date, competencies in Gender Trainer of Trainers and analysis have been developed; gender awareness among MoFA staff and agricultural stakeholders, particularly MoFA directors, has increased and the roles of personnel (focal points) within mainstreaming process have been clarified. In spite of these, however, there has been a rather slow implementation of strategies in the GADS by MoFA Directorates and stakeholders. The focus has also been narrow with only two out of the eight (8) strategies being implemented. In addition, co-ordination and collaboration with stakeholders has been weak. These factors are made possible by the absence of a monitoring framework that would hold stakeholders accountable for implementing the GADS. Finally, there has been no review process on the implementation of the GADS to date.

Strategies:

- Strengthen institutional capacity for effective gender mainstreaming.
- Advocate affirmative action in recruitment and training in MOFA.
- Ensure gender disaggregation of data in MOFA.
- Ensure collection, use and maintenance of gender disaggregated data at all levels.
- Prioritise a key gender mainstreaming strategy annually for implementation.
- Promote systematic and regular gender analysis of agricultural programmes to ensure they do not increase the workload of poor women and men farmers.

Source: FASDEP II.

Interviews and documentary evidence (incl. an internal recent country study commissioned by CIDA) show that the implementation of the Gender in Agricultural Development Strategy (GADS) has been slower than expected and some key stakeholders within the MOFA have not been able to play their role fully. For instance, the Women in Agriculture Development Directorate (WIAD), which is one of seven directorates in MOFA, has been working to improve nutritional outcomes. While this is a crucial mandate and DPs have provided sector budget support to the MOFA, WIAD's programme funding from MOFA has been only about USD 200,000 per year - an amount deemed insufficient to play a significant role on gender and food security issues across Ghana.

### **1.3.2 I.1.3.2. Integration of aspects related to socio-economic inequities in the objectives and performance assessment frameworks of BS operations**

In the context of the MDBS, there have been clear efforts to foster the implementation of special programmes to support the vulnerable and the excluded as illustrated by the specific policy measures/indicators included in the PAF. In particular, the MDBS PAF included preoccupation for

<sup>26</sup> Support to the Food and Agriculture Sector Development Policy

registering the indigents at the District-wide Mutual Health Insurance Schemes in 2005, and later on for rolling on the National Health Insurance Scheme (NHIS) and enrol the poorest and most vulnerable groups in it (Trigger 2007: National Health Insurance Scheme becomes increasingly effective: 36% of population, including the indigents and other exempt categories, are issued with ID cards).

DPs also provided substantial complementary support to the LEAP programme – see box below.

**Box 7**                      *The LEAP initiative*

The Livelihood Empowerment Against Poverty Programme (LEAP) is a social cash transfer programme which 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).

LEAP started a trial phase in March 2008 and then began expanding gradually in 2009 and 2010. It is a government-funded programme which also receives support from the World Bank and the UK's Department of International Development.

*Source: 2013 S. Handa & al - Livelihood Empowerment Against Poverty Program Impact Evaluation*

**Evidence gathered in the Health sector**

Indicators related to socio-economic inequities are included in SBS PAFs. DFID's GHSSP 2013-2018 includes a preoccupation for socio-economic inequities through measuring under-five mortality as well as the percentage of births delivered by a skilled professional among the poorest quintile (logframe).

**Evidence gathered in the ENR sector**

NREG and related DPs support did not specifically identify inequities to be addressed. However, in general, NREG supported policy changes that address social issues in communities dependent on mining and forestry for their livelihood, including benefits sharing, and recognised the role of civil society in contributing to social accountability.

**Evidence gathered in the Agriculture sector**

Socio economic inequalities are not explicitly referenced in the objectives or performance assessment framework of WB or CIDA BS operations.

**1.3.3 I.1.3.3. Integration of aspects related to regional disparities in the objectives and performance assessment frameworks of BS operations**

The MDBS policy matrices regularly made references to geographical disparities. In most instances, these references are related to issues of equitable access to basic services. For instance:

- the 2005 MDBS PAF, in relation to education (policy objective “A1. Increase access, completion and quality in basic education, particularly in 3 most deprived regions - Northern, Upper East and Upper West”), Health (targets “14. Revise the resource allocation formula to be used in the 2005 budget to include for goods, services and investments (items 2, 3 and 4 in the budget), favouring the most deprived districts” and “17. Increase utilization of health services in deprived regions”), Water and Sanitation (target “22. Support deprived districts in preparing water and sanitation plans to guide investments”).
- the 2006 MDBS PAF, in relation to Health (target “34. Respective shares of the four deprived regions in the expenditure on item 2 – administration - and item 3 – services”).
- the 2007 MDBS PAF, in relation to Health (target “20. Continue human resources reform by (i) Increase by 3 % the total number of health staff that are posted to and working in the four deprived regions”).
- the 2009 MDBS PAF, in relation to education (target “8. Reduce disparities in education service delivery and increase resources for deprived districts with the view to improving completion in basic education.”).
- the 2011 MDBS PAF, in relation to education (target “10. Improve the quality of learning by increasing the number of trained teachers in deprived districts.”).
- the 2013 MDBS PAF, in the relation to the overall policy objective “1. Addressing inequalities (regional, interregional, gender, disparities)”.

It is noteworthy that the inclusion of discussion on geographical disparities never featured prominently in the BS work focusing on decentralisation. This is in fact surprising as a local government perspective normally would invite further dialogue and analysis of regional / local disparities.

The 2012 GoG-DPs Compact noted the importance of further working on these issues.

*2012 GoG-DPs Compact: The Consultative Group meeting held in September 2010 concluded on the need for DPs to support Ghana's transition to an established middle income status, focusing on geographical disparities, lagging MDGs, and the strengthening of core Government functions. At the Multi Donor Budget Support (MDBS) retreat held in January 2012, capacity building, developing monitoring and evaluation systems, financial management reforms, strengthening of governance structures and poverty reduction interventions in the Northern Savannah zone were identified by GoG as areas where continued DP support would be critical.*

### **Evidence gathered in the Health sector**

Indicators related to regional disparities are included in BS PAFs. DFID's GHSSP 2008-2012 includes an Equity Index: Skilled Birth Attendance (Ratio of poorest to best performing regions) (logframe). DFID's GHSSP 2013-2018 includes a preoccupation for regional disparities through measuring outpatient attendance per capita in the Northern region (the most disadvantaged region); and the ratio of gap between best performing and worst performing regions with respect to nurse to patient ratio (logframe).

### **Evidence gathered in the ENR sector**

There were no regional focus for the design and implementation of the NREG programme.

### **Evidence gathered in the Agriculture sector**

Both WB and CIDA Budget Support Operations aimed to aid MOFA in the implementation of its agriculture policies. MOFAs agriculture policy document were formulated with a specific concern for regional disparities in the agriculture sector. However, neither the WB nor CIDA budget support operations explicitly integrate socio-economic inequities or regional disparities in their objectives or performance assessment frameworks.

The WB DPOs support the implementation of METASIP, though the policies supported by the prior actions were national in reach, the needs they addressed were deemed particularly important for the farmers in the north.

CIDA Budget Support was particularly concerned with ensuring service delivery at the local/district level and their overall programme of support in the food and agriculture sector is predominantly concerned with improving agricultural productivity for farmers in the north, where food insecurity and poverty is concentrated.

#### **1.3.4 I.1.3.4. CSO participation is explicitly targeted in BS operations (e.g. in relation to budget transparency, service delivery...)**

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 (see EQ4) and in a number of sectors covered by BS (see sub-sections below).

However, it is noteworthy that CSOs participation never featured prominently in the decentralisation work. Interviewees have pointed to the fact that GoG has resisted the involvement of CSOs in the relevant processes, e.g. annual reviews carried out with DPs and Decentralisation SWG work. Nonetheless, the new Local Governance Bill opens up for stronger CSO involvement at MMDA levels as they are granted access to information and various forms for citizen consultations at MMDA level now becomes mandatory.

### **Evidence gathered in the Health sector**

CHAG is an important stakeholder of the health sector-wide approach (SWAp) / health sector provider, and is explicitly or implicitly targeted by budget support. Most donors providing SBS also directly support CSOs (Danida, EU, and the Netherlands). Especially, Danida's HSPS IV mentions that the Health Sector Advisory Office will provide technical support to CSOs and CHAG. A technical advisor plus financial support have been provided to support CHAG under HSPS V (interview with CHAG).

### **Evidence gathered in the ENR sector**

Before the design of the NREG, CSO consultation had begun in the sector especially with the country environmental analysis, in which various CSOs played a key part. In the forest sector, the consultation processes had been deepened with the initiation of the dialogue around the development of the Voluntary Partnership Agreement (VPA). Lessons from the VPA consultation were therefore brought on

board to inform the design of the programme – with the indication that CSOs were key for policy making and implementation, and contribute to the management of resource allocation.

A Civil Society Facility (funded by DPs other than International Development Association (ISA)) was incorporated into the design aimed at strengthening the capacity of civil society to understand their rights and obligations, to participate in local and central level policymaking processes, and to monitor the delivery of services of public sector institutions. The facility was to be funded with Two million Euros each year for 3 years.

However, the intended multi-donor funded CSO facility did not materialise leading to the Dutch financing the accompanying KASA facility with EUR 2 million for two years, while all the other DPs did not fulfil their obligations to it.

Nonetheless, CSO participation in the sector as a whole, not necessarily with the BS funding has been quite appreciable.

#### ***Evidence gathered in the Agriculture sector***

There is no indication that CSO participation has been explicitly targeted by BS in the Agriculture sector.



## 2 EQ2 - Direct effects

<b>EQ2 – Direct effects</b>	<b>To what extent have the financial and non-financial inputs of budget support contributed to creating new opportunities for GoG and improved the aid framework?</b>
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### 2.1 JC21. Increased size and share of budget available for discretionary spending

<i>EQ2 (Direct effects) – Main findings and sources of information</i>	
<b>JC21: Increased size and share of budget available for discretionary spending</b>	
I.2.1.1 Evolution in the share of external aid aligned to the GoG budgeting processes	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>• While the share of BS in total ODA followed an upward trend until 2011, ODA has been dominated by project aid during the evaluation period.</li> <li>• The share of external aid accounted for by GoG in its budgetary/ financial documents has slightly increased in some years.</li> <li>• There is no evidence that the share of aid 'really' aligned to GoG budgeting process has increased. Overall, external aid has remained poorly integrated in the national budget process.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Analysis of statistical data (incl. fiscal data, ODA flows, etc.).</li> <li>• Interviews.</li> </ul>
I.2.1.2 Comparison between BS financial transfers and national aggregates	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>• BS represented 11% of total revenues between 2005 and 2011. Combined with debt reduction initiatives, BS has contributed to maintaining the overall levels of public investment and expenditure on goods &amp; services until around 2009.</li> <li>• The level of discretionary expenditure clearly decreased since 2008.</li> </ul> <b>Strength of the evidence base:</b> Medium	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>• Inventory of BS interventions.</li> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>
I.2.1.3 Comparison between BS financial transfers and sector expenditure	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>• Because of the way SBS was used, BS contributed to maintaining reasonable levels of resources for non-salary expenditure at sector level.</li> </ul> <b>Strength of the evidence base:</b> Medium	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>• Inventory of BS interventions.</li> <li>• eSurvey.</li> <li>• Interviews.</li> <li>• Documentary review.</li> </ul>

#### 2.1.1 I.2.1.1. Evolution in the share of external aid aligned to the GoG budgeting processes

##### *Evidence related to DPs commitments to increase the share of BS and PBA in their portfolio*

As highlighted in the 2007 Overseas Development Institute (ODI) evaluation of the MDBS, the relative proportion of external assistance passing through the budget was never an explicit objective of the Ghana MDBS. That said, GoG made explicit its preference to an increasing use of BS as the main modality of co-operation. Moreover, the move towards more 'Programme-based approached' – including budget support – was an explicit objective adopted by DPs in the context of their international engagements on aid effectiveness.

The tables below show the results of a survey administered in 2008 to measure trends in adherence to aid effectiveness principles. They highlight the fact that most DPs indicated having increased the levels of budget support and PBA in their portfolio.

Table 4 2009 Aid effectiveness survey - Have you increased your use of PBA?

	Canada	Denmark	EU	France	Germany	Japan	Netherlands	Switzerland	UK	AfDB	World Bank	UN	USA
Self-assessment	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Yellow	Yellow
Peer reviewers	Yellow	Green	Green	Grey	Yellow	Grey	Green	Green	Green	Green	Yellow	Yellow	Red

Legend: Green = commitment met or clearly on-track; Yellow = some progress towards meeting commitment, but significant effort still required; Red = Unable to move forward on this commitment; Grey = n/a.

Source: 2009 ACET & Aghulas Mid-term review of G-JAS

Table 5 2009 Aid effectiveness survey - Have you increased your levels of budget support?

	Canada	Denmark	EU	France	Germany	Japan	Netherlands	Switzerland	UK	AfDB	World Bank	UN	USA
Self-assessment	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Red	Yellow
Peer reviewers	Green	Green	Green	Yellow	Yellow	Grey	Green	Green	Green	Green	Yellow	Red	Red

Legend: Green = commitment met or clearly on-track; Yellow = some progress towards meeting commitment, but significant effort still required; Red = Unable to move forward on this commitment; Grey = n/a.

Source: 2009 ACET & Aghulas Mid-term review of G-JAS

Moreover, in 2012, DPs and GoG agreed on maintaining a substantial level of ODA while the country was still in a 'transition period' in terms of increasing its fiscal space using oil revenue.

2012 GoG-DPs Compact: *The coming on stream of oil revenue has provided the opportunity for Ghana to enhance the fiscal space to support higher economic growth. It is the aim of GoG to build on the combination of cocoa, gold, oil and gas to establish the base for a modern and diversified economy. Although there is a great deal of expectation about the potential benefits of oil to the country, the revenues are modest at the initial stages of production compared to the country's investment requirements. In 2011 for example the revenue that accrued to GoG amounted to GH 666.2 million (US\$444.1 million), representing 5.5 percent of total revenue or 1.2 percent of GDP. Based on current forecasts and prices, oil revenues are not expected to be sufficient to fully replace current ODA levels. Ghana will therefore require additional external resources as it goes through a transition - period of relatively low oil revenues and human resource capacity and institution building to better manage higher levels of oil revenues in the future.*

However, evidence gathered in interviews and the documentary review highlights the continuous overall dominance of project aid in the country's wider donor landscape (including non-BS DPs).

As highlighted in the table below, the PEFAs point to a poor integration of external in the national budget processes even if some improvements<sup>27</sup> can be observed in the last PEFA.

<sup>27</sup> However, the PEFA assessment relies mainly on the 2011 OECD/DAC Survey on Monitoring the Paris Declaration based on 2010 data. Moreover, the last PEFA report notes "Data collected from ten DPs, however, suggest that the overall share of aid using country systems may have dropped slightly again in 2011".

Table 6 PEFA scores related to donor practices (D-2 &amp; D-3)

	PEFA indicator	2006	2009	2012
D-2	Financial information provided by donors for budgeting and reporting on project and programme aid	C	C+	C+
	(i) Completeness and timeliness of budget estimates by donors for project support.	C	B	B
	(ii) Frequency and coverage of reporting by donors on actual donor flows for project support.	C	C	C
D-3	Proportion of aid that is managed by use of national procedures	D	D	C
	(i) Overall proportion of aid funds to central government that are managed through national procedures (procurement, payment/ accounting, audit and reporting)	D	D	C

Source: 2006, 2009, 2012 PEFA reports.

### Overall share of BS in total ODA and evolution in 'aid on budget'

Several studies<sup>28</sup> have pointed out the lack of consistent data on ODA and, more specifically, 'aid on budget' in Ghana. The country case study carried out in the context of the 2012 IATI Study on Reflecting Aid Flows in Country Budgets provides a detailed review of the existing information and underlines the fact that GoG does not have one central aid information management system and there is no single official source of financial information on ODA. The country's integrated financial information management system (GIFMIS) was still under development during most of the evaluation period.

The table below provides a summary of the various institutions involved in aid information management and their roles during the evaluation period.

Table 7 Overview of key institutions involved in aid information management

Institutions	Description / elements of aid information management covered
Ministry of Finance (MoF) – External Resources Mobilisation (ERM) (two divisions : Bilateral and multilateral; every DP has account manager at ERM)	<ul style="list-style-type: none"> <li>Database of aid contracts, based on arrangements known by ERM (database incomplete).</li> <li>ERM-B and ERM-M manage the arrangements per DP.</li> <li>Apparently some DPs submit quarterly disbursement figures to ERM.</li> </ul>
MoF – Debt Management Division (DMD)	<ul style="list-style-type: none"> <li>Records aid flows (grants and loans).</li> <li>Database of aid projected disbursements and outturns.</li> <li>Apparently some DPs submit quarterly disbursement figures to DMD.</li> </ul>
MoF – Budget Division	<ul style="list-style-type: none"> <li>Annual Budget (linked to input from DMD, and/or direct info requests to DPs).</li> <li>Authorises aid payments (provided they move through the budget).</li> </ul>
MoF – Multi-Donor Budget Support (MDBS) Secretariat	<ul style="list-style-type: none"> <li>MDBS projections.</li> </ul>
Line ministries	<ul style="list-style-type: none"> <li>MDA budget volumes (projections) and financial statements (outturns).</li> </ul>
Bank of Ghana	<ul style="list-style-type: none"> <li>Bank Transfer Advices on loans to DMD; no comprehensive reporting on grants.</li> </ul>
Controller and Accountant General (CAGD)	<ul style="list-style-type: none"> <li>Records of aid flows/releases through Treasury.</li> <li>CAGD should formally also receive monthly revenue and expenditure figures on all public funds from Ministries.</li> </ul>
DPs	<ul style="list-style-type: none"> <li>Submit information to different desks within MoF, albeit not consistently.</li> <li>In some cases, aid flows may flow to MDAs or MMDAs<sup>29</sup> beyond the notice of any of these actors (except DPs, MDAs, MMDAs).</li> </ul>

Source: 2012 IATI – Study on Reflecting Aid Flows in Country Budgets – Ghana case study

There is an important distinction to be made between aid information: i) being integrated in the budget process, including decision-making on planning and strategic priorities; and ii) being reflected in budget documentation. Regarding the former, there is no sufficiently exhaustive source of information to carry out any meaningful analysis of this type of data in Ghana. Regarding the latter, it should be highlighted that it captures only part of the information on aid and is still subject to many inaccuracies. Excerpts from an internal note on the 'Quality of Aid Data in the Ghana Consolidated Budget 2011' prepared for the MDBS core group and Heads of Co-operation are presented below.

<sup>28</sup> For instance: 2010 Paris Declaration Evaluation – Ghana country report; 2012 IATI – Study on Reflecting Aid Flows in Country Budgets – Ghana case study; 2012 PEFA; etc.

<sup>29</sup> Metropolitan and Municipal, District Assemblies

Box 8 *Quality of Aid Data in the Ghana Consolidated Budget 2011*

Aid data presented in the 2011 budget is not very reliable, both at the aggregate level and at the breakdown level, and for both projections and actual outturns. This is largely due to lack of consistent verification and reconciliation, and unclarity of basic definitions

The 2011 budget projections do not contain comprehensive and explicit information on the amount of general budget support. On page 62 (par. 209) an estimate for the loan component of MDBS has been included which is roughly accurate. However, the grant component of MDBS is not mentioned. It is unclear whether and where the grant component has been factored into the budget. One way of determining whether MDBS has been factored into the budget is to look at the aggregate lines for programme grants and programme loans. Unfortunately, neither budget item is specified in more detail.

When comparing the Summary Table (Appendix 7) and MDA Expenditure Allocations (Appendix 88) there is a discrepancy of GHc 526 million for 2011 projections. The difference can be explained by the exact sum of programme grants and programme loans. However, this raises the question whether this would imply that none of the programme grants and loans (including MDBS) would be used for MDA expenditure allocations, or whether they can simply not be recognised as such. A clarification of how ODA data is captured in the budget would be helpful to understand this issue better.

There is scope to tackle these issues more proactively through the OECD/DAC Country Systems Initiative, which is implemented in Ghana (and for which Ghana is global leader together with USA). Initial work has been done between PFM Sector Group and MoF ERM. However, it would be helpful if joint DPs would insist on the need for improved reliability of aid data in the 2012 budget (including improved reporting of 2011 outturns).

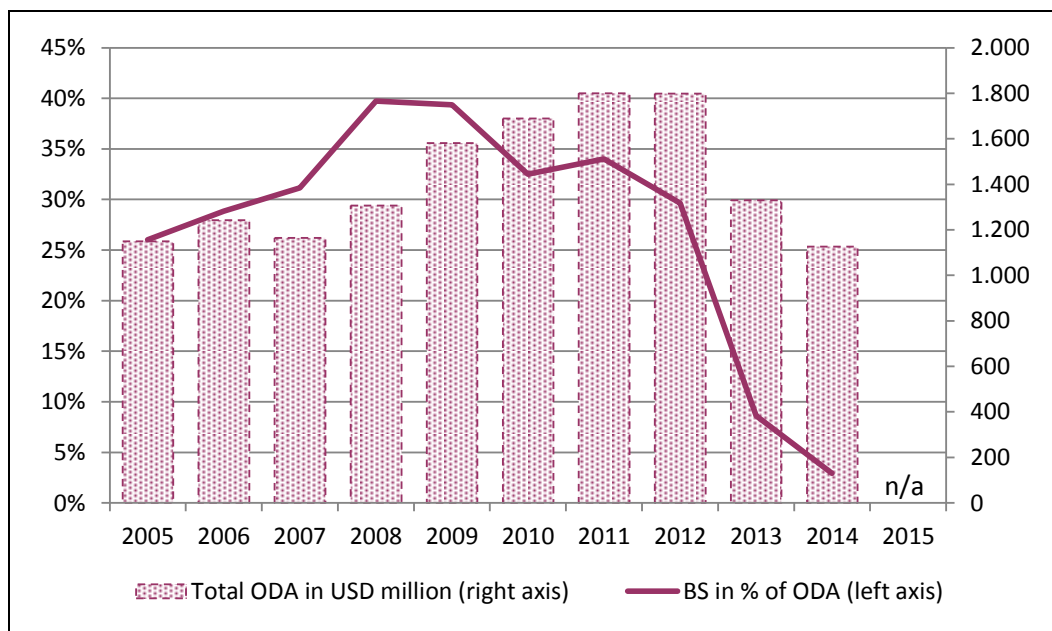
Source: *Technical note on the 'Quality of Aid Data in the Ghana Consolidated Budget 2011' prepared for the MDBS core group and Heads of Co-operation.*

Keeping in mind these limitations, the evaluation team has used three main sources of information to analyse the relative importance of BS compared to other forms of aid and the evolution in the level of 'aid on budget' in the country:

- **BS disbursements:** inventory of BS carried out in the evaluation (authors' compilation);
- **ODA:** data on disbursements taken from the OECD Credit Reporting System (OECD.Stat);
- **'Aid on budget':** data on aid flows/releases through Treasury compiled in the national Public Accounts (CAGD database consolidated by IEG in 2016).

The figure below shows that the share of BS in the total of ODA in Ghana was following an upward trend only until 2011 (with a peak in 2008-2009) and started decreasing in 2012. It is important to highlight that the absolute amounts of ODA also started rapidly decreasing after 2012.

Figure 7 *BS disbursements as % of ODA*



Source: 2016 Particip Inventory of BS operations in Ghana & OECD CRS data (OECD.Stat).

As highlighted in the table below, it appears that, despite a temporary increase in 2006-2008, the share of grants accounted for by GoG in total ODA has followed a downward trend during the evaluation period.

**Table 8** Grants accounted for in GoG fiscal data and Total ODA as % of GDP

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Grants accounted for by GoG	3.2	3.4	3.7	2.7	3.0	2.3	2.0	1.5	0.5	0.7	1.5
ODA	6.6	6.1	4.7	4.6	6.1	5.3	4.6	4.4	3.0	2.9	n/a
Grants in GoG data as % of total ODA	48	56	79	59	49	43	43	34	17	24	n/a

Source: GoG Fiscal data (IEG 2016) and OECD CRS data (OECD.Stat).

Moreover, the analysis of GoG fiscal data shows that the relative importance of Project vs Programme grants using GoG systems has remained the same during most of the evaluation period - see table below. Projects (accounted for in GoG financial data) represented around 8% of total revenues and programmes (accounted for in GoG financial data) around 5% between 2006 and 2011.

The overall level of programme and project grants (accounted for in GoG fiscal data) also remained stable (around 20%) until 2009 and substantially decreased afterwards. The stagnation in the early part of the period despite the increase in programme aid and total ODA is to be linked to the simple fact that the level of public spending grew more quickly than the level of aid during the period.

**Table 9** Details on donor grants accounted for in GoG fiscal data (as % of total revenue)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Grants	19%	20%	21%	17%	18%	14%	11%	8%	3%	4%	7%
Project grants	11%	7%	9%	8%	9%	8%	6%	4%	0%	4%	4%
Programme grants (incl. BS grants)	5%	4%	5%	5%	7%	4%	2%	4%	1%	0%	3%
HIPC	4%	2%	4%	2%	2%	2%	1%	1%	1%	0%	0%
MDRI	0%	6%	4%	1%	1%	1%	1%	0%	0%	0%	0%

Source: GoG Fiscal data (IEG 2016).

### 2.1.2 I.2.1.2. Comparison between BS financial transfers and key macroeconomic variables

It is important to highlight that a substantial part of national revenue sources – almost 20% of all tax and non-tax revenue of central government – are earmarked to five ‘Statutory Funds’: the District Assemblies Common Fund, the Road Fund, the Ghana Education Trust Fund, the Petroleum Fund and the National Health Insurance Fund. These Funds are only allowed to spend resources on capital expenditure in their respective sectors and, for some of them, on goods & services as well.<sup>30</sup>

There is no agreed definition of what actually constitutes ‘discretionary expenditure’ in Ghana although expenditure is often classified in two broad categories (for instance, see NDPC’s annual progress reports): ‘statutory payments’ (incl. interest payments and Statutory Funds) and ‘discretionary expenditures’ (i.e. all other expenditures – incl. salaries). Taking non-salary expenditure as a proxy for discretionary expenditure would thus not reflect well the specificities of the country’s budget structure and mechanism. Taking ‘statutory payments’ as the only type of non-discretionary expenditures would also not reflect the classification usually used when analysing the composition of public expenditure in similar studies at international level. For the purpose of this evaluation, non-discretionary expenditures have been calculated adding the expenditures from the Statutory Funds to the two other usual main types of non-discretionary expenditure, namely salaries and interests payment.<sup>31</sup>

Based on this calculation, the figure and table below illustrate the fact that:

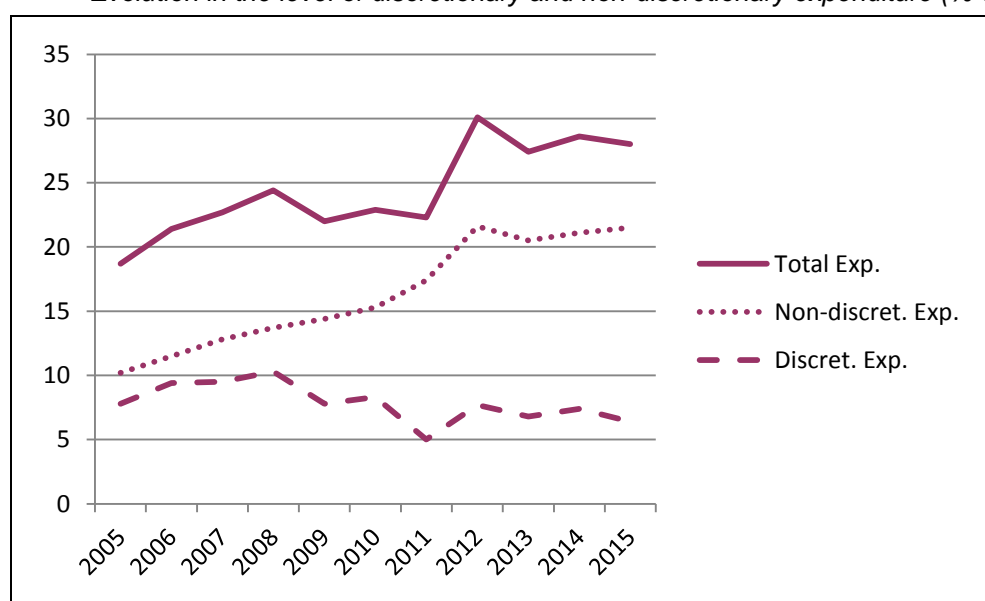
- Discretionary expenditures have slightly increased until 2008 reflecting critical infrastructure investments, particularly in the energy and road sectors, and, more generally, the expansionary policy followed by GoG based on the fiscal space created by debt reduction initiatives. But discretionary expenditure then entered into a downward trend.

<sup>30</sup> Compensations of employees (incl. salaries, social contributions, etc.) are covered by resources from the Consolidated Fund (Ghana’s central government funds).

<sup>31</sup> Note: for the analysis of the evolution in the level of discretionary and non-discretionary expenditure, including or not Statutory Funds in one or the other category does not have any incidence given the fact that the level of expenditures cover by the Funds has remained rather stable during the period (around 2,3% of GDP in average).

- Non-discretionary expenditures increased during the whole period driven by a steady increase in two main variables: compensation of employees (+162% between 2007 and 2012) and interest payments (+168% between 2007 and 2012). The accumulation of arrears also played an important role in undermining the availability of discretionary resources for public spending.

Figure 8 Evolution in the level of discretionary and non-discretionary expenditure (% of GDP)



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

Table 10 Discretionary and non-discretionary expenditures as % of GDP

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Non-discret. expenditure</b>	<b>10.2</b>	<b>11.5</b>	<b>12.8</b>	<b>13.7</b>	<b>14.4</b>	<b>15.3</b>	<b>17.4</b>	<b>21.6</b>	<b>20.5</b>	<b>21.1</b>	<b>21.5</b>
Compensation of employees	6.3	7.3	7.4	7.8	7.9	7.9	9.4	12.0	11.0	9.7	9.8
Transfers to Statutory Funds	2.5	2.0	3.0	2.2	1.5	2.1	2.2	2.6	2.3	2.1	3.4
Interest	2.2	2.1	1.9	2.3	2.8	3.1	2.7	3.2	4.7	6.2	7.0
Other (Arrears clearance & Reserve Fund)	-0.8	0.1	0.5	1.4	2.2	2.2	3.1	3.8	2.5	3.1	1.3
<b>Discret. expenditure</b>	<b>7.8</b>	<b>9.4</b>	<b>9.5</b>	<b>10.3</b>	<b>7.8</b>	<b>8.3</b>	<b>5.0</b>	<b>7.7</b>	<b>6.8</b>	<b>7.4</b>	<b>6.4</b>
Nonfinancial assets	5.5	6.0	7.0	7.3	6.0	5.9	3.8	4.8	4.6	5.4	4.9
Domestic financed <sup>32</sup>	1.8	3.2	3.9	4.2	1.6	1.5	0.9	1.4	1.8	1.1	1.4
Foreign financed	3.8	2.8	3.1	3.0	4.4	4.4	2.9	3.4	2.8	4.3	3.5
Goods & services	2.0	2.3	2.4	2.1	1.7	2.1	1.2	1.8	1.0	1.6	1.3
Other (incl. subsidies)	0.3	1.1	0.1	0.9	0.1	0.3	0.0	1.1	1.2	0.4	0.2
BS as % of discret. exp.	22%	19%	15%	18%	31%	21%	32%	17%	4%	1%	18%

Source: Revenue & expenditure from GoG Fiscal data (IEG 2016); BS disbursements from Particip GmbH 2016.

BS financial transfers represented, in average, 21% of GoG discretionary expenditure until 2010. The ratio fluctuated over the years: it was at around 19-22% in 2005-2006, fell to 15-18% in 2007-2008 and went up to 21-31% in 2009-2010.

It is noteworthy that the structure of the financing of public investments (nonfinancial assets) also underwent an important transformation during the evaluation period, with an increasing place taken by foreign financed investments from 2009 onwards – see also figure below. This is largely explained by: i) the decreasing level of domestic financed investments due to increasing budget constraints posed by the growing wage bill and interest payments which crowded out domestic resources allocated to public investment; ii) the increase of foreign financed investments due to new resources coming from Eurobonds issuances (e.g. the 2007 Eurobonds issuance largely explain the high levels in public investment in 2009-2010) and other international borrowing.

<sup>32</sup> Excluding Statutory Funds.

Figure 9 Evolution in investment expenditure and sources of financing (% of GDP)



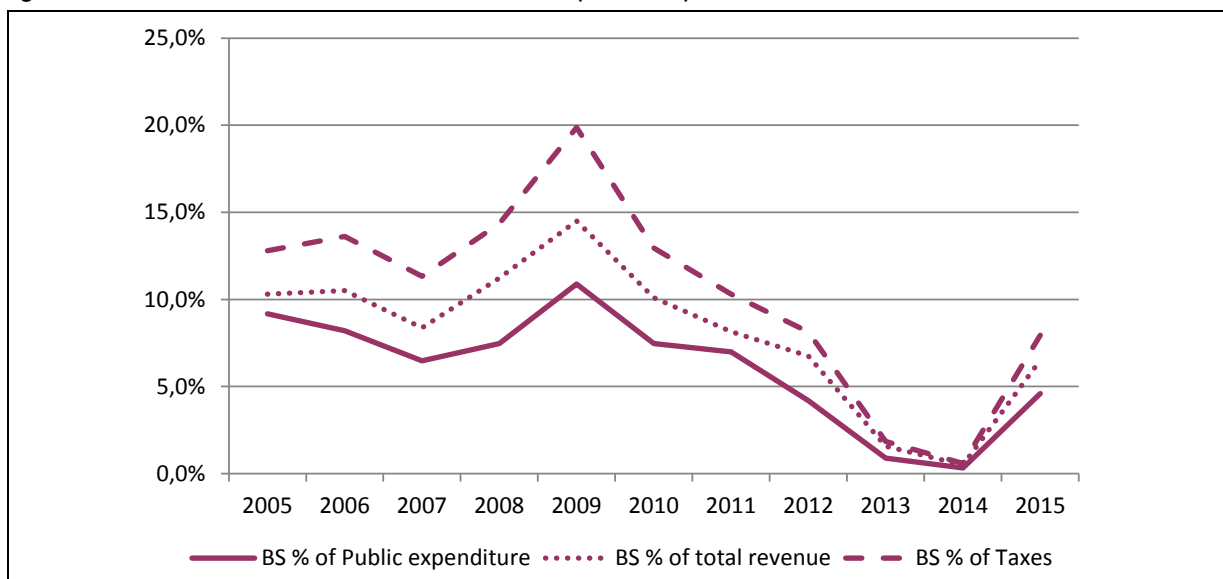
Source: Revenue and expenditure from GoG Fiscal data & IEG 2016.

There is some evidence in the document reviewed of BS having had some contribution to increasing the fiscal space of GoG. For instance:

2014 GSGDA II: *Ghana has made great strides towards reducing poverty over the past two decades. Economic growth initiatives have been largely pro-poor with a steady rise in pro-poor spending. Accelerated growth rates, debt relief and budget support provided the fiscal space that has allowed the country to make significant progress towards achieving the Millennium Development Goals (MDGs).*

Overall, until 2011, BS represented substantial amounts compared to GDP, GoG revenues and public expenditure. The relative importance of BS clearly decreased afterwards. The figure and table below present the evolution of main variables over the evaluation period. Until 2011, BS represented, in average, 8% of total public expenditure, 31% of public spending on nonfinancial assets (i.e. investments), 10% of total revenues and 14% of total tax revenues – see also Figure 4 below.

Figure 10 BS disbursements as % of total public expenditure and revenue



Source: Revenue & expenditure from GoG Fiscal data (IEG 2016); BS disbursements from Particip GmbH 2016.

Table 11 BS, GoG revenue and expenditure as % of GDP

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>BS</b>	<b>1.7</b>	<b>1.8</b>	<b>1.5</b>	<b>1.8</b>	<b>2.4</b>	<b>1.7</b>	<b>1.6</b>	<b>1.3</b>	<b>0.3</b>	<b>0.1</b>	<b>1.2</b>
<b>Revenue</b>	<b>16.7</b>	<b>17.1</b>	<b>17.5</b>	<b>15.9</b>	<b>16.4</b>	<b>16.7</b>	<b>19.1</b>	<b>18.5</b>	<b>16.7</b>	<b>18.4</b>	<b>20.7</b>
Taxes	13.4	13.2	12.9	12.5	12.0	13.0	15.1	15.4	14.2	15.8	16.9
Grants (incl. BS & HIPC)	3.2	3.4	3.7	2.7	3.0	2.3	2.0	1.5	0.5	0.7	1.5
<b>Expenditure</b>	<b>18.7</b>	<b>21.4</b>	<b>22.7</b>	<b>24.4</b>	<b>22.0</b>	<b>22.9</b>	<b>22.3</b>	<b>30.1</b>	<b>27.4</b>	<b>28.6</b>	<b>28.0</b>
Compensation of employees	6.3	7.3	7.4	7.8	7.9	7.9	9.4	12.0	11.0	9.7	9.8
Nonfinancial assets	5.5	6.0	7.0	7.3	6.0	5.9	3.8	4.8	4.6	5.4	4.9
Interest	2.2	2.1	1.9	2.3	2.8	3.1	2.7	3.2	4.7	6.2	7.0

Source: Revenue & expenditure from GoG Fiscal data (IEG 2016); BS disbursements from Particip GmbH 2016.

### 2.1.3 I.2.1.3. Comparison between BS financial transfers and sector expenditure

As explained under EQ1 (see Indicator 1.1.3.), GoG decided to ring-fence SBS funds and, on many aspects, considered SBS operations in a similar way as other forms of aid. One of the consequences is that SBS funds were not merged with GoG funds in the budget estimates contrary to GBS funds which were combined with other resources in the GoG Consolidated Fund. SBS funds were instead classified under the 'donor' category and used to cover expenditures related to goods & services and investment.

#### Main sources of funding at sector level

In most sectors, expenditures on wages have been essentially covered by the resources transferred from the GoG Consolidated Fund.<sup>33</sup> That said, MDAs have used a variety of sources of funds to cover non-salary expenditures. The table below presents the relative importance of the various sources of funding for selected ministries and budget items focusing on three illustrative years (one year before the start of most SBS operations; one year during the implementation of several SBS operations; one year after the breakdown of the MDBS and the suspension of BS by most DPs). The table uses budget data<sup>34</sup>. 'Donor funds' include resources provided by SBS (but not GBS).

Overall, the table illustrates the fact that there has been a heavy reliance of line ministries on other sources of financing that central GoG transfers. More specifically:

- For the Ministry of Health,
  - Goods & service are mostly financed by IGF which represented 42% of all sources of funding in 2007 and 84% in more recent years;
  - Investments are mostly financed by donor money which represented between 70 and 80% of all sources of funding during the period;
  - Overall, IGF & donor funding are the most important source of funding with IGF playing an increasingly important role. GoG funds have played a continuously decreasing role in the sector budget.
- For the Ministry of Lands & natural resources (one of the key ministry of the ENR sector),
  - Goods & service are mostly and increasingly financed by IGF which represented between 58% and 80% of all sources of funding during the period;
  - Investment expenditures were mostly financed by donor money (around 75%) but are increasingly covered by IGF.
  - Overall, IGF & donor funding are the most important source of funding with IGF playing an increasingly important role over the period.
- For the Ministry of Agriculture,
  - Both Goods & service and Public investment are mostly financed by donor money.

<sup>33</sup> In some sectors (and especially in the early part of the period), IGF were also used to cover some part of the wages in the sector. However, in most cases, this concerned less than 10% of total wages in the sector.

<sup>34</sup> Although actual expenditures often substantially differs from budget data, the overall findings regarding the role of the various sources of fund remain the same whether budget data or actual expenditures are used.



- o Overall, donor funding is the most important source of funding although GoG funding has played an increasingly important role (in planned spending) in recent years.
- For the Ministry of Education,
  - o Goods & service are mostly and increasingly financed by IGF which represented between 55% and 82% of all sources of funding during the period;
  - o Investment expenditures were mostly financed by donor money (between 40% and 59%) with a fluctuating importance also played by GoG funds.
  - o Overall, given the importance of goods & services, IGF has been the most important source of funding.

Table 12 *Relative importance of the various sources of funding for selected ministries and budget items*

Ministry \ Source	Share <sup>35</sup>	2007			2011			2014			Main source
		GoG	IGF	Donor	GoG	IGF	Donor	GoG	IGF	Donor	
<b>Health<sup>36</sup></b>											
Goods & Services	62%	18%	42%	40%	4%	84%	11%	5%	84%	11%	IGF
Capital expenditure	38%	23%	7%	70%	2%	28%	71%	2%	20%	78%	Donor
<b>Total non-salary expenditure</b>		<b>19%</b>	<b>32%</b>	<b>49%</b>	<b>3%</b>	<b>59%</b>	<b>38%</b>	<b>4%</b>	<b>61%</b>	<b>35%</b>	<b>IGF</b>
<b>Lands &amp; Natural resources</b>											
Goods & Services	62%	6%	58%	35%	17%	23%	60%	7%	80%	13%	IGF
Capital expenditure	38%	11%	16%	73%	5%	18%	77%	2%	60%	39%	Donor and, recently, IGF
<b>Total non-salary expenditure</b>		<b>8%</b>	<b>41%</b>	<b>51%</b>	<b>13%</b>	<b>21%</b>	<b>66%</b>	<b>5%</b>	<b>72%</b>	<b>23%</b>	<b>Donor and, recently, IGF</b>
<b>Agriculture<sup>37</sup></b>											
Goods & Services	19%	7%	2%	91%	15%	19%	66%	23%	3%	74%	Donor
Capital expenditure	81%	23%	0%	77%	13%	0%	86%	36%	0%	64%	Donor
<b>Total non-salary expenditure</b>		<b>19%</b>	<b>1%</b>	<b>81%</b>	<b>14%</b>	<b>4%</b>	<b>82%</b>	<b>33%</b>	<b>1%</b>	<b>66%</b>	<b>Donor</b>
<b>Education<sup>38</sup></b>											
Goods & Services	83%	32%	55%	13%	12%	76%	11%	14%	82%	3%	IGF
Capital expenditure	38%	20%	26%	53%	5%	4%	91%	40%	1%	59%	Donor
<b>Total non-salary expenditure</b>		<b>30%</b>	<b>50%</b>	<b>19%</b>	<b>12%</b>	<b>69%</b>	<b>19%</b>	<b>19%</b>	<b>67%</b>	<b>14%</b>	<b>IGF</b>

Source: National budget estimates 2007, 2011, 2014.

Legend: light red = share of the source of fund represents less than one third of planned spending on the budget item; light blue: share of the source of fund represents more than two thirds of planned spending on the item.

### **Evidence related to the importance of BS at sector level**

The evidence gathered (incl. in interviews) shows that GBS has played some role in increasing GoG funding at sector level at least in the first years of the evaluation period.

2006 MoH – Independent review of Health Programmes of Work (POW): *[the] increase in GoG funding, as a proportion of the total funding for health in 2006, reflects a number of factors, including: i) a sustained public commitment to health (14% of total public expenditures – close to the Abuja target); ii) a rising total public expenditure (there was a nominal increase of 40% in 2005-6); iii) the falling contributions of the DP sources; (...) iii) the switch from [the Health Fund] into MDBS by some large DPs, which augments government expenditures and therefore potentially also allocations to health.*

<sup>35</sup> This column indicates the relative share of goods & service and capital expenditure in a specific ministry (average share over the three selected years). For instance, in Agriculture, non-salary spending concerns mainly investment expenditure, and, in Education, it concerns mainly goods & services

<sup>36</sup> The National Health Insurance Fund (NHIF) is excluded from this overview as all other Statutory Funds.

<sup>37</sup> The table does not include other Agriculture related expenditure than the one covered by MOFA's budget.

<sup>38</sup> The Ghana Education Trust Fund (GETF) is excluded from this overview as all other Statutory Funds.

Still in the Health sector, it can be highlighted that the sudden – and much decried – increase in financial loans and credits in the sector in 2013 and 2014 corresponds to the two years during which GBS releases were suspended. This situation points to a non-negligible role played by GBS in financing the functioning of the health system (see also following sub-section).

It should be highlighted that MoF made specific arrangements with the relevant MDAs which foresaw that the latter would receive an additional resource envelope to help them meet some of the MDBS targets agreed upon for the sector. However, this largely depended on the quality of dialogue between MoF and the various MDAs. As highlighted in the reviews of the Health Programmes of Work (POW), ministries like the MoH were particularly aware of the importance of increasing the level and quality of dialogue with MoF to secure more resources for the implementation of their strategies and plans.

*2007 MoH – Independent review of Health POW: MoH dialogue with MOFEP – 80% of funding from MOFEP goes into PE and investment items over which MoH has no control. However, MoH needs better capacity for dialogue with MOFEP, given the continuing DP shift to MDBS.*

The effects of SBS on sector spending have been even more visible:

- The Agriculture sector is very illustrative of the role played by SBS on the evolution in sector expenditure. As highlighted above (see Table 12), the sector is heavily relying on donor funding and a large part of this funding has been directly financed through SBS. In 2011, the peak year in terms of SBS disbursement in this sector, two SBS operations (WB and Canada) covered almost 50% of total donor funding planned in the budget of the Ministry of Agriculture, meaning around 40% of non-salary expenditure (as indicated in the table above, donor funding was covering 66% of expenditures related to goods & services and 86% of public investment planned in the Ministry of Agriculture's budget that year).
- In the ENR sector, SBS represented 71% of non-salary expenditure planned in the budget of the Forestry and Mineral commissions during the main period of implementation of the NREG programme (2008-2012).

However, interviews carried out show that the way SBS was used by GoG also posed a number of challenges: i) SBS ring-fenced resources cannot be considered as 'discretionary resources' since 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. The 2014 WB NREG PPAR illustrates the case in the ENR sector.

*2014 WB – NREG DPO 1-3 PPAR: the experience of NREG offers a number of useful lessons about using development policy operations for sectoral interventions (...) Earmarking funds to specific agencies can undermine the rationale of a development policy operation by inserting the Bank into the relationship between the finance ministry and the line ministries and their agencies. When agencies are heavily reliant on donor budget support, then there are risks to sustainability if there is no long-term plan for addressing what will happen at the end of the program.*

Moreover, weaknesses in public expenditure management system created inadequate and delayed release of resources for operations and maintenance at the local level which undermined the 'quantitative' effects of BS at sector level (see also the analysis under EQ6).

### **The case of the Health sector**

In theory, together with the Health Fund (a pool funding mechanism which predates SBS in Ghana), SBS is the one aid modality that would best allow increasing budget for discretionary spending at sector level. DFID's 2013 Ghana HSSP business case highlights the fact that SBS is highly valued by the MoH despite its relatively small contribution to the overall health budget. The rationale is the following:

- SBS amounted to 6.4% of APoW 2012, DFID contributing 1.8% to the total;<sup>39</sup>
- Only about 27% of the total funds available to the sector comes as releases through the national MoH budgeting process (the National Health Insurance Fund (NHIF) contributes 29%, and 39% from donors is earmarked for particular diseases and projects, leaving a gap in support to strengthen the system and overall running of the health sector);
- Following the introduction in 2011 of the 'single spine salary structure' (which aligns salaries across the public sector), the wage bill increased so that the expenditure on the payroll in the sector almost doubled and, for 2012, the payroll was approximately 90% of the MoH budget;
- This means that a DFID SBS contribution of 1.8% actually represents a much higher percentage, six times higher than the MoH budget for goods and services (as the remaining MoH discretionary funds are used for capital and administrative costs).

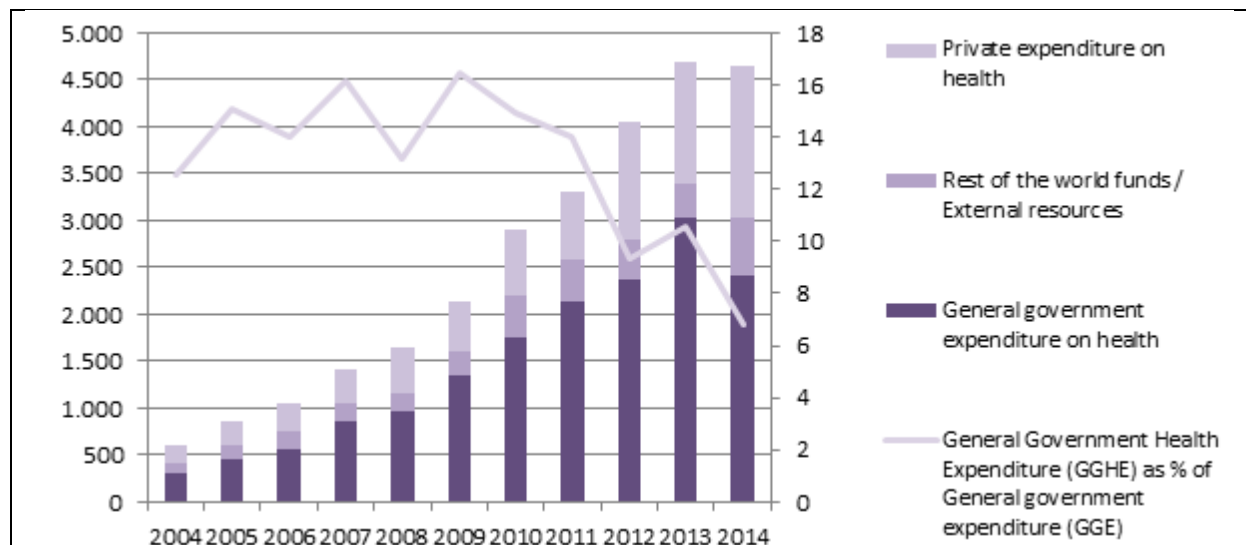
<sup>39</sup> Note: these figures do not exactly correspond to the ones we found and used in this evaluation.

Even if SBS was initially not earmarked, Clarke and Tyson (2014)<sup>40</sup> noted that a significant proportion of DFID's SBS was used by MoH centrally to purchase drugs (including psychotropic drugs for mental health) and supplies that were distributed to the health services throughout the country. Although the expenditure were incurred by the MoH, it benefitted the wider system. Some SBS funding was also used to pay outstanding debts and meet other urgent priorities of the MoH. Yet, the majority (60%) of the funding was used by the MoH, with just over 13% of the funds going directly to the regions and districts and less than 1% reaching district health offices and health centres.<sup>41</sup>

The evidence gathered in the health sector case study confirms that BS was an adequate modality to increase the size and share of budget available for discretionary spending in Ghana. SBS and/or pooled funding mechanism like the Health Fund appeared as badly needed for that purpose. From the data the evaluation team has compiled, compensation of employees represented on average 91% of GoG budget allocation during the evaluation period, and up to 93% over the period 2011-2015 (author's calculation based on APoWs 2005-2009 and 2011-2015). Since a large part of goods and services and assets are financed out of earmarked funding, while NHIS funding is not supposed to finance investment non functioning, but simply to reimburse facilities for the cost of healthcare provided, this means that the 5% – on average – budget room provided through SBS was a critical source of funding for discretionary spending, especially on goods and services – hence, health system strengthening and “soft” activities necessary to run the sector (e.g. functioning, monitoring, outreach).

As already mentioned above, it is likely that, at least until around 2011, GBS has also contributed to the increase in public resources going to the Health sector although most of this increase was associated with a shift in sector expenditure going to wages and salaries. The share of the health sector in government expenditure has been on a worrying downward trend since 2010. Figure 11 below could indicate that a sharp reduction in the fiscal space (following the introduction of single spine salary structure in 2012 and then the drop in GBS disbursements in 2013-2014) did not allow GoG to follow suit on funding the health sector beyond non-discretionary expenditure (mostly personnel emoluments).

Figure 11 Evolution of the composition of total health expenditure, in million GH¢<sup>42</sup>



Source: Global Health Expenditure Database (<http://apps.who.int/nha/database> consulted 5 June 2016)

As detailed in the Health sector case study (see section EQ6/JC63 in the case study presented in Volume 2b), the sector faced a complex and vulnerable financing situation characterised notably by off-budget expenditure, over-reliance on internally generated Funds (IGFs), programme funds additional to GoG budget, and declining GoG allocation to MoH in the second half of the evaluation period (see Anemana 2015<sup>43</sup>). In recent years, the situation has been aggravated by the growing earmarking of external assistance. With DP contributions now focusing on their own interventions and priorities, the

<sup>40</sup> 2014 HEART (Clarke & Tyson) - Ghana Health Sector Support Programme: Scenario Planning and Risk Management.

<sup>41</sup> This is also confirmed by the recent 'Facility and Institutional Survey' performed in the context of the PEIR, which shows that the majority of health fund/SBS funding was allocated to tertiary hospitals over the period 2012-2014, followed by regional hospitals (in 2012 only) (ISSER 2016) – see also the analysis under EQ6.

<sup>42</sup> The fall observed in 2014 is mostly due to the 20% drop in GoG funds allocated to health.

<sup>43</sup> 2015 Dr. Anemana (Chief Director, MoH) - Presentation of the current health financing issues in the health sector - April 2015 National Health Summit.

MoH has been left with few discretionary funding to fill gaps. As a result, some major health sector priorities have not been funded. In particular, the sector lacks a consistent framework for health system strengthening as a whole, and the MoH, GHS, CHAG and districts face difficulties in finding the adequate resources – and get them in a timely manner – to finance public health / preventive and promotional activities, and to ensure continuity in quality healthcare.

The financial problems are so pervasive that SBS funds have not been sufficient to smooth them. For instance, DFID's GHSSP 2008-2012 project completion report concludes that there was limited evidence that SBS helped to buffer or smooth funding, nor to support the MoH and GHS oversight function at regional and district levels. The latter reported often drawing on project funds to cover debts built up while awaiting GoG funding releases (quoted in Clarke and Tyson 2014).

In other words, the current system based on earmarked external funding runs against the principles of the health district system. From the districts point of view, the arrangements prevailing at the time of the SWAp/pooled fund ('Health Fund') were the most functional because they allowed for a clear link between planning and the (fast) release of fund<sup>44</sup> as well as sufficient flexibility allowing for innovation<sup>45</sup> and district leadership and good functioning. SBS was a very suitable second-best solution (source: interviews with DP, CHAG and MoH representatives; site visit Cape Coast and Mfanstiman; Health Development Partners Group 2016).

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

<i>EQ2 (Direct effects) – Main findings and sources of information</i>	
<b>JC22: Frameworks for policy dialogue between GoG and DPs have been strengthened and cover both performance assessment and broader policy issues</b>	
I.2.2.1 Instruments and structures to foster policy dialogue are in place, led by GoG and functioning	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Elaborated and quite well-functioning dialogue structures have been put in place at national and sector level.</li> <li>BS, in particular the MDBS framework, has been instrumental in strengthening the dialogue structures.</li> <li>However, ownership has fluctuated across sectors and over time.</li> <li>There has been an overall degradation of the dialogue at both national and sector level in recent years (in particular, since 2013).</li> <li>In the health sector, SBS provision has not provided a privileged role in policy dialogue to BS DPs.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.2.2.2 The dialogue ensures a joint monitoring of the implementation process	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>The dialogue was based on well-structured monitoring mechanisms at both national and sector level.</li> <li>Stronger SWG meant also stronger national reporting mechanisms.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>

<sup>44</sup> Apparently, now some districts even no longer bother planning anymore since they know they will not get the money.

<sup>45</sup> A number of case studies commissioned by UNICEF also show how innovations can help overcome bottlenecks that prevent accessing maternal, neonatal and child health services, especially: the vital role that systematic, participatory and district-centred performance monitoring plays in helping managers use evidence to identify access barriers; the need to develop research capacity at local levels to identify and solve everyday problems in health service delivery; so as to create locally appropriate solutions to problems through involving communities, families and individuals in health promotion activities; to develop community dialogue to improve service delivery, because this is the foundation for pro-equity efforts to increase access to and utilisation of essential health services. The studies show that if district staff are provided with comprehensive information on the causes of access barriers, and if they use this information as a basis for community dialogues about reasons for non-use, they can leverage limited district resources to yield significant changes in behaviours (Thiede et al. 2014). This can only be feasible if sufficient (goods and services) resources are allowed for piloting such innovations.

I.2.2.3 The content of the dialogue covers both performance assessment and broader policy issues	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Partners (GoG and DPs) have struggled to find a strategic dimension in the MDDBS dialogue which often remained narrowly focused on the formulation and assessment of triggers.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>eSurvey.</li> <li>Interviews.</li> <li>Documentary review.</li> </ul>
I.2.2.4 Evidence that the two parties (GoG and DPs) share a common understanding and interest to foster policy dialogue and deploy appropriate resources at the different levels to feed policy dialogue	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>There has been decreasing attention given by national stakeholders to the partnership around BS and increasing difficulties for DPs to bring the BS dialogue to a higher level within GoG.</li> <li>There has been insufficient effort by both parties to clearly explain to all stakeholders what BS really is.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>

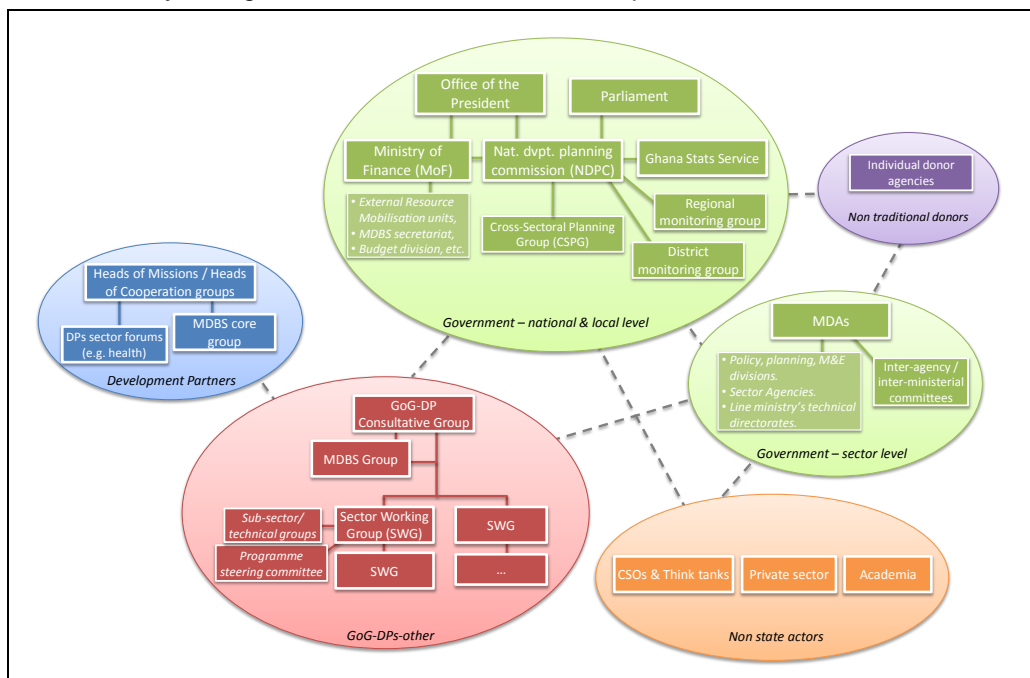
### 2.2.1 I.2.2.1. Instruments and structures to foster policy dialogue are in place, led by GoG and functioning

Overall, instruments and structures to foster policy dialogue were in place during most of the evaluation period, with regular meeting schedules, well established mechanisms for recording decisions<sup>46</sup> and relatively clear objectives. However, interviewees highlighted the fact that the quality of dialogue has fluctuated in some sectors with the change of persons engaged in the dialogue linked to the frequent turnover on both GoG and DP side. Moreover, in recent years, the dialogue seriously deteriorated in some areas (including in the particularly important area of PFM). The sub-sections below provide further details on: i) the dialogue structures in place during the period; ii) the functioning of some of the Sector Work Group; iii) evidence related to the role of BS in fostering policy dialogue.

#### Overall dialogue structures

Figure 12 provides a simplified stakeholder mapping related to policy dialogue in Ghana (with the main platforms where the active stakeholders meet).

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



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

<sup>46</sup> E.g. minutes of SWG meetings were usually taken by the sector leads and validated by the co-chairs and signed off by both parties and presented at the next meeting.

In terms of GoG-DPs dialogue, a structured high level dialogue between Heads of mission (HoMs) / Heads of Co-operation (HoCs) and GoG top level officials was taking place in the context of the Consultative Group. Consultative group meetings took place regularly (yearly) between 2005 and 2008.<sup>47</sup> There have been only two meetings afterwards: one in 2010 and a last one in 2012. In addition to the Consultative Group meetings, there have been (less regular) formal and informal bilateral meetings between Heads of mission / heads of co-operation and GoG high level officials (Minister of Finance, Vice President and President). In 2013, in the context of the new DPs-GoG Compact, a new dialogue forum the Ghana Development Partners Group - was established, but it has met only irregularly since its launch.

In terms of domestic dialogue, the National Development Planning Commission (NDPC) plays a central role as the institution is responsible for monitoring the policy objectives/indicators as contained in the GPRS. They produce Annual Progress Reports, which give a detailed account of the progress made on the implementation of Government's policies.

In terms of GBS specific dialogue, the Multi Donor Budget Support Secretariat at the Ministry of Finance was responsible for organizing exchanges between parties and supporting the co-ordination of the implementation of the BS operations – see box below.

*Box 9 The four objectives of the MDBS dialogue*

Arrangements for policy dialogue in the context of the MDBS were structured so as to achieve four key objectives:

- i. To create a framework for GoG to be able to identify a priority programme of reforms within the broad structure of the GPRS and to define annually measurable indicators of progress. (a GoG owned PAF matrix);
- ii. To utilise this framework alongside the PRGF review process and the regular reporting processes of Government (GPRS annual progress report, quarterly budget expenditure reports, GAS annual audit report) to assess GoG compliance with the core undertakings within the MDBS, namely the maintenance of an appropriate macro-economic framework, the implementation of the GPRS and the associated programme of reforms and the execution of expenditures in line with GPRS priorities;
- iii. To create incentives for accelerated implementation of reforms by agreeing demanding policy triggers and by linking disbursement of the performance payment closely to their achievement.
- iv. To provide opportunities for the sharing of different strategies and approaches to the achievement of policy objectives and to organise and review analytical work (such as the annual external review of PFM and the various PSIA studies) on specific policy and institutional issues.

*Source: 2007 MDBS evaluation*

The MDBS secretariat was headed by the Co-ordinator, who was a 'Director' at the Ministry of Finance with a team of around seven support staff. In addition, a system of (six) pillar leads specialised in the various thematic areas covered by the MDBS Progress Assessment Framework (PAF) has been put in place in 2010 to support the exchanges with the stakeholders at the sector level. Further details on the MDBS dialogue mechanism (including the annual reviews) are provided in Annex 5 (Volume 3).

At the sector level, the dialogue has been structured around a system of Sector Working Groups (SWG). There have been 15 'stable' SWGs<sup>48</sup>: 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 SWGs have included areas such as Financial sector, Employment, Harmonisation & Aid Effectiveness or HIV/AIDS. Some SWG had sub-sector or technical groups to deepen the exchanges in specific sub-sectors / on specific topics. Discussions within the SWG were led by a chair (usually, a high level senior official within the main line ministry) supported by a co-chair (usually, a DP representative). The chair has usually been the Chief Director and, in some instances, the Minister of the main line ministry. In addition to the SWG, there have been specific DP groups / fora to exchange information and discuss issues among DPs. Finally, it is important to mention that the Policy, Planning, Monitoring and Evaluation Division (PPMED) in the main line ministry and agency of the different sectors were also playing a key role in sector dialogue. The box below provides further details on this particular stakeholder focusing on an illustrative case (the PPMED at the Ghana Health Service - GHS).

<sup>47</sup> Since 2006, annual CG meetings were also timed to align with the country's budget cycle.

<sup>48</sup> There have been up to 18 SWGs in some years.

**Objectives of the Ghana Health Service PPMED**

- To ensure the development of comprehensive Operational policies, sustainable strategic plans, systems, programmes and budgets to cover all activities of the Ghana Health Service and its implementation partners in collaboration with other Divisions of the Service, the Ministry of Health and its agencies and other Ministries, Departments and Agencies (MDA's) and Donors
- To cater for the design and application of monitoring and evaluation systems and tools for purposes of assessing the operational effectiveness of programmes of the Ghana Health Service, as well as programmes of implementation partners.
- To initiate or support the development of new products – international/local- based on credible research for the advancement of the objectives of the Ghana Health Service

**Functional Responsibilities and Authority**

The Divisional Director is responsible for the core functions of the Division and exercise of authority by the Director is derived from and consistent with his responsibilities as well as authority delegated by the immediate superior. In effect, the superior authority of the Director General/Deputy Director General (DG/DDG) guides the exercise of authority but the co-ordination and development of strategies for the execution of the core functions is the responsibility of the Director and his deputies. The Director co-ordinates and mediates departmental and interdepartmental issues.

*Core Functions*

- The analysis of national, bilateral and international policies and its use in the development of strategic plans and implementation guidelines for the Ghana Health Service in collaboration with other Divisions and implementation partners;
- The Co-ordination, guidance and development of short, medium and long-term plans and budgets for the Ghana Health Service's development, including the preparation of projects and programmes for local and international financing consistent with the Sector-Wide/Multi-Donor Budget Approach;
- The development of level specific performance indicators and contracts consistent with national, bilateral and international expectations;
- The development of a comprehensive system of research, monitoring and evaluation of programmes and projects in collaboration with other Divisions and implementing agencies with a view to determining programme effectiveness and efficiency;
- The review of health financing and resource (human and infrastructure) allocation strategies and its impact on access, quality and efficiency to consumers;
- The production and management of health information as a management decision support system, made accessible to all functionaries of the service for effective decision-making.

*Departments:*

- Policy Department;
- Planning and Budget Department;
- Operational Research Department;
- Monitoring and Evaluation Department.

Source: <http://www.ghanahealthservice.org/>

**Evolution in the sector dialogue**

As illustrated in the excerpt below, some SWGs were working particularly well in Ghana during most of the evaluation period.

*2007 G-JAS: At sector level, progress with coordinated working is most advanced in the context of Multi-Donor Budget Support (MDBS), private sector development, transport, health, education, HIV/AIDS, and decentralisation, with emerging good practice in financial sector reform, agriculture, water and sanitation, natural resources management, social protection, and monitoring and evaluation. This good practice involves inter alia: clear leadership of the sector working group by the government; aligning DP assistance with a sector strategy, and, where possible, including it in the national budget process; streamlining monitoring and reporting procedures around a common results framework; and pursuing joint policy dialogue and analytical work in partnership with government.*

The text below (based on evidence from the documentary sources and stakeholders' interviews) provides further details on the specificities of some key SWGs.

**Health**

All the major actors of the health sector are invited to participate in sector dialogue which is well structured. The dialogue mechanisms are defined in a Common Management Arrangement (CMA) which has been gradually consolidated over time.

The sector dialogue is characterised by a strong leadership by the MoH and a wide participation in the SWG with active participation of the main sectors national agencies (e.g. GHS) and CHAG.

The dialogue relies on various meetings:

- Annual Health Summit to review the performance of the annual work plan (APoW).
- Business meetings (three meetings a year, one in conjunction with the Annual Summit).
- Monthly SWG meeting.
- Quarterly Inter-Agency Leadership Committee and Inter-Agency Co-ordinating Committees.
- Other:
  - Sub-sector dialogue such as in the context of the MDG Acceleration Framework (MAF) steering committee.
  - Decentralised Level Dialogue, e.g. between the MoH (Private Sector Unit of the MoH/PPME) and the private sector.
  - Monthly Development Partners Forum meeting.

Some major achievements highlighted in the sector analysis concern:

- Regular dialogue and exchange of information with large array of stakeholders;
- Frank dialogue, exchanges rich of information.

Factors which have been conducive for enhancing sector dialogue have been:

- The long history of sector collaboration (the Health SWAp started in the 1990s).
- Qualified senior staff.

It is noteworthy that the provision of SBS (joint SBS started in 2008) did not offer DPs a privileged role in policy dialogue (compared to the pool funding mechanism in place before 2008).

Some major limitations to better quality in sector dialogue have been:

- Institutional fragmentation.<sup>49</sup>
- Weak budget processes.
- Weak follow-through.
- (More recently) lack of critical mass of DPs in favour of harmonisation and respect of aid effectiveness principles.<sup>50</sup>
- The low share of government resources for the health sector hinders the MoH's relationships with the MoF.

#### ENR:

The SWG was created in the context of the MDBS in 2004. There have also been NREG Technical Co-ordinating Committee meetings (internal and with DPs) and Environment and Natural resources summits – see box below.

At the start of NREG (2008), the SWG comprised of six MDAs (three ministries and the three implementing agencies), who usually represented by a director and an NREG-focal person, 12 DPs (the five NREG partners, UNDP, USAID, the Swiss, JICA, CIDA, GTZ and Norway<sup>51</sup>) and two civil society organisations (invited to attend meeting quarterly). The SWG was co-chaired by the Executive Director of the EPA and the Technical Director of the Ministry of Lands Forestry and Mines (later renamed Ministry of Lands and Natural resources), with a DP sector lead.

The sector lead on DP side rotated among the DPs and moved from the Netherlands (2007-2010), to the EU (2011-2012), UNDP (2012), the Netherlands again (2012-2013), the EU (2013- 2015). Currently, it is chaired by UNDP (since November 2015) and the Technical Director of the Ministry of Lands and Natural Resources (MLNR) and the Director of Environment of the Ministry of Environment, Science, Technology

<sup>49</sup> 2014 HEART (Clarke & Tyson) - Ghana Health Sector Support Programme - Scenario Planning and Risk Management: "Ghana's health system is highly fragmented, with separation of policy, budgeting and monitoring functions (MOH) from service provision (GHS) and health financing (NHIA). Seventeen agencies vying for roles and responsibilities further complicate the structure of the system."

<sup>50</sup> In recent years (in particular, from around 2011 on), DPs' tendency to push for their own interests created a situation where there was no joint DPs response to annual sector reviews any longer.

<sup>51</sup> Some of them such as Norway had special interest in oil and gas issues.



and Innovations (MESTI) are the co-chairs. The Ministry of Finance (hosting the NREG Secretariat) provides overall co-ordination for the sector group work.

The SWG meetings started on a monthly basis, but they became less regular over time. In 2013, there was only one sector group meeting. Infrequent meetings were held in 2014 and 2015. Since November 2015 no meetings have been held to date.

NREG DPs within the sector had well established regular meetings to discuss co-ordination and harmonisation issues and mostly defend common standpoints when attending SWG meetings. There was regular exchange of information and a co-ordinated system for information management. These meetings have been largely informal meetings and were intended to ensure that donor harmonisation within the NREG programme was being achieved.

Despite some clear positive initiatives supported by NREG during 2008-2012, ENR-wide co-ordination has remained weak. This is mainly due to the fact that the ENR is not a sector as such (there is no ENR 'superior' institution). Civil society representation on the group has been a subject of debate over the lifetime of this group. Despite agreement being reached in November 2007 that 'umbrella/coalition, NGOs representing each of the main sectors of ENR will be invited to attend future meetings', the involvement of CSOs was still subject to discussion in 2012 when it was then agreed that CSOs should participate in the quarterly meetings of the group. However, even the quarterly representation was also ineffective as on a few occasions when civil society got represented there were legitimacy issues raised as rival CSOs (in the mining sector) presented themselves at the meeting as the legitimate representatives. Such incidences reinforced the resistance to their participation.<sup>52</sup>

Moreover, non-NREG DPs became less active in the SWG over time in the period 2008-2012 (because of its strong focus on NREG related issues). However, with the emergence of the Climate Change agenda, more DPs have become involved in the DPs ENR co-ordination meetings, but it still remains largely informal. These meetings are convened by the DPs co-leads of the SG.

*Box 11 The Environment and Natural resources summit organised during NREG SBS implementation*

**Origin and focus:** Environment and Natural Resources (ENR) summits were organised in the context of the NREG programme. There were an important mechanism to cover all natural resource sectors (water, fisheries, agriculture and land, oil and gas), not just those included in the NREG design. The stated purpose of the annual summit is "to bring together the natural resources sector groups (forestry, wildlife, mining, environmental protection, and land administration), development partners, and other relevant stakeholders (including civil society, landowners, academia, etc.) to review progress in the sectors over the year and to discuss major challenges" (MLNR 2010 – Report on the ENR Annual Sector Review).

**Frequency of meetings:** Five Annual Environmental and Natural Resources Summits were organised during 2008-2012. However, the inability of GoG to hold the Summit since 2013, mainly due to the lack of flow of the SBS funds puts the sustainability of the summits into question. A planned one for the middle of 2015 was cancelled for excessive cost of the event at selected venue and disagreement over the agenda between DPs and the government

**Participants:** At MDAs level, the main ministers which participated were the MLNR and MESTI. The Summits brought together a wide range of ENR stakeholders including government representatives, CSOs, Traditional Authorities, the private sector and Development Partners. CSO participation in the Environmental Summits has been high and under the auspices of KASA CSOs organised parallel sector reviews the results of which were brought into the Environmental Summits.

**Focus and Quality of dialogue:** Each Environmental Summit focused on a particular theme. For example, 2010 Summit had the theme 'Promoting Good Governance in Mining, Forestry and Environmental Management' while the 2011 summit focused on 'Sustainable Management of Natural Resources for the Environment and People' and provided an opportunity to review the strategies of different sectors. This Summit addressed the environmental governance aspects of mining in forest reserves, problems caused by galamsey (illegal small scale mining) and chainsaw operations, benefit sharing and community participation in natural resource governance. The participation of the Ministers of MLNR and MESTI in most Environmental summits strengthened the policy impact of the events.

<sup>52</sup> It is noteworthy that, under the auspices of KASA, CSOs in the ENR hold an annual review of the sector to give alternative reporting on the sector especially during the environmental summits. Interestingly, unlike the NREG the CSO review covers a broader number of sub-sectors including fisheries and water resources. Since 2008, six CSO annual reviews have been organised and they have participated in all the five annual summits. The last CS review was held last year and another one scheduled for September 2016. During the interviews carried out by the evaluation team, representatives from the FWG Ghana, he indicated that CS finds the CS ENR review useful for engaging government in joint advocacy. However, there is very little movement on government front in taking the recommendations of CS on board resulting in the same recommendations repeated in their annual meetings.

Source: Authors' compilation based on interviews and sector literature review

#### Agriculture:

The Agriculture SWG has been the largest SWG during the evaluation period (with more than 15 DPs involved and up to 50 sector stakeholders in some years). In addition to the monthly SWG meetings, there have been quarterly 'business' meeting (led by MOFA's Chief Director) and annual meetings to discuss the joint sector review.

Overall, there have been very regular dialogue and exchange of information with a large array of stakeholders during the evaluation period. With the start of SBS operations, the dialogue integrated broader policy issues with the active involvement of the Chief Director and the MoF.

Some important factors had a particularly conducive effect on the quality of dialogue. This includes: the personality of the key representatives involved; the funding amounts (Canada, WB and, in general, the MDBS partners have shown an even stronger involvement due to the scale of the support provided); the structure for dialogue (the MDBS PAF created a framework which helped structure the dialogue).

Some major limitations can also be highlighted, for instance:

- A strong focus on PPMED (at the detriment of other MOFA directorates).
- Fluctuating leadership on GoG side.
- Non-traditional donors and vertical programmes (e.g. MCC) hampered some aspects of the sector dialogue.
- Weak follow-through by national institutions.

The SWG worked very well until 2013. But, in recent years, the dialogue deteriorated, in particular due to a change in staff and, according to some interviewees, a lot of the DPs and MoF energy being absorbed by the negotiations with the IMF on a macroeconomic stabilisation programme.

#### Education:

As explained in the 2010 mid-term review of the Education for All: Fast-Track Initiative (EFA-FTI) programme (see excerpt below), there have been two main types of monitoring reports which were annually produced by the education sector: i) the sector performance report; ii) the annual review report.

*2010 MTR of EFA-FTI: There is an active SWAp in the education sector. It is based upon the ESP<sup>53</sup> and monitoring of the ESP through the ESAR<sup>54</sup> process including a 3-day annual ESAR meeting. The Sector Group nominates a lead DP (currently World Bank). Sector Group meetings are regular, government-led and substantive. The ESAR is carried out thoroughly, culminating in an extensive annual Performance Report (the ESPR) and a joint Aide-Memoire setting out a plan of action for the coming year. (...)*

*In recent times education donors have met regularly and often in Sector Group Meetings chaired by government.<sup>55</sup> There is a well developed process for sector review in which the Preliminary Education Sector Performance Report (PESPR) is produced by PBME based substantially on regional input and discussed at the joint Education Sector Annual Review (ESAR). It is subsequently revised to produce the Education Sector Performance Report (ESPR) which follows the structure of the ESP, covering the areas of: access to education, quality of education, education management, education finance and finally science, technology and TVET. The ESAR results in an Aide Memoire between the MOE and DPs, outlining next steps and updating the monitoring framework. It should be noted that the most recent ESAR/ESPR process (May/June 2009) was regarded by DPs as disappointingly fragmented and incomplete, largely as a result of the on-going inability of the EMIS process to generate timely, accurate and carefully analysed data.*

*The current lead DP is the World Bank which is also the FTI Supervising Entity. The role of lead DP was taken over from UNICEF and may well pass to DFID after their new Education Specialist arrives. There is no evidence of formal rotation or other process to determine the lead DP. There is no FTI Local Education Group (LEG) although there is an active sector working group (SWG) based upon the ESAR, the monitoring of the ESP and the frequent Sector Group meetings. Requests for a copy of the SWG Memorandum of Understanding (MOU) went unanswered, and it seems that such a document does not currently exist and meetings proceed by consensus.*

*(...) the Education Sector Technical Advisory Committee (ESTAC) has been established in order to ensure that donors and stakeholders have an input into the monitoring process, as well as in the*

<sup>53</sup> Education Strategic Plan

<sup>54</sup> Education Sector Annual Review

<sup>55</sup> The review team examined the minutes of 17 such meetings held between May 2007 and November 2008 – approximately monthly.

*subsequent implementation process across the four themes of the ESP. However, by the time of the team visit, this committee had never functioned due to the failure of the MOE to decide upon its composition or precise function. As a consequence this structure is not fulfilling its intended role.*

SWG are usually chaired by the Chief Director, with a co-chair DP lead (currently, Unicef) and a deputy co-chair (currently, Japan).

SWG meetings used to be held on a monthly basis. But, the interviews carried out by the evaluation team have shown that the frequency of meetings has decreased in recent years with, in 2015, SWG meetings being held only on a quarterly basis.

Since 2010-2011, DPs tried to develop a common position: they meet before the SWG meeting and minutes of their meeting is then shared to the wider SWG.

#### Other findings

Interviews carried out show that, in general, participation by NDPC, Parliament, Private sector has remained poor in most sectors. The level of CSOs' involvement has also remained limited in many sectors although some positive evolutions took place at the level of the MDBS forum over time.

*2011 MDBS annual review aide memoire: Civil society, think-tank and independent governance institutions were represented and were actively engaged as presenters, discussants and participants. Expanded from 2010, the membership of non government representatives in sector working groups and other fora over the past year has resulted in greater transparency of the MDBS process.*

The mid-term review of the Ghana Joint Assistance Strategy (G-JAS) highlighted “*There has been progress in involving civil society in dialogue, but more effort is required.*”

Finally, the involvement of non-traditional donors in sector dialogue has been quite recent and has remained limited.

*2014 OECD – New Development Finance Landscape – Ghana case study: Participation of non-DAC donors in high-level forums appears to be the result of pressure from traditional partners to foster policy dialogue rather than of specific interest by the government. Philanthropic organisations and the private sector do not participate in these co-ordination groups, either at high-level or sectoral level.*

#### **BS contribution**

The MDBS dialogue evolved towards a very structured dialogue as summarised in the box below.

#### *Box 12 Overview of the MDBS annual review*

Government's progress under the medium term development agenda is reviewed against a selection of agreed policy measures and result indicators known as targets, compiled in the Performance Assessment Framework (PAF). This assessment takes place mainly in the Sector Working Groups where representatives of Ministries, Departments and Agencies (MDAs) and DPs involved in a specific sector discuss strategic plans, performance monitoring and implementation of harmonised projects.

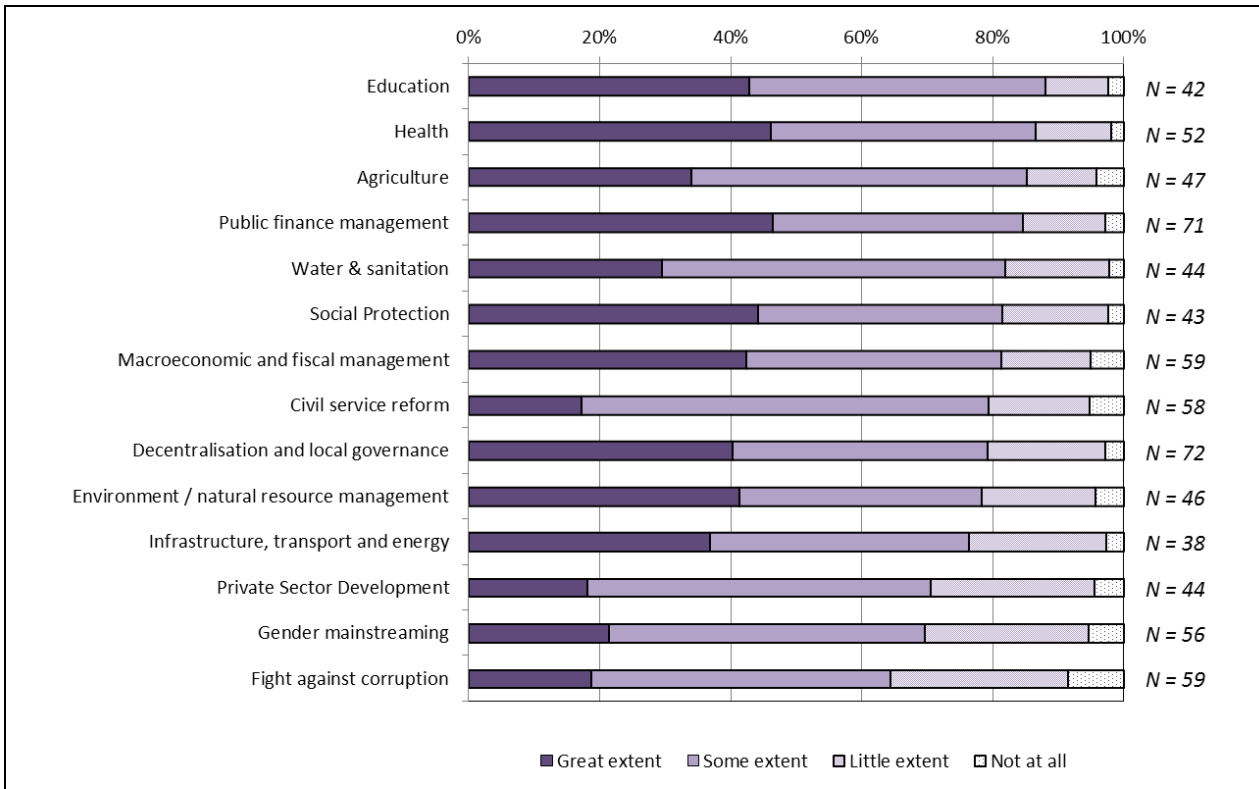
In addition to measuring progress against the PAF, a holistic assessment is also undertaken. It takes into account the overall macroeconomic performance and the information covered in documents such as the reports of Ghana's Auditor General, the Annual Progress Reports prepared by the National Development Planning Commission (NDPC), the report of the National African Peer Review Mechanism, or the IMF macroeconomic and fiscal assessments.

During the Annual Review the Underlying Principles of the MDBS process are also assessed. Respect for these principles is essential for continued budget support under the MDBS framework. The Underlying Principles are: the maintenance of sound macroeconomic policies; commitment to achieving growth and poverty reduction objectives, including MDGs; continuing peace and respect for human rights and the rule of law; adherence to democratic principles and the independence of the judiciary; ensuring sound budgeting and public financial management (PFM) systems; and the promotion of good governance, accountability of the Government to the citizenry, including the active fight against corruption.

*Source: 2011 MoF – Introduction to MDBS annual review*

The eSurvey results point to a rather strong contribution of BS (especially the MDBS) to enhanced sector and cross-sector dialogue – see figure below. The positive effect has also been underlined in many of the interviews carried out.

Figure 13 eSurvey results - BS contributions to enhancing sector and cross-sectoral dialogue between 2005 and 2015



Source: Particip eSurvey.

BS has played a role in terms of structuring the dialogue (around the targets, triggers and policy objectives of the MDBS PAF and, in some sectors, the sector PAF). The MDBS annual review (and the need for the sector stakeholders to produce inputs to this review process on time) has also provided incentives to hold meetings on a regular basis and come up with concrete outputs. Finally, the MDBS and SBS operations helped enhancing the level of dialogue by ensuring higher level engagement on GoG side. As explained by a survey respondent: "MDBS allowed much more dialogue with senior government officials and ministers than would have been possible otherwise."

The WB PRSC8 programme document notes:

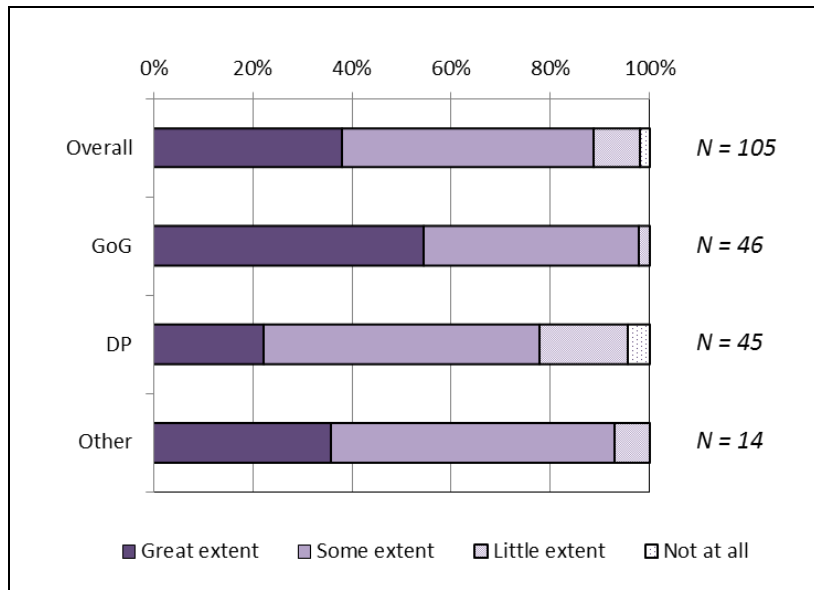
2011 WB PRSC8 programme document: *In alignment to the MDBS framework, the review of Ghana's performance in meeting proposed PRSG8 prior actions was conducted at the MDBS annual review 2011 (May 16-17 and 19, 2011). The review, organized under the auspices of the Ministry of Finance and Economic Planning, gathered other three days high-level participants from Government, Development Agencies, Civil Society Organizations, think tanks and media. Development Partners considered the review as the "one of the most constructive to date – with deep dialogue and discussions of the main policy issues of the day, good participation by government agencies, and active engagement of Civil Society Organizations (CSOs)", noting that "Ownership by Ministries, Department and Agencies (MDAs) has improved since they have started signing the Progress Assessment Framework (PAF)", and that the "MDBS process is becoming an instrument for improved co-ordination between MDAs"*

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 the MDBS dialogue overshadowed the overly formal Annual Partnership Meeting of the GoG-DPs Consultative Group. This trend was already highlighted in the 2009 mid-term review of the G-JAS.

2009 MTR of G-JAS: *the Consultative Group (CG) process, held annually in June, is widely considered to have lost direction. The event has become purely formal, used for making announcements and speeches, without advance preparation or follow-up. DPs continue to produce their annual matrix of activities and resources flows, mapped against GPRS pillars and sector groups. However, no mechanism has been developed to make use of this data to improve the overall allocation of assistance. At the recent MDBS High-Level Meeting, it was agreed that the CG process would be reviewed to expand the possibilities for policy and technical dialogue through pre-CG meetings and possible quarterly meetings.*

BS has had a particularly positive role on strengthening the dialogue between the Ministry of Finance and line ministries (see figure below). Yet, some observers pointed out the limited strategic dimension of this dialogue which, in many instances, remained focus on 'finding solutions' to make sure that BS triggers and targets would be met in the short term.

Figure 14 eSurvey results - BS contributions to enhancing the dialogue between the Ministry of Finance and line ministries (2005-2015)



Source: Particip eSurvey.

The recent AfDB's PFMPSCSP<sup>56</sup> appraisal report describes the evolution in the last years of the evaluation period.

2015 AfDB - PFMPSCSP - appraisal report: *General budget support operations in Ghana were supported up until 2012 by ten multi-donor budget support (MDBS) partners. The MDBS was a strong policy dialogue forum, based on a common Performance Assessment Framework (PAF) as the harmonization mechanism. The PAF often included benchmarks and indicators monitored annually and assessed collectively. The MDBS platform was a robust forum comprising various stakeholders: Government, Development Partners, NGOs and CSOs, and had over 15 Sector Working Groups (SWGs). The Ghana Field Office (GHFO) led the Heads of Cooperation (HoC) group in 2013, co-chaired the MDBS in 2014, and has also chaired a number of SWGs.*

*However, this robust MDBS platform has not properly functioned over the past two years owing to failure to agree on a joint PAF and the deterioration of the underlying principles on macroeconomic stability. As a result, the envisaged 2014 PAF, expected to underpin 2014 disbursements and 2015 pledges, was not finalized. This development, combined with the deteriorating macroeconomic situation and protracted negotiations with the IMF, resulted in all budget support DPs rolling over their programmed disbursements for 2014 to 2015. In effect, the traditional mechanism of harmonized disbursements by DPs against a common PAF jointly assessed by the MDBS group broke down, and disbursements became subject to individual DP's decision.*

*At the same time, however, all MDBS partners continue to put enormous emphasis on the importance of Ghana's commitment to the Partnership Principle. Assessments against these Principles are still required for non-budget support financial assistance to the country. DPs, therefore, agreed that, in the absence of MDBS, policy dialogue around Macroeconomic Stability and PFM in Sector Working Groups (SWGs) should provide the broad platform for policy dialogue between GOG and DPs on the implementation of Ghana's reform and development agenda.*

### 2.2.2 1.2.2.2. The content of the dialogue covers both performance assessment and broader policy issues

As highlighted above, the MDBS framework provided a useful forum for enhanced policy dialogue between DPs and GoG representatives (especially, MoF representatives). Interviews also show that

<sup>56</sup> Public Financial Management and Private Sector Competiveness Support Programme

there have been several attempts to achieve even stronger dialogue. However, overall, partners (GoG and DPs) have struggled to find a strategic focus to the MDDBS dialogue which often had a strong emphasis on the formulation and assessment of triggers.

In 2009, the MDDBS partners organised a retreat to find ways to enhancing the level of dialogue and the engagement of GoG officials in the MDDBS process. They came up with the following observations:

*2009 MDDBS retreat final report: it is important to raise the level and nature of policy discourse beyond technical issues limited to the MoFEP. This could take the form of an active interaction with relevant government representatives over policy reforms and development outcomes. Participants recognised that the Consultative Group (CG) meeting has not been working effectively as a means of policy dialogue and engagement. There are no regular meetings and when there are, the event is often dominated by speeches rather than an active dialogue. It was suggested that the format of the CG may have to be reviewed, with the possible addition of pre-CG meetings that focus on high-level technical/policy dialogue.*

*Although there is currently dialogue taking place at a range of levels e.g. SWGs, MDDBS core group, there is concern that this dialogue may not be taking place at high enough a level to ensure that the overall strategic policy direction of Government is being adequately taken into account. This high-level dialogue would help to build the confidence of DPs, which would ultimately allow them to offer more flexibility. Seeking higher levels of engagement should not undermine the system in place, but rather strengthen it. Nevertheless, there is a need to understand the perspective of political office holders on the rationale behind certain policy decisions. To that extent, this year's ongoing interaction of Ministers on the Annual Review of the MDDBS process was very welcomed by DPs.*

*Recommendations made include:*

- *Holding regular (quarterly) strategic dialogue between Ministers of the GoG, DPs and HoMs/HoCs to build and maintain confidence, trust and mutual understanding about current development priorities, challenges and progress. Actors to be involved and at what level should be discussed later;*
- *It was agreed to review the format of the CG;*
- *Discussions should cover issues not covered directly in the PAF, but which may ultimately have some effect on the PAF; and*
- *Seek higher levels of engagement without undermining the system in place.*

As illustrated in the excerpt below, the mid-term review of the Ghana Joint Assistance Strategy (G-JAS) already highlighted the importance of finding the right balance in the MDDBS dialogue.

*2009 MTR of G-JAS: Despite the emphasis placed by many of the DPs on the importance of conditionality within the MDDBS, the evidence suggests that conditionality is not the decisive element in the effectiveness of the instrument. The significance of MDDBS is not its ability to generate positive incentives for reform through variable disbursements. Most of those interviewed by the review team on both the DP and GoG side were in agreement that the incentives it generates are a minor influence on government action, especially at the political level. Rather, the significance of the instrument lies in its ability to provide a high-level platform for strategic dialogue, whether on issues emerging from the sectors, on macroeconomic policy or on emerging challenges like oil. It is the quality of the dialogue that matters, not the formulation of the triggers. If annual negotiations on triggers are, as many suspect, causing the dialogue to become narrow and legalistic rather than strategic, then this suggests that the current emphasis is wrong. Reform to MDDBS should be aimed at ensuring the DPs are speaking with a collective voice to the right counterparts in GoG about the issues that matter most to Ghana's development, in such a way as to reinforce mutual accountability.*

The challenge was highlighted in various documents in the following years. For instance,

*2010 PCR of DFID PRBS 2009-2011: The rigidity of the conditionality arrangements in the PAF with relatively minor financial implications biases the dialogue with GoG away from the base conditions and away from the outcomes. Consequently there is insufficient dialogue around important aspects of GoG policy. It is recommended that the MDDBS mechanism is adjusted to strengthen ongoing dialogue and discussion on the base tranche, implying more attention to the basics of macroeconomic management, amongst other factors.*

### **2.2.3 1.2.2.3. The dialogue ensures a joint monitoring of the implementation process**

The 2007 MDDBS evaluation carried out by ODI highlights that, despite several limitations, the MDDBS has contributed to establishing a joint framework for the monitoring of the national development strategy's implementation process.

*2007 ODI MDDBS evaluation: A GPRS Monitoring & Evaluation system was established to track progress against a set of 60 GPRS Core Indicators. These included a mix of impact indicators (such as infant mortality, HIV prevalence rates, and real per capita agricultural production), service delivery*

indicators (such as gross and net enrolment rates and immunization rates), output indicators (numbers of boreholes, classrooms constructed) and process indicators ('dissemination of Parliamentary debates on poverty'). This somewhat unusual mix of indicators of different types and levels made the interpretation of performance results relatively difficult. It was in part a response to gaps in data availability and in part a response to the different information requests of the many stakeholders involved in the GPRS process. At the very least, it did constitute an institutionalised annual mechanism for measuring progress in the implementation of a national poverty reduction strategy, which included fora for structured inputs from civil society, Development Partners and Parliamentarians. Such a mechanism had not previously existed in Ghana.

As highlighted in the indicator I.2.2.1, BS contributed to improving the monitoring mechanisms at sector level, in particular by strengthening the annual performance sector reviews which were often directly linked to the overall MDBS annual performance review.

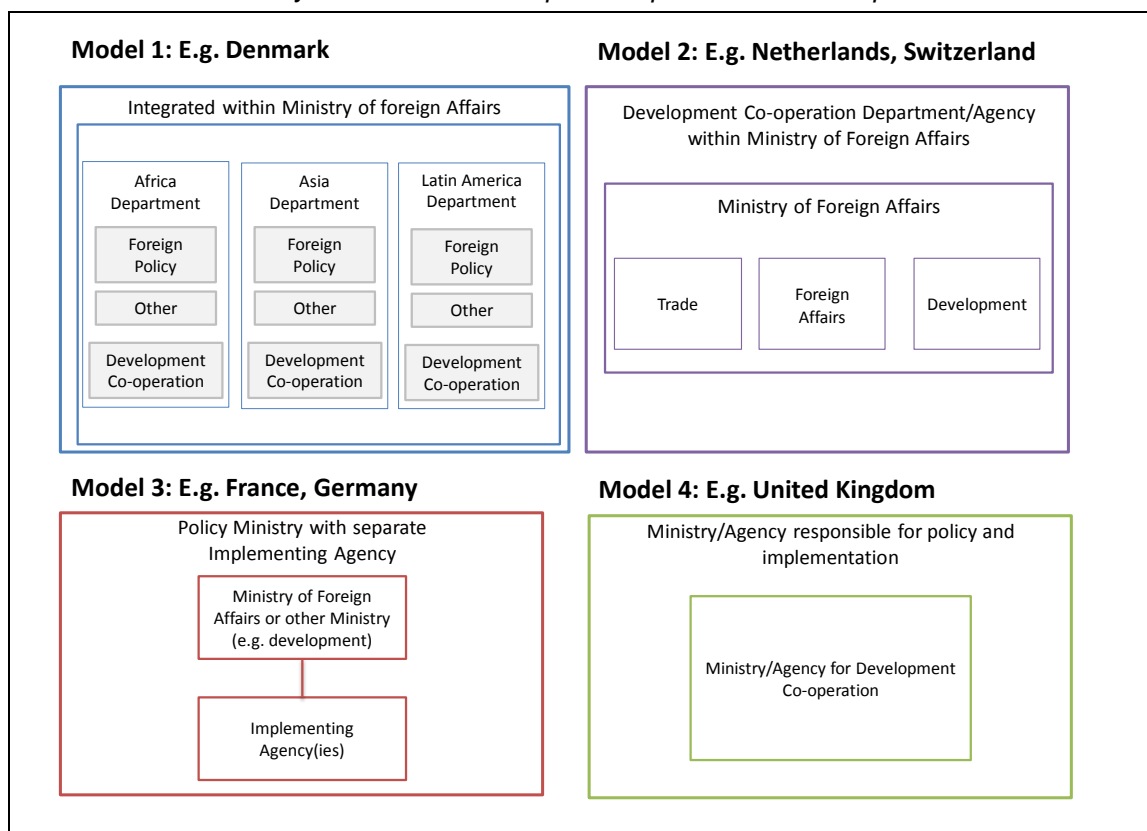
Interviews with NDPC confirmed the important supportive role played by BS and the system of SWG for the strengthening of the national development strategy's annual review process ("At the time of the MDBS, there were stronger accountability mechanisms at the sector level. Reports were produced on a regular basis. There were regular sector events – e.g. health summits – or initiatives – e.g. EMIS – which contributed to reinforcing the national reporting mechanisms").

#### 2.2.4 I.2.2.4. Evidence that the two parties (GoG and DPs) share a common understanding and interest to foster policy dialogue at both overall and sectoral levels and deploy appropriate resources at the different levels to feed policy dialogue

Several interviewed DPs highlighted the fact that, with the exception of some sectors (e.g. Health, Education), most SWG suffered from a lack of leadership from the GoG-side.

In general, on the DPs side, the level of engagement has been relatively high although the type of engagement depended to some extent to the specific institutional set-up of the various DP - see figure below which shows the variety of set-up adopted by the various DPs for the provision and supervision of development aid.

Figure 15 DPs' variety of institutional set-up for the provision of development aid



Source: 2014 ODI – Beyond aid the future UK approach to development

At a broader level, it should be highlighted that there have been efforts by GoG and DPs to continuously improve the dialogue associated to the MDBS during the first half of the evaluation period. This is illustrated by the retreats organised to reflect on the experience of the past. For instance, the theme of the 2009 retreat was "MDBS: A Partnership for Development Results" which reflected a shared desire

and commitment by both DPs and GoG to reflect on challenges facing the MDBS. As highlighted in the report produced at the end of the retreat, “the theme also reflected a consensus amongst DPs and GoG on the need to work out ways of enhancing the efficiency and effectiveness of the MDBS process and its instruments.”

In the second half of the period, there have been attempts by MDBS DPs to promote an even more active engagement of GoG in high level dialogue.

2011 WB PRSC7 programme doc: *Another lesson to be learned from the EGPRC and other DPO is the need to address implementation risks which are high when intergovernmental coordination is required. Increasingly, the nature of reforms Ghana is embarking on requires coordination across various parts of the Government (e.g. oil and gas, public sector reform, social protection). MDBS Development Partners have come to the view that, while MOFEP should keep its coordinating and counterpart role, the MDBS Progress Assessment Framework (from which PRSC7 prior action and PRSC8 proposed triggers are extracted) should be formally endorsed by the Cabinet of Ministers to encourage better intergovernmental coordination.*

However, interviews highlighted that DPs faced increasing difficulties to reach out to a higher level within GoG institutions. The second half of the evaluation period was obviously characterised by less appetite from GoG to engage in stronger policy dialogue around BS.

2014 OECD – New Development Finance Landscape – Ghana case study: *Until recently, the negotiation power of the government vis-à-vis development partners has strengthened due to the country’s long-standing relations with donors and the evolution of Ghana’s economic performance and democratic transition. The government’s bargaining power vis-à-vis traditional donors has also strengthened due to the country’s access to new sources of financing from China and the international financial markets. In fact, several government officials stressed their preference for market sources because the amount raised is much larger compared to what traditional development partners are able to provide, and they also come with no policy conditionality attached.*

Moreover, there is evidence of partners (GoG and DPs) having made insufficient efforts to explain what BS really was. For instance, the 2011 study by Ecorys on improving the follow SBS funds in the health sector explains that “Stakeholders have limited awareness of the actual procedures and practice of SBS” and recommended “Improve understanding of current practice by organising a brief (4 hour) workshop on current practice of SBS for the main stakeholders involved (MOH, MOFEP, DPs, GHS).”

### 2.3 JC23. Accompanying measures support capacity development of the relevant stakeholders, incl. public institutions

EQ2 (Direct effects) – Main findings and sources of information	
<b>JC23: Accompanying measures support capacity development of the relevant stakeholders, incl. public institutions</b>	
I.2.3.1 Evidence of accompanying measures (TA, capacity development, studies, NSA mobilisation) provided by DPs in the same / similar sectors as those covered by BS	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Substantial levels of accompanying measures have been provided in all sectors and areas.</li> <li>However, in the absence of a coherent framework for capacity development, accompanying measures aiming at strengthening sector institutions remained very much donor-driven.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.2.3.2 Evidence that accompanying measures feed into policy dialogue process	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Policy dialogue benefitted from substantial advisory support and policy research provided by BS DPs.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>eSurvey.</li> <li>Interviews.</li> <li>Documentary review.</li> </ul>



### 2.3.1 I.2.3.1. Evidence of accompanying measures (TA, capacity development, studies, NSA mobilisation) provided by DPs in the same / similar sectors as those covered by BS operations

#### Overall findings

The level of accompanying measures provided has been substantial in all sectors and areas although some fluctuations can be observed over time (e.g. decreasing level of support to statistical development). The accompanying support has essentially taken five main forms:

1. Institutional building project / stand-alone TA: this category includes the support provided in traditional technical assistance/capacity building projects and includes inputs like training, equipment, TA, etc.
2. Analytical work: this category includes a variety of analytical work ranging from reviews and evaluations of BS arrangements (e.g. review of the MDBS framework) to direct inputs to the drafting of new policies and laws and in depth studies in key sector areas. Supported analytical work has covered a very wide spectrum in terms of thematic areas ranging from debt management and management of oil & gas revenues to forestry management and constitutional review.
3. Reform support projects: this includes comprehensive support projects in specific areas such as the GIFMIS project on PFM or the GSDP project in the area of statistical development.
4. Support to non-state actors: this includes diverse support aiming at strengthening the role of the civil society in national policy processes.
5. Other: other support includes financial support to national intergovernmental financial mechanism such as the District Development Fund (DDF) aiming at strengthening the capacities of local governments.

There have also been a number of challenges associated to the provision of accompanying support. In the absence of a coherent framework for capacity development, accompanying measures aiming at strengthening sector institutions remained very much donor-driven. In particular, MDAs have generally been poor at articulating their capacity needs although they have been a few positive attempts.<sup>57</sup> In the absence of a coherent framework for capacity development, the support ended up being very much donor-driven. Moreover, although overlaps were avoided, efforts supported by the various DPs remained often fragmented. Attempts to provide a comprehensive support to M&E and statistical development 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 wider (mainly GoG-led) initiatives in the area of public sector reform.

The 2009 mid-term review of the G-JAS highlights some of these challenges.

*2009 MTR of G-JAS: DPs have substantially increased their levels of budget support, to approximately 30% of assistance. Most DPs report substantial increases in the use of PBAs, and innovative examples of PBAs are appearing in more sectors. However, many DPs continue to maintain large portfolios of free-standing projects in addition to their PBAs, which means there has been little overall consolidation of funding flows. In the absence of effective GoG leadership, capacity development support continues to be fragmented and supply driven.*

#### Detailed evidence related to the complementary support in the PFM area

As indicated in EQ4, there have been substantial support provided in the PFM area as a complement to BS. In particular, Denmark, the EU, the UK and the World Bank supported the establishment of the Ghana Integrated Financial Management Information System (GIFMIS, see box below).

#### Box 13 Ghana Integrated Financial Management Information System (GIFMIS)

The Ghana Integrated Financial Management Information System (GIFMIS) project was launched in May 2009 as the main public expenditure management reform succeeding the Budget and Public Expenditure Management System (BPEMS)<sup>58</sup> Project, which was implemented between 1999 and 2008.

<sup>57</sup> In the context of the GoG's 'New Approach' to Public Sector Reform launched in 2010, a Capacity Development Mechanism (CDM) started to be implemented in 2012. However, it was still in the pilot stage in 2015.

<sup>58</sup> The GoG first started implementation of a Budget and Public Expenditure Management System (BPEMS) under the auspices of the Public Financial Management Reform Program (PUFMARP) in 1997. Initially, six Oracle financials modules were purchased, customised and partially implemented in 14 pilots between the years of 2000 and 2003. However, the BPEMS project had not achieved the desired results in the central MDAs and had not been

To reform revenue administration, the Government introduced the Ghana Revenue Authority (GRA) reform. For the effective implementation of these reforms, a Steering Committee was established to oversee the two major reforms (i.e. GIFMIS and GRA), headed by the then Deputy Minister of Finance (who is now the Minister of Finance) and with participation from all key stakeholders. The Steering Committee approved the GIFMIS Project Charter in July 2010 which called for implementing a country-wide PFM system, i.e. the GIFMIS particularly based on the following two elements: deploying the Oracle E-Business Suite Financial software; and adjusting/improving organisation and business processes to comply with the new 'way of doing business'.

GIFMIS is expected to cover 34 Ministries, Departments and Agencies (MDAs), which together have a total of 150 spending units. All the 10 regional treasuries, which are sync with the regional administrative and political divisions in the country, will also be connected to the GIFMIS systems. The ambition of the project is to ensure that all the 216 Metropolitan, Municipal, District Assemblies (MMDAs) in the country are covered.

The objective of GIFMIS include:

- Promoting efficiency, transparency and accountability in public financial management through rationalisation and modernisation of budgeting and public expenditure management of the Government of Ghana (GoG).
- Promoting the timely dissemination of information for financial management.
- Rationalizing the financial Administrative Decree and Regulations.
- Improving the efficiency and effectiveness of revenue collection.
- Maximizing payment and commitment control.

Source: GIFMIS website

In addition to that, Germany (through GIZ) implemented a wide programme, the Good Financial Governance Programme, which covered a variety of areas and had three phases during the evaluation period (2006-2011; 2010-2013; 2013-2015). Switzerland (through SECO) joined Germany (in the context of the Good Financial Governance Programme) to provide technical assistance to the Ghana Revenue Authority and support more broadly the national tax policy and administration reforms. DFID provided specific support in the area of payroll management. The World Bank provided support in the area of audit services through two grants: i) Capacity Building for Specialised Ghana Audit Service; ii) Support to the Internal Audit Agency to Improve Internal Auditor's Skills. The EU also supported the Ghana Audit Service through a project which has had two phases. The AfDB implemented an institution support programme which had a particular focus on capacity development for oil services but also on audit services.

### **Detailed evidence at sector level**

The sector case studies (see Volume 2b) provided further details on the support provided in the Health, ENR and Agriculture sectors.

In particular, in the Health sector, the evidence gathered shows that, overall, BS has been complemented by appropriate accompanying measures (TA and specific interventions) which are well targeted and designed, and support capacity development of the relevant stakeholders, including public institution but also civil society. The study of SBS flows carried out by ECORYS in 2011 pointed out the fact that, at that time, SBS operations' accompanying TA was not positioned at a sufficiently strategic level, a situation which seems to have changed according to the evidence gathered by the evaluation team. In recent years, it appears that all critical institutions and priority areas in need for capacity strengthening have been covered by TA and other accompanying measures: MAF, PPME, NHIS, CHAG, and PFM. TA/capacity development activities seem to be appropriately negotiated between supply and demand, as testified by interviews, SBS agreements and the reorientation of EU SBS TA component. DPs have also supported the implementation of numerous surveys, data generation and analyses in the health sector (notably through the Holistic Assessment, DHS, etc.), which fed into policy dialogue. TA-supported MAF Secretariat has produced a lot of analytical work, and EU support to Maternal Health Survey is expected to be of much use to reorient health sector priorities (interview MoH and DP representatives).

However, according to interviews with MoH representatives, despite huge investments in TA aimed at strengthening PFM, the results did not follow and major challenges persist at that level (e.g. quality of manual management, centralisation of GIFMIS, etc.). In addition, there is some concern regarding the

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rolled out to the government-wide decentralised MMDAs and only a small portion of budgeted expenditure was processed through BPEMS. Following the new Government's commitment to PFM reforms, GIFMIS was launched in May 2009, as the main public expenditure management reform succeeding the BPEMS.

sustainability of the results from capacity strengthening interventions, especially at the level of CHAG which has benefited from strong quality support from Danida but might soon be left without functioning resources following Danida's withdrawal from this area of support.

### 2.3.2 I.2.3.2. Evidence that accompanying measures feed into policy dialogue process (e.g. results of analytical work used to inform policy dialogue to improve implementation, capacity building activities reinforce policy dialogue processes...)

The evidence gathered shows that, overall, policy dialogue benefitted from substantial advisory support and policy research provided by BS DPs. For instance, the WB PRSC 7 programme document explains that:

2011 WB PRSC 7 programme document: *The Government also conducted a series of analyses to inform its policy decisions in 2010. It included notably: (i) a report examining options to settle electricity utilities' debts while ensuring cost recovery, which was an input to the electricity financial recovery plan; (ii) a report outlining the main technical issues for an assessment of the coverage, targeting efficiency, cost effectiveness, impact and fiscal affordability of Ghana's social programs and subsidy schemes; (iii) a report on the classification and monitoring of pro-poor public expenditures; (iv) a report classifying Subvented Agencies in preparation for their rationalization, divestiture or commercialization, and (v) an ongoing public expenditure review focused on the evolution of the wage bill, the distribution of MDAs and Statutory Funds actual expenditures at the district level, and the effectiveness and efficiency of pro-poor expenditures. Also, the Government, through the Economic Advisory Council appointed in 2009, initiated several consultations on economic and social policy issues, involving think tanks and DPs. The World Bank provided technical assistance to most of these activities.*

As highlighted above, in the Health sector, DPs have also supported the implementation of numerous surveys, data generation and analyses in the health sector (notably through the Holistic Assessment, DHS, etc.), which fed into policy dialogue.

In the Agriculture, the situation is more contrasted. It is likely that CIDA's TA to MOFA reinforced policy dialogue but this is no explicit evidence pointing to such a link in any of the documentation reviewed. It is interesting to note that the 2008 Public Expenditure Review was referenced in some of the Joint Sector Review minutes. However, there is less evidence of the extent to which the 2013 Public Expenditure Review was used in policy dialogue, as it was completed at the time that budget support operations were ending and when participation in the dialogue/co-ordination mechanisms began to wane.

## 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

<b>EQ2 (Direct effects) – Main findings and sources of information</b>	
<b>JC21: Levels of co-ordination and complementarity between DPs, BS operations and, more largely, between DPs interventions have improved and transaction costs have decreased</b>	
I.2.4.1 Evidence indicating a strengthening of joint co-ordination mechanisms managed by GoG and an improvement in overall co-ordination of external assistance	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Co-ordination and harmonisation efforts between BS DPs were strong in the first half of the evaluation period.</li> <li>But they dramatically decreased in the second half of the evaluation period.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.2.4.2 Level of transaction costs (resources consumed in formulation and monitoring of co-operation programmes, predictability of BS funds, etc.)	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Overall, transactions costs remained low – much lower than other forms of aid.</li> <li>But earmarking of SBS led to increased costs in recent years.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>eSurvey.</li> <li>Interviews.</li> <li>Documentary review.</li> </ul>
I.2.4.3 Degree of synergy between BS and other aid modalities	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Despite some missed opportunities, there has been an overall good level of synergy between BS and other interventions.</li> </ul>	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>

Strength of the evidence base: Strong	
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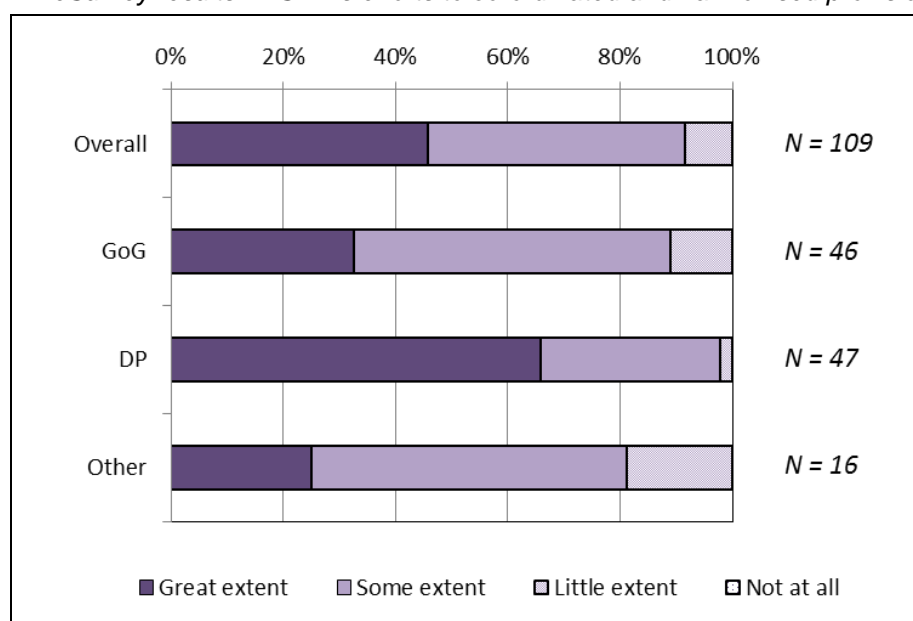
#### 2.4.1 I.2.4.1. Evidence indicating a strengthening of joint co-ordination mechanisms managed by GoG and an improvement in overall co-ordination of external assistance

The co-ordination and harmonisation efforts between BS DPs were relatively strong at the beginning of the evaluation period. BS DPs launched multiples initiatives 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.

Moreover, it should be recalled that the MDBS's primary objective was the creation of a harmonised mechanism for BS disbursement (to assist the implementation of the national development strategy) and, in this regard, the evidence gathered from both interviews and documentary sources show clear achievements. For instance, DFID's GBS 2010-2011 Programme memorandum notes: "MDBS is widely seen as one of the most harmonised budget support arrangements in Africa."

The results of the eSurvey confirm that BS DPs have made considerable efforts to provide their support in a co-ordinated and harmonised way.

Figure 16 eSurvey results - BS DPs efforts to co-ordinated and harmonised provision of BS



Source: Particip 2016 eSurvey.

As illustrated in the table below, some BS DPs engaged substantially in the joint provision of development assistance to Ghana in the first half of the evaluation period.

Table 13 EU pool fund contributions implemented or prepared in 2010.

Name	Area	Links to Programme funding	Administrator
Support for Statistics (GSS)	Improvement of statistics	PRBS III	WB
GIFMIS	PFM reforms	MDG-C	MOFEP
GHARI <sup>59</sup>	Civil Society	Support to Civil Society	DFID
BUSAC II	Business advocacy organisations capacity building	Support to Civil Society	DANIDA
CRC	Constitutional review consultation process	Support to Independent Governance Institutions (IGI)	UNDP

Source: documentary review.

However, achievements made during the first years of the evaluation period have not been sustained. The table below illustrates the evolutions in terms of the application of the aid effectiveness principles in Ghana, as measured by the surveys on monitoring the Paris declaration. The data generated does not show any substantial improvements between 2005 and 2010 (except for the provision of co-ordinated capacity building support). On the contrary, the results of the 2007 survey show that, while some

<sup>59</sup> Ghana Accountability and Responsiveness Initiative

improvements can be observed between 2005 and 2007, these improvements were not sustained afterwards.

**Table 14** Some key aid effectiveness indicators for Ghana

<i>Indicator</i>	<i>2005 (baseline)</i>	<i>2010</i>
Aid flows are aligned on national priorities	96%	93%
Strengthen capacity by co-ordinated support	40%	59%
Use of country PFM systems	62%	60%
Use of country procurement systems	52%	56%
Use of common arrangements or procedures	53%	57%
Joint missions	20%	15%
Joint country analytic work	40%	42%
Mutual accountability	yes	yes

*Source: 2011 OECD & GoG - Survey on monitoring the Paris declaration.*

As highlighted in the excerpt below, efforts to enhance sector co-ordination have faced a number of challenges.

2014 OECD – New Development Finance Landscape – Ghana case study: *There is currently no explicit division of labour between development partners; however, informal internal co-ordination does take place among donors. The aid policy provides guidelines to improve dialogue between donors and the government. However, from the interviews it emerged that government officials prefer bilateral channels of negotiation, both with traditional and non-traditional development partners. There is insufficient capacity at both the central and sectoral levels to co-ordinate between the Ministry of Finance and Economic Planning (MoFEP) and the line agencies. Priorities between central agencies and MDA (Ministries, Departments and Agencies) also differ.*

An attempt to launch an ambitious division of labour process already 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 eventually never adopted. The period 2008-2010 also showed the increasing tendency of some DPs to take unilateral actions regarding the provision of their budget support. In 2008, the AfDB converted a target from the 2008 MDDBS policy matrix into a trigger without consulting its partners, which, in particular, created some frustrations on GoG side.

2009 GoG response to the July 2009 MDDBS review: *“we wish to register Government’s concern with regard to the African Development Bank’s unilateral decision to convert a target from the 2008 MDDBS policy matrix into a trigger. As you are well aware, the MDDBS programme thrives on the principles of alignment and harmonization, towards the delivery of a more effective aid. Actions similar to that of the Bank defeat the process of harmonization and ultimately the spirit of the MDDBS”.*

In 2009, the World Bank’s decision to temporarily abandon the MDDBS PAF in order to more efficiently respond to the country’s financial crisis came as a surprise to many DPs.

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 SWAp, but they have very much remained oriented towards their own priorities, which reduced ‘strategic co-ordination’ and synergies.

Attempts to enhance mutual accountability through the introduction of a DP-PAF<sup>60</sup> 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 the MIC status in 2011 and the collapse of the MDDBS framework in 2013 precipitated the decline in co-ordination efforts in the second half of the evaluation period.

### **Focus on the Agriculture sector**

GoG and DPs in the agricultural sector made efforts to streamline and harmonise their development interventions to achieve the common sector objectives through policy dialogue and sector co-ordination mechanisms. BS played a clear role in this. The World Bank’s BS was designed in close consultation with CIDA with the aim of creating a policy reform agenda that provided complementarity and mutual reinforcement. Sources at CIDA described this complementarity in the following way *“CIDA Budget support provided resources for process institutional capacity development (the software) and WB made*

<sup>60</sup> 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.

*funds available for development of public infrastructure and other quasi private sector activities (the hardware) that may meet the development agenda of the Ghana government at any given time”.*

Together with MOFA, the WB and CIDA developed a joint policy matrix to harmonise dialogue and monitor their budget support operations. Other DPs noted that the joint policy matrix was useful in allowing donors to speak with one voice. In particular, USAID noted that they used the policy matrix the preparation of the New Alliance for Ghana. As the lead for that initiative, USAID was tasked with putting together the new alliance framework used to negotiate between government and G8. The joint policy matrix was used as a reference for the New Alliance food security policy framework. In their dialogue with GoG they found it useful to point out that what we were proposing was not an entirely new framework, it was consistent with what they already had.

#### **2.4.2 I.2.4.2. Level of transaction costs (resources consumed in formulation and monitoring of co-operation programmes, predictability of BS funds, etc.)**

Overall, transactions costs remained low. The WB PRSC6 programme document highlights some of the achievements made in the context of the MDDBS.

*2008 WB PRSC6 programme document: Over the last five years the structure of the MDDBS has evolved to mitigate transaction costs that usually arise in multidonor settings. The problems associated with coordination were addressed by delegating the policy dialogue to sector-specific groups aimed at reaching agreements over a narrower set of issues and amongst a smaller group of participants. Also, the MDDBS reduced the cost of collective action by devising rules that allowed all the participating agencies to have a role in the decision-making process, and, in doing so, encouraging these agencies to increase the share of their contribution coming through the MDDBS, rather than large projects and off-budget disbursements. While there was less success in reaching a settled view on how to reduce so-called measurement costs, several important developments were made in trying to resolve the measurement problem. These included the use of means of verification for triggers in the policy matrix (the Progress Assessment Framework), agreeing with Government on outcome indicators that would provide a clearer benchmark, the definition of baseline results for expected outcomes of a given policy action and of policy actions that were more closely linked to specific outcomes.*

The 2012 PEFA also highlights a number of positive features which have been associated to the provision of BS – see box below.

#### **Box 14 Excerpts from the 2012 PEFA related to the level of transaction costs associated to BS**

*There is no consolidated forecast of sector budget support disbursements for the coming fiscal year provided by DPs. Forecasts are provided for each DP and operation in a different format and can be a challenge for MOFEP to keep track of – in fact the EERD treats sector budget support as program aid using a high degree of country PFM systems. However, timely information is available for much of sector budget support because some of the largest contributions (e.g. the World Bank) are subject to single tranche disbursement shortly upon DP approval with notification about nine months in advance, whereas other large contributors (e.g. Canada) submit an annual update of disbursement prospects during the government’s budget preparation. At the aggregate level, the predictability of sector budget support has been good with slightly higher inflows than forecast in each of 2009, 2010 and 2011. Nevertheless, implementation of sector programs may be affected by the differences in predictability for the earmarked funding for each sector. (...)*

*The indicative MDDBS funding is collected by the coordinating lead donor agency and consolidated before being submitted to MOFEP. This takes place in advance of the fiscal year and prior to the finalization of the submission of the budget estimates. Table 3.17 below shows the date of the DP submission and the amount of the overall forecast. Although the submission dates vary, and for FY2010 took place after the budget speech to Parliament, the submissions have allowed the government to adjust the overall resource envelope and expenditure allocations before the Appropriations Bill is passed by Parliament in all three years considered. On occasion, delays in submitting the forecasts have been caused by the need to reassess the performance of some MDDBS indicators after the overall mid-year review or to complete the agreement on performance indicators for next year. On average the forecast has been provided six weeks before the government’s constitutional deadline for submission of its budget estimates to the Parliament. (...)*

*The DP submission usually includes a number of footnotes highlighting some uncertainties as to the actual releases to be made either because the in-country review process has not been finalised or because DPs’ domestic budget processes have not been completed, i.e. the amounts are not always final. At the same time, discussion between government and DPs lead to a number of changes after government’s budget has been approved e.g. certain disbursements that have been moved forward (front-loaded) in order to improve the government’s cash flow. (...)*

*The disbursement of sector budget support is guided by the Financing Agreements which specify the conditions for disbursement in each case. In practice, however, the extent to which the [sector budget support] operations use country financial management systems varies somewhat, with some concern that support to DDF and the health sector may not fully meet the criteria for direct budget support as defined in the PEFA Framework.*

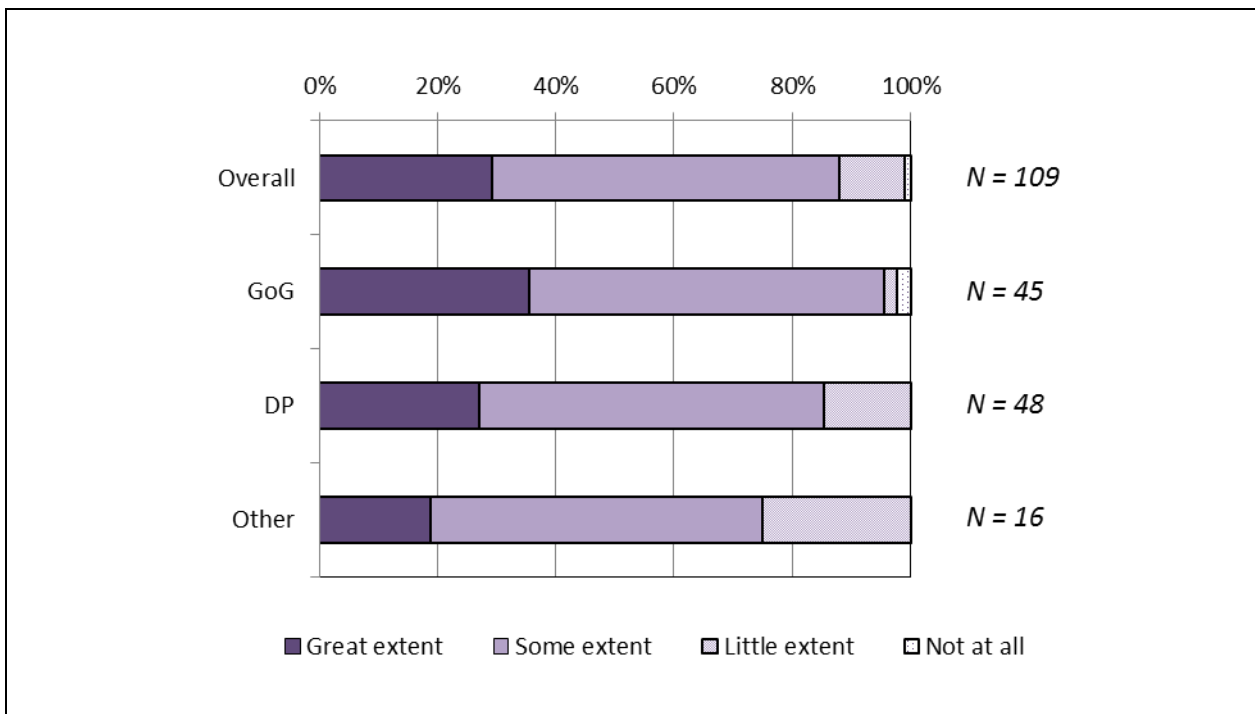
Source: 2012 PEFA

The 2010 report on the evaluation of the Paris Declaration (Ghana country case study) also highlights:

*2010 OECD Paris Declaration evaluation – Ghana case: The setting up of the Multi-Donor Budget Support Secretariat/Sector Working Group and the operationalization of the MDBS - an aid system which ensures predictable, accountable and more harmonized processes for aid disbursement has affected the implementation of the Paris Declaration principles in ensuring aid effectiveness. It has led to a common reporting system and reduced the transactions cost of aid.*

It is important to note that, due to a tight schedule, some issues were faced in relation to the timely closure of the MDBS PAF. These challenges led to delays of a few months in the release of tranches. Despite this situation, BS disbursements have been, in general, predictable. This is confirmed by the 2012 PEFA (see above) and 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.

Figure 17 Predictability of BS disbursements



Source: Particip 2016 eSurey.

It should also be underlined that the monitoring of BS was well integrated in the national review processes and the main evaluation of BS which 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 wealth of information. Several SBS initiatives (e.g. ENR, Health) were designed jointly.

However, SBS also 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' are now making separate requests to GoG to report on the use of SBS funds; iii) funds would be released directly to sector agencies (without passing through the MoH) and MoH would still be kept (in theory) accountable for the decisions taken by agencies; etc.

### **Focus on the Agriculture sector**

Although there is no quantified evidence of transition costs, interviews with DPs and MOFA officials indicate that BS has reduced transaction costs compared to project aid. Some DPs interviewed noted BS reduced transaction costs by facilitating the alignment of DPs and greater harmonisation of their procedures. MOFA has expressed that BS is its preferred mode of aid delivery. The key MOFA

counterpart noted that budget support has a number of advantages over project support, in particular the transaction costs are lower and it takes less time to prepare and its implementation is less cumbersome than traditional DP projects.

Other MOFA directorates also shared this view, and added that budgets support allowed greater flexibility and the opportunity to have a say in project design and define the priorities to be supported by the operation. The Ghana Irrigation Development Authority (GIDA), for example, noted that they are typically not involved in the negotiation of investment projects, which is carried out between the development partners and MOFA (the parent ministry). Typically by the time the project is presented to GIDA the areas of co-operation are already defined and spelled out what they want to do in irrigation. At that stage it is difficult to make changes to design of the project because the loan/grant agreement has already signed. With the irrigation prior actions that were part of the WB Budget Support, GIDA felt they had freedom to identify what they wanted to do to further irrigation development.

Greater predictability of funds was another advantage of BS, cited by both GoG and DPs. Canada's SBS was particularly strong in this respect, its disbursement ratio was explicitly designed with an eye towards ensuring greater predictability of funds. WB BS also aimed to improve the predictability of funds, although the macroeconomic threshold conditions tied to World Bank disbursements disrupted the flow of funds in one year (2009).

#### **2.4.3 I.2.4.3. Degree of synergy between BS and other aid modalities**

There has been a relatively high degree of synergy between BS and other aid modalities. The synergies were obviously the strongest with the support which had a direct link with the focus of the MDDBS PAF and the associated BS dialogue (see also JC23 above). But synergies can also be observed at a broader level although these synergies were not always explicitly sought. For instance, in the case of the World Bank:

*WB PRSC 7 programme document: The proposed operation is part of a larger program of support to Ghana that notably focuses on public financial management, public sector reform, energy and safety nets. Following the board approval in FY10 of investment lending projects for public financial management (US\$28 million), electricity distribution (US\$70 million), and social protection (US\$89 million – including US\$49 million from the Crisis Response Window), the updated CAS FY08-12 foresees in FY11 the submission to the Board of a public sector reform investment lending project in support of Ghana's decentralization initiatives, an oil and gas capacity building project, as well as an IBRD enclave to support the development of the gas infrastructure.*

Similarly, in the case of the support provided by Switzerland, SECO Trade Promotion Unit was active in Ghana with projects in areas such as sustainable forest management and related trade (namely projects executed by the International Tropical Timber Organization - ITTO), new procurement procedures (projects IDEAS) and trade. All these topics are clearly part of the MDDBS policy dialogue.

#### **Focus on the Agriculture sector**

There are several examples of synergy between sector budget support operations and other DP projects. Most visible in the areas of agriculture inputs and incorporating farmers into markets via out grower schemes. Several of the prior actions associated with WB Budget support addressed policies aimed at improving the seed sector. At the same time USAID has supported several projects related to seed and fertiliser, and has continued to supported changes in the area of agro-inputs after WB Budget Support ended. Similarly, the WB budget support operations promoted policies/legislation to provide the legal basis for the development of an out grower fund, while KFW has supported the actual establishment of the fund and its implementation. These synergies were identified through the active support in the agriculture working group.

The World Bank's agriculture portfolio in Ghana also included examples of complementarities its budget support operations and its traditional projects. The World Bank West Africa Productivity Project, complemented the agriculture research and agricultural input policies supported by the World Bank's budget support prior actions. Likewise, The World Bank financed, West Africa Regional Fisheries Project, was designed to complement the fisheries policy actions that were prior actions of the WB budget support operations.



### 3 EQ3 - Macro-economic management

EQ3 – Macro-economic management	To what extent has budget support contributed to improvements in the quality of macroeconomic management?
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#### 3.1 JC31. Fiscal Policy, incl. the quality of capital expenditure, has improved

EQ3 (Macroeconomic management) – Main findings and sources of information	
<b>JC31: Fiscal Policy, incl. the quality of capital expenditure, has improved</b>	
I.3.1.1 Quality of stabilisation function of fiscal policy, including revenue and expenditure policies	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>In the mid-2000s, large borrowing space allowed counter-cyclical fiscal policy.</li> <li>DPs' confidence in economic institutions de facto endorsed large non-concessional borrowing.</li> <li>GoG set off on an expansionary fiscal trajectory and a massive debt accumulation in 2007-2012 offset previous gains from debt forgiveness.</li> <li>Ghana has made important strides in improving its fiscal position since 2015 but major risks remain.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review: <i>IMF reviews/reports, budget document, etc.</i></li> <li>Statistics: <i>GoG fiscal tables, Data on growth (WDI), etc.</i></li> <li>Interviews: <i>MoF, DPs (incl. IMF).</i></li> </ul>
I.3.1.2 Quality of allocation function of fiscal policy (strategic allocation, current vs capital expenditure, quality of capital expenditures)	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Policy slippages reduced authorities ability to allocate resources according to development objectives.</li> <li>The trend of growing wage bill was reversed as part of stabilisation programme, freeing some fiscal space.</li> <li>Fiscal envelope remains severely constrained due to high debt service.</li> <li>Capital expenditures that expanded in mid 2000s suffered from lack of prioritisation, currently under pressure because of budget constraints.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review: <i>IMF reviews/reports, budget document, etc.</i></li> <li>Statistics: <i>GoG fiscal tables, Data on growth (WDI), etc.</i></li> <li>Interviews: <i>MoF, DPs (incl. IMF).</i></li> </ul>
I.3.1.3 Quality of Management of natural resources revenues and public resource funds	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Unsustainable fiscal expansion of 2008 and 2012 was partly driven by authorities' anticipation of resource wealth.</li> <li>Nevertheless, Ghana was able to establish institutions for transparent and sustainable management of resource wealth.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review: <i>IMF reviews/reports, budget document, etc.</i></li> <li>Statistics: <i>GoG fiscal tables, Data on growth (WDI), etc.</i></li> <li>Interviews: <i>MoF, DPs (incl. IMF)</i></li> </ul>

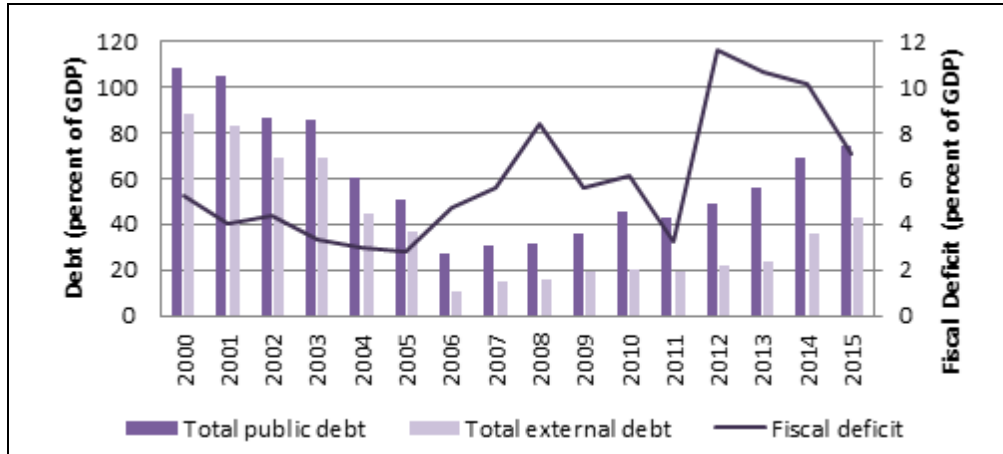
##### 3.1.1 I.3.1.1. Quality of stabilisation function of fiscal policy, including revenue and expenditure policies

**Confidence in Ghana's economic and fiscal outlook was evident in the mid-2000s** partly driven by strong donor support and debt relief, the recently discovered oilfields and early access to Eurobonds. The borrowing space was quite large and created opportunities for implementation of sound counter-cyclical fiscal policy. However, GoG **set off on an expansionary fiscal trajectory**, motivated by competitive elections of 2008 and enabled by access to private finance and an economic outlook that was too optimistic. Its good reputation as a reforming democracy led to DPs' confidence in economic institutions, reflected in *de facto endorsement of large non-concessional borrowing*. The country successfully issued \$750 million in Eurobonds immediately after completion of the Heavily Indebted Poor Countries (HIPC) debt initiative in 2006, followed by further non-concessional borrowing of \$458 million in 2008, \$448 million in 2009 and \$215 million in 2010. The formal explanation was that high-return investment projects would use these funds.

Although higher than projected, **fiscal deficit** remained manageable in 2006 and 2007. But surge in expenditures in 2008 brought budget deficit to 15% of GDP. High level of monetisation of deficit led to overall macroeconomic destabilisation. Combined with challenging external environment this increased the **borrowing costs**. The second wave of fiscal expansion took place in 2012 and was also accompanied by high level of monetisation of the public debt. The period of fiscal expansions of 2008-2012 led to a massive debt accumulation that offset previous gains from debt forgiveness under the

HIPC Initiative and the Multilateral Debt Relief Initiative in the mid-2000s. Figure 18 provides a historical overview of the fiscal deficit and debt accumulation.

Figure 18 Deficit Trend (cash basis) and Public and External Debt

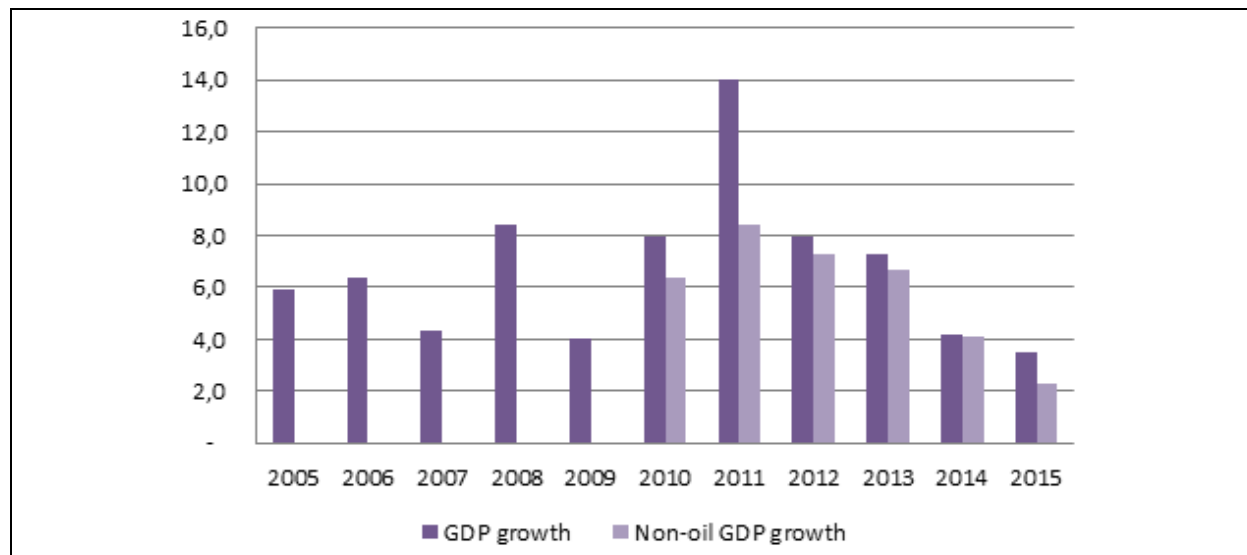


Source: Government of Ghana fiscal tables; Oppong, Aykut, and Smith 2014; IEG.

Note: GDP = gross domestic product.

Ghana emerged from the HIPC process with very low and sustainable debt level that created an ample **space for counter-cyclical fiscal policy**. But **policy inconsistencies** substantially affected the stabilisation function of the fiscal policy. The first episode of fiscal expansion took place in 2008 when GDP growth was strong (see Figure 19). The subsequent fiscal contraction that GoG had to implement (because of a lack of policy space) took place at the time of growth slowdown (as a result of number of factors, including global financial crisis and supply shocks). By the same token, GoG was not able to use fiscal policy to counteract the impact of growth slowdown in 2013-2015 because of a lack of borrowing and fiscal space (as a result of unsustainable fiscal expansion in 2012). Having said that, Ghana has made important strides in strengthening its fiscal position in 2015 that resulted in a primary deficit close to 0% of GDP.

Figure 19 Evolution of GDP growth, including non-oil growth

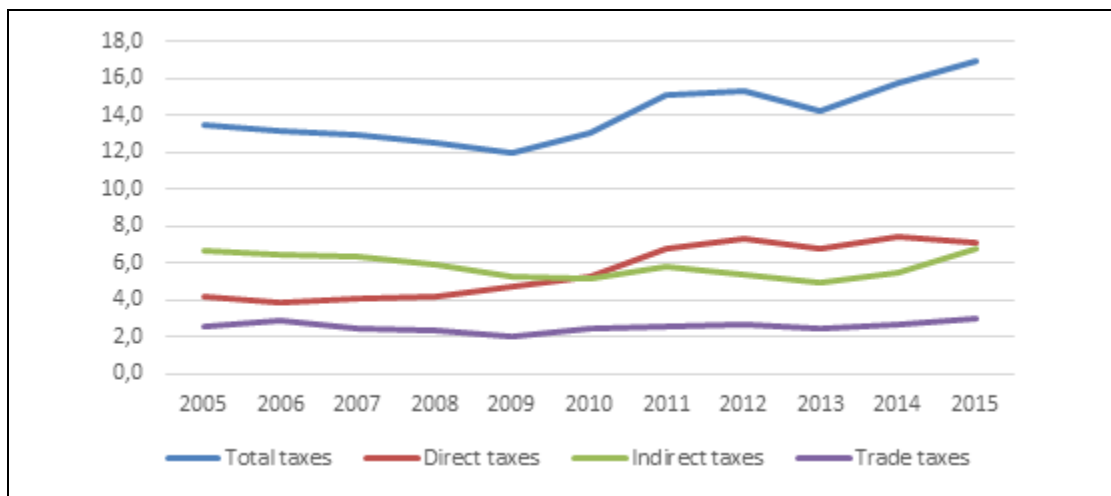


Source: World Development Indicators.

**Measures to restore fiscal discipline** during the 2009-2012 period were only partially successful. The deficit dropped to 3.1% of GDP by 2011. But **cash basis accounting** masked the true fiscal stance in 2011 because of **arrears accumulation** that appeared in the 2012 actual budget. At the same time the measures taken were insufficient to counteract the implications of adopting the **single spine salary system** (see details on the SSS provided in the next indicator), which GoG promised to the electorate in 2008, but only started taking full effect in 2011-12 (in anticipation of the upcoming elections). **Public wages** increased by 4 percentage points to 12% of GDP between 2010 and 2012, which **increased the deficit and subsequently increased interest payments**.

With respect to the developments in revenue mobilisation, prior 2006 tax revenues were mostly addressed through IMF programmes, and the other donors were relatively less engaged. The absence of an IMF programme in 2007-2008 affected the pace of reforms. The return of the IMF programme in 2009 with a focus on tax policy and administration on the back of tightening fiscal constraints created a new momentum for reforms in revenue mobilisation. In tax policy, the reforms focused on reducing discretionary exemptions granted by different agencies that undermined equity and effectiveness of tax regime, addressing shortcomings in Value Added Tax (VAT) including low thresholds and large number of zero-rated tax items, and taxation regime of mining sector. In tax administration, the reforms focused on modernizing revenue administration through gradual merger of agencies for VAT and income taxes, improving the use of information technologies, strengthening of customs administration, and increasing the threshold for VAT registration. In terms of revenue mobilisation, overall, tax revenues have increased since mid-2000s. This was largely driven by an increase in direct taxes as a result of strengthening of taxation of the mining sector and overall improvement in performance of the profit tax. Performance of indirect taxes remained volatile: in 2015 indirect taxes generated roughly similar amount of resources as percent of GDP compared to 2008, although there were ups and downs during this period as a result of policy and administration changes.

Figure 20 Evolution in taxes, as %GDP



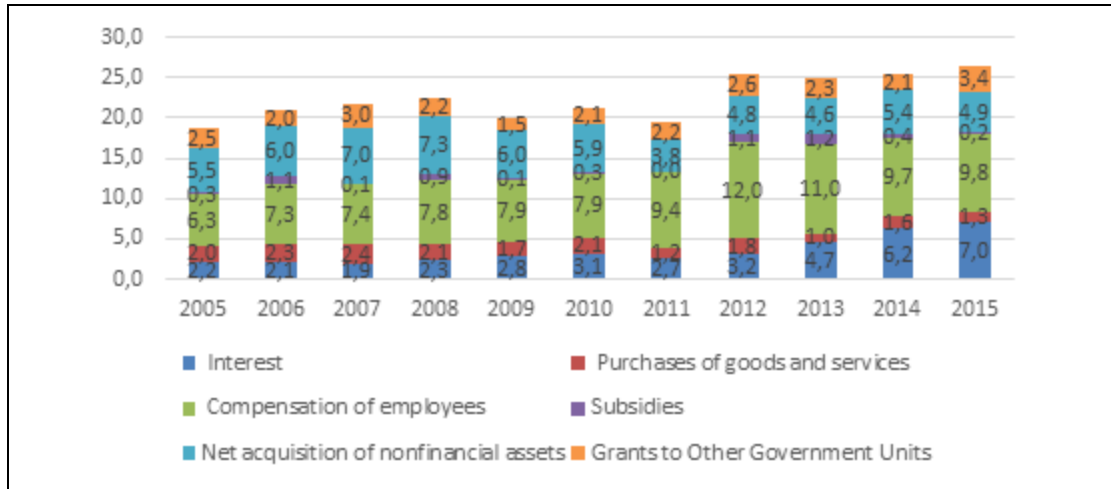
Source: Government of Ghana fiscal tables; Oppong, Aykut, and Smith 2014; IEG.

### 3.1.2 I.3.1.2. Quality of allocation function of fiscal policy (strategic allocation, current vs capital expenditure, quality of capital expenditures)

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-poo spending<sup>61</sup>. The eight percentage point increase in the fiscal envelope went entirely to higher interest payments and public sector wages.

<sup>61</sup>According to Ministry of Finance guidelines, budget items that are expected to disproportionately benefit the poor are included in this calculation based on a special guidelines.

Figure 4 Breakdown of Government expenditures

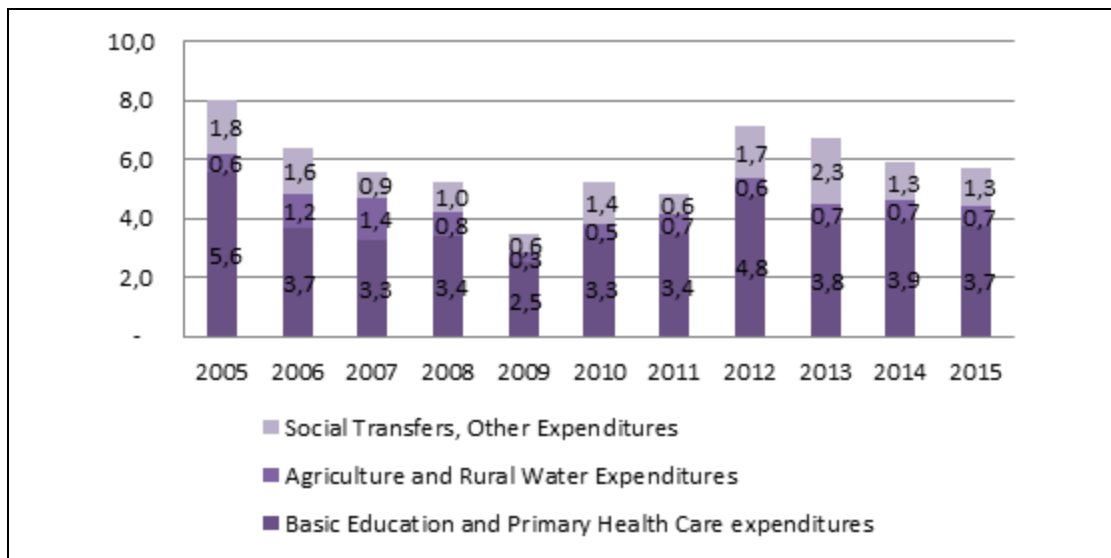


Source: Government of Ghana fiscal tables; Opong, Aykut, and Smith 2014; IEG.

### Pro-poor expenditures

The share of pro-poor expenditures have declined from more than 8% in GDP in 2005 to less than 6% in 2015. In relation to the overall fiscal envelope the decline in pro-poor expenditures is even more evident –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. As shown in the figure below, the ratio of pro-poor expenditures declined substantially between 2006 and 2009, driven by a growing share of resources going to capital expenditures that was followed by a fiscal crunch in 2009.

Figure 21 Evolution in pro-poor expenditures (as % of GDP)



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

### Public wages

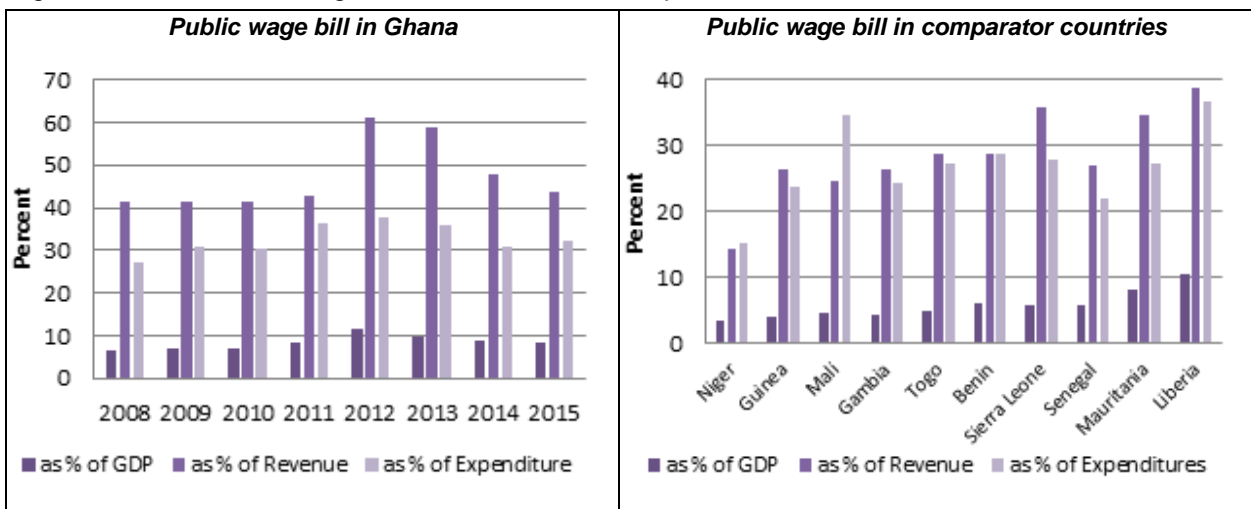
The evidence gathered in this evaluation clearly shows that, in the mid-2000s, **civil service management** was inadequate and a bottleneck for effective service delivery. The payment arrangement was highly fragmented across sectors, with each appealing to its own constituencies. For example, a civil servant in one sector could earn significantly more than a civil servant in a different sector despite doing a similar job (and depending on the wage-bargaining arrangements). Gross pay inequities are present across the 18 different pay schemes. The health sector in particular negotiated exceptionally high pay. An informant indicated to the evaluation team that nurses and midwives earned more than the Chief of Police for the entire country.

A **reform proposal was presented in 2006** to realign the numerous salary scales onto a single spine and merge various allowances into the payroll that were previously handled outside. The proposal aimed

to address the inequities outlined above and provide a significant pay increase for most civil servants, given that employees at lower levels would be adjusted upward. To offset the expected expense, an effort was made to rationalise staff.

The government performed a costing exercise, but it significantly underestimated this reform's eventual fiscal implications. A number of parallel wage increases and an increase in allowances (particularly in agencies receiving subventions from the Consolidated Fund) worsened the single spine salary system's fiscal impact. Wage negotiations in 2009 were particularly notable, leading on average to a 20% real increase in the public wage bill. Allowances more than doubled during 2001–14. Furthermore, the single spine salary system was implemented with retroactive effect (2008), thus accumulating wage arrears.<sup>62</sup> Public wages and salaries increased from 3.9% of GDP in 2000 to 12% in 2012, which is well above figures for peer countries (see Figure below). Wages as a share of revenue is particularly high and an outlier (more than 60% in 2012). These figures decreased after a strict adjustment programme (since 2014) and nominal increases below inflation, but they remain at the high end of regional comparator countries.

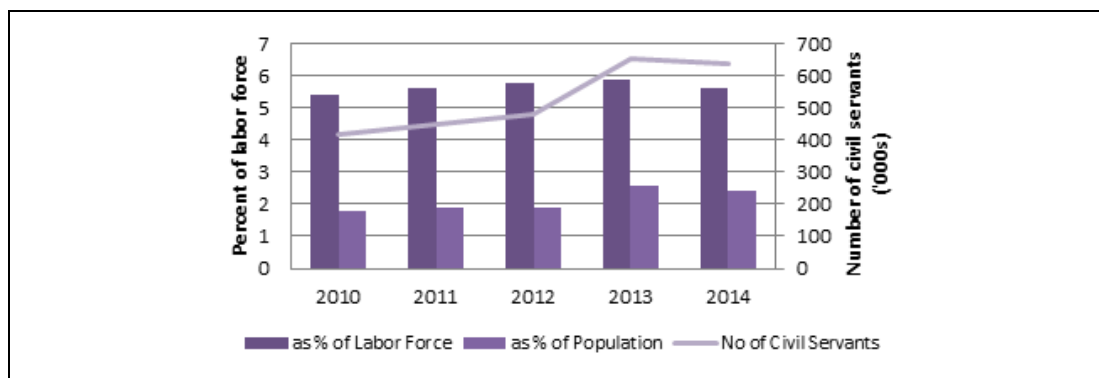
Figure 6 Public Wage Bill in Ghana and in Comparator Countries



Source: World Bank World Development Indicators; Ministry of Finance of Ghana; IEG.

The overall work force in the public sector grew at a faster rate than population, despite a commitment to rationalise staff. The state employs half of those in formal sector wage employment, which is around 12% of total employment in Ghana. The education and health sectors recorded the largest increase in civil servants, even though both sectors were exempt from a general hiring freeze. Figure 22 shows growth and share as a percentage of the labor and workforce. The spike in 2013 requires cautious interpretation because it also reflects the entry of civil servants from state-owned enterprises and subvented agencies into the single spine salary system.

Figure 22 Growth in Ghana's Public Sector Labor Force



Source: Government of Ghana Ministry of Finance; Government of Ghana Civil Service Commission.

<sup>62</sup> Because employees gradually shifted to the single spine salary structure, retroactive payments (deferred wages) applied to those who transferred after the effective date. Furthermore, because of the time it took to enter a new recruit on the payroll, deferred wages incurred after the expansion of employment (particularly in the Ghana Education Service).

GoG took several steps to reduce the wage bill. For example, an electronic salary payment voucher system allows the government to identify ghost workers and holds line managers accountable by requiring them to certify payments. A biometric unit in the Ministry of Finance matches employees' biometric records to the payroll to identify and remove absent employees. In 2011-12, the system removed 133,000 employee records that lacked bank account information or had other discrepancies. Important work continues on preparing an establishment register within the human resources component of the GIFMIS.

### **Subsidies**

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. In particular, GoG introduced subsidies for utility companies as a result of:

- the oil price shock in 2007 and 2008 and lack of pass-through of increased costs of energy production to the final customers,
- supply disruption of natural gas that led to a substantial increase in electricity production costs.

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.

Action plans for the utility companies' financial recovery and reintroduction of an automatic tariff adjustment mechanism were quickly adopted. But the action plans were never fully operationalised.

The situation changed in 2013 and 2014 as part of a domestic stabilisation programme. GoG started passing on to consumers a larger share of the increased cost of energy production as the budget pressure became unsustainable due to currency depreciation. This led to an increase in electricity tariffs — the median tariff rose by 160% between October 2013 and December 2014. 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). It maintained a moderate cross-subsidisation between different groups of consumers to allow low lifeline tariffs.

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%. GoG discontinued subsidies in June 2015 as part of the new stabilisation programme supervised by the IMF, 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.

### **Capital expenditures**

The extent of capital expenditures is hard to establish because of fragmentation of fiscal accounts. In addition to the capital expenditures directly funded from GoG, the budget also provides transfers to Statutory Funds and public agency that finance capital expenditures not reflected in the budget.

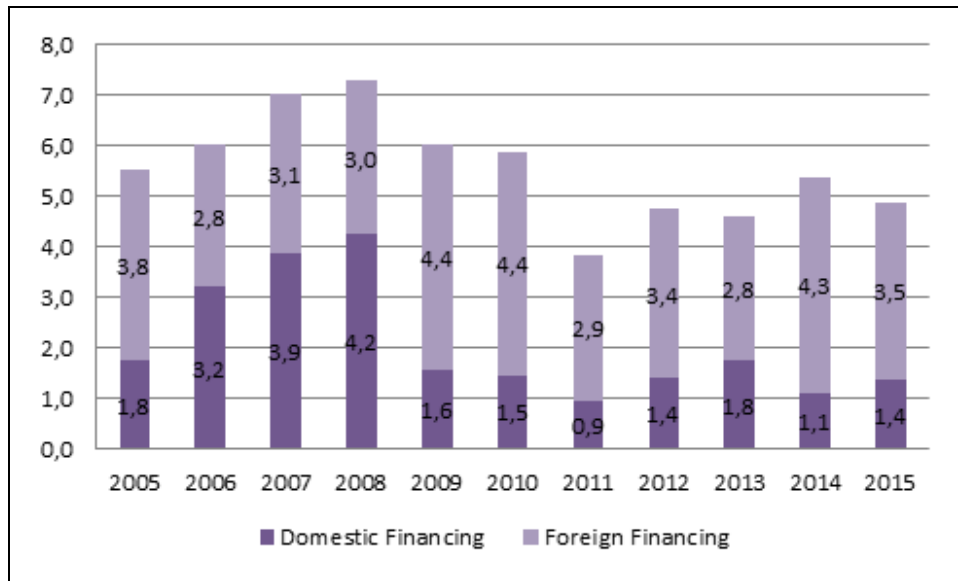
Allocation of capital expenditures by regions has been a crucial aspect in political economy often subject to political economy considerations. This may explain historically high level of capital expenditures in the 90s and early 2000s.<sup>63</sup>

Funding of high priority capital expenditures with presumably high social return was the key rationale behind non-commercial borrowing by Ghana following HIPC. However, instead of earmarking them for this purpose, the mobilised funds went to the consolidated budget. In addition, selection of candidate projects were compromised by lack of efforts and capacities in project assessment as well as by decisions that were not always based on economic return of the projects. As of 2015 majority of capital expenditures were funded from external project financing (see Figure ).

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<sup>63</sup> Philip Keefer (2007): The Resilience of Clientelism And The Political Economy of Growth-Supporting Policies in Ghana.

Figure 8 Capital expenditures by domestic and foreign (project) financing



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

### 3.1.3 I.3.1.3. Quality of Management of natural resources revenues and public resource funds (Heritage Fund, Stabilization Fund)

Oil production began in 2011, four years after its discovery in 2007. The state-owned Ghana National Petroleum Corporation and a number of private operators manage oil production, and the state-owned enterprise has a 25% share in total production. Private companies operate under a five-year cost recovery contract. The original forecast for daily output was about 120,000 barrels, but actual production fell short because of production problems and fluctuated between 100,000 and 110,000 barrels per day.

A Petroleum Revenue Management Act was approved in 2011 (the main legislation governing oil revenue management) and revised in 2015. Ghana's Petroleum Commission was established in 2013 after approval of the law submitted to the parliament. According to the legislation, 70% of oil revenues go to the consolidated budget, 10% to the Ghana Heritage Fund (established to accumulate oil wealth for future generations) and 15% to the Ghana Stabilization Fund. Amendments to the legislation in 2015 addressed important issues such as more detailed mechanisms for distributing oil revenues when prices are lower or higher than the benchmark. It also specified conditions under which the authorities can use the Ghana Stabilization Fund — specifically, it set an annual withdrawal cap of 75% of the total fund balance. The law also stipulates that 70% of annual disbursements from the Ghana Stabilization Fund for the budget should be used for capital expenditures. It is yet too early to assess the degree of compliance with these requirements.

Ghana is compliant with the Extractive Industries Transparency Initiative and regularly publishes annual reports. The Public Interest and Accountability Committee further enhances the transparency of oil revenue management. The committee is a citizen-led statutory body established under section 51 of the Petroleum Revenue Management Act to provide additional independent, non-parliamentary oversight of the collection and utilisation of Ghana's petroleum revenues. Overall, Ghana established institutions that allow for transparent oil revenue management and account for intergenerational consideration. The overall weak state of public financial management in Ghana, which significantly hinders the effectiveness of GoG's spending programmes, is the main challenge in the use of oil revenue.

## 3.2 JC32. Debt Management has been strengthened

### EQ3 (Macroeconomic management) – Main findings and sources of information

#### JC32: Debt Management has been strengthened

I.3.2.1 Extent to which external and domestic debt is contracted with a view to achieving/maintaining debt sustainability

##### Main findings:

- Debt management weakened because of unsustainable fiscal expansion.
- As of 2016 Ghana's risk of debt distress is assessed as high, and cost of debt service is one of the highest in developing world.

**Strength of the evidence base:** Strong

##### Main sources of information:

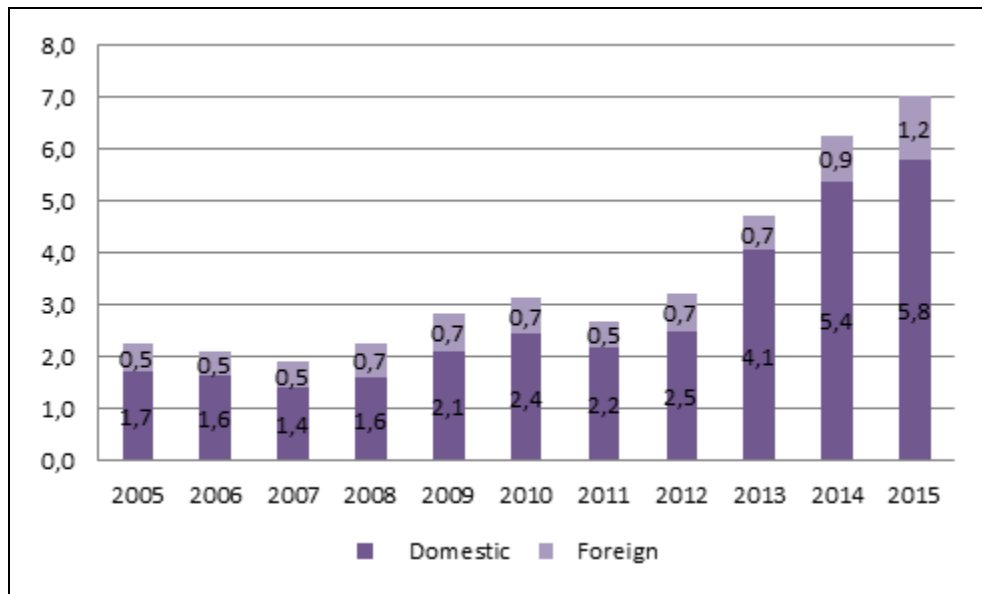
- Documentary review: *IMF reviews/reports, budget document, etc.*
- Statistics: *GoG fiscal tables, Data on growth (WDI), etc.*

<b>EQ3 (Macroeconomic management) – Main findings and sources of information</b>	
	<ul style="list-style-type: none"> <li>Interviews: MoF, DPs (incl. IMF)</li> </ul>
<b>I.3.2.2 Effectiveness of debt management functions</b>	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Recent advances in debt management, such as improving of maturity of short-term debt on the back of ongoing macroeconomic stabilisation.</li> <li>There were improvements in debt management function, including capacity building through IMF and World Bank support.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: <i>IMF reviews/reports, budget document, etc.</i></li> <li>Statistics: <i>GoG fiscal tables, Data on growth (WDI), etc.</i></li> <li>Interviews: MoF, DPs (incl. IMF)</li> </ul>

### 3.2.1 I.3.1.1. Extent to which external and domestic debt is contracted with a view to achieving/maintaining debt sustainability

Debt management in the second part of the evaluation period operated in a challenging environment as a result of unsustainable fiscal position that led to substantial debt accumulation. The public debt that 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 (Figure 7). The yields on Ghana's international bonds have been above 10% in recent years, highlighting the country's high borrowing costs.

Figure 9 Composition of interest payments (on domestic and foreign debt) from the budget (as % of GDP)



Source: IMF.

### 3.2.2 I.3.1.2. Effectiveness of debt management functions (the degree of co-ordination between debt management and other macroeconomic policies, the effectiveness of the debt management unit, the existence of a debt management strategy)

Ghana's Debt Management Division of the Ministry of Finance has been operational for a few decades. Since early 2000s it is responsible for the entirety of public debt, including guarantees and contingency liabilities. The division combines the functions of back, middle and front offices. 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 (DSA) conducted for the strategy indicated that although 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, however, 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.



In recent years, the situation evolved and the fiscal consolidation that has been underway positively contributed to the quality of debt management. The issuance of new Eurobonds in September 2015 was implemented under a strong macro and fiscal framework under which the government used the proceeds for refinancing of maturing bonds. The new debt management strategy reflects authorities' cautious approach in light of substantially reduced borrowing space.

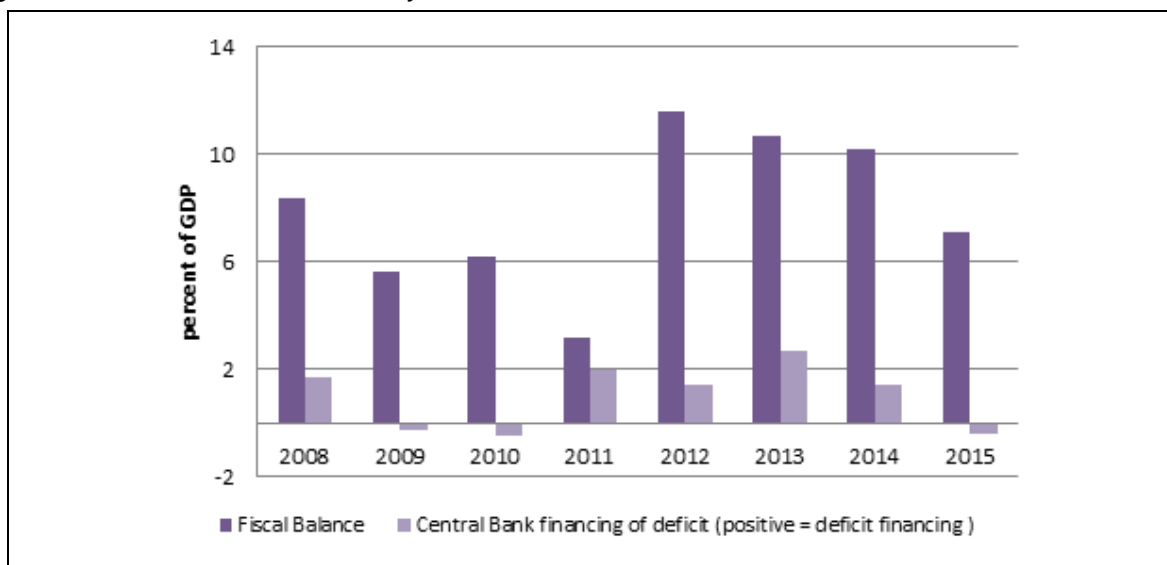
### 3.3 JC33. Monetary and exchange rate policies have improved

<i>EQ3 (Macroeconomic management) – Main findings and sources of information</i>	
<b>JC33: Monetary and exchange rate policies have improved</b>	
I.3.3.1 Extent of fiscal dominance in monetary policy	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Fiscal dominance was a key feature of macro-management until recently.</li> <li>Strong monetary institutions were established as part of the stabilisation programme to reduce the risks of macro destabilisation.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: <i>IMF reviews/reports, budget document, etc.</i></li> <li>Statistics: <i>GoG fiscal tables, Data on growth (WDI), etc.</i></li> <li>Interviews: <i>MoF, DPs (incl. IMF)</i></li> </ul>
I.3.3.2 Ability of the exchange rate regime to absorb external shocks	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Exchange rate has been largely flexible, albeit there were instances of inflexibility resulting in reserve loss and postponed adjustment.</li> <li>Recent improvements toward more flexible exchange rate regime.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review</li> <li>Statistics</li> <li>Interviews</li> </ul>

#### 3.3.1 I.3.3.1. Extent of fiscal dominance in monetary policy

The link between the fiscal deficit and inflation in the 2008-2015 period highlights the Bank of Ghana's strong monetary accommodation of fiscal expansion. As Figure indicates 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.

Figure 10 The role of monetary accommodation of the fiscal deficit



Source: IMF

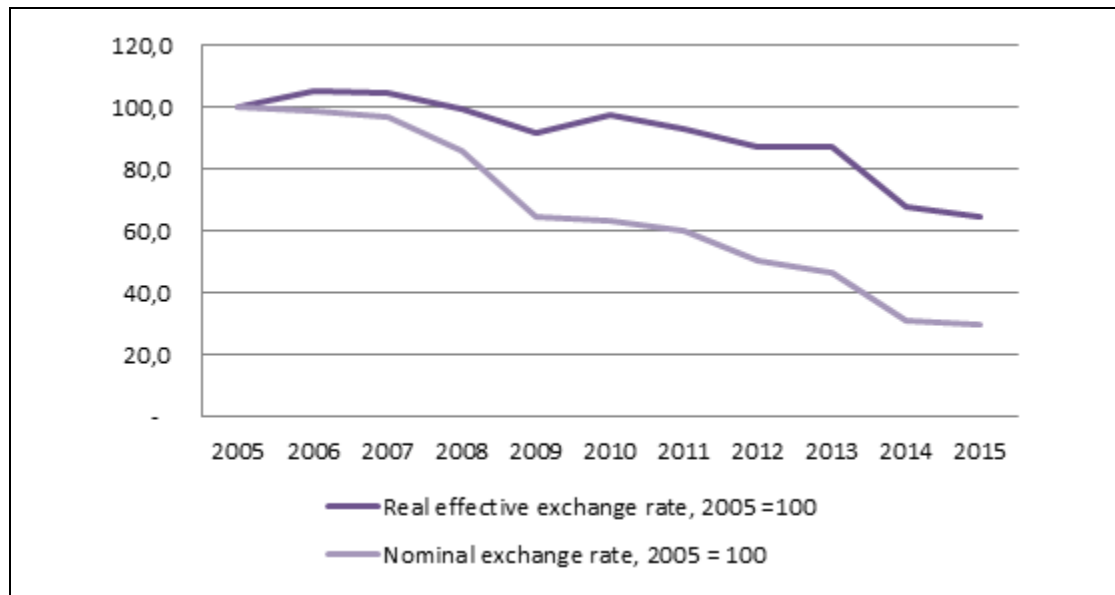
Monetary accommodation of the budget deficit took place through various mechanisms in different periods. In the early and mid-2000s the monetary authority could engage in direct credits to the government. By 2009 the central bank had already used the space to accommodate the fiscal policy defined by 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. The new IMF programme introduced in 2015 does not allow

monetisation of the fiscal deficit any more. The central bank cannot buy government bonds even for its REPO operations. This is an important safeguard against possible macro-shocks arising from monetisation of fiscal imbalances.

### 3.3.2 I.3.3.2. Ability of the exchange rate regime to absorb external shocks

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.

Figure 11 Evolution of GHc/USD exchange rate



Source: World Development Indicators

As illustrated in the figure above, the initial wave of fiscal expansion and large monetisation of debt in 2008 was followed by depreciation. 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. 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. High policy rate that has been above 20% during 2015 and 2016 has also eased the pressure on the exchange rate.

## 3.4 JC34. BS contribution

Contribution of BS to macroeconomic management and public resource allocation through budget financing, policy dialogue and technical assistance can be usefully divided in three time periods, as presented below.

### The role of BS before 2009

In the early to mid-2000s Ghana's overall macroeconomic and fiscal framework was defined largely by IMF programmes and the HIPC initiative. The HIPC initiative was completed in 2006 followed by a substantial reduction of Ghana's external public debt. By 2006, there was a recognition by Ghana's development partners that the overall macroeconomic management is on solid foundations, reflected in relatively high rating of the sub-component of the World Bank's Country Policy and Institutional Assessment on economic management that combined WB's assessment of the quality of fiscal, monetary and debt management.

As a consequence, once it was validated that the precondition associated to sound macroeconomic management was fulfilled, the topic did not receive strong attention in the dialogue around BS. The inventory of BS operations (see Annex 4 in Volume 3) shows that until 2009 macroeconomic management has not been an operational focus in BS operations, with respect to both policy dialogue and policy content of BS operations. This evaluation finds that this contributed to the subsequent weakening of fiscal framework that took place in 2008. In particular, the fact that GoG went to the international capital markets already in 2007 for commercial borrowing for an ambitious spending programme without strong economic justification indicate that the lack of operational focus on

macroeconomic management by DPs was a lost opportunity. Predictable flow of concessional loans and grants, although not very large in relative terms, provided financing and reduced the need for commercial borrowing, thus contributing, albeit marginally, to macroeconomic outcomes.

With respect to public resource allocation, DPs were traditionally focused on the extent of pro-poor expenditures and specific structural reforms with implications for resource allocation. Specific indicators of the MDBS PAFs focused on increased spending in social sectors. With respect to capital expenditures, the evidence gathered in the evaluation also shows that there have been some important missed opportunities during that period. For instance, capital expenditures were not directly addressed under budget support, which also reflects a lack of prioritisation by GoG in this area. DPs supported procurement reforms that had some marginal impact on the effectiveness of capital expenditures. Key aspects in capital expenditures, such as selection of public investment projects, sustainable plan for operations and maintenance have never been systematically addressed under budget support.

### *The role of BS between 2009 and 2012*

With the deterioration in the policy framework in 2008 as a result of multiple shocks (such as food and fuel prices and energy supply disruptions) and policy responses to these shocks, as well as policy choices related to the electoral cycle of 2008, macroeconomic management became an issue of increasing importance for development partners – see extracts of MDBS annual review in Table 15 below. In the 2009-2010, specific BS operations such as the World Bank's EGPRC and the EU's V-Flex were implemented to support GoG's efforts to ensure macroeconomic stabilisation. Adding up to the IMF support provided in the context of the External Credit Facility launched in 2009, BS funds provided financing for the stabilisation programme until 2011. In that respect, DPs funding of Ghana's financing needs as part of the macro-economic stabilisation programme was very important. This evaluation highlights that the stabilisation programme would not have been possible without parallel funding by DPs.

During that period, the MDBS partners<sup>64</sup>, through dialogue, conditionalities and accompanying TA, put a strong focus on reducing budget deviations and improved fiscal reporting and supported the implementation of several crucial policy actions although the focus remained mostly on public financial management to complement IMF's parallel programme in 2009-2012 that was the key instrument for restoring fiscal discipline. The IMF Extended Credit Facility launched in 2009 had structural benchmarks (including quantitative targets on the nominal budget deficit, foreign exchange reserves and reduction of arrears) which helped GoG taking appropriate short-term measures. Ghana's first debt management strategy was prepared in 2010 covering the period of 2012-2013 with substantial support from the IMF and the World Bank.

With respect to DPs' influence on allocation of public resources through the budget, MDBS DP's regularly expressed concern regarding the apparent weakening of GoG's commitment to maintaining pro-poor expenditures during the MDBS annual reviews. The World Bank's EGPRC operation had an explicit outcome indicator on protecting of pro-poor expenditures and both PRCSs and EGPRC operations had a specific focus on factors potentially affecting public resource allocation, such as public sector employment and subsidies.

Several DPs also provided complementary technical support in specific PFM areas which indirectly helped GoG improving its macroeconomic management capacities. For instance:

- Switzerland and Germany's supported tax reform and diverse capacity building activities for MoF's Tax policy unit and the Ghana Revenue Authority under the Good Financial Governance programme launched in 2008.
- DFID and the WB actively supported GoG capacities in the management of natural resources revenues. 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 PRSC-8.

The World Bank (under EGPRC and the PRSCs) also supported the adoption of action plans for the utility companies' financial recovery and reintroduction of an automatic tariff adjustment mechanism. However, these actions did not lead to substantial results because the action plans were never fully operationalised. The tariff adjustment mechanism the PRSCs supported was inadequate because it did not allow a full pass-through of changes in input prices to consumer tariffs.<sup>65</sup>

<sup>64</sup> Including the World Bank through its GBS operations: EGPRC and PRSC 7-8.

<sup>65</sup> The situation changed in 2013 and 2014 as part of a domestic stabilisation programme. The government removed the subsidies completely in January 2016.

More generally, the measures supported to restore fiscal discipline during the 2009-2012 period were only partially successful. The deficit dropped to 3.1% of GDP by 2011 but cash basis accounting masked the true fiscal stance in 2011 because of arrears accumulation that appeared in the 2012 actual budget. At the same time the measures taken by GoG were insufficient to counteract the implications of adopting the single spine salary system (see also Box 15 below). Public wages increased by 4 percentage points to 12% of GDP between 2010 and 2012, which increased the deficit and subsequently increased interest payments. Unsustainable fiscal expansion also led to *de-facto* collapse of the stabilisation programme that was in place in 2009-2012.

**Box 15** *Overview of the policy actions related to civil service reform under the World Bank's GBS operations*

The EGPRC had two related policy actions. The first was implementing a net hiring freeze in the public sector (excluding trainees absorbed in education and health) by completing an employment audit, eliminating ghost workers from the Ghana Health Service's payroll, and requiring the Ministry of Finance and Economic Planning and the Office of the Head of Civil Service to approve all ministries, departments, and agencies' hiring decisions. The second action was appointing a minister of state in charge of public sector reform, eliminating ghost workers from the Ghana Education Service's payroll, and initiating employment audits in all remaining ministries, departments, and agencies. A hiring freeze was implemented and an attempt was made to identify and eliminate ghost workers.

However, it did not address the most pertinent issues since it excluded the education and health sector from the hiring freeze. Problems also remained with the establishment and commitment control system and, after the implementation of the programme, positions were still created without sufficient budget allocations. Moreover, the PRSC 7-8 follow-up operations did not address issues related to public wage bill.

*Source: 2016 IEG PPAR of the EGPRC and PRSC 7-8 operations.*

**The role of budget support in 2013-2015**

Most DPs withdrew their budget support in 2013-2014 highlighting the criticality of sound macroeconomic environment for effective budget support. Interviews carried out show that DPs strong position not to resume BS until important macro-actions are undertaken by GoG did play a role in GoG's decision to embrace a stabilisation programme in 2015, although a strong link between DPs decision and GoG decision cannot be established. Budget support became again possible in 2015 after stabilisation of macroeconomic environment that followed implementation of a so-called "home-grown" stabilisation programme backed by the African Development Bank followed by a new Extended Credit Facility (ECF) programme by the IMF supported by a large World Bank BS operation that included a Policy Based Guarantee.

In 2015-2016, many important achievements were made to improve the quality of macroeconomic management, including elimination of subsidies and bringing down the primary deficit. The role of DPs, especially that of the IMF and the World Bank was very important in these achievements. However, the state of macroeconomic management is still assessed as quite poor at the end of the evaluation period. Ghana's overall macroeconomic situation remains fragile both because of high level of public debt as well as the possibility of policy slippages.

**Appendix**

The table below presents extracts from the MDBS annual reviews related to macroeconomic management.

**Table 15** *Extracts from the MDBS annual reviews related to the assessment of macroeconomic performance*

Year	Extracts
2009	As in previous years, the review did not include a separate macro dialogue. Instead, DPs indicated that they would rely on the findings from the upcoming Article IV dialogue (IMF Assessment Letter, see appendix 6) with the IMF and appreciated Government's stance to make these consultations open to DP observers. The macro-economic situation deteriorated sharply in 2008. Rapid fiscal expansion in 2008 coincided with a sudden closure of access to international capital markets in September and as a result, the Ghanaian economy was hard hit by the combination of a widening current account deficit and a contracting capital account surplus. While fiscal expansion was prolonging trends observed since 2005, it was also the result of a combination of important exogenous shocks (...). The electoral cycle which culminated in the successful Presidential and Legislative elections of December 2008 also contributed to the fiscal expansion, as observed during previous elections. Moving forward, it will be of the utmost necessity to rapidly restore fiscal and macro-economic stability to deal with a complex global environment. This, in turn, will require a review and

Year	Extracts
	<p>prioritisation of Ghana's developmental objectives, including a decision on the GPRS II successor. DPs have raised concerns about the unexpectedly high overspending and the overall macroeconomic instability that occurred in 2008. In relation to the former, DPs felt that while reform priorities in public financial management (PFM) have been laid out in the PFM Short and Medium Term Action Plan, throughout 2008 it remained unclear as to who 'owns' this plan and to what extent reform processes are being guided by it. It is important to reiterate that macro-economic stability is a shared objective, since it is needed to make both government's policy and DPs' support to this policy effective. Therefore, DPs welcome the positive signals in terms of openness of the reform agenda and the possibility to reinvigorate the partnership between GoG and development partners on this challenging agenda.</p>
2010	<p>Overall, the underlying principle of 'continuing sound macroeconomic policies and management' has been upheld in 2009, albeit with areas of considerable concern, notably the fiscal deficit and outstanding structural measures.</p> <p>Economic growth was below target, but held up relatively well in the context of a global economic recession and the fiscal stabilisation measures in response to the previously unsustainable fiscal stance. (...) Inflation decelerated strongly from July 2009 in response to fiscal and exchange rate stabilisation, and tighter credit conditions. The fiscal deficit on a cash basis was close to its target, but the situation in terms of commitments worsened as a result of the large stock of arrears accumulated in 2008 and 2009. Debt has inevitably risen with a high fiscal deficit but came in just on target, although arrears blur the indebtedness situation.</p> <p>In spite of reduced capital inflows, the target for foreign exchange reserves was met, thanks in part to strong contraction in the current account deficit and increased IMF-SDR allocation. Performance on structural reforms has been mixed: while good progress was made on revenue administration, some important expenditure-related energy and public sector reforms have not been fully addressed and remain as outstanding reform issues for 2010. Compared to the rest of Sub-Saharan Africa, Ghana's economy exhibits considerable vulnerability, with relatively high inflation, low foreign reserves and with the largest fiscal deficit amongst non-oil producing Sub-Saharan Africa low income countries.</p>
2011	<p>In 2010, economic growth accelerated to 7.7% (up from 4.0% in 2009), price inflation was maintained below 10%, the exchange rate was stable against the Euro and US\$, and the foreign currency reserves grew to exceed 3 months of imports. In assessing the contribution of the Government of Ghana to these outcomes, the joint MOFEP/MDBS review concluded that the principle of continued sound macroeconomic management was upheld, as conducive to both accelerated shared growth and the strengthening of safeguards against shocks. Nonetheless, challenges remain to further consolidate fiscal sustainability and improve macroeconomic reporting to allow consensus building and the development of national expectations. (...)</p> <p>Government contribution to safeguarding against shocks and maintaining fiscal sustainability was also positive. There was overall improvement in debt sustainability, mainly attributable to the rebasing of the GDP, which led to a much lower debt to GDP ratio in 2009 than previously thought. Government's contribution to this improvement was mixed, as debt to GDP ratio rose between 2009 and 2010 from 36% to 39% out of which external debt constituted 19% to 20%. In addition concessional external borrowing (budget support in particular) was less than anticipated. On the positive side, non-concessional borrowing was also less than anticipated and most financing needs were met through domestic borrowing at declining terms and growing maturities, reflecting the objectives of the newly adopted debt management strategy. (...)</p> <p>Moving forward, the joint MOFEP/MDBS review acknowledged the macro-economic challenges associated with oil revenue management (inflation, boom and bust cycles, and competitiveness) and election cycles, and the need to address them pro-actively. Finally, the joint MOFEP/MDBS review underlined the mixed progress achieved by the Government in its capacity to report on actual macroeconomic developments. While the Bank of Ghana continues to provide timely and detailed information on financial sector and price developments, reports from MOFEP on actual fiscal developments were irregular and late throughout 2010. The review concluded that there is a need for MOFEP to improve its regular and timely reporting on actual fiscal developments, to avoid surprising economic agents and generating large swings in confidence.</p>
2012	<p>The assessment of macroeconomic performance concluded that the principle of continuing sound macro-economic management had been upheld during the period under review. In a presentation by the IMF, it was indicated that Ghanaian economy performed generally well in 2011 although risks to macroeconomic stability in 2012 have risen recently. (...)</p> <p>The fiscal deficit in 2011 was reduced from 6.5% of GDP in 2010 to 4.3% of GDP (...) Revenue was broadly as programmed and grants were higher than projected while expenditure was lower than expected. However, the wage bill exceeded earlier projections, as challenges with migration to the single spine caused some over expenditures. (...)</p> <p>For the first quarter of 2012, the government had adopted decisive corrective actions to settle the new arrears and the outstanding 2011 claims. (...) However, with these significant payments, the overall deficit (cash) ceiling was missed, despite lower recurrent and capital expenditure. (...)</p> <p>Looking forward, Ghana's economy is exposed to upside risks of inflation from a depreciating currency and high domestic demand, as well as a possible deterioration in the external position. (...)</p> <p>The IMF opined that the government had identified and began implementing a number of policies that have the potential of achieving the programme targets for 2012. On the one hand, some measures are being taken to protect the fiscal deficit target while on the other hand monetary policy has been tightened significantly with the cedi beginning to stabilise.</p> <p>Overall, participants acknowledged there was a commitment to sound macro-economic policies and management in the year 2011. However, Government was also cautioned about the outlook for 2012</p>

Year	<i>Extracts</i>
	especially in view of the challenges as already identified by the Fund as well as risks that tend to be associated with election years. It was noted that while the focus of the MDBS annual review was on the year 2011, for some MDBS donors, any occurrence that threaten macroeconomic stability in the course of 2012 could affect disbursements in 2013.

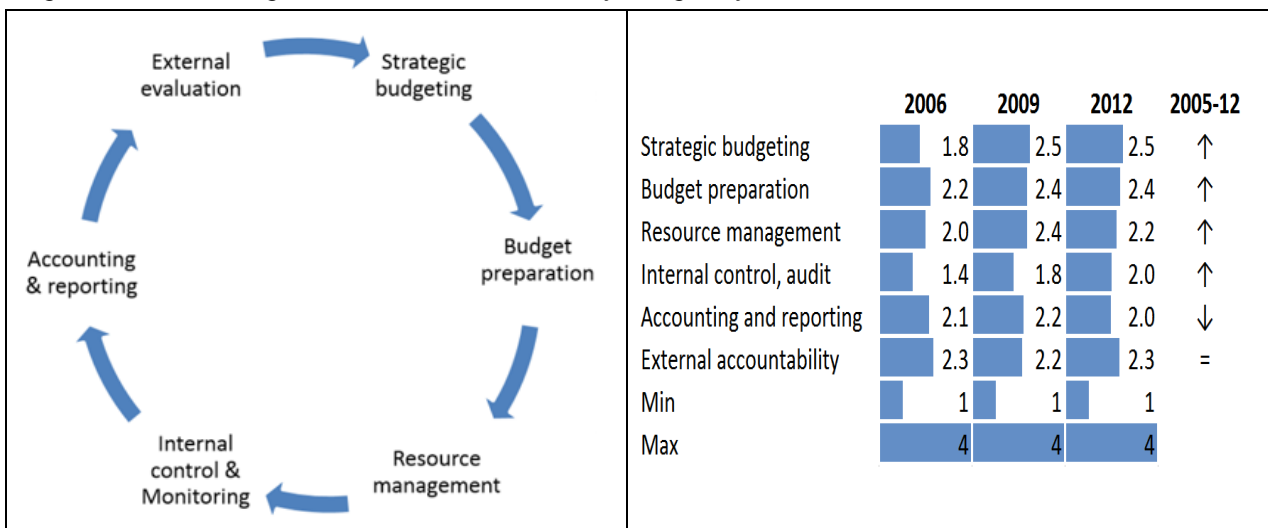
## 4 EQ4 - PFM

**EQ4 – PFM** To what extent has budget support contributed to the improvements in the quality of Public Finance Management?

### 4.1 Introduction

Improvements in the quality of PFM are measured around indicators (from the PEFA framework and other sources) covering the various stages of the budget cycle, in accordance with Schiavo-Campo and Tommasi (1999) and Andrews (2010). An overview of progress in the budget cycle according to PEFA indicators is provided in the figure below and a detailed breakdown is available in appendix A, which clusters dimensions by (i) strategic budgeting; (ii) budget preparation; (iii) resource management; (iv) internal control and management; (v) accounting and reporting; and (vi) external evaluation (following Andrews 2010). Numerals are used to allow averaging out across dimensions.<sup>66</sup> The PEFA scores show that, overall, PFM remains quite poor and even the strongest dimensions would average out to just over a C. Some progress was achieved in strategic budgeting and internal controls, from a very low base of 1.8 to 2.5 and 1.4 to 2.0 respectively. The progress that was made was mostly in the early years of the evaluation period (2005 – 2009), and has remained relatively stagnant since. The dimensions of budget preparation, resource management, accounting and reporting, and external accountability have not seen much improvement over the evaluation period. However, 2012 PEFA data are largely based on 2009-2011 data and thus don't fully reflect progress during the whole evaluation period. In particular, they would not have captured benefits from the Ghana Integrated Financial Management System (GIFMIS), which only became live in 2013.

Figure 23 Progress in PEFA Dimensions by Budget Cycle



Sources: World Bank (2006); GoG (2013, 2009); Authors' Calculations.

Note: The 2006 PEFA draws data from 2003-2005; the 2009 PEFA draws data from 2006-2008; the 2012 PEFA draws data from 2008-2011.

At the beginning of the evaluation period, Public Financial Management was perceived as a major bottleneck for the effective delivery of services. It was also seen as carrying significant fiduciary risks. The 2005 External Review of Public Financial Management (World Bank 2005) noted a number of major shortcomings, including the strength of existing regulations; compliance with regulations; poor budgetary allocations, including an insufficient link between policy, planning, and budget; poor budget execution and reporting; and insufficient internal controls and audits. This cumulated in poor allocative and operational efficiency, as evidenced by the PEFA indicators at the time. The dimensions concerning control over spending; control over taxes, accounting, and reporting; and internal as well as external control procedures were seen as important shortcomings, with the majority of indicators scoring C or below.

<sup>66</sup> Numerical scores are applied to allow for averaging. The PEFA score "A" is given the highest value of "4," and the PEFA score "D" is given the lowest value of "1." While enumerating and summarizing PEFA scores may be somewhat misleading, it does provide an aggregate picture of progress across certain areas. PEFA score conversions follow the method applied by de Renzio (2009).

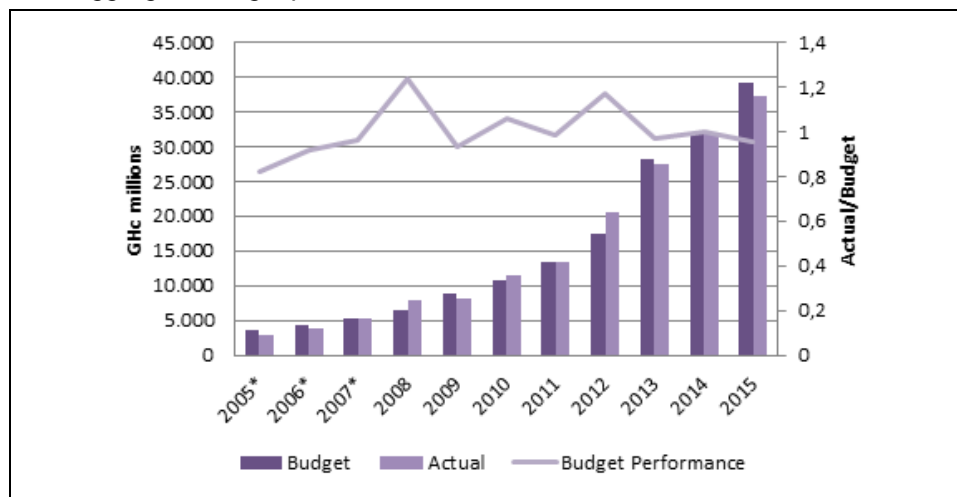
## 4.2 JC41. The budget has become more credible

EQ4 (PFM) – Main findings and sources of information	
<b>JC41: The budget has become more credible</b>	
I.4.1.1 Aggregate budget performance	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Aggregate budget performance has remained volatile during most of the evaluation period.</li> <li>Unanticipated wage increases and insufficient budgetary controls partly explain this poor aggregate performance.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review (incl. PEFA, IMF reports, sector studies, external assessments, etc.).</li> <li>Analysis of government financial information (fiscal data).</li> <li>Interviews.</li> </ul>
I.4.1.2 Evidence that fiscal targets are maintained	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Ghana's budget rigidities and fragmentation has contributed to the deterioration of fiscal indicators and missing deficit targets.</li> <li>Expenditure targets have repeatedly been missed when the government was unable to reduce spending when there were revenue shortfalls (or a need to raise certain priority expenditures, including during election years).</li> <li>Government has tended to finance its revenue shortfall by borrowing heavily from the domestic market and/or accumulating arrears on Statutory Funds, which is an expensive policy stance.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Analysis of government financial information (fiscal data).</li> <li>Interviews.</li> </ul>

### 4.2.1 I.4.1.1. Aggregate budget performance

Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. Figure 2 gives an overview of aggregate budget performance since 2008. Aggregate budget performance was volatile, in part because of unanticipated wage increases and insufficient budgetary controls.

Figure 24 Aggregate budget performance



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

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

Overall, expenditure and revenue outturns have broadly matched budget plans over the past three years. However, 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. Budget performance at the vote level is discussed in more detail under JC42 on strategic allocation of resources (see below).

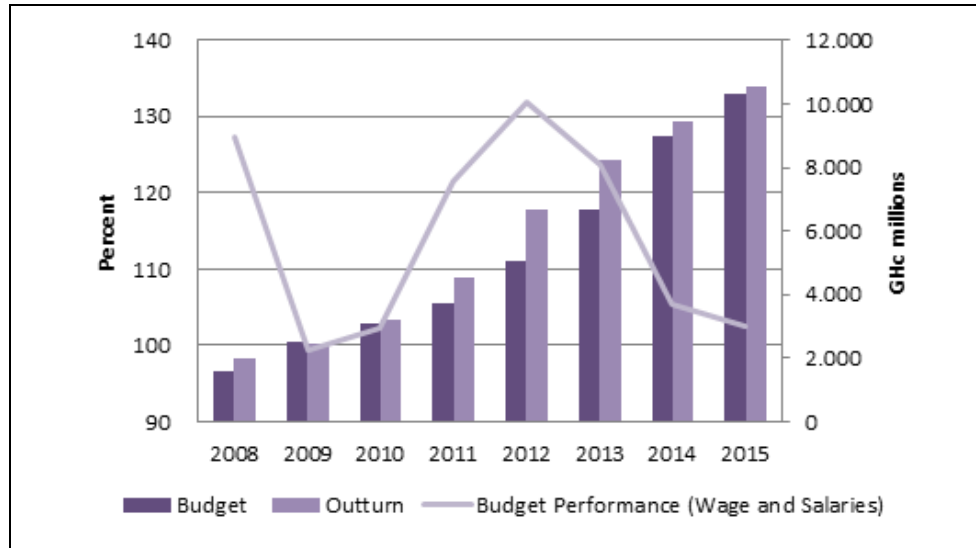
Aggregate budget performance has suffered from wage increases that have not been in line with the budgets allocated in recent years, reflecting an inadequate commitment and establishment control system. Wage and salary payments fluctuated significantly between 2009 and 2013, which was a volatile period marked by salary increases, in-year adjustments, and unbudgeted labour force growth. The wage



bill reached 12% of GDP in 2012 and only recently declined below 10%, after the most recent IMF programme and stricter controls were enforced.<sup>67</sup> The current establishment control system appears to have had a positive effect.

On the downside, the Human Resource Management Information System (HRMIS) is insufficiently integrated into the GIFMIS and the bulk of salaries and wages are only entered after the transaction has occurred and are thus not subject to the same level of budgetary control. In other words, while there has been progress with containing the number of positions (outside health and education), a salary increase would still be possible and can continue to bust the budget (see figure below). While this issue became most pronounced in the years following 2009, it was already recognised as a critical risk in 2007. The Ghana 2007 external review of public financial management noted “*improving budget performance over the medium term hinges heavily on how effectively the Government is able to control the wage bill*” (World Bank 2007, p.12).

Figure 25 Budget performance (wages and salaries)



Source: GoG Budget Speeches; Fiscal Tables; and authors' calculations.

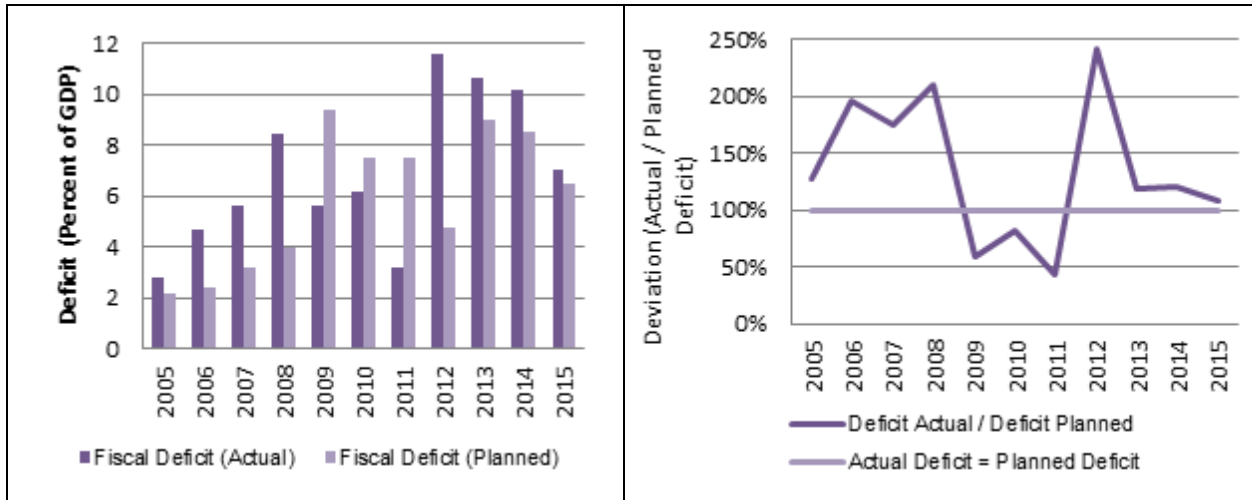
Note: Data of sufficient granularity were not available for the years 2005-2007.

#### 4.2.2 1.4.1.2. Evidence that fiscal targets are maintained

Fiscal targets were rarely met over the evaluation period. This was due to both poor revenue predictions and expenditures exceeding budgets (see wage discussion above). In the years leading up to 2009, actual deficit exceeded planned deficit by 2-4%age points of GDP and contributing significantly to an increasingly unsustainable debt situation. This was curtailed when the actual deficit was significantly lower than the planned deficit in part due to adjustment measures taken in part as a consequence of the IMF programme. After the close of the programme and following elections, the situation again deteriorated in 2012, with the deficit far outweighing planned. Plans were adjusted in 2013 and 2014 making for closer alignment of planned and actual figures. In absolute terms, deficit however remained quite high and was only brought back in 2015 (see figures below).

<sup>67</sup> The budget for wages and salaries is prepared using the Hyperion module in the GIFMIS. The HRMIS calculates the wage bill and expenditures are controlled by the IPPD system. Currently, payroll expenditure from the IPPD system are posted ex-post on the General Ledger against the appropriate budget lines of MDAs. Every expenditure on wages and salaries is approved by the CAGD. It is, however, not clear whether and how the budget provision for wages and salaries and the warrants of budget release issued during the year are used as a control in the IPPD system. Only about 4% (for 'other salary related expenditures') are routed through the P2P cycle as per GIFMIS. Full budgetary control, including positions and establishment control, will only be achieved once the HRMIS is fully implemented and is well integrated with the GIFMIS

Figure 26 Deficit targets compared to actual deficits



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

Ghana's budget rigidities and fragmentation (stemming 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) has contributed to the deterioration of fiscal indicators and missing deficit targets. The rigidities reduce fiscal space when there are shocks in the economy as they limit the discretionary power of the MoF to adjust spending. Expenditure targets have repeatedly been missed when the government was unable to reduce spending when there were revenue shortfalls (or a need to raise certain priority expenditures, including during election years). The budget rigidities and fragmentation is further worsened by poor progress with instituting a treasury single account (discussed below) and the rise in quasi-statutory expenditures (such as wages and interest).

Government has tended to finance its revenue shortfall 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.

### 4.3 JC42. The strategic allocation of resources has improved

EQ4 (PFM) – Main findings and sources of information	
<b>JC42: The strategic allocation of resources has improved</b>	
I.4.2.1 Policy based budgeting and strategic planning is in place	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Advanced budgeting methodologies have been introduced, but slow progress in improved budget execution has limited their value in terms of improving the strategic allocation of resources.</li> <li>Despite the introduction of advanced budgeting methods, budgeting remained incremental and input oriented for the majority of the evaluation period. Programme based budgeting and the alignment of FMIS was recent.</li> <li>Improvements in PEFA scores are largely attributable to good practice in debt sustainability analyses.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.4.2.2 Budget performance at vote level	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Disaggregated budget performance has been volatile.</li> <li>Poor budget performance particularly affected Statutory Funds and investment programmes, and unanticipated cuts implied significant delays or non-payment for critical expenditure items and consequent arrears.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>

I.4.2.3 Level of comprehensiveness of the budget	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• An updated chart of accounts has aligned Ghana with international good practice and allowed effective application of a new Financial Management Information System.</li> <li>• The budget is fairly comprehensive and there is public access to a number of key fiscal documents.</li> <li>• However, the fragmented approach to budgeting and reporting, remains a critical weakness that inhibits the stewardship function of oversight bodies. Progress has been modest over the evaluation period.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>

#### 4.3.1 I.4.2.1. Policy based budgeting and strategic planning is in place

Policy based budgeting remains poor and gains have been at best modest over the evaluation period. Overall improvements in PEFA scores are attributable to good practice in scope and frequency of debt sustainability analyses. Weak points however are that links between multi-year estimates and the setting of annual budget ceilings in subsequent years appear weak with no explanation provided for the differences. Sector strategies are by and large in place, but are insufficiently prioritised and costed. Further, there is no mechanism in place to ensure that costing is consistent with the Medium-Term Expenditure Framework (MTEF) and annual budget estimates. Consequently, deviations at the vote level are large as discussed further in the subsection below. PEFA scores for strategic budgeting are summarised in the table below.

Table 16 PEFA scores for strategic budgeting

Dimension	2006	2009	2012	2006-12
PI-12 (i) Preparation of multi -year fiscal forecasts and functional allocations	D	D	C	↑
PI-12 (ii) Scope and frequency of debt sustainability analysis	C	A	A	↑
PI-12 (iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure;	C	B	C	=
PI-12 (iv) Linkages between investment budgets and forward expenditure estimates.	C	C	C	=

Source: 2006, 2009, 2012 PEFA reports.

The MTEF, as a budget planning tool to facilitate policy based and strategic budgeting, has been originally instituted in 1999 and was introduced as a three year rolling framework with indicative out-year expenditure ceilings covering all spending agencies. However, it was designed overly ambitious and failed in basic functionalities. For example, it included a comprehensive performance framework, whilst not having a basic fiscal and expenditure framework in place. Not all expenditure items were covered with wages most prominently missing. The MTEF was intended to be compatible with the Ghana Poverty Reduction Strategy, and spending agencies have vocalised their alignment in mission statements emphasizing poverty reduction. However, the basic policy trade-offs were difficult to establish given a lack of expenditure information, in part due to the long failure in implementing a functioning financial management information system (GIFMIS only became operation in 2013 after about 15 years of investments). Further constraining the effectiveness of the MTEF was a budget timetable that was too tight to allow the MTEF to inform strategic spending decisions.

In summary, the MTEF has had little influence, and budgeting remains incremental and input oriented. Failure to put in place an appropriate information system was a major constraint, although this has been addressed recently through a budgeting module in GIFMIS, which also allows for programme based budgeting.

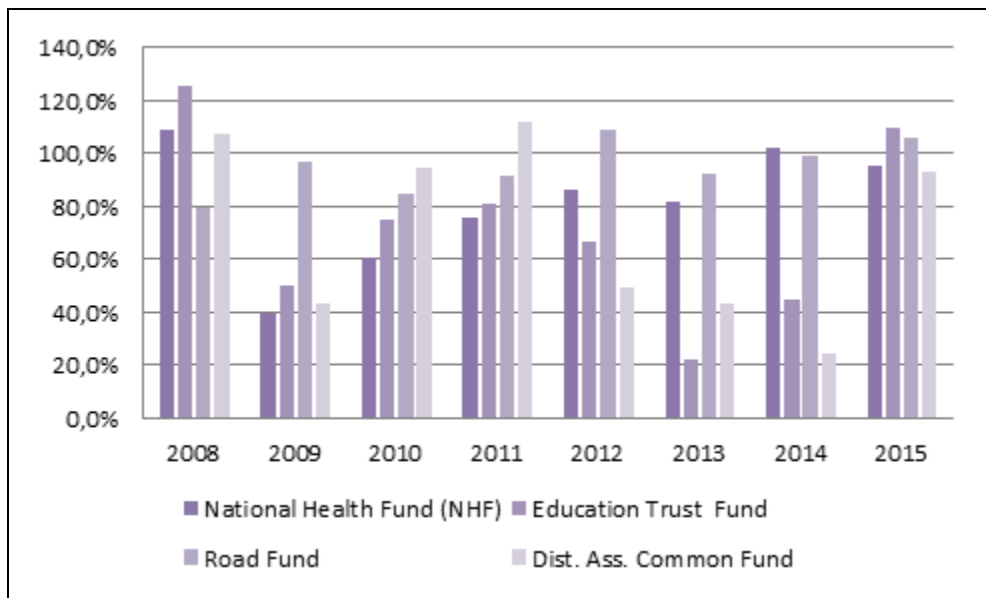
Finally, advanced budgeting methods as applied in Ghana has led to a proliferation of transactions that has become unmanageable and a risk to budget management and execution. This is so because of a breakdown of programmes and sub-programmes into a very large number of activities and budgetary controls have been placed at the activity level (rather than sub-programme level), meaning that budgetary allocations and spending have to be made at this level. This is unmanageable, even with a functioning Integrated Financial Management Information System (IFMIS).

### 4.3.2 I.4.2.2. Budget performance at vote level

The disaggregated budget performance of expenditures was particularly volatile, especially in the years after the introduction of the single spine salary system. Actual expenditures on wages and subsidies exceeded the amounts budgeted, especially since 2012, when the actual wage bill was 19% greater than budgeted. A sharp drop in investment and transfers to other Statutory Funds (which are part of government, receiving less than the mandated 15% of revenue) compensated for this. Indicators of the 2012 Public Expenditure and Financial Accountability (PEFA) assessment for aggregate revenue and expenditure outturns scored a C. Composition of expenditure outturn was not rated. The PEFA assessment is based on 2009–11 figures, and this rating would have almost certainly deteriorated since, given the strong deterioration in 2012 and afterward.

Unanticipated cuts to programmes implied significant delays or non-payment for critical expenditure items and consequent arrears. Poor budget performance particularly affected Statutory Funds (see figure 5 below) and investment programmes, resulting in a significant accumulation of arrears that subsequently reduced the effectiveness of pro-poor and pro-growth programmes. Especially the District Assembly Common Fund, experienced considerable funding shortages, which were only rectified in 2015 as part of an IMF programme. The stock of arrears was 16% of total primary expenditure in 2009, 25% in 2010, and 10% in 2011 (GoG 2013). The government started to clear arrears in 2013, cutting about ₵2,984 million in 2013 (about 2.6% of GDP). However, continued liquidity constraints and weak cash flow management undermined these efforts, and total arrears were estimated at 5.5% of GDP in 2014.

Figure 27 Budget performance of selected Statutory Funds



Source: GoG Fiscal Tables.

The budget structure undermines allocative efficiency in Ghana. Government management oversight is lacking, given the fragmented financing streams. The government draws budget allocations for spending agencies from the consolidated fund, Statutory Funds, and internally generated funds. Consolidation of the various sources is difficult.

An updated chart of accounts aligns Ghana with international good practice and allows effective application of a Financial Management Information System (FMIS). With the introduction of the FMIS, the government publishes fiscal accounts on the Web.

However, the FMIS rollout was achieved only for the Consolidated Fund. The FMIS does not cover other transactions, thus making budget execution reports partial (coverage in 2016 was estimated at no more than 65%). Furthermore, commitment controls do not apply to transactions handled outside of the FMIS. The introduction of advanced budgeting techniques (activity- and programme-based budgeting) while the FMIS rollout is still in its infancy further complicates improvements in budget execution.

### 4.3.3 I.4.2.3. Level of comprehensiveness of the budget

Key PEFA dimensions have been rated C throughout the evaluation period with little evidence of improvements, other than the introduction of an updated chart of accounts (see following table). The 2012 PEFA report indicates:

*The budget is fairly comprehensive and there is public access to a number of key fiscal documents. There remain however weaknesses in terms of comprehensiveness of the budget information and*

*fiscal reports (which is largely due to the fragmented approach to budgeting and reporting), and the comprehensibility and timeliness of this information.*

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. Further they 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. Similarly, this applies to the cost of Public Private Partnerships, and opaque reporting of defense expenditures.

Finally, there is incomplete coverage of all sources of finance. This raises significant stewardship concerns, and restricts GoG's ability to prioritise resources against need. This is especially a concern in sectors with significant vertical donor activities such as the health sector and makes duplication of activities possible, and allows for 'double dipping'<sup>68</sup>, which puts stress on the already stretched counterpart's absorptive capacity and wastes resources.

Table 17 *Comprehensiveness of the Budget*

<i>PEFA Indicators</i>	<i>2006</i>	<i>2009</i>	<i>2012</i>
Comprehensiveness of information included in budget documentation	C	C	C
Extent of unreported government operations	C	C	C
Transparency of inter-governmental fiscal relations	C+	C+	C+

*Source: 2006, 2009, 2012 PEFA reports*

Noteworthy is also that not all levels of government are fully complying with GFS. If budgets and accounts are not produced for general, central and sub-national government sectors, it makes it difficult to understand the level of government where appropriations and spending are actually intended to go and base strategic decisions thereupon.

#### 4.4 JC43. Budget execution's operational efficiency has improved

<i>EQ4 (PFM) – Main findings and sources of information</i>	
<b>JC43: Budget execution's operational efficiency has improved</b>	
I.4.3.1 Evolution in the level of accumulated arrears	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Overall, the stock of arrears is high, but a relative decrease can be observed in recent years.</li> <li>Arrears to Statutory Funds have largely been cleared in part due to an IMF programme.</li> <li>The measurement and audits of arrears has improved.</li> <li>The control of arrears from the Consolidated Fund has improved since the introduction of GIFMIS, but risks of arrears accumulation continue from other sources, primarily SOEs, Statutory Funds, and internally generated funds.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>

<sup>68</sup> E.g. staff attending the same training multiple times offered from different sources.

I.4.3.2 A Treasury single account is in place	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• A Treasury single account (TSA) has been established and an effort to consolidate bank accounts has been made.</li> <li>• There remain significant idle balances and the TSA is not comprehensive of all government funds. Statutory Funds, internally generated funds, extra-budgetary funds, SOEs, and donor funds continue to be banked outside the system.</li> <li>• There is evidence that idle balances are being used to purchase treasury bills, increasing the cost of government borrowing.</li> <li>• An approach of linking accounts has been taken, which does not however mean that the central bank will be able to draw on them for investment (or fund requests from other spending units), nor do they extend its overdraft limit.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>
I.4.3.3 Quality of procurement rules and procedures	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• Progress in procurement has been in form rather than function and there is little evidence that procurement provides better value for money today than it did a decade ago.</li> <li>• A major strength in the procurement system is the legislative foundations that were laid down in the early part of the last decade.</li> <li>• 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.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>
I.4.3.4 Adequate internal controls and effective budget execution	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• The recent introduction of GIFMIS constitutes a major improvement in terms of strengthening internal controls.</li> <li>• However, GIFMIS coverage remains limited to central government operations and considerable risks remain for finances not routed through the system. These include Statutory Funds, SOEs, and internally generated funds.</li> <li>• There have also been improvements with regards to the quality and effectiveness of internal audits.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>
I.4.3.5 Modern revenue and cash management system introduced	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• There have been some improvements in revenue and cash management but, overall, cash management remains a bottleneck for effective service delivery.</li> <li>• Budget releases have frequently been late, which resulted in budget managers developing informal arrangements to by-pass the commitment and budget control procedures.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>

#### 4.4.1 I.4.3.1. Evolution in the level of accumulated arrears

The stock of arrears in 2014 constituted GHc 6 billion, which is about 5.2% of GDP. While these are significant, they have been reduced since 2009-2011 levels, which were reported at 16, 25, and 10% respectively of total primary expenditure (see PEFA 2013). Up to 2009, arrears were unknown and unaudited (World Bank 2009). Since the arrears are claims on future budgets, they disrupt financial programming aimed at achieving fiscal targets, and thereby cause policy uncertainty. 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.

GIFMIS has made a significant contribution to controlling over-commitment from GoG balances. Most recent data also indicate that implementation of P2P is controlling accumulation of arrears from the Consolidated Fund, but risks of arrears accumulation continue from other sources, primarily SOEs, as

well as from IGFs and other transactions outside GIFMIS. This stresses the importance of extending the coverage of GIFMIS to a greater share of the budget.

#### **4.4.2 I.4.3.2. A Treasury Single Account is in place**

In 2009, GoG has committed to setting up a TSA and improving cash forecasting and cash management with the objective of reducing government idle balances, streamlining funds release, integrating cash and debt management and reducing the overall cost of government borrowing. However, the approach taken is one of linking accounts, which means that balances would be known, but the central bank will not be able to draw on them for investment (or fund requests from other spending units), nor do they extend its overdraft limit. Further adherence to the annual budget law cannot be strictly enforced for these balances under such an arrangement. An IMF guidance note on TSA that discusses this issue extensively can be found at Pattanayak and Fainboim 2011<sup>69</sup>. The extent of the problem was not documented (no estimate of idle balances or the number of bank accounts), but the assumption is that it was extensive because it is still an issue today, despite having made some progress.

In 2016, GoG maintains 215 Treasury Bank Accounts in BoG (32 MDA bank accounts, 10 regional bank accounts – sub-consolidated bank account for MDAs within the region, and 173 district sub-consolidated bank accounts). Deposit only bank accounts are also held in various commercial bank accounts which act as transit banks for revenue collection. In addition, Bank accounts for Internally Generated Funds (IGFs) are also maintained in commercial banks. 6255 GoG accounts identified with commercial banks as of Qrt 3 2013, but 1700 of these have since been closed and a further 3300 are under review for possible rationalisation. In 2014 there were 2920 GoG accounts in BoG. Out of this, 600 accounts are defined in GIFMIS. The remaining 2320 accounts are in Donor Funds and IGF, which are yet to be rationalised. Cash is moved from the Treasury Main Account to MDA sub-consolidated bank accounts from where checks are signed by the MDA Vote Controller and Director of Accounts.

#### **4.4.3 I.4.3.3. Quality of procurement rules and procedures**

Some improvements in procurement were noted, also in part due to a renewed focus on procurement in the 2007 external review of public financial management (World Bank 2007) and the conditionalities outlined in the PAF. However, there remains a lack of procurement data to ensure value for money is achieved. In particular competition is still not fully open, procurement information to the public and potential bidders is still not fully disclosed; and a fair system to handle procurement complaints is still lacking. A major strength in the system is the legislative foundations that were laid down in the early part of the last decade. The legal framework for procurement was assessed as meeting five out of the six international standards for transparency, comprehensiveness and competition.

The GIFMIS does not have a fully integrated procurement, contracts, and assets management module, which may be appropriate given its current state of development when focusing on core treasury modules takes precedence. Especially since existing manual systems for collecting data and reporting on performance appear quite strong. The Annual Reports from the Public Procurement Authority is a good example as it provides a good level of information on activities undertaken, including contract awards and complaints handling. The Annual Reports also provide complete Audits on the reliability of financial statements

#### **4.4.4 I.4.3.4. Adequate internal controls and effective budget execution**

Up until the development of GIFMIS, there were insufficient internal controls. While GIFMIS was a major improvement and is largely adhered to for GoG expenditures, the transactions covered in the full P2P cycle only amounted to about 21% of the total expenditures.<sup>70</sup> Large expenditure items such as interest payments, the majority of salaries and wages, payments to Statutory Funds, are added to the system ex post and are thus not subject to the same checks and balances. An effort is currently being made to expand IFMIS coverage and include internally generated funds. The box below shows how the transaction modality breaks down by economic classification.

*Box 16 GIFMIS transaction modality by economic classification*

(i) Expenditure on Wages and Salaries: The Budget for wages and salaries is prepared using the GIFMIS-funded Oracle-based IPPD2 and the GoG-funded Akatua-run IPPD3. The former was found unable to run the entire payroll; the latter, which costs 20-25% of the Oracle platform runs the largest percentage of records (GES & Pensions).. Expenditure on wages and salaries is calculated by the IPPD

<sup>69</sup> <https://www.imf.org/external/pubs/ft/tnm/2011/tnm1104.pdf>

<sup>70</sup> In 2015 GHc 7.9bn out of a total expenditure envelope of GHc 37.3 were transacted through the system.

System and the establishment control is done partially by the HRMIS. Currently, payroll expenditures from the IPPD system are posted ex-post on the General Ledger against the appropriate budget lines of MDAs. Every expenditure on wages and salaries is approved by the CAGD. It is, however, not clear whether and how the budget provision for wages and salaries and the warrants of budget release issued during the year are used as a control in the IPPD system. Other salary related expenditure for MDAs, on the other hand, goes through the P2P budgetary controls on the GIFMIS and well controlled. The full budgetary control, including positions and establishment control, will only be achieved once the HRMIS is fully implemented and integrated into the IPPD and GIFMIS. In FY2015, total expenditure on wages and salaries were largely within the revised budget of Fiscal Year 2015.

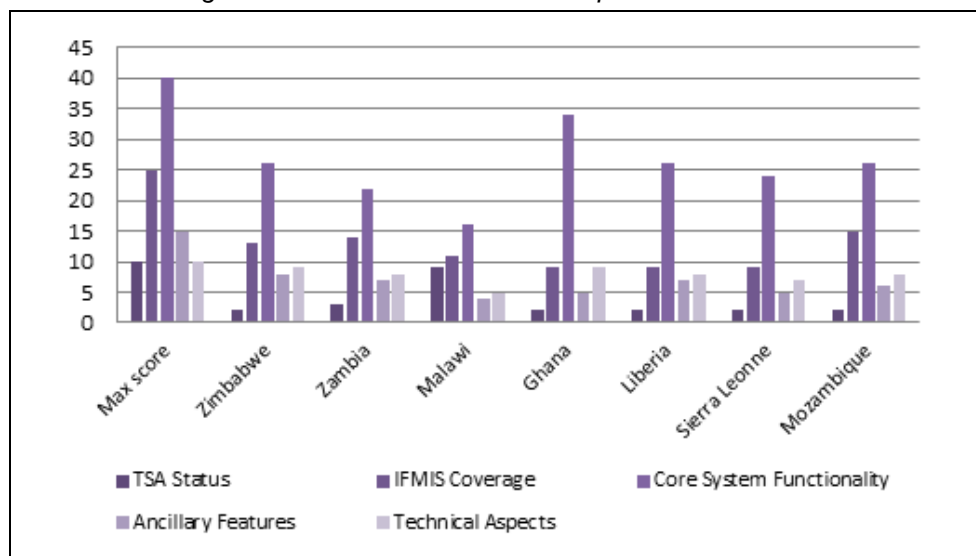
(ii) Goods and Services: The entire set of expenditure on goods and services for GoG funds is governed by the P2P system which is embedded in a Commitment Control System. The P2P system ensures ex-ante control over all expenditure on goods and services. For expenditure on goods and services, there is a quarterly release of the budget warrants to MDAs, which act as a limit on expenditure for that quarter.

(iii) Capital expenditure: Every capital expenditure is approved by the Director Budget at the Ministry of Finance and follows the P2P feature of GIFMIS to incur expenditure. All GoG funded capital expenditure, including advance payments, counterpart funds, and ABFA funds are released through the IFMIS on ex-ante basis, and are subjected to all necessary budgetary controls. The exception is donor funded projects. Payment for mobilisations (advance payment) by MDAs on capital projects are done through the GIFMIS. The amounts are treated as prepayments which are reported in the public accounts.

(iv) Debt Servicing: The budget for debt servicing, as approved by the parliament, is loaded on the GIFMIS as part of the annual appropriation. Servicing of external debts (interest and principal) go through the P2P process and are subjected to the relevant ex-ante budgetary controls. Warrants are issued and invoices raised at MoF before payment on GIFMIS by the CAGD Treasury. Servicing of domestic debts (mostly T-Bills), which are done directly by the Bank of Ghana (BoG) on behalf of Government, are posted to the General Ledger ex-post, but not before warrants are issued to that effect from the approved budget on the GIFMIS.

An assessment of key GIFMIS functionalities shows that it does not yet have sufficient capacities to serve as a budget management tool, despite adequate functionality because of insufficient coverage. Comparing to peer African countries, the Ghana system scores best in terms of core system functionalities (budget classification, budget transaction, commitment management, payment management, receipts management, and fiscal reporting), but poorly with regards to TSA implementation or IFMIS budget coverage. Without these even an excellent system with state of the art technical features is limited in its ability to facilitate fiscal or economic management. The IFMIS will only control finances that are routed through it, and any benefits can only accrue to that share of the budget that is routed through it. The IFMIS state is similar to that of Sierra Leone and Liberia, countries with much lower institutional PFM capacities.

Figure 28 IFMIS Diagnostic Assessment. Ghana Compared to Peer Countries



Source: Author's assessment. IEG 2016, forthcoming



*Box 17 Implementation and utilisation of GIFMIS*

Ghana introduced a computerised budget and public expenditure management system (BPEMS) to cover five key Ministries between 2003 and 2006, but this reform was not sustained due to lack of ownership. Since then Ghana has again invested considerable resources and implemented a top of the range financial management information system, which was supported by a joint donor investment operation led by the World Bank. The core functionality of the system is impressive, and based on a comprehensive budget classification structure, a budget preparation/ compilation system is in place and integrated with the treasury system; line ministry budget administrators are directly connected to the system and enter transactions in the system; selective commitment recording is in place also used for payment control (treasury loads commitments transactions in the system); and there is full P2P coverage. The system also has a substantial amount of ancillary features including the capacity for budget management, commitment management, accounts payable, accounts receivable, general ledger, purchasing, fixed assets and fiscal reporting is in place. Further, the system has capacity to implement accrual accounting.

On the downside, institutional environment is insufficient for adequate implementation of the system. The scope of the treasury single account is limited (as discussed above), with idle balances remaining across government. Further, GIFMIS coverage is still in its infancy and consolidated fund transactions that are routed through the system and subjected to the full P2P cycle only make up about 21% of total expenditures. Domestic debt servicing and wages and salaries are still posted after transactions have occurred. Statutory Funds, internally generated funds, extra budgetary funds, and donor funds are by and large transacted outside of the system entirely. This means that budgetary control is limited, data integrity cannot be ensured, and that any budget execution reports are currently at best of limited value. In 2015 only about 12,000 transactions were recorded in the P2P cycle, which compares to about 20-30 million in Vietnam.

There has been more progress with regards to the effectiveness of internal audits, albeit from a very low base. Internal audit coverage was about 60% in 2012 and almost system wide in 215. However, internal audit work plans focus largely on compliance audit, pre-audit, post audit with very little or no evidence on systemic issues. This may be warranted given current capacity constraints. Both frequency of distribution and management response to audit findings have improved over the evaluation period (see following table).

*Table 18 Effectiveness of internal audit*

<i>PEFA Indicator (PI21)</i>	<i>2006</i>	<i>2009</i>	<i>2012</i>
<b>Effectiveness of internal audit</b>	<b>D+</b>	<b>D+</b>	<b>C+</b>
(i) Coverage and quality of the internal audit function.	D	C	C
(ii) Frequency and distribution of reports	C	B	B
(iii) Extent of management response to internal audit findings	D	D	C

*Source: 2006, 2009, 2012 PEFA reports*

#### **4.4.5 I.4.3.5. Modern revenue and cash management system introduced**

There are multiple stakeholders involved in the revenue forecasting. The Tax Policy Unit of the MoF co-ordinates the tax revenue forecasting, while the Non-tax Revenue unit co-ordinates the forecasting of non-tax revenues. The Tax Policy Unit employs a simple in-house model for forecasting tax revenues, using macroeconomic variables as GDP, inflation and average yearly exchange rate and is based on a simple extrapolation of the effective tax rate for previous years. Other variables determining the economic developments that may affect production, imports and exports are not considered. As such, the simple model is relatively effective in its simplicity during years with no major shocks. It does however lack the required sophistication to incorporate macro-fiscal volatilities, which have been particularly important to the Ghana's context. The trend of revenue performance is summarised below, showing significant deviations from the norm.

Figure 29 Trend of revenue performance of selected categories



Source: GoG Fiscal Tables.

With regards to cash management, a Cash Management Committee was established in 2008 and meets each week. It receives input from separate revenue and expenditure sub-committees on revenue collections, expenditure payment priorities and government financing needs. However, the cash management committee does not sufficiently analyse financial plans from MDAs or assist with the re-alignment of releases to achieve macro/fiscal related goals.

There have been a number of related reforms to improve cash management, most notably under the GIFMIS, which includes a cash management module including cash forecasting, managing funds, recording bank interests/charges and undertaking basic reconciliations of payments. However, given the scope of the GIFMIS, actual expenditure predictions are of limited value. Five major areas, where GIFMIS would significantly improve cash management in its current functional capacities are outlined in the table below.

Table 19 GIFMIS contribution to cash management

1	A budget preparation/ compilation system is in place and integrated with the treasury system. After the budget is finalised it is available to the core treasury system to post transactions. No separate load is required.
2	Line ministry budget administrators are directly connected to the system and enter transactions in the system.
3	Selective commitment recording in place in IFMIS and also used for payment control. The treasury loads commitment transactions in the system.
4	There is full P2P transaction coverage for goods and services. All stages of the transaction such as a PO, contract/GRN, and invoice are entered in the system.
5	Payment transactions from IFMIS are routed to the TSA Bank via an automated system (e.g. Swift)

Source: Authors' assessment of critical system functionalities

On the downside, budget releases have been frequently late, which 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 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.

Further problematic to cash management is that government bank accounts are not regularly swept and consolidated for investing in short-term money markets, meaning that there is an increase in avoidable interest expenses, a decrease in potential interest revenue and increased risk for unauthorised withdrawals. This is discussed in more detail above under I.4.3.2. PEFA related scores to cash management are summarised in the table below.

Table 20 Management of cash balances, debt, and guarantees

PEFA Indicator (PI17)	2006	2009	2012
<b>Recording and management of cash balances, debt and guarantees</b>	<b>C</b>	<b>C</b>	<b>C</b>
(i) Quality of debt data recording and reporting	B	B	B
(ii) Extent of consolidation of the government's cash balances	C	C	C
(iii) Systems for contracting loans and issuance of guarantees.	C	C	C

Source: 2006, 2009, 2012 PEFA reports

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

EQ4 (PFM) – Main findings and sources of information	
<b>JC42: External oversight in relation to financial accountability and the fight against corruption has become more effective</b>	
I.4.4.1 Quantity and quality of external audit assessments	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>The timeliness of audits follows good international practice. The GAS presents parliament with audit reports within the statutory foreseen period.</li> <li>The ability of the GAS to produce meaningful and comprehensive audits is constrained by fragmented financial statements across government entities. This makes strategic, thematic and performance audits difficult.</li> <li>Only statutory fund expenditures are subject to rigorous ex-ante internal control mechanisms, constraining effective external audit coverage.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.4.4.2 Improved external control by Parliament	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>The timely production of financial statements and frequent audit reports ensures that the Parliament receives audit reports timely.</li> <li>However, Parliament is constrained by resources and capacity and cases remain backlogged.</li> <li>There is limited evidence of effective follow up on irregularities.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.4.4.3 Existence of credible feedback loop with civil society during budget formulation and execution	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>A citizen's budget is getting produced regularly since 2009.</li> <li>CSOs still comment on the opaque budget process and inability to effectively participate.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.4.4.4 Improvements in the legal and policy framework for the fight against corruption	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Ghana has a strong legal anti-corruption framework in place, which was strengthened with the adoption of the National Anti-Corruption Action Plan by Parliament in 2014.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.4.4.5 Adequate capacity of key public institutions involved in the fight against corruption to implement the legal and policy framework	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>There is an implementation gap yielding on the one hand a strong legal and policy framework, but on the other limited evidence that the capacity and willingness to strictly enforce these has improved.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>Interviews.</li> </ul>

#### 4.5.1 I.4.4.1. Quantity and quality of external audit assessments

Both, the quantity and quality of external audit assessments has remained largely unchanged over the evaluation period. The timing of audits has benefitted from the full introduction of GIFMIS that has enabled controlling officers to produce timely financial statements and the Controller and Accountant General to compile. The Audit office has reportedly received the financial statements from the controller before March 31st since 2014, which is one quarter after the fiscal year end and follows good international practice. Further, the quality of financial data from GIFMIS has reportedly improved, following introduction of binding internal controls. This allows for more comprehensive and in-depth audit assessments than was previously the case.

A major concern remains that financial statements are only on the Consolidated fund (CF) not on the Statutory Funds, DP programmes/projects and retained IGFs and, therefore, do not provide a complete overview of the financial position of GoG. Other financial statements (e.g. for MDAs and Statutory Funds like DACF) are audited and presented to the Parliament, but these remain fragmented. Completeness of financial statements is thus rated C repeatedly and has not improved over the evaluation period. Given that accounts remain fragmented, not much progress would be warranted in the rating since 2013.

The Ghana Audit Service conducts regular financial audits annually, as well as performance audits, and systems audits, though the latter not for the entirety of the budget. Themes for performance audits are selected based on public interest. Themes are however not done comprehensively or on an annual basis. Capacity to conduct thematic audits remains a major bottleneck and the GAS continues to outsource much of the work to private contractors including supervision of the work. Financial audits cover systemic issues however only for 10% of the overall audit and there is limited evidence for strategic prioritisation.

Table 21 Quality and Timeliness of Annual Financial Statements

PEFA PI25	2006	2009	2012
Completeness of financial statements	C	C	C
Timeliness and submission of financial statements	A	A	A
Accounting standards used	C	C	C

Source: 2006, 2009, 2012 PEFA reports

#### 4.5.2 I.4.4.2. Improved external control by Parliament as evidenced by the time gap between production of financial reports and legislative scrutiny and the capacity of Parliament to consume audits and follow up on recommendations

The Parliamentary Public Accounts Committee (PAC) receives audit reports timely, in part due to the timely production of financial statements and frequent audit reports. All in all the PAC receives audits within 6 months of the year covered for CF and MDAs audited accounts. The 2014 audit assessment for example was presented in 2015.

Further, all audits are published on the website of the GAS<sup>71</sup>. The PAC meets regularly to review all irregularities identified in the audit report and makes recommendations regarding each, which are published. There remains however a backlog given the volume of work and resources available. Recommendations are insufficiently well followed-up and flagged issues keep reoccurring. Claims to get through back logs first are not credible, as old reports can be fast tracked through the legislative process on the basis of untimeliness and irrelevance. Civil society has reportedly claimed that delays are due to political interference. Notable is that Parliament has conducted in-depth hearings with television and radio coverage by inviting ministers of state, heads of department and other officers linked to audit findings. Irregularities which may be due to corruption are referred to the Attorney General Office for prosecution.

Further, Parliament lacks the resources and capacity to conduct sufficient analysis of the government policies. The policies and financial statement presented to Parliament are not accompanied by thorough analysis of each new policy. As a result policies tend to get approved by the House even when the opposition parties may have dissenting views against some of the new policies. Incumbent governments usually have majority members in Parliament and thus manage to pass their bills notwithstanding the opposition. (Oppong 2014)

<sup>71</sup> These can be accessed here: <http://www.ghaudit.org/gas/site/reports>

Table 22 *Scope, Nature, and Follow up of External Audit*

PEFA PI26	2006	2009	2012
Scope/nature of audits performed	B	B	C
Timeliness of submission of audit reports to legislature	C	B	B
Evidence of follow up on audit recommendations	C	C	C

Source: 2006, 2009, 2012 PEFA reports

#### 4.5.3 I.4.4.3. Existence of credible feedback loop with civil society during budget formulation and execution

According to discussion with civil society there has been insufficient progress since the 2010 report from the Ghana Aid Effectiveness Forum “Spending Wisely: A Budget Reform Action Plan for Ghana”. CSOs commented on the opaque budget process and inability to access information on actual expenditures during and after the budget year, and some institutions, like the National Health Insurance Authority, were reportedly particularly opaque. CSOs suggest that there is no forum or platform for the general public to raise questions on the budget process and fiscal reports. The information available to civil society by 2015 is summarised in the table below.

Table 23 *Information available to civil society and the public at large*

Information for Public Access	Status
Annual budget documentation when it is submitted to the legislature	Yes
In-year budget execution reports within one month of their completion	Yes
Year-end financial statements within 6 months of completed audit	Yes
All external audit reports on consolidated operations within 6 months of completed audit	Yes
All contract awards (with value above approx. USD 100,000 equivalent) published at least quarterly	No
Resources available to primary service unit (such as elementary schools or primary health clinics) at least annually	No

Source: Open Budget Index 2015

A citizen’s budget is however getting produced regularly since 2009 that summarises the fragmented budget sources, including in native languages. The open budget index (OBI) has improved from 42 in 2006 to 51 in 2015, which is just above the regional average. Contributory is also the Public Interest and Accountability Committee, which has the mandate to monitor the government’s petroleum resources and make information available to the public at large. Since 2011 four annual and four semi-annual reports have been produced.

However, the feedback from civil society remains a concern, and is suggestive of ineffective outreach. Further, the budget timetable is too tight, for government to realistically absorb comments civil society. The Open Budget Index (2015) notes that pre-budget consultations are held with civil society organisations and the private sector but too late in the budgeting process to realistically influence actual allocations and priority setting. While an OBI of 51 is an improvement, the score means that the government provides limited information to the public.

#### 4.5.4 I.4.4.4. Improvements in the legal and policy framework for the fight against corruption

Ghana has a strong legal anti-corruption framework in place. Anti-corruption policies have focused on establishing an adequate institutional framework against corruption, through the establishment and strengthening of a number of anticorruption bodies and committees such as the Commission on Human Right and Administrative Justice (CHRAJ), the Economic and Organised Crime Office, and the Ghana Audit Service. The Ghanaian judiciary is legally independent from the executive and legislative branches.<sup>72</sup> Over the last decade the legal and regulatory framework was strengthened. For example, the Anti-Money Laundering Regulations, 2011 (L.I. 1987); the Internal Audit Regulations, 2010; and the Audit Service Regulations, 2011 were established/amended. Further, the National Anti-Corruption Action Plan (NACAP) developed and presented to Parliament, where it was subsequently approved.

The Ghana Audit Service is governed by both the Constitution of 1992 and the Internal Audit Agency Act 2003 (Act 658), which mandate the agency to audit all public accounts. While the law establishes it as an independent institution, this independence is limited in that it is not guaranteed consistent funding, and is

<sup>72</sup> The Ghanaian Constitution of 1992 provides in its article 125 that “neither the President nor Parliament nor any organ or agency of the President or Parliament shall have or be given final judicial power.”

not authorised to refer cases to the prosecutor office. It can only submit its recommendations to the parliament.

The integrity of the laws governing the civil service is arguably the weakest and has not improved much over the evaluation period. While there is a Whistleblower Act (Act 720, 2006) that protects those who report cases of corruption from recrimination or other negative consequences, this law does not specifically require civil servants to report cases of alleged corruption in the public sector. The law also does not prohibit cronyism, nepotism and patronage in all branches of government and the civil service law of 1993 (PNDCL 327) does not place any restrictions on civil servants entering the private sector after leaving office. (Ghana Global Integrity Survey 2016)

#### **4.5.5 I.4.4.5. Adequate capacity of key public institutions involved in the fight against corruption to implement the legal and policy framework**

Ghana still faces implementation challenges in practice, despite a strong legal framework. This implementation gap is reflected by the country scoring very well in terms of the quality of its anti-corruption law but very poorly in terms of law enforcement in Global Integrity 2009's scorecard.

The Global Integrity Survey indicator 2 of 2015 reports that, in practice, Ghanaian judges were not influenced in their decisions, and the judiciary was effective in exercising checks over public institutions. Judges give reasons for their rulings, referencing specific laws they used to decide the matter.

Despite the Ghana Audit Service lack of funding independence (the only way for the Audit Service to secure funding is to submit a request to the Ministry of Finance, which then seeks parliamentary approval before disbursing the funds), the Ghana Audit Service was found to be making independent assessments and producing critical reports including the Ministry of Finance. About ten reports per year have been produced with recommendations to parliament on whether to prosecute or note. However, the GAS has suffered from fiscal pressures stemming from the overall volatile macroeconomic environment. This has curtailed its ability to pursue progress in forensic or performance audits.

## **4.6 JC45. BS contribution**

The eSurvey has yielded rather positive responses to the PFM reform and the contribution of budget support to it. Out of 88 respondents 82% indicated that they believed budget support to have advanced in the last ten years, almost half of which indicated that it advanced to a great extent.

An important direct contribution of budget support was the predictability of budget support, especially in the early years when it was noted to have played a balancing role to a volatile macro-fiscal environment thus providing some predictability of budget availability. PEFA scores for deviation of actual budget support from the forecasts were repeatedly rated A. It can also be viewed as balancing resources to at times overly optimistic revenue predictions. As such budget support directly contributed to improved budget performance at least at the aggregate level.

Budget Support DPs have put a strong emphasis on PFM in the provision of their support and stakeholders note that budget support had a positive impact on the pace and content of the reform. Disbursement conditionalities were set throughout the budgeting cycle, and supplemented by considerable analytical work, technical assistance, and parallel accompanying investments. Through the PAF, budget support 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/amended after clearly being targeted for reform by the MDDBS partners who also provided accompanying technical assistance in these areas. Amongst others, the GIZ's Good Financial Governance Programme delivered technical assistance toward that end.

A number of DPs were particularly active in terms of providing complementary technical and financial support, most notably the World Bank, the UK (DfID) and Germany (GIZ & KfW) on budgeting, and budget execution, while Germany, the EU, Canada (CIDA), and Denmark (DANIDA) were most actively involved in external scrutiny and audit (see also table below).

Table 24 Matrix of Donor Interventions in PFM

	IMF	WB	UK	Germany	EU	Canada	Denmark
Credibility of the budget	x	x		x			
Policy based budgeting	x						x
Predictability and Control in Budget Execution	x	x	x	x	x		
Accounting, Recording and Reporting		x	x		x		
External scrutiny and audit				x	x	x	x

Source: Authors' compilation based on documentary review.

The MDBS was already recognised for providing a 'useful forum for policy dialogue' by the 2012 PFM evaluation (Betley and others 2012, p.33). The dialogue 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. The 2007 and 2009 review for example highlighted inefficiencies surrounding fragmented banking modalities, and the dialogue around budget support subsequently was able to elevate discussions from a technical dimension to a political one that was necessary to garner momentum. However, these technical assessments were being produced in the absence of a clearly articulated reform strategy and recommendations thus tended to be ineffective and insufficiently sequenced. This limited the absorptive capacity of the government, and 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 government. A 2016 IMF technical note makes this especially clear in the opening remarks, noting that "*fiscal rules, medium-term budget plans, and annual budgets are meaningless if expenditure cannot be controlled during execution*" (Pattanayak 2016, p. 1)<sup>73</sup>. Stakeholders noted that the MTEF had high-level support including from DPs, which helped set off the system. However, it was viewed as a Ministry of Finance project with insufficient spending agency buy-in.

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 MDBS Review even though it was only partially met. Only in the 2008 MDBS Aide Memoire, was the respective indicator considered as not met, which is shortly before the BPEMS effort was abandoned. Another example of ineffective dialogue was with regards to the TSA. While budget support conditionality measures and the ensuing dialogue helped raise the profile of the discussion, the donors (in this case the World Bank) could not come to an agreement with government on the scope of the reform. The related policy action pertaining to implementing a TSA was dropped and subsequently the operation did not pass internal quality assurance procedures as the operation was deemed to have insufficient institutional depth and actions were considered reversible. Progress with regards to expanding the coverage of the TSA has since been limited.

Budget Support was accompanied by parallel investment measures such as the GIFMIS, substantial technical assistance, capacity building activities, and analytical services, which have been central in the development and implementation of the reform programme.

The complementarity of budget support to parallel investments such as advisory services to accountability institutions or GIFMIS was mixed. On the one hand, there has been some positive experience with budget support providing the impetus to for example updating the chart of accounts. The introduction of an updated chart of accounts is at least in part attributable to extensive dialogue of BS partners and the inclusion of a related condition in 2011. 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 co-ordinated and BS appropriately leveraged. Based on this budget execution reports can be broken down into detailed functional, economic, and administrative classifications. Analytical work by BS partners identified this as a pertinent issue. In 2005 a joint external review recommended that the chart of accounts would be "rearranged and simplified" (World Bank 2005, p.34). The 2007 ODI evaluation followed up on this and cited the chart of accounts as problematic, in determining for example gender specific activities. PFM sector working group minutes have in due course outlined how these would be harmonised and eventually facilitate performance based budgeting. They also note that monthly financial statements would be monitored as generated through GIFMIS, which shows both budget and expenditure using the same chart of accounts.

<sup>73</sup> The paper can be accessed at: <http://www.imf.org/external/pubs/ft/tnm/2016/tnm1602a.pdf>

On the other hand, there were significant missed opportunities. The parallel financing of the GIFMIS and TSA set up the necessary physical infrastructure, but this alone cannot ensure that it was effectively used. As discussed above, the GIFMIS system that has been implemented is fully functional. However, for it to be effective for budget management it must cover the majority of the budget, which it currently is not. This was not addressed through budget support and is an opportunity going forward. Further, BS partners could have been more vocal in the context of the MDBS PAF. For instance, the importance of the TSA has been recognised in the dialogue and was indeed incorporated into some of the BS conditionalities.<sup>74</sup> PFM technical working groups were also monitoring progress against the TSA. However, the modality that was eventually pursued could not address the basic associated budget management problems as the reform agenda was based on information sharing and connecting accounts, rather than closing accounts and sweeping balances to the Treasury. Such reform is much more difficult to implement as there are high vested interests. During the time of stark fiscal slippages, DPs should have had sufficient leverage but failed to exercise this. The TSA is also an important precondition for the fully functioning of the GIFMIS, which is an explicit accompanying measure. In this regard, opportunities for synergies have been missed, and the GIFMIS still does not have access to balances that remain idle.

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<sup>74</sup> The first tranche of the World Bank Economic Governance and Poverty Reduction Credit (2009) had as a conditionality that the client “opened a single treasury account in the Bank of Ghana and has identified the MDAs’ accounts to be connected”.



## 5 EQ5 - Local governance

EQ5 – Local governance	To what extent has budget support contributed to strengthening local governance?
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### 5.1 JC51. Enabling legal and institutional framework for decentralisation strengthened

EQ5 (Local governance) – Main findings and sources of information	
<b>JC51: Enabling legal and institutional framework for decentralisation strengthened</b>	
I.5.1.1 Development of a coherent policy and action plan for decentralisation	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>The first National Decentralisation Action Plan (NDAP) Plan was issued in 2003 but lacked a sufficiently strong mechanism for inter-ministerial co-ordination.</li> <li>From 2007 onwards (time of major policy review), the policy framework was strengthened as witnessed by the comprehensive Decentralisation Policy Framework, action plan and related Intergovernmental Fiscal Framework issued in 2010 and 2014 respectively.</li> <li>The overall policy and strategic framework was updated in 2015 and endorsed by the President.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review: <i>GoG policy documents (GSGDA, DPF, NDAP), studies such as 2007 policy review and subsequent annual decentralisation reviews</i>.</li> <li>Interviews: <i>DPs, IMCC</i></li> </ul>
I.5.1.2 Development and approval of legislative instruments for decentralisation of functions and staff to MMDAs	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Administrative aspects of decentralisation were supported with the passing of the LG Instrument no 1961 in 2009.</li> <li>Reform work has since then supported the development of major pieces of legislative reform: a comprehensive Local Governance Bill was presented to Parliament in 2016.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review: laws and draft legislation, <i>annual decentralisation reviews</i>.</li> <li>Interviews: <i>DPs and IMCC</i>.</li> </ul>
I.5.1.3 Development of institutional arrangements for management of decentralisation reforms	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>In the beginning of the evaluation period the MLGRD co-ordinated decentralisation reforms but faced challenges with co-ordination of sector ministries.</li> <li>From 2010, the IMCC was established with a stronger institutional mandate – initially chaired by the Vice President and later the President of Ghana.</li> <li>The IMCC secretariat was strengthened through the evaluation period.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review: <i>2007 Policy Review and annual decentralisation reviews</i>.</li> <li>Interviews: <i>DPs and IMCC</i>.</li> </ul>

#### 5.1.1 I.5.1.1. Development of a coherent policy and action plan for decentralisation

The decentralisation reforms have throughout the evaluation period been guided by various Government policies and action plans. The quality of the policies and plans has continuously been strengthened during the evaluation period and provides in its most recent versions a clear direction of reforms – in particular with regards to the overall legal and administrative aspects of reforms. The first National Decentralisation Action Plan (NDAP) Plan was issued in 2003 by the Ministry of Local Government and Rural Development (MLGRD). The plan succeeded in guiding some practical aspects of co-ordination of the sector such as prompting the development of harmonised modalities for DPs support to MMDA fiscal and capacity support (the later DDF), but, as noted by the 2007 Decentralisation Review, it did not provide coherent policy guidance for harmonising various conflicting interpretations of decentralisation. In particular, education and health sectors continued at the local level to be managed outside the local government institutions. GoG pursued work on a more comprehensive reform policy that has resulted in:

- Ghana Decentralisation Policy Framework (DPF) 2010-2014 – issued by the Inter-Ministerial Co-ordinating Committee (IMCC) in 2010,
- National Decentralisation Action Plan for the period 2010-2014 – (the first NDAP issued by IMCC).
- Intergovernmental Fiscal Framework (IGFF) – issued by the Ministry of Finance February 2014 to support the implementation of the DPF but covers the period up to 2018.

- National Decentralisation Policy for the period 2015-2019 issued by IMCC in 2015 with foreword by the President
- National Decentralisation Action Plan (NDAP) for the period 2015-2019 issued by IMCC in 2015.

These revised policies and plans have subsequently led to recent traction with both legal reforms as well as aspects of administrative decentralisation discussed further below. The table below provides a simple overview of development of policies, plans and legislation pertaining to decentralisation in Ghana.

*Table 25 Overview of policies, plans and legislation guiding decentralisation in Ghana 1992 – 2016*

Year	Key Decentralisation Policies, Legislation and Sector Plans
1992	Constitution of Ghana; Chapter 20: "Decentralization and Local Government": "Ghana shall have a system of local government and administration which shall, as far as practicable, be decentralized..." The constitution also establishes the District Assemblies' Common Fund (DACF) and provides that 'not less than 5% of the total revenues of Ghana' be paid into it for use in district assembly development. Provisions for the President to appoint the District Chief Executive as well as up to a third of the assembly members are also found in the constitution.
1993	Civil Service Law, 1993 (PNDC Law 327).
1993	Local Government Act, 462 of 1993 provides more operational details for operation of the local governments, including broad guidance for functional assignments (but with contradictory sector legislation).
1993	The District Assemblies Common Fund Act, 1993 (Act 455).
1994	The National Development Planning (System) Act, 1994 (Act 479) and the National Development Planning Commission Act, 1994 (Act 480).
2003	Financial Administration Act, 2003 (Act 654) (sections affecting MMDAs).
2003	The Local Government Service Act 2003 (Act 656).
2003	The Institute of Local Government Studies Act, 2003 (Act 647).
2003	Ministry of Local Government and Rural Development (2003): National Decentralisation Action Plan (NDAP) towards a sector Wide Approach for Decentralisation Implementation in Ghana (2003-05).
2003	Internal Audit Agency Act, 2003 Act 658 (sections affecting MMDAs).
2003	Public Procurement Act, 2003 (Act 663) (sections affecting MMDAs).
2004	Financial Administration Regulation, 2004 (Legislative Instrument 1802) (sections affecting MMDAs).
2009	Local Government (Departments of District Assemblies) (Commencement) Instrument, 2009, L.I. 1961.
2010	Local Government (Urban, Zonal and Town Councils and Unit Committees) (Establishment) Instrument, 2010 (Legislative Instrument 1967).
2010	Ghana Decentralisation Policy Framework (DPF) 2010-2014 – issued by IMCC.
2010	National Decentralisation Action Plan for the period 2010-2014 – (the first NDAP issued by IMCC).
2011	Government published its White Paper on the Report of the Constitutional Review Commission accepting some of the recommendations as they affect local government and decentralisation. These include the removal of the Member of Parliament from mandatory membership of the MMDA; review of the procedure for the selection of the District Chief Executive for further transparency; and citizen participation, accountability and effective devolution of power. However, the White Paper did not accept the proposition about introducing popular elected chief executives for urban local governments.
2014	Intergovernmental Fiscal Framework (IGFF) – issued by the Ministry of Finance February 2014 to support the implementation of the DPF but covers the period up to 2018 only
2015	National Decentralisation Policy for the period 2015 – 2019. Issued by IMCC, with a foreword by the President in July 2015.
2015	National Decentralisation Action Plan (NDAP) issued by IMCC with a foreword by the President in July 2015.
2016	Proposed comprehensive Local Governance Bill submitted to Parliament.
2016	Draft legalisation for decentralisation of education and health, completed based on a consultative process but not yet (May 2016) submitted to Parliament.

Source: *Particip GmbH 2016 (author's own compilation).*

### **5.1.2 I.5.1.2. Development and approval of legislative instruments for decentralisation of functions and staff to MMDAs**

Administrative decentralisation in Ghana was given a major boost with the enactment of the Local Government (Departments of District Assemblies) (Commencement) Instrument, 2009, L.I. 1961, long anticipated under section 164 of the Local Government Act, 1993, Act 462. L.I. 1961 necessitated the restructuring of the public administration system for effective local governance to reflect, among other things, the mergers and amalgamations of Departments of the MMDAs occasioned by the enactment of the Instrument.

The L.I. made a distinction between “Schedule I Departments” that would enable immediate integration of ten decentralised departments within the MMDAs and “Schedule II Departments”, where the effective integration of these departments within the MMDAs would require additional legal amendment. The latter related in particular to the education and health sectors that encompass the by far largest local sectors.

GoG has recently (in 2015 and 2016) made significant progress with some of the very challenging legal reforms. The draft legislations for decentralising education and health are in very advanced stages (draft bills have been prepared and a series of stakeholder consultations have been undertaken including with select parliamentarians – however these bills have not yet been formally tabled in parliament). The Local Governance Bill 2016 is in a more advanced stage and has been tabled Parliament 1 March – this Bill presents a critical legal benchmark for the decentralisation reforms (see box below with key highlights).

*Box 18 The Local Governance Bill 2016*

The Bill seeks to amend and consolidate a range of key laws affecting local governments and decentralisation in Ghana. This includes five major pieces of legislation: the District Assemblies Common Fund Act (Act 455, from 1993), the Local Government Act (Act 462, from 1993) the National Development Planning Systems Act (Act 480 from 1994), the Local Government Service Act (Act 656 from 2003) and the Internal Audit Agency Act (Act 658 from 2003). The Act is still to be debated and possibly approved by Parliament. However in its present form it already present major improvements in the clarity and guidance of local governance and decentralisation reform along the principals of the decentralisation policy. The Bill is very comprehensive and includes numerous proposed improvements and changes – the main highlight of the Bill includes:

- Legal provisions for popular participation; mandatory public hearings as well as rights of citizens for access to information from the assemblies,
- Clarification on what constitute decentralised departments: specific clarifications regarding the devolution of health, education and fishery sectors as well as de-concentration of fire services
- Guidance and clarification of administrative decentralisation and human resource management. The Bill specifically clarifies that the powers “to hire and fire” ultimately is to be devolved to the assemblies,
- Clarification of the procedures for internal audit that empowers the elected part of assemblies (Presiding Member) to take action,
- Clarification of the roles of the Regional Co-ordinating Councils as deconcentrated levels of governance – with specification of their functions as well as their source of revenue<sup>75</sup>,
- Legal establishment of the Inter-ministerial Co-ordinating Committee on Decentralisation (IMCC) (part nine of the Bill, clauses 204-210) – the functions and composition of the committee, the technical committee as well as the secretariat of the IMCC,
- Clarification of the planning powers of the assemblies and procedures for cross sectoral co-ordination,
- Limitations of the powers of the President with regards to creation of new MMDAs and limits of the powers for suspension of MMDAs.

### **5.1.3 I.5.1.3. Development of institutional arrangements for management of decentralisation reforms**

The institutional arrangements for management of decentralisation reforms have changed significantly over the decade. The Ministry of Local Government and Rural Development (MLGRD) were in the beginning of the evaluation period designated as the sole lead GoG institution for decentralisation policy development. However, it proved impossible for the ministry to ensure adequate cross-sectoral co-ordination among other ministries that felt that the mandate of the MLGRD only extended to the local government sector per se<sup>76</sup>. The reform deadlock led to a search for alternative institutional arrangement for overall reform co-ordination, where e.g. the 2007 joint Policy review recommended initiation of strong inter-ministerial co-ordination through the office of the Vice president.

An Inter-Ministerial Co-ordinating Committee (IMCC), chaired by the Vice-President, was established by Cabinet in June 2009 with the aim of addressing reform issues, which cannot effectively be dealt with by

<sup>75</sup> This particular aspect of the Bill diverges from good international practice as it proposes funds partly to come from the Common Fund and partly from the Driver and vehicle Licensing Authority rather than consolidated budget.

<sup>76</sup> See Joint Policy Review 2007.

MLGRD due to this Ministry's placement as a line ministry at par with other line ministries<sup>77</sup>. The IMCC has been instrumental in pushing the reform forward, initially manifested in the transfer of staff to the Local Government Service and the roll out of composite budgeting – the later more profound progress of legal reforms has also primarily been driven by the IMCC.

In April 2012, under the 'Ghana Decentralisation Support Programme (GDSP) Component 1', reference 2011/022-108, the European Development Fund (EDF) agreed with GoG through the Ministry of Local Government and Rural Development (MLGRD) to provide programme support for the establishment of the IMCC Secretariat. Under it, an Annual Joint Decentralisation Review Mission would be fielded to review the progress of implementation of the DPF and the NDAP.

The IMCC was initially led by the Vice President of Ghana (then John Dramani Mahama), but when he took office as President on 24 July 2012 following the death of his predecessor, John Atta Mills he choose to continue to offer his services as chairman of the IMCC (rather than delegate this to his Vice President) which obviously led to a significant political strengthening of the institutions.

## 5.2 JC52. Fiscal framework for decentralisation strengthened

<i>EQ5 (Local governance) – Main findings and sources of information</i>	
<b>JC52: Fiscal framework for decentralisation strengthened</b>	
I.5.2.1 Establishment of policy and legal framework for fiscal decentralisation	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>The legal and policy framework for fiscal decentralisation has not changed fundamentally over the evaluation period although some significant changes can be observed with regards to (i) amendment of the DACF Act, (ii) the development of an Intergovernmental Fiscal Framework (IGFF), (iii) development of composite budgeting for MMDAs and (iv) recent proposed legislation to allow for local government borrowing.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: laws and draft legislation, <i>annual decentralisation reviews</i>.</li> <li>Interviews: <i>DPs, IMCC and FDU of MOF</i>.</li> </ul>
I.5.2.2 Levels of financing of MMDAs (absolute and as share of GoG revenue)	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>The DACF has increased from 5% to 7.5% of net GoG revenue.</li> <li>However, other revenue sources such as own revenue or other GoG (non DACF) fiscal transfers have not increased substantially.</li> <li>While DACF has increased, local governments have experienced an increase of decentralised responsibility and witnessed substantive central deductions of the DACF allocations.</li> <li>In summary, local governments have not yet witnessed any significant increase of fiscal resources relative to overall increases of GoG budget or their own expenditure assignments.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: <i>Ministry of Finance analyses of composite budget experiences</i>.</li> <li>Statistics: budget and expenditure analyses,</li> <li>Interviews of MLGRD, NALAG, MOF, IMCC and DPs.</li> </ul>
I.5.2.3 Reliability (actual allocations/budget) and timeliness of transfers	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Fiscal transfers (both DACF and especially sector specific GoG non salary allocations) have proved unreliable (frequent delays).</li> <li>Improvements have occurred in most recent fiscal year where SBS support included requirements of reliable and timely DACF transfers.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: <i>Ministry of Finance analyses of composite budget experiences</i>.</li> <li>Statistics: budget and expenditure analyses,</li> <li>Interviews of MLGRD, NALAG, MOF, IMCC and DPs.</li> </ul>

### 5.2.1 I.5.2.1. Establishment of policy and legal framework for fiscal decentralisation

The legal and policy framework for fiscal decentralisation has not changed fundamentally over the evaluation period although some significant changes can be observed with regards to (i) amendment of the DACF Act, (ii) the development of an Intergovernmental Fiscal Framework (IGFF), (iii) development

<sup>77</sup> At the time of its establishment, the Members of the IMCC included the ministers of MoFEP, MLGRD, MoFA, MoE, MoH, MoJ & AG and the Chairman of NDPC. Ex-Officio members include Minister PSRS, Head of Civil Service and Head of LGSS.

of composite budgeting for MMDAs and (iv) recent proposed legislation to allow for local government borrowing.

The DACF is guided by provisions in the 1992 constitution and District Assemblies Common Fund Act, 1993 (Act 455). The law initially mandated government to allocate 5% of total tax revenue to the Fund to be utilised by Metropolitan, Municipal and District Assemblies (MMDAs) for national development. The Act was amended in 2007 and the DACF was increased to 7.5% following an increase in the number of MMDAs from 138 to 170<sup>78</sup>.

An Intergovernmental Fiscal Framework (IGFF) was developed in 2008 and later revised more comprehensively February 2014 to support the GoG Decentralisation Policy Framework (2010). The IGFF was accompanied by an implementation action plan for the period 2014 – 2018. A key reform issue is how to finance the big sectors that are intended for devolution (in particular health and education). The IGFF and a later fiscal decentralisation study (2015) provide broad guidance but not yet detailed plan for implementation (or costing). However, the study did confirm the fact that once education and health funding are decentralised it will lead to very substantive (possibly around 400%) increase of MMDAs budgets.

The MoF established in 2011 a Fiscal Decentralisation Unit (FDU) to spearhead work on fiscal decentralisation. From 2012, it succeeded in completing a process of composite budgeting for all MMDAs with publication of all MMDA budgets from 2012 onwards on its website.<sup>79</sup>

Some elements of the proposed Local Governance Bill (2016) relate to local government fiscal issues (see above). In addition, a draft Local Government (Borrowing) Bill was developed and is (still) under discussion in 2016. The Bill suggests measures to allow MMDAs to borrow for development and is likely to be of significant relevance for the larger urban local governments.

The work on fiscal decentralisation within MoF has in particular been supported by TA from the World Bank financed Local Government Capacity Support Project (LGCSP); however, MDBS triggers have included the development of an IGFF (in 2008).

### 5.2.2 1.5.2.2. Levels of financing of MMDAs (absolute and as share of GoG revenue)

The District Assembly Common Fund (DACF) is the main revenue source for the MMDAs – in 2014 it constituted 74% of actual MMDA revenues (see table below). Funds from DPs (mainly the DDF and World Bank financed Urban Development Grant) and MMDAs own internally generated Funds (IGFs) constitute the rest of MMDAs revenues.

Table 26 Actual Expenditures MMDA Financing of Projects and Services (million cedi)

	2012	2013	2014
GoG Goods and services	3	5	4
CAPEX	0	0	0
DACF	572	648	955
DDF/UDG	156	118	184
IGF	126	143	146
<b>Total</b>	<b>857</b>	<b>914</b>	<b>1,289</b>

Source: MoF 2015: Three Years of Composite Budgeting

The DACF is according to law entitled to a specific share of total GoG Tax revenue. The Constitution sets the minimum to 5% while a later amendment of the District Assemblies Common Fund Act, (Act 455) increased the amount to 7.5% following an increase in the number of MMDAs from 138 to 170.

MOF budget allocations to MMDAs through the DACF is thus not for debate and negotiations but set by law and DACF budget allocations have therefore been relative stable over the evaluation period when calculated as share of total GoG tax revenue.

However, three important issues emerge when actual allocations are compared to actual expenditures of the entire GoG budget over the evaluation period (see also table below):

1. There are significant annual fluctuations in actual DACF expenditure which is a reflection of the frequent delays in transfers of funds.
2. The DACF share of total expenditure decreased as per cent of total expenditure even when the share of net revenue was increased from 5% to 7.5% in 2008. This is partially due to the fluctuations discussed above and partly because significant GoG revenue such as oil revenue is

<sup>78</sup> DACF Administrator Flynn.

<sup>79</sup> <http://www.mofep.gov.gh/?q=divisions/fdu/local-government-composite-budget-in-ghana-documentation>

not included as the basis of the calculation of the 7.5% allocation of the DACF from GoG Net Revenue.

3. DACF share of non-salary budget has remained high and been increasing in recent years (as salaries take up a greater part of total GoG expenditures).

Table 27 DACF Share of Total GoG Expenditures

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>GoG exp. - Total</b>	<b>2,683</b>	<b>3,839</b>	<b>4,988</b>	<b>7,356</b>	<b>8,068</b>	<b>10,535</b>	<b>13,361</b>	<b>22,678</b>	<b>25,581</b>	<b>32,425</b>	<b>35,312</b>
GoG exp. - Salary	824.3	1,137.0	1,418.8	2,349.2	2,887.2	3,620.0	5,648.6	9,049.7	10,312.2	11,034.4	12,916.8
GoG exp. - Goods & Services	310.5	427.7	565.0	648.5	621.2	961.8	723.9	1,321.8	938.5	1,776.6	1,388.2
GoG exp. - Grants to other units (incl. DACF)	387.1	383.3	683.6	671.0	558.4	974.1	1,312.8	1,978.1	2,154.6	2,353.5	4,272.1
GoG exp. - Interests	354.0	393.4	440.0	679.2	1,032.3	1,439.4	1,611.2	2,436.2	4,397.0	7,080.9	9,075.3
GoG exp. - Subsidies	41.2	214.6	31.8	260.1	41.8	131.1	0.0	809.0	1,158.1	473.7	25.0
GoG exp. - Other (Reserve & Arrears clearance)	111.4	138.7	269.0	417.3	794.8	1,022.0	1,835.6	2,827.3	2,328.0	3,512.9	1,893.0
<b>DACF exp.</b>	<b>93.9</b>	<b>104.7</b>	<b>143.0</b>	<b>104.7</b>	<b>143.0</b>	<b>252.1</b>	<b>153.5</b>	<b>410.3</b>	<b>622.0</b>	<b>330.3</b>	<b>1,470.4</b>
DACF share of total exp.	3%	3%	3%	1%	2%	2%	1%	2%	2%	1%	4%
DACF share of non-salary exp. (excl. subsidies & interests)	13%	13%	11%	8%	12%	13%	8%	12%	20%	8%	26%

Source: GoG Fiscal Tables; IEG 2016.

### 5.2.3 I.5.2.3. Reliability (actual allocations/budget) and timeliness of transfers

GoG only started to monitor MMDA budget implementation effectively from 2012 when the composite budget exercise was implemented. The FDU of MOF undertook in 2015 an analysis of experiences of composite budgeting (partly in response to the introduction of such monitoring as PAF target in the MDDB support from 2012).

Prior to the introduction of composite budgeting in 2012, the DACF was the only real fiscal transfer included within MMDA budget – other sector specific funding was released through respective sector ministries, but from 2012 these were allocated as direct transfers to the MMDAs (categorised in the table below as Goods and services (“G&S”) and Capital expenditure (“CAPEX”). As evident from the table below, these sector specific transfers have proved highly problematic; for the three years under review, out of the total budgeted amount of GH¢ 33 million only 8 million representing about 25% was released to the departments. With respect to capital budgets, no releases were made. Releases for DACF, DDF and UDG were higher as compared to sector specific grants. With regards to DACF, out of the total amount budgeted; the total releases amounted to approximately 65%. DDF was transferred almost in accordance to budget (98%). The transfers from DDF also include a part of DACF monies, representing GoG counterpart funding and a loan component from GoG for the World Bank financed UDG. IGF budgets appeared also fairly reliable as 87% of the budgets were realised.

Table 28 Total Budget and Actual of Revenues- 2012-2014 (million cedi)

	G&S		CAPEX		DACF		DDF/UDG		IGF	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
2012	5	3	2	0	847	572	124	157	126	126
2013	13	5	31	0	1,149	648	190	118	163	143
2014	14	4	2	0	1,370	955	157	184	188	146
<b>Total</b>	<b>33</b>	<b>8</b>	<b>35</b>	<b>0</b>	<b>3,366</b>	<b>2,175</b>	<b>470</b>	<b>459</b>	<b>477</b>	<b>416</b>

Source: MOF 2015 based on Budget Statement and MMDAs Composite Budget for 2012-2014

### Sector Specific Grants

The most challenging aspect of local government financing has been with regards to the planned sector specific grants. These funds constitute only a small portion of total MMDA budgets (about 2%), but the poor performance of these allocations are nevertheless worrisome in view of future plans for fiscal decentralisation that to a larger extent will rely on such transfers (for education and health in particular).

The current areas of specific transfer expenditures are Agriculture, community development and Social Welfare, Feeder and Urban Roads, and Town and Country Planning. These have since 2012 been included in the annual budget guidelines and transferred direct to the departments mentioned above. For the period under review the total budget allocations amounted to GH¢42,571,822.

Of the total budgeted amount, the total releases only amounted to GH¢8,373,481. The releases represented about 20% of the budget. Both budget and actual allocations are widely considered inadequate<sup>80</sup> and MMDAs are in reality expected to finance the proviso of these recently decentralised departments from the DACF and IGF:

Table 29 Sector Specific (Goods & Service) Transfers -2012-2014 ('000 cedi)

Departments	2012		2013		2014	
	Budget	Actual	Budget	Actual	Budget	Actual
Agriculture	11,725	1,732	6,793	1,882	6,095	2,764
Community Development	785	171	2,856	90	1,861	267
Social Welfare	363	133	1,661	101	1,093	130
Town & Country Planning	650	4	1,015	16	776	117
Feeder Roads	1,079	57	2,459	699	1,916	96
Urban Roads	285	34	835	5	326	77
<b>TOTAL</b>	<b>14,886</b>	<b>2,130</b>	<b>15,618</b>	<b>2,792</b>	<b>12,067</b>	<b>3,451</b>

Source: MoF budget releases for 2012-2014 analysed by MOF 2015.

The DACF is constitutionally defined and is, as discussed above, by far the most important revenue source for MMDAs. However, effectiveness and responsiveness of the DACF as MMDA funding modality is affected by several factors. The most well-known are (i) the extent to which central government manages central deductions and (ii) off-loading various central government programmes and non-capital/development expenditure items onto the DACF.

The trends of earmarking DACF are illustrated in the table below. The direct allocations have increased slightly in recent years but still only constitute 39% of total DACF, just as the centrally managed allocations have remained constantly high (at around 40%).

Table 30 Centrally Managed DACF Allocations 2012 – 2014

	2012	2013	2014
Indirect allocations	27%	26%	22%
Direct allocations	30%	35%	39%
Centrally managed deductions	43%	38%	40%
Total	100%	100%	100%
<b>Total (million cedi)</b>	<b>857.7</b>	<b>1,116.5</b>	<b>1,369.8</b>

Source: MoF 2015 - Three Years of Composite Budgets

Centrally managed deductions refer to payments made by the central government on behalf of the MMDAs in respect of goods and services under the formal responsibility of the MMDAs. In the past, this has included (a) cost of fumigation (b) waste management services provided mostly by Zoomlion and a few other waste management companies (c) centrally procured items for MMDAs e.g. vehicles etc. In recent years the centrally managed deductions have also included GoG counterpart funding for the DDF.

The indirect allocations refer to payments made by the DACF Administrator on behalf of individual MMDAs for goods and services provided to service providers based on a request by the specific MMDAs supported by Resolutions passed by individual MMDAs authorizing the transaction(s) e.g. payment for

<sup>80</sup> MOF 2015 op cit.

(a) earth moving equipment for road constructions (b) contracts for emergency construction (c) supply of furniture and office supplies (d) vehicles.

The main difference between the two is that centrally managed deductions essentially are the results of central government priorities in budgeting whereas the indirect allocations simply are procurement delegations by the MMDAs to DACF but still a reflection of local budget prioritisations.

The allocations for MMDAs (less the central deductions) are implemented through the use of a formula that is annually approved by Parliament. The DACF annually issues guidelines for use of the funds by MMDAs. In recent years, the MMDAs have been allowed to use up to 10% of the DACF on recurrent administrative issues in realisation of the fact that MMDAs have no other reliable source of funding of such recurrent expenses.

### 5.3 JC53. Local government capacities and local accountability improved

<i>EQ5 (Local governance) – Main findings and sources of information</i>	
<b>JC53: Local government capacities and local accountability improved</b>	
I.5.3.1 Establishment of functional (staffed) departments for decentralised functions	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>The basic legal framework for establishment of several (schedule I) decentralised departments and staffing of these was enacted in 2009, but practical implementation has been slow although picking up lately.</li> <li>The legal framework for creation of education and health departments under the local governments is in its final stage, but had not yet been tabled by Parliament.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: <i>local government legislation and draft bills for decentralisation of education and health, annual reviews of decentralisation.</i></li> <li>Interviews: <i>IMCC, DPs.</i></li> </ul>
I.5.3.2 Evidence of improved local government planning and budget capacities (FOAT assessments, etc.)	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Planning capacities of local governments have gradually improved since 2008.</li> <li>Since 2012, all local governments have undertaken composite budgeting that gradually is becoming more comprehensive.</li> <li>Composite budgets for all local governments have since 2012 been posted on the Ministry of Finance website.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: annual decentralisation reviews,</li> <li>Statistics: <i>Annual FOAT assessments since 2008,</i></li> <li>Interviews: <i>MLGRD, MOF/FDU, DPs</i></li> </ul>
I.5.3.3 Evidence of improved local government procurement and financial accounting capabilities (assessment made in audit reports, etc.)	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Gradual improvements can be noted in local government procurement and accounting over the decade.</li> <li>However, reports of the Auditor General indicate that significant challenges remain.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: <i>Annual decentralisation reviews and evaluations of LG capacity building.</i></li> <li>Statistics: FOAT assessments since 2008, Audits Reports of Auditor General.</li> <li>Interviews <i>MLGRD, AG, DPs.</i></li> </ul>
I.5.3.4 Evolution in local participation, transparency and accountability	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Legal changes – including Constitutional amendments – have been debated to allow for local election of all councillors and local control of the executive – but were in the end rejected.</li> <li>Voter turn-out in local elections have declined and are significantly lower than at national elections.</li> <li>On the positive side, the decade has witnessed some increase in local governments' social policy measures and greater transparency in budgets.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Documentary review: annual decentralisation reviews from the last decade,</li> <li>Statistics: electoral commission data on voter turnout,</li> <li>Interviews with <i>NALAG, MLGRD, DPs, CSOs,</i></li> </ul>



### 5.3.1 I.5.3.1. Establishment of functional (staffed) departments for decentralised functions

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 decentralised '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. The LI made a distinction between those departments that practically could be decentralised without further legal amendments (the Schedule I Departments) and those that required further legal amendment before practical transfer (Schedule II Departments). The practical process progressed slowly, as the 2014 joint decentralisation review noted:

*Schedule I Departments.*

*In practice, only the Department of Social Welfare and Community Development (DSWCD) has been effectively integrated into the MMDAs with their Heads of Departments (HODs) appointed nation-wide after public advertisements and competitive interviews. A re-orientation workshop was also organised for the new HODs in Kumasi on 28 April 2014.*

*Advertisements for HODs of the Works Departments of the MMDAs comprising the former Public Works Department (PWD), Department of Feeder Roads (DFR) and the Works Departments of the MMDAs themselves were placed in the print media and are currently being processed for the competitive interviews to be conducted.*

*The Agricultural Extension Services Department and the Department of Agricultural Engineering are now fully integrated into the MMDAs.*

*That leaves six of the Schedule 1 Departments, which are yet to be effectively integrated into the MMDAs. Thus though the pace has picked up, it is still too slow and at the current pace of two Departments per year, it will take six years for only the Schedule 1 Departments to be fully integrated into the MMDAs.*

Progress has since then picked up. In June 2016, the status was that also Physical Planning, Urban Roads and Trade And Industry is well under way of being integrated.

The so-called Schedule II departments, in particular the large education and health sectors, are still awaiting legal reform before the decentralised departments can be established as fully integral parts of the MMDAs. The decentralisation reforms have led to advanced stage of draft legislation that is still pending for Parliamentary discussion.

The 2014 Review noted a close relationship between progress of administrative decentralisation and EU SBS:

*Ministerial realignment as a sub-component of administrative decentralization is being undertaken by the Management Services Division of the OHCS<sup>81</sup>. The Division has produced a roadmap under which realignment of seven Ministries is to be completed in 2014 and four Ministries in 2015. The major challenge that it is facing is funding, which was due to come from the EU Support for Decentralization which has been withheld for reasons explained elsewhere in this Aide Memoire. The Division has nevertheless been able to mobilize some internal resources and is currently on the job. Assets transfers, which form part of the process of ministerial realignment, will also require legal backing.*

### 5.3.2 I.5.3.2. Evidence of improved local government planning and budget capacities (FOAT assessments, etc.)

The annual assessment of local government capacities using the Functional and Organisational Assessment Tool (FOAT) provides some insights into general trends of MMDAs capacity development over the years. The FOAT includes a number of assessment criteria, mainly related to MMDAs adherence to GoG guidelines, rules and regulation for planning, HRM, PFM, etc. The assessments have taken place on a fairly regular basis since 2008. They intend to review the MMDAs performance in the previous year. The number of MMDAs has increased during the years from 138 to 216 as indicated in the table below, but trends over the years can be compared by looking at e.g. percentage of MMDAs that pass the minimum conditions for DDF funding or the relative performance measurements (the following table)

The share of MMDAs that, on an annual basis, fulfil the minimum conditions for access to DDF funding as per the annual FOAT gives a rough indicator of overall performance. As evident from the table below, there has been a continuous increase over the years, most significantly from the starting baseline of 36% (which was based on analysis of MMDAs performance in 2006) to 94% in 2010 (that was based on assessment of the performance of the MMDAs during 2009). In the subsequent year, there is a significant

<sup>81</sup> Office of the Head of Civil Service.

increase of MMDAs that all manage to perform well – and the percentage of MMDAs that manage to pass the minimum conditions further increases to 99%.

**Table 31** Fulfilment of Minimum Conditions (FOAT I to VII)

FOAT Circle No.	Assessment Year	Year of implementation	No. of MMDAs	No. of MMDAs Assessed	No. of MMDAs Fulfilled in MC	% Fulfilled MC
1	2006	2008	138	138	50	36
2	2008	2009	170	169*	134	79
3	2009	2010	170	169*	159	94
4	2010	2011	170	169*	164	97
5	2011	2012	170	170	164	96
6	2012	2013	216	216	205	95
7	2013	2014	216	216	215	99

Note: Biakoye DA was not assessed under FOAT II, III & IV.

Source: MLGRD FOAT Assessments 2008 to 2014 (latest report dated November 2014)

The Performance Measures (PM) of the MMDAs have also been increasing over the years of assessment. The national average has increased from 47.4% in 2006 to 92.2% in 2013.

**Table 32** DDF Performance Measures & National Averages (FOAT I to VII)

FOAT Circle No.	Assessment Year	Year of implementation	No. Of MMDAs	No. Of MMDAs Assessed	No. Of MMDAs Fulfilled in MC	Performance Measures (%)		PM National Average (%)
						Max.	Min.	
1	2006	2008	138	138	50	73	25	47.4
2	2008	2009	170	169	134	91	38	61.9
3	2009	2010	170	169	159	96	20	73.7
4	2010	1011	170	169	164	97	59	83.6
5	2011	2012	170	170	164	97	49	82.4
6	2012	2013	216	216	205	100	55	86.4
7	2013	2014	216	216	216	98	72	92.2

Note: Biakoye DA was not assessed under FOAT II, III & IV.

Source MLGRD FOAT Assessments 2008 to 2014 (latest report dated November 2014)

Another measure of quality of the planning and budgeting is the effective roll out of composite budgeting. This was initiated in 2012 and has since then been applied by all MMDAs in Ghana. All budgets for all MMDAs are published by the MOF (FDU) on its website.<sup>82</sup>

The capacity building support for improving MMDAs planning and budget capabilities have largely come from DDF funding, whereas support for MoF composite budgeting inter alia has come from Germany.

### 5.3.3 1.5.3.3. Evidence of improved local government procurement and financial accounting capabilities (assessment made in audit reports, etc.)

The FOAT assessments cited above include assessments of MMDAs PFM practices. The trends of scoring for all aspects of performance follows similar patterns over the years: after the first years assessments most MMDAs approached close to maximum possible score. The table below indicates the average scores for MMDAs in the most recent FOAT within the functional areas: planning, financial management and procurement, where MMDAs on average score above 90% in all areas.

**Table 33** FOAT Scores of select MMDA capacities Financial Year 2013<sup>83</sup>

	Maximum Expected Scores	Average score	Percentage (%)
Planning and Budgeting	18	16.5	91.6
Financial Management	20	18.6	93.0
Procurement	7	6.5	92.9

Source: MLGRD FOAT Assessments 2008 to 2014

<sup>82</sup> <http://www.mofep.gov.gh/?q=divisions/fdu/local-government-composite-budget-in-ghana-documentation>

<sup>83</sup> Assessment was undertaken in 2014 and included all 216 MMDAs.

However, the relative high scores of the FOAT are not fully supported by findings of the Audit General. The table below summarises findings from the Auditor-General Reports on the Management and Utilisation of the District Assemblies Common Fund (DACF) and other Statutory Funds for the year ending 2010, 2011, 2012 and 2014. These reports have over the years revealed deficiencies in the operations of the Assemblies such as unsubstantiated payments, MPs Funds not accounted for, misappropriation and misapplication of funds, payments of judgment debts and so on. The Audit reports attribute these to the weakness in the internal control and management of the Assemblies – as well as lack of central government oversight and follow up.

**Table 34** Summary findings of Auditor General Audits of MMDAs 2010 - 2014<sup>84</sup> (million cedi)

	2010	2011	2012	2014
Cash irregularities	28.7	31.2	29.2	9.7
Contract management irregularities	12.3	8.4	11.9	5.2
Procurement and Stores irregularities	2.5	4.2	6.7	2.9
Tax irregularities	0.1	0.2	0.7	0.3
<b>Total mismanagement identified by AG</b>	<b>43.7</b>	<b>44.0</b>	<b>48.4</b>	<b>18.1</b>

Source: Auditor General Audits of MMDAs 2010 - 2014

The table indicates that overall levels of financial mismanagement has remained at similar for the period 2010 to 2012 but apparently dropped in 2014.

One possible explanation for the improvements could be the significant emphasis on PFM issues in the FOAT score (that provides MMDAs with incentives to improve performance) as well as the high prioritisation of PFM issues in training programmes funded under the DDF (table below).

**Table 35** Relative subject emphasis of DDF funded training (2010 – 2013)

FOAT Area	Types of training funded by DDF	Number of staff trained	Share of staff trained
Functional Capacity in Financial Management and Accounting	Techniques in Internal Auditing Accounting and Composite Budget Manual Internal Auditing and Financial Regulations Revenue Mobilisation and Accounting Assets and Contract Management Documentation and Record management	4,145	46%
Functional Capacity in Procurement	Public Procurement Management Strategies and Techniques in Modern Procurement	1,290	14%
General Capacity of Assembly and other areas of performance	Management and Leadership Skills, Minutes and Report Writing Training Needs Assessment Introduction to Admin Instructions in the LGS HR Management and Development Practice Capacity Impact Assessments Database Management	3,547	40%
<b>Total</b>		<b>8,982</b>	<b>100%</b>

Source: Shawbell Consulting 2015: Review of the Capacity-Building Component of The District Development Facility, Final Report Submitted To The Swiss State Secretariat For Economic Affairs (Seco) June 15 2015

Another alternative explanation could be an improvement in the basic qualification of the finance and accounting staff in MMDAs. The evaluation cited above<sup>85</sup> suggested that the basic calibre of PFM staff in MMDAs had been a stumbling block for capacity building:

<sup>84</sup> For 2014: Report of the Auditor-General on the Management and Utilisation of District Assemblies' Common Fund (DACF) and other Statutory Funds for the year ended 31 December 2014, for the other years summary of audit findings as recorded in the report: Shawbell Consulting 2015: Review of the Capacity-Building Component of The District Development Facility, Final Report Submitted To The Swiss State Secretariat For Economic Affairs (Seco) June 15 2015.

<sup>85</sup> Shawbell Consulting 2015: Review of the Capacity-Building Component of The District Development Facility, Final Report Submitted To The Swiss State Secretariat For Economic Affairs (Seco) June 15 2015.

It is reported that as at the third quarter of 2014, out of a total staff strength of about 4,230 who manage the treasuries and accounts of MMDAs across the country at the CAGD, there were 225 qualified accountants. This comprises a little over just 5% out of the total corps of this important class of staff.

### 5.3.4 I.5.3.4. Evolution in local participation, transparency and accountability

This section explores the following issues:

- Elections of local councillors and participation in local elections,
- Involvement of non-state actors in local governance,
- Progress of activities related to the “social agenda” of the NDAP,
- Publications of local government budgets and accounts.

#### A. Elections of councillors

According to the (1992) Constitution of Ghana, the President appoints the political heads of the MMDAs (the Chief executives) as well as third of the members of the assemblies. Compared to most other countries, Ghana has in this way a rather strong central government control of the political representatives and a corresponding lower level of direct local accountability of the assemblies and political heads of the assemblies. Since 1992, there has been a continued public debate about whether these aspects of the local government system should be reformed: to make assemblies fully elected and have the assemblies led by popular elected mayors/chairpersons. However, the ruling parties have always preferred to keep the presidential powers and the Constitution Review Committee that was set up in January 2010 suggested only minor amendments to this arrangement in their report submitted December 2011: primarily that direct elections for chief executives should be introduced gradually starting with the larger urban local governments (the metropolitan and municipal assemblies). However, the Government response was that such changes would be unacceptable and that the current system should continue<sup>86</sup>.

During the period under evaluation, elections for local governments have taken place in 2014, 2010 and 2006. National elections are undertaken in a parallel election cycle with a two-year gap between the national (Presidential and Parliamentary) elections and the local government elections. The table below presents data on the relative voter turn-out of the local government elections and national (Presidential) elections. The relative levels of participation are very different with voter turn-out at local government elections being very significantly lower than national elections. In addition, a worrisome trend can be observed with ever decreasing levels of voter turn-out at local government elections: Almost being halved from 39% in 2006 to only 22% at the most recent local government election compared to 80% for the most recent Presidential elections.

Table 36 Voter turn-out in local and national (presidential) elections in Ghana 2004 – 2015

Year	Local	National
2004		85%
2005		
2006	39%	
2007		
2008		73%
2009		
2010	35%	
2011		
2012		80%
2013		
2014		
2015	22%	

Source: Electoral Commission of Ghana

<sup>86</sup> White Paper on the Report of the Constitution Review Commission of Inquiry ([http://ghanaoilwatch.org/images/Articles/crc\\_white\\_paper\\_report.pdf](http://ghanaoilwatch.org/images/Articles/crc_white_paper_report.pdf))

## **B. Involvement of Non-State Actors in Local Governance**

The latest official Review (2014) noted that non-state actors' involvement in local governance has been limited with no real progress over the years, but that planned legislation was intended to further facilitate involvement of non-state actors. This relates to Part three of the draft consolidated Local Government Bill that incorporates large sections on the involvement of non-state actors in local governance. It seeks to incorporate among others draft guidelines on "Managing Relations between Assemblies and Traditional Authorities at the Local Level" (August 2013), which has been submitted to the Ministries of Chieftaincy and Culture and of Local Government and Rural Development for approval.

A related issue is the non-functionality of the current sub-district structures. The current NDAP clearly recognises that sub-district structures are non-functional: many committees are never elected because of lack of interest, and there is lack of clarity of functions of these structures – and, importantly, no financial or human resources to allow them to function. The NDAP states that MLGRD would undertake a study and devise a strategy for reform. This has not yet happened.

## **C. Social Agenda**

The 2014 Review noted:

*[...] activities under the social agenda policy measure remain the least implemented of the entire NDAP. A number of reasons account for this*

- *First of all, the education and health sectors are not on the decentralization schedule and because the bulk of the social agenda activities are in those two sectors, they are being implemented centrally by the Ministries, Departments and Agencies (MDAs) in those two sectors.*
- *Second, most of the women and children related activities are not being implemented by the MMDAs because the Department of Women and the Department of Children are not yet decentralized (devolved). The policy decision has now been taken to devolve the two Departments for them to function as Departments of the MMDAs.*
- *Third, the youth employment programmes, instead of being decentralized, are almost all being implemented as national programmes by central Ministries, Departments and Agencies (MDAs).*
- *Fourth, the Public-Private Partnership (PPP) policy launched in 2012 is designed as a national-level policy and is not at all MMDA-friendly. This shortcoming has been identified and work is ongoing to revise the Policy to make it suitable for use by MMDAs.*
- *Fifth, women's participation in local governance is yet to be increased and made more effective because the existing National Affirmative Action Policy is yet to be converted into legislation to enable enforceable directives to be issued for their implementation at the district level.*
- *Sixth, the local programmes on HIV-AIDS, health disability, ageing, poverty reduction and registration of births and deaths which all feature on the Social Agenda policy measure will all benefit from the establishment of the Department of Social Welfare and Community Department of the District Assembly and the appointment of their Departmental Heads; the decision to restore Health and Education to the decentralization schedule; and the enactment of the revised Registration of Births and Deaths Act, 1965, Act 301, to establish the Registry of Births and Deaths as a Department of the District Assembly.*

## **D. Publications of local government budgets and accounts**

Since 2012, the MoF has started to release the budgets of all MMDAs on the MOF website. The annual composite budgets for each of the MMDAs also include summary data on budget execution for the previous years.<sup>87</sup>

## **5.4 JC54. BS contribution**

The specific contributions of BS on the observed changes are challenging to establish not least because also many other forms of aid have been provided in direct support to decentralisation and local governance (see the Inventory in Annex 4 in Volume 3). Nevertheless, it can certainly be concluded that BS modalities have had a positive impact on the direction of decentralisation reform just as the sector has benefitted from significant complementarities and synergies between the many DP specific interventions in support of decentralisation.

Data from the eSurvey indicated (see details of the survey in Annex 6 in Volume 3) that:

- About 80% of the respondents found that budget support had contributed some or a great extent to decentralisation reform processes and policy implementation. A significantly more positive

<sup>87</sup> See: <http://www.mofep.gov.gh/?q=divisions/fdu/local-government-composite-budget-in-ghana-documentation>

response than e.g. informants' assessment of BS on private sector development, corruption or civil service reforms.

- About 75% of the respondents found that other forms of aid also to some or great extent had contributed to progress on decentralisation reforms

At GBS level, the inclusion of certain targets or triggers related to decentralisation in the MDBS PAF has focused stakeholders' attention on important issues. In general, decentralisation reforms has featured relatively high and consistently on the agenda for GBS dialogue as decentralisation several decentralisation specific issues every year have been included in the annual PAF and often been linked to fiscal incentives (triggers for release of variable tranche, etc.). This includes indicators related to:

- IMCC establishment (target in 2010);
- Decentralisation Policy and Action Plan (trigger in 2011);
- Strengthening capacities of the LGS (trigger in 2009) – not least in combination with the TA provided by both Danida and EU;
- Development of IGFF (trigger in 2008<sup>88</sup>);
- Composite Budgets for all MMDAs in 2012 budget and onwards (target in 2012 also technically supported by several project TA operations);
- Baseline for transfers to MMDAs (the composite budget analysis by MoF).

SBS (see box below) is more recent, but has had significant impact on the performance of the IMCC and key aspects of administrative decentralisation. GoG decided to administer the SBS as a form for pooled funding for IMCC recommended activities as a dedicated IMCC account was opened for management of the EU SBS by the IMCC secretariat. This enabled the IMCC to have a very direct role in overall support to decentralisation reforms (beyond just “co-ordination”). Certain aspects of the reforms delayed in the absence of SBS funding (particular activities related to ministerial realignment and consultations on various legal amendments) – and gained momentum when it effectively started (in 2014).

It is difficult to determine the relative importance of SBS preparatory activities and other TA for achievement of the above mentioned developments. However it can be noted that:

- The Local Government Service Secretariat (LGSS) has been supported with substantive TA from both Danida and EU;
- The WB supported Local Government Capacity Support Project (LGCSP) has provided TA for fiscal decentralisation within the MOF/FDU;
- The MoF has received support from PFM Reform Programme (PFMRP) for development of various PFM activities also at MMDA levels.

*Box 19 Expected Key Results and Activities of EU SBS for decentralisation*

**Expected results:**

1. Comprehensive legislative and regulatory framework is in place for effective decentralisation;
2. Administrative, financial management and Human Resource capacity of the Metropolitan, Municipal and District Assemblies (MMDAs) and other local government stakeholders improved to ensure quality service delivery;
3. Funding and financial management of MMDAs improved;
4. Ministries to be decentralised are realigned to perform their new mandates and functions;
5. Feeder road network improved.

**Activities:**

1. Drafting of bills to be submitted to the Parliament;
2. Restructuring (or realignment) of all ministries identified for decentralisation;
3. Integration of devolved departments into MMDAs;
4. Timely District Assemblies Common Fund (DACF) disbursement of funds to MMDAs;
5. Maintenance of feeder roads.

*Source: 2015 Rider to the EU SBS Financial Agreement.*

Other DPs support – not directly linked to BS – has also been very important for some achievements observed in the area of decentralisation and local governance. For instance:

<sup>88</sup> The practical development of IGFF has also been largely supported by a direct support provided by the WB which included TA focusing on this theme.

- Capacity building in the form of training and equipment's for MMDAs – this has largely been funded from the DP pooled DDF rather than being fully on GoG budget;
- Progress on property taxation has primarily 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 World Bank and AFD.

## 6 EQ6 - Policy formulation & implementation processes

<b>EQ6 – Policy formulation &amp; implementation processes</b>	<b>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)?</b>
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### 6.1 JC61. The legal framework, the policy processes and the quality of the policies and strategies improved overall

<i>EQ6 (Induced effects) – Main findings and sources of information</i>	
<b>JC61: The legal framework, the policy processes and the quality of the policies and strategies improved overall</b>	
I.6.1.1 Changes in the national development policy framework and in the strategic frameworks covering the key priority areas / sectors supported by BS	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>The national development policy framework and the sector strategic frameworks have continuously improved during the period.</li> <li>However, there has been a lack of prioritisation at both sector and national level.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Documentary review.</li> <li>eSurvey.</li> <li>Interviews.</li> </ul>
I.6.1.2 Evidence of strengthened consultation processes leading to the drafting / revision of policies	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Consultation processes have been increasingly participatory.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.6.1.3 Integration of inclusion aspects in the drafting / revision of policies	
<b>Main findings:</b> <ul style="list-style-type: none"> <li>Issues related to inclusion have been increasingly well integrated in national policies and some sector strategic frameworks, but this has not been the case in all policy areas.</li> </ul> <b>Strength of the evidence base:</b> Strong	<b>Main sources of information:</b> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>eSurvey.</li> <li>Interviews.</li> <li>Documentary review.</li> </ul>

#### 6.1.1 I.6.1.1. Changes in the national development policy framework and in the strategic frameworks covering the key priority areas / sectors supported by BS

##### *Main findings & evidence related to the national development policy framework*

Although each new national medium term development plan largely built on the previous one, important evolutions took place and new priority themes emerged over the years as illustrated in the table below.

2011 WB – PRSC 7 programme document: *While the GSGDA and its predecessor the GPRSII share many objectives (including MDGs and access to Middle Income Status) and means to achieve them (e.g. education and skill development, access to health, malaria control and HIV/AIDS prevention and treatment, social protection, access to water and sanitation, housing and slum upgrading and population management, integration of traditional authorities in formal institutional structures), they also differ in several respects, reflecting political differences and changing realities.*

*While the GPRS II emphasized the centrality of private-led growth to reduce poverty, the GSGDA stresses the need for the Government to focus on agriculture, fisheries, SMEs, sanitation and the Savannah region for poverty reduction. The GSGDA also acknowledges the centrality of macroeconomic stabilization (“seeking to address the macroeconomic challenges that had emerged at the end of 2008”<sup>89</sup>) to generate the fiscal space for investing in policies, programs and projects related to the enhancement of Ghana’s private sector competitiveness, accelerated agricultural development and natural resource management, improved infrastructure development, human resource development and job creation, and the consolidation of a transparent, accountable and efficient Government. New compared with the GPRSII is also the consideration in the GSGDA of challenges*

<sup>89</sup> Ghana Consultative Group Meeting 2010.



and opportunities related to the exploitation of oil and gas reserves starting in 2011 as far as growth, job creation, the environment and the non-oil sector are concerned.

Table 37 Focus of Ghana's recent medium term development plans

Medium term development plan	Main pillars / policy objectives	Special emphasis
GPRS I 2003-2005	<ul style="list-style-type: none"> <li>• Macroeconomic stabilisation.</li> <li>• Production and gainful employment (incl. Infrastructure, Modernised agriculture, Private sector development, Energy, Natural resources, etc.).</li> <li>• Human resource development and basic services.</li> <li>• Vulnerability &amp; exclusion.</li> <li>• Good Governance.</li> </ul>	Special emphasis on: <ul style="list-style-type: none"> <li>• Macroeconomic stabilisation;</li> <li>• Overall poverty reduction;</li> <li>• Human development / basic services.</li> </ul>
GPRS II 2006-2009	<ul style="list-style-type: none"> <li>• Private sector competitiveness               <ul style="list-style-type: none"> <li>○ Private sector development,</li> <li>○ Business and investment environment for agriculture-led growth,</li> <li>○ Support services (transport, energy, S&amp;T),</li> <li>○ Additional sectors to support growth,</li> <li>○ Employment generation and improvement and expansion of safety nets.</li> </ul> </li> <li>• Human resource development.</li> <li>• Good governance and civic responsibility.</li> </ul>	Continuation of GPRS I with a special emphasis on the consolidation and deepening of growth.
GSGDA I 2010-2013	<ul style="list-style-type: none"> <li>• Ensuring and sustaining macroeconomic stability.</li> <li>• Enhancing competitiveness in Ghana's private sector.</li> <li>• Accelerated agricultural modernisation and sustainable natural resource management.</li> <li>• Oil and gas development.</li> <li>• Infrastructure, energy and human settlements.</li> <li>• Human development, productivity and employment.</li> <li>• Transparent and accountable governance.</li> </ul>	Special emphasis on: <ul style="list-style-type: none"> <li>• Macroeconomic stabilisation;</li> <li>• Agricultural modernisation;</li> <li>• Oil and gas;</li> <li>• Reduction of inequalities (incl. spatial inequality).</li> </ul>
GSGDA II 2014-2017	<ul style="list-style-type: none"> <li>• Ensuring and sustaining macroeconomic stability.</li> <li>• Enhancing competitiveness of Ghana's private sector.</li> <li>• Accelerated agriculture modernisation and sustainable natural resource management.</li> <li>• Oil and gas development.</li> <li>• Infrastructure and human settlements development.</li> <li>• Human Development, Productivity and Employment.</li> <li>• Transparent, Responsive and Accountable Governance.</li> </ul>	Continuation of GSGDA I with an increased emphasis on: <ul style="list-style-type: none"> <li>• Social protection.</li> </ul>

Source: Particip GmbH (based on national development policy documents).

Overall, the national policy framework has improved over the years regularly integrating lessons of the past. It has also largely benefitted from the strengthening of the strategic framework in place at sector level – see also the next sub-section.

However, there are still a number of weaknesses in the national policy framework such as the lack of prioritisation between policy objectives and an overall weak costing.

2015 WB appraisal document of the PFM reform project: *The GSGDA, while comprehensive, lacks a focus on prioritization and sequencing, and appears to be relatively unconstrained in its costing. This deficiency has flowed through to sector plans, which are required to be reflective of the GSGDA.*

### Main findings & evidence from the in-depth sector case studies

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, there have been regular adaptations of and improvements in the legal and policy framework which allowed filling gaps and responding to emerging needs. Several policy/strategy documents addressing most of the health sector's key issues have been developed. Overall, the sector strategic framework has improved during the evaluation period. It addresses both supply (CHPS, MAF) and demand for healthcare (NHIS), and is now coherent and rather comprehensive. However, some evidence points to some weaknesses in the quality of medium term development plans (and related annual operational plans), in particular a lack of

priorisation. Moreover, the overall policy framework appears only moderately realistic as not all policies turn out to be financially sustainable.

- In the ENR sector, the overall legal framework was mainly developed before the launch of the GoG NREG programme. In the mid-2000s, the lack of a comprehensive sector strategy on environment and natural resource management was identified as a major limitation for policy implementation and the mobilisation of resources to finance the existing sub-sector strategies. The GoG NREG programme launched in 2008 has been instrumental in shaping an overall sector strategic framework while strengthening the existing regulations. The choice to include the three sub-sectors of forestry, mining and environmental protection in one programme (NREG) has helped mainstreaming environmental governance across diverse policy areas. However, the sector remains characterised by a profusion of sub-sector policies sometimes not well connected between them and a poorly costed strategic framework.
- In the Agriculture sector, overall, the policy framework for the agriculture sector is considered to be coherent and relatively comprehensive. Various studies have noted, however, that the Medium Term Agriculture Sector Investment Plan (METASIP) is so broad that almost any programme can easily align with it thereby limiting its utility as a prioritisation mechanism and constraining the ability to develop a focused and tractable M&E system. Some evidence points to the fact that, in practice, METASIP serves more as a document to conduct dialogue among GoG and DPs, rather than a detailed operational guideline for agricultural policy.

### **Other relevant findings & evidence**

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 better reflect the evolving national policy framework which increasingly emphasised the key role of PSD in the country's development path. In particular, under the GSGDA framework, PSD was seen as a key driver of an “*employment-intensive economic growth and transformation*”. Beside the PSDS II, various other policies not always well connected between them covered specific issues related to PSD. For instance, a Ghana Industrial Policy, a Financial Sector Strategic Plan II (FSSP II), a National Expert Strategy for the non-traditional sector and a national policy on public-private partnership (PPP policy) were all finalised in 2011 (the same year as the second Private Sector Development Support Project (PSDSP II) was launched). A National Employment Policy was also launched a few years later (in 2014). All these policies reflect various policy actions (not always completely incoherent between them) planned by different public institutions (various agencies under the Ministry of Trade and Industry but also other ministries such as the Ministry of Finance) with no overarching ‘sector’ policies to provide clear overall guidance and prioritisation.

In the Education sector, the strategic framework 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, Information and communication technologies - ICT in Education, Vocational Education and Training – TVET, Inclusive Education – IE, 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 (with overall responsibility for the national curriculum and student assessment at the 1st and 2nd cycles), the National Inspection Board, and district assemblies.

2013 DFID – Ghana education SBS lessons learned: *Ghana’s aspirations for education are set out in the ten year Education Strategic Plan 2010-2020. The broad goals of the earlier ESP 2003-2015 remain, centred around universal access, improved quality and relevance, and greater efficiency. The new ESP 2010-2020 is expressed more around the organisation and structure of the education system, i.e. by sub-sector. Ghana has never had difficulty in articulating policy intent and the ESP 2010-2020 sets out the future vision. (...) Where Ghana has had less success is in resolve to implement, in particular to square up to some tough political decisions needed to establish a stronger basis for change.*

In the area of Anti-corruption, GoG adopted a National Anti-Corruption Action Plan (NACAP) in mid-2014, which had been under development since 2009.

2016 EU – Case study on the EU approach to good governance in Ghana: *the NACAP is based on the three main pillars of prevention, education, and enforcement, and has four strategic objectives: (1) to build public capacity to fight corruption; (2) to institutionalise efficiency, accountability and transparency in all sectors; (3) to engage with all stakeholders; (4) to conduct effective investigations.*

The adoption of the NACAP was the occasion for Ghana to engage in extensive stakeholder consultations. The Commission on Human Rights and Administrative Justice (CHRAJ) organised several National Integrity Conferences, such as that in 2011, which was supported financially by DANIDA (...) the conferences were attended by a wide range of experts from ECOWAS countries, the United Nations, and other international development partners

### 6.1.2 I.6.1.2. Evidence of strengthened consultation processes leading to the drafting / revision of policies

#### **Main findings & evidence related to the national development policy framework**

The GPRS II and GSGDA I & II were prepared in a participatory manner, with the active involvement of public and private sector agencies as well as civil society groups (including traditional authorities). The formulation of GSGDA led by the NDPC largely used the mechanism of cross-sectoral planning groups.

2008 EU Eligibility assessment of the MDG-C programme: *With respect to participation, the GPRS II was prepared by planning groups that included state and non-state actors. The public consultation process of the GPRS II included the submission of an early draft to Parliament (April 2005), workshops with Parliamentary select committees (June 2005), regional and district level consultations (May-June 2005), national level consultations (July-October 2005) and a review by policy think tanks and the private sector (August 2005).*

*(...) As part of the participatory process of formulating, monitoring and evaluating the GPRS II, the dissemination of APR continued in 2007 with workshops organized on the dissemination of 2006 APR in all the 10 regions to discuss the highlights of the report. The main objective of these workshops was to share information on progress towards the achievement of GPRS II targets with stakeholders and to obtain their feedback to inform decision-making.*

#### **Main findings & evidence from the in-depth sector case studies**

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, the consultation process during policy formulation has been very participatory and evidence-based. All the major actors of the health sector are invited to participate in key policy processes which largely rely on well elaborated sector dialogue structures defined in a regularly updated Common Management Arrangements (CMA) document.
- In the ENR sector, the policy formulation processes led by the relevant sector MDAs have benefitted from extensive consultations and comprehensive analytical work. In particular, a wide array of non-governmental and not-for-profit organisations have been identified and involved in various policy processes. Some policy processes have been particularly lengthy. For instance, the main policy document in the Mining sub-sector (the 'Minerals and Mining policy') started to be drafted in 1999 but remained a 'draft policy document' until it was updated in 2014, formally approved by GoG Cabinet in 2015 and officially launched in 2016.
- In the Agriculture sector, the preparation of policies (e.g. FASDEP I & II) followed a broad based technical and consultative process that involved key stakeholders involved in the agriculture sector at the national and sub-national levels. A few deficiencies in the local level consultations have been reported as, for instance, during the METASIP formulation. But, overall, there is consensus that FASDEP II and METASIP were developed in a consultative and inclusive process. In particular, the FASDEP consultation process began with inputs from inter-ministerial teams working on different areas of intervention. The inputs of the thematic groups were consolidated into an initial draft which was revised on the basis of comments from the MoFA and DPs. The second draft was then distributed widely and consultations held at regional workshops to seek the views of a wider cross-section of stakeholders.

### 6.1.3 I.6.1.3. Integration of inclusion aspects in the drafting / revision of policies

#### **Main findings & evidence related to the national development policy framework**

As explained in Annex 10 (Volume 3), gender issues have been increasingly well integrated in the national policy framework. In particular, the 'GSGDA I' foresaw a number of specific actions aiming at reinforcing and increasing the pace of implementation of the policy of affirmative action for women, such as: strengthening the institutions dealing with women's and children's issues; ensuring gender parity in education at all levels; reviewing and enforcing existing laws protecting women's rights and introducing new legislations to take care of existing gaps; and continue to formulate and implement gender policies

and legislative reforms aimed at attaining a minimum of 40% women's representation in Government and public sector appointments. At a broader level, the policy also set out to: enhance the capacity of relevant agencies to adequately enforce laws on family life (Domestic Violence, etc.); intensify advocacy for ratification of charters and domestication of international conventions, e.g. child labour (ILO Convention 182); mainstream Human Rights perspective into national development and promote human rights education at all levels; and ensure appropriate implementation of the National Disability Act, Early Childhood Care and Development Policy, Children's Act, Gender and Children's Policy, Human Trafficking Act and Juvenile Justice Act.

A specific 'National gender and children policy' was launched in 2004 with the view of better mainstreaming gender concerns in the national development process. A new policy ('National Gender Policy') was launched in 2015. The latest policy provides broad policy guidelines and defines the institutional framework for achieving gender equality and women empowerment in the country. It also provides a detailed understanding of the issues and strategies for addressing gender inequality in ensuring that women and men, the marginalised and the vulnerable, have a voice, to participate and benefit equally. The policy is structured around five thematic strategies:

- Women Empowerment and Livelihood;
- Women's Rights and Access to Justice;
- Women's Leadership and Accountable Governance;
- Macroeconomics, Trade and Industries (Economic opportunities for women); and
- Gender Roles and Relations.

Aspects related to socio-economic and geographical disparities have been regularly mentioned in national policy documents, often highlighting disparities in terms of access to basic services (especially education and health) between the three northern regions and the rest of the country. For instance, in the GPRS II, it was recognised that:

*2005 GPRS II: GPRS I has a number of limitations and bottlenecks. These included service delivery constraints and the persistence of regional differences in the distribution of some key outcomes in the health and educational sectors. The educational sector continues to be confronted with insufficient progress in primary school enrolment as well as geographical and gender disparities.*

The topics appear more prominently in the GSGDA framework where these issues are addressed not only in the policy pillars related to basic services but also in other ones such as the pillar 'Enhancing competitiveness in Ghana's private sector'.

*2010 GSGDA I: Pursue spatial and geographic industrialization: The MTDPF will aim to decentralize the industrialization agenda in order to exploit the resource endowments of Districts and the rural areas. (...) as part of measures to ensure even development across the different ecological zones in the country and to address the historical and current development imbalances, specific interventions to bridge the existing gaps between the North and the South and within other poverty endemic communities in the country especially the Central Region, will be adopted.*

The strategy further explains:

*2010 GSGDA I: Ghana has made great strides towards reducing poverty over the past two decades. Economic growth initiatives have been largely pro-poor. (...) However challenges still exist (...) policy issues include: income inequalities, rural and slum poverty, slow poverty reduction in the northern savannah and among women.*

*Bridging the development gap between the north and the south and reducing income inequalities and rural poverty is critical with respect to different ecological zones especially the northern savannah and different socio-economic groups especially women, the vulnerable and the excluded. The policy objectives in this regard are to reduce spatial and income inequalities across the country and among different socio-economic classes; strengthen the development planning system to integrate spatial/human settlement planning and socio-economic planning; and enhance access of the poor and vulnerable, especially women to comprehensive social protection systems and other economic opportunities. This development framework isolates these policy objectives for the purposes of ensuring that they receive considerable attention.*

In addition to addressing inequities in access to basic services in the specific interventions in the education and health sectors and to a number of smaller measures such as the promotion of employment generation at the local/ MMDAs level, the response to the above identified challenges foreseen in the GSGDA policy framework relies on two main areas of intervention:

- The consolidation of the national social protection framework to address socio-economic inequities and protect the most vulnerable groups of the population: in particular, this was to be achieved through the strengthening of the policy and legal framework and the upscaling of conditional cash transfer programmes such as the LEAP;

- The strengthening of the approach based ‘Special Development Areas’ (SDA, or Special Development Zones – SDZ) and regional ‘Development Authorities’ to address geographical disparities – see excerpt below.<sup>90</sup>

2010 GSGDA I: *Bridging the developmental gap between the northern and southern parts of the country has been a long-stated goal of most post-independence Governments of Ghana. The design of spatial planning zones or ‘special development areas’ is meant to focus policy, resources and actions on these areas as a means of reducing existing gaps in infrastructure, social and economic services in selected parts of the country in order to upgrade the weak economic and employment development capacities at the local level especially for the productive poor.*

*Special development areas such as those under [the Millennium Development Authority – MiDA] and [the Savannah Accelerated Development Authority – SADA] have been designated to bridge the spatial and income gaps between their areas of jurisdiction and the rest of the country. The coastal savannah region of Ghana, where poverty is deepening however needs urgent attention. Although these special development areas are provided for within the ambit of Ghana’s planning law, the legal frameworks for these SDAs have not provided for integration of these programmes within the prescribed planning architecture to ensure comprehensive planning, monitoring and evaluation for effective reduction of spatial and income inequalities in Ghana.*

*The policy measures to reduce spatial and income inequalities across the country and among the different socio-economic classes are the coordination and re-distribution of development projects and programmes in a manner that ensures fair and balanced allocation of national resources across the ecological zones, gender and income groups enhancing planning and coordination of the development of special development areas including SADA, MiDA, CEDECOM/Coastal Savannah, Bui City, etc.; reviewing legal frameworks for special development areas to conform to the national development planning laws and regulations; preparing district infrastructure development plans and improving business development services to facilitate local economic growth and private sector engagement; and stimulate the growth and development of small businesses with potential to offer employment opportunities to all.*

Issues related to regional disparities continue to be mentioned under various policy areas in the GSGDA II medium term development plan. In particular, the policy document clearly highlights the persisting challenges related to spatial inequalities and underlines the weak “targeting mechanism for poverty reduction interventions” which leads “to growing income disparities among socio-economic groups and between geographical areas.”

### **Main findings & evidence from the in-depth sector case studies**

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, as highlighted above, the consultation process during policy formulation has been very inclusive. Moreover, themes such as gender and regional disparities have been rather well integrated in the drafting and revision process of health policies.
- In the ENR sector, it appears that gender mainstreaming in the ENR strategic framework has remained extremely limited. With respect to the integration of issues related to geographical disparities, the evidence is even scarcer although the policy framework clearly aims at addressing social issues in specific areas / communities depending on mining and forestry activities for their livelihood and some aspects of the strategic framework related to climate change do cover issues of regional disparities.
- In the Agriculture sector, regional disparities – specifically the disparities between farmers in the North, where staple crops are cultivated under rainfed conditions with low input use, and the rest of the country – have been a central concern of all agriculture policies developed during the evaluation period. The gender balance of participants was taken into account during the consultation process to prepare FASDEP and METASIP but gender concerns are not well

<sup>90</sup> The idea of special development zones started in 2000, with the announcement of the Savannah Accelerated Development Programme (SADP) to address the regional disparities in the three northern regions of the country. In 2010 the SADP approach was further strengthened, through an act of parliament, which established the Savannah Accelerated Development Authority (SADA). SADA’s mandate is for the development of the Northern Savannah Ecological Zone (NSEZ). It is mandated to accelerate inclusive growth and transformation through strategic planning, resource mobilisation for private sector, social and infrastructure investments, as well as through development co-ordination. To replicate the SADA approach in other disadvantaged regions, bills have been submitted to parliament for the establishment of Western and Eastern Corridor Development Authorities. (source: 2015 AfDB & OECD & UNDP - African economic outlook - Ghana country report)

articulated in the documents themselves. There have been two specific gender policies for the agriculture sector (Gender in Agriculture Development Strategy – GADS, finalised in 2004 and GADS II launched in 2016) but these are rather stand-alone policies and the evidence shows that the initial GADS has been largely unimplemented.

## 6.2 JC62. Public sector institutional and technical capacities, incl. M&E capacities and systems, strengthened

<i>EQ6 (Induced effects) – Main findings and sources of information</i>	
<b>JC62: Public sector institutional and technical capacities, incl. M&amp;E capacities and systems, strengthened</b>	
I.6.2.1 Overall institutional framework for policy implementation strengthened	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• There have been some improvements at the level of inter-ministerial/inter-agency collaboration.</li> <li>• But, many policy areas have remained characterised by a high level of institutional fragmentation.</li> <li>• Despite improvements in some institutional mechanisms, public sector accountability has not significantly improved and public action is still undermined by strong political interference.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>
I.6.2.2 Adequate capacities (human resources, procedures, etc.) for planning and implementation in line ministries and relevant public institutions	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• Some positive initiatives to enhance planning capacities have been implemented.</li> <li>• But, the quality of budgeting and planning processes has remained very weak in most sectors.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Inventory of BS interventions.</li> <li>• Documentary review.</li> <li>• Interviews.</li> </ul>
I.6.2.3 Adequate capacities and systems for M&E of public policies in place and data produced is reliable, easily accessible and used by all relevant sector stakeholders	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>• M&amp;E capacities and systems have moderately improved in some sectors, but, overall, they remain sub-optimal.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>• Inventory of BS interventions.</li> <li>• eSurvey.</li> <li>• Interviews.</li> <li>• Documentary review.</li> </ul>

### 6.2.1 I.6.2.1. Overall institutional framework for policy implementation strengthened

A whole chapter of the GSGDA II has been dedicated to improving policy implementation (chapter 9 'Facilitating effective plan preparation and implementation') showing that national stakeholders are well aware of the major bottlenecks faced by the country's public institutions.

#### *Main findings & evidence from the in-depth sector case studies*

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, despite some improvements, the institutional framework stayed characterised by a high level of fragmentation. Some elements of the institutional framework (e.g. training and human resources management) appear not to be well connected. Vertical programmes also interfere with integrated service provisions.
- In the ENR sector, the weak governance of the sector was a key element which prompted the start of the NREG programme. During the evaluation period, the volatility of the institutional environment was reduced.<sup>91</sup> Interagency dialogue has been substantially improved. Public institutions were strengthened by the establishment of specialised entities (e.g. Multi-Agency Revenue Task Force in the Mining sub-sector, Rapid Response Units in the Forestry sub-sector).

<sup>91</sup> The difficulty of categorizing environment and natural resource management as a sector had confronted the GoG over the years with successive governments grappling with trying to create appropriate institutional homes particularly for environmental protection.

Linkages between public institutions and other sector stakeholders (CSOs, private sector) have also been consolidated. However, efforts to establish a high-level co-ordinating body (the Environmental Resources Advisory Council - ENRAC) largely failed mainly due the lack of high level political commitment.

- In the Agriculture sector, as the lead ministry for the sector, MOFA has the overall responsibility to co-ordinate the policies, programmes and activities of all MDAs to ensure the development of the sector. Given MDAs' own internal dynamics and the lack of authority given to MOFA, it proved difficult for MOFA to fully assume its role. Co-ordination across Directorates within MoFA and other MDAs whose work impacts on the sector remained weak although some improvements can be observed. A number of governance structures to aid in the implementation of METASIP have been established in accordance with the CAADP<sup>92</sup> initiative but they have not functioned as well as planned.

### **Evidence related to public sector reform and accountability issues**

Despite the many public sector reform efforts undertaken over the last 15 years (see box below)<sup>93</sup>, many documents (e.g. GSGDA I and GSGDA II) highlight the fact that GoG itself considers that public sector performance has remained unsatisfactory.

*2010 GSGDA I: Past attempts at public sector reforms have been assessed as having achieved limited impact. To a large extent the past failures came about because reform activities were detached from the mainstream of ministerial responsibilities and accountability for the management of the sectors of the economy. To get back on track with reforms, it was decided to locate leadership activities in public sector reform in the Office of the President. (...) On-going work on Subvented Agencies and the Single Spine Pay Policy as well as the re-tooling of the Ghana Civil Service will be continued.*

*The "New Approach to Public Sector Reform" is geared towards having Sector Ministers assume responsibility for, and become pro-active in tapping resources for public sector reform for their sector programmes. The approach is sector driven and answers the question: "reform for what?" Public sector reform is, consequently, being positioned to be of direct assistance to Ministers, along with other forms of assistance, to bring about verifiable changes in their sectors for the benefit of the people of Ghana. The new approach also calls for the strengthening of Ministerial organizations and hence, the Civil Service, and the need to make the leadership of the Civil Service real partners to the political leadership.*

*2012 WB – Ghana Public sector reform project – project information document: In Ghana, Public Sector Reform (PSR) initiatives suffered from mixed results in the past. In the 1980s and early 1990s, PSR reforms emphasized controlling the wage bill through retrenchment, removal of ghost workers and salary decompression. In this period, there was some retrenchment (modest on a net basis) but overall the downsizing either didn't take place or was reversed by rehiring, often the same people. There was some progress in reducing the proportion of public sector wage bill to total expenditures. In the mid-1990s, there were new plans and institutional arrangements for PSR reforms, but there was little tangible progress other than erratic wage hikes and sharp erosion of fiscal discipline. More recently, reform efforts focused on establishing client service units, subvented agency reforms and central agency restructuring. However, these reform efforts also didn't produce anticipated outcomes.*

*2014 GSGDA II: Over the years, a series of policy initiatives and programmes have been implemented to improve the performance and management of the public service notably the CSPIP, NIRP, PUFMAP<sup>94</sup> and PRSP. In 2004, a dedicated ministry for public sector reforms was established for the purpose of ensuring improved performance, productivity and service delivery to the public at large and to the private sector in particular. The Ministry was however, converted to a secretariat under a Minister of State at the Presidency in 2009. In addition, the Single Spine Pay Policy (SSPP) was initiated to improve the conditions of service of public servants and to ensure equity, fairness and transparency in public service salary administration as well as enhance performance and productivity.*

<sup>92</sup> Comprehensive Africa Agriculture Development Programme

<sup>93</sup> Some of the reform programmes implemented between the early 1990s and the early 2000s include: the Civil Service Reform Programme (CSR) covering the period 1987 – 1993; the Civil Service Performance Improvement Programme (CSPIP) in 1995; the National Institutional Programme (NIRP) launched in 1994; Public Financial Management Programme (PUFMAP) which was mostly supported by the World Bank.

<sup>94</sup> Public Financial Management Reform Program

Ghana over the last three decades, has undertaken several administrative reforms in the public sector, designed mainly to improve the efficiency and effectiveness of service delivery to enhance productivity. In the area of performance management, a number of initiatives have been undertaken to establish an effective performance management culture that seeks to align objectives, targets and outcomes to organisational and national development goals.

In pursuance of this objective, the Annual Confidential Reporting System was reviewed in 1974 to, among others, allow appraisees the right to read and comment on their performance appraisal reports. To further improve the appraisal system, a Performance Evaluation System (PES), was introduced in the Public Service in 1992 under the Civil Service Reform Programme (CSRP) -1987 - 1993. The PES was an interactive process between a manager and a member of his/her staff and was administered for the category of Deputy Directors and equivalent /analogous grades and below.

In 1997, a Performance Agreement System was introduced to provide an objective means of assessing the performance of Senior Managers of the Civil Service who in particular had, hitherto, being left out of the appraisal system. Initially, it was targeted at the Chief Directors in the Ministries and the Regional Co-ordinating Councils. The system was operational from 1997 to 2008. This was, however, ad-hoc in its implementation and had no feedback system. For the other Public Services, a hybrid of performance management models was employed based on the exigencies of the time and the dictates of their various Governing Boards/Councils. Some of the Boards/Councils adopted a lack cluster approach, particularly, since they were not aware of their oversight roles and responsibilities in ensuring an efficient and operational performance management regime.

The Performance Management System (PMS) was beset with a number of implementation difficulties and problems, including: absence of a clearly defined, articulate and enforceable implementation framework; low Executive commitment/involvement and support for the PMS in contrast to what pertains in other developed/developing countries; poor understanding of the roles of Governing Boards/Councils in the Appraisal system; absence of rigour, objectivity and continuity in the administration of the system; non-linkage of the process to an enforceable Reward and Sanctions Mechanism; ignorance of Public Servants on the merits of PMS; non-linkage of the system to staff development, i.e. training and career development; and lack of effective monitoring and annual reporting and feedback mechanisms.

These challenges have had adverse effects on the performance management culture of public servants such as: the non-responsiveness/adherence to Staff Performance Appraisal System/ Performance Agreement; the poor performance reporting system and non-compliance to timeliness/deadlines; and weak supervision, breakdown in discipline and work ethic. Productivity was difficult to measure while the general public's perception on the output of public servants was poor. GoG was even at pains to justify the need for pay increases considering the backlash from the public and other stakeholders on the poor performance output of public servants in general.

In recognition of these challenges, the Public Services Commission in collaboration with the Office of the Head of the Civil Service and other key stakeholders developed a New Performance Management Policy Framework. The main objectives are:

- ensuring an objective and transparent scheme of assessment of performance is in place;
- creating a clear direction for employees by ensuring that work is aligned with the strategic effort and direction of the public services;
- assisting employees to improve performance by providing them with training and development relevant to individual performance areas, career aspirations and longer term organisational needs;
- providing an equitable and transparent framework for regular and constructive discussions between supervisors and employees about future organisational developments, operational plans and their alignment with individual workplans, goals and priorities; and
- developing mechanisms for rewarding high performance and managing unsatisfactory performance, and that continuity in office of post holders in the public services will depend on performance.

The conceptualisation of the New Performance Management Policy Framework relied on four key principles : Accountability, Transparency, Equity and Ownership

*Source: 2010 GoG (Public Services Commission) – New performance management policy for the public services.*

The MDBS DPs have regularly highlighted the importance of modernising the public sector for an effective use of BS.

*2011 MDBS annual review aide memoire: MDBS relies on Government of Ghana systems to ensure accountability and efficient use of resources. DPs look to the Government of Ghana to take prompt and decisive action to implement audit recommendations to ensure that problems are corrected, and to track and report on the results of these measures. The Ghana Integrated Financial Management Information System (GIFMIS) is expected to be an important tool in this regard and those involved*

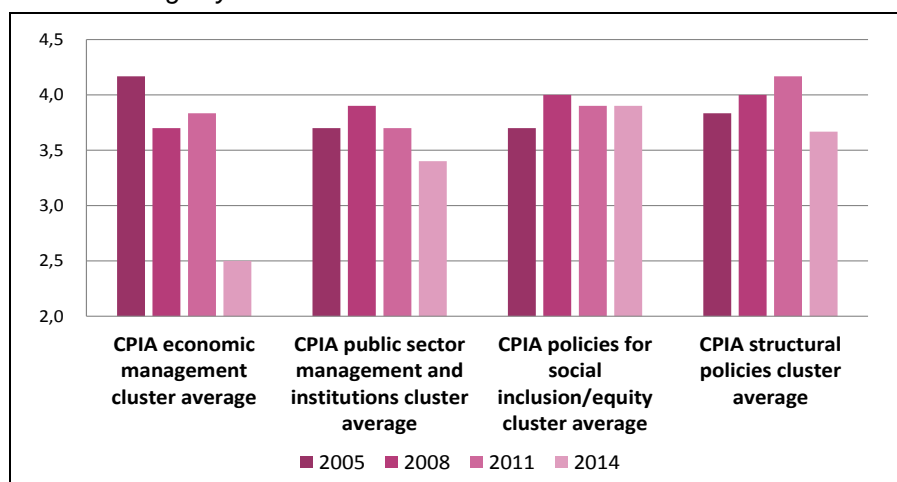


(both GoG and DPs) are urged to make every effort to speed up implementation of this key initiative. However, fostering an organizational culture of accountability and transparency will require, not just software implementation, but also respect for financial rules and regulations; non compliance of which should result in sanctions.

The graph below describes the evolutions in Ghana public institutions' overall performance according to the WB's Country Policy and Institutional Assessment (CPIA) indicators. As highlighted in a recent the recent project performance assessment report of the WB's EGPRC and PRSC 7-8 operations:

2016 IEG PPAR of the EGPRC and PRSC 7-8 operations: *The overall score of the Country Policy and Institutional Assessment (CPIA) declined from 4 in 2007 to 3.4 in 2014, only slightly above the 3.2 threshold that characterizes fragile states (...). Ghana was once again classified as a high debt distress country in 2015 because of weakening economic management. The chronic problems of state-owned enterprises and public sector employment and wages were not addressed. Public investment management is extremely weak, and further fiscal deterioration is likely because of these underlying weaknesses and in the context of upcoming elections. Social inclusion and equity—one of the focus areas of the DPOs under review—is the only area with strong performance.*

Figure 30 CPIA ratings by cluster



Source: 2016 IEG PPAR of the EGPRC and PRSC 7-8 operations

In particular, the CPIA indicator on “transparency, accountability, and corruption in the public sector” has decreased from a score of 4 to 3.5 in 2014 and stayed at that level in 2015 (the rating used to be ‘4’ since 2006).

There have a lot of policy discussions in Ghana around the issues of transparency.

2007 WB (Keefer) - The resilience of clientelism and the political economy of growth-supporting policies in Ghana: *The collection of and access to government information needs to be significantly improved as well. The Freedom of Information Act has not yet been approved, despite a lengthy gestation, but is itself only a first step. As the experience of countries far richer than Ghana demonstrate, implementation of FOIAs is difficult and often falls short. More important than FOIAs, however, is a culture of transparency, in which the basic information of governments – how much is spent, on what, and to what effect? – is routinely collected and made available to citizens. Here, reviews of public expenditure and financial management in Ghana reveal substantial progress but also continuing substantial gaps in the information government collects and makes easily available. (...) information about government decision making is sparse and poorly disseminated.*

In particular, Cabinet has approved a Right to Information Bill since 2010 which is before Parliament for passage into law. Moreover, in September 2011, Ghana joined some 46 other countries around the world to sign onto the Open Government Partnership, an initiative that seeks to secure concrete commitments from governments to promote transparency and accountability, enhance citizen's participation and harness new technologies to strengthen governance.<sup>95</sup>

Finally, as highlighted above (see I.6.1.1) and in the excerpt from a recent working document by UNDP presented below, there have also been a number of initiatives in the area of anti-corruption during the evaluation period. In particular, GoG adopted a National Anti-Corruption Action Plan (NACAP) in mid-2014.

<sup>95</sup> See <http://www.graphic.com.gh/features/opinion/access-to-information-and-ghana-s-commitment.html>

2015 UNDP - Technical assistance work plan: *According to the NACAP Report, factors causing corruption in Ghana include a lack of effective corruption reporting system, absence of good record keeping, poor management practices in public institutions and low levels of integrity. Corruption facilitates generalised disrespect for the law and disregard for the rule of law, placing a heavy toll on Ghana's economy, society and politics, retarding national development. As a result of a growing public concern about the scale of corruption and its impact on society and equally growing recognition that corruption can and must be effectively tackled in a comprehensive manner, the Parliament of Ghana in July 2014 adopted the National Anti-Corruption Action Plan (NACAP) to serve as one of the major tools in addressing corruption in Ghana. The NACAP, together with the recommendations of the United Nations Convention Against Corruption (UNCAC) 2013 review of Ghana, when effectively implemented, could assist significantly in addressing corruption in Ghana. Action against corruption has intensified over the last decade with the development of several anti-corruption initiatives, including institutional reform programmes and harmonised efforts with emerging international initiatives including the world community's adoption of the UNCAC in 2003.*

### **6.2.2 1.6.2.2. Adequate capacities (human resources, procedures, etc.) for planning and implementation in line ministries and relevant public institutions**

#### **Main findings & evidence from the in-depth sector case studies**

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, planning mechanisms were already well established at the beginning of the evaluation period, with, in particular, Annual Plans of Work (APoWs) being produced to translate the sector strategic framework into operational annual plans. Capacities and systems have further improved during the evaluation period and some positive initiatives have been implemented such as the introduction of programme-based budgeting in 2012 or, more recently (in 2015), the signature of performance contracts between the MoH and all directors. National Health Accounts (available for the years 2005, 2010 and 2012) have also improved analytical work on resource allocation. However, planning still suffers from a lack of prioritisation and some observers point to a deteriorating quality and increasing delays in the production of the sector's APoWs. In addition, capacities and systems for implementation have not substantially evolved except in terms of the overall expansion in human resources and notable progress in the production of mid-level 'cadre' staff and their distribution. Implementation of national strategies still lags behind in several areas, notably due to insufficient leadership in MoH, political interferences at the local level, inappropriate human resource management policies with important regional disparities in health staff appointments.
- In the ENR sector, in terms of capacities for planning, new tools ('Results Frameworks') have been developed and efforts made to move from an activity-based system to a programme-based approach. However, overall, planning capacities have remained weak, especially in terms of priority setting and budgeting. In terms of implementation, sector agencies' capacities were strengthened through the development of the staff's technical skills and new equipment was acquired. However, improvements remain modest and policy implementation has been hindered by multiple factors. In particular, public institutions remained largely under-resourced (compared to their mandate), the PFM system has been sub-optimal at sector and national level (budget execution and monitoring has been poor). Institutions still lack sufficient senior skilled staff able to efficiently managed and monitor sector programmes and activities.
- In the Agriculture sector, MOFA has insufficient staff with appropriate skills to firmly engage in strategic analytical work, policy dialogue and strategy implementation. The few high skilled technical staff operate at the central level. Availability of reliable data and evidence-based information is another major constraint to the design and implementation of investment plans. The inadequacy of capacities for planning and implementation is further compounded by the lack of political leadership which is illustrated by the low degree of engagement of top senior officials (chief directors, ministries and their deputies) in policy dialogue. All this has translated in the absence of results oriented planning and budgeting as well as poor budget execution and monitoring, asset management, supervision of human resources, etc.

#### **Other evidence**

Many documents reviewed highlight the fact that the costs of the national plan or sector strategies and their linkage to the budget are still inadequate. The 2014 GSGDA II note, for instance: *"The link between the Medium-Term National Development Policy Framework and the Annual National Budget also remains weak."*

There have also been some challenges in terms of developing a comprehensive human resource development policy.

2010 GSGDA I: *The need to formulate a comprehensive human resource development policy for the civil and public services is rather overdue. This is essential to effectively develop their capacities to optimize output. Also worth mentioning is the need to provide a remuneration structure that will make civil servants more effective and efficient. Ineffective supervision is another hindrance to productivity. Strategies identified to address these include: review the current status of the on-going public sector reform programmes to enhance accelerated implementation; and develop a comprehensive human resource development policy for the public sector to include reasonable remuneration.*

The 2016 Ghana Global Integrity Survey also highlights the fact that: *“With regards to the civil service, there was reportedly significant cronyism as many civil servants are hired through their political, ethnic, and social connections. The lack of progress in respective laws has held back effective reform in the area.”*

### **6.2.3 1.6.2.3. Adequate capacities and systems for M&E of public policies in place and data produced is reliable, easily accessible and used by all relevant sector stakeholders**

#### **Main findings & evidence from the in-depth sector case studies**

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, capacities and systems for M&E of health sector public policies have improved during the evaluation period. Since 2009, the MoH has been using a new tool to provide an overall assessment of the sector’s performance (‘Holistic assessment’). In 2012, the GHS embarked on an ambitious programme to improve the national health information system, upgrading it to the District Health Information Management System 2 (DHIMS2). Overall, at the end of the evaluation period, the quality of M&E data produced (composed of both routine data and survey results) was reliable, easily accessible (reports regularly published) and used to back policy dialogue and decision-making.
- In the ENR sector, there has been increasing awareness about the importance of developing a comprehensive sector M&E framework. Several attempts to strengthen the existing M&E systems at sector level have been made but they largely failed. The sector M&E framework has remained highly fragmented and, despite some small improvements at agency level, the systems in place have remained weak.
- In the Agriculture sector, M&E systems and the quality of data have remained very weak. There has been inadequate funding for M&E activities (data generation, analysis and dissemination). There was virtually no capacity for M&E at the district level and capacities at regional level were poor. MOFA has shown little appetite for embracing evidenced based policy making. Annual Joint Sector Review meetings have played a positive role in strengthening policy planning but the effects remained modest due to the prevailing weaknesses in the area of data generation, collection and analysis. Follow through on Joint Sector Review recommendations and actions plans has been a persistent weakness.

#### **Other evidence**

The 2008 Eligibility assessment of the EU GBS (MDG-C) highlights some improvements in terms of the national M&E capacities in the early part of the period:

*At the beginning, the GPRS II did not include sector outcomes and progress indicators, making it difficult to monitor and evaluate its implementation. However, in late 2006, the Government selected 157 indicators in an updated GPRS II Monitoring and Evaluation Plan. Unfortunately, the quality of the selected indicators is uneven and some of them cannot be informed yet (still 13% of them in the APR 2007). Nonetheless, an overall improvement of the M&E has been noticed in Ghana:*

- *many sectors have strengthened their statistical units and developed wide sets of indicators (e.g. education, health, agriculture, private sector and trade, transport);*
- *data collection and analysis at district level has improved dramatically and, as far as 2007 is concerned, more than 50% of districts have submitted their own APR to feed into the national document (for 2008, almost all of them should be in the position to produce it);*
- *a National Strategy for the Development of Statistics has been drafted by Ghana Statistical Service (together with its Corporate Plan) and is due for approval by the end of 2008.*

However, some documents underline the lack of adequate data for planning and the weaknesses of the targeting mechanisms for poverty reduction interventions.

2014 GSGDA II: *The targeting mechanism for poverty reduction interventions continues to be weak, leading to growing income disparities among socio-economic groups and between geographical areas. Lack of adequate poverty data for planning and decision-making negatively affects effective implementation of policies and programmes.*

In general, as described in the 2013 study by CLEAR on the demand and supply for evaluation, there is still limited demand for public policy evaluations in Ghana. A number of (mostly donor driven) initiatives tried to promote the development of M&E and statistical capacities in the country but with limited success (see also box below)<sup>96</sup>.

**Box 21**      *Assessment of the progress in strengthening national M&E*

The Government of Ghana (GoG) - Development Partner (DP) Compact 2012-22, recognised the need to strengthen M&E and statistical capacities and improve on M&E functions across Government - and specifically mentioned the importance and envisaged role and effects of the Joint Agenda for Strengthening M&E and Statistics (JASMES). The JASMES has since been presented and discussed at the Heads of Co-operation, UN Co-ordination Team (UNCT), Ministry of Finance (MOF), UN Inter-Agency group, Office of the President (Delivery Unit), GSS board and NDPC (Sub-committee on Enabling Environment and M&E), CSOs (GMEF) as part of the SWG's effort to engage key stakeholders, raise awareness of the JASMES and to facilitate its adoption.

The Ghana Statistical Service (GSS) continued to perform its functions, several activities undertaken within the period under review include; the re-basing of the Consumer Price Index (CPI). GSS also commenced fieldwork for the Ghana Living Standards Survey (GLSS6) in October 2012.

In addition GSS released in May 2012 the final summary report of the 2010 Population and Housing Census (PHC) summary report, the report also contains Demographic, Social, Economic and Housing report and a number of thematic reports have been prepared. GSS have submitted a revised Statistics Bill to Cabinet for submission to parliament. Cabinet has approved the inclusion of statistical officers within the decentralisation programme. Each MMDA will have a district statistical unit as part of the District Planning Co-ordinating Unit.

The Multi-Donor Trust Fund in addition to various other Donor funds, supported the district census analysis (work on this is still on-going) and a Compendium of Statistical Standards, Variables and Concepts for Official Statistics in Ghana.

The National Development Planning Commission (NDPC) prepared a draft M&E Manual for MDAs and MMDAs to serve as a guide for all M&E practitioners and enhance coherence amongst others. NDPC has initiated a process to prepare a successor medium term national development policy framework to replace the GSGDA, 2010 – 2013 which is due to expire by the end of 2013. A draft is expected to be ready for stakeholder consultation and to inform the 2014 Annual National Budget by the fourth quarter of 2013.

NDPC continues to face challenges in the timely finalisation of the Annual Progress report (APR). The time to produce the APR which had decreased from 9 to 6 months in 2009 was noted to be significantly extended in 2013. The 2013 MDBS Annual review raised issues with the lack of a final APR report as at October 2013 and the need for the use of the final APR as a means of assessing the underlying principles of the MDBS instrument in relation to progress made under the GSGDA. Despite the challenges related to data collection from MDAs and MMDAs such as persisted differences in reporting cycles, data inconsistencies and data gaps, delays in the release of information and inadequate technical and financial resources, NDPC was urged to complete the report in a timely manner to ensure that it can provide timely information that can guide results-oriented decision making.

A key challenge faced by the sector was the weakening leadership and ownership of the results agenda within Government. This is evidenced by (1) difficulties in advancing on the adoption of the JASMES within NDPC and by Ministry of Finance, (2) achievement of PAF targets and triggers is not linked – as in preceding years - to budgetary allocations to implementation of corresponding activities and no funding has come forward to NDPC for implementing necessary activities to achieve the target and trigger. M&E and statistics within MDAs and MMDAs continues to suffer from non or/and late releases of budgetary allocations for M&E and statistical activities, technical and logistical challenges and high turnover of M&E and Statistics staff in the government service. The above led to the Progress in the Monitoring and Evaluation (M&E) sector being noted as satisfactory.

The sector continues to face challenges relating to data collection from MDAs and MMDAs in spite of the efforts to institutionalise and strengthen the national M&E system. They include: i) the different reporting cycles of MDAs and MMDAs, ii) inadequate technical and financial resources to conduct monitoring and

<sup>96</sup> See also DFID's Ghana Statistical Service Reform project which was launched in 2008.

evaluation activities, iii) inconsistencies in the data provided by MDAs for the same variables over the same time period and incomplete data in the district APRs, iv) lack of data for some indicators, v) bureaucratic delays in the release of information/data especially from the security agencies.

In addition, the sector noted the need to align MDA M&E Systems with the national M&E framework. The lack of alignment had led to considerable duplication and replication across Government. The late or non-submission of sector APRs was identified as limiting the information available. It constrained the SWG's ability to assess the quality of the sector APRs prior to the preparation of the national APR by NDPC. Development Partners support for project-related M&E systems instead of national systems was noted as one of the factors that undermine the harmonisation and further development of national systems.

2013 M&E SWG's annual assessment

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

<i>EQ6 (Induced effects) – Main findings and sources of information</i>	
<b>JC63: Public service delivery / service management (including infrastructure and human resources) strengthened, particularly at the local level</b>	
I.6.3.1 Evolution in public expenditure (incl. domestically-financed public investment)	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Budget allocations do not reflect the final level of expenditure at sector level.</li> <li>Overall, there has been an increase in expenditure in key sectors during the first half of the period but a decrease in recent years.</li> <li>All sectors have experienced a difficult financial situation in recent years due to the country's fiscal situation and the squeezing out of resources for non-salary recurrent expenditure and investments due to the dramatic increase in the public wage bill.</li> </ul> <p><b>Strength of the evidence base:</b> Medium<sup>97</sup></p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Analysis of existing database with financial information.</li> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.6.3.2 Evolution in the volume of goods and services delivered (incl. availability of qualified staff for service delivery at the local level)	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Overall, public services have markedly expanded during the evaluation period.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>Documentary review.</li> <li>Interviews.</li> </ul>
I.6.3.3 Quality (incl. sustainability) of goods and services delivered	
<p><b>Main findings:</b></p> <ul style="list-style-type: none"> <li>Service delivery system has remained weak in most sectors, there are important gaps in terms of quality of services and goods delivered, and the situation has deteriorated in many areas in recent years.</li> </ul> <p><b>Strength of the evidence base:</b> Strong</p>	<p><b>Main sources of information:</b></p> <ul style="list-style-type: none"> <li>Inventory of BS interventions.</li> <li>eSurvey.</li> <li>Interviews.</li> <li>Documentary review.</li> </ul>

#### 6.3.1 I.6.3.1. Evolution in public expenditure (incl. domestically-financed public investment)

##### *Evidence from the in-depth sector case studies*

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, according to the data available, sector allocations and actual expenditure followed an upward trend until around 2010 and a downward trends after 2012. The expansion in sector public expenditure was mainly driven by the NHIS. External assistance has been critical to finance preventive and public health care. Very little has been spent in fixed capital and maintenance at health facility level, except for the construction of CHPS (Community-based

<sup>97</sup> The analysis was made difficult by multiple factors, including: i) fragmented budget sometimes did not allow having a comprehensive overview of sector expenditure; ii) data for some sub-sectors was often available only at the aggregated level; iii) there were major inconsistencies between the various sources of information; iv) in some sectors, there have been major yearly variations which made it difficult to identify clear trends; v) existing database compiling budget and expenditure data did not capture all expenditure or sources of finance; etc.

Health and Planning Services) related facilities. Since 2008, SBS which represented, in average, 5.4% of health sector budget allocations has played a substantial role to free some resources for expenditure on goods and services (see also the analysis presented above under 1.2.1.3 / EQ2). This has become even more the case since non-salary expenditure became largely underfunded following the introduction of the single spine salary scale and the related dramatic surge in the sector wage bill in 2012. In general, the health sector has been facing a vulnerable financing situation in recent years, which was aggravated by the growing earmarking of external assistance. Finally, regarding the benefit incidence of sector spending, the analysis carried out in this evaluation shows that socioeconomic inequities in the benefits of public health care have persisted, since the distribution of benefits in 2015 is still pro-rich (albeit a bit less so compared to 2006 according to the data available).

- In the ENR sector, income and expenditure levels of the three key sector agencies have substantially increased in nominal terms until 2011 and followed different evolutions in the various agencies afterwards. In particular, the increased spending of the Forestry Commission between 2007 and 2011 was related to an expansion of its activities driven by both the implementation of the NREG and the GoG plantation programmes. As in the other sectors, ENR sector agencies experienced an increase in expenditure in 2012 due to a surge in salary related expenditure. When compared to the total public expenditure, the spending levels of the ENR agencies appear to have actually remained stable between 2008 and 2012 and decreased afterwards. In general, after 2011, ENR sector agencies still managed to maintain a minimum level of expenditure on goods and services and investment thanks to the various sources of funding they received. Agencies (especially the Forestry Commission) have shown some difficulties in terms of absorbing new financial resources which came in during the period. Agencies (especially the Minerals Commission) have substantially relied on IGF to finance a substantial part of their activities.
- In the Agriculture sector, while MOFA's budget has increased in nominal terms, it has decreased over time compared to the national budget or to macroeconomic aggregates. In particular, it substantially dropped after 2012. In terms of the level of actual expenditures, it should be noted that there is disagreement about Total Agricultural Expenditure in Ghana, partly due to different definitions of agriculture employed by different studies. However, most studies show that, when excluding expenditures of the Cocoa Board (a public corporation), Total Agricultural Expenditure falls short of meeting the Maputo target set in 2003<sup>98</sup> and the share of agricultural expenditure in total public expenditure seems to follow a downward trends after 2007. In terms of the composition of MOFA actual expenditures, assets<sup>99</sup> accounted for the largest proportion of expenditures (except for 2013 when salaries represented the largest category of expenditure). Expenditure under the category 'assets' was essentially financed by DPs. The main portion of GoG resources (from the Consolidated Fund) have actually been allocated to employee compensation (salaries). Internally Generated Funds remained rather low in the sector.

### Other evidence

The excerpt below illustrates the funding issues faced by public institutions in the Education sector and which echo some of the challenges faced in other sectors (e.g. Health).

WB 2014 secondary education support programme: *The budget structure and the Government's public wage reform have created fiscal pressures and uncertainties for the strategic plans to expand SHS. The bulk of the Government budget (62.7%) at secondary education level is used for salaries. Relative to basic educational levels, SHS has a relatively high share of the budget for goods and services. However, funding for this category is provided mostly by Internally Generated Funds (IGFs), including fees for boarding and for other services paid mostly out of pocket by guardians and students. These fees have large variations by schools and by regions and these variations lead to significant disparities in terms of goods and services between better-off schools and those providing services to more remote and/or lower income communities. The Ghana Education Trust Fund (GETFund), a statutory resource, is used for investments. However, these investments show large variations from year to year and may not follow the Government planning and targeting expectations. In 2013, GETFund was allocated US\$40 million for SHS investment but transfers were not forthcoming.*

<sup>98</sup> African leaders pledged to deepen their commitments to agricultural growth and agreed that increasing their spending on agriculture to 10 percent of annual national budgets and achieving 6 percent annual growth in the sector would be indicators of that deeper commitment.

<sup>99</sup> It should be noted that the category 'assets' (or 'investments') does not strictly cover 'capital expenditure'. All non-salary expenditures (including expenditures on 'goods and services') related to the implementation of specific national programmes were sometimes simply categorised under 'assets'.

Many interviews and documents have also highlighted a chronic problem faced by MMDAs and certain sector agencies, namely the fact that “funding is coming in ‘too little’ (relative to the approved budget) and ‘too late’ during the fiscal year”.

### 6.3.2 I.6.3.2. Evolution in the volume of goods and services delivered (incl. availability of qualified staff for service delivery at the local level)

#### *Evidence from the in-depth sector case studies*

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, basic service coverage has improved during the evaluation period. There is now an extensive network of facilities – including at community level – and there has been progress in reducing attrition of doctors in particular, and in increasing the training of nurses, midwives and doctors. However, at the service delivery level, there are two worrying consequences to the current trend of the shrinking of GoG budget for goods and services: i) the sector lacks a consistent framework for Health System Strengthening as a whole; ii) 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 ENR sector, sector agencies have increased the scope of their actions. For instance, the Minerals Commission has increased its capacities for revenue collection through the establishment of a multi-agency revenue task force and increased its local presence to better respond to the expansion of (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. But, overall, actions still appear limited when compared to the scale of the needs. Moreover, in some areas (e.g. timber legality), the implementation of actions initiated in the first half of the evaluation period dragged on with little concrete outputs at the end.
- 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 available capacities. Some of the planned activities have been successfully carried out but, in general, the implementation of the programmes has been weak, and the actions remain isolated and did not always match adequately existing needs. According to the data available, there have been slight improvements in the ratio of extension agents to farmers but the ratio remained low by international standards. In general, inadequate budget and late releases to District Agriculture Development Units were commonly reported issues constraining agricultural activities at the local level. Extension services have been limited and came to a virtual standstill in recent years, due to the country's fiscal crisis and changes in the institutional environment (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). Agricultural research remains underfunded and, while attempts (e.g. agriculture liaison committees) have been made to better target research to the needs, the feedback loop to farmers remains incomplete.

#### *Other evidence*

Private sector development: a complex business environment has led to a ‘missing middle’ of higher-productivity, medium-sized firms, with the vast majority of business being conducted in the informal sector (source 2012 DFID GBS business case).

Gender. The GSGDA II highlights the persisting challenges faced by women and the mixed results obtained in terms of gender equality.

2014 GSGDA II: *Poverty among women continues to be high due to lower literacy rates, heavier time burdens, lower access to productive resources, and weak implementation strategies of Government policies on women's economic empowerment.*

### 6.3.3 I.6.3.3. Quality (incl. sustainability) of goods and services delivered

#### *Evidence from the in-depth sector case studies*

Detailed information is provided in the in-depth sector case studies in the Volume 2b. In brief, the following evolutions can be observed during the evaluation period:

- In the Health sector, greater service availability (esp. at primary health care level – GHS, CHPS and CHAG) has contributed to an increase in utilisation of services and patients are generally satisfied with the quality of healthcare. But most of the progress has been made at the beginning of the evaluation period. In addition, the sustainability of the health sector financing (and therefore the sustainability of the capacity for healthcare delivery) is at risk
- In the ENR sector, 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 characterised by a strong system of political patronage, centralised decision-making and lack of transparency seriously undermined the effectiveness of the actions implemented and the regulatory mechanisms put in place.
- In the Agriculture sector, there is a general consensus on the poor state of extension services in Ghana. In general, inadequate budget and late releases have seriously undermined the quality of the actions undertaken. Local level delivery of agriculture services seems to have worsened in recent years, coinciding with the transfer of district units to the Ministry of Local Government.

### Other evidence

In the Education sector, there have been some substantial improvements during the evaluation period. Like in other sectors, there have been a clear increase in terms of access as illustrated by the evolutions which occurred between 2006 and 2013: over 4,000 more primary schools and over 3 million more children enrolled in basic education (a 70% increase). Gender parity has also substantially improved (almost at parity at the primary level). But a number of things have not changed or have deteriorated during the period. In particular, over 30% of primary teachers are still untrained, the number of textbooks students can access has decreased between 2006 and 2013, there are wide inequalities in funding, access and quality between regions and between urban and rural areas. A major comprehensive study of the sector (World Bank 2011) concluded that “a key source of deprivation for the deprived districts is the allocation of public expenditure”. Some of the key challenges that existed in the sector at the beginning of the period have remained, in particular: high levels of teacher absenteeism, low levels of instructional time and an imbalance in education spending between salaries and investment, goods and services.

Several concerns regarding accountability mechanism have been highlighted in various studies like a political economy analysis commissioned by DFID in 2012 or the 2013 SBS lesson learned document (also by DFID):

2013 DFID – Ghana education SBS lessons learned: *Political accountability for effective service delivery is weak. This is not helped by generally weak public information of real priorities and issues, and the weak use of evidence in making policy choices. Politically, public spending on education is seen as a way to win elections rather than promote long term development goals. Teachers are an important part of the “client networks” essential to winning votes. Thus election promises for reform and change often do not materialise, and the key constraints, particularly around deployment and management of teachers, persist. Political preference remains for high visibility projects: infrastructure or limited but appealing “magpie” ICT ventures.*

Recent studies confirm the persistence of clientelist and political patronage systems in the sector but also highlight the increasingly important role played by the civil society – see box below.

#### Box 22 How politics shapes the quality of education in Ghana

In 2016, ESID published a briefing paper which is largely based on the results of a research project focusing on delivery and performance management in two districts within the Central region. The paper also draws on research results from previous studies focusing on the factors influencing the quality of education in Ghana. The paper presents four main findings:

- Ghana’s blend of multi-party competition and patron-client politics generates much stronger incentives to improve access to education than to improve the quality of education. The general failure to improve accountability in the education sector, particularly regarding the proportion of highly-trained teachers who spend time on task, has led to poor educational outcomes that directly reflect how politics and governance work in Ghana.
- Ghana’s competitive clientelist settlement has tended to generate a high degree of policy incoherence and politicisation within the education sector. Governance arrangements are usually poorly aligned with the prevailing balance of power at multiple levels of the educational system.
- Where good practice does emerge, this is usually through the efforts of reform-minded coalitions of state and non-state actors at district and school levels, with the capacity to devise and enforce problem-solving solutions to local problems.



• Decentralisation reforms have created the space for these kinds of coalitions to emerge, but have not systematically improved performance. This is because of failures to ensure coherence with centralised aspects of educational sector governance, as well the ways in which district-level politics play out.

Source: 2016 ESID – *How politics shapes the quality of education in Ghana*.

The box below provides details on a recent assessment made of the capitation grant scheme<sup>100</sup> implementation in the education sector.

**Box 23**                      *2014 Citizens assessment on the education capitation grant scheme*

As part of the M&E arrangements for the national development frameworks, NDPC conducts Citizens' Assessment surveys on a regular basis. The survey is usually programmed to be conducted every other year and could focus on all the thematic areas of the policy framework or issue-specific. Three of such surveys were conducted in 2002, 2005 and 2008. The 2014 Citizens' Assessment survey is the first to be conducted under the GSGDA, and it focuses on the Capitation Grant Scheme.

After nearly a decade of implementation of the capitation grant scheme, a number of issues have emerged, including an increasing enrolment level and its effect on the existing educational infrastructure, personnel, teaching materials and learning outcomes. This has raised concerns over the quality of education obtained by pupils.

The results of the Citizens' Assessment survey show that, though the capitation grant has eliminated payment of some fees and contributed to the increase in enrolment especially immediately following the introduction of the scheme, a number of levies and fees still exist with attendant effect on pupils' absenteeism.

Majority of public schools surveyed still charge a range of special levies and fees, which they say are essential for keeping the schools running due to the inadequacy and late releases of the capitation grant. These fees include sports and culture, examination fees, "collection" at morning devotion services, utility bills (water and electricity), computer (ICT) fees, capital development levies and PTA levies. 85% of all households surveyed with children in public pre-schools indicated they pay some form of levy or fee, compared to 75% in public primary schools. All households with children in junior high school indicated they paid one form of levy or fee.

More than 50% of parents were of the view that the capitation grant has had no impact on quality of education. This stands in contrast to the 70% of the head-teachers who are convinced the capitation grant has had a generally positive impact on the quality of education through availability of supplementary funding for the provision of education materials. Parents are however unanimous that the capitation grant scheme is relevant and should not be abolished because it is seen to lessen the burden of school fees payments.

The findings from the survey strongly suggest that it is highly challenging for schools to access and manage resources from the capitation grant, which – once approved – come on average one year late and do not cover the full per-pupil amount of GH¢4.50. The heads of schools consider the process of applying for funds administratively laborious and plagued by irregularities. While implementation guidelines exist, they do not seem to be known or applied at the district implementation level.

Source: 2014 NDPC (supported by UNICEF) - *Citizens assessment on the education capitation grant scheme*.

Some of the issues highlighted in the 2014 Citizens' assessment were already known at the beginning of the evaluation period as illustrated below.

2007 ODI MDDBS evaluation: *While the Capitation Grant has been successful in improving access for education services there are problems in its implementation. Firstly, it has resulted in significant overcrowding in schools, with classrooms, teaching and learning materials, and staff stretched over a larger number of students, which can lead to a decline in education performance. Secondly, it has proven to be inequitable in several ways. School management face problems in accessing grants specially those schools with unqualified heads. The Grant as currently implemented is also biased*

<sup>100</sup> The cost of education has been identified to constitute a major proportion of the income of most households in Ghana, especially the poor. To relieve households, especially those who are poor, of the burden of paying fees and charges in basic schools, Government introduced the capitation grant in 2004 on a pilot basis. This was to support the Government medium-term objective of "increasing equitable access to, and participation in education, at least, at the basic school level", as well as move the country closer to our long-term vision, enshrined in the 1992 Republic of Ghana Constitution, which enjoins Government to take steps to ensure that basic education is made compulsory and free. The basic objective of the capitation grant was to eliminate the different types of levies, fees and charges that constitute a barrier to access to quality basic education, and to boost enrolment at the basic education level in public schools. In 2005, the capitation grant scheme was scaled up nationwide after an assessment indicated a significant increase in basic school enrolment in the capitation grant pilot districts compared to the non-pilot districts.

*against schools with less population although these schools face higher unit costs. In addition, the Grant currently is paid per learner irrespective of the region or gender of the child.*

In the area of human rights & access to justice, there have also been mixed achievements as described in the excerpts below (findings which were largely confirmed by the interviews carried out with sector stakeholders).

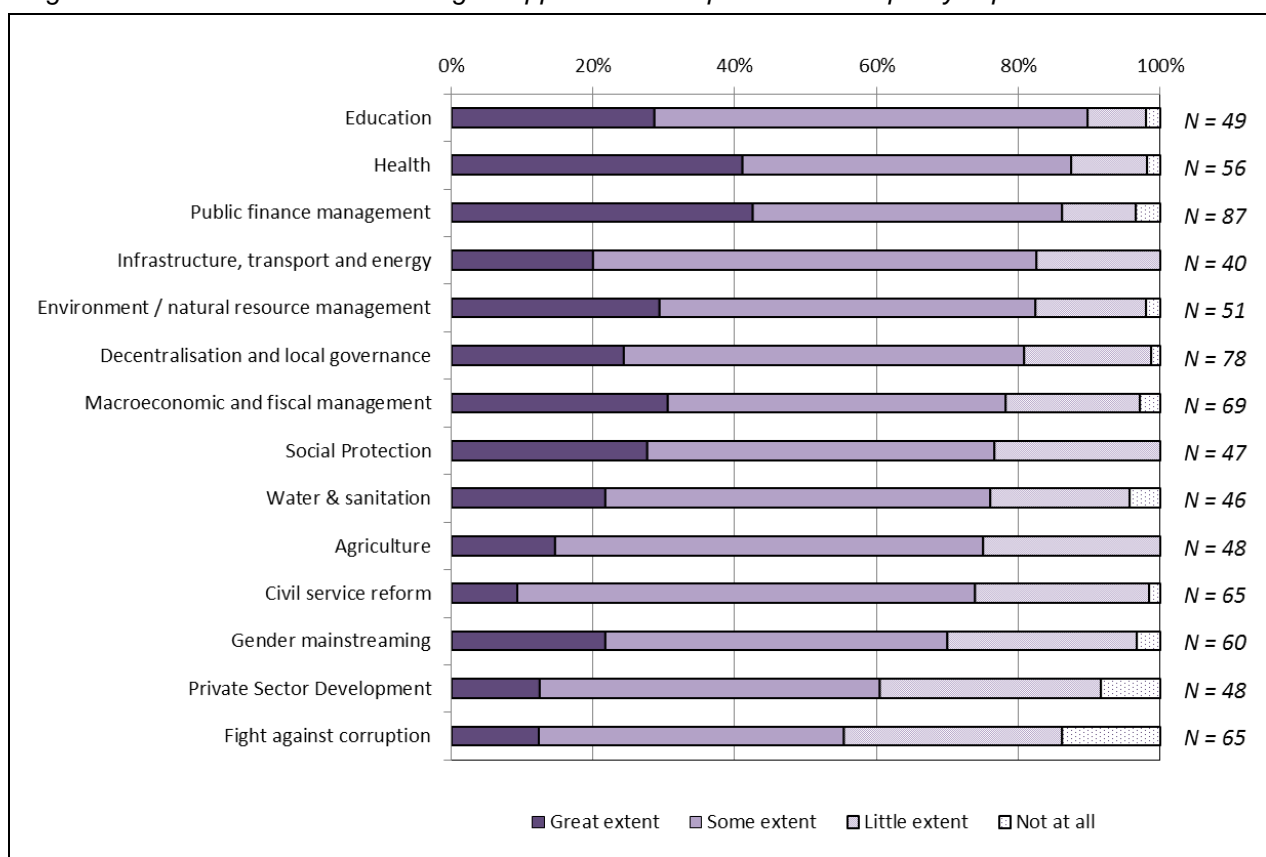
2015 UNDP Technical assistance work plan: *[Human rights] The country has an impressive record of encouraging public education on fundamental human rights as a means to improve citizens' access to justice, with several Non-Governmental Organizations (NGOs) engaged in human rights promotion to complement the education programmes conducted by the Commission on Human Rights and Administrative Justice (CHRAJ) and the National Commission on Civic Education (NCCE). However, Ghana is yet to ratify two very important protocols: the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (Ibid., para. 101) and the Optional Protocol and designation of a national preventive mechanism under article 17, which are urgently needed for more effective monitoring of all places of detention, particularly in the light of the critical issue of overcrowding.*

2015 UNDP Technical assistance work plan: *[Access to Justice] Court procedures continue to be subject to long delays. Access to legal aid is inadequate and some prisoners spend years awaiting trial. In many prisons, overcrowding is severe, sanitation is inadequate and food and medical care are scarce. Some reforms have been introduced to tackle overcrowding, for example, 'The Justice for All programme', introduced in 2007 to reduce the number of prisoners awaiting trial, brings judges into prisons to conduct hearings with untried prisoners who currently constitute 21.1% of the 14,728 total prisoners as at November, 2014 (source: International Centre for Prison Studies). However, the problem still persists as evident in the report of the UN Special Rapporteur on torture and other cruel, inhuman or degrading treatment or punishment in Ghana in March 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 areas with high density of population, with the of the poor and the vulnerable like women, children, and persons with disability unable to access justice due to their poor economic situations which results in them not being able to afford to pay the cost associated with accessing justice in the country including court and lawyers' fees. (...) The baseline report of the justice sector in Ghana produced by MoJAGD with UNDP support in 2012, indicates that 74% of Ghanaians do not report human rights violations for fear of victimization, high cost and lack of confidence in the institutions that redress human rights violation.*

#### **6.4 JC64. BS contribution**

The results of the eSurvey (see figure below and Annex 6 in Volume 3) show a rather positive contribution to strengthening the reform processes and policy implementation in most policy areas. According to the respondents, the contribution has been particularly strong in policy areas like Health, Public finance management and ENR. It has been less strong in areas like Agriculture, Private sector development or the Fight against corruption.

Figure 31 Contribution of budget support to reform processes and policy implementation



Source: Particip 2016 - eSurvey.

The sub-sections below provide further details on BS's contributions to policy formulation and implementation processes.

#### 6.4.1 BS contribution to the strengthening of the legal and policy framework

Overall, policy processes have remained largely domestically driven during the evaluation period. However, interviews and documents reviewed show that BS played a positive role in terms of policy formulation. The positive effects were mainly achieved through the policy dialogue it helped to consolidate via the dialogue directly associated to BS and the substantial accompanying support (including analytical work) provided in some areas (see also EQ2), The WB's PRSC7 programme document illustrates the wide range of areas where the DPs supported GoG to make informed policy decisions:

*The Government also conducted a series of analyses to inform its policy decisions in 2010. It included notably: (i) a report examining options to settle electricity utilities' debts while ensuring cost recovery, which was an input to the electricity financial recovery plan; (ii) a report outlining the main technical issues for an assessment of the coverage, targeting efficiency, cost effectiveness, impact and fiscal affordability of Ghana's social programs and subsidy schemes; (iii) a report on the classification and monitoring of pro-poor public expenditures; (iv) a report classifying Subvented Agencies in preparation for their rationalization, divestiture or commercialization, and (v) an ongoing public expenditure review focused on the evolution of the wage bill, the distribution of MDAs and Statutory Funds actual expenditures at the district level, and the effectiveness and efficiency of pro-poor expenditures. Also, the Government, through the Economic Advisory Council appointed in 2009, initiated several consultations on economic and social policy issues, involving think tanks and DPs. The World Bank provided technical assistance to most of these activities.*

Several interviewees and respondents to the eSurvey also highlighted the role BS triggers and targets played to foster the pace of reform in some areas. For instance, a respondent to the eSurvey noted: "budget support arrangement of using the Sector Working Groups to develop the targets and triggers for the Progress Assessment Framework was a key catalyst for most policy reforms and implementation."

The findings from the in-depth case studies<sup>101</sup> provide further elements to better understand the contribution of the various BS inputs to policy formulation (including the provision of discretionary resources by SBS operations for line ministries and sector agencies to expand mechanisms for sector collaboration):

- In the Health sector, although evolutions in the legal framework have been mostly driven by domestic policy processes (especially in the case of the NHIS), GBS and SBS were appropriate aid modalities in this context. They helped to further strengthen the SWAp dynamic which started before the evaluation period and they have positively contributed to the strengthening of policy processes and the quality of policies and strategies in the sector. However, the SWAp dynamic is now jeopardised by: i) DPs ending their SBS programmes (most of DPs definitively pulling out of SBS in the health sector); ii) the collapse of the high-level dialogue ensured by the MDBS framework which was focused on sector priorities; and iii) the resurgence of specific interventions based on traditional project aid.
- In the ENR sector, the GoG NREG programme which was essentially supported by SBS has been instrumental in strengthening the existing regulations and shaping the overall sector policy framework. The choice to include the three sub-sectors of forestry, mining and environmental protection in one programme (NREG) has helped mainstreaming environmental governance across diverse policy areas. BS financial inputs have provided the MDAs with the means to organise extensive policy consultations and prepare the analytical background necessary for the drafting process. In some instances such as in the climate change area, BS financial inputs have also had a financial leverage effect. Policy dialogue around BS played a crucial role to support the various ongoing policy processes and BS has played an important role in creating a platform to enhance policy exchange with a broad range of stakeholders in the ENR sector.
- In the Agriculture sector, both sector Budget Support and the CAADP initiative were ongoing at time that FASDEP I was being reviewed and updated but neither seems to have played a significant role in terms of influencing the actual content or quality of policies.

In terms of aspects related to inclusion, some interviews show that BS dialogue has somewhat helped GoG maintaining a focus on these issues (see EQ1/JC13). However, a more detailed analysis shows that these topics have received fluctuating attention over the years. As illustrated in the box below, specific discussions on these topics took place at MDBS level in 2011, but these themes received less attention in the subsequent years (issues of regional disparities are barely mentioned in the 2012 and 2013 MDBS annual reviews). This also highlights the fact that, in general, in the second half of the evaluation period, the dialogue became increasingly focussed on the macroeconomic situation of the country to the detriment of other topics.

*Box 24 Overview of the 2011 MDBS thematic discussion on 'Ensuring Equitable Development'*

From 2010 onwards, the MDBS annual reviews included specific discussions on selected cross-cutting issues. In 2011, one of the themes discussed was 'Ensuring Equitable Development'. This session was led by Hon. Antwi-Boasiako Sekyere, Deputy Minister of Employment and Social Welfare, who began by defining equitable development as equal access to economic and social opportunities, irrespective of socio-economic, cultural (including gender) and regional barriers. The benefits of equitable development accrue to the state as well as individuals, he maintained – through enhanced social harmony and solidarity, reduced conflict, and harnessing of the full range of talents for development. Although Ghana is among the top 10 countries in terms of poverty reduction, and has reached lower middle income status, and will achieve some MDGs by 2015, a number of equity issues remain to be addressed.

In spite of significant poverty reduction (from 52% in 1991 to 28% in 2006), the northern Savannah region has a poverty level of 58%, compared to 19% in the rest of the country. Although Ghana is on track on many MDGs, health MDGs are not on target and there are major regional disparities in poverty and extreme poverty which must be addressed. From the discussions a joint agenda for follow up actions emerged around three main themes:

Effective targeting of the poor: The evidence shows that only one of the 20 intended pro-poor programmes actually has more than 50% of beneficiaries from among the poor. For example, 43% of beneficiaries of the school feeding programme come from the highest quintile, and only 7% from the poorest quintile; and 62% of enrolment in the NHIS are from the richest quintile and 20% from the poorest. Such inequalities need to be addressed through more effective targeting, as represented by the newly developed Common Targeting Approach and improved horizontal and vertical equity in health and education resource allocation. The evidence from related studies needs to be considered within the

<sup>101</sup> Detailed information is provided in the Volume 2b.

budget setting process.

**Geographic targeting:** Geographical targeting mechanisms should be used more widely to tackle poverty in Northern Ghana by supporting livelihood and human development interventions. Such targeted interventions are cost effective and show high returns on coverage. Labour intensive public works, the Savannah Accelerated Development Authority (SADA), incentives for staff re-location and other initiatives in combination with better targeting of social safety net programmes would begin to address the disparities of access and opportunity which exist.

**Refinement of pro-poor budgeting and outcome measures:** Equitable development was noted as being non-partisan but should be seen as a constitutional requirement. Definitions of pro-poor policies and programmes need to be refined and empirical evidence used to inform debate and remove the distortions evident in current budget allocations. The benefits of growth anticipated in Ghana in the next few years should be demonstrably shared and results measured by the APR should be analysed and reported against targets for social and economic equity. Observations were that for poverty targeted programmes to work well necessary investments need to be made in human resources. It was argued that this has not been the case with LEAP, and this situation is constraining progress.

*Source: 2011 MDDBS annual review aide memoire.*

#### **6.4.2 BS contribution to the strengthening of public institutions and public service delivery**

The effects of BS financial transfers on the level and composition of public spending (including at the 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 showing that, during the evaluation period, local spending units have suffered from late and partial releases (by MoF) of the funds planned in annual budgets. EQ4 and sector case studies (Volume 2b) provide further information on this situation.

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 has become worse given the increasing fiscal pressure. After 2010, pro-poor expenditure and spending on public investment and recurrent costs have been 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 maintain some level of discretionary resources for GoG in the first half of the evaluation period which helped 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 points to an important role played by SBS funds in the implementation of the sectors' strategic framework.

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 co-ordination 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. MDDBS 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 MDDBS framework in 2013 and the decline in sector dialogue observed in recent years in sectors such as the 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 level of depth of these studies was strongly 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 spend at sector level. There is great opacity around the financing of service delivery at the local level. As a 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, DPs and GoG would most likely 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. The aim of these missions was not to 'audit' the use of public funds or SBS but to help getting an overall picture of how funds were utilised and highlight good practices which 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 which seems 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 GoG top officials and a strong level of convergence between DPs actions. In most sectors, while the main challenges faced at sector and national level 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. This led to a situation where many reforms remained 'at the surface'. Given the complex political economy prevailing in most sectors, it is not likely 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 which helped strengthening the capacities of numerous public institutions. The evidence gathered in the in-depth case studies (see Volume 2b) shows that:

- In the health sector, all critical institutions and strategic thematic areas in need for capacity strengthening have been covered by technical assistance or institutional building projects. Accompanying measures have supported capacity development of both public institutions and civil society organisations. In the context of the EU's SBS, there has been a strong focus on the strengthening of the MAF secretariat.
- 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 focussed on very specific elements of institutional building.

Wider efforts to improve public sector capacity (e.g. through the 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). As illustrated in the box below, the topic was brought up in the MDBS forum on 2011 (at a time when GoG was particularly active in policy dialogue on these issues) but with little effect in terms of the support provided by DPs and the actual implementation of the reform process after 2011.

*Box 25 Overview of the 2011 MBDS thematic discussion on 'Public Sector Management Capacity'*

From 2010 onwards, the MDBS annual reviews included specific discussions on selected cross-cutting issues. In 2011, one of the themes discussed was 'Public Sector Management Capacity'. The issues and challenges set out for discussion in this session related to the range of capacities which are required by strong public management organisations, including a professional and neutral public service. The overriding message of the presentation was the need for strategic co-ordination and clear demarcation of functions and responsibilities. Discussion centred on the following tools to support co-ordinated and strategic management capacity:

Comprehensive Human Resource database: Although an ideal, a comprehensive database or a common platform which allows the databases of all services to be linked and queried to provide system-wide responses and comparable data has not yet been agreed upon by the central agencies and MDAs. Separate systems are being developed or are in operation. There was a strong call for effective leadership and direction so that a whole-of-government HR information system could be established and it was clear that immediate action would be required given the separate initiatives which are underway or planned. It was suggested that key questions relating to the ideal size and skill profile of the public

service need to be addressed and that a manpower audit and a review/reform of the classification systems would be worthwhile.

Performance Management: It was noted that efforts have been made in the past and work has been undertaken to establish performance management systems but that no effective system was in place. For purposes of measuring manpower productivity and taking decisions on salary increases, it is important that uniform, objective measures are in place across government and that appraisals are carried out systematically. Mention was made of the „ministerial scorecards“ as one step in this process but it was emphasised that performance assessments need to apply to every employee in order to ensure value for money.

Strategic co-ordination: It was noted that the role and function of the Public Service Commission is not well known or understood, and that although it has significant mandate to advise government on the full range of HR matters, it has not been fully effective. There are perceptions of competing interests being exercised by other central agencies such as OHCS and MoF and more recently the Public Sector Reform Secretariat. Discussants emphasised that the introduction of GIFMIS, performance based budgeting and decentralisation of staff to the Local Government Service will require coherent and strategic leadership and effective co-ordination. New institutional and human resource capacities must be supported and managed as Ghana seeks to establish itself as a middle income country.

*Source: 2011 MDBS annual review aide memoire.*

There have been some attempts to strengthen PFM at sector level (e.g. in the Health sector) but with little concrete results at the end (see Volume 2b). Overall, as highlighted in EQ4, efforts to strengthen the PFM system supported by DPs at a broader level were not really successful during the evaluation period 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 put a lot of attention on strengthening 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 targeting 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 for 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 consolidate the participation of CSOs in national policy processes.