On the basis of an EU Heads of Mission (HOMs) report of 29 February 2012 to their respective Headquarters and the Government of Ghana's positive reply, the EEAS, DEVCO and the EU Member States welcomed the EU HoMs' decision to carry out joint programming of their respective bilateral external assistance to Ghana. In addition, they approved the EU HoMs' decision to prepare a Joint Framework Document which will encompass all EU-Ghana relations (see page 8, here below).

In line with the Programming Instructions DCI/EDF for the period 2014-2020, issued by the European Commission and the European External Action Service (EEAS) on 15 May 2012, the EU Delegation and the Member States represented in Accra have carried out an assessment of the available reference documents for EU programming and discussed the first elements of what should become a coherent Joint EU Response to Ghana's developmental challenges.

Analysis of National Development Plan(s) and Orientation for Joint EU Response

1 Reference Documents

There is in Ghana no lack of strategic documents. All important sectors dispose of sector policy documents which are attached to, and coherent with, the overarching national development strategy, the **Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013**. The GSGDA is the successor to the two consecutive Ghana Poverty Reduction Strategies (GPRS) which covered the period 2003-2009 and were developed by the NPP government of President Kufuor. The GSGDA, which was costed at 23 billion USD, was extensively discussed and assessed by Development Partners and also subject to a Joint Staff Assessment by the Bretton Woods Institutions.

The **Ghana Aid Policy & Strategy (GAPS) 2011-2015**, spells out the principles and modalities "for the sourcing and utilization of aid towards supporting the objective of attaining the MDG's by 2015". The GAPS is heavily inspired by the aid effectiveness agenda as agreed in Paris (2005) and Accra (2008) respectively, and is awaiting a light modification to take into account the principles agreed in at the Busan High Level Forum of 2011.

The GSGDA will expire at the end of 2013. The responsible National Development Planning Committee (NDPC) has started first preparations to work on a successor document that should reflect Ghana's recently acquired middle income status. It can however not be excluded that the GSGDA will be extended with one year. In any case the duration of GSGDA's validity does not correspond well with 11th EDF's programming cycle (2014-2020).

However, on 21 June 2012 at the 2012 CG meeting, GOG and a group of 15 DP's signed a **Compact for "Leveraging Partnership for Shared Growth and Development" over a ten year period (2012-2022)**. The Compact builds on both the GSGDA and the GAPS and is inspired by earlier adopted sector policies, but it is conceived as a "living" document, which provides the flexibility to review, modify and adapt it to its context in accordance with changing circumstances and newly adopted strategies. Until now this Compact is the only official document that truly reflects Ghana's many challenges on a medium to longer term perspective within the new context of transition from a Least Developed Country (LDC) into a consolidated Middle Income Country (MIC).

Since the 2010 CG, the EU Delegation and the EU Member States have been actively advocating for the preparation of such a medium to long term document taking into account the changed context in which development assistance is provided to Ghana. One of the aspects that should be considered was how Ghana could be made less aid dependent now that its prospects for economic growth have substantially improved after the coming on stream of oil from the off shore fields.

The Compact can also be considered as the natural successor to the Ghana Joint Assistance Strategy (G-JAS) signed by 16 DPs in 2007. The G-JAS, which expired in December 2010, was never signed by GOG, although according to a mid-term review conducted in 2009 it has certainly contributed to pushing the aid effectiveness agenda forward in Ghana.

Bearing in mind that the EU Delegation and the EU Member States were fully associated to the editing of the Compact[1] and that they are satisfied with its content and quality, we propose to use the GOG-DP Compact as the document that will be the foundation for the 11th EDF (and EU Joint) Programming process.

2 COUNTRY CONSTRAINTS, CHALLENGES AND PERSPECTIVES

Ghana is a country which has a 20-year track record in democratic governance, rule of law and respect for human rights. The general elections planned for December 2012 will be the sixth in a row since the end of military rule in 1992. Two peaceful political transitions have taken place (2000, 2008) and the very recent and smooth handing over of power to Vice-President John Mahama, after the unfortunate passing away of President John Atta Mills on 24 July 2012, was another sign of maturity in Ghana's democracy. Despite Ghana being recognized as a model for the rest of Africa, democratic governance is not without challenges and problems. For instance the prevailing "winner takes all" practice, which attributes all power to the party winning the general elections is a root cause of many governance problems[2]. Furthermore, the balance between the executive and legislative powers of the State is swinging largely in favour of the former, while Parliament is not well equipped to play the roles that it should, in particular with regards to holding the Government accountable on behalf of the citizenry. Ghana's public sector is too large and inefficient and service delivery is determined mostly from the center (national government). The ongoing decentralization process should bring the executive part of Government and decisions on service delivery closer to the districts and the individual citizen. Problems also do exist in the judiciary which is relatively weak and needs a range of reforms.

Other concerns with regards to the public sector relate to corruption, insufficient accountability, inefficiency and the weakness of many specialized government institutions. The pace of reforms is often hampered by the before mentioned factors slowing down the implementation of sector policies and plans. GOG recognizes these constraints which are described in the Compact paragraphs dealing with "Deeping Democratic and Accountable Governance" and "Strengthening Public Sector Institutions and Systems".

Public financial management is improving, albeit slowly. The budget process is still subject to many deficiencies, which can only be structurally erased once the computerized Ghana Integrated Financial Management Information System (GIFMIS) is fully deployed to all

[1] EU Delegation and Denmark were members of the Joint GOG-DP Compact Task Force
[2] As recognised by President Mahama in his address on 4 September 2012 on "Critical Policy Actions"

levels of Government, which is a multi-year process. Fiscal discipline tends to be weak, in particular in election years and measures should be taken to avoid that budget deficits get out of hand repeatedly. On the revenue side, GOG makes important strides to drastically improve its hitherto insufficient –also when compared to other sub-Saharan countries- domestic revenue collection by widening the tax base and taking other necessary measures to make the tax policies more effective and efficient.

In terms of economic vulnerability and potential, the Compact clearly explains in Chapter 1 that Ghana became a MIC almost overnight when it decided to rebase its national accounts in November 2010, which signified an increase of GDP with about 65%. However, Ghana still has many characteristics of a low-income country. Undoubtedly, the start of the oil production era entails brighter perspectives in terms of economic growth for the coming years (although the oil income is far from being at the level of other oil producing countries), but the economy remains vulnerable because of the high dependence on the export of unprocessed raw materials, in particular petroleum, cocoa, gold and timber, the prices of which fluctuate on the world markets. The depletion of natural resources has led to problems for instance in terms of land degradation and loss in biodiversity. The deforestation rate in Ghana is amongst the highest in Africa. This, combined with uncontrolled urban development and the consequential problematic waste management, has led Ghana to become a net greenhouse gas producer and contributor to global climate change. As a consequence, a steep improvement in resource management and environmental protection is needed[3].

Apart from the need for industrial processing of raw materials, including the creation of a gas industry, GOG also detects the need for rapid agricultural modernization. Ghana's agriculture offers a high potential which remains largely unused. It is significant to note that the country still imports a large share of its food products, making it vulnerable to shocks in world foods prices. The reasons for this are low national agricultural productivity and heavy post harvest losses, both mostly related to poor productive infrastructure. Small-holder farmers' production will be insufficient to sustain the rapidly rising demand for food products on the domestic market, let alone to turn Ghana's agriculture sector into an important provider of jobs and exporter of agricultural products other than cocoa.

It has to be said that Ghana's private sector is still underdeveloped and inefficient. GOG is trying to create a better business enabling environment, but progress is slow. Most businessmen run micro and small enterprises and remain in the informal sector. Among the many constraints that hamper private sector development, one can mention: difficult access to credit, insufficient skills development of workers, problems with land registration, erratic or no access to electricity and important infrastructure gaps (roads, railways, energy, irrigation) in many parts of the country. Intraregional trade flows are small, suffering from many barriers, and the process of regional economic integration is not advancing steadily, because of the volatility and instability of the West-African region as well as the relative weakness of the regional institutions, notably ECOWAS.

Another problem related to Ghana's development is the disparity in poverty levels between northern and southern Ghana. In the northern regions poverty has remained persistent over the last decades, while in the South most of the direst poverty has been eradicated. Confirming a rapidly decreasing trend, in 2006 19,6% of the population in the South qualified as poor (47,9% in 1992), whereas this share was 62,7% in Northern Ghana, dropping only slightly

[3] See also the attached Executive Summary of Ghana's Country Environmental Profile, September 2012

when compared to 1992 figures 68,8%[4]. This trend, coupled with the high numbers of unemployed youth, means that a potential source for social unrest is evident. GOG has recognized this problem and tries to enhance levels of investment and services in Northern Ghana, using an especially dedicated vehicle, the Savannah Accelerated Development Authority (SADA), responsible for implementing a 20-year SADA strategy. Similar initiatives will be developed for other less endowed zones of the country (e.g. Volta and Western Region). Food insecurity is not considered a major concern in Ghana, although natural (flooding, drought) or economic crises may occasionally turn pockets in Northern Ghana into areas where support to households is needed. Social protection schemes (safety nets) have been set up, but their coverage is still insufficient to reach many of the poor.

In terms of attainment of the Millennium Development Goals (MDG) targets by 2015, Ghana is on course of meeting most of them. However, the targets for child mortality and maternal health will only be met if investment will be quickly increased for the implementation of the adopted action plans. The results for improved access to basic sanitation are so far behind schedule that attaining its 2015 target will be virtually impossible. Although Ghana is doing well in terms of universal primary education for boys and girls, serious questions are raised about the quality aspect of primary education, as well as for secondary and tertiary levels for that matter.

Ghana's social vulnerability could be exacerbated in the future by rising income inequalities (who will benefit from economic growth and who will be left behind ?), but also from expected migratory flows entering Ghana from neighbouring countries, in search of employment and better living conditions. Social schemes and safety nets do exist, but remain largely underfunded.

Increasingly Ghana has to deal with security challenges emanating from sub-regional and interrelated phenomena such as trafficking of drugs and other illegal substances, money laundering, piracy and other forms of organized crime. Capacities of relevant investigative and enforcement bodies need to be strengthened although such threats can only be dealt with efficiently at a subregional level.

The GOG-DP Compact 2012-2022 does not enter into the details of the challenges of democratic governance and human rights, nor does it deal with the sub-regional security threats. This is understandable given the nature of the Compact and also the fact that the Government itself is one of the signatories to this document. The governance and security situation is however covered in the Joint Framework Document, the Democracy Support Agenda for Action (January 2012) and the Human Rights Country Strategy (November 2011), which could be considered as additional sources of information for the 11th EDF and joint EU programming processes.

All other major issues as identified here above are described and dealt with in one way or another in the Compact, although the level of detail is undoubtedly much higher in the GSGDA document and ensuing sector policy documents or strategies which form the bedrock of the Compact itself.

[4] Tackling Poverty in Northern Ghana, World Bank, 1 March 2011

3 Country Development Priorities & Objectives

In line with the renewed vision, the Government of Ghana and Development Partners commit themselves to the following objectives for the Compact 2012-2022 :

- To contribute to accelerated and inclusive economic growth and sustained poverty reduction through a smooth transition of Ghana to middle income status with a reduced dependence on ODA and with increased levels and reliance on alternative development funding and domestic resource mobilisation;

- To ensure the predictability of -and minimise the risk of abrupt reductions in- flows of ODA and other forms of development finance and cooperation to Ghana;

- To focus development assistance to issues/sectors of significant strategic importance for national development where aid is needed;

- To increase accountability, transparency and effectiveness of development assistance to Ghana so that it delivers results and value for money;

As a reasonable period for the transition, partners agreed to 10 years (2012-2022), during which period Ghana is expected to become less aid dependent and to be able to attain a sufficient economic growth and significantly reduced levels of poverty. In order to achieve an established and irreversible MIC status over the next ten years, GOG proposes that ODA and other forms of development finance and cooperation be targeted towards the implementation of programs and projects in the following eight areas of strategic importance for national development:

i. Reducing disparities and inequality
ii. Human development
iii. Accelerating agricultural modernization
iv. Provision of strategic infrastructure
v. Deepening democratic and accountable governance
vi. Natural resources management and environmental governance
vii. Private sector development
viii. Strengthening public sector institution and systems

This priority setting is in line with current government policies, in particular with the GSGDA 2010-2013 and the Coordinated Program of Economic and Social Development Policies (2010-2016).

The GSGDA preparation process included consultations with civil society. In general consultation with civil society and the population at large has become a standard feature for important policy documents or legislation (the Constitutional Review process and the consultation on oil revenue management are cases in point), although important gains can still be made. Civil Society is very loosely organized, often along ethnic, geographic, or political lines and because of this scattered CSO landscape it is not easy to have everybody on board for consultations. Civil society was not specifically consulted by GOG and DP's for the editing of the Compact, although CSO representatives were present at the Consultative Group meeting on 21 June 2012 when the Compact was presented.

4 CONSISTENCY WITH EU DEVELOPMENT POLICY

The GOG-DP Compact is fully in line with the EU Development Policy as the eight medium to long term development priorities seem to be fully compatible and coherent with the key areas of the Agenda for Change.

Good Governance is elaborated upon in several paragraphs, in particular regarding the need to sustain and deepen democratic and accountable governance, which are considered essential for becoming a mature middle income society. A wide spectrum of issues is mentioned here, ranging from the rule of law and justice, via the constitutional review process to the need to increase the oversight capabilities of Parliament to the need of increasing domestic revenues. An important additional element to this is the urgent requirement to strengthen public sector institutions and systems on key areas such as public financial management, monitoring and evaluation, law enforcement etc. Capacity Development is needed not only to make the public sector more efficient, but also to create the necessary conducive and enabling environment for the private sector to blossom.

The need for Sustainable Growth is evident and underlies Ghana's ambition to reduce poverty and to become a more established middle income country. Ghana can by no means rely on the exploitation of its oil and natural resources alone. Firstly, because proven oil reserves are fairly limited and secondly because exporting raw materials is subject to price fluctuations on the world market. GOG's strategy to foster substantial sustainable growth includes the need to add value to raw materials through industrial processing, reason why agricultural modernization and private sector & trade development are among the key priorities. However, Ghana still has to face many shortcomings in its infrastructure. The development of strategic infrastructure -including roads, energy and water- remains high on the agenda. The EU Agenda for Change highlights the importance of the Agriculture and Energy sectors for Sustainable Growth and the EU's comparative advantage in both. Ghana has solid sector development and investment plans for Agriculture, Energy, Water, Transport, PSD etc.

Inclusive Growth is a condition sine qua non for reducing disparity and inequality, which is one of the Government's priorities. Apart from bridging the economic divide between Northern and Southern Ghana, reducing income inequalities and providing social protection, human development remains a focus in itself, in particular in relation to the MDG's on health and sanitation, but also with regards to the education sector, which suffers from important quality issues, despite the achieved high ration of primary education attendance for boys and girls. The Compact, the GSGDA and the respective sector policies and strategies recognize all these factors impacting on the population's well-being.

GOG recognizes the precarious situation of its natural environment, exacerbated by Climate Change and the need to strengthen natural resources and environmental management. It will develop climate change adaptation measures and promote Green Growth by committing itself to integrate climate change in all sectors of the economy. The EU Delegation has funded a 2012 update of Ghana's Country Environmental Profile (2006).

Other Cross-cutting issues that are important from a point of view of EU's fundamental values (gender equality, children's rights, disabled etc.) are catered for in the Compact under the priorities "Disparities and inequality" and "Human Development" respectively. In the GSGDA and specific action plans these important issues are dealt with in more detail.

The one element less covered in the Compact is –as already noted here above- the aspect of respect for human rights.

Ghana is an active partner in relation to the Aid Effectiveness Agenda. The aid effectiveness articles of the Compact (Chapter 4) are fully in line with Paris, Accra and Busan declarations, as is Ghana's Aid Policy & Strategy 2011-2015. Ghana has a well-functioning aid architecture, with at present 18 Sector Working Groups, co-chaired by GOG and DP's. It is expected that policy dialogue and monitoring will be strengthened through the creation of the high-level Ghana-DP Group (GDPG), which will discuss annual action plans and reports on the implementation of the Compact and the aid effectiveness agenda.

5 Performance Assessment and Monitoring

The National Development Planning Commission (NDPC) has the overall responsibility to monitor, evaluate and coordinate policies, programmes and projects. Playing an important complementary role in this function is the Ghana Statistical Service (GSS) which is responsible for the collection, compilation, analysis, publication and dissemination of official statistics for general and administrative purposes.

While the various Ministries, Departments and Agencies (MDAs) and the Metropolitan, Municipal and District Assemblies (MMDAs), have a direct responsibility to monitor their respective Programmes and report on outcomes through their PPME[5] units, the NDPC takes the leadership on setting the standards and reporting on M&E at the national level. For instance, the NDPC sets the guidelines for MDAs to produce their respective M&E framework and for the respective sector policies and also the produces the overall M&E framework for the National Development Plan, at present the GSGDA 2010-2013.

The main outputs of M&E efforts are the sectoral Annual Progress Reports (APR) produced by the MDAs and the National APR on the GSGDA produced by the NDPC on a yearly basis. These official documents assessing the annual performance of sectoral and national development plans are crucial documents not only for giving feedback on progress but also for informing budget formulation. As the sectoral APRs, in principle, form the basis of the National APR, the inability of many MDAs to produce quality APRs in good time tends to undermine the quality and timeliness of the National APR produced by the NDPC. As a result, although such reports are due by May (in year "n+1" covering the year "n") in order to inform the budget preparations (for year "n+2"), it is common practice that the NDPC is only able to produce a final APR in the last quarter of the year by which time the budget has almost been finalized.

It is also the case that NDPC as an institution is quite weak in terms of resources, capacity and legal environment within which the institution works. It should be mentioned that indeed, the linkage between the National Budget and the National Development Plan as well as the APR is very weak. On one hand, this can be explained by the rigidity of the national budget which makes it less likely to be influenced by the dynamics of a development plan; but on another hand, it mirrors the weak institutional interaction between the Ministry of Finance and Economic Planning (MOFEP) and the NDPC.

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[5] All MDAs are required to have Policy Planning Monitoring and Evaluation (PPME) units. While the units have been set up, they have generally not been well staffed and organised.

Dialogue within the M&E sector working group in past months has revealed some of the binding constraints to effective M&E in Ghana, which include:

- Limited funding for M&E and Statistics: a baseline assessment of budget allocations, releases and expenditures for M&E and statistics operations which was undertaken in early 2011 shows that not only is there little allocation for M&E in the national budget but also, less than 50% of allocations was released to M&E, and even less to statistics.

- Weak capacity: in many cases, PPME units in the various MDAs are not well-resourced with required people, skills and resources. Statistics units of most MDAs on the other hand are nonexistent.

- Poor intra-ministry engagement in developing M&E plans: there is usually a lack of leadership and capacity and incentives.

- Inadequate attention to cross-cutting issues (e.g. gender, environment): there is little incentive to ensure that issues that transcend individual sectors are given the necessary attention.

- Lack of demand for M&E and statistics: there is a limited demand for M&E outputs within Government to inform policy planning and also among civil society

In sum, while the framework for conducting M&E of the National Development Plan in Ghana exists, the effectiveness of the systems and processes in place is undermined by the challenges such as those enumerated above. Continued capacity development, probably with financial support from the DPs, will still be needed for a certain amount of time. This problem is flagged in the Compact and both sides have committed themselves to work on improving M&E, with an increased focus on results, impact and value for money. It is expected that those important aspects of cooperation will be regularly discussed in the above mentioned GDPG.

6 CONCLUSIONS AND PROPOSALS FOR EU RESPONSE

On 29 February 2012 EU Heads of Mission (HOMs) sent a report to their respective Headquarters declaring the feasibility of embedding the 11th EDF Programming in an EU Joint Programming exercise. It was thought that given the satisfactory levels of local EU coordination, the relatively limited number of EU partners[6] having a considerable cooperation program in Ghana and the availability of strategic documents, trying out EU Joint Programming would have sufficient chances of success. It was also proposed that the envisaged GOG-DP Compact could be the basis for EU Joint programming. EU HOMs however proposed to go beyond Joint Programming of external assistance and to work on a strategic framework for the overall EU-Ghana relationship.

After all, the EU is a major partner for Ghana (first trading partner, first provider of Foreign Direct Investment[7]) and home to a large Ghanaian Diaspora. Overall relations with the EU are

[6] There are 9 EU partners represented locally in Accra: EU Delegation, Netherlands, Denmark, United Kingdom, France, Spain, Czech Republic, Germany and Italy. The EIB has expressed a keen interest to be associated to the programming process

[7] More than 350 million USD in first three quarters of 2011

positive and could be further developed in order to match the importance of our economic ties, of our trading relations and of our external assistance. The establishment of a coordinated and forward looking vision of the Ghana-EU bilateral relations and the development of a joint strategy encompassing all aspects of the EU external action, and as much as possible all their respective instruments, could bring the relationship with Ghana at another level. Such a "joint strategy" will propose the deepening of our institutional relations with a more effective political dialogue to steer our bilateral relations on a policy mix covering democracy, governance, human rights, trade, environment and climate change, regional integration, maritime security, fight against organised crime, migration and aid (this list is indicative and does not exclude any other domains). On the basis of their joint analysis, the EU Delegation and Member States will draft a **Joint Framework Document (JFD)**, with a particular emphasis on governance and inclusive and sustainable growth, as well as on impact and visibility of EU actions. The JFD would integrate as far as possible, all aspects of EU external action and all EU tools/instruments to achieve an adequate balance between flexibility and predictability as well as between short, medium and long-term objectives.

In that context, the EU HOMs reconfirmed that:

1. In terms of contents of the Joint Programming exercise, the Country Strategy, traditionally required for EDF programming, will be replaced by the **GOG-DP Compact** with the advantage that the latter was signed by GOG and other (non-EU) DPs. The Compact will provide for the key priority areas to look at for the Joint Programming exercise, complemented with additional information as appropriate.

2. EU Joint Programming will be conducted jointly with the **national authorities**, who are expected to accept the ownership of the process. First-hand reactions from key ministers indicated that GOG is encouraging EU Joint Programming and that it will play the required coordinating role.

3. An EU (EU Delegation + member states) **Multiannual Indicative Programme (MIP)** should be discussed on the basis of the Compact and agreed aid effectiveness principles[8], including an agreed Division of Labour between EU partners, determining respective sector involvement. Per sector EU partners will, in a specific attachment related to their own bilateral support, provide details on amounts, objectives, expected results, indicators and instruments to be used with regards to the sectors identified. These implementation details will be consistent with Ghana's national sector strategies and policies in place. Where possible, synergies between funding mechanisms and modalities (e.g. loans and grants, alliances with private sector and financial institutions from Europe, notably but not exclusively, the European Investment Bank, Agence Française de Développement and Kreditanstalt für Wiederaufbau) will be sought, with the aim of maximizing results and impact of the European development assistance

4. One of the difficulties in Joint programming is that **EU programming cycles** are not (yet) synchronized. The 11th EDF will run from 2014 till 2020, but some of the member states have 3-4 year cycles which in some cases started in 2011 or 2012. It was accepted that recently adopted bilateral Country Strategies for Ghana (e.g. DFID and Netherlands) will be respected and accommodated in the Joint MIP. Taking into account this practical

[8] With reference to the Ghana Aid Policy & Strategy, the GOG-DP Compact, Declarations of Paris (2005), Accra (2008) and Busan (2011), as well as in the relevant EU documents, such as the EU Code of Conduct on Complementarity and Division of Labour in Development Policy (2007) and the EU Council Conclusions on an Operational Framework on Aid Effectiveness (2009, 2010)

complication, it is proposed to cut the programming cycle until 2020 into two periods: 2013-2016 and 2017-2020 respectively. This sequencing will provide the EU partners that already have a bilateral country strategy in place until 2015/2016 with the possibility to implement those as agreed. In 2015 or 2016 a mid-term review of the MIP will be organized on the basis of which decisions for the programming 2017-2020 period will be taken. This would mean that as from 2017 all EU partners could have synchronized programming. The EU Delegation will propose sector choices and financial allocations that will cover the entire period of the 11th EDF until 2020, but which can be revised on the basis of the 2015/16 mid-term review.

7 First ideas for sector selection for the period 2014-2020 (EU Delegation) or 2013-2016 (Member States)

Analysis by EU-HOCs of current and planned project and programmes, financed by the EU partners, shows that there already de facto exists a level of division of labour, which can be qualified as relatively balanced and satisfactory. From the tables in attachment one can draw the conclusion that EU development assistance is quite evenly spread over the most important sectors for Ghana's development in its transition towards an established MIC. A few sectors are less well endowed with European support which is an element to be taken into account when making final decisions on sector selection and allocations. Another element to bear in mind is the division of labour with non EU partners. A study conducted by the German Embassy[9] revealed that also at that level there is a relatively well-balanced involvement of DP's among sectors, although there is still ample scope for improvement. A growing element of concern is the less transparent and coordinated activities from newly emerging DP's, which somehow have to be taken into the equation by the traditional DP's. GOG is fully aware of this situation and tries to draw in these new partners in the existing platforms for coordination and dialogue.

The definite sector selection and corresponding amounts, projected interventions, timelines, objectives, use of instruments and prospects for joint finance etc. will be described in detail in the MIP to be prepared before the end of 2012, but here below is an overview of current thinking:

EU Delegation: For the 11th EDF the programming, focal sector choice will stay close to the core values of the Agenda for Change and the major challenges related to Ghana's transition into a full-fledged MIC, as described in the GOG-DP Compact. It is considered important to support Ghana's efforts in the generation of sufficient sustainable growth by supporting the agenda of agricultural modernization through investment in related productive infrastructure, with a particular focus on the development of Northern Ghana. At the same time, attention should be given to job creation and protection of the poor who might not be able to directly benefit from the expected economic growth. Finally, the EU is considered having a real comparitative advantage in the area of support to the strengthening of governance in all its facets.

[9] Division of Labour among "traditional" Development Partners in Ghana. Some spotlights and approximations. June 2012

Taking into account all principles stated above in paragraph 6 and bearing in mind the possible complementary areas of intervention of the EIB, the EU Delegation at this moment in time, suggests that 11th EDF resources be allocated to the three following sectors:

1. Good Governance

Sector interventions could be developed along the following main pillars.

1) Strengthening Democracy, Accountability and Fight against Corruption: EU will assist GOG to build and maintain reliable governance systems and to strengthen key governance institutions - Parliament, Electoral Commission, Ghana Audit Service, Commission on Human Rights and Administrative Justice (CHRAJ). These institutions have an important role to counterbalance and make accountable the executive branch. Relevant proposals in the CRC's white paper will be examined to reinforce the Independent Governance Institutions. The reinforcement of audit, control and anti-fraud bodies could be contemplated. Specific attention will be paid to the management of revenues from natural resources, including oil & gas, mining and forestry.

2) Human Rights: Overall, the Ghanaian law provides the legal elements to protect Human Rights. Ghana has already clearly achieved high standards in the promotion and protection of HR. This legal reality needs however still to be accompanied with a concrete practice in the society and a full acknowledgement of universal Human Rights which for some of them are still widely ignored both by the perpetrators of abuses and by the victims. This pillar would be developed to cover: i) governance including economic and social rights; ii) children's rights and iii) effective implementation of non-discriminatory policies.

3) Policy reform: Public sector management for better service delivery at district level remains one of the key challenges to bring equality between citizens and regions. Support to key reform-oriented processes including decentralisation, constitutional review, National Peace Council and Legal & Judicial Sector Reform should be offered, with a special focus on increased public awareness and adequate and equal access to justice.

4) Public Financial Management and Management for Results (M&E): Complementary to the previous pillars, the EU action should be focused on improving public financial management, including the strengthening of revenue mobilization and management. An allocation could be reserved for the strengthening of statistical and M&E systems, indispensable to demonstrate the impact of government action and inform policy decisions.

5) Environmental Governance & Climate Change: Although natural resource management will be an inherent cross-cutting theme in all 11th EDF interventions it seems necessary to support Government initiatives towards ensuring the environmental sustainability of its growth. Ghana faces serious challenges when it comes to the implementation and enactment on the ground of its environmental and climate change policies. Strengthening and reorganization of Ghana's environmental and climate change related institutions are priorities, while existing legislation needs to be adapted to the new challenges. These priorities clearly demonstrated by the 2012 Ghana Environmental Profile study.

6) Security: Maritime security in the Gulf of Guinea, fight against all forms of illicit trafficking (in complement/coherence with the Instrument for Stability).

2 . **Agriculture Development**:

The slow growth of agriculture in comparison with the service and oil and gas sectors is quite worrying as this is the sector which can become in the long run the backbone of the Ghanaian economy. Ghana is well endowed with agriculture potential which up to now is relatively untapped. Major constraints inhibit the development of the sector, notably access to land, human resource, natural resource management, non-use of modern technologies, infrastructure, energy, irrigation, access to markets ... Under this sector of concentration it is proposed to focus on development of productive infrastructure in the agriculture sector within the SADA regions, but all this while applying synergies with the concept of green economy. One or several SADA "growth poles" could be selected, in accordance with SADA plans, for agriculture related infrastructure development in for instance feeder roads, irrigation, renewable energy, ICT and natural resource management. Processing of agricultural commodities (including aspect of job creation, professional training, research & innovation) as well as promotion and facilitation of trade in processed agricultural products ought to be given considerable attention. Strong support to Ghana's Green Growth Agenda (including climate change mitigating measures) will be a requirement to ensure an environmentally sustainable growth of the sector.

3. **Employment & Social Protection**

While sustainable economic growth can be fostered by developing the agriculture sector, the importance of transforming the economy into a diversified and efficiency driven economy which is capable of sufficient job creation is paramount. A large share of Ghana's youthful population is currently unemployed, which sooner rather than later will create social tensions. It is therefore proposed to reserve sufficient resources for interventions that can contribute to employment generation and bringing the informal sector within the "real economy". Support for job creation through Private Sector (and Trade) Development initiatives will therefore constitute an important component of this sector.

At the same time the weakest in the Ghanaian society should not be forgotten while promoting sustainable growth. Projects targeting the most disadvantaged population groups for social protection (which could include the promotion of labour rights, education for the disabled, support for safety nets etc.) should be considered. Resources should also be reserved for the mitigation of perceived and real economic, fiscal and social risks related to trade liberalisation as a result of the future entry-into-force of the Economic Partnership Agreement (EPA) between Ghana (or ECOWAS countries) and the EU.

Implementation of the first 11th EDF programmes should start in 2014 and therefore feasibility and identification studies should commence in 2013. In the coming years the EU will continue the implementation of its current 10th EDF, which covers three focal areas, with the major ongoing interventions between brackets: Budget Support for Poverty Reduction (MDG-Contract until 2014, SBS for Maternal Health until 2016), Governance (SBS for Decentralisation until 2015) and Transport Infrastructure (Western & Eastern Corridor Roads projects until 2015); and two non focal areas: Natural Resources and Environmental Governance (SBS until 2014) and Trade Development (Trade policy and quality enhancement project until 2015).

(Member States)

Czech Republic: The Czech Republic intends to continue, in the coming years, the current practice of concentrating the bilateral efforts on core issues, ranging from diplomatic relations via trade and migration. A programme for bursaries to complete their University or Doctorate Studies, in Economics, Trade, Computer Science, or Agriculture, is in place. Academia and developmental NGOs, supported by the Czech Republic's authorities, liaise directly with their Ghanaian counterparts.

Denmark: In the period 2013-2016, Denmark will allocate resources to the four following priority areas:
- Multi-Donor Budget Support (MDBS)
- Private Sector Development
- Human Rights and Decentralization
- Health

Denmark does not have a country strategy for Ghana. For future sector involvement it will refer to the Compact and make a "chapeau" to the Compact in the form of a Country Policy Paper. This paper is due to be finalized in May 2013.

Denmark's support to Ghana is in a transitional phase where political and commercial cooperation will be given increasing priority in the years to come.

France: France and Ghana are preparing a new strategy for 2012-2016, called "Partnership Framework Agreement", based on the GSGDA 2010-2013 and more specifically on the Compact signed in June 2012. The French cooperation in Ghana should focus on three sectors of concentration (agriculture, urban development/decentralisation and energy), with three non focal sectors (promotion of cultural diversity/French learning, governance and higher education/research). The document will be finalised beginning of 2013 and will take into account the EU joint programming document.

Germany: German development cooperation is informed by the MDG's. With the 2012 Ghanaian-German Governmental negotiations commitments have been made for the period 2012-2014.

The focal sectors are: 1) Sustainable Economic Development, the overall objectives being to enhance access to finance for small and medium sized enterprises and employment generation (in particular for the youth and women and girls; 2) Decentralisation, with the main objectives of improving service delivery for the entire population and to contribute to transparent and strengthened political participation at local and district levels; 3) Agriculture, improving the income of rural population by supporting value chain approaches with regards to selected food crops, including support the financing of outgrower schemes.

Non focal areas are: Renewable Energy and Climate Change. Furthermore, Germany is a member of the Multi Donor Budget Support Group which is complemented by activities supporting Good Financial Governance.

Italy: Italy's actions will remain concentrated in the coming years on private sector development and support for NGO's.

Netherlands: The programming cycle for the Netherlands bilateral program with Ghana runs from 2012 till 2015. The program focuses on Drinking Water and Sanitation, Food and Agriculture, Sexual and Reproductive Health and Rights.

The Consultative group meeting of 2010 (CG) concluded that strong economic performance of Ghana led to Lower Middle Income Status and a gradual shift in the need for financial support from traditional ODA grants to concessional and foreign direct investment. The Netherlands – Ghana bilateral program incorporates the gradual shift announced by the CG. In close cooperation with Ghanaian counterparts the program and seeks to blend private and public sector involvement in public goods and responsibilities.

Spain: In the coming years Spain will continue the implementation of the Second Program of Economic and Financial Cooperation between Spain and Ghana, signed in 2005 (funded with 60 M Euros) and the Debt Swap Program, signed in 2009. The projects implemented in the framework of these two Programs will be focused on Agriculture and Water.

Other ongoing and planned activities concern the areas of vocational training and culture.

United Kingdom: The DFID programme runs from 2011-2015. Northern development and "women and girls" run as horizontal themes through the programme. The UK provides General Budget Support alongside other donors. The programme portfolio has three main areas of work

- helping Ghana close its development gaps, with results centred on Education (targetting out of school children, improving the quality of education and supporting girls to complete school), Health (maternal mortality, increasing family planning, malaria) and supporting the poorest to meet their basic needs (cash transfers);

- stimulating business and job creation, with work on the enabling environment nationally and on targeted interventions in the North;

- strengthening governance and accountability, with support for public financial management, statistics, elections, and to civil society and parliament. Possible assistance on climate change and oil and gas is also being appraised.

European Investment Bank:

The EIB is traditionally focusing its attention on the financing of infrastructure as well as financial intermediaries in order to promote private sector development and indirectly support multiple large, medium, small or micro private investments. After a period of relative absence, the EIB should come back in 2012 and following years with more acceptable levels of lending activity in line with the potential of a fast growing country like Ghana. On top of the already launched initiatives regarding the financial and water sector, major projects should emerge in the energy and transport sectors.

<u>Energy</u>: Natural gas will become the main energy source for electricity generation in the coming years since all new thermal units will run on gas and existing ones will be converted. The gas-related projects are of regional significance for the energy supply in West Africa and an involvement of the Bank will therefore continue to be pursued. More generally, energy production is still an issue in Ghana since generation capacity remains insufficient to cope with the fast growing load demand. The EIB will thus also try to contribute increasing the

capacities giving priority to more efficient and renewable sources of energy while it will also support all efforts to reinforce the transmission network and regional interconnections to cover supply security aspects.

Transport: Corridors are back on top of the Ghanaian Authorities' agenda, especially railways. While the funding needs for the Western corridor scheme seem fully covered, the debate is now more open on the Eastern and Central corridors. The EIB is planning to take a more active stance on these by financing part of the infrastructure but also the feasibility studies if required. Port development will also be a point of focus, notably in Takoradi where several major investments are planned in line with new oil and gas activities.

Water: Attention will be focused during the forthcoming years on the implementation of the complex SAWISTRA project under AfD lead. However, further project opportunities might be contemplated given the still very low national coverage rates, notably regarding wastewater facilities and sanitation.

Financial sector/SMEs:
Low private credit/GDP ratios imply an important lack of intermediation and consequently a poor access by SMEs to finance (even less so at acceptable rates and long terms). All this asks for further support to the banking sector. Concrete opportunities will need to be identified on a case by case basis or on the basis of a comprehensive financial sector strategy.

Other sectors: Agriculture, industry, tourism and telecom might also be sectors of interest should any opportunity arise creating local value for the country.

Attachments

- Country at a glance
- EU Cooperation in sectors and figures
- Donor matrix
- GOG-DP Compact 2012-2022
- Country Environmental Profile – Executive Summary