

INTRODUCTION

GHANA HAS A POPULATION OF APPROXIMATELY 23 MILLION. In recent years, the country has enjoyed steady and increasing economic growth, with real gross domestic product (GDP) growth reaching 6.2% in 2007 and gross national income (GNI) per capita amounting to USD 586 in 2006. The economy has remained resilient even in the face of external and internal shocks. The strong performance in growth and the reduced poverty experienced in the past few years stems from various factors, including improvements in economic policy management.

Extreme poverty has been reduced by half – from 36.5% in 1991/2 to 18.2% in 2005/6. Thus, Ghana is the first Sub-Saharan African country to achieve the Millennium Development Goal (MDG) on poverty (Annual Progress Report 2007). Substantial progress has been achieved in regard to MDG 2 on universal primary education: net primary enrolment reached 68.8% in 2006. Further achievements have been made in some areas of MDG 8 on Global Partnership for Development: Ghana reports a consistent decline in the level of external debt service as a percentage of exports of goods and services (Ghana Millennium Development Goals 2006 Report).

OVERVIEW

Box 19.1:
Challenges and
priority actions

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	High	Links between strategic plans and budget are not sufficiently clear and strong	Strengthen national capacities for co-ordination, monitoring and management to ensure that resources are allocated judiciously to priority areas
Alignment	Moderate	Donor use of country public financial management (PFM) systems fails to respond to improvements in the reliability of those systems	Government to finalise and implement new aid policy
Harmonisation	High	Increasing complexity of aid architecture	Ensure that sector working groups are active in co-ordination
Managing for Results	Moderate	Time lag in feedback on Annual Progress Report process, delaying its use in policy formulation	Strengthen systems for monitoring progress in relation to the Growth and Poverty Reduction Strategy II to enable efficient feedback into ensuing year's policy formulation
Mutual Accountability	High	To move further away from the use of policy and process conditionalities	Allow for greater flexibility in analysis of mutual commitments in the spirit of partnership

Official development assistance (ODA) to Ghana amounted to USD 1 096 million in 2007. The World Bank and the European Union were the major multi-lateral development partners; the Netherlands and the United Kingdom were the major bi-lateral contributors. ODA accounts for nearly 10% of GNI. On a per capita basis, ODA is relatively high at about USD 50.60 (African Development, Indicators, 2007). The 2008 Survey in Ghana had 16 out of the 31 active ODA development partners responding to the survey questionnaire. The aid provided by the participating donors accounts for nearly 90% of the total aid flows in 2007.

The scaling up of aid to Ghana creates both opportunities and challenges. The challenges include an increasingly complex aid architecture with more development partners and more sophisticated co-ordination mechanisms. Meeting the challenges of scaled-up aid will require that the Government of Ghana and its development partners maintain their enthusiasm and efforts for realising the aid effectiveness agenda well beyond the Third High Level Forum on Aid Effectiveness.

OWNERSHIP

INDICATOR 1

Do countries have operational development strategies?

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

Ghana's Growth and Poverty Reduction Strategy (GPRS II) provides the overall medium-term strategy for the country's development and runs from 2006 to 2009. With a greater degree of integration than GPRS I, it identifies priority areas for intervention and policy actions, specifies the cost of programmes and assigns responsibilities for implementation. Annual Progress Reports on implementing the GRPS II are prepared by the National Development Planning Commission (NDPC). The strategy identifies three priority areas: accelerated private sector growth; vigorous human resource development; and good governance and civic responsibility.

The GPRS II serves as the framework for the strategic plans of Ghana's ministries, departments and agencies (MDAs). For example, the strategic direction and priorities of the Health Sector Programme of Work for 2007-11 derive from the GPRS II objectives on "bridging the gap in access to health care and nutrition services." A medium-term expenditure framework (MTEF) links the overall and sectoral strategic plans to resource allocation processes. A variety of activities (including workshops) have been undertaken to ensure that MDAs understand the MTEF process and its implications for their planning and reporting.

Although GPRS II has been prepared to ensure consistency across various sectoral strategies, the relative importance given to the sectors is uneven. Addressing the imbalance between sectors is a priority that is also recognised in the Annual Progress Reports. Further capacity to manage the implementation of GPRS II is needed to ensure efficient co-ordination of resources, as well as monitoring systems, to ensure that resources have been used as approved. At the local level, the lack of capacity in district assemblies, particularly in areas of planning and financial management, is the main challenge to operationalising the GPRS II.

The Consultative Group (CG) Annual Partnership Meeting – one of the main drivers of progress on aid effectiveness in Ghana – provides a platform for development partner support for implementing the GPRS II. The CG is informed by its core documents, namely the Resource Envelope, the Results Matrix and the Harmonisation Action Plan, which provides information on the allocation of government and donor resources to the GPRS II priority areas. These documents also establish principles on how to work more collaboratively.

In the 2006 Baseline Survey, Ghana received a rating of C for Indicator 1, together with 62% of participating countries assessed in the 2006 Baseline Survey. The rating implied that some progress had been made in operationalising development strategies, but further areas for improvement remained. Relatively weak links between plans and resource allocation processes, and a lack of prioritisation, were identified as the key areas for improvement.

In the current round of monitoring, Ghana's rating for ownership has improved to a B, a rating achieved by 20% of assessed countries participating in the 2008 Survey. This indicates that the country now has an operational development strategy. This rating represents excellent progress: assuming that there is no slippage, Ghana will meet the 2010 target for Indicator 1.

In terms of wider democratic ownership, Ghana has a well-developed sustainable structure for government-stakeholder dialogue. This includes mechanisms for consultation at national, regional and local levels, as well as consultation within particular sectors. Civil society has been very active in the consultations, and participation from the private sector has increased. In 2002, the Parliament became more involved by approving the long-term development plan and also establishing a committee on poverty reduction to track progress on implementation of the GPRS. The Parliament was closely involved in the form. ■

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

Progress on alignment in Ghana is mixed. For example, despite the fact that Ghana obtained a score of 4.0 for the quality of its public financial management (PFM) system in 2007, donors have not responded by making more use of country PFM systems. Predictability of aid has decreased, whilst some progress is observed on untying aid. Questions remain as to whether improvements in the scores for some indicators are a true reflection of the changes in aid practices.

BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

In the previous round of monitoring, Ghana received a rating of 3.5 for its PFM systems, placing it just above the average score of 3.2 for all International Development Association (IDA) countries. The country report from the 2006 Baseline Survey noted that while PFM was improving, significant obstacles remained. In particular, the report noted that budget estimates needed to be fully translated into appropriations, and the capacity of the Ministry of Finance and Economic Planning (MoFEP) needed to be strengthened.

The government has continued reforming its accounting and financial systems to tackle the challenges identified in earlier assessments. In order to provide accurate and up-to-date information on commitments, actual expenditures, budget allocations and financial reports from a common database, the government rolled out an Integrated Financial Management Information System and a computer-based Budget and Public Expenditure Management System (BPEMS). After initial delays, the system has been rolled out to a number of ministries. Alongside other measures such as new acts on financial administration, internal audit and procurement, the BPEMS has contributed to the strong progress made on PFM reform.

INDICATOR 2a

How reliable are country public financial management systems?

The latest (2007) CPIA rating for PFM reflects the progress made, with Ghana's systems meriting a "moderately strong" rating of 4.0. Having achieved a half-point increase in the reliability rating of its PFM systems, Ghana has now met the Paris Declaration 2010 target. As users gain experience with the new, reformed systems, and as practice improves at the district level, further progress in improving the reliability of the PFM system should be expected.

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

The reliability of country procurement systems was not assessed for the 2006 Baseline Survey, although the country report on Ghana noted that strengthening the procurement system was an area of particular concern. It was hoped that the 2003 Public Procurement Act would, over time, lead to a strengthening of Ghana's procurement systems.

In the context of the 2008 Survey, the quality of a country's procurement system is assessed through the Methodology for the Assessment of National Procurement Systems, which was developed by the Joint Venture on Procurement. The methodology includes two components: the baseline indicators compare the country systems to internationally accepted good practice; and a new set of indicators assess overall performance of the system and compliance with national legislation and standards. The results of the procurement system self-assessment are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). Using the framework developed by the Joint Venture on Procurement, a self-assessment of the quality of the country's procurement system was carried out in 2007.

Ghana received a rating of C, in common with the majority of the countries taking part in the assessment exercise. The qualitative aspect of the assessment concluded that Ghana's systems were performing at an "above average" level. Other countries in the region are currently approaching Ghana to learn from its relatively successful efforts to improve its procurement systems. With continued efforts, including pressing ahead with implementing the Procurement Act and the use of Public Procurement Model of Excellence for monitoring, Ghana could achieve a rating of B by 2010.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

INDICATOR 2b

How reliable are country procurement systems?

INDICATOR 3

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget

In the 2006 Baseline Survey, an impressive 96% of aid disbursed in Ghana was accurately estimated in the budget. The percentage determined the country's 2010 targets at 98%, based on the goal of halving the proportion of aid flows to the government sector that is not reported on the government budget. However, the impressive aggregate figure masks the fact that for each donor, the average was 61%.

TABLE 19.1:
Are government budget estimates comprehensive and realistic?

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2005	2007*	
			(for reference)	c = a / b	c = b / a
African Dev. Bank	127	20	79%		15%
Canada	63	51	93%		80%
Denmark	62	55	92%		89%
European Commission	50	88		22%	57%
France	36	37	40%		99%
Germany	45	40		74%	90%
Global Fund	18	47	0%		38%
IFAD	7	3	--		41%
Japan	5	35	0%		14%
Netherlands	82	126		58%	65%
Spain	0	3		72%	7%
Switzerland	7	8	84%		91%
United Kingdom	129	134	76%		96%
United Nations	36	42	26%		85%
United States	142	94	95%		66%
World Bank	286	252		98%	88%
Average donor ratio			61%		65%
Total	1 094	1 034	96%		94%

* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

The 2008 Survey reports a slight slippage to 94% on aggregate terms. However, for individual donors, the average ratio has improved slightly to 67%. The slight slippages at the aggregate level and modest progress at the individual donor level can be attributed, at least in part, to problems of information flow to the government and of donor reporting, particularly with the grant information. The data suggest that, with the exception of the World Bank, the gap in budget estimates between the amount for aid disbursed and the amount for aid estimated is greater for multi-lateral development partners than for bi-lateral donors. This gap between donor disbursements and aid estimation on the budget results from several factors: the use (by some donors) of currency conversion rates that differ from those used by the government; use of non-standard formats for reporting by some donors; and insufficient or delayed donor reporting to the Aid and Debt Management Division (ADMD) of the MoFEP.

Within the MoFEP, the ADMD is responsible for recording and reporting aid flows in the budget. The Division has experienced challenges with timely reporting of aid flows by donors in formats acceptable by government. Thus, data were sometimes obtained by making estimates based on previous trends of flows. Aid data recorded in the column “Government budget estimates of aid flows in 2007” (Table 1) were calculated by the government based on past trends of disbursement of donors for project aid, data received for the CG Annual Partnership Meeting, and the disbursement/availability period under various loans and grants. For programme aid, donor projections for in-year disbursement were used. Aid from some multi-lateral and bi-lateral donors are accurately recorded on budget; however, budget estimates of ODA will improve if donors increase their efforts to provide aid data in a timely manner.

To address these challenges, and following discussions with development partners, the ADMD has undertaken a number of initiatives to improve data collection. This includes standardising reporting formats and synchronising the timing for reporting. At present, all aid reported to the ADMD is considered to be on budget. A focused national discussion is planned to agree upon a common definition of aid on budget and to develop an effective procedure for reporting aid to the government at various stages. If donors provide aid data to the government in a timely manner and in a required format, the information can effectively inform the various stages of the budget process. It is clear that more needs to be done – both by donors and by the government – to ensure that aid flows are adequately captured in the budget and to achieve the 2010 target.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country’s capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

The 2006 Baseline Survey reported that 40% of donor technical co-operation to Ghana was provided in a co-ordinated manner. This implied that the Paris Declaration 2010 target of 50% was well within reach. However, the country report from the 2006 Baseline Survey questioned whether the definition for “co-ordinated technical co-operation” was applied in a consistent manner across all donors.

INDICATOR 4

TABLE 19.2:
How much technical
co-operation is co-ordinated
with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007
African Development Bank	0	4	0%	0%
Canada	6	10	29%	61%
Denmark	4	7	0%	54%
European Commission	0	20	0%	0%
France	0	1	0%	10%
Germany	7	13	18%	54%
Global Fund	0	0	--	--
IFAD	1	1	--	100%
Japan	9	9	100%	92%
Netherlands	1	1	0%	95%
Spain	--	--	--	--
Switzerland	1	1	38%	57%
United Kingdom	2	2	27%	81%
United Nations	7	19	46%	39%
United States	95	95	51%	100%
World Bank	18	19	50%	98%
Total	151	202	40%	74%

The 2008 Survey reports that that 75% of donor technical co-operation is provided in a manner that is co-ordinated with country programmes. This is an impressive improvement compared to the 2006 Baseline Survey. However, the country report notes that the progress may be due, at least in part, to the refinement of the methodology compared to the previous round of monitoring. The improvement does reflect growing awareness of the importance of providing technical co-operation in a co-ordinated manner. As with the 2006 Baseline Survey, most cases of co-ordinated technical co-operation are found within the framework of programme-based approaches (PBAs) such as the sector-wide approach (SWAp) for health. As PBAs are being developed in different sectors, an increase in co-ordinated technical co-operation can be expected.

In response to the methodological difficulties encountered in the 2006 Baseline Survey, the MoFEP, jointly with several development partners, carried out a review to assess how technical co-operation contributed to capacity development for the PFM and education sectors. The review found examples of good practice, but also identified the lack of a comprehensive framework as a key obstacle that hinders technical co-operation from contributing to genuine capacity development. In order to make progress, the government, and particularly the MoFEP, needs to take stronger leadership. The formulation and implementation of a new aid policy – expected to be completed by the end of 2008 – will be an important step forward.

USING COUNTRY SYSTEMS

INDICATOR 5

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

The 2006 Baseline Survey reported that 62% of aid to Ghana's government sector made use of the country's PFM systems, with all three systems (budget execution, financial reporting and auditing) used to a similar extent. As the country report for the 2006 Baseline Survey noted, the relatively high proportion of aid using Ghana's PFM systems reflects the increase of donors using budget support. This contributed to Ghana's attainment of the 2010 target of 75% of aid using country PFM systems.

TABLE 19.3:
How much aid for
the government sector
uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007	Procurement systems (USD m) e	2005 (for reference)	2007
		avg (b,c,d) / a					e / a		
African Development Bank	20	0	0	0	33%	0%	0	33%	0%
Canada	51	34	39	39	81%	73%	42	90%	82%
Denmark	55	49	34	36	40%	72%	31	56%	56%
European Commission	88	28	28	28	100%	32%	28	100%	32%
France	37	24	24	24	28%	66%	37	89%	100%
Germany	40	25	25	25	70%	62%	28	70%	69%
Global Fund	47	47	47	0	67%	67%	28	100%	59%
IFAD	3	3	3	3	--	100%	3	--	100%
Japan	35	25	35	0	8%	57%	5	8%	13%
Netherlands	126	126	34	34	96%	51%	126	96%	100%
Spain	--	--	--	--	0%	--	--	0%	--
Switzerland	8	7	7	7	86%	91%	7	86%	91%
United Kingdom	134	132	128	132	70%	98%	132	90%	99%
United Nations	42	0	3	4	12%	6%	4	8%	9%
United States	94	0	0	0	4%	0%	0	4%	0%
World Bank	252	111	111	111	84%	44%	110	37%	44%
Total	1 032	612	519	444	62%	51%	580	52%	56%

The data for the 2008 Survey show a slippage – to 51% – in the proportion of aid using country PFM systems. This is somewhat surprising, given that the rating for the quality of country PFM system (Indicator 2a) has improved from 3.5 to 4.0. This implies that, despite the World Bank's assessment on the improvement the quality, some donors are not using Ghana's PFM systems. Thus, significant collaboration between donors and the government is still needed to encourage donors to use country PFM systems for their programmes. The government pinpoints the use of national systems as one of the key areas needed to advance the Paris Declaration agenda at the country level.

For the 2006 Baseline Survey, 52% of aid made use of Ghana's procurement systems, a figure that has increased slightly to 56% for the 2008 Survey. The slight increase may derive from the increase in proportion of aid provided as direct budget support because of the fact that all funds provided through the multi-donor budget support (MDBS) system use national procurement systems. In order to further increase the use of procurement systems, a review of procurement systems needs to feed into dialogue and, consequently, joint actions between donors and governments. In this respect, mutual accountability will play a key role. An encouraging development is that one multi-lateral donor recently approved the use of national procurement systems in Ghana, in recognition of the system's high quality. This is a remarkable sign of confidence, which is expected to translate into increased use of country systems by other donors.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be "parallel" when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

TABLE 19.4:
How many PIUs are parallel
to country structures?

	2005 (for reference)	2007 (units)
African Dev. Bank	21	0
Canada	0	0
Denmark	0	0
European Commission	4	8
France	5	3
Germany	1	0
Global Fund	0	0
IFAD	--	0
Japan	1	0
Netherlands	0	0
Spain	0	--
Switzerland	0	0
United Kingdom	3	0
United Nations	8	4
United States	1	0
World Bank	1	1
Total	45	16

To make aid more effective, the Paris Declaration encourages donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes." Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The 2006 Baseline Survey recorded a total of 45 parallel PIUs in Ghana, while noting that this figure may be an underestimation. Data for the 2008

Survey show a decrease in the number of parallel PIUs to 16, just one above the Paris Declaration 2010 target to decrease parallel PIUs to 15. Despite the reduction in the number of parallel PIUs, the country report notes that little or no progress has been made in mainstreaming parallel PIUs into government structures. This implies that the apparent decrease may reflect a tightening of donors' classification of parallel PIUs. In reality, PIUs may be integrated to government structures on paper, but may continue to be parallel in practice as the PIU's accountability lies outside the government.

Lack of capacity and lack of an adequate compensation structure for civil servants remain the main reasons for the continued use of parallel PIUs. Despite the fact that most donors committed not to create new PIUs in the Ghana Joint Assistance Strategy, the discussion seems to suffer from a loss of momentum on the issue between the government and donors. To start a meaningful dialogue, it is important to have comprehensive information on the operations of the PIUs in various sectors, including their advantages and disadvantages as well as possible strategies for mainstreaming their operations into government structures.

PROVIDING MORE PREDICTABLE AID

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

INDICATOR 7

TABLE 19.5:
Are disbursements
on schedule and recorded
by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2007*	
				2005 (for reference)	c = a / b c = b / a
African Development Bank	19	60	20	55%	32%
Canada	52	50	51	93%	96%
Denmark	44	65	55	92%	67%
European Commission	83	87	88	22%	95%
France	36	46	37	32%	79%
Germany	54	53	40	22%	97%
Global Fund	18	28	47	0%	64%
IFAD	4	5	3	--	79%
Japan	39	46	35	0%	85%
Netherlands	153	81	126	95%	53%
Spain	2	0	3	0%	0%
Switzerland	8	8	8	60%	97%
United Kingdom	132	154	134	86%	86%
United Nations	13	50	42	80%	26%
United States	49	119	94	95%	41%
World Bank	251	314	252	92%	80%
Average donor ratio				55%	67%
Total	958	1 165	1 034	92%	82%

* Ratio is $c = a/b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c = b/a$).

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

The 2006 Baseline Survey reported that an impressive 92% of aid that was scheduled for disbursement in Ghana was recorded by the government at the aggregate level. However, for individual donors, the average ratio was a more modest 55%. The country report for the 2006 Baseline Survey suggested that an increase in the use of budget support might be expected to move the ratio past the 2010 target of 96%.

Data for the 2008 Survey show a slippage, to 82%, in the aggregate ratio on in-year predictability of aid. However, for the individual donor, the average donor ratio on predictability has increased to 68%. Closer analysis of the figures shows that 89% of planned donor disbursements became actual disbursements, and 94% of aid actually disbursed by donors was recorded by the government. These percentages suggest that the remaining gap in predictability is the result of donors disbursing less than planned, rather than under-reporting or under-recording of disbursements by the government.

The gap between planned and actual disbursements is explained largely by delays in project implementation, which leads to slower disbursement. However, the gap is also influenced by the MDBS framework: there are some inherent uncertainties in in-year predictability, as the level of MDBS disbursements is contingent upon the achievement of certain targets and triggers. This has implications for donors' planned disbursements. The lack of flexibility in the MDBS process creates problems when unforeseen external shocks destabilise government plans. This weakens Ghana's ability to achieve the set targets contained in the MDBS framework. Steps are being taken to improve reporting by development partners, including standardising their reporting and improving timeliness. These should contribute to closing the predictability gap, although reaching the 2010 target of 96% will require considerable progress.

UNTYING AID

INDICATOR 8

How much aid is untied?

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country's capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

On the basis of data covering 94% of aid, the 2006 Baseline Survey reported that 90% of aid to Ghana provided by members of the OECD-DAC was untied. The average level of untying for the countries that participated in the 2006 Baseline Survey was 75%. The most recent data, covering 92% of aid provided to Ghana by members of the OECD-DAC, shows that 92% of aid is untied.

In part, this reflects the introduction of the MDDBS system and the fact that most donors using that system untie their contributions. A good practice in this area is the use of international and national competitive bidding processes, allowing efficient and transparent selection of the best service provider, independent of its origin. Further progress in untying aid can be achieved through promotion of South-South and triangular co-operation, and by giving preference to service providers from Ghana and other countries in the region.

Partner countries are aware that the figures on tied and untied aid often include highly indebted poor countries (HIPC) funds, which are not new aid flows. It is important therefore to disaggregate the figures to allow for comprehensive analysis at the country level. ■

HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

USING COMMON ARRANGEMENTS

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs

INDICATOR 9

In the 2006 Baseline Survey, 53% of aid to Ghana was recorded as making use of PBAs, although the country report noted that this was likely an over-estimation. Preparation for SWAps in education and agriculture, plans for a common basket fund for private sector development, and other progress in this area were cited as reasons for cautious optimism.

The 2008 Survey confirms that this optimism was well founded: with the proportion of aid using PBAs having risen to 70%, Ghana has already exceeded the 2010 target of 66% of aid making use of PBAs.

This progress reflects, in part, the refinement of the definition of PBAs, although the definition still represents a challenge. There are cases where projects are referred to as “programmes” in the agreements. There is a need for careful examination of current practices in the use of PBAs. Some progress in using PBAs has also been observed. Such progress includes the adoption and dissemination of guidelines – developed jointly by government and development partners – on sector working groups, as well as progress in establishing SWAps for agriculture, water, decentralisation, transport, national resources and environmental governance. It is expected that implementation of these plans will lead to further progress in the use of PBAs.

The 70% represents the development partners who participated in the 2008 Survey. With a few exceptions, those development partners participating in the 2008 Survey are part of the MDBS framework. Use of the PBAs within the overall aid flows to the Government of Ghana still remains an issue of concern.

TABLE 19.6:
How much aid is
programme based?

	Programme-based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007 e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
African Development Bank	0	1	1	20	33%	5%
Canada	34	7	41	51	87%	81%
Denmark	6	29	35	72	28%	49%
European Commission	28	0	28	88	41%	32%
France	24	3	28	37	30%	75%
Germany	14	3	17	40	17%	41%
Global Fund	0	47	47	47	100%	100%
IFAD	0	3	3	3	--	100%
Japan	0	2	2	39	23%	5%
Netherlands	34	91	126	144	72%	87%
Spain	--	--	--	--	0%	--
Switzerland	7	1	8	15	74%	55%
United Kingdom	119	13	132	143	69%	92%
United Nations	0	21	21	45	38%	47%
United States	0	99	99	99	100%	100%
World Bank	110	57	167	252	52%	66%
Total	378	377	755	1 095	53%	69%

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

Indicator 10a monitors the proportion of donor missions that are conducted jointly while also tracking the total number of missions. The 2006 Baseline Survey reported that only 20% of donor missions to Ghana (66 of a total of 366) were conducted jointly.

Data for the 2008 Survey show an impressive reduction in the total number of missions to 272, as well as an increase – to 45% – in the percentage of missions conducted jointly. This exceeds the 2010 target of 40% of donor missions conducted jointly. This progress reflects the shift towards co-financing and the efforts made by a number of donors – particularly the World Bank – to improve reporting on missions and to conduct more of their missions jointly. Progress is also being made in co-ordination within sector groups, implementation of a draft code of conduct for visiting missions, and donor respect for the mission-free period.

INDICATOR 10a

TABLE 19.7:
How many donor missions
are co-ordinated?

	Co-ordinated donor missions*	Total donor missions	2005	2007
	(missions) a	(missions) b	(for reference)	c = a / b
African Development Bank	5	20	33%	25%
Canada	3	21	2%	14%
Denmark	9	17	63%	53%
European Commission	3	4	90%	75%
France	5	12	13%	42%
Germany	3	7	27%	43%
Global Fund	1	2	0%	50%
IFAD	14	14	--	100%
Japan	0	14	0%	0%
Netherlands	4	5	36%	80%
Spain	--	--	--	--
Switzerland	4	9	30%	44%
United Kingdom	11	11	73%	100%
United Nations	38	50	49%	76%
United States	4	6	0%	67%
World Bank	59	80	39%	74%
Total	106	272	20%	39%

* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

INDICATOR 10b

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

TABLE 19.8:
How much country analysis
is co-ordinated?

	Co-ordinated donor analytical work* (analyses)	Total donor analytical work (analyses)	2005 (for reference)	2007
	a	b		c = a / b
African Development Bank	0	1	33%	0%
Canada	7	7	20%	100%
Denmark	0	0	--	--
European Commission	0	0	30%	--
France	1	1	--	100%
Germany	1	1	--	100%
Global Fund	0	4	--	0%
IFAD	2	2	--	100%
Japan	1	1	--	100%
Netherlands	4	5	100%	80%
Spain	--	--	--	--
Switzerland	1	2	40%	50%
United Kingdom	7	8	80%	88%
United Nations	28	32	73%	88%
United States	6	8	--	75%
World Bank	1	2	67%	50%
Total	44	74	40%	60%

* The total of co-ordinated analytical work has been adjusted to avoid double counting. A discount factor of 25% is applied.

The country report for Ghana on Indicator 10b shows an encouraging increase from the 40% reported in the 2006 Baseline Survey to 60% in the 2008 Survey. Assuming that these figures provide an accurate picture, Ghana is close to meeting the 2010 target of 66% of country analytical work being co-ordinated. With the sector working groups increasingly active in initiating the necessary analytical work and co-ordinating inputs, the target should certainly be met. ■

MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank’s review on Results-Based National Development Strategies: Assessments and Challenges Ahead. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent, results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

For the 2006 Baseline Survey, the World Bank gave Ghana a rating of C for its framework for reporting and performance assessment. This placed Ghana in the same category as 59% of assessed countries taking part in the 2006 Baseline Survey and indicated that some action had been taken towards achieving good practice. The country report noted that the weakness of PFM systems hindered reporting on activities and outputs in relation to objectives, and made it difficult to hold ministries and agencies accountable for their performance.

Ghana’s rating remains a C in the 2008 Survey. The lack of progress reflects the fact that Annual Progress Reports produced by the National Development Planning Commission (NDPC) are less utilised than was hoped. Currently, the reports, which are based on submissions from the MDAs, are reviewed by the Parliamentary Select Committee. The critique and the findings of the assessments are discussed in a stakeholder workshop. The process is critical for assessing development results in that the outcomes of the discussions form a basis for input to formulating and refining government policy. However, the current timing of the process does not allow for feedback to be efficiently incorporated into policy formulation. In fact, the process may need to be re-engineered in reverse order – starting from budget formulation and ensuring that all data and information are available in a timely manner. On a positive note, statistical capacity has improved in several key areas, including the regular release of the consumer price index and the introduction of the producer price index.

If Ghana is to meet the Paris Declaration 2010 target of a B or better for Indicator 11, a concerted effort will be required to consolidate a strong monitoring and evaluation framework to track progress in relation to GPRS II. ■

INDICATOR 11

Do countries have results-based monitoring frameworks?

MUTUAL ACCOUNTABILITY

INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

The 2006 Baseline Survey reported that a mechanism for joint assessment was in place in Ghana, with the Aid Harmonisation and Effectiveness Matrix (agreed at the consultative group meeting of November 2005) at its core.

The Consultative Group and the Sector Groups continue to play important roles in ensuring mutual accountability in Ghana. In practice, many development partners, as well as participating government representatives, share a positive assessment of the existing mutual accountability mechanisms in Ghana. For example, the Ghana Aid Effectiveness Civil Society Forum was established to provide a platform for civil society participation in the debate on aid effectiveness. However, whilst the existence of efficient mechanisms is clear, questions remain on whether mutual accountability is carried out in practice. There are also concerns regarding the “enforceability” of such mechanisms. Indeed, insufficient progress on many indicators is, to a large extent, related to a lack of real mutual accountability.

Although both government and development partners agree that the mechanism for mutual accountability is in place, views differ on whether development partners really operate on a level playing field. Whereas some development partners and MDAs consider mutual accountability exemplary, others believe there is room for improvement. The Ghana Harmonisation Action Plan notes that the establishment of an independent mechanism for assessing partnership would constitute another important step towards achieving mutual accountability. In 2007, one group of development partners put forth a proposal. Others have appealed for further mainstreaming of the principle of mutual accountability into regular practice of government-development partner negotiations. For example, in the MDDBS framework some development partners view the performance assessment framework (PAF) of the MDDBS as a legal contract, irrespective of changing circumstances. By contrast, the government views the PAF commitments as an exercise in political economy performed within the dynamic economic, social and political context. What is most important in this context is the spirit of mutual commitment, rather than agreements carved in stone. It is important to demonstrate commitment by both government and development partners to push forward in required reforms to achieve progress in a sustainable manner. Greater flexibility in negotiations between government and development partners can make mutual accountability more operational. ■

PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

THE GOVERNMENT OF GHANA signalled its enthusiasm for the aid effectiveness agenda when it volunteered to host the Third High Level Forum on Aid Effectiveness (September 2008). Working closely with its development partners, it has delivered impressive progress in the two years since the 2006 Baseline Survey. Country ownership, in the sense of having an operational development strategy, has been strengthened considerably. This should provide a good foundation for progress along the other dimensions of aid effectiveness.

SUMMARY
TABLE 19.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	C	B	B or A
2a	Reliable public financial management (PFM) systems	3,5	4,0	4,0
2b	Reliable procurement systems	Not available	C	B
3	Aid flows are aligned on national priorities	96%	94%	98%
4	Strengthen capacity by co-ordinated support	40%	75%	50%
5a	Use of country PFM systems	62%	51%	75%
5b	Use of country procurement systems	52%	56%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	45	16	15
7	Aid is more predictable	92%	82%	96%
8	Aid is untied	90%	92%	More than 90%
9	Use of common arrangements or procedures	53%	69%	66%
10a	Joint missions	20%	39%	40%
10b	Joint country analytical work	40%	60%	66%
11	Results-based monitoring frameworks	C	C	B or A
12	Mutual accountability	Yes	Yes	Yes

Ghana has also performed well in terms of strengthening its country systems; it is expected that the country's development partners will now meet their commitments to make better use of country systems as the reliability of such systems improves. On harmonisation, targets have been met or should soon be met. On mutual accountability, useful mechanisms have been established although there is room for further improvement. The priorities between now and 2010 should be four-fold: to finalise and implement the forthcoming aid policy; to set out a clear framework for the co-ordination of technical co-operation; to make progress on the donor division of labour; and to strengthen the systems for monitoring progress towards the goals set out in the GPRS II. ■

CONTRIBUTORS

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ACRONYMS

ADMD	Aid and Debt Management Division (of the Ministry of Finance and Economic Planning)
BPEMS	Budget and Public Expenditure Management System
CG	consultative group
GPRS	Growth and Poverty Reduction Strategy
HIPC	heavily indebted poor countries
MDAs	ministries, departments and agencies
MDBS	multi-donor budget support
MoFEP	Ministry of Finance and Economic Planning
MTEF	medium-term expenditure framework
NDPC	National Development Planning Commission
OECD-DAC	OECD Development Assistance Committee
PBA	programme-based approach
PIUs	project implementation units
SWAp	sector-wide approach