

# EVALUATION OF THE IMPLEMENTATION OF THE PARIS DECLARATION ON AID EFFECTIVENESS: PHASE II

**GHANA**

**Country Report**

**Final Report**

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## **ACKNOWLEDGEMENT**

We wish to acknowledge the contributions of Gloria Dufu, Godwin Awuah, Lorna Geli, Elvis Agyare-Boakye and all the members of the National Reference Group especially Captain Patrick Donkor (Rtd), Mr. Charles Tsegah, Dr. Emmanuel Akwetey, Ms Mary-Anne Addo etc. We are also grateful to all those who took time off their busy schedules to participate in the survey. Errors and Omissions are ours.

## ACRONYMS

AAA	Accra Agenda for Action
ADMD	Aid and Debt Management Department
AFD	Agence Française de Développement
AfDB	African Development Bank
AFRODAD	African Forum and Network on Debt and Development
APRs	Annual Progress Reports
BNI	Bureau for National Investigations
BRICK	Brazil, Russia, India, China and Korea
BTTC	Basic Teacher Training Centre
CHRAJ	Commission for Human Rights and Administrative Justice
CIDA	Canadian International Development Agency
CSOs	Civil Society Organizations
DBS	Direct Budget Support
DDF	District Development Fund
DFID	Department for International Development
D-PAF	Development Partner Assessment Framework
DPs	Development Partners
EMCB	Economic Management Capacity Building
ERP	Economic Recovery Programme
ESP	Education Strategic Plan
EU	European Union
FASDEP	Food and Agricultural Sector Development Policy
FDI	Foreign Direct Investment
FES	Friedrich Ebert Stiftung
FM	Framework Memorandum
GAVI	Global Alliance for Vaccines and Immunization
GBS	General Budget Support
GDP	Gross Domestic Product
GIA	Ghana Irrigation Authority
GIFMIS	Ghana Integrated Financial Management Information System
G-JAS	Ghana Joint Assistance Strategy
GLSS 5	Ghana Living Standards Survey 5
GoG	Government of Ghana
GPF	Growth and Poverty Forum
GPRS	Ghana Poverty Reduction Strategy
G-RAP	Ghana Research and Accountability Project
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Service
HIPC	Heavily Indebted Poor Country
HLF	High Level Forum
HQ	Headquarters
IFIs	International Financial Institutions
IMF	International Monetary Fund
JP	Joint Programme
LEAP	Livelihood Empowerment Against Poverty
M&E	Monitoring and Evaluation

MCC	Millennium Challenge Corporation
MDAs	Ministries, Departments and Agencies
MDBS	Multi Donor Budget Support
MDRI	Multi-lateral Debt Relief Initiative
MDG	Millennium Development Goals
MMDAs	Metropolitan, Municipal and District Assemblies
MOFEP	Ministry of Finance and Economic Planning
MOWAC	Ministry of Women and Children
MTEF	Medium-Term Expenditure
MTNDPF	Medium Term National Development Framework
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NGOs	Non-Governmental Organizations
NPP	New Patriotic Party
NREG	Natural Resources and Environmental Governance
NSF II	National HIV/AIDS Strategy Framework II
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
OECD DAC	Organization for Economic Cooperation and Development Development Assistance Committee
OPEC	Organization of Petroleum exporting Countries
PAC	Public Accounts Committee
PBAs	Programme-Based Approaches
PD	Paris Declaration on Aid Effectiveness
PEFA	Public Expenditure and Financial Management
PFM	Public Financial Management
PPP	Public-Private Partnership
PSR	Public Sector Reform
SADA	Savanna Accelerated Development Authority
SBS	Sector Budget Support
SWAp	Sector-wide Approach
SWGs	Sector Working Groups
TOR	Tema Oil Refinery
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank

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## Executive Summary

Ghana has since the Accra High Level Forum been identified as one of the Anglophone countries to participate in the Phase II of the Global Evaluation of the PD. This phase of the evaluation which started in early 2010 is expected to feed into the 4<sup>th</sup> High Level Forum scheduled for 2011. As set out in the ToR, the overall purpose of this evaluation is to provide information about the development results achieved thus far as a result of increased aid effectiveness practices. Specifically, the evaluation will assess the PD on aid effectiveness, development effectiveness and poverty reduction. Three key questions were addressed in this evaluation including:

- “What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?” (The PD in context)
- “To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?” (Process outcomes)
- “Has the implementation of Paris Declaration strengthened the contribution of aid to sustainable development results? How?” (Development outcomes)

The evaluation methodology involved a mix of both qualitative and quantitative research techniques. Information and opinions were sought in one of three ways: face to face interviews with officials drawn from institutions spanning central government, sector ministries, quasi-government institutions, development partners, civil society and the private sector. Sampling of respondents was done purposive and priority given to three sectors for case studies: *education*; *health* and *agriculture*. A total of 29 questionnaires were received comprising donors (12), government (5), and civil society organizations (9) and others (3). A comprehensive list of key informants and institutions interviewed are provided at the appendix. In addition, three projects in three sectors, namely, agriculture, education and health were evaluated in terms of their development outcomes. The projects spanned the Northern region, Eastern, Ashanti and Central regions of Ghana. Focus group discussions were held (two separate groups per sector) with 6-8 beneficiaries per project in addition to face-to-face interviews with project managers on development outcomes.

The Phase II evaluation of the implementation of the Paris Declaration noted that moderate progress has been made in terms of Ownership over the past five years. There has been modest improvement in consultations and coordination; for instance, there have been discussions on the implementation of national development policies and priorities at Ministerial and Cabinet level and DPs have provided oversight responsibility in its implementation. Civil society organizations have also been engaged in CG meetings and other aid effectiveness discussions although stakeholders were of the view that these engagements have been *ad hoc* and yet to be institutionalized.

The review also reported that there has been a significant improvement in the alignment of projects with Ghana’s development strategies although off-budget and off-plan activities still remain, thus, indicating lack of alignment with GoG priorities and systems. It must be noted that although a new aid landscape is emerging, aid effectiveness challenges still remain.

Challenges with country systems and non-use or partial use by donors due to mistrust has undermined country systems

Aid harmonization is one of the areas which have seen greater improvement particularly the decoupling of aid for projects from the consolidated fund. Nevertheless, harmonization within certain areas has been reported to be slow. Little progress is reported on the way GoG steers the strength of donors and there is general lack of transparency in the way `non-traditional' or `emerging' donors like the BRICKs operate. Uneven progress is reported of joint analytical work and shared missions thereby limiting progress on reducing transactions cost of aid.

The PD principle on managing for results has seen modest improvement in the last two years especially in the way aid conditions or `conditionalities' have been developed transparently and in consultation with government and other donors. However, the cost of managing aid continues to be high for partner and donor countries and this is not likely to decline soon in view of the increase in aid. Some areas of improvement however include the new guideline on managing for results developed by the NDPC for MDAs to formulate M&E plans and also some donors have been providing multi-year indicative funding and quarterly information on disbursement

Mutual accountability in terms of resource flow and achievement of results has recorded little improvement over the past two years and goes to confirm Ghana's recent position on the Corruption Perception Index. Evidence of improvements can be seen in terms of mutual trust and respect, open dialogue and flexibility between DPs and government. A high degree of openness was demonstrated by both parties at the 2010 CG meeting and the renewed commitment by DPs towards the development of the DP-PAF. Recent debates on the floor of parliament especially on the STX Housing Agreement are a typical example of improved accountability. However, accountability it is noted has been more skewed towards GoG and less towards donors. There is incomplete information on donor contributions to CSOs and some donors are unwilling to provide such information when requested for.

Development Results has been the focus of aid effectiveness discussions and policies in recent times with the alignment of donor policies on aid to the national development framework. There has been a partial improvement in the efficiency of aid delivery over the past five year according to the 2010 PD evaluation survey. The funding of agricultural value chain as well as other key interventions particularly in infrastructure development are key areas where aid is helping to leverage the country's own policies and programmes to achieve higher national objective. The provision of aid effectiveness platform which has promoted dialogue between donors, government and civil society are all clear evidence of improvements in development outcomes. PD has also helped to institutionalize good governance practices such as press freedom and the fight on corruption. Project level outcomes have also confirmed the improvement in aid effectiveness. However, despite these positive outcomes, PD has had unintended effects which have limited its development outcome. The new complex aid architecture comprising a mixture of programme and project aid makes a lot of demands on aid administrators and the government machinery. Significant amount of time is spent at meetings and other aid related activities thus adding to the transactions cost and reducing the development outcomes of aid.

The Accra Agenda for Action (AAA) also noted that the predictability of aid has improved with DPs routinely providing multi-annual indicative funding commitment and quarterly

reports on disbursements. Capacity building to strengthen country systems are on-going especially the Public Procurement Authority and the Audit Service. Capacity building is an integral part of the PFM. The use of process and policy conditionality by DPs particularly those subject to the interpretation of donors is undermining aid delivery. Although there have been some improvements in aid conditionalities over the past five years, DPs continue to put significant demands on government in terms of time reporting needs uncoordinated missions and meetings all add to the already high levels of transactions costs. This has been attributed to the lack of delegation of authority of donor HQ to local offices not forgetting the high staff turnover rate and in some cases low quality staff used in DPs local offices. Finally, evidence of de facto untying exists but technical cooperation still remains tied.

In view of the above findings from the 2010 evaluation of the implementation of the PD, the following recommendations are made:

### **Government of Ghana**

- (i) The Government of Ghana should strive to improve its systems to build the trust of donors to also use them. Annual budget provisions and regular monitoring of progress with such country systems will gradually build trust and confidence in the systems to encourage its use by donors which will then lead to its perfection
- (ii) The government should ensure better consultation with civil society members by institutionalizing the consultation process with CSOs. The current consultation process seems *ad hoc*;
- (iii) Transparency with new loans particularly with the BRICKS should be promoted in order to build mutual trust with other partners;
- (iv) Another major issue is corruption and how this is addressed. It is true that there has been a marginal improvement in corruption and how they are dealt with but there is more room for improvement. The way corruption investigations are quickly initiated but the end does not merit the resources committed to such investigations should be checked
- (v) Government should also invest in promoting the availability of data at the MDAs to promote the tracking and monitoring of aid funds to the beneficiary level

### **Donors**

- (i) As Ghana continues to develop and improves on its accountability systems, it is expected that DPs will provide significant amounts of aid that can help transform the structure of the economy to promote growth and poverty reduction. Donors should also increase aid to Ghana and ensure that aid is provided in a much more coordinated way whether in the form of projects or budget support. In addition, in as much as donors strive to be responsible to their tax payers, they should together with the Government of Ghana ensure that there is full information on aid projects to the Ghanaian citizens.
- (ii) The review indicated that transparency issues surrounding 'emerging' or non-DAC donors are of concern to DPs and civil society. Thus, non-traditional donors should also be brought on board the harmonization process in order to ensure that transactions cost is reduced significantly.



(iii) Donors should also harmonize their aid procedures; the recent pace at harmonization is very slow (see the Ghana Aid Harmonization Matrix). There should be a shift from project funding towards pooled or programme funding by ensuring that the various projects are integrated into the GPRS to avoid stand-alone projects.

(iv) The non-use or partial use of country systems continues to challenge aid effectiveness in the country. DPs are used to 'own style' and coupled with their limited institutional arrangements, they have made limited improvement in aligning with country systems. It is only when such systems are used and reformed that the expected 'perfect' system can be operational. Thus, it is important that as donor continue to provide assistance they strive to build the capacity of local project managers and implementers

(v) The high turnover of DP project staff and quality issues with field staff were mentioned as a key challenge to aid effectiveness. Thus, DP HQ should strive to promote continuity of staff and also address the quality issues that undermine aid effectiveness

(vi) Although the PD requires mutual accountability, it has been reported that accountability has been skewed towards the partner country with little accountability from DPs. DP funding to civil society organizations, project funding have not been communicated to Government thereby encouraging off-budget spending and corruption;

(vii) Aid conditionalities still remain and the mixture of project, programme and pooled funding has led to a complex aid architecture with its associated high transactions cost. Thus, donors should continually shift from project funding towards programme of pooled funding

(viii) A major issue with progress on the AAA is the existence of tied aid. Donors continue to operate tied aid system particularly with procurement of goods and technical assistance. As DPs strive to move towards pooled funding, this challenge can be minimized

(ix) Donors and the government should promote accountability of aid funds to civil society in Ghana by ensuring that aid data in a disaggregated form is made available and accessible. There should also be a system in place to ensure that funds are tracked to their recipients. We understand ADMD is working on this and it is hoped this will significant enhance the impact of aid in Ghana

### **Civil Society**

(i) Civil Society Organizations should be restructured into clusters to serve as stakeholders and not just watch dogs

(ii) Civil society should form watch dogs to discuss aid projects and also serve as monitoring tools for aid projects in Ghana, though there is no indication DPs aid in Ghana are not run adequately. However, tracking aid funds to recipients has been a major challenge to aid effectiveness in Ghana as revealed by an ODI study. Thus civil society watchdogs will significantly highlight problems associated with corruption, misapplication of aid funds and the problem of 'white elephant' projects.

(iii) Civil Society Organizations participation in aid effectiveness discussions should be inclusive and institutionalized in order to get effective participation and ownership

## 1. Background

Controversies about aid effectiveness date s back decades and although attempts have been made in the past to address this issue, this has not yielded the desired results. A recent review of the aid management system was in March 2005 when over one hundred Ministers, Heads of Agencies, and Senior Officials from 90 countries met in the French capital and agreed on a substantial re-orientation of international aid dubbed ‘The Paris Declaration on Aid Effectiveness’. The Paris Declaration (PD) represents a significant milestone in the process of reforming aid delivery and management to achieve improved effectiveness and results. The various countries represented committed to increase efforts towards aid harmonization, alignment, managing aid for results and ensuring mutual accountability with a set of monitorable actions and indicators. During the past five years, the debate about the effectiveness of international aid, in particular, on whether aid predicated on the PD’s five principles is more effective in generating human development and the fight against poverty, has intensified.

The first evaluation of the early implementation of the Paris Declaration, from March 2005 to late 2007 focused on assessing the changes of behavior and identifying better practices for both donors and their partners in implementing the agreed actions. Phase I of the evaluation concluded the following<sup>1</sup>: (i) Ownership - moderate progress has been made and the key challenge is that the operationalization of the Poverty Reduction Strategy is incomplete, with activities not monitored; (ii) Alignment – progress towards this action was moderate because government lead and information capture has been weak in some areas; (iii) Harmonization – low progress was recorded due to uneven harmonization across sectors and donors, with some major areas of weakness; (iv) managing for results – moderate progress since good poverty data is not matched by equally good data on budget execution/activities; (v) mutual accountability – moderate score was given since the aid effectiveness matrix was only seen as a first step and therefore priority actions require a demonstration that monitoring commitments can change behavior.

Subsequently, the Accra High Level Forum on Aid Effectiveness (Accra HLF) was held in 2008 where the Accra Agenda for Action (AAA) was drawn up which also builds on the commitments agreed in the Paris Declaration. The AAA is an agenda to accelerate progress and has four actions, namely, (i) Predictability – donors will provide 3-5 year forward information on their planned aid to partner countries; (ii) Country systems – partner country systems will be used to deliver aid as the first option rather than donor systems; (iii) conditionality – donors will switch from reliance on prescriptive conditions about how and when aid money is spent on conditions based on the developing country’s own development objectives; and (iv) untying – donors will relax restrictions that prevent developing countries from buying the goods and services they need from whomever and wherever they can get the best quality at the lowest price.

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<sup>1</sup> OECD 2007, 2006 Survey on Monitoring the Paris Declaration, Ghana

## **1.2 Purpose and Scope of Phase II**

Ghana has since the Accra HLF been identified as one of the Anglophone countries to participate in the Phase II of the Global Evaluation of the PD. This phase of the evaluation which started in early 2010 is expected to feed into the 4<sup>th</sup> High Level Forum scheduled for 2011. As set out in the ToR, the overall purpose of this evaluation is to provide information about the development results achieved thus far as a result of increased aid effectiveness practices. Specifically, the evaluation will assess the PD on aid effectiveness, development effectiveness and poverty reduction. The specific objectives of the evaluation include:

- To document the results achieved in Ghana through the implementation of PD.
- To enable the government and donors/agencies active in Ghana to clarify, improve and strengthen policies and practice consistent with the PD in pursuit of aid effectiveness and development effectiveness.
- To highlight barriers and difficulties that may have limited the effectiveness of the PD and its effects and impacts – and ways that these barriers and difficulties may be overcome.
- To strengthen the knowledge-base as to the ways in which development partnerships can most effectively and efficiently help maximize development results through aid in different development contexts.
- To enable sharing and exchange of experience among stakeholders and partnerships so as to facilitate reflection, lesson-learning and policy improvement.

The three core evaluation questions which form this logic chain in this report are as follows:

- Q1: “What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?” (The PD in context)
- Q2: “To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?” (Process outcomes)
- Q3: “Has the implementation of Paris Declaration strengthened the contribution of aid to sustainable development results? How?” (Development outcomes)

## **1.3 Approach, Methodology and Limitations**

This evaluation follows the established OECD DAC evaluation criteria in the way that the design is structured and questions are organized. In order to ensure an effective evaluation of the PD a triangulation of methods such as the use of secondary and primary information were used in order to ensure that an effective evaluation outcome are achieved. The conceptual framework was based on a modified version of the evaluation framework put forward in the linkages study. Thus, the evaluation methodology involved a mix of both qualitative and quantitative research techniques. Information and opinions were sought in one of three ways: face to face interviews with officials drawn from institutions spanning central government, sector ministries, quasi-government institutions, development partners, civil society and the private sector. Sampling of respondents was done purposive and priority given to three sectors for case studies: *education; health and agriculture*. Telephone or email interviews were resorted to whenever face to face interviews were not possible. Six Focus Group Discussions with project beneficiaries were done with the view to assessing the developmental impact of

the PD evaluation on aid outcomes. In addition, desk-based research and review of relevant existing reports and secondary data were carried out.

In order to effectively address the issues raised in the ToR, the evaluation ensured that responses are based on factual and reliable data as well as on valid analyses. The triangulation of methods used are but not limited to the following:

- Syntheses of existing literature and other sources of information or evaluations and research in order to avoid unnecessary duplication of effort.
- Comparative case studies that address common themes and sectors – this is important because more information may be available for some sectors and comparative findings require a focus on common themes.
- Comparative studies, for example between Paris Declaration and non-Paris Declaration type policies (e.g. different aid modalities, global funds etc.) in order to disentangle the contribution of Paris Declaration related and other strategies.
- Backward tracking to past PD-like initiatives and their results so as to demonstrate effects over longer periods of time.
- ‘Theory based’ (longitudinal) studies that are forward looking (i.e. anticipate development results that are in formation but have not become fully evident) by mapping out the plausible links in the causal chain from aid to development results and measure as far as possible ‘direction of travel’ and ‘distance travelled’. This is especially important for some of the longer term effects of the Paris Declaration that will not be evident by 2011.
- Focus on the mechanisms of change (i.e. those causal factors that help *explain* results in context) so as to be able to make credible recommendations.

### **Data and Sources of Information**

Key informants from the relevant institutions were interviewed and this includes policy makers, parliamentarians, donor agencies, academics/researchers, civil society organizations, Private sector representatives, the media and consultants involved in previous evaluations. In all 29 questionnaires were received comprising donors (12), government (5), and civil society organizations (9) and others (3). A comprehensive list of key informants and institutions interviewed are provided at the appendix. In addition, six projects in three sectors, namely, agriculture, education and health were evaluated in terms of their development outcomes. The projects spanned the Northern region, Eastern, Ashanti and Central regions of Ghana. Focus group discussions were held (two separate groups per sector) with 6-8 beneficiaries per project in addition to face-to-face interviews with project managers on development outcomes.

### **Limitations**

The study had a few limitations including the following: first, it is an opinion survey and sometimes hard core evidence is unavailable or cannot be provided to support certain assertions. Secondly, the study was delayed in view of the CG meeting at the time which coincided with the survey period. Hence, respondents who are knowledgeable on the PD also had to attend the CG meetings thus the delay in gathering field information.

The rest of the report is organized as follows: section two provides a brief overview on the economy and discusses the aid landscape in Ghana. Section three evaluates the outcome of the PD principles, specifically key factors that have shaped and limited PD implementation and outcome; implementation of PD and efficiency of aid and implementation of PD and sustainable development results. The final section outlines key lessons, challenges and recommendations.

## 2. CONTEXT

### 2.1 Overview of Ghana's Economy

The economy of Ghana is predominantly agricultural based with primary products as the main export commodities. Ghana's GDP growth rate of 2009 represented a decrease in real per capita GDP growth rate of 4.7% down from 7.3% in 2008. However, between 2002 and 2009, the economy experienced real GDP growth of 5.4%. With the introduction of the price stability monetary policy, inflation had declined from 40.5% in 2000 to 21.3% and 15.2% in 2001 and 2002 respectively. However, petroleum price increases of about 100% in the first quarter of 2003 led to increased demand for higher wages which led to an increase in end of period inflation to 23.6% in 2003 but thereafter, it fell to 11.8% in 2004. Although in September 2005, inflation had increased to 13.5%, by June 2007, inflation had declined to 10.7%. From 2008 to 2009 inflation decreased from 18.13% to 15.70% but by September 2010, inflation has declined to a single digit.

The rate of depreciation in the exchange rate was also relatively stable compared to the period preceding the price stability policy. The local currency (¢) depreciated by 49.8% against the US dollar in 2000 but again, due to the policy of price stability, the rate of depreciation in the local currency against the US dollar declined to 8.3% and 9.3% in 2002 and 2003 respectively. The Cedi depreciated by 2.3%, 0.4% and 0.2% against the US dollar<sup>2</sup> in 2004, 2005, and 2006 respectively. The Cedi also depreciated by 23% against the Euro in 2002 but the rate of depreciation declined subsequently and by end 2006 it had depreciated by 14.4% against the Euro. A similar declining trend was observed for the British pound (Bank of Ghana, 2007). In 2009, as a result of the relatively unstable macroeconomic environment, the cedi depreciated significantly against the three major currencies, namely, (US dollar (17.7%), the Euro (27.4%) and the British Pound (19.0%) respectively. The rate of depreciation of the British Pound was much higher in 2009 than in the preceding year and the major depreciation in the pound occurred during the second quarter of 2009

One major area of concern is whether the growth rates and recorded have translated into poverty reduction and improvements in the human development indicators. Evidence obtained from the 5th Ghana Living Standards Survey, (GLSS 5, 2005/06) indicates that upper poverty levels have declined from 1998/99 level of about 39.5% to about 28.5%. Extreme poverty also declined from 26.8% in 1998/99 to 18.2% in 2005/06.

However, the same cannot be said of the ten regions of Ghana; whereas the level of deprivation in Accra increased, that of the nine regions declined (Ghana Human Development Report, 2004). This is further supported by the GLSS 5, which saw extreme poverty increasing to 6.2% in Accra. The central and eastern regions experienced the largest decline in poverty during the period and this may be attributed to the concentration of programmes implemented under the President's Special Initiatives on cassava, pineapples and oil Palm (central region) and

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<sup>2</sup> The dollar was weak against the major international currencies during this period

increased export of pineapples and cocoa in the eastern region. With the exception of the Accra and Upper West, poverty declined in all the regions of the country.

**Table 1: Incidence of Poverty by Regions**

Regions	Poverty		Extreme Poverty	
	1998/99	2005/06	1998/1999	2005/06
<b>Western</b>	27.3	18.4	13.6	7.9
<b>Central</b>	48.4	19.9	31.5	9.7
<b>Greater-Accra</b>	15.2	11.8	2.4	6.2
<b>Volta</b>	37.7	31.4	20.4	15.2
<b>Eastern</b>	43.7	15.1	30.4	6.6
<b>Ashanti</b>	27.7	20.3	16.4	11.2
<b>Brong-Ahafo</b>	35.8	29.5	18.8	14.9
<b>Northern</b>	69.2	52.3	57.4	38.7
<b>Upper East</b>	88.2	70.4	79.6	60.1
<b>Upper West</b>	83.9	87.9	68.3	79.0
<b>National</b>	39.5	28.5	26.8	18.2

The extent to which this can be sustained can be explained by development in the key sectors of the economy. The economy can be divided into three broad sectors known as the agricultural, the industrial and the service sectors with the agricultural sector being the largest sector of the economy. Notwithstanding, its contribution fell from 38.0% in 2007 to 33.6% in 2008. The sector also contributed 37.9% of Ghana's foreign exchange earnings in 2008. Since 2001, cocoa contributed significantly to the productivity gains although cocoa farmers are not among the poorest group in society and therefore goes to question the pro-poor nature of the growth rates recorded. It is also important to highlight that Ghana's agricultural sector continued to be dependent on rainfall. A major component of production cost is the cost of inputs which are very high, making it difficult for smallholders who dominate the sector to afford them.

The industrial sector contributed 25.9% of GDP in 2008 but declined to 24.9% in 2009. However, between 2004 and 2008, the sector contributed 27.5% of GDP. The sector's growth rate increased from 7.4% in 2007 to 8.1% in 2008 but declined to 1.6% in 2009. This appears to have affected growth of the economy in 2009. The decline in construction in 2009 explains to a large extent the abysmal performance of the industrial sector. The performance of the manufacturing subsector clearly underlies the strong performance of the sector; from 2007, the subsector grew from -2.3% to 4.5% in 2008. The service sector facilitates the functioning of the agricultural and industrial sectors by providing an enabling environment for products and factor markets to function more efficiently. The service sector contributed 31.8% of GDP in 2008. From 2004 to 2008, the average contribution was 32.6%. The average growth for the sector between 2003 and 2008 was 6.1%. Between 2007 and 2008, it grew from 8.2% to 9.3%. The graph indicates that in 2008 the services sector grew by 9.3% compared with growth rate of 8.1% for industry and 5.1% for agriculture. Agriculture continues to have the largest share of national output at 33.6% in 2008 to 34.9% in 2009 despite being the slowest growing sector.

Figure 1: Sectoral Growth Performance (2000-2008)

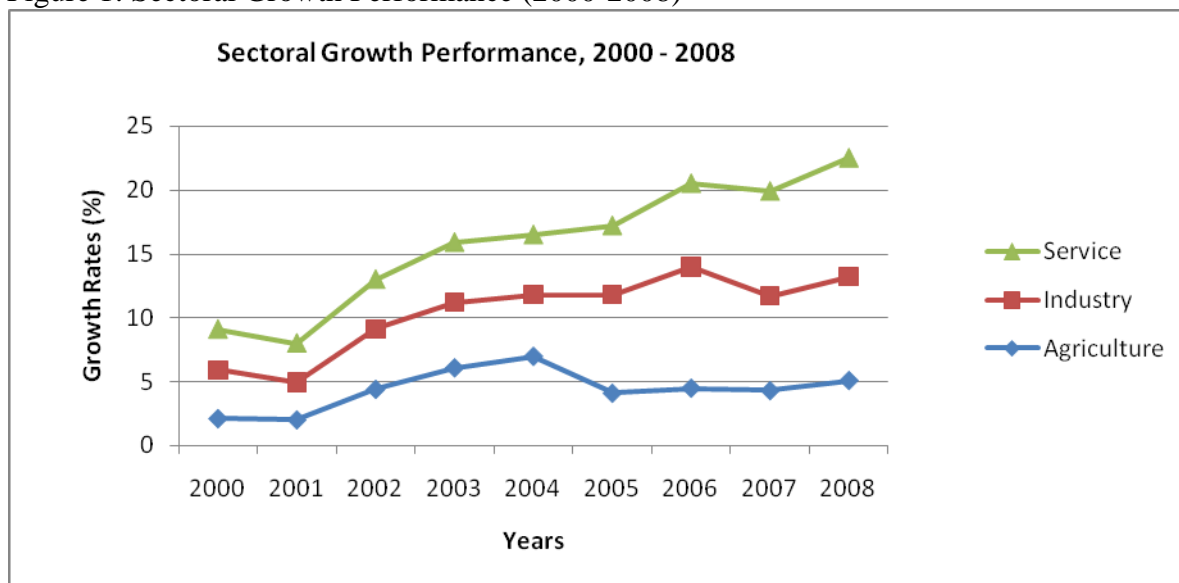
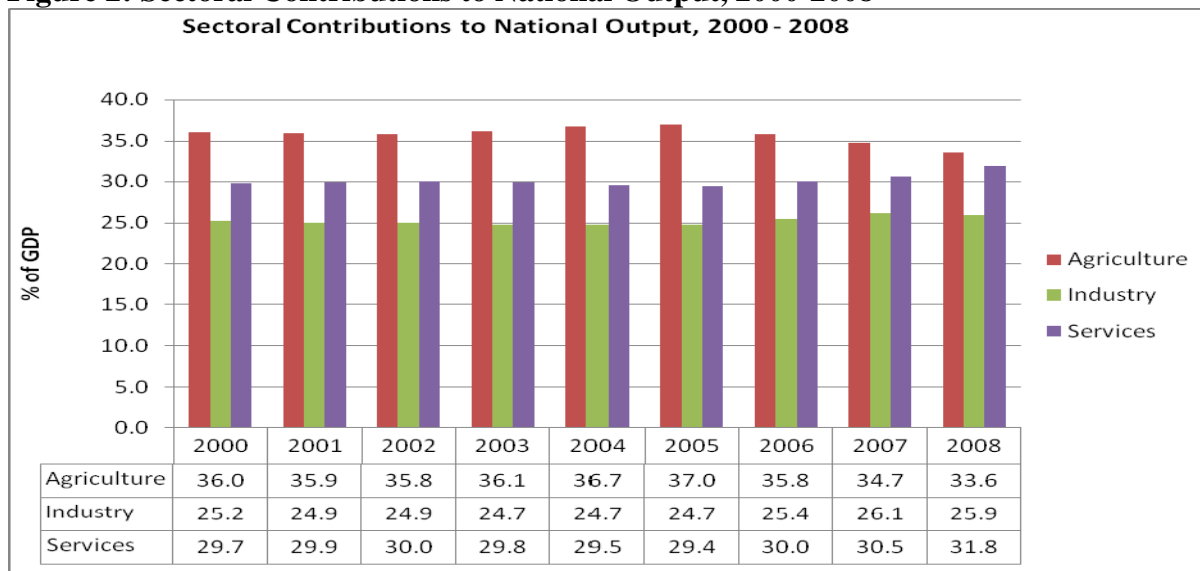


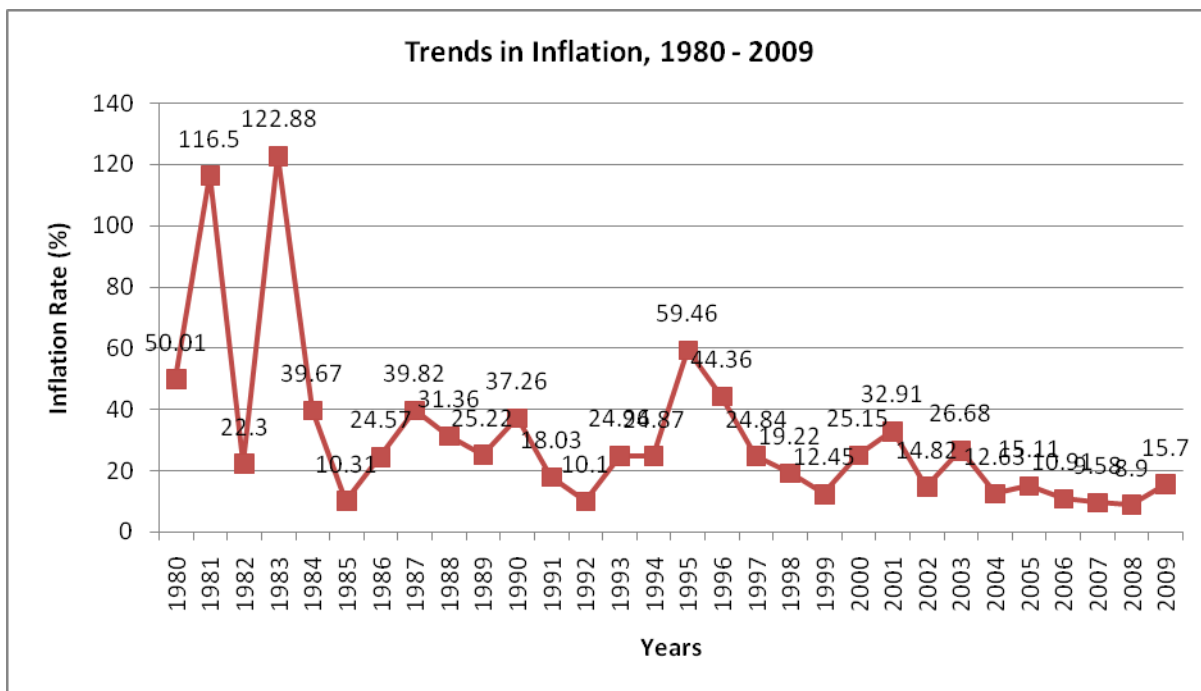
Figure 2: Sectoral Contributions to National Output, 2000-2008



It is important to note that the performance of agriculture has usually been driven by cocoa subsector. Growth in the cocoa production and marketing subsector dropped from 6.5% in 2007 to 5% in 2008. Structural transformation would generally require a greater share of national output coming from the productive sectors. However, there is no sign of that happening despite the faster growth in industry and services.

Figure 3: Trends in Inflation, 1980-2009

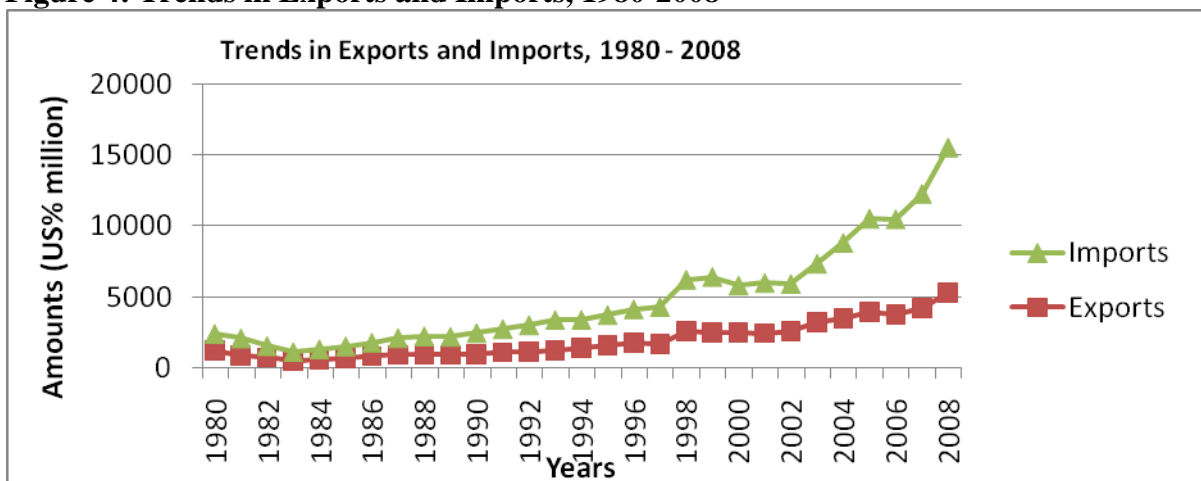




### Trends in Exports and Imports

In recent past, imports have tended to grow faster than exports. While the total import bill for 2008 rose by about 27% from US\$8066.11 million in 2007 to US\$10260.97 million, total exports receipts rose by about 26% from US\$4194.71 million in 2007 to US\$5275.33 million in 2008.

Figure 4: Trends in Exports and Imports, 1980-2008



The total export value of cocoa rose from US\$1103.2 million in 2007, to US\$1519.5 million in 2009; representing an increase of 38% over the period. Gold continue to dominate the mineral subsector in 2008, earning US\$ 2257.0 million and taking 96.3% of total earnings from minerals. While Manganese experienced increased earnings in 2008, both diamond and bauxite had a drop in 2008. The table below shows mineral exports from 2004 to 2008 in million US dollars.

## 2.2 The Aid Architecture in Ghana

Ghana currently receives aid in various forms, including general budget support, sector budget support (mainly health and education), and project aid using parallel systems. Until the mid-1960s, aid flows were relatively unimportant in Ghana (Harrigan and Younger 2000) because the Nkrumah government was highly suspicious of the major donors, i.e., Britain and the USA, which did not help the already poor state of affairs. But more particularly, the economy, as it emerged from colonial rule (Killick 1978; Brownbridge 1994; Quartey 2002) had inherited substantial foreign exchange reserves, little debt, and a small public sector. Very little foreign exchange and budgetary support were needed until the 1961 balance-of-payments crisis (Killick 1978; Harrigan and Younger 2000; Quartey 2005). Although there was an interest in attracting aid after 1961, Nkrumah's criticism of Britain and the USA, the two major western donors<sup>3</sup> made them less attractive sources of assistance. Eventually, Nkrumah did succeed in attracting support from the eastern bloc but the relationship deteriorated early in the programme and this severely limited disbursement (Killick 1978).

Aid to Ghana has been provided by its development partners; bilateral and multilateral donors. However, some further 'informal' classification exist, namely, traditional donors and non-traditional donors. The former currently comprise of the 23 multilateral and 24 bilateral donors<sup>4</sup>. The multilateral donors are: The World Bank, African Development Bank (AfDB), European Union (EU), Nordic Development Fund, Arab Bank for Economic Development in Africa, European Investment Bank, OPEC Fund for International Development (OFID), Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund), Global Alliance for Vaccines and Immunization (GAVI), and 12 organs/agencies of the United Nations<sup>5</sup>. The World Bank remains the largest multilateral donor, providing over 45% of the multilateral annual average. The bilateral donors is made up of traditional donors like Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, the UK, and USA. Non-traditional bilateral donors who are increasingly becoming important in Ghana's aid architecture include the BRICK countries, the Saudi Fund, and the Abu Dhabi Fund. These non-traditional donors do not participate actively in current aid coordination efforts with the traditional donors and the Ghana Aid Policy and Strategy (2011-2015) seeks to address this issue.

### Aid Flows and Composition

Prior to the economic reforms of the 1980s, aid to Ghana has been low and very volatile and moved largely in the direction of political business cycle. Aid flows had increased substantially by the end of the 1980s and Ghana was receiving more foreign aid per capita than the average for Africa and other developing countries (Quartey, 2005). The added inflows coincided with increases in growth but it is not clear whether the increase means causation. It can be argued that the increased inflow had a positive impact on growth at least during the early part of the

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<sup>3</sup> Except the Volta River Project, this was partly financed by the World Bank, Britain and the USA.

<sup>4</sup> Ghana DP-PAF Baseline Report 2009

<sup>5</sup> FAO, IFAD, ILO, IOM, UNAIDS, UNESCO, UNFPA, UNICEF, UNIDO, UNDP, WFP, and WHO.

ERP (Aryeetey and Cox 1997). Policy conditionality of programme aid flows ensured that neither fungibility nor Dutch disease plagued aid inflows (Younger 1992). Harrigan and Younger (2000) argue that public spending in Ghana had fallen to extremely low levels and capital spending had almost disappeared, which enabled the government to reduce its investment spending to finance public consumption in response to aid inflows. Also, the aid inflow filled the gaps in foreign exchange and capital availability, thus providing support for reconstruction of basic infrastructure, and the imports of spare parts and capital equipment

The late 1980s and early 1990s marked a new phase in Ghana's economic situation. During the period, the government took advantage of the high return public investments; infrastructure rehabilitation and markets were functioning at a level comparable to the pre-ERP period (Harrigan and Younger 2000). The foreign exchange market was liberalized during the reform period which meant that subsequent inflows induced a foreign exchange appreciation, thus dampening the incentive to export. Second, the government's attempt to neutralize the monetary effects of the inflows severely limited credit to the private sector (Younger 1992). Eventually the continued inflows led to the Dutch disease situation: exports and private investment were crowded-out due to tight monetary policy.

Table 2: Ghana ODA Envelope in Millions US\$ (2003-2010)

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total</b>	<b>1003.0</b>	<b>1130.1</b>	<b>1205.8</b>	<b>1471.8</b>	<b>1656.5</b>	<b>1649.6</b>	<b>2102.5</b>	<b>1896.8</b>
<b>IMF<sup>6</sup></b>	<b>76.6</b>	<b>38.7</b>	<b>38.2</b>	<b>116.6</b>	<b>0.0</b>	<b>0.0</b>	<b>200.0</b>	<b>200.0</b>
<b>Debt Relief Grants</b>	<b>154.2</b>	<b>174.1</b>	<b>196.9</b>	<b>307.3</b>	<b>342.7</b>	<b>229.5</b>	<b>289.6</b>	<b>235.8</b>
HIPC	154.2	174.1	196.9	209.8	246.1	158.4	191.9	168.8
MDRI	0.0	0.0	0.0	97.5	96.6	71.1	97.7	67.0
<b>Budget Support</b>	<b>277.9</b>	<b>316.7</b>	<b>313.2</b>	<b>349.3</b>	<b>386.7</b>	<b>473.1</b>	<b>700.4</b>	<b>619.2</b>
MDBS	277.9	309.0	281.9	312.2	316.6	368.1	525.2	451.2
SBS	0.0	7.7	31.3	37.2	70.1	104.9	175.2	167.7
Swap	0.0	0.0	0.0	0.0	12.1	15.2	86.9	81.2
Earmarked	0.0	7.7	31.3	37.2	58.0	89.8	88.2	86.5
<b>Project Aid</b>	<b>494.4</b>	<b>600.6</b>	<b>657.5</b>	<b>698.6</b>	<b>927.0</b>	<b>947.0</b>	<b>912.5</b>	<b>841.8</b>
<b>GDP</b>	<b>7621</b>	<b>8853</b>	<b>10726</b>	<b>12729</b>	<b>14984</b>	<b>16085</b>	<b>14385</b>	<b>14870</b>
Total ODA (% of GDP)	13.2	12.8	11.2	11.6	11.1	10.3	14.6	12.8

Source: D-PAF Baseline Report 2009

After the 1996 elections, one constitutional requisition was the drawing up of a development plan. A medium-term development framework called *Vision 2020* was prepared for the period 1997-2000 to provide a plan for the poverty reduction strategies of the country. Similarly, after the 2000 presidential and parliamentary elections, the (P) NDC, after being in power for over

<sup>6</sup> Balance of Payments support

20 years, lost to the NPP under the leadership of President Kuffuor. An analysis of ODA inflows to Ghana shows that aid inflows has increased from US\$ 578.96 million in 2001 in nominal terms to US\$1,433.23 million in 2008 and US\$1,896.8 million in 2010 (See Table 2). Aid as a percentage of GDP increased from 13.2 percent in 2003 to 14.6 percent and 12.8 percent respectively in 2009 and 2010. However, the second half of 2008 and first half of 2009 was a difficult period for the country as aid flows were less forthcoming partly due to the global economic and financial crisis.

### **Composition**

Ghana receives ODA in four categories, namely, (i) Debt Relief funds from the MDRI and the HIPC Initiative (including exceptional financing from the rescheduling of bilateral debt on more favourable terms); (ii) project support comprising project loans and grants for supporting specific projects and activities; (iii) programme aid in the form of loans and grants for general and sector budget support; and (iv) balance of payments support from the International Monetary Fund (IMF) which stopped after 2006 but was re-activated in 2009-2012.

Project aid constitutes the bulk (56% in 2008 and 57.4% in 2009) of ODA portfolio in Ghana, increasing steadily during the period, whereas programme aid has virtually stagnated over the period 2004 and 2007 (Ghana MDG Report, 2008). General budget support, for instance, has increased from 27.7% in 2003 to 32.6% in 2010 (Table 2). However, it is worth mentioning that the relative levels of both types of aid have remained relatively higher than the levels recorded in the mid-1990s. The improvement in Budget Support from US\$277.9 in 2003 to US\$700.4 in 2009 has been largely attributed to the introduction of the Multi-Donor Budget Support (MDBS) mechanism in 2003 which allows donors to contribute to a common basket to support the national budget. The MDBS which currently constitute about 30% of donor inflows in Ghana has improved commitment and predictability of aid inflows.

Programme aid as a percentage of total ODA has remained below 50% between 2003 and 2008, after increasing from 30% in 1999 to 58% in 2002. The average annual programme aid as a percentage of total ODA was estimated at 38% between 2003 and 2008 but for the period 1999 – 2002 it stood at 42% (Ghana MDG Report, 2008). This implies ODA portfolio in Ghana continued to be dominated by project aid which is usually off-budget and therefore subject to non-use of country systems, thereby creating of parallel system for its management and the associated excessive rigidity in its administration.

### **Multi-donor Budget Support (MDBS)<sup>7</sup>**

Significant off-budget spending exist in order to overcome the problems associated with isolated projects, the development partners<sup>8</sup> and the government of Ghana agreed on an aid

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<sup>7</sup> Extracted from Quartey 2005

<sup>8</sup> Mainly, the African Development Bank, Canada, Denmark, European Union, Germany, The Netherlands, Switzerland, United Kingdom, and the World Bank. Between 1990 and 1994, the World Bank contributed 37.2% of total ODA to Ghana while the rest contributed the following proportions: Canada (6.5%), Denmark (1.8%), EU

package known as the *multi-donor budgetary support*. Its main goal is to ensure a continuous flow of aid to enable the government to finance its poverty related expenditures. Unlike direct budget support, MDBS aims to harmonize policies and procedures of the development partners (DPs) in order to minimize transaction costs for the recipient country.

The framework memorandum (FM) was signed in March 2003 between the government of Ghana (GoG) and the DPs. According to the agreement, the FM will be supplemented with individual arrangements between each DP and the GoG but the contents of each individual funding arrangement should be compatible with the spirit and provisions of the FM without the individual agreements, however, constituting an international treaty. The MDBS is open to all development partners wishing to participate but this does not imply that all participating DPs are obligated to provide resources in any given year. The spirit of the FM must be respected (Framework Memorandum 2003).

MDBS main goal is to harmonize the policies and procedures of the DPs in order to minimize transaction costs for the government. This is to be achieved by (i) agreeing on a common benchmark against which performance is assessed, (ii) improving dialogue between government and the development partners, (iii) conditioning funding commitments and disbursements on the achievements of the agreed targets. The operational framework of the MDBS is to be in two stages: first, the Ghana Poverty Reduction Strategy (GPRS) is to detail the poverty reduction strategy of the government of Ghana. Second, the medium-term expenditure (MTEF) budget process provides the instrument for allocating resources according to the GPRS priorities and the resource envelope.

Progress assessment of the MDBS is to be based on the goals set by the government within the GPRS. The FM stipulated that for 2003 the progress assessment framework be based on two matrices, namely, the MDBS policy matrix (EU and bilaterals) and the World Bank Poverty Reduction Support Credit. Both matrices are to be subject to separate arrangements, but it is hoped that all FM participants adopt the use of a single matrix based on the GPRS. There will be a common review process for all the DPs, and participants will meet according to an agreed schedule to jointly review the implementation and attainments of the objectives. Under the MDBS, the government of Ghana, subject to availability of funds, is to ensure the following:

- i) implementation of the GPRS,
- ii) that total expenditure and sector allocations effectively reflect the government's poverty reduction commitment and that the budget is comprehensive;
- iii) provision of agreed reports to DPs;
- iv) semi-annual coordination and organization of MDBS meetings, in conjunction with the mini-CG (section 2);
- v) Coordination and organization of joint assessment meetings.

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(N/A), Germany (6.1%), Netherlands (2.8%), Switzerland (N/A), and UK (6.99%). Japan was the single largest contributor (16.4%). Computed from Harrigan and Younger (2000:199)

The development partners, on the other hand, would be committed to working in partnership with the GoG to facilitate the implementation of the GPRS both through direct budgetary support and complementary support provided through the DPs' wider development cooperation programmes.

The DPs would:

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

The FM outlines provisions for settling disputes, and differences arising with regard to the MDBS are to be settled through dialogue and consultation between the GoG and DPs. The government and each DP are to consult with other FM participants whenever there is discussion to suspend or terminate all or partial support to the GPRS. If a DP takes action to invoke remedial measures or withdraw support, the GoG would, in consultation with other DPs, make necessary revisions to the programme to ensure that the expenditure framework matches available resources. Another key feature of the MDBS is the provision of technical assistance. The DPs have proposed a flexible and responsive technical assistance programme, which allows the GoG to identify, budget, monitor and evaluate technical assistance. The unique feature is that all technical assistance would be programmed and budgeted for in a manner similar to any other resources, regardless of the source of funds.

In July 2008, a new FM was signed between GoG and 11 DPs (including Japan) in support of the Growth and Poverty Reduction Strategy (GPRS-II). According to the 2009 DP-PAF Report, the guiding principles of the MDBS process include:

- Maintenance of sound macroeconomic policies;
- Commitment to achieving the GPRS-II objectives and the MDGs;
- Continuing peace and respect for human rights;
- Adherence to the rule of law;
- Democratic principles and the independence of the judiciary;
- Sound budgeting and public financial management (PFM) systems; and
- The promotion of good governance, accountability of the Government to the citizenry, including an active fight against corruption

In an attempt to encourage reforms and the predictability of aid flows, the MDBS agreement with bilateral DPs agreed on a yearly budget support that will be disbursed in two equal tranches based on a satisfactory annual review of the GoG's performance. The annual review entails (i) a holistic assessment of progress in the implementation of the national strategy and sound macroeconomic management by the IMF; and (ii) an in-depth evaluation of performance against specific targets. These targets have been jointly agreed on and specified within the GoG's Progress Assessment Framework. The second tranche sometimes referred to as 'Performance Payment', depends on the outcome of a joint progress assessment of key areas of

reform including decentralization, public sector reform, PFM, the budget process, governance, and poverty related expenditures to the social sectors

Since the signing of the FM, the DPs have provided support towards the GPRS. In June 2003, as part of its contribution under MDBS to Ghana, the World Bank made US\$125 million available for disbursement in one tranche in July to support the implementation of agreed poverty reduction reform programmes stipulated in the GPRS and the 2003 budget. Development assistance to Ghana under the MDBS was 32.6% of total aid disbursed in 2003 but declined gradually to 21.22% in 2008. It is important to mention, however, that nearly 100% of funds pledged in support of the budget in 2003, 2005 and 2007 were fully disbursed while disbursements exceeded pledges in 2004 and 2008 due partly to exchange rate differences between the US dollar and the original currency of disbursements (DP-PAF Report, 2009).

### **3. FINDINGS FROM COUNTRY EVALUATION**

This section of the report discusses the key factors that have shaped and limited the implementation of the Paris Declaration and its potential effects on aid effectiveness and development results. It also assess whether the implementation of the Paris Declaration has led to an improvement in the efficiency in aid delivery, the management and use of aid and better partnership; it assesses how this has been done in terms of the processes and the intermediate outcomes. Finally, the section discusses the extent to which the implementation of the PD has strengthened the contribution of aid to sustainable development results.

#### **3.1 Key Factors that shaped & limited PD Implementation & Outcome**

**Q1 “What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?” (The Paris Declaration in context)**

##### **3.1.2 Most Important National and International Events that have affected PD**

The most important national event that has affected and continues to affect the implementation of the Paris Declaration and the Accra Agenda for Action priorities can be categorized into pre-PD events (2000-2004) and post-PD events (2005-2010) and both have had positive disposition to aid management in Ghana. The former include the HIPC Initiative, the preparation and operationalization of the GPRS I, the MDRI initial process, MDBS and CG Meetings. The latter include the full implementation of the MDRI, CG/Annual Partnership Meeting, DP-PAF and G-JAS. Another key event include the drafting of the Ghana Aid Policy and Strategy 2011-2015. This policy outlines the roles of the various stakeholders in ensuring that aid is delivered in line with the PD principles to achieve better results. The holding of the Accra High Level Forum on Aid Effectiveness in Ghana in 2008 has also affected the implementation of the Paris Declaration in the country. Also, 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 PD principles in ensuring aid effectiveness. It has led to a common reporting system and reduced the transactions cost of aid. Finally, the preparation

and use of the Ghana Shared Growth Development Agenda, a policy document which ensures that DPs align their support to national priorities have affected PD implementation.

The Paris Declaration essentially formalised the relationship between development partners and aid recipients by explicitly outlining the roles and responsibilities of both parties and also by looking at the responsibility of developed and developing countries for delivering and managing aid in terms of the five principles. The Ghanaian case has been upheld by certain characteristics that are aligned to the five principles established by the Declaration. From the Declaration, Ghana's relationship with its development partners has been given a new boost when the country signed on to the Declaration on Aid Effectiveness. Following the principles underlying the Declaration, Ghana has worked with its Development Partners (DPs) to improve Aid effectiveness through the establishment of agencies and capacity building in various sectors of the economy. The key characteristics of the country in its capacity building initiative and institutional empowerment could be seen in line with the principles of the declaration as it provides a coherent analysis and assesses the effectiveness of the Declaration.

Another key factor that has acted as a major influence on the implementation of the Paris Declaration according to stakeholders interviewed is the role of non-DAC donors. The entrance of the BRICKs has improved the flow of resources but they have not shown any commitment to the PD/AAA and these can affect the outcome of the PD/AAA. A related issue mentioned is the perceived negative attitude to country systems especially in procurement and the high transactions cost of aid not to mention the changing priorities of key donors. Political influence was also mentioned and it is believed this prevailed over the AAA. Others include the lack of political will to implement PD and the lack of resources by MOFEP to implement PD. Others hold the view that expected revenue from oil and Gas as well as the hoped for Middle Income status are all factors that may influence the implementation of the PD.

### **3.1.3 Place of Aid Subject to PD Principles and Trends**

Ghana received very little aid in the 1960s until the economic recovery programme was launched in 1983. Thereafter, aid has assumed an important role and studies have attributed the positive and rising economic growth to aid and good macroeconomic policies. In 2001, Ghana received a total of US\$ 652.9 million in aid but by 2003, aid had increased to \$1003.0 million, \$1471.8 million and \$2102.5 million in 2006 and 2009 respectively. Thus aid had assumed an increasing and important role in Ghana's economy.

Ghana receives ODA in four categories (see section 2). Project aid constitutes the bulk (56% in 2008 and 57.4% in 2009) of ODA portfolio in Ghana, increasing steadily during the period, whereas programme aid has virtually stagnated over the period 2004 and 2007 (Ghana MDG Report, 2008). General budget support, for instance, has increased from 27.7% in 2003 to 32.6% in 2010. However, it is worth mentioning that the relative levels of both types of aid have remained relatively higher than the levels recorded in the mid-1990s.

Budget support has increased since 2003 and has been subjected to PD principles compared to project aid. The improvement in Budget Support has largely been attributed to the introduction of the Multi-Donor Budgetary Support (MDBS) mechanism which allows donors to contribute to a common basket to support the national budget. The MDBS 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.

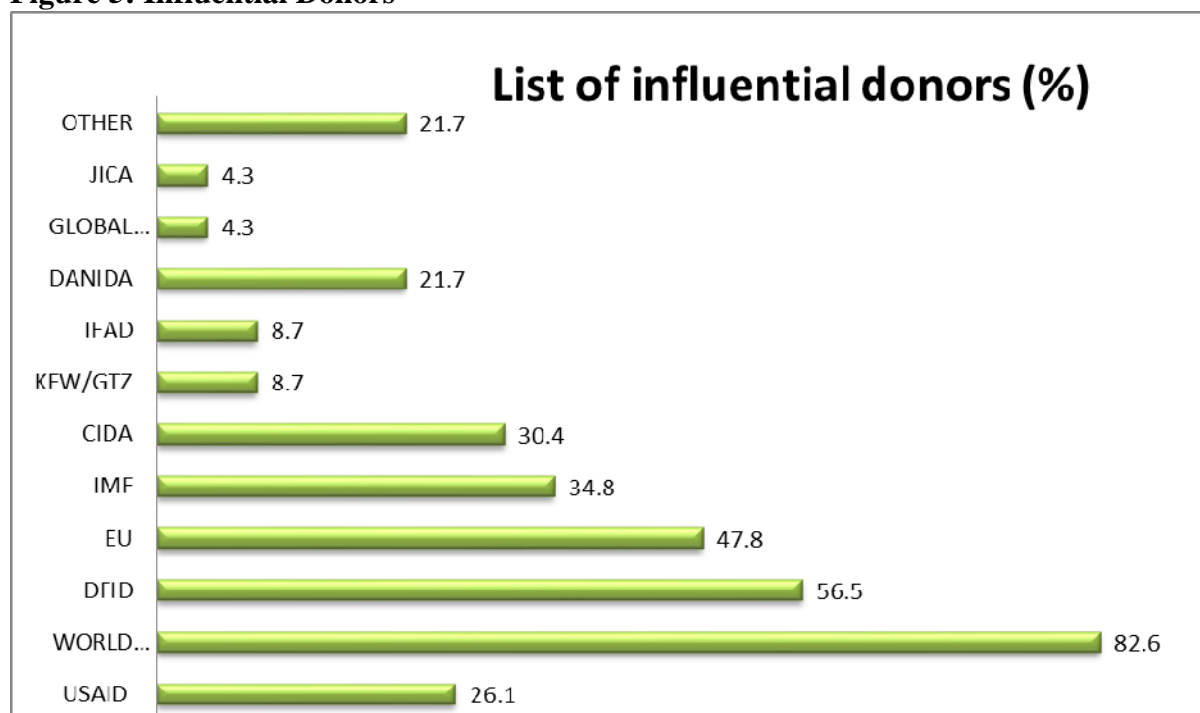


Programme aid as a percentage of total ODA has remained below 50% between 2003 and 2008, after increasing from 30% in 1999 to 58% in 2002. The average annual programme aid as a percentage of total ODA was estimated at 38% between 2003 and 2008 but for the period 1999 – 2002 it stood at 42% (Ghana MDG Report, 2008). This implies ODA portfolio in Ghana continued to be dominated by project aid which is usually off-budget and therefore subject to non-use of country systems, thereby creating of parallel system for its management and the associated excessive rigidity in its administration. This has been recognized as a major challenge to the implementation of the PD in Ghana

### 3.1.4 Key Actors among DPs

All the respondents in the survey rated the World Bank as the most influential, followed by DFID, E.U and IMF in that order (Figure 5). The reasons include the volume of aid received from these institutions; they tend to decide on sector specific support which orients government functionaries. In the case of the World Bank, stakeholders felt the volume of assistance provided combined with inflexible systems and processes tend to shape key interventions including General Budget Support. In 2008, for instance, the World Bank provided 18.6% of the total aid portfolio, followed by the African Development Bank with 11.4%. It was mentioned that DFID however has a strong technical capacity which ensures that the funding decisions are made in-country in addition to the volume of funds provided. Other donors like Netherlands, strategically engages on the PFM while CIDA plays a leading role in harmonization and policy dialogue. The IMF's assessment of macro conditions has implications for many DPs investments and this is very influential particularly in times of economic difficulty. In all, the major donors are influential because of the volume of funds they provide. However, although Korea and China also yield some influence on government, their procedures and conditions are said to be less transparent.

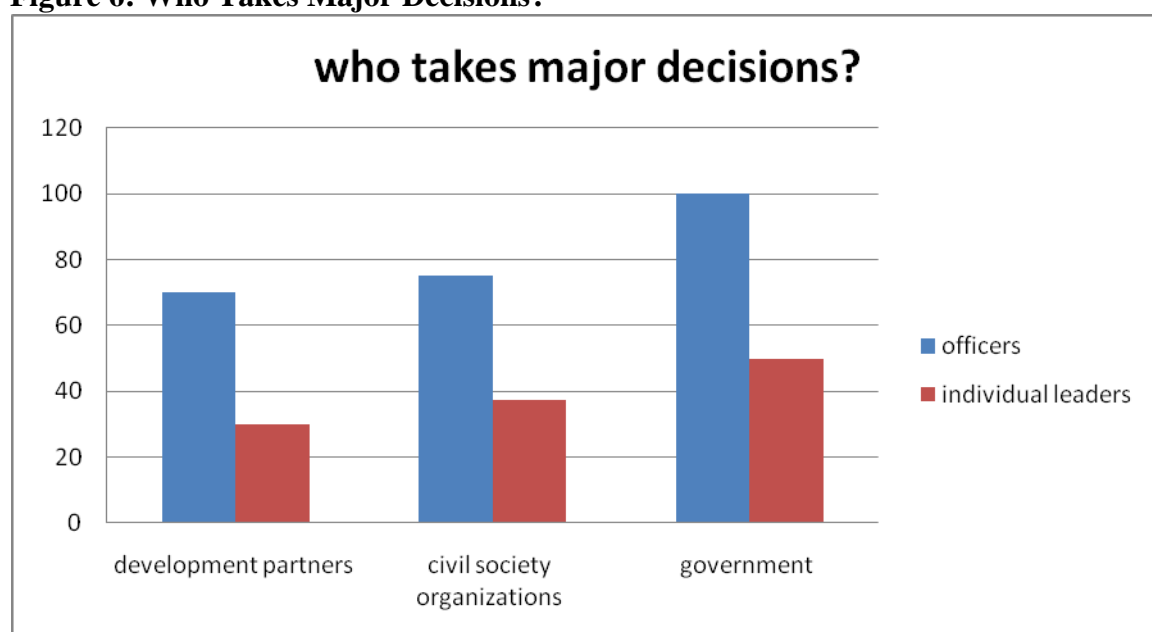
**Figure 5: Influential Donors**



Source: Field Survey, 2010

Development Partners indicated that most major decisions on aid are taken by officers in their respective agencies and this accounted for 72% major aid decisions among development partners, civil society organizations and government agencies while the rest of the decision making were done by individual leaders. Also, among the stakeholders interviewed from the government sector, all respondents indicated that officers took major decisions in government sectors (Figure 6). This was followed by civil society organizations (75%) and development partners (70%).

**Figure 6: Who Takes Major Decisions?**



Source: Field Survey, 2010

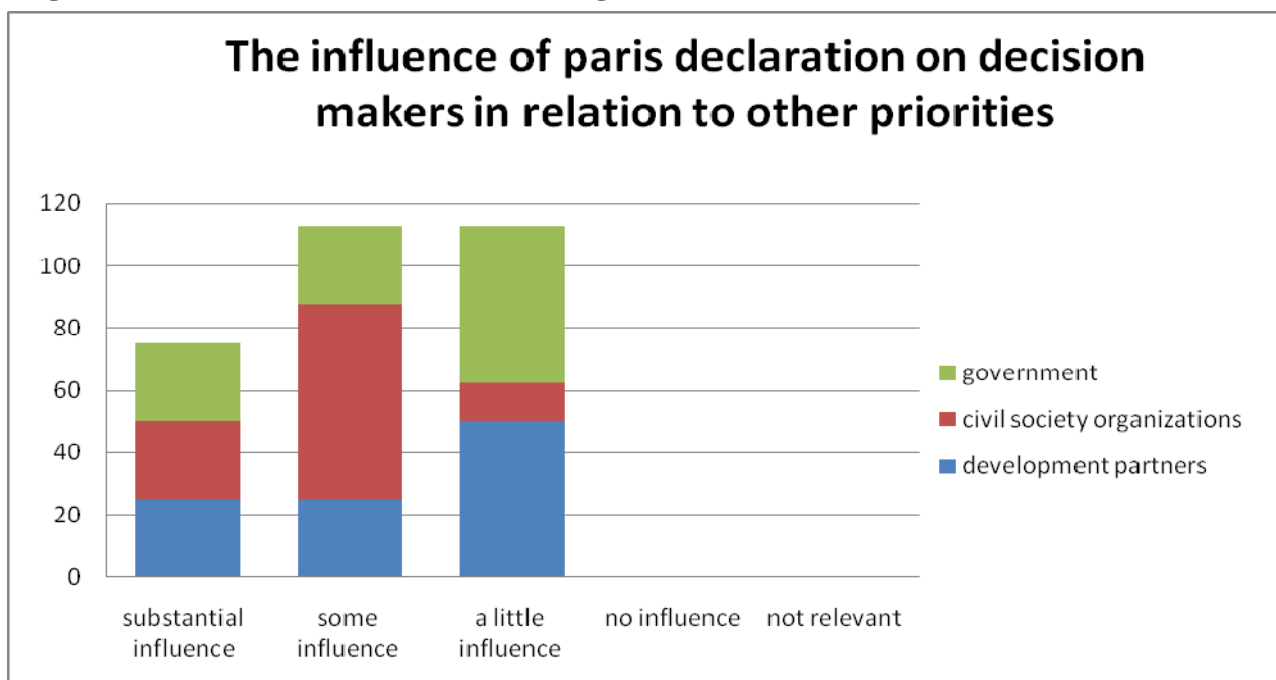
Major donors are said to take most decisions at the field level and this it is believed, results in effective management aid in addition to ensuring that Ghanaians are involved in the decision making process. However, World Bank, UN system, MCC were seen to be headquarter driven and therefore key decisions on programming and procedures are taken at HQ level. Such HQ decisions usually take time and can affect the implementation of aid funded projects and outcomes. I could also add to the project costs. There is general consensus among stakeholders that while engagement with PD is rather strong, the implementation is rather slow and has made little or partial progress. Besides, only a few donors such as DFID and Denmark are able to take significant funding decisions on the field although currently most G-JAS partners make implementation and policy decisions in the field thus improving coordination and efficiency.

### **3.1.5 Extent to which PD Principles have been implemented**

In reference to the aid management system, implementation has been extensive and has had some influence on aid effectiveness in Ghana according to stakeholders interviewed. This is because the PD is believed to have increased dialogue and consultative discussions on aid effectiveness and also because donors are now following and supporting government led

agenda. Also, the role of development partners is gradually changing; they are becoming more of funds administrators and provide technical advice occasionally rather than designing and managing projects. It also believed that the Paris Declaration has led to increased dialogue and consultative discussions on aid effectiveness and inspired the development of the Ghana Aid Policy document (2011-2015). Besides, various sector working groups have been established through the development of the aid policy groups.

**Figure 7: PD Influence on Decision Making**

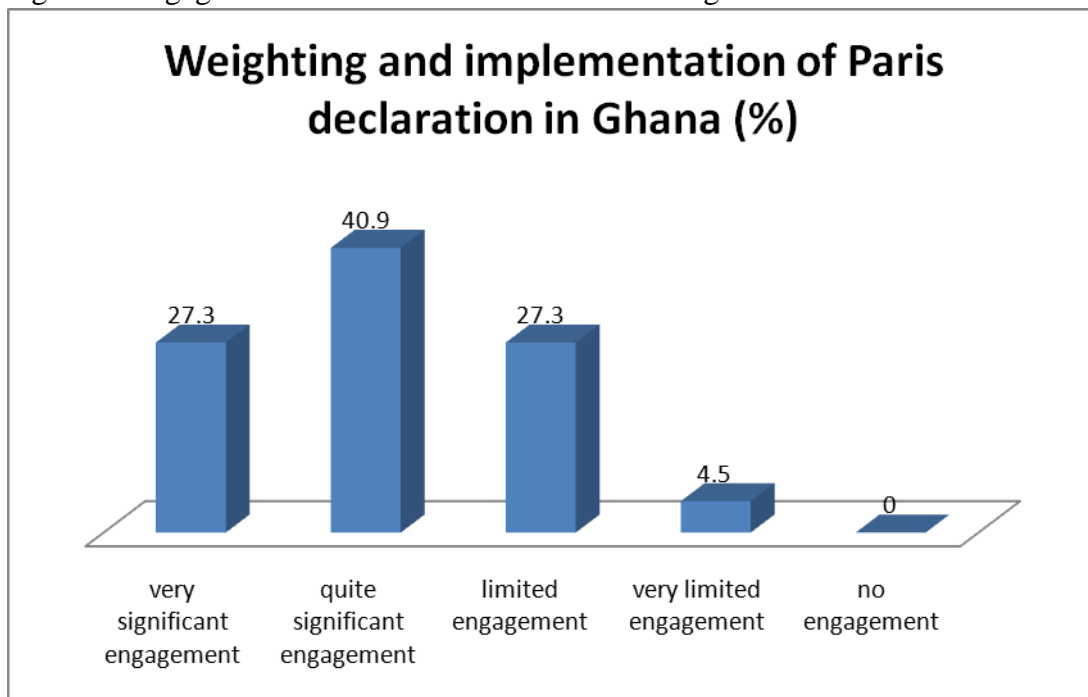


Source: Field Survey, 2010

However, others feel there is very little commitment to respond to some of the principles, particularly, ownership and alignment to country systems. It is further argued that aid is politically influenced from HQ level and therefore donors pursue varied objectives. Some DPs also hold the view that they have been able to reorganize the aid architecture through Sector Working Groups (SWGs), GJAS, the Aid Policy and Strategy (2011-2015). In addition, the common position and comments from DPs on strategic national documents and the long meetings to discuss harmonization and coordination are signs of its effects on aid effectiveness discussions. Both GoG and DPs have significantly credibility in ensuring PD and AAA principles work in Ghana and have served as primary reference points for aid effectiveness discussions. Others feel, however, that donors are usually in the driving seat on these issues and it is hoped that the Aid Policy will change this. Although implementation has been slow the mode of delivery has improved and firm structures have been established.

The PD principles have been significantly interpreted, weighted and implemented in Ghana with 40.9% of respondents indicating that there has been quite a significant engagement in terms of weighting and implementation of the Paris Declaration in Ghana. About 27.9% of respondents indicated a very significant engagement and a similar proportion also indicated limited engagement. However, whereas 4.5% of the respondents indicated it has very limited engagement, none of the respondents from the three groups of respondents indicated ‘no engagement’ (Figure 8).

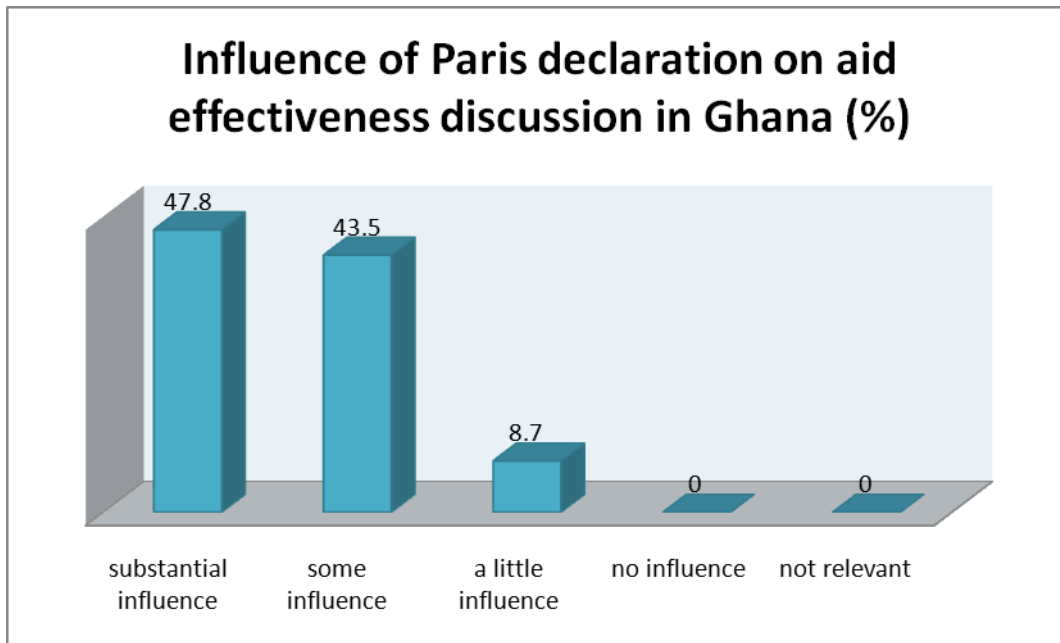
Figure 8: Engagement with PD in Aid Effectiveness Agenda



Source: Field Survey, 2010

The PD has also influenced aid effectiveness discussions in Ghana. As indicated in Figure 9, about 48% of respondents indicated that the Paris declaration has had substantial influence on aid effectiveness discussions in Ghana with 43.5% of the total respondents also indicating that it has had some influence.

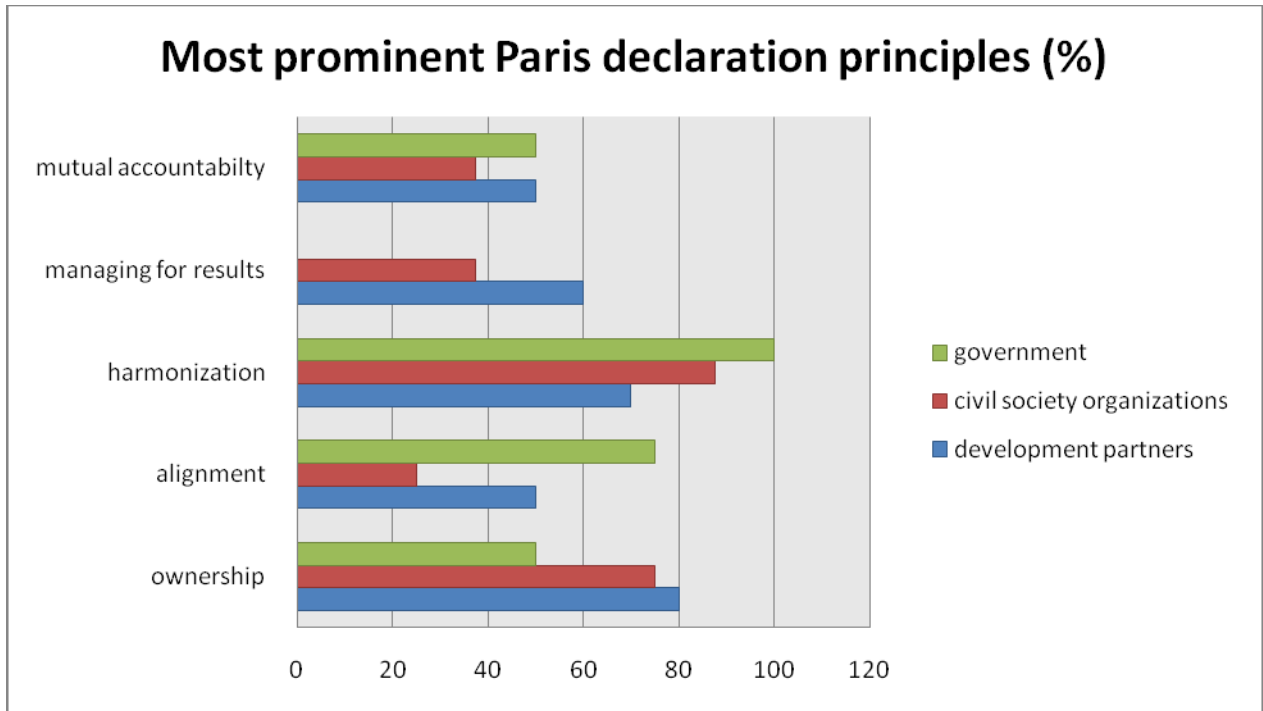
Figure 9: PD Influence in Aid Discussions



Source: Field Survey, 2010

Harmonization, Ownership and Alignment are three of the five principles that have featured prominently in discussions and implementation because of the dialogue among stakeholders (see Figure 10). Also, they have featured prominently because of government’s efforts to reduce duplication of aid efforts and align them with government priorities. This is because of the need to ensure that national plans and strategies are based on local analysis of needs and country systems for implementation. It is further indicated by stakeholders interviewed that harmonization is the easiest target to achieve since it depends on efforts from DPs than on government. Some stakeholders argued that the lack of government leadership on PD left development partners on their own and consequently they focused on harmonization (eg. EU Code of Conduct, EU Council conclusions etc). Alignment is prominent in discussions but lagging in implementation hence the lower score compared to the others. This is has been blamed on weak management systems and discrepancies in budgetary expenditures when compared with actual. The Aid Policy (2011-2015) is yet to be implemented although it indicates a strong vision for GoG, thus ownership scored lower than harmonization. Little progress has been made with mutual accountability although some progress has been made towards a framework for DP accountability. Meanwhile, some stakeholders interviewed thought national systems remain weak when it comes to managing for development results.

**Figure 10: Most Prominent PD Principle**



Source: Field Survey, 2010

A significant proportion that there is aid effectiveness fatigue and this affects economic activity in several ways including: a reduction in the volume of aid and the continuous dependence of donors on HQ for decisions which leads to uncoordinated development results. It has also affected accountability to some extent, for example, the DDF concept at the district. Others feel it has made it more difficult to mobilize partners for advancing in AAA issues and has limited the harmonization agenda. Activities are affected by the time spent in meetings on harmonization and related issues. The aid effectiveness fatigue can also be seen in terms of the slow progress in key reforms (eg. PSR, PFM, M&E etc). It is also due to the perceived lack of GoG leadership in key areas such as division of labour. Others interviewed hold the view that there is some harmonization fatigue related to the different approaches used by the various DPs (eg. IFIs vs. bilateral). There is also some fatigue around the multiple systems for monitoring and reporting on PD/AAA performance. Nonetheless, most DP remained committed to PD/AAA. Respondents from government sector hold the view that there is little evidence of fatigue despite ongoing difficulties in implementation of some of the PD principles. However, it is not clear whether the new entrants (BRICKS) will be held to the same standard, although this may simply demonstrate pragmatism, rather than fatigue. CSOs also indicated that there is a strong and sustained engagement and no evidence of fatigue by the select group of CSOs who engage in aid effectiveness discussions and related activities. Some however felt there is some influence since `they are always responding to questionnaires and interviews`. Government is rather saddled with additional responsibilities without the corresponding resources to match them. The fatigue can also be seen in terms of the less enthusiasm for general budget support and joint approaches.

**Conclusion:** The extent to which each of the five PD principles have been implemented is varied. Whereas some are easy to achieve and require less effort, others are not. Others have also seen more donor interest and commitment while government effort in leading some has not been very strong. Key national or international events such as the drafting of the Ghana Aid

Policy and Strategy 2011-2015, the holding of international aid effectiveness forum (Accra High Level Forum), the operation of the Multi-donor Budgetary Support which has inherent PD principles to mention but a few has influenced the implementation of the Paris Declaration principles in Ghana. The implementation of the PD principles has improved dialogue between donors and the GoG and has led to increased CSO participation in aid discussions. Non-DAC donors have also provided additional resources but the implementation of the PD has led to some stakeholders questioning the lack of transparency in non-DAC aid agreements.

### **3.2 Implementation of PD and Efficiency of Aid**

**Q2 “To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships? (Process and intermediate outcomes)”**

#### **3.2.1 Stronger National Strategies and Frameworks (Country Ownership)**

The Paris Declaration resolves to take far-reaching and monitorable actions to reform the ways aid is delivered and managed, through the promotion and enhancement of the principles of the Declaration. A major principle that will promote efficiency of aid is country ownership; that is ensuring that aid programmes are aligned to national development plans. In this direction, the government of Ghana has embraced the Paris Declaration principles, and has made great strides in developing its national planning architecture (GPRS I & II) and establishing mechanisms to coordinate the efforts of donors. In 2005, the Cabinet of Ghana approved the GPRS II as the medium-term strategy for the period 2006 - 2009. This was the first step towards equipping the country to take ownership of the implementation of the Declaration. It is from this strategy that different sectors of the economy and relevant local governments derived their respective medium-term plans. By this process GoG to a large extent takes the lead in coordinating development assistance, particularly the coordination of donor assistance towards implementation of the development policy framework being coordinated by the National Development Planning Commission (NDPC) in collaboration with the Ministry of Finance and Economic Planning (MOFEP).

The implementation of the GPRS has been regularly discussed at ministerial and cabinet levels, while the Parliamentary Sub-Committee on Poverty, CSOs and DPs provide the oversight responsibility for the implementation of the GPRS II (UN, 2007). The involvement of the legislature in the implementation process ensures that all major political interest groups and Regional Poverty Groups in all regions of the country are involved, thereby reducing potential strife, dissatisfaction and ensuring the establishment of a sustainable structure for continuing government-stakeholder dialogue.

In addition to the above, there has also been the establishment of sector working groups within the framework of the MDBS. These working groups exist to provide opportunity for further dialogue on key policy issues. There are currently 18 sector working groups which comprises of sector ministries and external partners. Some of the sector working groups are well established (Agriculture, Health, HIV/AIDs, Education, Roads and Public Sector Reform), while others are more informal and ad hoc in nature. Also, the harmonious collaboration between the various stakeholders has permitted the establishment of a joint Government of Ghana-Donor working group. This group work together to agree on a set of actions to standardize the functions of sector working groups, increase their effectiveness and strengthen

the links with national processes. Furthermore, the increased use of Ghana's procurement system also underlines the importance of direct budget support as all MDDBS funds are subject to national procurement rules.

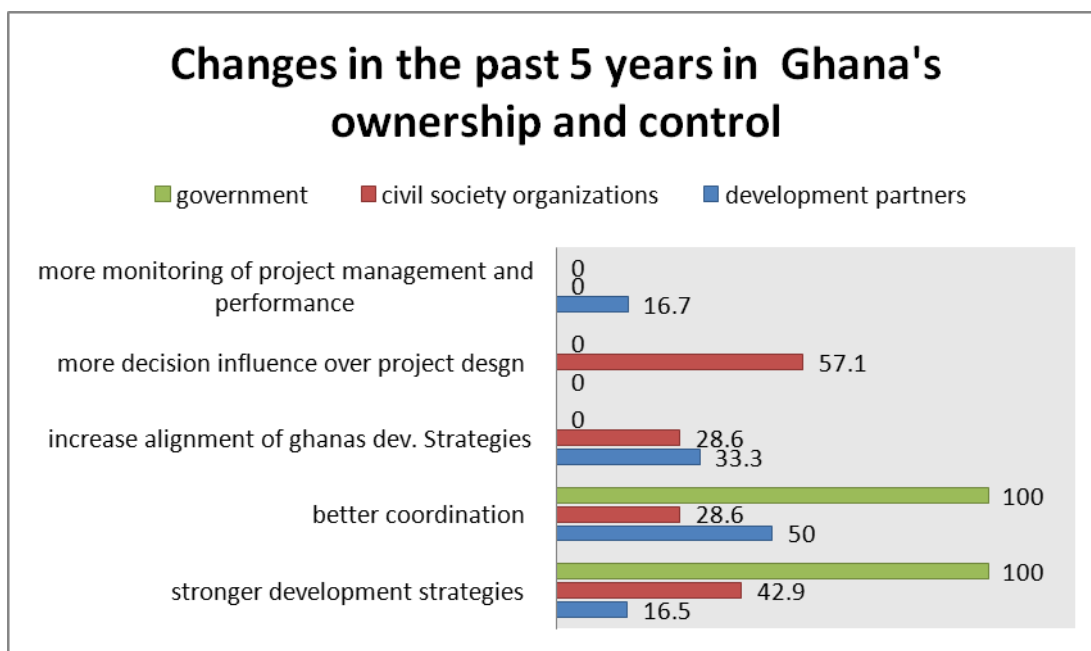
Government of Ghana appears to exercise some leadership in developing and implementing its development strategies through broad consultative process including CSOs but others feel this is 'cosmetic'. The preparation of both the Medium Term Development Policy Framework and Ghana Aid Policy and Strategy for example, involved consultations with stakeholders. Respondents interviewed attributed the involvement of civil society organizations in the consultation process to the return of Ghana to democratic governance since 1992 and the growing recognition of the importance of all stakeholders as partners of development. Some respondents observed that national consultative exercises have been more cosmetic because stakeholders' inputs, comments, recommendations and refinements are solicited at the very late in the development of strategic national policy documents. Also, GSGDA, it was explained has hardly been consulted with sector ministries resulting in incoherencies in policy formulation and implementation. The MTNDPF specifically addresses gender, rights, disability and environmental sustainability; the Ghana Aid policy and Strategy, being underpinned by the tenets of the PD and AAA, also addresses the stated issues.

Since the adoption of the GPRS, donors have gradually learned to shift their support to align with Government's priorities. DPs have adjusted their modalities of support and/or responded to new priorities identified by partner MDAs. For instance, CIDA and WB have changed from projects identification to sector budget support. Through the MDDBS process DPs are also supporting new Government initiatives and interventions such as the school feeding and the spraying of cocoa. Respondents explained that some donors have clearly shifted their support completely from their traditional sectors to new ones, example, Denmark has shifted its support from rural feeder roads, and water supply and sanitation to decentralization, while Netherlands have shifted support to Water and Sanitation.

In the recent past years there has been some significant change in the preparation of medium term national development strategies, greater ownership and leadership by Government; a modest improvement in consultation and coordination; and a marked improvement in alignment of projects with Ghana's development strategies (see Figure 11). Indeed, all sector specific plans such as FASDEP I & II aligned with national strategic plans. There is institutionalized sector working groups comprising Government, Development Partners and Civil Society Organizations to ensure that sections of society are not alienated but rather the groups' concerns are mainstreamed in economic and social development. Ghana's Aid Policy Strategy, not yet implemented, has laudable initiatives, which when implemented will further enforce and commit both Government and donors to the PD/AAA.

Figure 11: Ownership and Control





Source: Field Survey, 2010

### 3.2.2 Aligning and Use of Country Systems

Most development assistance is provided through means other than direct budget support. However, this development assistance is aligned to GoG priorities and systems. Evidence of such assistance can be found in the country assistance strategies of both multilateral and bilateral partners. Besides, Budget Support has increased since the implementation of the PD principles; from \$277.9 million in 2003, \$316.7 million in 2004 and \$700.4 million in 2009, thus indicating the extent to which alignment to country systems and priorities have improved.

The 2008 Monitoring Survey on the implementation of the PD on aid effectiveness noted some notable improvements especially in the areas of Public Financial Management (PFM), procurement, auditing and M&E systems. Ghana has reached the PD target for improvements in PFM and from the Joint venture on procurement review, the country's procurement system is said to be operating at an 'above average' level. Using the last (2007) World Bank's CPIA scale of measuring the quality of PFM systems, Ghana obtained a 'moderately strong' rating of 4.0. By this, the country had recorded a half-point increase in the reliability rating of its PFM and therefore had achieved the PD 2010 target. This can be improved on as users gain experience with the new systems and as practice at the district level increases. The quality of the country's procurement system was assessed in 2007 using the framework developed by the Joint Venture on Procurement and Ghana received a 'C' rating similar to those obtained by the majority of countries engaged in the exercise. Thus, Ghana obtained an 'above average' level score. Continued implementation of the Public Procurement Act and the use of the Public Procurement Model of Excellence for monitoring will ensure that Ghana achieves a B rating by end 2010.

Under the Ghana Country Systems Initiative, several development partners (including USAID, the European Union, GTZ and the Netherlands) are supporting the strengthening of the Public Procurement Authority and the Ghana Audit Service. There has also been some technical

capacity support to MOWAC to implement gender issues as well as training of Parliamentarians and CSOs on issues on regional integration and foreign policy. There is also an Audit sub-working Group which ensures that all DPs use the same audit processes – a clear evidence that DPs will be aligning to government capacities. A Ministry of Finance Accounting Manual has been prepared to ensure that DPs align their support to the national budget. DPs have also contributed towards the strengthening of the Sector Working Groups. Also, DPs interventions in the roads, health and education sectors have capacity building components in them. However, despite the increasing efforts at strengthening domestic accountability systems and improved compliance with procurement legislation and systems, a number of donors are still reluctant to use such country systems<sup>9</sup>.

A major reason why country systems are not used is the lack of confidence (trust) in the systems. Some DPs also have their reservations about country PFM and M&E capacity. Administrative procedure, which is considered slow, as well as lack of transparency, are the other reasons why country systems are not used. There is no strong demand from Government to improve performance; as a result Government defers to World Bank procurement rules. Lack of funding to implement these country systems was also cited. There is general perception that national procurement rules, for example, are too cumbersome. According to respondents from government, the country systems are not being used because of actions and inactions of DPs. Some DPs have no confidence in country systems because they are incompatible with their own systems. Some localization of country systems is seen to be divergent from DP standards especially if the systems favor local companies. Apart from political considerations and donor country domestic interests, donor agency priorities/targets still push DPs to demonstrate results in particular areas identified by HQ including attribution of systems used. Above all, countries are not using country systems because of conditionalities attached to aid where procurement of goods and services should be made solely from donor country. The weak implementation has also been traced to the simmering disagreement between donors and partners on issues such as value, methodology, indicators and measures in addition to standards for assessing performance of country systems. It has also been mentioned that the exclusion of the Parliamentary Committee on Public Accounts and Finance as well as civil society organizations from the monitoring of commitments and evaluation of their effects and consequences has also limited the PD principle of mutual accountability.

The extent to which aid is reported in a comprehensive and transparent manner and how it is used is an important means of ensuring that donors align aid flows with national development priorities. The proportion of aid disbursed by donors to the government sector and also included in the annual budgets for the same fiscal year. This measures the degree to which donors report aid flows comprehensively to partner countries and the degree to which the country accurately record aid. In terms of aid disbursed and accurately estimated in the budget, the 2008 monitoring survey reported a slippage of 2.0 percentage points to 94% on aggregate terms.

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<sup>9</sup> Nana Siriboe, Draft Report on the Cluster Conference on Shifting into the High-Gear of Results: Proposals for Accelerated Implementation of the Accra Agenda for Action on Aid Effectiveness 2009-2010, IDEG, Accra

### **3.2.3 Defined Measures and Standards of Performance & Accountability in PFM**

In an effort to improve Public Financial Management, Government has promulgated the Financial Administration Act, 2003; the Internal Audit Agency Act, 2003; the Public Procurement Act 2003, among others. According to respondents a strong regulatory framework is in place but the pace of implementation is slow. Nevertheless, the framework to a very large extent has improved the country's Public Financial Management in area of budgeting, procurement and auditing, annual budget preparation monitoring and evaluation. The improvement has resulted in an increased accountability for the use of public funds. MOFEP for instance recently produced an Accounting Manual to serve as guide to both MDAs and donors and efforts are being made to improve Auditing and Budget systems. There is on-going electronic reporting training for finance unit to enhance country's Public Financial Management Capacities. DPs especially, EU, Netherlands, WB, DFID have shown trust in PFM systems by investing and improving systems in Ghana Audit Service. DPs have also shown trust in the constitutional institution like the Public Accounts Committee, a Standing Committee of Parliament. The Committee is chaired by a Member of the opposition and has responsibility of reviewing the Auditor-General's reports and make recommendations to Parliament. This trust is manifested in the DPs collaboration in budget execution after priorities have been selected. In recent times amount for Budget support programs have increases as well increases in the number of SWAPS.

Some respondents were however of the view that no substantial improvement has been observed so far in country's Public Financial Management. Some of the reasons include slippages e.g. weak budget control leading to accumulation of arrears, low level of budget credibility, and the lack of capacity of MOFEP to enforce rules and regulations. There is virtually no dialogue on procurement with authorities. This means that it is difficult to assess improvements in such organizations. A delay in selecting successful bidders by the tender committee after they have met was also highlighted.

It was noted that structural reforms are underway and have not yet translated into significantly better PFM practices. Large numbers of complex reform processes have been initiated e.g. introduction of integrated Financial Management Information System, Programme Based Budgeting. Some improvements were noted though but more capacities needed to be built across MDAs. Some DPs like AFD, WB and Denmark fully use Country systems, or portions of procurement systems and some use the approval process of national procurement law. Some respondents suggested that focus should be put on simple, "home-grown" solutions to improve budget practices and getting the basics right rather than attempting to adopt international "best-practice" and state-of-the-art models for which the necessary preconditions are not in place.

The National Procurement Act is fashioned out from international standards of procurement; but some donors are not using the National Procurement Act because the Act appears not robust enough. This is because developing countries lack the capacity to meet the standards & requirements set for international standards. There is also lack capacity of MDAs to comply with such international regulatory framework. Reasons why internationally recognized standards of procurement like the Ghana Procurement Act is not being applied is the lack of transparency in country systems, inadequate capacity of procurement authority and the dilemma of MMDAs International competitive bidding versus support to local industry. Some donors also say they do not have HQ approval to use the Act. OECD (2008) Compendium of Country Examples and Lessons Learned from applying the methodology for assessment of

national procurement systems acknowledged that although pilot countries like Philippines and Ghana used existing tools to evaluate performance at the entity level, for many countries, national procurement statistics and data on procurement transactions were unavailable.

It is widely acknowledged by stakeholders that Ghana's system needed further strengthening but the perfection of those systems cannot be achieved unless donors use them rather than avoid them. The use of these systems entails some obvious risk, experimentation, capacity development, resources and reforms. However, these perceived risks can be minimized if partners work together to strengthen the system. Also, a new Joint Venture on Procurement has been proposed which offers best practices in the strengthening of country PFM systems in four key areas, namely, (i) promoting and encouraging dialogue; (ii) promoting and sequencing country-led PFM reforms; (iii) improving domestic accountability and related demand, and (iv) dealing with cross-cutting or horizontal issues that are relevant to the effective use of country systems. The success of this initiative however, depends on a range of political and administrative actions in both donor countries and Ghana. As a first step, MOFEP opted to establish a "cluster" to assist the MDBS-CG Secretariat to operate a "one-stop-shop" facility where a practical guide on using Country Systems are provided to partner country institutions (Government Agencies, Parliament, CSOs etc) and donors (at both field and HQ)<sup>10</sup>.

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<sup>10</sup> Draft Report on the Cluster Conference on Shifting into the High-Gear of Results: Proposals for Accelerated Implementation of the Accra Agenda for Action on Aid Effectiveness 2009-2010, IDEG, Accra

### **3.2.4 Building More Inclusive Partnership for Development (Harmonization)**

According to GPF (2007) the results of the 2006 Baseline Survey on Monitoring the Paris Declaration in Ghana recognizes that there has been momentum towards better aid practices in Ghana as the Declaration places a strong emphasis on in-country ownership of development agendas (for better aid results) which is evident in Ghana through the development of the GPRS I & II. Though one may question how far those outside the central government, including Ghanaians and the civil society as a whole, own or indeed know about the GPRS II Government is making efforts towards the deepening of its ownership of all the aid processes that take place in Ghana by developing its own aid policy (in conjunction with civil society, parliamentarians and other Ghanaian aid actors) and also channeling adequate resources into the independent monitoring of aid in Ghana (AFRODAD). Also strengthening of country systems encouraged by the Declaration and the subsequent alignment of donors to these systems to make for improved country capacity and lower aid transaction costs has seen results suggesting that the donors in Ghana are increasingly aligning their aid flows to national priorities, using Ghanaian public financial management systems and a Ghanaian led model of capacity development.

Using common arrangements to manage and deliver aid in support of partner country priorities is an important component of aid harmonization through partnerships. The degree to which donors work together is ascertained by computing the proportion of total ODA disbursed through Programme-Based Approaches (PBAs). In the 2006 Baseline Survey, 53% of aid to Ghana was recorded to have used PBAs while the 2008 Monitoring Survey provided an optimistic figure of 70% thus exceeding the 2010 target of 66%. The extent to which donors are merging their missions have also been used to measure the degree of harmonization. The 2008 Monitoring Survey (Ghana Report) shows a reduction in the total number of missions from 366 (in 2006) to 272 in 2008. In addition, there was a 45% increase in the proportion of missions conducted jointly. Joint analytical work also increased from 40% to 60% over the same period. These reflect efforts made by a number of donors to conduct more joint missions.

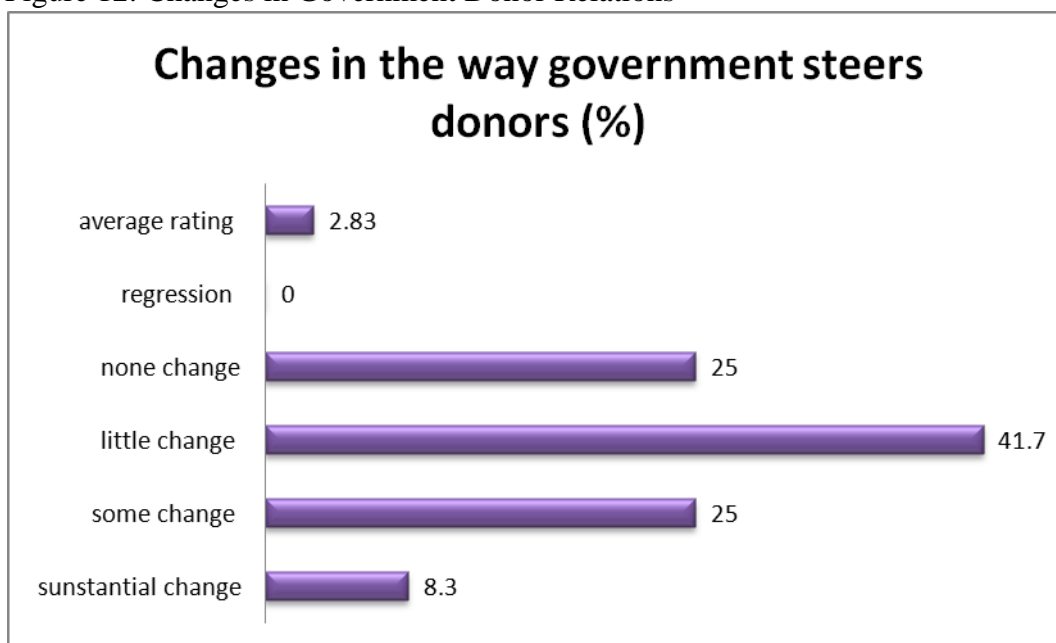
DPs have again made substantial investments in improving the harmonization of aid delivery through Programme Based Approaches (PBAs), joint projects and common delivery arrangements. However, there are limits to the level of harmonization that DPs can achieve without simultaneously aligning to GoG programmes and systems. The 2006 and 2008 Survey on the Monitoring of the PD indicated that the total amount of aid for Ghana's PBAs amounted to a total of 755m USD of which 378m USD was used for budget support and 377m USD for other PBAs respectively.

The harmonization of government and donor partnership has defined the current Aid architecture in Ghana with mutual benefits to both parties. For Ghana, the Government and Donor Partnership have contributed to increased technical and financial support for the implementation of the GPRS from both bilateral and multilateral donors. In absolute terms, the MDDBS has accounted for an average of about US \$300 million on an annual basis (UNESCO, 2007). The G-JAS offers a harmonized approach to development away from the tradition of different development partners possessing different assistance strategies with the GoG. In Ghana, harmonizing programme-based approaches (PBAs) has provided a platform for actions to reduce aid fragmentation through specialization and delegation, and improve internal incentives for collaborative behaviour. The World Bank, European Commission, African Development Bank, United Kingdom and Netherlands intend to integrate their development co-operation country strategies fully with the Ghana Joint Assistance Strategy, while Canada,

France, Germany, Switzerland, United States and Japan, as well as the UN agencies, with different programming cycles, expect to be closely associated with it. (UNESCO, 2007)

A very important characteristics which ensures the harmonization of donor funds is the decoupling of the aid for projects and the consolidated fund. Project funds does not form part of the national budget execution. Mechanisms have been put in place to differentiate between the consolidated fund and funds for specific developmental projects. Developmental funds are not within the budget framework and the are mostly controlled between independent project management unit and the specific donor supporting the project. Such donors provide technical support that is aimed at harmonizing Programme-Based Approaches (PBAs) and sharing missions and analytical work. This has provided a platform for actions to reduce aid fragmentation through specialization and delegation, and improve internal incentives for collaborative behavior (UNESCO, 2007). The proportion of reported government sector aid using PBAs and hence employing common arrangements is currently reported as 53%, reflecting almost equal volumes of direct budget support and support to joint programmes within particular sectors (UNESCO, 2007).

Figure 12: Changes in Government Donor Relations



Source: Field Survey, 2010

There has been little change in the way the Government of Ghana steers the strength of donors. Respondents were generally less positive of the changes in the way government steers donors towards the use of their strength; 41.7% indicated that there has been a little change while 25% indicated some changes. The responses clearly points to a less optimistic evaluation on the way government is steering the strength of donors. According to stakeholders (DPs, CSOs and Government agencies) interviewed the Government of Ghana takes part in the negotiation of project design and implementation but it lacks the requisite capacity to negotiate and monitor project management and performance. The two key institutions (MOFEP and NDPC) responsible for implementation and evaluation of the PD respectively are not resourced enough to undertake their obligations. The research team was informed that NDPC has been sidelined; therefore although MMDAs are to report to NDPC only a handful reports on time.

Although there has been some improvement in transparency and consultations on aid conditions, particularly with traditional donors, the same cannot be said of non-traditional donors especially the BRICKS. In the case of traditional donors, “Targets” and “triggers” in the MDBS arrangement are jointly agreed between the donor and the respective MDA. Significantly, these “conditionalities” are derived from the respective sector plans developed by the MDAs. Conditions associated with budget support are developed through dialogue between participating DPs and Government of Ghana, with some inputs from other stakeholders. MDBS/PAF review was cited as quite transparent and consultative. Conditions associated with certain modalities (e.g. IMF credit) are made transparent once agreed. It was however mentioned that with project aid, not all conditions are transparently developed. It was made clear that conditions associated with assistance from BRICKs are not transparent. Respondents admitted however that there has been some improvement generally in transparency and consultations on aid conditions in the last few years.

### **3.2.5 Less Duplication of Efforts (Division of Labour)**

There is a general perception among some stakeholders that the Government of Ghana does not prioritize division of labour, leaving the DPs to take the lead. Discussions on the division of labour among donors are carried out at the Heads of Cooperation level and at the discretion of individual institutions based on their comparative advantages. Others have however stated the government’s intention to lead the division of labour exercise and to determine the appropriate sectors for each donor. The Government, through the Ghana Aid Policy and Strategy, the GSGDA as well as the DP-PAF, has taken on a more active role in division of labour. Stakeholders interviewed were less positive on the statement that government is playing a leadership role in allocating responsibilities and setting up division of labour among donors. About half of respondents held the view that the government is not leading in the allocation of responsibilities and setting up division of labour in the country. However, 33.3% indicated that the government was partly leading while 12.5% held a contrary view.

Stakeholders interviewed believe that donors engage in silent partnerships; that is, they channel their resources directly through other donors’ programs. Examples cited include the Netherlands channeling their education resource through DFID and the UK also partnering with the Netherlands in the area of health. There are also partnerships between France and the EU, Switzerland and the World Bank under the EMCB, as well as Switzerland’s partnership with GTZ for the tax reform programme. The Ghana Research and Accountability Project (G-RAP) is administered by DFID with contributions from CIDA, DANIDA, and the Netherlands. Mention was also made of AFD’s partnership with the EU relating to their involvement in four sector groups (without delegation of resources). Some recalled that, in 2008, the EU delegation in Ghana gave funds to UNICEF to support its guinea worm eradication programme with the Ministry of Health. Also in 2003/2004, USAID provided funds to UNDP to support its microfinance programme with the Government of Ghana. There were discussions among the representatives of these donor groups and the Government of Ghana, resulting in the transfer of funds from one donor to the other. As a way of monitoring for accountability, MoFEP received regular reports from the UNDP on the utilization of the USAID funds and the progress of the programme.

The PD principle calls for joint analytical work including analysis and advice to strengthen policy dialogue and implement country strategies to promote development. This comprises

sector studies and strategies, country evaluations, discussion papers etc. This will contribute towards reducing transactions cost, avoid duplicative efforts and foster common understanding among donors. The 2008 Monitoring survey reports that how much country analysis is coordinated has increased from 40% in 2006 to 60% in 2008 and close to meeting the 2010 target of 66%. Thus, assuming these numbers are robust, and with sector working groups active in initiating the required analytical work and co-ordinating inputs, the target will certainly be met.

This PD survey reports, however, that according to stakeholders interviewed, there has been uneven and poor progress in joint analytical work and shared missions among donors because stakeholders believe that donors have different objectives, interests, and demands from their parent organizations and funding sources. These different objectives for providing aid make them want to be identified individually with projects. Others also believe that the timelines on projects, and poor country systems to steer joint analytical works are some of the reasons for the poor progress in the area. Again, there is the perception that DPs are still driven by internal requirements for analytical work, for instance internal time tables for renewal of country strategies, program level evaluations and internal monitoring cycles. Even though there is limited coordination, some stakeholders are of the view that some significant progress has been made in the area of joint work and shared missions and this reflects the shift towards co-financing and the efforts made by a number of donors to conduct more joint missions. Some of the areas include the joint mission for the District Development Fund (DDF) in September 2010, the mid-term review in July for NREG, and the joint analytical work of PEFA, CIDA and DFID to review lessons on capacity development in the public sector. There is also the joint GoG/DP decentralisation policy and the agriculture and decentralization sector in 2007.

### **3.2.6 Reformed and Simplified Donor Policies and Procedures**

Individual donors are said to have made some changes and simplifications of their policies in the last five years. As a result of DPs sharing information, analysis, and providing coordinated policy inputs, there is less duplication of projects. There are efforts towards increasing harmonization at the sector level, strengthening working group dialogues and CSO engagement, as well as more joint funding mechanisms. There is more predictable project commitment notably through District Development Fund (DDF) and Natural Resources and Environmental Governance (NREG). Generally there has been a more collaborative behaviour exhibited by the MDDBS donors and heads of agencies in adopting simplified joint policies and procedures in assessing progress. Efforts to strengthen country PFM systems for use by all donors led to the formation of an Audit Working Group, co-chaired by the Ghana Audit Service and USAID to harmonize audit language and terminology, audit requirements, coordinate donor support to the Ghana Audit Service, and to facilitate and coordinate policy dialogue around audit issues.

### **3.2.7 More Predictable and Multi-year Commitments on Aid Flows**

Donor performance regarding the predictability and disbursement of aid according to schedule is made more effective by clear and well spelt out strategies that every donor and agency can identify with. Budget support as a modality has tended to improve predictability while centralised funding decisions by donor agencies (still the norm rather than the exception), tends to work against it. Most DP planning, approval and disbursement cycles remain headquarter



driven. Ownership of development program and aid policy determines the rules of engagement, strong PFM achievement of results in the form of targets and triggers, and economic situations in donors' countries. More often than not, administrative constraints on the donors' side restrain the timely disbursement of funds. Largely, however, the absorption capacity of the recipient country and its ability to implement certain projects have been cited as the main factors in explaining donor performance regarding the predictability and disbursement of aid according to schedules. In the case of MDBS, the level of disbursement is contingent upon the achievement of certain targets and triggers. It is recommended that government should establish predictability scenarios with upper and lower case assumptions rather than expecting donors to commit for a period of time.

The 2008 Monitoring Survey (Ghana Report, p. 19-15) indicated that there has been a slippage from 92% in 2006 to 82% in 2008 on in-year predictability of aid; 89% of planned donor disbursements were actually disbursed. The 2009 G-JAS Mid-Term Review Report indicates that DPs now routinely provide multi-annual indicative funding commitments and quarterly information on disbursements. Though disbursement may not always be timely, due mainly to delays in project implementation and bureaucratic problems on the side of government, the predictability outcome seems to be on track. In line with Government's 3-year MTEF, some Development Partners provide 3-year commitments during the Annual Partnership Meeting.

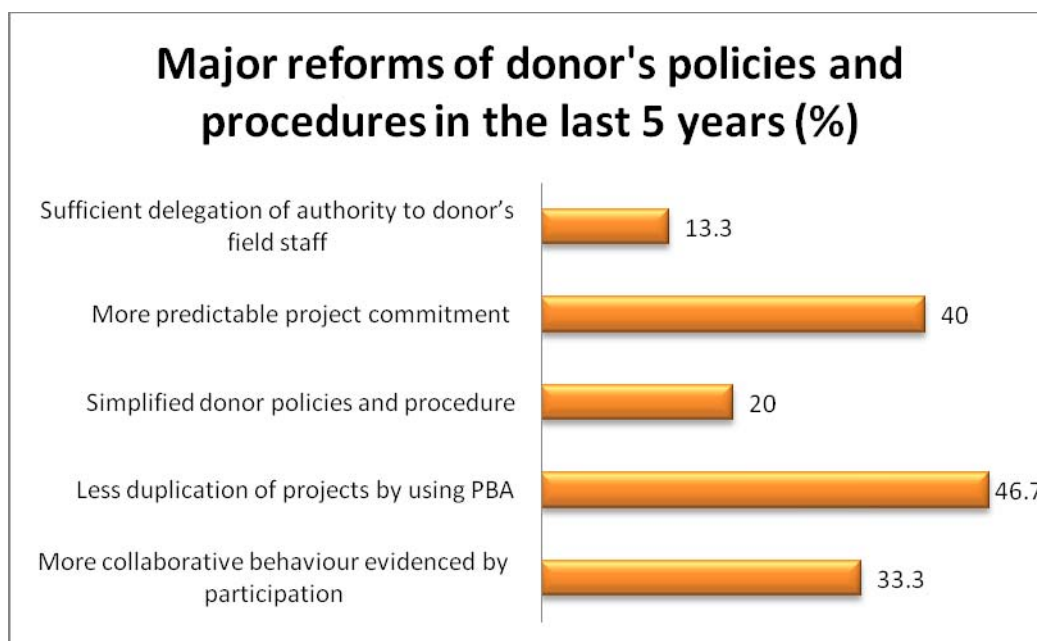
### **3.2.8 Delegation of Authority to Donors' Field Staff**

There is little information to show a delegation of authority from donor headquarters to donor field staff. However, some donor field staff are adapting to new ways of managing aid including delegation of authority to field officers. For instance, CIDA in the agriculture sector has increased its own resources resulting in regular verification of projects. Most DPs are also undergoing reforms in order to improve the delegation of authority to the field offices and there is an increase in the use of PBAs. Turnover of DP staff is a problem for continuity; DPs therefore need to devise strategies to address this. Several global partners do provide technical assistance which helps to strengthen selected institutions and processes but there still is a tendency for vertical funds to distort national priority settings.

**Stakeholders recall instances where technical staff work for more than one donor.** Examples include DFID sharing an environmental advisor with Netherlands, a HIV/AIDS advisor with Denmark and an M&E advisor working with the World Bank. Several employees of AFD have also been hired by other DPs. In general however, donors are likely to agree for one of them to contract a technical assistant on issues regarding their specific strategic areas.

Respondents also indicated that in terms of harmonization, there is presently less duplication of projects; about 46.7% respondents indicated that there was a less duplication of projects by the use of PBA while 40% of respondents indicated that there was a more predictable project commitment. Also, 33.3% of respondents held the view that there was a more collaborative behaviour evidenced by participation while 20% and 13.3% indicated that there was simplified donor policies and procedure and sufficient delegation of authority to donor's field staff respectively (Figure 13).

### **Figure 13: Major Reforms of Donor Policies**



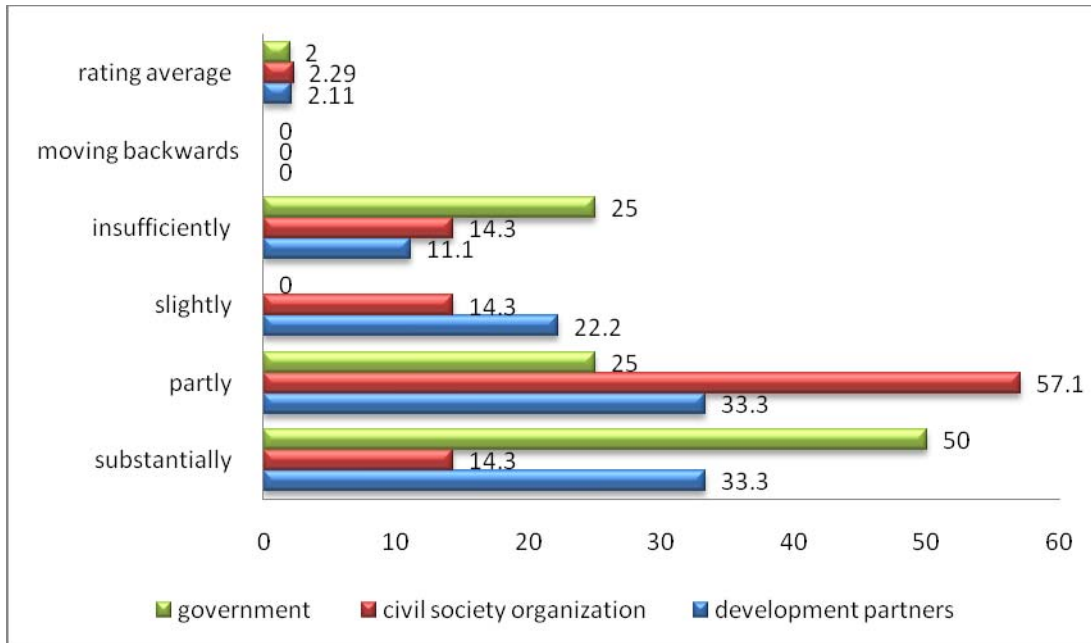
Source: Field Survey, 2010

Micro studies of selected educational sector programmes which are donor funded acknowledge the duplication of donor activities. Although they finally stated that this has been resolved, they acknowledged that:

“In the past, duplication of projects existed and different donor funds were channeled to projects very similar even in the same district. To solve this anomaly, districts are now asked to prepare a Three-Year District Education Action Plan, out of which an Annual District Operational Plan was prepared. These arrangements have ensured that related projects are harmonized to avoid duplication and waste of efforts” (Field Survey, 2010).

**Another area of concern that is affecting the outcome of the harmonization principle is the partial continuity among donor field office staff and the excessive turnover of staff.** In assessing how Ghana has fared with the harmonization principle, respondent were asked to assess the level of continuity among donor field office staff or the extent to which there is excessive staff turnover. It became evident that generally, there is a partial continuity among donor field office staff and excessive turnover. About 26.1% indicated that there was a substantial continuity, while 47.8% felt there was a partial continuity with 13% each indicating slightly and insufficient continuity (Figure 14). Most bilaterals serve a 3-year term while multilaterals have a 4-year rotation and this constitutes a challenge to GoG since it affects continuity of projects, especially when a new head of mission decides to discontinue with what his/her predecessor had started.

Figure 14: Continuity of Projects



Source: Field Survey, 2010

### 3.2.9 Integration of Global Programmes and Initiatives into Broader Development Agenda

Global programs are a significant part of the national development landscape. The GPRS I and II, as well as the GSGDA have included programs financed with resources from the Global Fund, the GAVI Alliance, the Fast-Track Initiative for Education, the Global Environment Facility, CGIAR for Agriculture and the Cities Alliance. In Ghana, the Global Fund has provided two (2) million Insecticide Treated Mosquito Nets (ITNs), completed HIV testing and counseling for 259,999 pregnant women<sup>11</sup>, contributed to the achievement of the health sector SWAp which is managed within the Ministry of Health. It has also aligned with the fiscal cycle and used national budget execution and financial reporting procedures and procured drugs using national procedures.

Nevertheless, Global Fund's aid effectiveness scoreboard for 2007 show generally low scores for (i) the use of national auditing procedures (17%), (ii) joint missions with other donors (14%), and joint analytical reports (22%).

### 3.2.10 Stronger Capacity to Plan, Manage and Implement Results-driven national strategies (Managing for Results)

<sup>11</sup> Source: Ghana Health Service 2010 Half Year Performance

This PD principle calls for donors and GoG to make joint commitment to managing for development results. This comprises defining desired results and measuring progress towards them in addition to using the information arising from the results to feed into decision making and performance. The MDDBS Progress Assessment Framework has served as the catalyst for both donors and Government to plan, manage and implement policy actions in relation to managing for results. This practice pre-dates the Paris Declaration. The 2008 Monitoring Survey utilizes the World Bank's Results-Based National Development Strategies: Assessment and Challenges Ahead to assess progress on this indicator. The three aspects of the framework were: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilized within a country level monitoring and evaluation system. Ghana's rating in terms of the proportion of countries lacking transparent, results-based monitoring framework remained at 'C' in 2006 and 2008. Ghana's low rating is due to the low utilization of the Annual Progress Reports on the implementation of the national development strategy, produced by the NDPC. The reports are based on submissions from MDAs and validated at a stakeholder workshop. Thereafter, they are disseminated to MDAs, Parliament, DPs and other stakeholder organizations. However, there is no feedback on the policy recommendations in the Reports.

**There has been some level of strengthening in Ghana's capacity to manage resources on the basis of desired results.** With regards to the PD goal of establishing a result-oriented aid reporting and performance framework in Ghana that donors in turn commit to using, the baseline results suggest that the quality of Ghanaian poverty data is improving. For example, the formulation of GPRS II was guided by the series of surveys and censuses carried out by the Ghana Statistical Service and its partners, including a new Demographic and Health Survey, and a Poverty and Social Impact Analysis. Better data is however required on budget activities and on intermediate outcomes to avoid inefficiencies that are arising within the central Government due to the use of different data collection systems by MDAs. These data limitations are reflected in the timeliness and the quality of the Annual Progress Reports (APRs) of the implementation of the GPRS, which are widely disseminated by the National Development Planning Commission (NDPC).

The NDPC has also developed technical guidelines to assist the various agencies in each sectors and District Assemblies to formulate their respective monitoring and evaluation (M&E) plans. The M&E plan is expected to help them develop appropriate mechanisms for monitoring the implementation of their respective plans more effectively through the development of common indicators. An example is the Cape Coast Metropolitan Assembly's generation of its Annual Progress Report (APR) which, among others, includes monitoring and evaluation activities with indicators. These indicators helps to assess the progress of the implementation of the objectives of funded projects.

Stakeholder views on whether there has been improvement in government monitoring frameworks at different levels were varied. About 47.8% indicated that there have been little improvements in government monitoring frameworks at different levels while 34.8% indicated that there has been some improvement. Meanwhile, about 13% of respondents hold the view that there have been substantial improvements with the rest indicating otherwise. Responses on the extent to which donor's work strengthen and use the countries own framework were positive because no respondent indicated that there was no improvement or it was moving

backwards. About 43.5% and 52.2% indicated that there was some improvement and little improvement respectively. It is also important to mention that over half of the respondents felt that the government's leadership drive towards greater focus on results has seen little improvement.

### **3.2.11 Mutual Accountability**

A very important principle in the PD is the level of mutual accountability in resource flow and results achieved. It therefore necessary that an assessment on the progress made in terms of partnership commitments arising from the PD or from local harmonization and alignment plans. To improve transparency and accountability, GoG has the responsibility of strengthening the accountability systems of the country. This characteristic of Ghana is in line with the November 2005 country government meeting in which governments of countries and external partners agreed on an Aid Harmonization and Effectiveness Matrix, which sets out country outcomes for each of the 12 Paris Declaration indicators and actions which all governments and partners will undertake so as to achieve them.

Also, Ghana's commitment to the implementation of the Paris Declaration has further been strengthened by hosting the Accra High Level Forum, which came out with the Accra Agenda for Action (AAA). The AAA reflects the international commitment to support the reforms needed to accelerate an effective use of development assistance and helps ensure the achievement of the MDGs by 2015. **The AAA, the result of an extensive process of consultation and negotiations among countries and development partners, focuses the aid effectiveness agenda on the main technical, institutional, and political challenges to full implementation of the Paris principles.**

**According to stakeholders interviewed, there has been evidence of increasing trust, mutual respect, open dialogue and flexibility between donors and government.** Some of these evidence are joint sector reviews, planning and monitoring meetings with donors (to inform policy planning), capacity building support from institutions such as FES to CSOs and parliamentarians and the active involvement of CSOs on issues such as the PPP concept. Further evidence of increasing trust iterated by the stakeholders include regular policy dialogue, the establishment of sector working groups, frequent meetings between government and DPs, consultations on decision on targets determined by all MDBS levels and support for the country's aid policy through the use of PBA and MDBS.

**It is unanimously recognised by respondents that the quality of dialogue on PFM has improved.** The high standard of the level of trust and mutual respect has been maintained. In 2009, DPs responded positively to Government's request for financial support in view of the global meltdown, by frontloading or topping up much of their support (e.g. EU, AfDB, DFID, WB, IMF, etc) in order to help the government to renew a sustainable macroeconomic equilibrium. The MDBS annual review meeting has become more inclusive, allowing increased CSO participation. Good collaboration between DPs and GoG has led to the finalisation of PAFs for both actors, taking mutual accountability to a higher level.

**High degree of openness have also been demonstrated by both DPs and GoG at the 2010 CG in addition to DPs support and cooperation towards the development of DP-PAF.** Furthermore, constant and open dialogue is seen in the area of sector working groups and budget support with discussions on triggers and targets done in a collaborative manner at the

sector working group level involving both DPs and GoG. Open dialogue via MDBS on information on aid flows are said to occur enhancing communication to MoFEP. These information on aid flows is publicly available with other main donors providing these information yearly to GoG for the preparation of the budget. Regular (quarterly) disbursement and regular (yearly) projections occurring with the list of DPs and some non-OCDE donors projects being annex of the budget as well as the availability and accessibility of GoG budget documents on the MoFEP website are all evidence of increasing trust and mutual respect to the citizenry.

**To improve transparency and accountability, a number of mechanisms have been introduced: ‘Meet the Press’ series by MDAs, the MDA information on aid flows, the involvement of CSOs in periodic meetings with MDAs, budget review meetings attended by the Parliamentary Select Committees.** Most of these changes though have improved accountability on the side of government has also seen some limited engagement between government and parliament on aid effectiveness. Further changes in accountability indicated by respondents are CSOs participation in MDBS annual review meetings though the participation of CSOs is not systematic in all sector working group meetings such as that of the environment.

**Other changes in the area of accountability are donors publishing information in the press each time a financing agreement is signed (they are also obliged to report to their citizens), regular meetings and regular reviews of the Public Accounts Committee and the preparation of the budget in an open session.** Audits are submitted to parliament for review and eventually made public via the Ghana Audit Service website though there are some difficulties associated with assessing actual expenditures against budget projections as accounting systems are not aligned with budget categories. On the side of donors, their country program expenditure data is provided to GoG on a quarterly basis (although the procedures and templates for this exercise could be strengthened) but some donors have channels of assistance outside the country program that may not be captured in the quarterly reports (e.g. assistance to DP-country NGOs, universities, etc.)

**According to stakeholders interviewed, evidence of changes in accountability of the government towards citizens and parliament has increased parliamentary debate on the effectiveness of aid (a good example is the recent STX housing agreement) leading to an establishment of an MDBS group in parliament.** On the side of CSOs, the aid effectiveness fora organised by them have often engaged DPs and government. On the side of government, there is the willingness and the ability to give information on aid flows to donors and CSOs. Further evidence is seen in the consultative methodological nature used in the development of aid policy, however, there is little dialogue on these issues on the part of parliament whilst an ongoing dialogue is being carried out with CSOs.

**Loopholes identified by the stakeholders include the unavailability of a platform to encourage interactions on aid effectiveness and the low patronage of such meetings by parliamentarians.** MDA and MMDA are unable to meet the expected standard and quite a number of evidence reveal that local communities do not have ownership of accountability mechanisms. With regards to ODA, there is more debate from parliament with respect to loans unlike grants which are not discussed at parliament and the need for further collaborations on the review of reporting system of projects and procedures for the utilisation of funds.

### 3.2.12 Tackling Corruption

Measures adopted by GoG in tackling corruption include: the enactment and implementation of the National Procurement Act, supporting the work of the Parliamentary Public Accounts Committee (public hearings), supporting CSOs advocacy on anti-corruption, strengthening the national auditing systems, and the enactment of the economic and organised crime law. Other measures adopted are the use of monitoring indicators and the development of a comprehensive national anti-corruption action plan. These measures have reinforced actions against corruption. Donors (e.g, DANIDA, UNDP, etc) have been supportive of anti-corruption campaigns by CSOs. However, recommendations of the Public Accounts Committee for the prosecution of public officials who have misappropriated public funds have not yet been followed through. With support from some DPs (EU, DANIDA, etc), GoG is undertaking some programmes that could have impact on corruption such as PFM reforms. Additionally, complementary actions involving the education of public officials on issues of conflict of interest, assets declaration and the enforcement of ethical standards are being pursued. For example, two (2) former Ministers of State (in the health and sports sectors) had to resign their posts to enable investigations into alleged acts of corruption. Despite all these measures, respondents indicated that they have not seen major changes in tackling corruption. The transparency international index for 2008 showed only a marginal change in Ghana's rating.

In terms of investigations being undertaken on corruption, a number of them were stated by the stakeholders. Some of these include: CHRAJ and BNI's investigation of some officials of the MDAs, the Presidential Commission on Ghana at 50 celebration, the auditing of the school feeding programme and the investigations on the FSPO and PAC investigations on MDA relating to their recommendations. In relation to CHRAJ and BNI's investigation of some officials of the MDAs, a former Minister was in 2009, accused of financial impropriety within his ministry for taking unauthorised travelling allowances and incurring unauthorised expenditure of which he was asked by the president to resign though he was not prosecuted. Another case is seen in the implication of a number of former government officials in a bribery scandal involving a British construction company. GoG took action on the matter by directing CHRAJ to investigate into the matter.

**Factors that have played key roles in the rising aid related corruption according to stakeholders interviewed include increase in donor funding increasing the volume of aid, aid given to the same actors in MMDAs without change in personnel and failure by donors to monitor aid utilisation.** On the other hand, some stakeholders indicated that aid does not play a direct role towards the absence of change in corruption levels but rather aid plays a role in diminishing corruption levels through its ability to strengthen and institutionalise good governance practices in government, through its ability to strengthen framework conditions including the judiciary and economic governance, through its ability to support policy dialogue in areas such as transparency. Greater public/civil society awareness and engagement through the provision of aid allows the availability of (more) funds to CSOs to actively engage in the fight against corruption to ensure effective change.

Stakeholders interviewed on the evidence of changes in trust, mutual respect, open dialogue and flexibility between donors and government had varied opinion. About half of the total respondents indicated that there has been substantial improvement while 27.5% indicated that there has been some improvement and 18.2% indicating little improvement. Viewed in terms

of the various sub-groups, 22.2% of DPs indicated that there was no change in trust, mutual respect, open dialogue and flexibility between donor's and government, about 42.9% of respondents from civil society hold the view that there has been substantial improvement. However, all respondents from government agencies said there has been substantial improvement.

**About half of stakeholders interviewed also indicated that there have been changes in the accountability of government toward citizens and parliament.** About 45.8% indicated that there has been some improvement while 29.2% indicated little improvement and 8.3% were of the view that there has been substantial improvement with none indicating that there has been a backward movement. It is further explained that there information on flows and the use of aid in budgets publicly and these are available. This view is shared by government agencies and development partners but not civil society organizations. The general perception is that there has been little improvement in the measures to tackle corruption. About 12% of respondents indicated that there has been substantial improvement in measures to tackle corruption while 40% mentioned some improvement with 44% indicating little improvement but none of the respondents indicated that that there was no change.

**A very worrying trend is the view of respondents on whether corruption is rising or diminishing. Among development partners, the general view (55.6% of respondents) is that there has been little improvement in tackling the issue of corruption<sup>12</sup>.** Even more worrying is the fact that a total of 33.3% of respondents from development partners, 37.5 from respondents from civil society organizations and 25% of respondents from the government agencies indicated that there has been no change in corruption trends. On the other hand, 50% of respondents from the government sector indicated that there has been some improvement.

**According to stakeholders interviewed, the most significant change noticed over the past 5 years in how government and donors have exercised mutual accountability for development results can be identified through analytical work to improve policy and decision making.** Further actions of mutual accountability exercised by both government and donors are in the areas of joint planning and performance monitoring, more demands for accountability placed on government by CSOs, public accountability measures such as the Meet the Press series, GPRSIA II, involvement of CSOs in discussions on policies and budget preparations and government's launch of the DP-PAF. Increased improvement to harmonise both government and donors efforts in aid delivery and management through better sharing of information on DPs activities and funding in Ghana are some of the changes stated by respondents. Other significant changes identified were more dialogue with DPs, GoG and civil society, stakeholder consultations, frequent monitoring of of GoG spending and budget execution and active media and press engagements. On the side of donors, the mid-term/peer review of G-JAS undertaken in 2009 is one key change noticed.

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<sup>12</sup> Contradicts the report on Ghana's ranking on the Corruption Perception Index which shows and improvement in 2010



### 3.3 Implementation of the Paris Declaration and Sustainable Development Results

**Q3: *Has the implementation of Paris Declaration strengthened the contribution of aid to sustainable development results? How? (Development outcomes)***

#### 3.3.1 PD Application and Results in Specific Sectors

The application of the principles and partnership commitments of the Paris Declaration (PD) has helped advance human development in a changing context of more aligned and harmonized aid and new aid modalities (NDPC, 2008). Ghana has received a good measure of funding in the health sector from its Development Partners and can attest to the fact that well-managed aid has many positive results to show in health outcomes. The country for instance was selected among the first countries to implement the Joint Programme (JP) of the UNDP, WB and UNAIDS initiated in December 2005 which was to strengthen the capacity of countries to better integrate HIV/AIDS priorities into national planning efforts (NDPC, 2008) after the country had already completed the preparation of her National HIV/AIDS Strategic Framework II (NSF II) and GPRS II reflecting HIV/AIDS consultative and participatory processes.

In following the principles of the PD, further discussions made on how to make aid more effective led to the formulation of aid policies such as the sector-wide approach (SWAp) and the multi-donor budgetary support (MDBS). SWAp, the process where donors give significant funding to a government's comprehensive sector policy and expenditure is purposed to establish and implement a sector programming and financing framework that falls in line with the commitments of the Paris Declaration. SWAp for the education sector saw the formulation of frameworks such as an Education Strategic Plan (ESP) and the Ghana-Joint Assistant Strategy (G-JAS) to improve educational outcomes and accelerate the achievement of the MDGs. ESP is a collaborative approach to education development in Ghana with the setting up of a Performance Assessment Framework (PAF), a mechanism which provided high level discussions between DPs and GoG under the leadership of the sector ministry on the disbursement of donor funds within the sector (Alliance 2015 report, 2007). It also emphasizes on increasing access, completion and quality in basic education, particularly the six-year cycle of primary schooling, and specific measures, such as incentive schemes, to increase girls' enrolment, retention and completion particularly in secondary education (Development Partners of Government of Ghana (G-JAS, 2007). The development of the ESP was therefore designed along the framework of the Paris Declaration and was intended to give it a national ownership status and to allow a national influence and responsibility to render development cooperation in the sector more efficient. The rearrangement of the education sector planning programming is based on the requirements of the new paradigm in development cooperation under the principles of the Paris Declaration.

**Stakeholder interviewed on the development outcomes of the PD had very interesting information to share. First, Improvements of government monitoring frameworks have been identified by stakeholders at the sector, programme, theme and national levels.** Whilst some stakeholders have identified substantial improvement due to the integration of M&E systems at the MDA level and in the national medium-term plans, others have seen improvements in capacity building programmes on the use of other monitoring frameworks and the use of M&E reports by NDPC and the Statistical Service. There have also been good examples of the development of sectoral monitoring arrangements in support of PBAs, particularly in the health and educational sectors. It is believed that lack of or inadequacy of

medium-term development plans at the MDAs level leads to difficulty in having an efficient monitoring framework. Improvement in the monitoring framework can be seen in terms of progress made with the application of GoG monitoring systems at the local government level through a GoG/DP performance incentive grant system. Although there is a renewed emphasis on development of M&E plans by all ministries with annual reporting being monitored progress at the central level is less visible.

Donors are said to be generally working to strengthen and use the country's own frameworks. DPs provision of strategic support to the development and strengthening of these systems is purposely to make use of the data they provided for monitoring their own activities and support. The UNDP's support for processes involved in producing the Annual Progress Reports (APR) on the national development framework and capacity building programmes for M&E offered by the EU/USAID/DFID are examples of PD-like activities aimed at strengthening the country's own systems and frameworks by donors. Other examples are: the implementation of the Domestic Violence Act, responsive skills and community development projects, CIDA and GIDA's support to financial management systems as well as the EU's support to the agriculture sector are all geared towards strengthening the country's framework and systems. There has been good progress in aligning PAFs and adopting common results indicators by both DPs and GoG, however most DPs still insist on additional monitoring arrangements and review missions, in part because of the poor quality of sectoral monitoring arrangements.

In terms of strengthening the use of these frameworks, there has been comments from DPs on the Ghana Aid Policy and the medium-term development plan 2011-2013 in this regard. Most DPs use the national development strategy to select their sectors of concentration and develop their own strategy. An example is GIFMIS project (information system in the PFM area). Donors again strengthen the framework through their engagement with the M&E sector working group to encourage, strengthen and apply the M&E framework. Donors further use APR for MDDBS holistic review and rely on data from sector reviewers. Some donors (AfDB, WB, EU and DFID) in the act of strengthening country frameworks work with the Ghana Statistical Service (GSS) on statistical capacity.

### **3.3.2 PD and Prioritization of Needs Beyond Income Poverty**

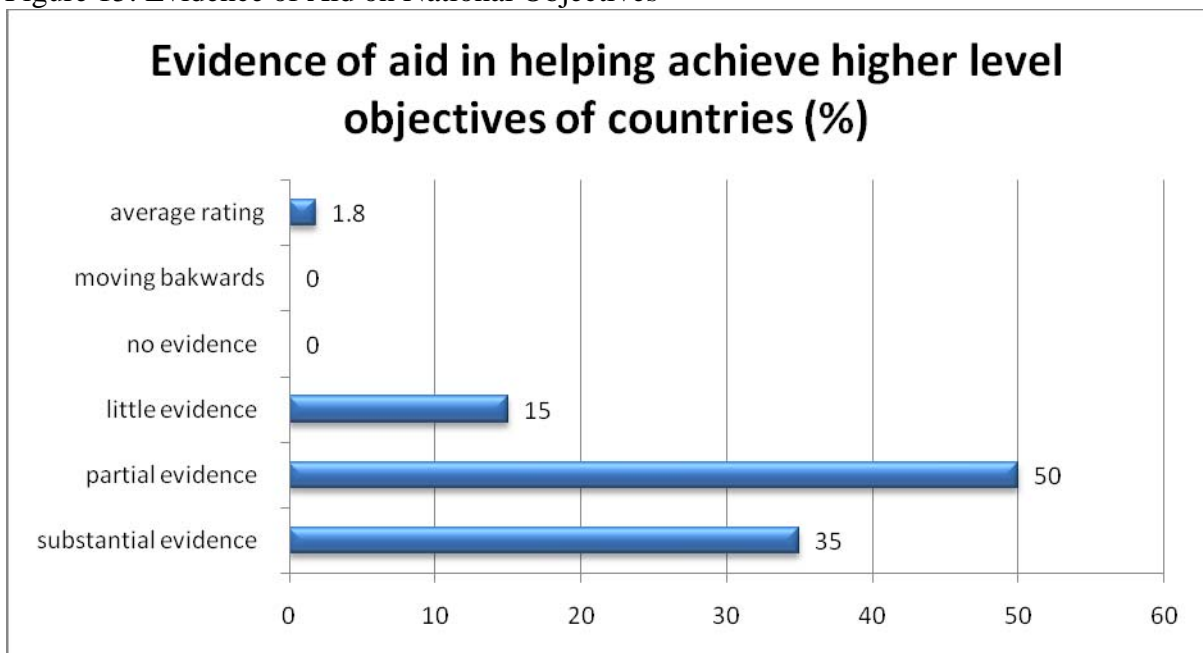
**There is a general consensus among stakeholders that government is leading the agenda to put greater focus on results. As stated in the new Ghana aid policy, GoG and DPs are committed to ensuring that donor development policies on aid are linked to the national development framework, rather than to policies or procedures separately agreed upon.** GoG is supportive of a comprehensive aid reporting monitor such that DPSs will be required on annual basis to provide MoFEP with adequate information. Government is seen to lead actively through responsible agencies such as the National Development Planning Commission (NDPC) and GSS on key initiatives but have limited resources and authorities. GoG systems are used for GBS and most SBS such as CIDA's support to the Food and Agriculture Sector Development Policy, however, projects tend to remain outside the GoG system. There is however frequent interaction with government and DPs to adopt best practices through harmonisation of aid by developing a policy and striving to claim ownership as discussed earlier

**Stakeholders general feel there have been improvements in the efficiency of aid delivery over past 5 years.** About 20% and 64% of total respondents indicated that there has been some improvement or little improvements in the efficiency of aid respectively. In terms of improvements in the management and use of aid over the past years, the three groups of respondents were generally positive. About 16.7% said that there has been substantial improvement, while 54.2% said there has been some improvement. Also 20.8% indicated that there has been little improvement and 8.3 indicated that there is no change. The average rating was 2.21%.

**Evidence of donor support for innovative approaches to achieving development objectives in particular sectors were also acknowledged by stakeholders.** About 13.6% of respondents indicated that there has been substantial evidence while 59.1% indicated there has been some evidence with 22.7% indicating little evidence. The rest indicated that there has not been any change. About 87.5% of the respondents from the development partners indicated that there has been some evidence of donor support for innovative approaches to achieving development objectives in particular sectors. This was however not the case when respondents from civil society organizations were asked; half of respondents from civil society groups indicated that there has been little evidence while a quarter of the same group of respondents indicated some evidence. Respondents from the government sector (50%) also indicated that there has been substantial evidence while the remaining indicated that there has been some evidence.

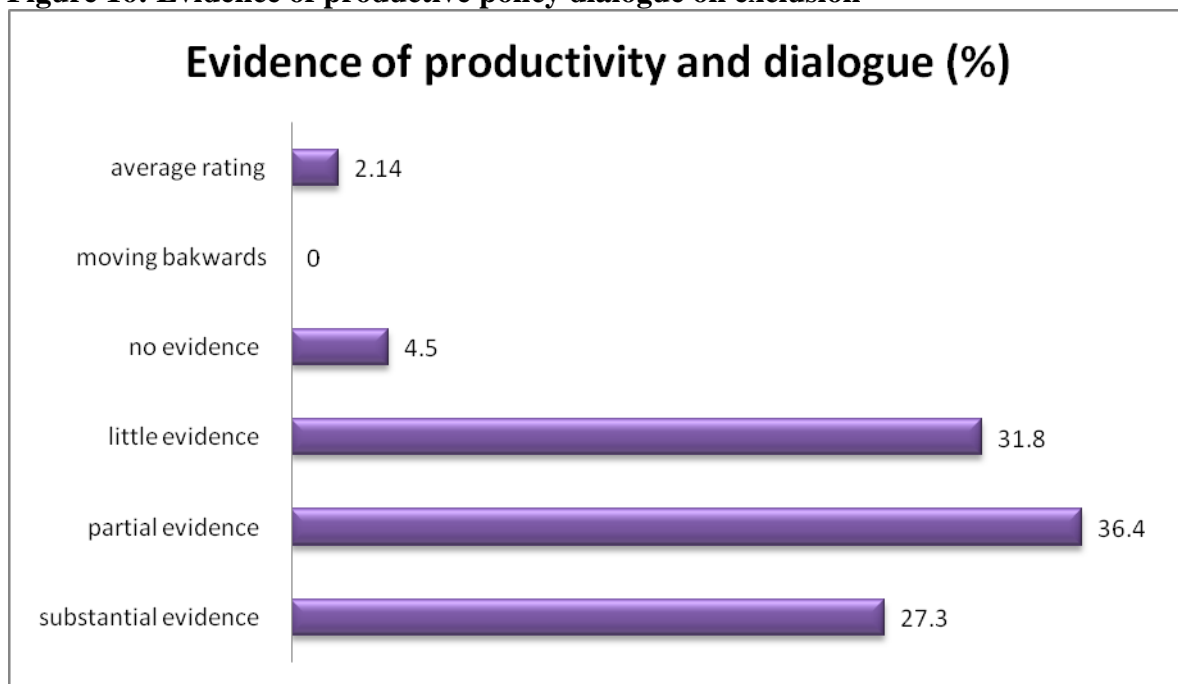
**A significant proportion of respondents (35%) indicated that there is substantial evidence of aid helping leverage the country’s own policy and programs to achieve higher level objectives.** Also, half of the respondents indicated they have witnessed partial evidence on how aid helps in leveraging the countries own policy and programs to achieve higher level objectives (Figure 15). In addition, evidence of productive policy dialogue has been mentioned by stakeholders interviewed (Figure 16).

Figure 15: Evidence of Aid on National Objectives



Source: Field Survey, 2010

**Figure 16: Evidence of productive policy dialogue on exclusion**



Source: Field Survey, 2010

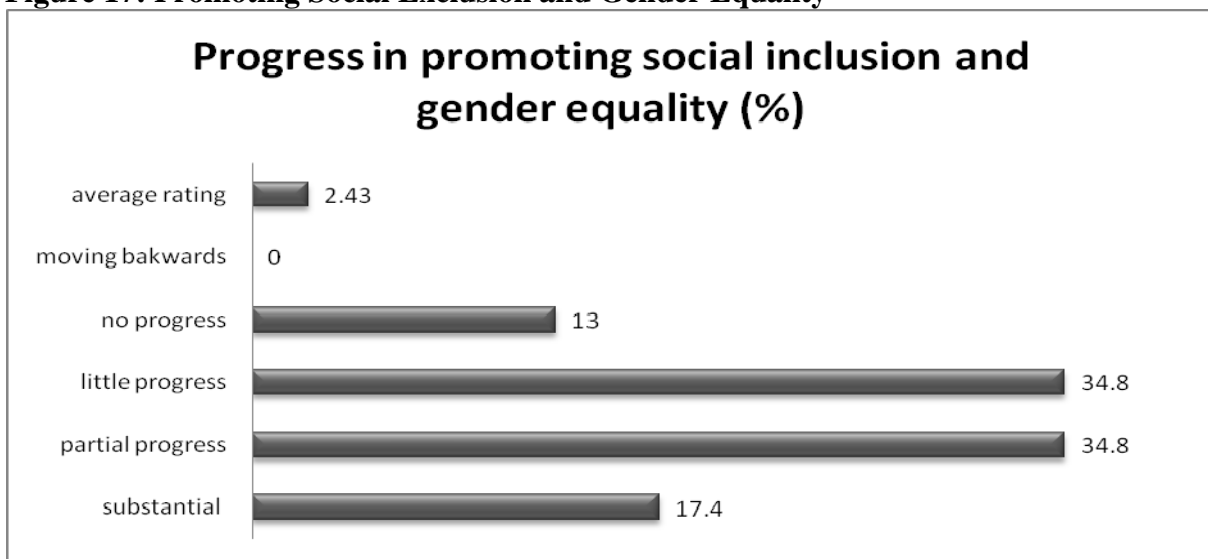
Evidence of donor support for innovative approaches to achieving development objectives in particular sectors was reported by stakeholders. Also, evidence of aid helping leverage the country's own policy and programs to achieve higher level national objectives and evidence of productive/intensive policy dialogue on exclusion has been mentioned as key results from donor support for innovative approaches. PD has also helped in achieving national objectives through for instance the funding of the value chain in the agriculture sector. Other areas include the aid effectiveness platforms which ensure increased dialogue between government, donors and civil society. It has also led to the institutionalization of good governance practices and the relationship between GOG, DPs and civil society. Besides, evidence of aid helping leverage the country's own policy, support to private sector development and infrastructure support has facilitated foreign direct investment (FDI) into the country.

**However, despite the perceived positive effects of PD on the country's developments objectives, stakeholders acknowledged that the Paris Declaration has an unintended effect on the effectiveness of aid in the sense that, it requires a lot more work in its coordination as specified in the agreement by Ministers, Heads of Agencies and other senior officials.** The idea of reducing government funding for some areas has a replica unintended effects of the Paris Declaration on the effectiveness of aid. Building up a bureaucratic system has the tendency of affecting the flow of aid and hence, the unintended effects of the Paris Declaration on the effectiveness of aid. The involvement of Civil Society Organizations (CSOs) in the budget and implementation of projects equally have unintended effects on the Paris Declaration. Equally important is the fact that transaction costs of harmonization might have reduced on government side but increased considerably on the donor side. More important is the fact that the meetings of sector WGs should be more result oriented so that time spent is more efficiently used. Also, reduced engagement by DP country domestic partners (NGOs, private sector) may be eroding public support for ODA in DP countries. Also related is the fact that governments and DP spent a lot of time discussing PD

principles. The issue of the field exposure of donors was also mentioned since government implement activities. Others hold the view that the different initiatives are mostly DP driven, they are very time-consuming for DPs and the partner country and do not allow partners to focus on the core business.

**Progress of PD style aid to promoting social inclusion or gender equality is quite promising according to stakeholders.** The proportion of respondents who indicated that there has been partial progress and little progress were 34.8% each while 17.4% of respondents indicated there has been substantial improvement (Figure 17).

**Figure 17: Promoting Social Exclusion and Gender Equality**



Source: Field Work, 2010

**Social groups are consulted on key issues and evidence of productive/intensive policy dialogue on exclusion takes place. There is a dedicated working group on gender equality significant attention in dialogue is the concentration of poverty in the North.** The issue of social exclusion has been recognized as important in the country context. The groups and issues primarily referred to are the vulnerable such as women, rural people, disabled people, landless people, HIV/AIDS victims, special needs students, deprived communities girls and rural poor women and children. In addition, the unequal development between the South and the North featured strongly in PD discussions. Equally important are disabled, women and children; their involvement in policy formulation and implementation, Minority groups, aged and unemployed women. Besides the group that would be primarily referred to are unemployed people and people living in the North of Ghana. This is because there is the recognition that significant geographic and gender disparities and some attention to the needs of disabled citizens. In a nut shell, excluded groups include population in northern region, rural population, urban poor, Gender, vulnerable especially those with disabilities and children. But the hope is that, quite a few programmes such as LEAP, take care of the socially excluded and SADA for instance, address exclusion geographically.

Furthermore, working through the PPP concept, integration to better results (reproductive health and HIV/AIDS), and more consultation for marginalized groups are seen as different ways of achieving more effective aid (e.g. in the experience with non-PD donors, ie, those who

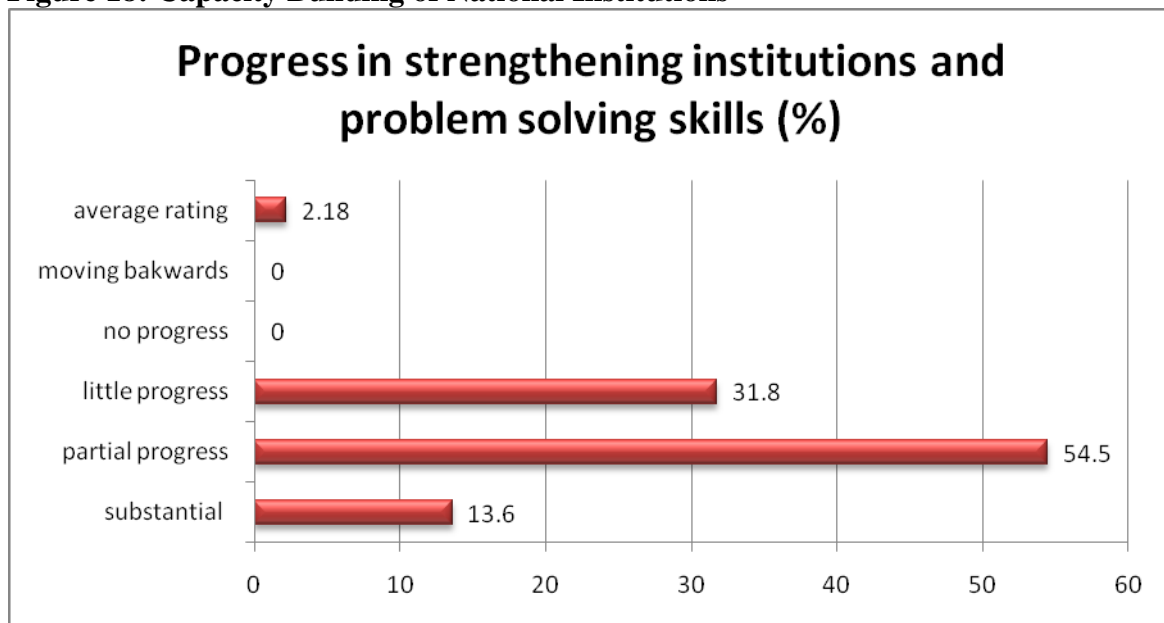
have not endorsed the Declaration). Also to mention is the fact that, until the recent CG meeting which brought for first time china, India and South Korea to the table some donors were missing - Brazil and Russia are still missing. It equally affects future expectations since China, India, Brazil are more involved in aid delivery yet the level of transparency is very limited as they are not part of any sector group. China as an unmatched scale with few strings attached.

Stakeholders added that the PD is effective with regards to economic growth, but not promoting human rights and good governance. Besides, non-traditional DPs seem to have the advantage to less bureaucratic, much quicker and less complicated therefore; results can be seen much earlier and easier.

### 3.3.3 Sustainable Increase in Institutional Capacities and Social Capital

**Progress of contribution of aid to strengthening the country’s own institution and problem solving networks was mainly partial.** Respondents from the three groups interviewed were generally not pleased with the progress that aid has contributed in the strengthening of the countries own institutions and problem solving skills. Among development partners, 55.6% indicated that there has been some progress while the rest were of the opinion that there has been little progress. Also, among civil society groups, a greater proportion (57.1%) held the view that there has been some progress while 42.9% indicated that there has been little progress (Figure 18). However, half of the respondents from the government sector indicated that there has been substantial progress while the rest mentioned that there has been some progress.

**Figure 18: Capacity Building of National Institutions**



Source: Field Survey, 2010

**Nevertheless, PD-style cooperation has improved the contribution of aid to strengthening the country’s own institutions and problem solving networks in the sense that clearer strategies and key priorities are beginning to emerge through dialogue.** However, the dedicated working group approach may have reinforced the tendency to compartmentalize

gender issues, at least at some degree. Besides, with the emergence of SADA, the issue of poverty in the north has been fairly effectively mainstreamed across sectors. In all, the use of country systems is helping to strengthen institutional capacities at different levels, although there is still far to go in this regard.

**Also, the mix of aid modalities (including general or sector-specific budget support, projects and programmes) promotes sector coordination.** For instance the EU now delivers between 60-70% of its new assistance to Ghana in the form of budget support, this has been as a result of donors quest to make an impact in some sectors such that there is sector coordinating. Another reason for the change towards more holistic budgeting is to improve sector-wide accountability, reduce duplication and to promote effective and efficient use of funds that aims to ensure that other areas and sectors that were under national funding also get attention and that an increase in general and sector budget support has that tendency of increasing program based aid. Also GBS and SBS now account for a substantial portion of ODA but the focus is now on sectoral support more than it was formally through the sectors budget support. Examples are DBS, Project, SWAPS, and CIDA for agriculture sector, just to mention a few. There is a clear shift towards GBS and SBS, these modalities are the easiest way to disburse large amounts of funds.

**The effects of these shifts have a tremendous change on development results in the sense that through focusing on sector strategies, M&E capacity has been reinforced.** There has been better coordination and resource utilization for country own priority, though precise targeting of resources and scarce resource maximization since there is less duplication of efforts. These enhanced coordination for sustainable development results. Also new sectors are now supported by aid (agriculture, gender, etc) and Government is able to deal with a better organized donor community. Delivery improved in sectors where dialogue between donors and government works (but not so much in sectors where this is not the case). GBS and SBS have a positive impact on GOG's ownership over development but in terms development result delivery, impact remains limited. Also important is the fact that the matrix (PAF) of the General Budget support (MDBS) states clear targets and triggers for disbursement. Some of them are clearly result-oriented; some are at least important milestones for development results. On the other hand, Development agenda is been driven by country's government taking into account specific country's interest. Besides, the idea is better result oriented although it remains to be documented.

Another key area of progress in terms of development outcomes is the involvement of Civil Society Organizations in the aid dialogue and other national policy meetings. The space for CSOs has increased considerably considering their involvement in the formulation of the medium term development plans such as the GPRS II and the Medium Term National Development Policy Framework (2010-2013). They have participated in the Consultative Group Meetings since 2006 and the Review of the Annual Progress Reports of the GPRS II. It must be pointed out that civil society participation has been more *ad-hoc* than systematic and

institutionalized, has been limited to high level meetings like the CG and less inclusionary with respect to sector dialogues<sup>13</sup>.

### **3.3.3.2 Development Outcomes from Sector Project Evaluations**

An educational sector programme was evaluated under the Ghana Education Service (GES), Komenda/Edina/Eguafo/Abirim District. The main objective of the Pilot Programmatic Scheme (PPS) is to support deprived schools in selected districts in staff capacity building and infrastructure provision. Participants acknowledged significant contribution of aid support in the development of the educational sector. **The key policy outcomes of the PD identified within this project include increases in access to and participation in education and training, with greater emphasis on gender and geographical equity; improve quality of basic education; and enhance delivery of educational services.** It was noted that there was a significant growth in the enrolment levels of basic education. The general increase in enrolment particularly, the girl child enrolment is largely attributed to the impact of the capitation grant and school feeding programme initiatives. These initiatives have had immense support from international aid. PPS for instance supports the free uniform policy of GoG.

**It was noted that apart from meeting specific project objectives, the PD on aid effectiveness has gone a long way to inspire beneficiaries to be self-reliant and assume ownership responsibilities, thus encouraging communities to undertake their own projects for the benefits of their communities.** In addition, parents are willing to sacrifice and contribute to the education and development of their wards. The policy and efforts to ensure equity in delivery of quality education especially in the deprived regions of Ghana has brought on board projects such as the provision of free school uniforms for pupils.

**Beneficiaries of the Pilot Programmatic Scheme (PPS) were of the view that due to the PD principles; development aid in recent times also takes into consideration capacity requirements of project implementers.** Project team members have had opportunities to enhance their capacity by attending workshops both internally and externally in their area of expertise. In terms of equipment, project management teams have received vehicles, computers and other tools to facilitate their activities. **The capacities of District Assemblies have been improved to enable them prepare their own district plans, indicating activities, inputs required, set targets and funding sources making reporting easier. There has been an overall improvement in the efficiency of aid delivery in recent time past as result of the PD principles. However, one unintended effect identified was that project staff is overburdened because of the need to meet reporting or project guidelines.** The problem is exacerbated with short term projects. It was noted that aid effectiveness to a large extent is not achieved because of attitudinal challenges. It was therefore advocated that code of ethics should be promoted among project implementation teams and performance contract be initiated to improve performance of project implementers.

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<sup>13</sup> Akwetey (2007), The Paris Declaration and Aid Effectiveness, Effect of Implementation on Civil Society Funding and Policy Space in Ghana, An Alliance2015 Report



**An agricultural project evaluated on the development outcome of the PD principles made very interesting revelations. The evaluation was done at the Zonal Office of IFAD's Root and Tuber Improvement and Marketing Programme (RTIMP) in Koforidua. The RTIMP has worked with a cross section of stakeholders and has achieved significant economic and social impact at all stages of the commodity chain.** The intervention in particular has impacted positively on small-scale farmers, processors and traders, particularly women and the youth. A strategy used by government towards achieving development outcomes which is also the bedrock for this project is the bottom-up approach in developing policy frameworks. Under RTIMP, consultations are made at all levels - community, district, regional and national levels. Through this process, the issue of social and gender segregation is minimized and their concerns are captured in the mainstream of economic and social development. In the recent past, portion of projects funds are set aside to build capacity of project staff. The capacity building takes the form of managerial training and workshops. Local institutions such as Centre for Scientific and Industrial Research (CSIR) have been supported to undertake research for root and tuber multiplication under the RTIMP. District Assemblies have also received capacity building support to prepare their own development plans such as procurement plans. Area councils have also benefitted from capacity building and training to implement community-based projects.

In 2008, the Ghana Health Service under the malaria control project implemented the malaria and nutrition project carried out in three districts namely Savelugu-Nanton, Tolon-Kumbungu and West Mamprusi. The evaluation of the project was carried out in two communities; Gushee and Nabogu in the Savelugu-Nanton District of the Northern Region. The project has been effective because of a number of achievements identified. **Previously, women felt reluctant go for a post-natal care. The results of the assessment indicated that there has been an increase in the number of children weighed in the communities. It was revealed that 150 and 180 children have been weighed in Gushee and Nabogu communities, respectively.** In addition, the project activities (sensitization, education and counseling) have contributed to improving hospital attendance. There has also been an increase in the number of women reporting their sick children to the hospital than before. **The presence of the group promoters, a capacity building component of the PD has also helped to fill an important gap in terms of the availability of health officers in the rural communities.** Lastly, group promoters based on observations explained that there has been a reduction in the number of malaria cases in the communities with children looking healthy and experiencing improved nutrition thereby reducing child mortality.

The following project impacts are also reported by stakeholders: Improved child health due to increased knowledge of child care especially breast feeding and the provision of food and care. This has resulted in a reduction in child mortality in the communities because the mothers through constant weighing are able to detect occurrences of some sickness early enough for immediate medical attention. Also the education provided by the volunteers helped mothers to feed their children with balanced meals. It has also led to increases in the incomes of mothers because they now spend less money on medical expenses. These women have further gained more man-hours which are being used in promoting their income generating activities.

### **Box 1: Evaluation of three sector specific Projects**

Focus Group Discussions for the Evaluation of the Implementation of the Paris Declaration (Phase II) was held in Elmina, Koforidua and Savelugu-Nanton District. Participants of the meeting were representatives of GES of the district, schools and RTIMP staff. A third project from the Ghana Health Service under the malaria control project implemented the malaria and nutrition project carried out in three districts in the North. The evaluation of the project was carried out in two communities; Gushee and Nabogu in the Savelugu-Nanton District of the Northern Region.

#### **Context**

The concerns of the FGD were mainly the need for more highlights to be placed on projects achieving results through M&E activities with indicators used in assessing the progress of project objectives. There is again the need by participants to develop and establish project planning architecture to coordinate efforts towards ensuring the establishment of a sustainable structure for continuity of projects at the local government level. Participants hold the view that efforts through consultations, dialogue and suitable reporting systems should be put in place and geared towards greater focus on results. On the issue of aid effectiveness fatigue, participants clearly indicated that aid effectiveness fatigue will not exist once the targeted beneficiaries benefit fully from aid. Participants wondered whether various interventions in the district have achieved their targets based on current implementation of projects and initiatives especially in the educational sector.

#### **Improved Effectiveness of Aid Delivery through PD Principles**

Participants at the FGDs clearly identified the capacity building support of donors' as being aligned to the country ownership framework, an important PD component. An example was cited in the case of FASDEP I, which was used as a guide in selecting the target crops for the RTIMP. Better strategies (participatory approaches) are said to have been adopted by government towards the achievement of development outcomes whilst development aid has been broadened to include capacity development of country systems and staff. Development and adoption of both GPRS I & II is also said to have received support from DPs showing better consultation towards development action/projects. Appropriate measures (development of action and annual plans) are also said to have been instituted to curb the problem of project duplication. Finally, GoG monitoring frameworks/systems were said to be applied at the local government level through a GoG/DP performance system. However, more emphasis was placed on increases in country ownership and highlighting project outcome measures relative to financial reporting.

#### **PD Contribution to Development Results**

Results in the educational sector (increasing access to, completion and quality of basic education) have been particularly enhanced through the formulation and application of frameworks patterned along the Paris Declaration principles. These results on improving educational outcomes will accelerate the achievement of the MDG 2. Another key factor acting as one main contributor to development results according to participants of the FGDs is the fact that development aid has been broadened to include capacity development of country systems and staff. Capacity building supports to project staff have equipped them with the requisite skills to better develop frameworks and systems suitable to the achievement of development results.

Strategies adopted by some community projects towards the achievement of development results were the use of community participation, community project facilitators and capacity building trainings for project facilitators. Some of these projects at the grassroots level provide some incentives to facilitators to smoothen the progress of their activities. Community participation, one of the adopted strategies deals with the involvement of traditional authorities (chiefs and elders), opinion leaders, women groups and other community members. Chiefs and elders are constantly informed about the activities of project facilitators. The participation of traditional authorities and district assembly members have contributed significantly in project delivery because these authorities are a force to reckon with in terms of social mobilization. Similarly, the presence of women in the groups is very useful because of different gender roles in project activities. Finally, in ensuring project sustainability for development results participants stated that there is the need for social inclusion; community members and facilitators identifying themselves with these projects. There is also the need to assist in the formulation of departmental/sectoral M&E plans and the promotion of strategies such as dialogue and consultations to be adopted by the projects to yield high development results.

## 4. KEY LESSONS AND RECOMMENDATIONS

### 4.1 Relevance of PD to Aid Effectiveness Challenges

The PD principles have played an important role especially in formalizing the relationship between donors and the Government of Ghana. This has been explicitly outlined in the new Aid Policy document (2011-2015) with the roles and responsibilities clearly spelt out for both parties. The PD principles have improved dialogue and consultative discussions on aid effectiveness with more donors following and supporting the government led development agenda (GPRS and National Medium Term Development Framework). The role of donors is gradually changing, assuming more roles as fund administrators and providing technical support rather than designing and managing projects as has previously been the case. In addition, various sector working groups have been established and this has led to increased ownership of development programmes. **The PD has also led to a reduction in key aid effectiveness challenges like high transactions cost, off-budget spending, lack of local capacity, donor influence and policy changes, low predictability of aid to mention but a few.**

A key aid effectiveness challenge is off-budget spending<sup>14</sup> which is usually associated with isolated projects. This usually occurs because of inadequate government-partner planning for re-current expenditures. Off-budget spending is common in the health and education sectors where a significant number of projects are financed by donors through sector ministries. This makes it almost impossible for the government to track these expenditures and they often distort the national budget. However, due to the PD principles and the associated commitment to fund government through the MDBS off-budget spending has been minimized. Through the MDBS, the government has finance development expenditures outlined in the GPRS II and therefore all aid flows and private flows have been synchronized. Furthermore, it has led to the setting up of a common mechanism for coordinated delivery of programme aid which in turn minimizes the off-budget spending and eliminates distortions created within the aid delivery system.

**The PD principles have encouraged the use local systems and capacity and donors are helping to build local potential.** More often than not, governments are faced with an absorptive capacity constraint for project aid. In Ghana, the administrative capacity of certain ministries, departments and agencies is weak due to the lack of skilled personnel. Project aid often worsens the already poor state of affairs, attracting key people as a result of better pay and other factors not prevalent in the civil service. The MDBS and the PD principle to build local capacity and systems offers the opportunity to utilize the accounting systems of the GoG thereby encouraging staff to remain at their posts and strengthening local skills.

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<sup>14</sup> 'below the line' expenditures of donor funds given to sector ministries of a country. These expenditures are not incorporated in the national budget and audited reports are not sent to the Ministry of Finance.

Another aid effectiveness challenge which is being addressed by the PD principles is the issue of transactions cost. There are currently 23 multilateral and 24 bilateral donors in Ghana and should each require separate reporting and meetings with GoG, then the cost implications would have been enormous. One area where this is prevalent is project aid; project aid is often hindered by high transaction costs because submitting separate reports on a range of donor-funded projects is costly. Also, numerous meetings between government officials and donors can be time-consuming and significantly add to the cost of aid. This shortcoming has been reduced with MDBS since it applies a unified approach that does not require separate reporting. With MDBS, individual systems and procedures are simplified and donors agree on a common format with regard to content and frequency, so that a single periodic report per project is sufficient to meet the requirements of all partners. Unfortunately, the MDBS accounts for a third of total aid to Ghana and therefore significant proportions of project aid funds still exist that require separate reporting.

Project aid is generally made up of different projects funded by different donors. This often comes with very little country ownership and may not support the government's priorities. However, **under the PD principles, there is greater opportunity for donor coordination in supporting government priorities as specified in the GPRS and the Medium Term Development Framework (2010-2012) thus allowing the government a greater degree of ownership.** However, stakeholders interviewed held the view that there has been little change in the way the government of Ghana is able to steer the strength of donors.

Aid flows to Ghana has been unpredictable and very volatile which tends to affect government's fiscal behaviour and growth. However, under the MDBS which accounts for about 30% of total ODA to Ghana, nearly all pledged funds are disbursed which ensures that government is able to plan its activities.

#### 4.2 Level of Implementation of the Five Principles and AAA

**To what extent has each of the five principles of the Paris Declaration been observed and implemented, and the Accra Agenda priorities reflected? Why? Have there been conflicts or trade-offs between them?**

The extent to which each of the five PD principles have been observed is varied. Whereas some are easy to achieve and require less effort, others are not. Others have also seen more donor interest and commitment than others while government effort in leading some has not been very strong. The level of implementation on each PD is summarized below:

##### **Ownership**

Ensuring that aid programmes are aligned to national development plans has been one area of GoG and DPs concern under the PD principles. **GoG has embraced the PD and together with its DPs made strides in developing the national development policies (GPRS and GSGDA).** The implementation of Ghana's development policies has been regularly discussed at Ministerial and Cabinet level and DPs have participated in providing oversight responsibility in its implementation. Sector Working Groups within the framework of the MDBS have been very active and they provide opportunity for further dialogue on key policy issues which are of national interest. Government of Ghana exercises some leadership role in developing and

implementing its development strategies through broad consultative processes including civil society organizations. Development Partners have adjusted their aid modalities and responded to new priorities identified by partner MDAs. Recently, there have been some significant changes in the preparation of the MTNDF with government assuming ownership and leadership. **There has been modest improvement in consultations and coordination with DPs**

### **Alignment**

The review finds that there has been a significant improvement in alignment of projects with Ghana's development strategies. Nevertheless, off-budget and off-plan activities still remain indicating lack of alignment with GoG priorities and systems. Whereas MDAs lack capacity to plan, DPs are also limited by their own institutional arrangements and procedures. Thus although a new aid landscape is being witnessed, aid effectiveness challenges still remain. Challenges with country systems and non-use or partial use by donors due to mistrust has undermined country systems

### **Harmonization**

DPs have made significant efforts to ensure the harmonization of aid delivery through Programme Based Approaches (PBAs), joint projects and common delivery arrangements. A major harmonization effort is the decoupling of the aid for projects and the consolidated fund. Thus, development funds are not within the budget framework and mostly controlled between independent project management units and the donor supporting the project.

**The review acknowledged that harmonization in certain areas has been slow. For instance, little progress has been recorded in the way the Government of Ghana steers the strength of donors.** In particular, although transparency and consultations between GoG and traditional donors on aid conditions has improved, little can be said of non-DAC donors, for example, the BRICKs. It is also reported that division of labour is more donor driven with less government interest and involvement. Also, there has been uneven progress in joint analytical work and shared missions among donors because they have different objectives, interest and demands from their parent organizations and funding sources.

**One positive area of harmonization is silent partnerships among donors whereby they channel their resources directly through other donors' programmes.** Also, individual donors have been noted for making major changes and simplifications to their policies in the past five years. Thus, DPs are sharing information, analysis and providing coordinated policy inputs all geared towards less duplication of projects and a reduction in transactions cost. The predictability and disbursement of aid according to agreed schedule has been more effective and clearer. In addition, some donors are adapting to new ways of managing aid including the delegation of authority to field officers. There has also been instances where technical staff work for more than one donor. **However, concerns were raised about the partial continuity among donor field office staff, quality issues and the excessive turnover.**

### **Managing for Results**

The cost of managing aid continues to be high for partner and donor countries and this is not expected to decline soon in view of the expected increase in aid and new development actors

join in. It is reported that there has been some level of strengthening in Ghana's capacity to manage resources to achieve desired results. However, better data is needed on budget activities and intermediate outcomes to minimize inefficiencies arising from central government due to the use of different data collection systems by MDAs. Some of the initiatives to promote better and management for results is the technical guidelines developed by NDPC to assist various agencies in each sector and District Assembly to formulate M&E plans. Also, the 2009 G-JAS mid-term review report indicated that DPs are now routinely providing annual indicative funding commitments and quarterly information on disbursements.

### **Mutual Accountability**

A key PD principle is the level of mutual accountability in resource flow and the achievement of results. In this regard, GoG has the responsibility of strengthening the accountability systems of the country. **This review notes that there has been evidence of increasing trust, mutual respect, open dialogue and flexibility between donors and government.** It is unanimously agreed by respondents that the quality of dialogue on public financial management has increased under the current political regime. Budget hearings and invitations through the media for input into the national budget were also acknowledged. A high degree of openness has been demonstrated by both the GoG and its DPs and the recent 2010 CG attest to this. There has been a renewed commitment from DPs towards the development of the DP-PAF.

Accountability towards citizens has been demonstrated through activities such as the 'Meet the Press series', providing information on aid flows to MDAs, budget review meetings attended by Parliamentary Select Committee in some sectors, the publishing of information by donors each time a new financing agreement is being signed. **Others include Public Account Committee hearings on the floor of Parliament. Recent parliamentary debates on aid effectiveness have improved and the STX housing agreement was cited as a typical example.**

**Anti-corruption measures such as the work of PAC investigation on the School Feeding Programme, CHRAJ investigations etc have all served to promote accountability.** In addition, there have been changes in the accountability of government towards citizens and parliament but a very worrying issue is the perceived level of corruption. The general view is that there has been little improvement in tackling the issue of corruption despite the improvement in the corruption perception index provided by Transparency Initiative.

It has been argued that the accountability discussions have been more skewed towards the partner country but little is said about accountability with respect to donors. There incomplete information on aid flows to Government including that provided through CSOs which affects transparency and reduces GoG's ability to monitor and manage the funds as desired. According to the Ghana Aid Policy and Strategy 2011-2015, some DPs are unable or unwilling to meet the GoG's request for such information. According to Akwetey (2007), there has been very little accountability of DPs to citizens although under the sector dialogue regime of the MDBS has seen an improvement in MDAs accountability. Also, accountability to donors by civil society beneficiaries of recent initiatives like the G-RAP and the RAVI has improved.

### **Development Results**

The PD has led to a changing context of aligned and harmonized aid and new modalities. Ghana has received substantial funding into the health sector; the SWAp and MDDBS have all led to improved funding into the priority sectors. PD has also led to improvements in the government's monitoring framework at the sector and programme levels. Also, donors are increasingly strengthening and using the country's systems. There is general consensus among stakeholders that the GoG is leading the agenda to put more focus on results by linking donor development policies on aid to the national development framework.

**Stakeholders were very positive that there have been improvements in the efficiency of aid delivery between 2005 and 2010.** In addition, there is substantial evidence that donor support for innovative approaches to achieving development objectives in key sectors. Thus, aid is helping to leverage the country's own policies and programmes to achieve higher national objectives. For instance, the funding of agriculture value chain process is geared towards achieving the national objectives. Others include the provision of aid effectiveness platform which has promoted dialogue between donors and civil society. It has also helped to institutionalize good governance practices such as the fight on corruption. PD has also supported infrastructure development thereby providing an enabling environment for the private sector.

The PD has had unlimited effects on the effectiveness of aid since it makes a lot of demands on Ministers, Heads, and other project administrators in the process of ensuring coordination and harmonization. More time is spent on meeting sector working groups, thus precious time is lost in meetings rather than focusing on the core business. Progress of PD-style aid to promoting social exclusion or gender equality looks promising. Some groups are consulted on key issues and evidence of intensive policy dialogue on exclusion takes place.

The recent CG meeting brought for the first time China, India and South Korea to the Table. Besides, PD-style cooperation has improved the contribution of aid towards strengthening Ghana's key institutions and problem solving networks through dialogue. Besides, the mix of aid modalities including general or sector budget support promotes sector coordination.

**Detailed analysis of selected projects from three sectors (agriculture, health, education) through field visits and focus group discussions point towards improved results due to the implementation of the PD.** For instance, capacity requirements of project implementers have been taken into consideration. The capacity of district assemblies have been improved to prepare their own district plans. However, some unintended effects were noted and typical among them is the over-burdening of staff because of the need to meet reporting deadlines. The agricultural project evaluated also indicated significant social and economic impact at the various stages of the commodity chain. The health project also reported of increases in the number of hospital attendance by mothers, improved child health as a result of improved information on breastfeeding and child care. These have led to a reduction in maternal mortality in these areas. Also, less time is spent on medical expenses and more man-hours put into income generating activities.

### **The Accra Agenda for Action**

The AAA is an agenda to accelerate progress and has four actions. The AAA, the result of an extensive process of consultation and negotiations among countries and development partners, focuses the aid effectiveness agenda on the main technical, institutional, and political

challenges to full implementation of the Paris principles. Progress with each action is discussed below:

**Predictability** – The 2009 G-JAS Mid-Term Review Report indicates that DPs now routinely provide multi-annual indicative funding commitments and quarterly information on disbursements.

**Country systems** – Capacity building support to the country systems has seen some strengthening lately. Within the context of Ghana’s Country Systems Initiative some donors are currently working to strengthen the Public Procurement Authority and the Ghana Audit Service. One main factor identified as the major reasons why country systems are not used, according to respondents is lack of confidence (trust) in the country systems

**Conditionality** – The use of policy and process conditionalities by DPs especially those subject to the interpretation of donors significantly undermines aid delivery. Aid conditionality has improved over the years especially with major donors like the World Bank. The Bank’s conditions dropped from 40 conditions per loan in 2005 to 15 per loan in 2009. However, a large number of conditions (12 out of 57) are not made explicit in loan agreements but they refer to the Letter of Development Policy according to EURODAD (2010). Aid conditionalities also affect transactions costs which in turn lowers the real value of assistance. DPs continue to put significant demands on government in terms of time, reporting needs, and use of other resources through numerous and uncoordinated missions and meetings<sup>15</sup>. It is believed that this is as a result of the lack of delegation of authority to local offices of DP organizations which in turn affects the already challenged capacity systems in MDAs.

**Untying** – There is significant variations among donors on untying status; four DAC countries (UK, Ireland, Norway and Luxembourg) report full untying of aid between 2005-2007 while countries like Austria and Belgium report less than a quarter of their aid as untied. A total of 13 donors report parts of their aid as tied but in value terms, the USA tops the list with 41% followed by the Netherlands, Belgium and Germany. There is considerable evidence that confirm the existence of de facto untying. There are wide differences in donor practices in Ghana and aid delivered as budgetary support or as project aid but through the country’s procurement system is untied (Geddes, Mensah, Natali and Quartey, 2009). Similarly, newer forms of pooling such as the use of SWAPs, UN Cooperations and Development banks are untied. However, technical cooperation has remained tied.

### 4.3 Conclusion

The Phase II evaluation of the implementation of the Paris Declaration noted that moderate progress has been made in terms of **Ownership** over the past five years (between Phase I and

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<sup>15</sup> Ghana Aid Policy and Strategy 2011-2015



II). There has been modest improvement in consultations and coordination. There have been discussions on the implementation of national development policies and priorities at Ministerial and Cabinet levels and DPs have provided oversight responsibility in its implementation. Civil society organizations now participate in CG meetings and sector working groups.

There has been significant improvement in the **alignment of projects** with Ghana's development strategies. Nevertheless, off-budget and off-plan activities still remain indicating a lack of alignment with GoG priorities and systems. Whereas there is inadequate capacity within MDAs to plan, DPs are also limited by their own institutional arrangements and procedures. Thus, although a new aid landscape is emerging aid effectiveness challenges still remain. Challenges with country systems and non-use or partial use by donors due to mistrust have undermined country systems.

**Aid harmonization** is one of the areas which have seen greater improvement particularly the decoupling of aid for projects from the consolidated fund. Nevertheless, harmonization within certain areas has been reported to be slow. Little progress is reported on the way GoG steers the strength of donors and the need for transparency in the way non-DAC donors like the BRICKs operate. Uneven progress is reported of joint analytical work and shared missions thereby limiting progress on reducing transactions cost of aid.

In terms of **managing for results**, it has been reported that between 2006 and 2008 some modest improvements in the way aid 'conditionalities' have been developed transparently and in consultation with government and donors. However, the cost of managing aid continues to be high for partner and donor countries and this is not likely to decline soon in view of the increase in aid. Some areas of improvement however include the new guidelines on managing for results developed by the NDPC for MDAs and MMDAs to formulate M&E plans. Additionally, some donors have been providing multi-year indicative funding and quarterly information on disbursement

**Mutual accountability** in terms of resource flow and achievement of results has recorded little improvement from the previous evaluation period (2008) and goes to confirm Ghana's recent position on the Corruption Perception Index. Evidence of improvements can be seen in terms of mutual trust and respect, open dialogue and flexibility between DPs and government. A high degree of openness was demonstrated by both parties at the 2010 CG meeting and the renewed commitment by DPs towards the development of the DP-PAF. Recent debates on the floor of Parliament especially on the STX Housing Agreement are a typical example of improved accountability. However, accountability is noted to be skewed towards GoG and less towards donors. There is incomplete information on donor contributions to CSOs and some donors are unwilling to provide such information when requested for.

**Development Results** has been the focus of aid in recent times with the alignment of donor policies on aid to the national development framework. There has been a partial improvement in the efficiency of aid delivery over the past five years according to the 2010 PD evaluation survey. The funding of agricultural value chain as well as other key interventions particularly in infrastructure development are key areas where aid is helping to leverage the country's own policies and programmes to achieve higher national objectives. The provision of aid effectiveness platform which has promoted dialogue between donors, government and civil

society are all clear evidence of improvements in development outcomes. PD has also helped to institutionalize good governance practices such as press freedom and the fight on corruption. Project level outcomes have also confirmed the improvement in aid effectiveness. Despite, these positive outcomes, PD has had unintended effects which have limited its development outcome. The new complex aid architecture comprising a mixture of programme and project aid makes a lot of demands on Ministers, Directors and other key administrators of aid including District Assemblies. Enormous amount of time is spent at meetings and other aid related activities thus adding to the transactions cost and reducing aid effectiveness.

The Accra Agenda for Action (AAA) whose 4 principal areas of focus aims to build on the PD principles and accelerate progress with the PD outcomes also noted that the predictability of aid has improved with DPs routinely providing multi-annual indicative funding commitment and quarterly reports on disbursements. Capacity building to strengthen country systems are on-going especially the Public Procurement Authority and the Audit Service. Capacity building is an integral part of PFM. The use of process and policy conditionality by DPs particularly those subject to the interpretation of donors is undermining aid delivery. Although there have been some improvements in aid conditionalities over the past five years, DPs continue to put significant demands on government in terms of time, reporting needs, uncoordinated missions and meetings. All these add to the already high levels of transactions costs. This has been attributed to the lack of delegation of authority of donor HQ to local offices not forgetting the high staff turnover and in some cases low quality staff used in DPs local offices. Finally, evidence of de facto untying exists but technical cooperation still remains tied.

Given the key findings above the next section recommends strategies for national stakeholders and the donor countries.

#### **4.4 Key Messages for National Stakeholders and Donor Countries (Recommendations)**

##### **Government of Ghana**

- (i) The Government of Ghana should continue to improve its systems and also encourage donors to use them. Annual budget provisions and regular monitoring of progress in the use of country systems will build mutual trust and confidence in their utilization;
- (ii) The government should adopt policies and related measures to improve and regularize consultation with CSOs;
- (iii) Transparency with new loans particularly with the non-DAC donors should be promoted through their participation in the CG/APM;
- (iv) Several measures have been taken to strengthen the fight against corruption. This is yet to significantly reduce public perception of corruption. Prosecution and conviction of offenders need to be effective;
- (v) Government should also invest in promoting the availability of data at the MDAs and MMDAs to promote the tracking and monitoring of aid funds to the beneficiary level.

##### **Donors**

- (i) DPs should increase aid to support accelerated development of capacities at all levels as Ghana continues its transition into a high middle income country. Aid should also be targeted at building the capacity of institutions and human resources to effectively manage the transition.
- (ii) Donors should ensure that aid is provided in a more coordinated way whether in the form of projects or budget support. In addition, in as much as they strive to be responsible to their tax payers, they should together with the Government of Ghana ensure that there is full information on aid projects to the Ghanaian citizens.
- (iii) The review indicated that transparency issues surrounding non-DAC donors are of concern to DPs and civil society. Thus, non-DAC donors should also be brought on board the harmonization process in order to ensure that transactions cost is reduced significantly.
- (iv) Donors should also harmonize their aid procedures; the recent pace at harmonization is very slow (see the Ghana Aid Harmonization Matrix). There should be a shift from project funding towards pooled or programme funding by ensuring that the various projects are aligned with the GSGDA to avoid stand-alone projects.
- (v) In line with the AAA, donors should make every effort to use country systems.
- (vi) The high turnover of DP project staff and quality issues with field staff were mentioned as a key challenge to aid effectiveness. Thus, DP HQ should strive to promote continuity of staff and also address the quality issues that undermine aid effectiveness.
- (vii) With reference to mutual accountability, significant progress has been made in the development of instruments for partner countries and DPs to strengthen its practice. Instruments such as the DP-PAF and the MDBS PAF now need to be effectively implemented.
- (viii) Aid conditionalities still remain a challenge and the mixture of project, programme and pooled funding has led to a complex aid architecture with its associated high transactions cost. Thus, donors should continually shift from project funding towards programme or pooled funding
- (ix) A major issue with progress on the AAA is the existence of tied aid. Donors continue to operate tied aid system particularly with procurement of goods and technical assistance. As country systems are strengthened and their utilization improves, DPs should progressively untie aid taking into account the improvements in the system.
- (x) DPs and the government should promote accountability of aid funds to civil society in Ghana by ensuring that aid data in a disaggregated form is made available and accessible. There should also be a system in place to ensure that funds are tracked to their recipients.
- (xi) Accountability of grants to CSOs should be strengthened. To this end, both DPs and Government should strengthen the policy and institutional framework for support and accountability.

### **Civil Society**

- (i) Civil Society Organizations should intensify their advocacy and watchdog roles, and thereby strengthen mutual accountability practices in the country.
- (ii) DPs and Government should support capacity building within CSOs to enable them effectively play their roles in the democratic development of Ghana.

- (iii) The participation of CSOs in the aid policy/effectiveness dialogues and their adherence to the PD principles including accountability should be strengthened.

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## ANNEX

### Organizations Interviewed

1. CIDA
2. World Bank
3. DFID
4. Danida
5. KFW
6. GTZ
7. USAID
8. African Development Bank
9. Friedrich Ebert Stiftung, Ghana -
10. Ministry of Finance & Economic Planning
11. Ministry of Water Resources, Works & Housing
12. Ministry of Roads & Highways
13. Ministry of Health -
14. Ministry of Education -
15. Ministry of Food & Agriculture -
16. Ministry of Women & Children Affairs -
17. SEND Foundation
18. ISSER
19. Trade Union Congress
20. Private Enterprise Foundation -
21. Third World Network
22. Royal Netherlands Embassy
23. Italian Embassy