

***GHANA:
COUNTRY STRATEGY EVALUATION***





Final Report

Volume I

April 15th 2005

Evaluation for the European Commission



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This evaluation was carried out by EGEVAL

The evaluation was managed by the evaluation unit who also chaired the reference group composed by members of the services EuropeAid, Relex, DG Budget and the European Commission Delegation in Ghana

The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of Ghana.

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List of Acronyms

¢	Ghanaian cedis	COCOBOD	Ghana Cocoa Board
5MPP	Fifth Microprojects Programme	CPR	Contraceptive prevalence rate
6MPP	Sixth Microprojects Programme	CR	Central Region
ACP	Africa, Caribbean, Pacific	CRIG	Cocoa Research Institute of Ghana
ADEOP	Annual District Education Operational Plan	CRIS	Common Relx Information System
AFD	Agence Française de Développement	CRS	Creditor Reporting System
AfDB	African Development Bank	CSP	Country Strategy Paper
AfDF	African Development Fund	CSSP	Cocoa Sector Support Programme
ANC	Antenatal care	CSSVD	Cocoa Swollen Shoot Virus Disease
APRM	African Peer Review Mechanism	CSSVDCP	Cocoa Swollen Shoot Virus Disease Control Programme
AR	Ashanti Region	CWIQ	Core Welfare Indicators Questionnaire
ART	Anti retroviral therapy	CWSA	Community Water and Sanitation Agency
ASSIP	Agricultural Service Sector Investment Programme (MOFA)	DA	District Assembly
ASSPNG	Agriculture Sector Support Programme in the North of Ghana	DACF	District Assemblies' Common Fund
ATF	Accounting, Treasury and Financing	DEO	District Education Office
BMC	Budget management centre	DFID	Department for International Development
BMU	Budget Management Unit	DHS	Demographic and health survey
BOR	Bed Occupancy Rate	DIC	Divestiture Implementation Committee
BPEMS	Budget and Public Expenditures Management System	DOT	Directly observed therapy
CBO	Community Based Organisation	DPT	Diphtheria pertussis and tetanus
CDE	Centre for the Development of Enterprise	EBAS	EU-ACP Business Assistance
CDF	Comprehensive Development Framework	EC	European Commission
CDR	Case detection rate	ECA	European Court of Auditors
CFR	Case fatality rate	ECOWAS	Economic Community Of West African States
CHAG	Christian health association of Ghana	EDF	European Development Fund
CHIM	Centre for health information management	EIA	Environmental Impact Assessment
CHPS	Community health planning and service	EIB	European Investment Bank
CIDA	Canadian International Development Agency	EMIS	Education Management Information System
C-IMCI	Community component of integrated management of childhood illness	EMU	Estates Management Unit
CMA	Common Management Arrangement	EPI	Expanded programme on immunization
CMS	Central Medical Stores	ER	Eastern Region
		ERP	Economic Recovery Programme

ERRC	Education Reform Review Committee
ESAF	Enhanced Structural Adjustment Facility
ESP	Education Strategic Plan
ESPRR	Education Sector Policy Review Report
ESR	Education Sector Review
ESTAC	Education Sector Technical Advisory Committee
EU	European Union
FASDEP	Food and Agricultural Sector Development Policy (MOFA)
FCUBE	Free Compulsory Universal Basic Education
FDI	Foreign Direct Investments
FED	Fonds Européen de Développement
FOB	free on board
FPMU	Funds and Procurement Management Unit
FY	Fiscal Year
GAC	Ghana Aids Commission
GAR	Greater Accra Region
GAS	Ghana Audit Service
GDHS	Ghana Demographic and Health Survey
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GES	Ghana Education Service
GETFund	Ghana Education Trust Fund
GHS	Ghana Health Service
GLSS	Ghana Living Standard Survey
GNI	Gross National Income
GoG	Government of Ghana
GPED	Growth Primarily Education Rate
GPRS	Ghana Poverty Reduction Strategy
GRFB	Ghana Road Fund Board
GWEP	Guinea Worm Eradication Programme
Ha	Hectare
HASS	Health Administration Support and Services Division
HIPC	Highly Indebted Poor Country
HIPCI	Heavily Indebted Poor Countries Initiative
HIV/AIDS	Human Immunodeficiency Virus /

S	Acquired Immunodeficiency Syndrome
HQ	Head Quarters
HRDP	Human Resource Development Programme
HRMD	Human Resource Management Division
HSPS	Health Sector Programme Support
HT	Head Teacher
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IGF	Internally Generated Funds
ILIP	Individual Limited Intervention Project (under 5 and 6MPP)
IME	Information monitoring evaluation
IMF	International Monetary Fund
IMR	Infant mortality rate
INSET	In-Service Education of Teachers
IPD	Inpatient department
I-PRSP	Interim Poverty Reduction Strategy Paper
ITN	Insecticide treated net
KfW	Kreditanstalt für Wiederaufbau
JICA	Japan International Co-operation Agency
JSS	Junior Secondary School
KG	Kindergarten
LBC	Licensed Buying Company
LRDP	Lowland Rice Development Project
LSP	Letter of Sector Policy
M&E	Monitoring and Evaluation
MDA	Ministry, Department and Agency
MDBS	Multi-Donor Budget Support
MDG	Millennium Development Goals
MIS	Management Information System
MLGRD	Ministry of Local Government and Rural Development
MMR	Maternal mortality rate
MOEYS	Ministry of Education, Youth and Sports
MOFA	Ministry of Food and Agriculture
MOFEP	Ministry of Finance and Economic Planning
MOH	Ministry of Health

MOLGRD	Ministry of Local Government and Rural Development
MOMDE	Ministry of Manpower Development and Employment
MOU	Memorandum of Understanding
MPMU	Micro-projects Programme Management Unit
MPP	Micro-projects Programme
MSP	Minimum Standards of Performance
MT	metric ton
MTDP	Medium Term Development Plan
MTE	mid-term evaluation
MTEF	Medium Term Expenditure Framework
MTHS	Medium Term Health Strategy Towards Vision 2020
MTTP	Medium Term Priority Programmes
MWH	Ministry of Works and Housing
NACP	National AIDS control programme
NAO	National Authorising Officer
NCTE	National Council for Tertiary Education
NDC	Non communicable disease control
NDPC	National Development Planning Commission
NEPAD	New Economic Partnership for Africa's Development
NER	Net Enrolment Ratio
NERICA	New Rice for Africa
NESPCC	National Environmental Sanitation Policy Co-ordination Council
NGO	Non-Governmental Organisation
NGP	NGP Non-governmental providers
NHI	National Health Insurance
NIP	National Indicative Programme
NMCP	National Malaria control programme
NPDC	National Planning and Development Commission
NR	Northern Region
NSA	Non State Actor
NTP	National Tuberculosis control programme
O&M	operation and maintenance
OCT	Overseas Countries and Territories
OCTs/PTOs	Overseas Countries & Territories / Pays & Territoires d'Outremer

ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OLAS	On-line Accounting System (of the Commission)
OPD	Outpatient department
PACE	Pan African Programme for the Control of Epizootics
PADP	Protected Areas Development Programme
PBME	Planning, Budgeting, Monitoring and Evaluation
PE	Personal Emoluments
PEM	Public Expenditure Management
PFP	Private for –profit provider
PFM	Public Finance Management
PHC	Primary Health Care
PIP	Pesticides Initiative Programme
PMU	Project/Programme Management Unit
PNC	Postnatal care
POW	Programme of work
PPME	Policy, Planning, Monitoring and Evaluation Directorate, MOH
PPMED	Policy Planning Monitoring and Evaluation Directorate (MOFA)
PPMED	Policy, Planning, Monitoring and Evaluation Division, GHS
PRBS	Poverty Reduction Budget Support
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PTR	Pupil Teacher Ratio
RASFF	Rapid Alert System for Food and Feed
RD	Rural Development
RIP	Regional Indicative Programme
RSDP	Road Sector Development Programme
RWSSNR	Rural Water Supply and Sanitation in the Northern Region
SASP	Structural Adjustment Support Programme
SD	Supervised delivery
SDP	Service Delivery Point
SFPHC	Strengthening Fish Products Health Conditions in ACP/OCT Countries
SIF	Social Investment Fund

SMC	School Management Committee
SMEs	Small and Medium Enterprises
SOEs	State Owned Enterprises
SPIP	School Performance Improvement Programme
SSS	Senior Secondary School
ST	Science, Technology and TVET
STWASP1	First Small Towns Water and Sanitation Project
STWSAP2	Second Small Towns Water and Sanitation Project
STWSP	Small Towns Water Supply Project
SW	South West Region
SWAp	Sector wide approach
SWOT	Strengths, Weaknesses, Opportunities, Threats
TA	Technical Assistance
TAB	Training Advisory Board
TAMC	Traditional and Alternative Medicine Council
TB	Tuberculosis
TBA	Traditional birth attendant
TFR	Total Fertility rate
TG	Thematic Group
TH	Teaching hospital
TMP	Traditional medical practitioner
TOT	Trainers of Trainers/Tutors
TPR	Trade Policy Review
TTC	Teacher Training College
TVET	Technical and Vocational Education and Training
U5MR	Under five mortality rate
UER	Upper East Region
UN	United Nations
UNDP	United Nation Development Programme
USAID	United States Agency for International Development
USD	United States Dollars
UWR	Upper West Region
VIP	Village Infrastructure Project
VOC	Vehicle Operating Costs
VR	Volta Region
W&S	Water and Sanitation
WAEMU	West African Economic and Monetary Union

WARDA	West African Rice Development Association
WATSAN	Water and Sanitation (committee)
WB	World Bank
WR	WR Western Region
WSDB	Water & Sanitation Development Board
Wt/A	Weight for age
WTO	World Trade Organisation

0. Executive Summary

0.1 Evaluation objectives and methodology (Chapter 1)

This Evaluation of the European Commission's country strategy for the Republic of Ghana is part of the 2004 evaluation programme as approved by the Board of the EuropeAid Co-operation Office. Its main objective is to analyse the Commission's past and current assistance to Ghana and to provide the Commission with an analysis and an assessment of its co-operation strategy with the country.

The main coverage of the evaluation is:

- the Commission co-operation strategy with Ghana, and its implementation over the period 1996-2002;
- an analysis of the relevance, logic and coherence, as well as the intended impacts of the Commission co-operation strategy for the period 2002-2006; and
- an analysis of the coherence of the Commission's strategy with the country's development plans and its coherence with the interventions of other donors.

The evaluation methodology is based on an initial description of the development co-operation context in Ghana. The Commission's intervention logic is then analysed (identification of the main sectors of intervention and of the hierarchy of the Commission's co-operation strategy objectives at the different levels of intervention). On this basis, Evaluation Questions were formulated which refer either to five evaluation criteria (relevance, efficiency, effectiveness, impact and sustainability) or to transversal aspects

(cross-cutting issues, coordination, coherence and complementarity). For each Evaluation Question, Judgement Criteria were selected which show the benchmarks against which the interventions are assessed. Finally, each Judgement Criterion is validated on the basis of quantitative and qualitative Indicators which are the main performance measures. The information necessary to document the Indicators has been collected through analysis of relevant documents and statistics at the various levels of analysis, and through direct interviews in the field and in Brussels with actors or stakeholders.

The evaluation was initiated in June 2004 and the Desk Phase completed at the end of September 2004. A field mission was conducted in October 2004, followed by this Final Report.

0.2 Context, objectives and programme of the Commission's cooperation with Ghana (Chapters 2 and 3)

After a period of military rule, Ghana adopted a new constitution in 1992 that led to a multi-party system. The country witnesses a peaceful democratic transition. It actively contributes to regional harmonisation and integration (through ECOWAS) and plays a crucial role in conflict resolution and prevention in the region.

Despite the deep economic crisis it has recently faced, Ghana is one of the few

countries in Sub-Saharan Africa to have a chance of meeting the Millennium Development Goals. Ghana achieved significant success in improving human development indicators during the 1990s. However, major sectoral, geographic and social-economic disparities remain. For instance, 84% of those living under the upper poverty line are located in rural areas (especially in the three northern regions).

The country's growth process is weakened by three main factors that prevent full exploitation of its potential: (i) high vulnerability to external shocks, (ii) poor economic management, and (iii) structural deficiencies, in particular those limiting the contribution of the private sector to the country's growth.

Ghana appears to have gone further than most African countries in reforming its political and economic structures and processes. Its 25-year development perspective "Ghana: Vision 2020" appears to be a part of this transformation. The challenge consisting of achieving basic development goals at the same time as building towards a more ambitious system has been stated in the 2003-2005 Ghana Poverty Reduction Strategy (GPRS). This agenda has been translated into sectoral strategies and programmes linked to poverty reduction in both rural and urban areas, strengthening the capacities of the poor and vulnerable to earn income, reducing gender and geographical and socio-economic disparities, and developing a healthier, better-educated and more productive population. The development strategy of the Government of Ghana (GoG) is now articulated around a Comprehensive Development Framework initiated by the World Bank and operationalised through the GPRS.

The EU is a key source of funding for support to development in Ghana, with around 49.5% of the ODA to Ghana originating from the EU Member States and the Commission.

The intervention logic underlying the strategies adopted by the Commission is to a large extent continuous from the 8th to the 9th EDF. The global objective of poverty reduction is to be achieved by fostering equitable and balanced growth. At the level of the specific objectives, both strategies emphasise the need to increase the living standards of the rural population, to improve efficiency of the transport infrastructure, to restore a sound macroeconomic framework and to increase access to basic social services in the health and education sectors. For the two programming periods, interventions focus on rural development, transport and macroeconomic support.

Some important changes should however be noted between the two programming periods:

- in contrast with the 8th EDF, programming of the 9th EDF does not explicitly include private sector development as a particular objective; it is only reflected in the objective of assistance to the mining sector;
- more than 25% of the Commission's assistance to Ghana under the 9th EDF Envelope A now takes the form of non-targeted budget support for the macroeconomic reform programme of the GoG, with particular attention to the objective of equitable access to social services (assistance to the health sector is now to a large extent channelled through budget support).

0.3 Evaluation questions and main findings (Chapter 4)

a) Relevance (EQ1)

In general, the Commission's strategy is appropriately designed to contribute to the overall objectives of economically and socially sustainable growth and poverty reduction. The selection of sectors of interventions both reflects the history of the Commission's assistance to the country and the fact that it directly comes in support of the country's priorities identified in the GPRS. The geographical and sectoral foci of the strategy, as well as their evolution from the 8th to the 9th EDF, cover those priorities and interventions are formulated accordingly. However, the importance given to PSD has been substantially reduced in spite of the central role that the private sector could play in coping with the main economic constraints of the country. Moreover, most of the Commission's assistance comes in support to the sector or general GoG policies. Although appropriate given the particular context of the country, this type of assistance can be a source of tension as the GoG seems, more than the Commission, to prioritise a poverty reduction strategy which is mainly growth led.

b) Effectiveness - Focal sectors

Rural Development (EQ2)

The Commission's interventions in rural development have contributed to fostering growth and reducing poverty, particularly in the most deprived areas of Ghana. However, assessing the exact contribution interventions in terms of impact is difficult in the absence of reliable baseline studies. With the information available, impact of the interventions seems to be larger on poverty reduction than on growth. Poverty reduction is indeed mainly addressed by

Micro Projects Programmes (MPPs) and Water and Sanitation (W&S) programmes that proved to be highly effective. Growth enhancement was mainly tackled by the Cocoa Sector Support Programme (CSSP) but effectiveness and impact of this programme was hampered by various factors. In general, the Commission's interventions were not designed so as to foster the diversification and restructuring of the Ghanaian agriculture.

Transport (EQ3)

The Commission's interventions in transport mainly contributed to the objective of sustainable growth but their impact in terms of poverty reduction is more difficult to establish. Interventions have mainly focused on improving network condition by means of rehabilitation and upgrading of truck and feeder roads. Interventions were concentrated in western Ghana and on big roads and the extent to which they contributed to improve access for deprived areas is unclear. The Commission's interventions had also a limited impact on the institutional framework which remains characterised by many enforcement problems and serious default in clearing maintenance backlogs which questions the sustainability of interventions in this area.

Macroeconomic support and public finance management (EQ4)

The Commission's interventions in the area of macroeconomic support and public finance management contributed to improve the country's macroeconomic framework and its public finance management capacities. Although substantial progress remain to be achieved, the Commission's interventions effectively contributed to the reduction of the macroeconomic imbalances that limit the country's growth potentials and

provided support to some important reforms that have been adopted to increase public finance discipline and improve budget practices. The capacity of the Commission to mainstream public spending towards social sectors and the poorest segment of the population is hampered by the difficulties experienced by MDAs to incorporate GPRS targets into a genuine mid-term action plan. The Commission's interventions have contributed to the implementation of the GPRS but the policy dialogue and monitoring of the budget support programmes take place at levels which makes it difficult to fully assess their impact on social sectors.

Mining and Private Sector Development (EQ5)

The contribution of the Commission's interventions in the area of private sector development to the overall objective of a broad-based economic growth is limited. The PSD projects/programmes implemented by the Commission were in general effective in delivering their results. However, they were mainly targeted to private sector operators and therefore could not address the weaknesses of the legal and regulatory framework which is a main constraint affecting the private sector in Ghana. Their impact in terms of diversification of the production/export base is also limited, as the economy remains dominated by traditional products in spite of an encouraging increase in the share of non-traditional exports.

Social Sectors (EQ6)

The Commission's interventions in social sectors contributed to increase access to basic education and health services for the poorest segment of the population. Access to basic health services by the rural and deprived population has been explicitly integrated in the GoG's health sector policy and access to education has been an increasing concern of national authorities

over the last two programming periods. However, there are concerns relative (i) to the financial allocation resources that does not always reflect needs of the most deprived regions and/or the poorest segment of the population and (ii) the switch observed between the 8th and 9th EDFs from participation to a SWAp towards budget support as the policy dialogue conducted within this framework is not be as deep as the one conducted through the SWAp.

c) Efficiency (EQ7)

The implementation of the Commission's interventions was affected by important delays that were observed in almost all sectors of interventions. These delays have hampered the effectiveness of interventions in delivering their results. Delays were mainly due (i) to the length of administrative procedures and (ii) poor design of projects/programmes which implied foreseeable difficulties in their implementation. The technical assistance (TA) provided by the Commission proved highly valuable and significantly contributed both to facilitate the projects/programmes implementation and increase the effectiveness with which they delivered their results.

d) Cross-cutting issues: Good governance, gender and environment (EQ8)

The extent to which cross-cutting issues related to good governance, gender and environment are taken into account in the Commission's interventions is variable. Good governance issues are extensively addressed, either through specific programmes or by incorporation of related aspects in non-specific interventions. Gender and environment are less deeply addressed and their

systematic inclusion in the Commission's programming documents hardly reflects an overall gender-related or environment-related strategy.

e) 3Cs: Complementarity, Coordination and Coherence (EQ9)

Donor's activities ensure a wide coverage of the main constraints and needs of the country. This is partly explained by the large number of effective coordination schemes in almost every sector of intervention. Although coordination is found to decrease at lower level of implementation, the Commission has a clear view on the distribution of donors' interventions over the country. As a result, no detrimental overlaps between interventions were identified. This reveals a high degree of complementarity of the Commission's strategy with that of other donors. Finally, it is likely that other EU policies have significantly affected some sectors of the Ghanaian economy. In particular, the EU trade policy and the Common Agricultural Policy (CAP) may have had important adverse impact on particular industries but the extent to which this affected growth and poverty in Ghana is not clearly established.

f) Sustainability (EQ10)

The sustainability of the Commission's interventions varies from sector to sector. Sustainability is likely to be high in the areas of macroeconomic support and in most of the rural development components. It is lower in the transport and social sectors. For the first, the main cause is the incapacity of the Ghana Road Fund (GRF) to deliver sufficient revenues to cover all maintenance needs while for the second, it relates to the ability of the GoG to hold on its commitments and to the financial viability of the National Health Insurance Scheme NHIS.

0.4 Conclusions (Chapter 5)

Answers to the Evaluation Questions and the underlying analysis have led to the elaboration conclusions that are focused (i) on the relevance of the strategy both to the Commission's overall and general objectives and to the country's priorities, (ii) on the extent to which specific and operational sector objectives have been achieved and (iii) on aspects related to implementation modalities including crosscutting issues and 3Cs.

a) Conclusions on global and general objectives of the strategy (Conclusions 1.1 to 1.6)

The Commission's strategy for Ghana is broadly relevant to the general objective of fostering growth and poverty reduction. However, the extent to which the strategy is based on an in-depth analysis and prioritisation of objectives is unclear. The selection of sectors of interventions and allocation of funds seem indeed to result from a pragmatic approach guided by the GoG's agenda, activities of other donors and the Commission's own experience. The orientation of the Commission's interventions towards the objectives of growth or poverty reduction varies across sectors of interventions. In particular, interventions in rural development (RD), which have been limited in terms of improving agricultural production systems and diversification of the sector, have a more pronounced pro-poor orientation than interventions in the area of transport. Interventions in the area of macroeconomic support and public finance management are relevant to address both objectives as the macroeconomic imbalances and weaknesses in the country's public finance

management system have significantly hindered its development and capacity to tackle poverty. The capacity of the Commission to effectively orient interventions towards one or the other objective however also depends on the government's policy. From this point of view, the Commission strategy may to some extent be at odds with GoG's views as the latter seem to favour a poverty reduction strategy which is mainly growth led. Finally, the importance of PSD has been steadily decreasing in the Commission's strategy which conflicts with the fact that PSD is identified as a key factor for the development of the country.

b) Effectiveness and impact of in the different sectors of intervention
(Conclusions 2.1 to 6.4)

In the area of RD, projects have been effective in increasing access to safe water and sanitation, and to basic economic and social facilities. However, RD projects have been less effective in improving productive systems and diversifying the Ghanaian agriculture while impact on the productivity and diversification of the agricultural sector seems to be limited. Many RD projects have contributed to capacity building which increases their sustainability, for instance by improving the capacity and sense of ownership of districts and communities. In some cases, sustainability may however conflict with poverty reduction when poor cannot afford the full user fees that make interventions sustainable.

In the area of transport, Commission interventions have had a limited impact on the enhancement of the institutional framework. They have however positively contributed to facilitate rural access to markets, services and social facilities although such delivery proved to be the most effective in regions that do not

correspond to the most deprived areas of Ghana. Besides, the achievement of the Commission's interventions in the area of transport is hampered by resource limitations and persistent maintenance backlog which seriously threaten the sustainability of interventions.

Interventions in the area of macroeconomic support and public finance management have generally been effective in delivering their results although their impact in some areas is relatively weaker. In particular, support to the GPRS and to social sectors does not always show positive evolutions although it is impossible to identify the underlying factors explaining such evolution. This partly reflects the fact that some areas of the process through which budget support is channelled to beneficiaries so as to produce expected impacts are less represented in the policy dialogue and monitoring than others.

Interventions in the area of PSD have globally been successful in achieving their respective objectives. However, impact against the objective of developing the private sector and contributing to the diversification of the production/export base is weak. Commission interventions have mainly focused on private operators while the main constraints affecting the Ghanaian private sector seem to be related to the legal and regulatory framework and to an environment which is not sufficiently conducive to business.

In the social sectors, Commission interventions effectively contributed to pro-poor reorientation of the GoG's social programmes. Concrete improvements are visible in terms of social status. The technical assistance provided through the Commission's interventions has been relevant and proved an effective instrument. However, intra-sectoral allocations and budget shares allocated by the GoG to social sectors can sometimes fail to connect with the Commission priorities.

c) Implementation modalities and transversal issues (Conclusions 7.1 to 8.8)

Implementation of projects/programmes is generally satisfactory to the exception of delays that have been noted at various levels as the most important factor compromising efficiency. Road transport, rural development, governance, mining, social sectors and macroeconomic support have all been affected by delayed completion. The main sources of delays are lengthy administrative procedures and poor project/programme design. Some of the programmed interventions were indeed either too ambitious or not drafted with sufficient rigor which resulted in severe implementation difficulties.

There does not appear to be any overall strategy to ensure consistent coverage of cross-cutting issues in the Commission's programmes. Some issues are taken into account in specific interventions. In particular, many interventions have directly or indirectly contributed to good governance to a significant degree. On the other hand, Commission interventions have made only a limited contribution to promotion of gender issues. They have contributed to the promotion of sustainable development but only in the sense of ensuring that no negative environmental

impacts result from individual sector interventions.

There is strong donor coordination and synergies at programming level and there is no clear evidence of conflict or incoherence between Commission support and other EU policies. However, the potential links between the Commission's regional and national strategies do not appear to be well identified and exploited although no conflict between the two strategic levels is apparent. Finally, donors support to Ghana (including Commission support) is in line with the priority areas identified by the GoG and provide a quite comprehensive coverage of the country's needs.

0.5 Recommendations (Chapter 6)

Recommendations are derived from the conclusions. The first group relates to recommendations at the strategy level, the second to recommendations at the level of sectors of intervention while the third group is devoted to recommendations related to implementation and transversal issues.

a) Recommendations related to the strategic level

R1.1: The Commission should continue to base its strategy on the areas that are currently selected as sectors of intervention but should seek to improve performance in targeted areas.

This recommendation implies to improve performance in sectors where they are the lowest, in particular transport, as impact of the whole strategy can be adversely affected by deficiencies occurring in a few areas. It also implies to further exploit the synergies between sectors of intervention so as to increase the coherence of the

Commission's strategy. In particular, potential synergies between interventions in the area of transport, rural development, PSD and possibly social sectors should be identified and taken into account in programmes design.

R1.2: The Commission should base its strategy on an in-depth and comprehensive analysis of the country's main developmental issues.

This recommendation calls for the elaboration of a technical document detailing relevant social and economic issues that should be regularly updated and used as the main information source on which strategy and policy documents are based. This could take the form of a country file including (to a degree left to the discretion of Commission services) a comprehensive description of the country's situation with regard to each sectors of interventions, including relevant statistical material covering recent years, the legal/regulatory framework and/or the GoG's main policy orientation, the donor intervention matrix and the main feedback from the monitoring and evaluation of the projects/programmes implemented in a particular field.

R1.3: The Commission's strategy should incorporate PSD as a transversal sector of intervention.

This recommendation implies that the Commission supports the GoG's PSD policy and includes it as a core area of intervention in its future strategy. PSD is indeed central to the country's development and its capacity to sustain an economic environment favouring poverty reduction. Given its many connections with other sectors of intervention, PSD should be incorporated in the Commission's strategy as a transversal issue that could be mainstreamed in the other areas of intervention.

R1.4. The Commission's interventions should ensure that the pro-poor orientation included in its strategy

is effectively reflected in the implementation of its programmes.

This recommendation calls for ensuring that the pro-poor orientation of the Commission's strategy is not lost to the GoG's priorities on growth and economic performance and are properly reflected in the implementation of the programmes it is funding. In particular, it is recommended that the Commission takes appropriate actions to maintain a good balance between growth and poverty reduction in the policy dialogue and promote interventions that are the most likely to positively impact poverty reduction.

b) Recommendations concerning sectors of intervention

R2.1.1: It is recommended that baseline surveys be conducted to establish benchmarks against which to measure future progress on a range of indicators, including those at the impact and outcome levels.

This recommendation implies that baseline studies such as the one built into the new Small Town Water and Sanitation Project (STWSP) become regular practice for all RD projects, as well as monitoring to ensure the intervention is on course to achieve its intended impact.

R2.1.2: The Commission should support programmes targeting the main constraint of the agricultural sector and in particular seek to increase productivity in this sector.

This recommendation implies that Commission interventions should further focus on improving land productivity, agricultural investment and agricultural products/markets diversification. This should be based on a prioritised inventory of the main constraints affecting growth in the agricultural sector, leading to the identification of actions meant to

maximise agricultural growth spill-over on the livelihoods of the poor.

R2.1.3: Programme should address possible policy conflicts/contradictions and programme management should not be expected to achieve conflicting aims.

This recommendation implies that possible policy contradictions (as is for instance the case for sanitation provision for the poor) are explicitly addressed in project/programme documentation.

R2.1.4: It is recommended that the Commission systematise ex-post evaluations as a means of learning key lessons about programme approaches that contribute to sustainability.

Ex-post evaluations should be conducted to establish whether the apparent sustainability of rural development projects has been realised in the longer term. Importantly, such evaluations should examine the issue of whether the requirement of sustainability has excluded poor people, or limited their participation on the grounds of cost.

R2.2.1: The Commission should continue support to trunk road rehabilitation, but analyse economic benefits of major upgrading or new construction.

This recommendation implies that the Commission should not consider major upgrading or new construction without compelling evidence of significantly enhanced economic and social benefits. To this end, it is also recommended that the scope of feasibility studies is widened to include collection of baseline data for quantification of economic and social benefits and provide for follow up studies.

R2.2.2: It is recommended to use specific conditionalities for release of the Commission funds linked to time bound delivery of government commitments as set out in Letters of Sector Policy or subsequent statements of commitment.

Conditionalities should cover some key issues such as empowerment of GRF and raising fuel levy, implementation of existing

policies and legislation and execution of promised actions, in particular for effective enforcement of axle loading legislation. Conditionalities could also cover implementation of the transport sector policies, strategies and associated institutional changes.

R2.2.3: The Commission should develop further institutional support in the transport sector.

Institutional support should be provided urgently under the form of training and assistance targeted to financial management and budgetary control. If budget support is considered to channel assistance to the transport sector, it should be preceded by capacity building and detailed studies of budget support formulation and implications for the transport.

R2.2.4: The Commission should improve the coverage of HIV/AIDS awareness and road safety measures in EDF contracts as well as in planned physical rehabilitation interventions.

This recommendation implies to include specific HIV/AIDS awareness measures in programmes targeted at major transport corridors, as there are signs of a significant correlation between traffic intensity and evolution of HIV/AIDS incidence. Also, safety measures should cover traffic calming and additional signing.

R2.3.1: The Commission should continue to implement its interventions in the area of macroeconomic support under the form of budget support.

The Commission's budget support programmes have contributed to the objective of improving the macroeconomic framework and the public finance management system and there has been significant improvement in the design of budget support

programmes. It is therefore recommended to pursue these efforts.

R2.3.2: The Commission should take measures to increase the predictability of the assistance provided through budget support.

This recommendation implies to carefully design budget support programmes with respect to the formulation of mechanisms conditioning the release of funds and to the implementation timetable, including a description of the country's budget cycle and provisions concerning the payment of agreed tranches by headquarters so as to avoid erratic disbursements. It also calls for adapting the Commission's procedures so as to secure the alignment of budget support programmes with the country's budget cycle.

R2.3.3: The policy dialogue that takes place within the context of the Commission's budget support programmes should be widened in scope.

In particular, it is recommended that the focus of policy dialogue and monitoring increases on intermediary levels of the chain linking the different stakeholders involved in the implementation of the policies targeted by the Commission's budget support programmes, especially when such programmes come in support of sector policies.

R2.4.1: The Commission's interventions in the area of PSD should support the GoG reform agenda.

The lack of a sound legal and regulatory framework has been identified as one of the major constraints limiting PSD in Ghana. This recommendation suggests that that future intervention in this area should target reforms aimed at the creation of an environment conducive to private sector development.

R2.4.2: The Commission's interventions in the area of PSD and trade should be closely articulated.

Trade and PSD are closely related and this recommendation implies that, when

appropriate, trade issues are systematically streamlined into PSD interventions. In particular, support should be provided for the identification of export growth niches so as to promote diversification of the production and export base.

R2.5.1: The Commission should develop its support to the development of a need-based budgeting procedure along with a resource based planning.

Ghana still faces major difficulties anticipating budget expenses and resources. At the same time, budget top-slicing for targeting worst-off regions does not guarantee long-term equity. It is therefore recommended to foster the adoption and the use of need-based formula for geographic resource allocation, with inputs from relevant stakeholders.

R2.5.2: It is recommended to systematise linkage between budget support and sector support programmes: the health sector as a reference.

In the health sector, the combination of macroeconomic budget support and participation to a SWAp has proved a relevant and effective combination of instruments. Following this positive example, this recommendation supports the intention of the Commission to participate to a SWAp in the education sector, as a complement to its current macroeconomic budget support.

R2.5.3: It is recommended to maintain and systematise technical assistance, as a support to other interventions.

This recommendation stresses that the policy dialogue should rest on sound and relevant data. It therefore suggests that the Commission maintains its technical assistance targeted to information collection and management capacity building.

R2.5.4: The Commission should promote follow up of the NHIS together with the MOH.

The introduction of the NHIS could substantially affect the global macroeconomic balance of the country and represents a drastic change in the health sector, particularly with regard to the poorest segments of the population. This recommendation implies that the Commission promotes activities so as to document and analyse both the financial and social impact of the NHIS.

c) Recommendations concerning implementation modalities and transversal issues

R3.1: The Commission should take the necessary steps to reduce implementation delays.

In particular, it is recommended to learn more from past experience so as to reduce start-up delays, particularly on tendering and contracting. It also calls for a comparative study with other donors so as to import possible good practices.

R3.2: It is recommended to set the level of beneficiary input so as to maximise ownership while minimising the strain on beneficiary resources.

This recommendation implies that the level of inputs should be carefully set so as to maximise ownership while minimising the strain on beneficiary resources and that the principle needs to be made more poverty-sensitive, because at the moment it risks excluding poor communities.

R3.3: The Commission should develop strategies and indicators for more consistent mainstreaming of cross-cutting issues for all interventions and programmes of NIP.

This recommendation implies that cross-cutting issues, in particular, gender and environment should be more systematically mainstreamed in programmes/projects' implementation and monitoring which could for instance take the form of baseline

studies, the use of gender and environment related indicators in all sectors of interventions and the assessment of the impact of Commission interventions on gender or environmental related issues.

R3.4: The Commission should make explicit linkages between its regional and national strategies.

This recommendation calls for a closer articulation and integration of the national and regional strategies as many issues addressed by the country strategy have a regional dimension. This is particularly the case in the areas of transport, rural development and PSD.

Chapter 1 – Evaluation methodology

1.1 Scope and objectives of the evaluation

The European Commission Services have requested the Evaluation Unit of the EuropeAid Co-operation Office to undertake an Evaluation of the European Commission's country strategy for the Republic of Ghana. The present evaluation is part of the 2004 evaluation programme as approved by the Board of the EuropeAid Co-operation Office.

The main objective of this evaluation is to analyse the Commission's past and current assistance to Ghana and to provide the Commission with an analysis and an assessment of its co-operation strategy with Ghana. In particular, the evaluation focuses on the extent to which the Commission's interventions in the different areas of co-operation have produced their results, achieved the intended impact with respect to the co-operation strategy's objectives and whether they have done so in the most efficient and effective manner. In doing this, the evaluation takes into account that the strategy is the result of a partnership between the country's authorities and the Commission and assesses the extent to which it corresponds to the objectives of the Commission, such as for instance stated in the European Community's Development Policy. The results of the above assessments will provide a valuable aid both for the implementation of the current Strategy and Indicative Programme and for future programming.

More generally, the evaluation of past and current assistance is meant to promote a lesson-learning culture throughout the Commission. Particular attention will be devoted to impact in the context of greater concentration on results-based management and of helping the Government of Ghana (GoG) in policy design.

The main coverage of the evaluation is:

The Commission co-operation strategy with Ghana, and its implementation over the period 1996/2002; and

An analysis of the relevance, logic and coherence, as well as the intended impacts of the Commission co-operation strategy for the period 2002-2006.

The evaluation period corresponds to the 8th and 9th European Development Fund (EDF) co-operation strategies. However, projects implemented during these years were programmed under the 6th, 7th and 8th EDF strategies. The study therefore covers in depth the country strategy for the 8th EDF and that planned within the framework of the 9th EDF. Furthermore, since the 6th and 7th EDF strategies were also being implemented in the period considered, the corresponding projects that started during the period of evaluation are also taken into consideration.

Programmes funded through other envelopes, in particular STABEX, SYSMIN, structural adjustment facilities, the Regional Indicative Programme (RIP), all-ACP programmes, and by the European Investment Bank (EIB) that were implemented or programmed during the evaluation period are also considered, with particular attention given to the internal coherence, complementarity and coordination among different instruments and source of funding.

Finally, the evaluation also presents the political, social and economic situation of the country and examines the consistency of the Commission's strategy with the country's development plans, in particular the Ghana Poverty Reduction Strategy Paper (GPRS) for 2003-2005, and its coherence with the interventions of other donors.

1.2 Methodology

1.2.1 Evaluation Questions, Judgement Criteria and Indicators

The evaluation methodology is based on an initial description of the principal characteristics of the development co-operation context in Ghana, with a particular focus on the country's main socio-political and economic features. The Commission's intervention logic is then analysed so as to identify its main sectors of intervention and derive the hierarchy of the Commission's co-operation strategy objectives at the different levels of intervention. On this basis, Evaluation Questions were formulated which refer either to five evaluation criteria (relevance, efficiency, effectiveness, impact and sustainability) or to transversal aspects (cross-cutting issues, coordination, coherence and complementarity). For each Evaluation Question, Judgement Criteria were selected which are more focused and explicit than the Evaluation Questions themselves and clearly show the benchmarks against which the interventions will be judged¹. Finally, each Judgement Criterion is assessed on the basis of quantitative and qualitative Indicators which, as the main performance measures, are the basis for retrieving the basic data and information necessary to substantiate the corresponding Judgement Criteria. The Judgment Criteria variously reflect the general evolution (or situation) in the country, the Commission's interventions within that context, and the contribution of those interventions to the recorded achievements.

Thus each Judgement Criterion serves to provide a qualified answer to the Evaluation Question it refers to. The Commission's strategy for Ghana is finally assessed on the basis of the overall answers to the Evaluation Questions, which are chosen and arranged so as to encompass the criteria and transversal issues mentioned above. In particular, the analysis focuses on the relevance of the Country Strategy for Ghana both to the Commission's general objectives and to the country's priorities. It will also assess the extent to which the intended outputs and results have been achieved and how far they have contributed to the operational and specific objectives within the overall national context (economic, political, sociological, cultural, environmental), taking into account the changes in the areas on which the Commission's programmes were intended to impact.

¹ Means, Vol. 6, p. 61.

1.2.2 Information and data collection

The information necessary to document the Indicators has been collected through two main channels:

- Analysis of relevant documents and statistics at the various levels of analysis;
- Direct interviews in the field and in Brussels with the parties involved in the strategy as actors or stakeholders: national authorities, beneficiaries, Commission services in Brussels and in the Delegation, other donors, and international institutions and experts involved in identification, implementation, monitoring and evaluation.

Moreover, a sample of important projects, covering the main sectors identified in the analysis of the Commission's intervention logic, has been established and examined in detail. In collaboration with the Commission's staff in Brussels and at the Delegation in Accra, 10 projects were selected as a representative sample of the Commission's interventions in Ghana. The purpose of the project analysis is twofold. First, information relevant for some levels of analysis can only be collected by examining projects (efficiency, effectiveness and impact in relation to operational objectives). Second, the project analysis is also meant to complement the evaluation with significant examples covering the whole sequence of design and implementation of a particular type of intervention, from the stage of pre-identification to that of evaluation. This permits a more accurate picture than does collection of fragmented indicators on its own.

The selected sample of course represents a small fraction of what has been implemented in Ghana by the Commission². The analysis is therefore submitted to the standard limitation related to sampling which should be acknowledged for all stages of the evaluation. In this perspective, the examination of projects and the related analysis should be considered illustrative case-studies representative of more general conclusions drawn at the whole strategy level. Limitations of the methodology should also be acknowledged for data collection based on indicators. The information retrieved from indicators is not meant to provide a comprehensive coverage of a particular issue but rather should be considered as the tools allowing to focus on particular aspects that will help to validate or invalidate Judgement Criteria. The whole process should therefore be regarded in the perspective of answering the Evaluation Questions which have been drafted so as to provide a reasonable basis on which the evaluation can be conducted.

² One could try to account for the representativeness of the sample, by computing the share of the selected projects in the total financial allocation for the Commission's cooperation in Ghana. However, this is difficult to implement in practice as the period covered by the evaluation which does not allow for correspondence of the sample with a particular year. Also, the financial allocation is largely determined by the nature of the project and is a poor indicator of the importance of a particular project for the country strategy.

1.3 Schedule

The evaluation was carried out in four different stages, namely (i) inception phase, (ii) desk phase, (iii) field phase and (iv) final report-writing stage. The report output from each phase was reviewed and commented on by a Steering Group composed of Commission officials.

During the inception phase, the evaluation team produced a Launch Note which was approved by the Commission in June 2004. An Inception Note was submitted in July 2004, which included a description of the development co-operation context in Ghana and an in-depth depth analysis of the Commission strategy papers. It also contained the reconstruction of the intervention logic, which is synthesised in logical framework diagrams. Finally, the Note introduced a set of preliminary Evaluation Questions and presented the tasks and organisation leading to the preparation of the Desk Phase Report. A preparatory visit to Ghana was also made by the team leader from July 12-14 2004 to collect information on the Commission's activities in the country and on the national policy and co-operation context, as well as on the GoG's priorities and the main issues the country is facing. Meetings were held with the Commission Delegation and with members of the National Authorising Officer's (NAO) office.

The desk phase report was submitted in September 2004, further developing the content of the inception report. In particular it finalized the elaboration of the Evaluation Questions, Judgment Criteria and Indicators, adding proposals for methods of data and information collection, methods of analysing the information and data collected, and the basis to be used for validating the Judgment Criteria and answering the Evaluation Questions.

The field phase took place from 4-15 October 2004. The evaluation team proceeded with in-country data collection in accordance with the various Indicators and along the methodological lines described in section 1.2. In particular meetings were held with the European Commission Delegation; national authorities; non-governmental organisations (NGOs) and civil society organisations; Member States and other bilateral and multilateral donors present in the country; the private sector; and beneficiaries of the Commission's interventions. At the end of the field phase the team debriefed the Commission Delegation, the NAO's office and Commission Headquarters on its preliminary findings.

The final report-writing phase started soon after the end of the field phase and led to the present first draft of the final report.

Chapter 2 - Development co-operation context

2.1 The European Union development policy and the Commission's mandate

2.1.1 The European Union development policy

Article 177 of the Amsterdam Treaty (effective from 1st May 1999) defines the EU development policy priorities, as follows:

Sustainable economic and social development in favour of developing countries, with a particular emphasis on the most disadvantaged countries.

Progressive and harmonious integration of developing countries in the world economy.

Fighting poverty in developing countries.

The Declaration of 20 November 2000 on the European Community's development policy expresses the Council's and the Commission's intent to reaffirm the Commission's solidarity with developing countries, in the framework of a partnership which respects human rights, democratic principles, the rule of law and the sound management of public affairs. The principal aim of the Commission's development policy is to **reduce poverty** with a view to its eventual eradication.

Poverty results from many factors. Therefore, the EC supports poverty reduction strategies which take account of all these factors and are based on the analysis of the constraints and opportunities in individual developing countries. These strategies have to contribute to strengthening democracy; to the consolidation of peace and the prevention of conflict; to gradual integration into the world economy; to heightened awareness of social and environmental factors in the context of sustainability of development; to equality between men and women; and to public and private capacity-building. Resources available for development aid should be allocated in accordance with their expected impact on the reduction of poverty. The least developed countries should be given priority. Ownership of their strategies by the partner countries themselves is considered crucial to successful development policies. Wide-ranging participation by all segments of society should be encouraged and prime importance should be given to political dialogue with the partner countries.

In the light of the Declaration, the Commission's activities should be refocused on the following six areas:

- Link between trade and development;
- Regional integration and co-operation;

- Support for macroeconomic policies and promotion of equitable access to social services;
- Transport;
- Food security and sustainable rural development;
- Enhanced institutional capacity building.

Moreover the following horizontal issues have to be incorporated into all aspects of development co-operation: human rights, equality between men and women, children's rights and protection of the environment. Conflict prevention and crisis management also require systematic attention.

2.1.2 The European Union development policy in the ACP region

From 1975 until 2000 relations between the ACP states and the European Union (EU) were governed by the Lomé Conventions. Co-operation focused on two key elements: economic and commercial co-operation, and development co-operation. Development co-operation is predicated on a sectoral approach involving specific operations in various sectors such as health, education, or the environment.

The 1995 Lomé IV Convention promoted human rights and respect for democracy – key elements of the partnership – and some new objectives: enhancing the position of women and protecting the environment. Another key feature was decentralised co-operation, through involvement of civil society in the development process.

The Lomé IV Convention expired on 29 February 2000 and a new partnership agreement was signed on 23 June 2000, the Cotonou Agreement. It entered into force on 1 April 2003. This document establishes a new approach and represents a new phase of the partnership whilst retaining its main instruments (institutions, financial instruments, etc.). It aims to strengthen the political dimension of the partnership, to provide new flexibility and to entrust the ACP states with additional responsibilities. Under the Cotonou Agreement, new trade agreements compatible with the World Trade Organisation (WTO) rules will be negotiated (negotiations for the new regional economic partnership agreement began in October 2003 with the Economic and Monetary Committee of Central Africa and the Economic Community of West African States). Trade between the two parties will be liberalised, putting an end to the system of non-reciprocal trade preferences and enabling the ACP states to participate fully in international trade. Nonetheless, the current system remains in force during the transitional period, until January 1st 2008 at the latest.

2.2 Strategic context in Ghana

The Republic of Ghana is located in Western Africa, bordering the Gulf of Guinea, between Togo, the Ivory Coast and Burkina-Faso. It has an area of approximately 239 000 square kilometres, a population of about 19.9 million inhabitants (2002) and comprises nine major ethnic groups, the largest of which are the Akan, the Mole-Dagbani and the Ewe. Most of the population is located in the southern regions of Ashanti as well as in Eastern and Greater Accra. Around two thirds of inhabitants live in rural communities.

2.2.1 The political and social context

Formed from the merger of the British colony of the Gold Coast and the Togoland trust territory, Ghana became the first colonial African country to gain its independence in 1957. After a period of military rule, Ghana adopted a new constitution in 1992 that led to a multi-party system. Following the first presidential and parliamentary elections in 1992, the country witnessed a peaceful democratic transition. In 2000, John Agyekum Kufuor was elected President of the Republic of Ghana. The next presidential elections will be held in December 2004. The Ghanaian constitution establishes a system of checks and balances³. Executive power is exercised by the President, the unicameral Parliament, the independent Judiciary and autonomous commissions. With the President currently Chairman of the Economic Community of West African States (ECOWAS), Ghana contributes to regional harmonisation and integration. Ghana also plays a crucial role in conflict resolution and prevention in the region, and contributes forces to United Nations (UN) peacekeeping operations.

The 2003-2005 Ghana Poverty Reduction Strategy (GPRS) is the central development policy framework for the country. Its goal is “to ensure sustainable and equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment”. Ghana’s efforts towards poverty reduction are set in the context of the Millennium Development Goals (MDGs). While in the GPRS a strong emphasis is placed on the provision of, and access to basic services, Ghana suffers from a high attrition rate of its public servants in key social sectors such as health and education. This impact negatively on the welfare of the population and specific key aspects of development.

2.2.2 Dimension of poverty in Ghana⁴

Ghana is in the Medium human development category according to the United Nations Development Programme (UNDP) human development index of 2003⁵. Over the last decade Ghana has achieved significant progress in reducing poverty⁶. As pointed out in the UN’s 2003 Human Development Report, Ghana achieved significant success in improving human development indicators during the 1990s in terms of hunger reduction, access to electricity, safe drinking water and sanitation. Health conditions have also improved, infant mortality decreasing from 66/1000 in 1993 to 56/1000 in 2000 and life expectancy rising from 53 years in the mid-1980s to 59 years in 2000. The same trend is observed in education at primary level. Secondary level enrolment, however, remains relatively low.

³ A constitutional system of checks and balances includes a notion of Separation of Powers in which several branches of government share power while at the same time, the powers of one branch can be challenged by another branch.

⁴ See Annex 2, Table 1: “Selected social and development indicators”.

⁵ 2003 UNDP human development index. Ghana ranks 129 out of 175 countries.

⁶ Between 1992 and 1999, the incidence of poverty fell from 52% to about 40% of the population. This corresponds to the percentage of the population living under the upper poverty line of 90 000 Cedi.

Despite these improvements, major sectoral, geographic and gender disparities remain. Poverty reduction is concentrated in Accra and in the forest localities and 84% of those living under the upper poverty line are located in rural areas. Moreover, access to basic social services, in particular health care and education, remains much more limited in rural areas. Measured in terms of income, poverty is the highest in the three northern regions⁷. In spite of the observed overall decrease in the incidence of poverty at national level, three regions⁸ experienced an increase during the 1990s.

A high incidence of poverty is also observed among food-crop farmers, most of whom are women. This is the group for which poverty reduction was the least important. Export farmers and wage employees, and to a lesser extent those employed in the formal and informal private sectors, enjoyed the most significant gains in their standard of living. This indicates that growth in the private sector and in particular of non-traditional exports could constitute the main vector of future poverty reduction in Ghana.

The trends in the other dimensions of poverty, in particular those captured by health-based indicators⁹, or access to education, landlessness, gender disparities and access to basic economic infrastructure feature the same characteristic of deep geographical disparities, the north being more affected than the south. Use of health facilities is generally low and even declining in certain areas, mainly as the consequence of increases in health user fees. Around 32% of adults have never been to school, and strong gender disparities are evident, especially in rural areas and the three poorest regions of the country¹⁰.

2.2.3 The economic context

*Recent economic development*¹¹

Well endowed with natural resources, Ghana has roughly twice the per capita output of the poorest countries in West Africa. It is a low-income country with a gross national income (GNI) per capita of USD 320 in 2003¹². This is however low compared to Sub-Saharan Africa as a whole, for which per capita income is USD 490 and to low-income countries for which average per capita income is USD 450.

The domestic economy continues to revolve around subsistence agriculture, which accounts for 36.2% of Gross Domestic Product (GDP) and employed around 55% of the work force in 2003, mainly small landholders. Cocoa, timber and pineapples are the main export crops. Minerals¹³, most notably gold, also constitute major export products. The

⁷ Income ranging between 69% and 88% of the country average in the three northern regions: the Upper East, Upper West and Northern Regions.

⁸ The Upper East, Central and Northern Regions.

⁹ Including access to safe water and sanitation and incidence of HIV/AIDS.

¹⁰ The ratio of boys to girls who never attended school is 64% in rural areas and 45% in urban areas.

¹¹ See Annex 2, Table 2: "Basic Economic Indicators".

¹² Atlas method, World Bank development indicators.

¹³ Ghana is Africa's second-largest gold producer. Ghana also produces bauxite, manganese and diamonds.

contribution of industry to GDP is around 25% while the share of services is almost 40%, constituting about one third of government services. Ghana's economic performance largely depends on climatic factors, which can affect agricultural output, and on movements in international commodity prices. Sustained real GDP growth reflects progress on structural and macroeconomic reforms that increase private sector activity and investment¹⁴. Growth has been stronger for exports and imports, with stimulated growth in the services sector. Growth in agricultural production has been slower, as a result of negative or declining growth in farming and livestock production¹⁵. Manufacturing has remained stable at around 9% of GDP and enjoys an average annual growth rate of around 4%, its growth sustained by the rise in non-traditional exports¹⁶. Growth in industry is nevertheless hampered by the low Foreign Direct Investment (FDI) levels compared to those of other countries and the concentration of investment in the greater-Accra area. This prevents materialisation of upstream and downstream development, growth in small and medium sized enterprises and also fails to address the sector's main bottlenecks. Growth has been the highest in the service sector with a 6.2% average annual growth rate from 1992 to 2002, in particular in the wholesale and retail trades, and in the transport, storage and communications sub-sectors. Services grew principally on account of their complementarity with export and import activities. A significant element of poverty reduction in Ghana can be attributed to economic growth, and in particular to a shifting of employment out of farming into non-farm self-employment.

Ghana's trade regime is largely liberalised. Progressive reforms and reduction in external trade tariffs led to a simplified tariff structure composed of four rates ranging from zero to 22%. Ghanaian exports mainly rely on three products, gold, cocoa and timber, which account for 70% of the country's exports. Although remaining low, the level of export diversification has been steadily increasing since the mid 1980's¹⁷. Ghana's main import is oil which year-on-year, accounts for about 10 to 15% of total imports. Evolution of the terms of trade has been characterised by important fluctuations¹⁸ reflecting the concentration of Ghana's international trade on products featuring high price volatility. The recurrent trade deficit culminated in 1999 as a result of an important term of trade shock triggered by the falling prices of cocoa and gold and the increasing price of oil which, during the years following, was cushioned by the sharp Cedi depreciation. Until 2001, the current account deficit corresponded to around 10% of Ghana's GDP but has been substantially reduced in recent years to reach 0.5% of GDP in 2003. More than half of this deficit is covered by official and private transfers who underline the country's dependency on foreign aid and on the important remittances of Ghanaians living abroad.

¹⁴ From 1992 to 2002, real GDP growth averaged 4.2% per annum and GDP per capita averaged 2.0% per annum.

¹⁵ Ghanaian agriculture is operating at only 20% of its potential. Area under cultivation represents 22% of the total surface area, 40% of the land is suitable for agriculture (IMF - Country Report N° 03/134, Ghana: Selected Issues, 2003).

¹⁶ Ghana's official definition of non-traditional exports is all merchandise exports except cocoa beans, logs and sawn timber, and mining products.

¹⁷ Non-traditional exports share in total exports rose from 15% in 1995 to 30% in 2002.

¹⁸ The terms of trade increased by 15.4% in 1995 and decreased by 16.6% in 2000.

Ghana's external position has for long been characterised by heavy external public debt as the government relied heavily on external borrowing to finance the public deficit. In 2001, the country opted for the Highly Indebted Poor Country (HIPC) initiative, and just reached the Completion Point in July 2004. External debt peaked to 138% of GDP in 2001. About two thirds of the debt is held with multilateral institutions. However, Ghana's high debt service has remained under control and successfully decreased, the debt service ratio falling from 22% in 1996 to around 4% in 2003, helped largely by its substantial reliance on concessional debt. Ghana has thus not needed to re-schedule debt in recent years.

Economic policies

Structural adjustment

Over the past few years, the GoG has placed strong emphasis on private sector development as an engine of growth, employment generation and poverty reduction. A number of initiatives have been launched to promote entrepreneurship, investment and exports. Private sector development is one of the five pillars of Ghana's PRSP. The GoG intends to tackle the existing constraints to private-sector-led growth first by improving public finance management so as to limit the crowding out of domestic savings by public deficits, then by addressing a series of issues impeding the development of the country's private sector.

The divestiture programme lies at the core of the government's efforts to establish a climate conducive to private investment. Privatisation is overseen by the Divestiture Implementation Committee (DIC) which has overseen the selling off or writing off of 255 state-owned companies. The public sector remains however strongly involved in productive activities in some sectors, energy for instance.

Improving the efficiency of the agricultural sector and its export capacity has also been a central concern of the GoG through expansion and diversification of the sector's production base. The agricultural growth strategy places particular emphasis on reforming the cocoa sector, rural infrastructure (especially safe water, village and feeder roads, post-harvest storage facilities, and electricity), improvement of access to technology for sustainable natural resource management, enhancement of human resources and institutional capacity, provision of food security, and support to private investment in agricultural exports.

Ghana faces a number of challenges in the environment and energy. In particular, recurrent droughts in the north, deforestation and soil erosion, and water pollution, all constitute issues of concern. Having signed and ratified major international conventions on environment, the country is developing a legislative framework and by laws for sustainable use and protection of natural resources.

Fiscal, Monetary & Exchange rate policies

Expansionary fiscal policies have been at the heart of Ghana's economic crisis, leading to unsustainable budget deficits¹⁹. Fiscal discipline used to be impaired by a lack of budgetary checks and controls. Budgets were often premised on overly optimistic expenditure and revenue projections. The fiscal situation was further aggravated following the terms of trade shock of the late 1990s, the accumulation of losses by the most important parastatal enterprises, and the failure to bring internal petrol and utilities prices into line with international markets prices. Ghana nevertheless recovered after the government initiated a macroeconomic program aimed at extricating the country from its debt trap. In the energy sector an automatic adjustment formula for retail petroleum prices was adopted in May 2003²⁰. Electricity tariffs were raised and an automatic tariff adjustment mechanism was adopted. In early 2003, the Government also rolled out the initial phase of a Budget and Public Expenditure Management System (BPEMS), and submitted a legal and regulatory framework to Parliament in order to reform public procurement and strengthen internal audit functions. From 9.7% of GDP in 2000, the public deficit was steadily reduced to 3.9% of GDP in 2003.

Monetary policy has generally accommodated expansionary fiscal deficits through monetary growth leading to high internal price instability²¹. Monetary policy is now focused on controlling inflation, with an inflation target of 22% (23.6 % was reached in 2003). Interest rate pressures eased with slowing inflation. Lending rates, even if decreasing recently, nevertheless remain at extremely high levels and high real interest rates are severely curtailing business investment and economic activity.

The national currency is the Cedi. Ghana introduced a floating exchange rate system in 1983. Until 1999, the official exchange rate of the Cedi was determined as the average of indicative rates quoted by commercial banks in the inter-bank foreign exchange market. Since then the rates relate to actual transactions. However, the market responsiveness of the exchange rate system remains hampered by the thin inter-bank market.

The external shocks imposed by falling cocoa and gold prices and rising world oil prices, and the domestic pressures generated by high government borrowings, culminated in a balance of payments crisis as Ghana's international reserves were heavily strained in mid 1999 and fell to critically low levels by the end of the year. This tendency was accentuated by significant Central Bank interventions in the foreign exchange market. This policy contributed to a real appreciation of the Cedi, which has reduced Ghana's international competitiveness and export profitability, while threatening the growth of non-traditional exports. Since the Central Bank ceased intervening in late 1999, the exchange rate has

¹⁹ By December 2000, public debt had reached 148% of Ghana's GDP and interest payments on domestic debt had increased to 5.3% of GDP. More than 40% of total public revenues were devoted to servicing the interest of public debt. For the same year, the fiscal and quasi-fiscal deficit had reached 23% of GDP.

²⁰ The automatic price adjustment formula was in fact never really applied. In February 2003 a price increase of about 90% was carried out and a minor change made in May 2003. It has been recently agreed with the International Monetary Fund (IMF) that the GoG will deregulate the petrol market (after election), but no decision has yet been taken on modalities to do so. The new procurement bill has nevertheless been enacted by Parliament.

²¹ Inflation rose to 60% in 1995, before falling to 12.4% in 1999 to increase again to 32.9% in 2001.

depreciated sharply, leading domestic interest rates to peak at historical levels. Provided domestic wage and price pressures can be contained, the benefits to the economy of having a lower market-determined exchange rate could nevertheless be significant.

Outlook and challenges

Despite the deep economic crisis it has just faced, Ghana is one of the few countries in Sub-Saharan Africa to have a chance of meeting the Millennium Development Goals (MDGs). The country's growth process is nevertheless weakened by three main factors which prevent full exploitation of its potential: (i) high vulnerability to external shocks, (ii) poor economic management, and (iii) structural deficiencies, in particular those limiting the contribution of the private sector to the country's growth.

Exports revenues are concentrated on a very limited number of products which, over the past decades, have recorded declining and extremely volatile prices trends. Ghana is dependant on imports for a number of key products, in particular oil. The severe terms of trade shock of the late 1990s, with consequences that swept across all sectors of the economy, is a stark but perfect illustration of the risky position that the international trade specialisation pattern implies.

Economic management and in particular control of public finance has greatly improved in recent years. However, without appropriate macroeconomic and structural policies, the economy's vulnerability to international conditions will increase and economic diversification will slow. Under these conditions, even if important changes have been made in terms of structural reforms, more progress still needs to be achieved in key areas like public sector participation in productive activities, business environment, energy, the financial sector and telecommunications. In recent years, quasi-fiscal deficits have become the major sources of financial imbalances, in particular with regard to state-owned enterprises (SOEs).

Growth prospects are also hampered by the structure and the environment of its productive sector. Despite the positive results recorded in terms of growth, the Ghanaian economy remains dominated by smallholder farming and the natural (mineral) resources sector which are still operating with obsolete and inefficient production systems. Diversification in the manufacturing sector remains poor, SOEs still feature heavily in the economy and the involvement of the public sector in productive activities remains high. The investment climate has mainly deteriorated as a result of high interest rates. Other factors hindering the development of the private sector are weak financial intermediation, poor trade-related infrastructure, unreliable and expensive provision of business services, obsolete legal and regulatory framework and bureaucratic red tape. Small and medium sized enterprises are those most affected by this poor business environment.

2.3 The Government of Ghana development strategy

Ghana's development goals were set out in 1994 in a 25-year development perspective "Ghana: Vision 2020"²². The Ghanaian strategy for the next twenty-five years was focused on accelerating economic growth, reducing poverty and improving the quality of life for Ghanaians, through macroeconomic stability, higher private investment, broad-based social and rural development, direct poverty-alleviation efforts. The aim of becoming a middle-income country by the year 2020 was to be achieved by increasing GDP growth to 8% p.a. by 2000 and by lowering population growth to 2% p.a. These targets were accompanied by specific objectives relating to human development, rural development, urban development, economic growth, and an enabling environment.

Considerable work has already taken place in conceptualising the country's challenges. Ghana appears to have gone further than most African countries in reforming its political and economic structures and processes and Vision 2020 appears to be a part of this transformation. Privatisation of state-owned enterprises continues, with about two-thirds of the parastatal enterprises sold to private owners. Other reforms adopted under the government's structural adjustment programme include the elimination of exchange rate controls and the lifting of virtually all restrictions on imports. The establishment of an inter-bank foreign exchange market has greatly expanded access to foreign exchange.

However, still much has to be done in policy and programme development. The lack of a "technology foresight policy" that would have helped to operationalise Vision 2020 appeared to be one particular deficiency. At the same time, many of the basics, such as adequate educational attainment, have yet to be put in place²³. This challenge – consisting of achieving these basic goals at the same time as building towards a more ambitious system – has been stated in the 2003-2005 GPRS, named "An agenda for growth and prosperity", among specific strategies linked to poverty reduction in both rural and urban areas, strengthening the capacities of the poor and vulnerable to earn income, reducing gender and geographical and socio-economic disparities, and developing a healthier, better educated and more productive population²⁴. This agenda has been translated into sectoral strategies and programmes. In May 2003 the IMF Board approved a new Poverty Reduction and Growth Facility. The development strategy of the GoG is now articulated around a Comprehensive Development Framework (CDF) initiated by the World Bank and operationalised through the GPRS, which builds on creating favourable conditions for private-sector-led growth, improving the delivery of basic social services, and raising the

²² This plan follows the report "Making People Matter: A Human Development Strategy for Ghana" (1991) and is complemented by "Vision 2020: the First step" (1995), a five-year policy statement later developed into the "First Medium Term Development Plan 1996-2000" (MTDP). In 2000, the "Interim Poverty Reduction Strategy Paper" (I-PRSP) was produced.

²³ McGrath, S. (1998), "From national project to sectoral policies: examining Ghana's 2020 vision", Centre of African Studies (CAS), Edinburgh.

²⁴ The GPRS sets out updated targets: "The Ghanaian economy needs to grow by more than 7% annually in order for real poverty reduction to take place. Therefore, the long-term strategy is to increase growth to an average of 8% by the year 2010. In the short term, the aim of the GoG is to reduce the national incidence of poverty from 39% in 2000 to 32% in 2005. To make this possible, the GPRS over the three-year period aims to improve real GDP growth to 5.0% and per capita growth from 1.4% in 2001 to 2.4% in 2005".

efficiency of the public sector. The strategy to achieve the **overall objective of reducing poverty and improving the welfare of Ghanaians** includes:

- 1) Accelerating economic growth through balanced implementation of sound fiscal, monetary, and other macroeconomic policies.
- 2) Strengthening the agricultural sector to make it productive by using modern farming methods and marketing practices.
- 3) Creating new business opportunities and increasing employment in the manufacturing and services sectors.
- 4) Improving the quality of and access to training, financial services, credit and local and foreign markets.
- 5) Strengthening economic infrastructure such as roads and communications networks.

2.4 Intervention of the donor community in Ghana

External aid, measured by Official Development Assistance (ODA) represents around 16% of GDP (2001 estimate), of which about 42% consists of grants (see Annex 5, Table 1 “Cumulated ODA committed to Ghana from 1996 to 2002” for more details). The EU is a key source of funding for support to development in Ghana, with around 49.5% of the ODA to Ghana originating from the EU member states and the Commission. The instrument through which the assistance is provided varies from donor to donor, between concessionary loans and grants.

Donors are supposed to coordinate their activities in the different sectors so as to ensure sufficient coherence and complementarity of their respective interventions, avoid unnecessary overlaps and guarantee effective coverage of the country’s needs. Tables 2 and 3 in Annex 5 present the prominent sectors of intervention for the main donors in Ghana and the distribution of the commitments of the donor community across the various intervention sectors.

Chapter 3 - The Commission's strategy and the logic of intervention

The objective of this section is to analyse the intervention logic underlying the Commission's co-operation strategy for Ghana under the 8th and 9th EDFs. In particular, it aims at distinguishing the various objectives of the co-operation strategy as well as deriving their hierarchy, structure and consistency.

The intervention logic has been reconstructed from the main policy and programming documents, in particular the Treaty establishing the European Union, the COM(2000) 212, the IVth Lomé Convention and the Cotonou Agreement reflecting the orientations of the Commission's development policy, and the Country Strategy Papers / National Indicative Programmes (CSPs/NIPs) corresponding to the 8th and 9th EDFs. The analysis also incorporates information retrieved from the annual reports of the Commission Delegation in Accra as well as from interviews held with knowledgeable members of the Commission including the Delegation.

3.1 The general framework and principles of the European Commission's co-operation with Ghana

The Commission's support to Ghana is in accordance with the global principles of EU co-operation with third world countries, as stated in art.177 of the Treaty establishing the European Community. In particular, it should be seen within the context of promoting the smooth and gradual integration of developing countries into the world economy; assisting the sustainable and economic development of the developing countries, and more particularly the most disadvantaged among them; and promoting the campaign against poverty in the developing countries. It is also in line with the COM(2000) 212 which sets out the principal orientations of the Commission's development policy, including poverty reduction and sustainable development.

The objectives of poverty reduction, sustainable development and integration into the world economy have been confirmed and reinforced through successive ACP agreements and in particular the IVth Lomé Convention and the ACP-EU Partnership Agreement signed in Cotonou on June 23 2000²⁵. Furthermore the Commission's support to Ghana takes into account the GoG's development priorities as reflected in the presidential report (Ghana – Vision 2020) presented to the Parliament in January 1995 and the country's Poverty Reduction Strategy Paper (PRSP). Finally, the framework of EC co-operation with Ghana takes into consideration the interventions of other donors and seeks to exploit the comparative advantages of the EU as a donor.

²⁵ It should be noted that the objective of poverty reduction was emphasised more in the Cotonou Agreement than in the earlier IVth Lomé Convention.

3.2 The logic of intervention

The evaluation covers two programming periods, 1995-2002 which corresponds to the 8th EDF, and 2002-2007 which corresponds to the 9th EDF. The examination of the 8th and 9th EDF programmes nevertheless reveals that the Commission's strategy in Ghana features a high degree of continuity across the two programming periods. Even if subject to changes in focus or selected channels of implementation, some related to the Cotonou Agreement and the PRSP (car. infra), the co-operation strategies pursued by the Commission in Ghana under the 8th and 9th EDFs are nevertheless based on a common basic set of interventions and comparable objectives. They are synthesised in Diagram 1 (Annex 2) which reconstructs a generic intervention logic covering both programming periods.

The global objective of the Commission's intervention strategy in Ghana is poverty reduction. This objective is determined by the Cotonou Agreement (2000) which differed from the IVth Lomé Convention by including poverty alleviation in its principal objectives²⁶. Poverty reduction is supported by the general objective of achieving economically and socially sustainable growth. The Commission's strategy is therefore based on the hypothesis that growth is the main engine of poverty reduction provided that the benefits of growth are well distributed, in particular towards the most vulnerable segments of the population. In particular, it recognises the important development disequilibria between the urban and rural areas and the concentration of poverty in the latter. The programming of the 8th EDF emphasised the necessity of promoting broad-based growth – that is inducing diversification of the country's productive and export capacity – and thereby addressing the high concentration of economic activities in a limited number of production areas which, given the decrease in the price of the products concerned, occasioned the severe terms of trade deterioration that the country witnessed in the late 1990s. Under the 9th EDF the focus has switched to the promotion of equitable growth shared by all and in particular the poorest. This responds to the strong development disparities reflected in the CSPs relating to the two EDFs and the PRSP, in particular between the rural and urban populations.

The objective of achieving sustainable and socially balanced growth is supported by three main specific objectives: Increasing the living standard of rural populations, improvement of the transport infrastructure and improvement of the macroeconomic framework, all corresponding to focal sectors of interventions. These are complemented by non-focal areas whose specific objectives are increasing access to basic social services, and development of the private and mining sectors.

Interventions in rural development are focused on increasing the living standards of rural populations through promotion of access to water, sanitation and basic social facilities (e.g. markets, schools, etc.) as well as through more efficient agricultural production processes, and in particular by promoting export and import substitution crops. This is consistent with the general and global objectives given both the location of poverty mainly in rural

²⁶ The principal objectives of the Cotonou Agreement are the reduction and alleviation of poverty and the progressive integration of developing countries into the world economy within the framework of sustainable development.

areas and the need to modernise the agricultural sector so as to increase its contribution to the country's growth. Compared to the 8th EDF, the 9th EDF programming increases the priority given to access to safe drinking water and sanitation. It also entails a change in the geographical focus of its interventions with particular attention to the most deprived regions of North Ghana, whereas the 8th EDF interventions were mostly concentrated in the southwest part of the country. This evolution reflects the conclusion of the most recent poverty survey as reflected in the PRSP and the associated poverty mapping which clearly identifies the entire northern part of the country, along with the central and eastern regions, as those with the highest levels of deprivation. It should be added, however, that the northern parts of Ghana have relatively low population density, and therefore fewer poor people than certain more densely populated areas, despite having a higher proportion of poor and very poor people.

The specific objective of interventions in the area of transport is improvement of the transport infrastructure. The lack of adequate and efficient transport infrastructure is one of the main constraints affecting the Ghanaian economy. Improving access to markets and services in the poorest and least developed areas of the country through a more efficient transport network is therefore a key determinant of the extent of development and poverty reduction. It also contributes to the integration of Ghana into the West African region, consistent with the Commission's regional strategy which has identified transport as one of its sectors of concentration as a means of strengthening the regional integration process. As for rural development, a change in the geographical focus of the interventions is observed in the area of transport. The 8th EDF concentrated on south-west Ghana while the 9th EDF prioritises the north. From this point of view, the Commission's sector programme is unequivocally linked to the national policy agenda of IPRSP which notes that poverty is highest in the north (Northern, Upper East, Upper West Provinces) followed by Central and Eastern Provinces. Otherwise, the 9th EDF largely pursues the line of interventions programmed and implemented under the 8th EDF, in particular as it focuses on maintenance and rehabilitation with priority given to completing investments for which the 8th EDF allocation proved insufficient. Sustainability of funding and reduction of the maintenance backlog continues to be a major feature of sector aspirations with Ghana Road Fund (GRF) committed to covering 100% of maintenance needs by 2005. Ominously there are warnings in the CSP/NIP that achieving this target looks increasingly unlikely. Programming documents mention the fact that interventions in the sector of Transport offer strong potential for complementarity with the Rural Development focal sector but do not envisage particular articulation in view of maximising the synergies that could be achieved between the two sectors.

Improving the macroeconomic framework is a central objective of the Commission's co-operation strategy, in response to the necessity of reducing the deep imbalances that the country faces in public finance and external accounts as a prerequisite for sustained and accelerated growth. Operational objectives in this area of intervention focused on improvements in public finance management and on supporting the GoG's efforts to restore a sound macroeconomic framework.

The Commission's support to social sectors concentrates on the areas of health and education with the objective of facilitating access to basic health and education services, in particular for rural populations. The main change observed between the two programming periods concerns the intervention modality. In the past, the Commission's involvement included budget support to health and education through the use of counterpart funds in the context of structural adjustment programmes and its participation in a Sector Wide Approach (SWAp)²⁷ in the health sector, the provision of infrastructure under various Micro-projects Programmes and an STD/AIDS Programme. Under the 9th EDF, participation in the SWAp is reduced and support to health and education mainly takes the form of budget support. Within this framework, the Commission participates in the corresponding sectoral policy dialogue mainly through the elements retrieved from the MTEF. Interventions in the field of health and education are now incorporated into the macroeconomic support with a view to a pro-poor orientation of economic policies and therefore to more equitable distribution of the benefits from growth, which corresponds to the overall objective of the Commission's strategy under the 9th EDF.

Finally, in contrast with the 8th EDF, the programming of the 9th EDF does not explicitly include private sector development (PSD) as a particular objective²⁸. The private sector development interventions programmed under the 8th EDF aimed in part at diversifying the productive and hence export capacity of the Ghanaian economy which met the overall objective of achieving broad-based growth. This aspect is indeed essential in view of the need to limit the risks implied by the strong concentration of the country's production and exports on a limited number of products. Under the 9th EDF, this aspect, which remains central in the GoG's economic policy orientation, is only reflected in the objective of assistance to the mining sector, which aims at increasing the participation of the private sector in this sector of activity and at fostering its diversification. Although programmed under the 8th EDF, activities in the mining sector have in fact just started which of course limits the information that can be retrieved from this sector to aspects related to relevance. Given that specific objectives in the private and mining sectors are highly similar in nature, support to the mining and private sectors have been grouped under PSD for the sake of this evaluation.

The intervention logic underlying the strategies adopted by the Commission is to a large extent continuous from one programming period to the other. The global objective of poverty reduction is to be achieved by fostering equitable and balanced growth. At the level of the specific objectives, both strategies insist on the need to increase the living standards of the rural population, to improve the efficiency of the transport infrastructure, to restore a sound macroeconomic framework and to increase access to basic social services in the health and education sectors. For the two programming periods, the main sectors of interventions are rural development, transport and macroeconomic support which imply that the strategy suggested by the Cotonou Agreement of focusing interventions on a limited number of sectors was in fact already applied in Ghana during the 8th EDF.

²⁷ CSP Ghana 1996-2000, section 3.4.

²⁸ Importantly, one should note that this refers to the strategy such as reflected by programming documents (CSPs and NIPs). In practice, projects related to PSD are will be implemented during the period covered by the 9th EDF.

Some important changes should however be noted between the 8th and 9th EDFs. First, under the 9th EDF, assistance to the health sector is principally channelled through budget support. This should be related to the Cotonou Agreement which insisted on the need to foster local ownership of reforms through adoption of new financial implementation modalities. More than 25% of the Commission's assistance to Ghana under the 9th EDF Envelope A now takes the form of non-targeted budget support for the macroeconomic reform programme of the GoG, with particular attention to the objective of equitable access to social services. Second, less emphasis is given to private sector development in the 9th EDF strategy. This is nevertheless a key sector of intervention for Ghana given the necessity to increase the diversity of the country's productive (and export) base, the limited interventions of other donors in this area and the fact that it constitutes a central GoG economic policy objective.

3.3 Financial coverage of the Commission's intervention in Ghana

The following tables show the financial means allocated to the 7th, 8th and 9th EDFs, as well as their distribution across the sectors of interventions.

Table 1 - Budget and resources allocation, 7th EDF (at 31.12.03)

Sectors	Amount Decided (millions €)	Percentage
Transport Infrastructure	20,8	17,5%
Rural Development	45	37,8%
Private sector	11,9	10,0%
Other sectors	41,2	34,6%
<i>TOTAL NIP</i>	<i>118,9</i>	<i>100%</i>
GIP	50,5	
STABEX	87,2	
TOTAL 7th EDF	256,7	

Source: CRIS, Cooperation between the Republic of Ghana and the European Commission – Annual Report 2003.

Table 2 - Budget and resources allocation, 8th EDF (at 31.12.03)

Sectors	Amount Decided (millions €)	Percentage
Transport Infrastructure	56	43,1%
Rural Development	41,8	32,2%
Structural Adjustment Support	13	10,0%
Non-focal sectors	19,1	14,7%
<i>TOTAL NIP</i>	<i>129,9</i>	<i>100%</i>
SAF	78,8	
Mining Sector Support	40	
TOTAL 8th EDF	248,7	

Source: CRIS, *Cooperation between the Republic of Ghana and the European Commission – Annual Report 2003*.

Table 3 - Budget and resources allocation, 9th EDF (mid-term review reallocation)

Sectors	Amount Decided (millions €)	Percentage
Transport Infrastructure	70	24,91%
Rural Development	90	32,03%
Macroeconomic support	90	32,03%
Non-focal sectors	31	11,03%
<i>TOTAL NIP (= A envelope)</i>	<i>281</i>	<i>100%</i>
Initial allocation	80	
Committed to mining Sector Programme	-40	
Deduction made for African Peace Initiative	-4,7	
Transfer to A envelope	-32,5	
<i>TOTAL B envelope</i>	<i>2,8</i>	
TOTAL 9th EDF	283,8	

Source: *Mid-term review 2004*.

The amount devoted to cover long-term operations within the Country Strategy increased between the three programming periods. Allocation originally decided under the three NIPs increased by 19% from the 7th to the 8th EDF (from € 109.4 million to € 130 million originally decided) and by 78% from the 8th to the 9th EDF (€ 231 million decided under the 9th EDF envelope A). This partly reflects the trend resulting, inter alia from the outcome of the Monterrey International Conference on Financing for Development to increase financial means devoted to development.

The sectoral distribution of funds allocated under the NIPs is characterised by the continuing predominance of the two focal sectors of intervention: transport infrastructure and rural development represent 55,3% of the total NIP envelope decided under the 7th EDF at 31.12.03, 75,3% under the 8th EDF at 31.12.03, and 64,9% of the A envelope decided under the CSP 2002-2007 (9th EDF). The share of transport becomes predominant under the 8th EDF, as compared to the 7th EDF. But the allocation decision under the CSP 2002-2007 reveals more financial focus on rural development (see Table 3 above).

The share allocated to non-focal sectors in the budget of the 9th EDF is reduced compared to the 8th EDF but this mainly reflects the fact that under the 9th EDF interventions in the social sector are incorporated into the “Macroeconomic support” focal sector whereas they were non-focal sector interventions under the 8th EDF. The financial importance of macroeconomic support also reflects the increase in budget support in this area. It is also to be noted that the support to the private sector decreases from the 7th to the 8th EDF, with support only provided under the latter through GRATIS, for € 4.35 million (at 31.12.03). No more support to private sector development is then provided under the 9th EDF.

Charts 1 and 2 (Annex 3) show the distribution of the Commission’s resources under the 7th and the 8th EDF by intervention sector. The sector codes correspond to the DAC codes and refer to the CRIS database sectors.

It should be noted that the amounts planned under the two programming periods have not been totally committed to date: 96% of the resources planned under the 7th EDF have been converted into contracted resources, and 69% under the 8th EDF; moreover significant variations can be observed between the different sectors of intervention. Under the 7th EDF, 75% of the resources specifically planned for the transport sector have been contracted. Under the 8th EDF, this ratio is only 62%, while 32% of the amount committed to Water and Sanitation has so far been contracted. Moreover, disbursement rate in the Mining Sector under the 8th EDF has been extremely low (8%), as most of the support to this sector, though notionally 8th EDF, has been eventually planned along with the 9th EDF.

Chapter 4 - Evaluation Questions, Formulation and Answers

4.1 Introduction: selection of the Evaluation Questions

The evaluation is structured around 10 Evaluation Questions covering different aspects of the Commission's strategy for Ghana. They were compiled on the basis of documents analysed during the Desk Phase, information collected from the interviewees (see the list of persons met in Annex 7) and the reconstructed intervention logic presented in the preceding section.

Eight Evaluation Questions cover the following evaluation criteria:

<i>EQ1:</i>	<i>Relevance</i>
<i>EQ2:</i>	<i>Effectiveness & Impact - Rural development</i>
<i>EQ3:</i>	<i>Effectiveness & Impact - Transport</i>
<i>EQ4:</i>	<i>Effectiveness & Impact - Macroeconomic support</i>
<i>EQ5:</i>	<i>Effectiveness & Impact - Mining and private sector development</i>
<i>EQ6:</i>	<i>Effectiveness & Impact - Social sectors</i>
<i>EQ7:</i>	<i>Transversal - Efficiency</i>
<i>EQ10:</i>	<i>Transversal - Sustainability</i>

Two Evaluation Questions related to cross-cutting issues and 3Cs complement the scope of analysis:

<i>EQ8:</i>	<i>Transversal - Cross-cutting issues</i>
<i>EQ9:</i>	<i>Transversal - "3 Cs"</i>

The object of this chapter is to present the answers to the Evaluation Questions and their related Judgement Criteria. The analysis is based on the information collected for each Indicator. This material is detailed in the Information Matrix (Annex 6).

4.2 Evaluation Question 1 on Relevance

EQ1: To what extent were the Commission's strategy and support to Ghana designed to contribute to the overall objectives of economically and socially sustainable growth and poverty reduction as reflected in the PRSP, in particular with regards to geographical and sectoral focus of the interventions and the choice of implementation channels?

4.2.1 Justification and coverage of the question

The constraints faced by Ghana are numerous and complex. The choices of the sectors of intervention, their geographical targets as well as the channels of implementation are central to the realisation of the objectives of the Commission's strategy for Ghana. This

question relates to the programming stage and attempts to assess the justification for the overall pattern of assistance offered to Ghana by the Commission. In particular it aims at assessing whether both the overall and specific objectives of the co-operation with Ghana reflect the priorities of the partner and are likely to address the constraints of the country in achieving sustainable growth or poverty reduction or both.

According to the World Bank²⁹, over the last decade per capita growth averaged 1.8% per year and overall growth averaged 4.4% which is significantly lower than the 6.5% growth required by GPRS to achieve the poverty reduction targets. Recent figures are more encouraging but, to the extent that they are in part related to a positive global economic environment (e.g. rise in the price of cocoa), the sustainability of such results primarily depends on the capacity of the GoG to maintain and accelerate the pace of reforms.

Indeed, Aryeetey and Fosu (2003)³⁰ show that GDP growth between 1961-1996 mainly stems from total factor productivity (TFP) and to a lesser extent to factors of production accumulation (physical and human capital). Their analysis suggests that TFP was significantly affected by the economic regime in place. These conclusions have been confirmed and complemented by Christiansen et al (2003) who have found that, for the periods between 1975-84 and 1985-97, changes in per capita GDP growth were mainly explained by institutional factors, shocks and macro policy variables³¹ which emphasises the importance of improved macro policy in achieving high growth rates.

Given the absence of noticeable changes in its fundamental structure, the economy however remains very sensitive to the wild fluctuations in world prices of export commodities and the resulting terms of trade shocks. These have proved to impact not only the national budget but also on incomes of vulnerable groups engaged in the exports of those crops and/or consuming imported items.

Growth positively affects poverty reduction. Christiansen et al (2003)³² have estimated an elasticity of poverty incidence to growth of 0.98 at country level. However, the pattern of growth has varied significantly by region and by sector which is reflected in the patterns of income poverty reduction. There is in fact a strong suggestion that the poorest of the poor have participated much less in the growth and poverty reduction. In particular, those who benefited most from the upward growth trends are concentrated in Accra and the rural forest zone, with the highest concentration on export crop farmers. At the same time other regions of the country have seen little poverty reduction, if any, and partly as a result, inequality levels have increased. By class of activities, poverty reduction has been most pronounced among wage earners and non-farm self-employed. Larger poverty reductions

²⁹ World Bank – World Development Report (2003).

³⁰ Aryeetey, E. and A. Fosu - “Economic Growth in Ghana: 1960-2000”, Mimeo, African Economic Research Consortium (2003).

³¹ They concluded that nearly two thirds of the change in the predicted growth rate reflected improved macroeconomic policy, with reductions in the parallel market premium being by far the most important factor (along with inflation and government spending). Favourable shocks and demographic factors accounted for most of the rest of the predicted growth performance.

³² Christiansen L., L. Demery and S. Paternostro “Macro and Micro Perspectives of Growth and Poverty in Africa”, *World Bank Economic Review*, 17, 317-347 (2003).

are observed in the industrial and services sector rather than in agriculture. Within industry and services, quantitatively the reductions are larger among those working in commerce and trading activities, transport, storage and communications, public services and manufacturing.

4.2.2 Synthesis of information associated with each judgment criterion

JC 1.1 The geographical distribution of the Commission's assistance is likely to promote economically and socially sustainable growth

The extent to which the geographical distribution of the Commission's assistance reflects its economic growth and poverty reduction priorities varies from one sector of intervention to another. For some, the pro-poor orientation is clear and has been accompanied by an expansion of resources targeted to the most deprived areas of Northern Ghana. This is the case in the area of rural development and in particular in its Water and Sanitation component which specifically targets northern savannah areas in the Northern and Upper East Regions³³. Micro-projects Programmes were originally targeted on the Western Region as it is an area of rich resources but the poverty focus introduced later implies that the programme now targets the poorest districts in selected regions, with a high degree of concentration in the North. It is interesting to note the contrast with the priorities of the GoG. The Ministry of Food and Agriculture's (MoFA) Strategic Plan (2005-2007) lists a series of major outputs with heavy emphasis on commercialisation, which rather reflects a growth orientation with emphasis on high value-added agriculture as a growth pole and a corresponding policy "to develop the country to become an agro-industrial economy by the year 2010"³⁴.

The Commission's interventions in the social sectors are clearly pro-poor as reflected in the main objectives of improving poor people's access to basic services in the health and education sectors. This is for instance reflected in the selection of performance indicators that are the basis of the policy dialogue between the GoG and the Commission in those sectors³⁵. However, in the health sector, an analysis of the regional breakdown of expenditure reveals that per capita government health expenditure is only marginally higher in the poorest regions (in 2003, USD 4.98 per capita in poor regions compared to a national average of USD 4.95³⁶). In general, donor-earmarked funding is relatively more

³³ A limitation could be that under the GPRS public latrines will be "restricted to public places", which means essentially markets and other crowded areas, and not otherwise in the rural areas. These provisions taken together mean that no safe sanitation provision will be made for the rural poor, other than hygiene education.

³⁴ Tsekpo and Ch. Jebuni – "Budget Implementation and Poverty Reduction in Ghana", Working Paper, 2004 and interviews at the Ministry of Food and Agriculture.

³⁵ For instance the recent Plan of Work of the MoH (POW II) focuses on diseases and issues affecting in particular deprived areas (HIV/AIDS/STI, malaria, tuberculosis, guinea worm, poliomyelitis, reproductive behaviours, maternal and child health, ...). The Education Strategic Plan (ESP) 2003-2015 puts a particular emphasis on "Equitable Access to Education" and the specific conditions of the budget support programmes supporting health and education sectors include targets related to the protection of non-wage expenditure on basic education and primary health (see European Commission, Poverty Reduction Budget Support 2001, Financing Agreement and European Commission – Poverty Reduction Budget Support 2, Financing Agreement).

³⁶ Ministry of Health Programme of Work 2003 - Report of the External Review Team.

concentrated in the four poorest regions, but this makes only a small difference to the overall pattern of global funding. In 2003, the Northern region, which is not only very poor but also has the worst overall output performance, also had the lowest per capita expenditure of any of the ten regions, while Upper East has the highest overall spending level. As for education, the GoG seems to prioritise tertiary education which is a source of tension between local authorities and donors as this orientation is detrimental to basic education, and hence to the poorest.

The Commission's assistance in the area of transport is in line with the GoG's sector policy. The latter has featured signs of a re-orientation towards the GPRS poverty foci in recent years with increasing activity in improving all-weather rural accessibility and connectivity. In the CSP 1996/2001³⁷, the regional focus of the Commission's sector support in southwest (SW) Ghana - a region with poor infrastructure but high economic potential - was retained from previous programmes although it was noted that projects in the generally poorer north 'could be considered'. It seems therefore that economic growth was the prime target of the EDF transport sector interventions. As for the 2002/2007 CSP/NIP, the GPRS had been predicated on poverty being a predominantly rural phenomenon, especially in the north of the country. The Commission response identified improved access as a main target for its interventions and included attempts to maximize use of national resources and mainstream crosscutting issues. However, the physical interventions planned under the 8th and 9th EDFs again include major roads in western Ghana for economic and regional connectivity reasons, plus a feeder roads programme in Eastern Ghana. This contrasts with the logic of intervention which relates to improving access to the north so as to address poverty reduction objectives. Eastern Ghana has also significant levels of poverty, but overall it seems that economic performance and growth were the main targets of transport interventions.

Macroeconomic support programmes are oriented towards the poorest segment of the population as they come in support of the GPRS. However, the effective orientation of this type of assistance crucially depends on the capacity and the willingness of the government to streamline assistance to the beneficiaries targeted by the donor. From this point of view, the assessment of the Commission's programmes is mitigated by the fact that both the selection by the GoG of a subset of GPRS priorities to be included in its Medium Term Priority Programmes (MTPPs) and the transposition of the latter in the budget through the Medium Term Expenditure Framework (MTEF) process has implicitly implied a change in the focus of the policy in favour of growth objectives³⁸. This may suggest that, in spite of the adoption of the GPRS, the GoG prioritises a growth-led poverty reduction strategy. This possibility is indeed consistent with observations of the main policy foci in other sectors such as agriculture or transport

³⁷ At this stage GoG development aims were summarized in Ghana – Vision 20/20 presented to Parliament in 1995 which had 5 themes: human development, economic growth, rural and urban development and enabling environment.

³⁸ For instance, the budget for transport increased from 24% to 72% of the total allocation while the one water and sanitation was reduced by a factor of 10 (World Bank - Ghana Public Expenditure Review 2004).

Finally, some PSD programmes covered the most deprived areas but this was more the result of the programmes' design than that of a strategy. Natural beneficiaries of this type of interventions are not consistently located in the poorest areas of the country. Moreover, PSD interventions are more likely to produce a direct contribution to the objective of sustainable growth and hence an indirect one to poverty reduction. From that point of view, the fact that they are not specifically targeted on poor areas does not necessarily mean that they are unlikely to support the global objective of poverty reduction.

JC 1.2 The sectoral distribution of the Commission's assistance is appropriate to promote economically and socially sustainable growth

The strategy underlying selection of the intervention sectors is not clear and is not explicitly built on well-defined prioritisation of objectives or technical aspects that could rationalise the actual distribution of assistance across intervention sectors. More recently, the whole strategy supports the GPRS which de facto constitutes the technical document framing the Commission's strategic choices. Prior to that, the evaluation team found no evidence of Commission technical documents containing a comprehensive technical analysis of the country's situation and of the main constraints underpinning strategic choices on resource allocation to the different intervention sectors. The 1996/2001 CSP continues the sector concentration on transport and rural development from earlier programmes. These two focal sectors appear to have been carried forward since Lomé III and IV and were continued in the CSP/NIP 2002/2007. There was however no comparison of the relative merits of possible interventions in other focal sectors. The Commission's intervention portfolio is in reality pragmatically constituted on the basis of the GoG's priorities, activities of other donors and the Commission's own experience.

It must be noted that the CSP/NIP 2002/2007 is in line with the "Guidelines for Implementation of the Commission Framework for Country Strategy Papers"³⁹. In particular, the various aspects which are recommended for inclusion in the CSP (poverty focus, EC policy mix, point of departure, country analysis, cross-cutting topics) are addressed in the Ghana CSP. Concentration of efforts has been respected (e.g. by the inclusion of support to social sectors into macroeconomic policies). The CSP also addresses the need to enhance the role of non-state actors under the 9th EDF and foresees actions mainly in the areas of rural development and good governance (income generating activities, foster links between professional associations and consumer groups, capacity building programmes). However, the requirement related to the country analysis remains too superficial to constitute a prioritised inventory of the main issues to address, a basis on which a genuine strategy could be anchored. From that point of view, the Commission programming process lacks of a well-identified, archived and regularly updated technical document that should back the elaboration of any country strategy.

³⁹ European Commission - Guidelines for Implementation of the Commission Framework for Country Strategy Papers, 2201.

In general, the Commission strategy addresses some of the objective needs of the country such as identified in the GPRS and in other donors' strategy papers⁴⁰. The focal intervention the livestock sector which is low by international standards. In this case, it is limited access to high yield breeds which constitutes the main constraint to the development of the sector⁴¹. As stressed below (see section 4.1), GoG's planned strategies in the agricultural sector have seldom been reflected by annual budgetary allocations, the exception being initiatives in microfinance.

Progresses in the area of agriculture have for long been considered as central for achieving the objectives of growth and poverty reduction⁴². The Commission strategy therefore includes interventions in rural development targeting the improvement of the living standards in rural areas through the promotion of access to water, sanitation and basic social facilities and of more efficient agricultural production systems. However, actions that are likely to impact on the latter aspects have in fact been restricted to the cocoa sector (CSSP)⁴³ and the strategy has therefore remained poorly equipped to promote modernisation of agriculture and enhance agricultural diversification on a wide scope basis.

PSD interventions are central to a number of key constraints affecting the country's development. In particular, its vulnerability to external shocks is mainly due to the concentration of Ghana's production and export on a limited number of products. As noted by Aryeetey and Mac Kay (2004), the extent and depth of poverty in Ghana is often attributed to the absence of changes in the fundamental structure of the economy which stresses the need to provide adequate policies so as to alter more rapidly the current poverty trends, and achieve the type of structural changes that will have a more widespread impact on the population. Restructuring and diversification of the economy is therefore a major objective to which PSD could substantially contribute. It could also address the issue of the structural rigidities in agriculture which is a major constraint to the country's growth and poverty alleviation⁴⁴ by fostering the modernisation of that sector. Finally, PSD could be a key factor in poverty alleviation. The GPRS indeed indicates that it is in activities with large private sector predominance that a reduction of the incidence of poverty is most evident. In spite of this, from the 7th to the 9th EDF, the NIP allocation to PSD has been reduced from € 11.98 million (7th EDF) to € 4.35 million (8th EDF) and to € 3 million (9th EDF). One can argue that support to the private sector is also provided through other

⁴⁰ In particular, see World Bank - World Bank support for Ghana – Challenges and Opportunities (2004), IMF - Joint Staff Assessment of the PRSP (2003), IMF - First Review under the Poverty Reduction and Growth Facility - Staff Report (2003), GoG - Ghana Poverty Reduction Strategy Paper 2003-2005: An Agenda for Growth and Prosperity (2003), IMF - Selected Issues and Statistical Appendix (2003), European Community - Country Strategy Paper and Indicative Programme for the Period 2002-2007 (2002), World Trade Organisation - Trade Policy Review, Report by the Secretariat (2001). Indicator I 1.2.2 reported in Annex 6 lists some of the most frequently mentioned economic and developmental constraints of Ghana.

⁴¹ Institute of Statistical, Social and Economic Research - The State of the Ghanaian Economy in 2003 (2004).

⁴² See for instance, World Trade Organisation - Trade Policy Review, Report by the Secretariat (2001), GoG - Ghana Poverty Reduction Strategy Paper 2003-2005: An Agenda for Growth and Prosperity, 2003. Prosperity (2003), World Bank - World Bank support for Ghana – Challenges and Opportunities (2004).

⁴³ The Delegation is presently developing an *Agriculture Sector Support Programme in the North of Ghana* whose long term goal of increasing farmers' incomes and improving agricultural competitiveness, but obviously it is too early to assess its effectiveness or impact.

⁴⁴ GoG - Ghana Poverty Reduction Strategy Paper 2003-2005: An Agenda for Growth and Prosperity (2003).

instruments (e.g. all-ACP programmes, EIB interventions) but they remain at the periphery of the country strategy. Because of the central role that PSD could play in achieving the general objectives of growth enhancement and poverty reduction, this sector should be fully included in the strategy as a core and transversal element so as to exploit all the potential synergies with interventions in other sectors.

JC 1.3 The choice of implementation channels takes into account the country's capacity and constraints

The Commission relied on different implementation instruments including projects (PSD, rural development), sector policy support (transport, support to the health sector) and budget support (macroeconomic support, social sectors). Implementation channels and instruments are likely to affect efficiency, effectiveness and impact of projects/programmes. The selection of particular instruments therefore constitute a strategic choice which can be or not relevant in view of the implementation context. In Ghana, instruments were generally found appropriate to the context in which they were used. Most of the time, programming documents includes an analysis identifying the main constraints likely to affect the implementation of projects/programmes. The Financing Agreement for each intervention contains a mandatory "Risks and Assumptions" section which identifies such constraints. This is evaluated as part of the decision-making process and helps decide whether or not the proposed intervention will receive the Commission's support. Moreover, the Commission's interventions are typically log frame-based, and these too contain a section on risks and assumptions, which is based on an analysis of the constraints on realisation of the aims of the intervention.

The project approach is adapted to rural development, given that interventions are mainly targeting local communities and that the GoG's policy in the area is more oriented towards agricultural rather than rural development⁴⁵. It nevertheless addresses rural poverty by providing rural infrastructure, agro-based industrialisation and effective decentralisation. In such a context, it is natural that Commission interventions in the area of rural development mostly take the form of projects targeted to rural infrastructure and increasingly incorporating a capacity building component for local administration. This last point is crucial as the GPRS has adopted ambitious targets for variables that are central to poverty reduction and at the same time embarked on a highly ambitious decentralisation programme, which means that a new and underdeveloped administration is being used to achieve targets that would require the capacities of a more experienced one. Projects are also developed in the area of PSD which makes sense given that the elaboration of a clear GoG policy in the area is rather recent (the National Medium Term Private Sector Development Strategy dated December 2003).

⁴⁵ MOFA is in charge of the development and growth of agriculture in the country. Its primary roles are the formulation of appropriate agricultural policies, planning and co-ordination, monitoring and evaluation within the overall national economic development. MOFA seeks to achieve the following objectives: (i) improve agriculture productivity, incomes and employment opportunities; (ii) contribute effectively to balance of payments; (iii) establish effective agricultural industry linkages; and (iv) promote balanced regional development. In 2002, it has adopted the Food and Agricultural Sector Development Policy (FASDEP) framed as a sector-wide approach to managing agricultural development. On the other hand, the Ministry of Local Government and Rural Development promotes the establishment and development of a decentralised system of local government to ensure good governance and balanced rural-based development.

Sector support has been provided in the area of transport and health. The successful use of this type of instrument requires the existence of a well-designed and enforced local policy framework to which support can be anchored. The MOH appears to be one of the most advanced in terms of accountability among the GoG's ministries and has for long elaborated a comprehensive sector policy which justifies the provision of assistance through participation in a SWAp (and then through budget support). On the contrary, interventions in the transport sector have been linked to a sector policy which featured serious omissions, enforcement problems and default by authorities on their commitments, in particular in the area of axle loading, fuel levy and road tolls⁴⁶. This has affected both the effectiveness and the sustainability of the Commission's interventions, but on the other hand nothing suggests that a project approach would have performed any better.

Finally, budget support is still subject to high fiduciary risks and weaknesses in public finance management practices, but down the years substantial progress has been achieved which demonstrates more and more the relevance of this particular instrument for Ghana. Particularly, on the GoG's side, public finance management practices have been improved and macroeconomic imbalances substantially reduced (see J.C. 4.1 below). On the Commission's side, the weaknesses in programmes design and formulation that caused serious implementation difficulties have to a large extent been addressed (see J.C. 7.1 below). It must be noted that under the 9th EDF, the main channel of funding to the health sector has switched from a SWAp to budget support. The substitutability of these two instruments should however not be overestimated. SWAp allow for a sector-specific policy dialogue whereas budget support generally implies a policy dialogue which is more likely to take place upstream and hence more distant from the sector supported. As an illustration, while the SWAp's Monitoring and Evaluation (M&E) process and policy dialogue were based on 20 indicators directly related to health, the matrix of targets and triggers used for the Commission's 9th EDF budget support programme includes two targets related to social sectors in 2004 while the 2005 matrix contains five targets and one trigger related to social sectors⁴⁷.

Answer - In general, the Commission's strategy is appropriately designed to contribute to the overall objectives of economically and socially sustainable growth and poverty reduction. The selection of sectors of interventions both reflects the history of the Commission's assistance to the country and the fact that it directly comes in support of the country's priorities identified in the GPRS. The geographical and sectoral foci of the strategy, as well as their evolution from the 8th to the 9th EDF, cover those priorities and interventions are formulated accordingly. However, the importance given to PSD has been substantially reduced in spite of the central role that the private sector could play in coping with the main economic constraints of the country. Moreover, most of the Commission's assistance comes in support to the sector or general GoG policies. Although appropriate given the particular context of the country, this type of assistance can be a source of tension as the GoG seems, more than the Commission, to prioritise a poverty reduction strategy which is mainly growth led.

⁴⁶ See for instance the Aide-Memoire of the World Bank RSDP - Implementation Review Mission, 2003.

⁴⁷ Triggers are targets that condition the release of variable (performance) tranches of the budget support.

4.3 Evaluation Question 2 on Rural Development

EQ2: To what extent have the Commission's interventions in rural development contributed to fostering growth and reducing poverty in the most deprived areas of Ghana?

4.3.1 Justification and coverage of the question

As already mentioned, poverty in Ghana is mainly a rural phenomenon and agriculture remains the most important sector of the Ghanaian economy. Increasing efficiency in the agricultural sector and improving the living standards of rural populations are therefore key to addressing the country's constraints and in particular to promoting both growth and poverty reduction. This question aims at assessing the extent to which interventions implemented by the Commission delivered output in line with their operational objectives, that is by (i) contributing to improvements in the access by the rural population to economic and social infrastructure, (ii) fostering the adoption of economically sustainable production systems and (iii) contributing to improvements in access to safe water and sanitation.

4.3.2 Brief description of the Commission's strategy

The GPRS identifies poverty as being concentrated in rural areas, with the three northern regions as the most extreme both in terms of incidence and depth of poverty. The GPRS argues that poverty reduction in rural areas is largely synonymous with growth, and that there is considerable untapped human and physical potential for this. Mobilising these resources requires transformation of farming from subsistence to commercial orientation, so as to exploit opportunities for backward and forward linkages into industrialisation. Rural education and health services are seen as key to this process. So too is the promotion of environmental health in the form of safe water and sanitation in order to reduce poverty, both directly and indirectly, by enhancing labour productivity.

The Commission's co-operation directly supports this strategy, by making rural development (RD) one of two focal sectors during the two programming periods covered by the evaluation. RD is promoted through support to agriculture, environment, water and sanitation and microprojects (which provide rural infrastructure such as schools, clinics, markets, water and sanitation facilities). A major new feature of the 9th EDF is to make the north of the country an area of special attention within the RD portfolio, without abandoning other previously-targeted poor regions. The RD focus reflects the Commission's long in-country experience in particular areas of RD, and is consistent with statements by the EU Council and Commission on development priorities⁴⁸.

⁴⁸ See http://europa.eu.int/comm/development/body/legislation/docs/council_statement.pdf#zoom=100.

4.3.3 Synthesis of information associated with each judgment criterion

JC 2.1 The Commission's interventions in the area of rural development have contributed to improve the access of rural populations to economic and social infrastructure.

The only part of the RD portfolio contributing to education is the Microprojects Programme. Both 5th and 6th MPP have an educational infrastructure component, but only the former has as yet been evaluated. In this case the Programme has been very effective at the outputs level. Out of a planned total of 283 schools in the first phase, 272 had been completed when the mid-term evaluation (MTE) took place in 2004, and most of the remainder were nearing completion. In terms of impact, the MTE found there had been a roughly 15% increase in enrolment at schools completed during Phase 1, but it gives no comparable figures for other schools in the same localities. This makes it difficult to argue that the programme has encouraged more pupils to enrol in school as distinct from encouraging switching to schools with better facilities. Lack of such information is unfortunate, because the programme's purpose is "Increased use of improved social and economic infrastructural facilities by rural communities". Lack of a meaningful baseline survey makes it also very difficult to estimate the programme's contribution in terms of use of facilities, as measured by indicators such as school enrolment, gender-sensitive indicators such as female enrolment and completion rates, or poverty-sensitive indicators⁴⁹. In terms of impact, it can be conjectured that the 5th MPP has contributed to a more conducive learning environment for pupils and facilities for teachers, which may encourage them to remain in rural areas⁵⁰.

The same is broadly true of medical facilities. Effectiveness in terms of outputs is high, because 64 clinics were planned and all had been completed at the time of the MTE, but again it is not possible to estimate the impact of this on clinic attendance, success rates or gender- and poverty-sensitive indicators. The Commission's Mid-Term Review provided no estimates of change in clinic attendance, but the 5MPP MTE checked attendance figures for all districts visited, and found there had been a roughly 20% increase in the number of patients using clinics completed during Phase 1 of the project⁵¹. Once more there was no corresponding check on changes in attendance levels at other clinics in the area, and therefore no estimate of net impact. However it is again reasonable to judge that MPP support paralleled and reinforced that of the public and voluntary sectors in boosting clinic attendance.

The MTE found that there had been a roughly 20% increase in the number of patients using clinics completed during Phase 1, but again there was no corresponding check on switching from other clinics, and therefore no real estimate of changes in use of facilities.

⁴⁹ Poverty sensitive indicators are important because the Programme's global objective emphasises "raising the health and educational standards of women and children in deprived communities".

⁵⁰ The 2004 MTR argues that the Commission support to rural development had significantly contributed to increased access to education for approximately 75,000 children but in fact the specific contribution of 5MPP was not estimated.

⁵¹ HTS - Ghana: Mid-Term Evaluation of the 5th Microprojects Programme: Final Report (2003).

As with schools, impact in terms of outcome indicators may have been high, but it can only be said with certainty that physical facilities were improved for both patients and medical staff.

JC 2.2 The Commission's interventions in the area of rural development have contributed to the adoption of more productive systems and to the diversification of the Ghanaian agriculture.

To date, the Commission's interventions in agriculture have been limited to the CSSP. This aims to control the most important cocoa disease (Cocoa Swollen Shoot Virus Disease - CSSVD) by cutting out diseased trees and replanting with CSSVD-tolerant, high-yielding strains. The log frame projects an average yield increase of 25 kg/ha over ten years – about a 10% improvement in land productivity. According to the MTE⁵² around 14,500 ha have been cut (less than half the target) and rather less than 1,000 ha have been replanted, which is around 4% of target. This reflects serious start-up delays and difficulties during the early phases of implementation. The MTE reports that the situation improved very significantly later on. Impact has been compromised by three problems: (i) poor performance in seed production and distribution, (ii) scant extension support, and therefore suboptimal agronomic practices, and (iii) late payment of compensation to farmers for cutting out and replanting. Impact is however difficult to estimate due to lack of data. At the moment, there is likely to be some increase in land productivity, but far short of the projected 10% overall increase.

The log frame gives no estimates of changes in labour productivity, and no national estimates are made. If higher yields are achieved, labour productivity will probably increase, but no estimate is possible at the moment. Overall cocoa production in Ghana has increased but the contribution of the Stabex-CSSP to this production increase is however not measurable due to lack of baseline data. There are around four million cocoa growers, and the log frame projects that incomes for all of them would increase by USD 75/annum, a total gross benefit of USD 300 million through increased production. No new enterprises have been created, and production has not yet increased. Thus no income growth can be attributed to these factors. Incomes have grown because world prices have risen, and also because farmers now receive a higher share of the FOB price (up from 50% to 69%). It should be noted finally that the latter was a Programme condition, so to this extent there is positive impact on incomes⁵³.

⁵² EURATA - Mid Term Evaluation of the Cocoa Sector Support Programme, Final Report (2004).

⁵³ In November 2004 world cocoa prices peaked (after having declined fairly steadily between February 2003 and October 2004) because of a security crisis in Côte d'Ivoire, the world's largest producer. It is unclear whether the resulting trade disruption will be short- or long-term. If it is long term, it could have serious negative consequences for the Programme, as farmers are likely to become increasingly reluctant to cut out trees at a time when the economic value of even low-yielding trees is growing. This in turn would mean that the level of compensation payable to farmers would have to be increased in step with price trends, which would make the Programme increasingly costly. However, this is not a situation that can be addressed until the situation becomes clearer.

JC 2.3 The Commission's interventions in the area of rural development have contributed to increase access to safe water and sanitation.

The project purpose of Small Towns Water Supply Project (STWSP) is to “Assure the consumption of safe drinking water and to facilitate the use of sanitation facilities”. In terms of number of facilities built and access to them, the STWSP has been very effective. It was designed to provide water systems to 25 small towns and around 350,000 people, but a further five towns were added. No household is more than the prescribed distance of 500m from a standpipe. In the North, a total of 40 boreholes have been drilled to date under the Rural Water Supply and Sanitation in the Northern Region (RWSSNR), but it is not possible to estimate coverage at this point.

The MTR of the 9th EDF stated that the proportion of rural households with access to safe water has increased from 49.5% in 1997 to 63% in 2004, and that Commission support had provided access to over 600,000 people. However, access is not effectiveness and many people are still using traditional water sources, and per capita utilisation has averaged only 50-60% of design capacity in the Western Region and 20-30% in the Central Region. Use has been building up (STWSSP has been active longer in the West), albeit more slowly than anticipated.

The 5th MPP had a Water and Sanitation (W&S) component, although the water component was relatively small (just boreholes and standpipes in rural areas). Again effectiveness in terms of completion has been high: out of 174 microprojects in the W&S sector, 164 had been completed by the time of the MTE and the remainder were on target for completion. These standpipes are also used year-round, although usage falls off during the rain season. There are no estimates for percentage coverage.

The only sanitation facilities provided before the 9th EDF were those under the 5th MPP. All households in the targeted area were provided with some form of access to latrines, but utilisation of public toilets outside of heavily populated areas is very low. The newer STWSPs will have subsidised individual latrines but no public toilets, so there is no provision for the poor, other than sanitation education (without sanitary facilities). This reflects a contradiction within GoG policy.

Broadly speaking, small town Water & Sanitation Development Boards (WSDBs) have been functioning well, collecting dues and providing routine operation and maintenance. There has also been regular monitoring of water quality, and the findings have been very encouraging⁵⁴. This will no doubt impact positively on water-borne diseases. However, there was no baseline and there is no monitoring at the point of consumption which is a matter of concern given that the incidence of guinea worm had significantly increased.

⁵⁴ According to the Community Water and Sanitation Agency, independent post-project monitoring of water quality in beneficiary towns is normal, and the reports show that in almost all cases, water has been found to be of acceptable quality from both chemical and biological standpoints. The mission visited one beneficiary town and inspection of its records fully supported this statement.

Answer - The Commission's interventions in rural development have contributed to fostering growth and reducing poverty, particularly in the most deprived areas of Ghana. However, assessing the exact contribution interventions in terms of impact is difficult in the absence of reliable baseline studies. With the information available, impact of the interventions seems to be larger in terms of poverty reduction than in terms of growth. Poverty reduction is indeed mainly addressed by MPPs and W&S programmes that proved to be highly effective. Growth enhancement was mainly tackled by the CSSP but effectiveness and impact of this programme was hampered by various factors. Moreover, the Commission's interventions were not designed so as to foster the diversification and restructuring of the Ghanaian agriculture.

4.4 Evaluation Question 3 on Transport

EQ3: To what extent have the Commission's strategy and the interventions in transport contributed to the objective of sustainable growth?

4.4.1 Justification and coverage of the question

The Commission has supported the transport sector for over two decades (since before 6th EDF) and has thus developed considerable experience that has been used to handle relatively large projects. The Commission's support to the transport infrastructure sector under the 8th and 9th EDF is in the form of a sector-wide approach in cooperation with other funding agencies. Components of this approach – as recommended in COM(2000)422 Sustainable Transport in Development Co-operation – include policy dialogue, stakeholder and private sector involvement, adequate funding, institutional capacity, human resource development (HRDP), mainstreaming of cross-cutting issues, enforcement of transport regulations which comply with international agreements, regional integration and, above all, sustainability issues. This question analyses the Commission interventions in this sector and assesses the impact of the Commission's support on poverty reduction and sustainable growth in Ghana and assesses whether this long investment shows positive results in terms of rural access, regional integration, institutional capacity, improved network conditions and sustainability.

4.4.2 Brief description of the Commission's strategy

The specific objective of interventions in the area of transport is improvement of the transport infrastructure. The lack of adequate and efficient transport infrastructure is one of the main constraints affecting the Ghanaian economy. Improving access to markets and services in the poorest and least developed areas of the country through a more efficient transport network is therefore a key determinant of development and poverty reduction.

Improved transport infrastructure also contributes to the integration of Ghana into the West African region, in line with the Commission's regional strategy that has identified transport as one of its sectors of concentration for strengthening the regional integration process. As for rural development, a change in the geographical focus of the interventions is observed in the area of transport. The 8th EDF concentrated on South Western Ghana while the 9th EDF prioritises the north. From this point of view, the Commission's sector programme is unequivocally linked to the national policy agenda of GPRS. Otherwise, the 9th EDF largely continues the themes of interventions programmed and implemented under the 8th EDF, in particular as it focuses on rehabilitation of trunk and feeder roads – with priority given to the completion of investments for which the 8th EDF allocation proved insufficient – and capacity-building in the Ministry of Road and Transport (MRT) and its agencies. Sustainability of funding and reduction of a backlog maintenance continue to be major features of sectoral objectives with GRF committed to covering 100% of maintenance needs by 2005. Ominously there were warnings in the CSP/NIP that this target was increasingly unlikely to be achieved and this prediction proved correct. The strong potential for complementarity with the Rural Development focal sector continues in this programme but without any explicit articulation of how maximum synergy may be achieved.

Synthesis of information associated with each judgment criterion

JC 3.1 The Commission's interventions in the area of transport have contributed to GoG's capacity to develop and implement a sectoral approach to transport infrastructure

GoG commitments, in terms of sector management, were set out in the 1996 and 2001 Letters of Sector Policy (LSP). Although there has been some institutional change, progress remains slow and lacks strategic direction in the absence of fully articulated transport sector policies⁵⁵. Considerable efforts have been made over a long period in training, capacity building and institutional support. Technical assistance often fills a line function without counterparts being assigned and it is not clear how much technology transfer has been successful and what level of sustainability has been achieved as these efforts appear to be more donor-driven than owned by MRT or the agencies.

No traffic regulations are systematically enforced at any level and the considerable efforts, again donor-driven, to effect control of axle loading have produced almost nothing in terms of fully-functioning weigh stations and effective control systems. Also, whilst there is consensus that overloading has a seriously damaging effect on road surfaces, there is no convincing data of the scale of the problem, of the likely benefits of eventual axle load control measures or of the relative effects of uncontrolled loading and current maintenance deficiencies⁵⁶.

⁵⁵ See for instance European Commission - Annual Report on EC Development Policy and Implementation of External Assistance (2004) and Government of Ghana Policies – Tolling of Roads, Fuel Levy, Axle Load Control.

⁵⁶ See for instance Review of Axle Load Control Policy & Assistance in Implementation of Action Plan, Draft Final Report (2004).

Decentralisation of road sector management is proceeding slower than anticipated and there are serious capacity deficits at district level (i.e. the level of receipt of delegated responsibilities). There also appears to be little consideration of the realistic minimum resource base or geographical area required for handling adequate network management.

In terms of sector management the issues of programming, budgeting, prioritization, commitments and expenditure control have, for almost a decade, been a bone of contention between donors and GoG owing to the run-away commitments and the large backlog of arrears inherited from the mid-90s as commitments were entered into and contracts were awarded without the requisite funding having been secured. Efforts have been made to pay off arrears in recent years and these have been reduced significantly. However, the causes of the problem do not seem to have been resolved as commitments continue to exceed approved budgets and it is only the slow disbursement rate that has so far avoided another build up of arrears.

The Commissions interventions have directly contributed to attempts at axle load control (by support to construction of 2 weigh stations still incomplete 6 years later) and to capacity building and institutional support. In particular, the Commission's support to the Roads Programme Coordinator in MRT has been highly effective for the Road Sector Development Programme (RSDP) as a whole.

JC 3.2 The Commission's interventions in the development of rural transport infrastructure have contributed to facilitate rural access to markets, services and social facilities in the most deprived areas of Ghana

There is an increasing body of compelling evidence that infrastructure rehabilitation and upgrading especially in rural areas has - apart from obvious improvements of physical access - significant potential impacts in the following areas: traffic, stabilization and reduction of fares and freight charges, lower VOCs, increased agricultural production, reduced post-harvest losses and increased sales of surpluses⁵⁷. There is also evidence of increased land values and greater community participation with effects on governance issues. All these cumulative benefits can have significant positive impacts on poverty reduction in the 'area of influence' of a road. As reported by the final evaluation of the 2nd Transport Infrastructure Programme (TRIP II)⁵⁸, consultation with stakeholders has produced reports of benefits arising from Commission interventions which include increased transport services and reduced waiting times, increased agricultural production, easier evacuation of marketed surpluses, ingress of more traders to previously inaccessible areas and improved access to social services (although there is no data on such indicators as increased attendance at health centres or school enrolment). A worrying disbenefit is the

⁵⁷ Indicator I 3.1.7 reported in Annex 6 ("Degree of coverage of national sectoral and poverty reduction policies by the Commission's interventions in transport) summarises the findings of Professor Adarkwa (Ministry of Roads and Transport - RSDP 2004 Donors Conference Presentations) of the impacts and benefits of infrastructure rehabilitation and improvement while indicators I 3.2.2 ("Evidence of increased economic activity as a result of rural access interventions"), I 3.2.3 ("Evidence of increased transport services in rural areas"), I 3.2.4 ("Evidence of increased access to services in rural areas"), I 3.2.5 ("Variation of traffic volumes, VOCs and journey times in rural areas") offer evidence in support of the statement drawn from such sources as stakeholder meetings, traffic counts, studies by University of Ghana and Ecorys - Evaluation of the 2nd Transport Infrastructure Programme (2003).

⁵⁸ Ecorys - Evaluation of the 2nd Transport Infrastructure Programme (2003).

increased accident rates that accompany the opening of higher quality , and therefore faster, roads to poor quality vehicles and drivers⁵⁹.

There is however a general lack of baseline data collection for the Commission-supported interventions addressing social issues⁶⁰ and the impact of transport on poverty. Many of these impacts relate to agricultural production and rural areas which obviously suggests high complementarity between the transport and rural development. As mentioned above, synergies between the two sectors have been achieved but there does not seem to be a systematic and clear articulation of interventions at the programming, implementation and monitoring levels.

A potential benefit in terms of short-term directly generated employment by using labour-intensive methods for rural road rehabilitation has not been realised and it would seem that inflexibly short project periods mitigate against the widespread use of such methods. This would be a lost opportunity for creation of large-scale short-term employment in rural areas.

Commission interventions under TRIP II have concentrated in western Ghana (an area identified as of high economic potential but poor transport infrastructure). This geographical focus is planned to continue for trunk road rehabilitation but increasingly feeder road rehabilitation will be undertaken in eastern Ghana. Although the north of Ghana has the highest concentration of poverty, eastern areas also have high poverty rates and other donors are promoting similar interventions in the north.

JC 3.3 The development of transport infrastructure has contributed to regional integration and international trade

International land traffic and exports have been increasing by an average of about 7% per annum over the past decade (steadily on the whole but with an irregularity in 2000/2001). Over the past two years there has been a large increase in the number of trucks passing through Ghana from Burkina Faso and Mali following the security breakdown in Ivory Coast. There is a general dearth of good quality statistics and traffic data for the past three years is contradictory but there are reports of traffic doubling, trebling or more on some roads, most of the increase being heavy vehicles. Ghana is taking a leading role in ECOWAS and, as such, is signatory to most ECOWAS protocols involving border control, customs and traffic regulations⁶¹. Thus, the axle load limit is to be raised to 11.5T from 10T (although it is 13T in most Francophone countries) and foreign vehicles pass freely through Ghana. Transit charges appear low by international standards and there are reportedly problems of leakage in collection. The condition of the international transit routes is fair to good on the whole and there are donor-supported plans to rehabilitate and

⁵⁹ Increased accident rates are also noted in the TRIP II Final Evaluation (Ecorys - Evaluation of the 2nd Transport Infrastructure Programme, 2003). With reference to the Awaso – Nobekaw – Bediakukrom road, the report states ‘the project road has already gained a very dangerous reputation’ and goes on to state accident figures.

⁶⁰ Most feasibility studies tend to concentrate on conventional ‘technical’ issues such as engineering data, traffic or vehicle operating costs (VOCs) although the recent FRIP feasibility studies have more robust coverage of social issues (MACDONS Engineering Consultants - FRIP Pre-feasibility Study, 2002).

⁶¹ Ministry of Roads and Transport - RSDP 2004 Donors Conference Presentations.

upgrade the E-W coastal route, while the N-S corridor has been the subject of rehabilitation for years. Haulage costs do not appear to be rising unduly (and in USD terms have been reduced owing to devaluation of the Cedi) but fuel is heavily subsidized in Ghana and most international truckers fill up while in the country.

Commission interventions in trunk road rehabilitation and upgrading have contributed to improvement of the N-S international corridor linking northern Ghana (and Burkina Faso) to the port of Takoradi (and Accra/Tema) but there are no baseline studies assessing the impact of interventions on international traffic and on international trade.

JC 3.4 Commission interventions have contributed to sustainable funding of road maintenance, to reduction of backlog maintenance and improvement of network condition

Commission interventions past and planned only contribute directly to improving network condition by means of rehabilitation and upgrading of trunk and feeder roads. As a result of Commission and other donor-supported interventions of this type, the network condition has improved but at a much slower rate than planned, so much so that the condition mix (percentages of 70-good/20-fair/10-poor) targeted for 2005 will, at current progress, only be achieved after another decade. Factors contributing to this shortfall are perennial funding deficits (although it is hard to see how much additional funding could be absorbed by sector institutions at present) and seriously deficient maintenance, to the extent that there continues to be a large backlog of periodic maintenance while not all the national network is currently being maintained routinely. This maintenance neglect erodes the achievements in rehabilitation and upgrading by failing to prevent premature decay of poorly maintained roads. All routine maintenance funding should be covered by GRF revenues which however at present cover only some 60% of needs owing both to serial default by GoG on its commitments to raise the fuel levy annually, compounded by late transfer and deviation of funds (although perhaps it is naïve to expect automatic annual increases as fuel pump prices are such a politically sensitive issue and the oil price still highly subsidised). Also GRF does not have the intended independence of action owing to restrictive statutes. Programming, prioritisation and allocation of the limited funds available are a matter of concern, owing to inconsistent and sometimes opaque procedures compounded by occasional political interference. The Commission interventions indirectly contribute to reduction of backlog maintenance through capacity building efforts in MRT and agencies by means of technical assistance programmes, although the effectiveness and impact of these programmes is disappointingly slight⁶². A planned intervention under TRIP II to support periodic maintenance in western Ghana was abandoned after two years of efforts to persuade project partners (MRT/GHA and the Delegation/Brussels) to agree priorities and implementation plans came to naught.

⁶² Ministry of Roads and Transport/Danida, Evaluation of the Management and Financing Arrangements for Road Maintenance, 2003.

Answer - The Commission's strategy and interventions in transport mainly contributed to the objective of sustainable growth but their impact in terms of poverty reduction is weaker. Interventions have indeed mainly focused on improving network condition by means of rehabilitation and upgrading of truck and feeder roads. Moreover, interventions were concentrated in western Ghana and on big roads. Overall, they did not prove to significantly improve access for deprived areas. The Commission's interventions had also a limited impact on the institutional framework which remains characterised by many enforcement problems and serious default in clearing maintenance backlogs which questions the sustainability of interventions in this area.

4.5 Evaluation Question 4 on Macroeconomic Support and Public Finance Management

EQ4: To what extent have the interventions in the area of macroeconomic support and public finance management contributed to create a growth conducive environment by:

- (i) improving the macroeconomic framework of the country;
- (ii) improving public finance management; and by
- (iii) contributing to the policy dialogue with the view to mainstream public spending towards social sectors and the poorest segment of the population?

4.5.1 Justification and coverage of the question

Ghana faces important macroeconomic imbalances which are identified as strong impediments to its growth and development. Public deficits have repeatedly slipped with the consequence of crowding out private sector expenditures and investments. Moreover, public finance management features substantial weaknesses and capacity deficiencies. This questions aims at assessing the extent to which the Commission's interventions in this area have succeeded in meeting their objectives of contributing to the restoration of a sound macroeconomic framework and to the enhancement of the GoG's public financial management capacity.

4.5.2 Brief description of the Commission's strategy

Over the period covered by the evaluation, the Commission's interventions in the area of macroeconomic support and public finance management have taken the form of budget support⁶³ and a project supporting the Ghana Audit Service (GAS). Budget support has been mainly provided through four programmes: Structural Adjustment Support Programme (SASP) VI, SASP VII, Poverty Reduction Budget Support (PRBS) 2001 and PRBS 2. These are non-targeted budget support programmes aimed at providing support

⁶³ In this area, there is sometimes confusion between sectors of intervention and instruments/channels. Macroeconomic support is sometimes regarded as an instrument. However, and in line with the CSP/NIP, macroeconomic support is here considered as a sector of intervention aiming at supporting the GoG's efforts to restore a sound macroeconomic framework. One of the instruments selected to channel assistance in this area is budget support.

to the poverty reduction plan of the GoG and specifically to the GoG's policy in the social sectors of health and education.

There has been a marked development in the orientation of budget support over time: while SASPVII, SASPVII and PRBS 2001 were mainly aimed at targets around non-wage recurrent expenditure in the social sectors and operated 'unilaterally', PRBS 2 widened the scope and looks at the implementation of the entire GoG policy, as outlined in the GPRS, and operates within the Multi Donor Budget Support (MDBS)⁶⁴ framework.

In general, the objective of budget support is threefold. First, it reduces macroeconomic imbalances by providing resources to the recipient government's budget. Second, it is meant to strengthen a transparent and democratic process of budget preparation and management. Third, if oriented towards particular sectors, budget support is also supposed to contribute to the specific objectives pursued in these areas.

4.5.3 Synthesis of information associated with each judgment criterion

JC 4.1 The Commission's interventions in the area of macroeconomic support have contributed to reduce the macroeconomic disequilibria of the country.

Ghana's macroeconomic performance has fluctuated during the period covered by the evaluation. In 1999, an economic crisis triggered by a sharp decline in the terms of trade led to a deterioration of the macroeconomic situation, particularly in terms of (i) public finance deficits and the accompanying increase in internal and external debt, (ii) accelerating inflation and (iii) increased interest rates. Since then, macroeconomic imbalances have been substantially reduced. After peaking at 10.9% of GDP in 1997, the public deficit was steadily reduced to 3.9% of GDP in 2003. The international position has recovered with a substantial improvement in the current account which ended up in surplus in 2003, mainly due to private transfers which increased by almost 98% between 1999 and 2003. The real GDP growth rate has increased in the three last years after the low point of 2000 to reach 5.2% in 2003. Interest rates have been reduced from the peaks recorded in the same year from 37.0% in 1998 to 34.95% in 2003⁶⁵. They however remain much too high and therefore continue to represent a major constraint for the country's development. From this point of view, performance in terms of inflation is a matter of concern. The economy continues to feature high (and variable) inflation rates so that the initial target of reaching single-digit inflation rate has been impossible to achieve. This, and an inefficient and non-competitive financial sector⁶⁶, explain the persistently high interest rates, thus increasing the cost of credit to the private sector which has contributed to contraction of the economy via

⁶⁴ The MDBS is a multi donor initiative in which the Commission is the partner of the World Bank, CIDA and DFID.

⁶⁵ Bank rate/prime rate. IMF, Selected issues (2003) and Ministry of Finance.

⁶⁶ According to the World Bank (Ghana: Public Policy, Growth and Poverty, A Country economic Memorandum, Report N° 27656, 2004), Ghana's financial sector has the highest interest rate margins and profitability on the continent of Africa, despite having high costs.

a credit squeeze in particular to the industrial and agricultural sectors⁶⁷. High interest rates make it also extremely difficult for the poor to access credit.

Some aspects of public expenditure are also worrying. In particular, the share of personal emoluments has been increasing in the total of budget expenditure, crowding-out investment spending whose share decreased⁶⁸. A large fraction of investment (about 85% since 2000) is financed from foreign sources which underlines the strong dependency of the GoG on foreign resources for investment financing. Although decreasing, the central government debt is still high. In 2003, the domestic debt to GDP ratio is 20.83% while the public external debt to GDP ratio is 89.7%⁶⁹. State Owned Enterprises (SOEs) have accumulated major debts, in particular in the sectors of petroleum products, electricity and water, creating significant liability for the central government budget⁷⁰. Moreover, the failure of the GoG to enforce some important related reforms, such as the adoption of an automatic formula to adjust utility prices (oil and electricity) has made the balance of the public sector even more fragile.

This opens to a classic and particularly relevant trade-off. Poverty reduction strategies, like the one established in the GPRS, requires an expansion in public spending. Resources to finance such policy correspond to expanded GoG revenues, external aid as well as debt cancellations and grants under the HIPC facility. Moreover, the public sector continues to be an important employer (in 1998/1999, the public sector still accounted for more than 10% of total employment⁷¹). The challenges faced by the GoG are therefore likely to produce a tension stemming from the fact that it must at the same time increase the current levels of spending so as to achieve poverty-reduction goals, control the public deficit without being able to decrease personal emoluments expenditures (except if it is willing to decrease public employment and/or wages), and limit inflationary pressures. From this perspective, foreign aid is obviously crucial to support poverty reduction strategies.

The Commission's interventions have undoubtedly contributed to the improvement observed in recent years. First, the resources provided through budget support constituted a meaningful contribution to the financing of the GoG's expenditures. Within the MDBS, the EU is the third contributor after the World Bank and the U K. Over the last two fiscal years, the Commission's budget support represented around 1.5% of GoG receipts while the total support provided through the MDBS amounted to 10-12% of GoG receipts⁷². Second, the Commission's budget support programmes have also fostered progresses in

⁶⁷ Institute of Statistical, Social and Economic Research - The State of the Ghanaian Economy in 2003 (2004).

⁶⁸ Personal emoluments have been increasing their share in the total of discretionary expenditure, from 37% in 2000 to 48% and 44% in 2002 and 2003 while the share of investment decreased from 49.5% in 2000 to 22.5% and 27.8% in 2002 and 2003 (Ministry of Finance).

⁶⁹ Bank of Ghana.

⁷⁰ The total domestic debt of SOEs is estimated to around 19% of GDP in 2003 and the domestic debt remains extremely vulnerable given the over-exposure of the Ghana Commercial Bank (GCB), the indebtedness of the GCB being estimated at around 150% of GCB's stated capital (Bank of Ghana, Ministry of Finance).

⁷¹ Ghana Statistical Service - Ghana Living Standard Survey, 1998/1999, (1999)

⁷² European Commission, PRBS 2, Financing Agreement (2004).

the area of public finance management (see the next sub-section) which has helped the country to obtain external debt relief under HIPC and has therefore contributed to reducing its foreign indebtedness. Fiduciary risks however remain high. The country is currently benefiting from a positive global economic environment, with a rise in the price of cocoa, but is still characterised by structural deficiencies of the public finance mentioned above. At the same time, Ghana remains vulnerable to internal and external shocks which implies that continuation of the good performances currently observed cannot be taken for granted.

JC 4.2 The Commission's interventions in the area of macroeconomic support have contributed to improve the public finance management capacity of the country.

In general, Ghana has shown substantial improvements in the area of public finance management although much remains to be achieved. In particular, the structure of the budget has undergone important changes with the introduction of the MTEF in 1999 and the adoption by the GoG of several reforms to cope with the weaknesses in public finance management systems. Ghana now achieves 7 out of the 16 HIPC-AAP Public Expenditure Management (PEM) benchmarks⁷³, compared to 1 out of 15 in the assessment carried out in 2001, and has improved on 8 of the previous PEM indicators. Important reforms however still need to be carried out, particularly related to development of a genuine mid-term action plan and to the effective use of the new budgeting and accounting system incorporated in the Budget and Public Expenditure Management System (BPEMS). Serious concerns are also raised with regard to the capacity of MDAs to develop and incorporate the GPRS targets into their MTEF budgets and to align their work plans with national ones. Moreover, the quality of their management information system (MIS) remains weak and puts at risk the smooth functioning of the Monitoring and Evaluation (M&E) process⁷⁴. Budget execution has featured important weaknesses. Actual public revenues and spending have often diverged compared to budget figures, both in nominal and real terms. This reflects the occurrence of external shocks (for instance the a shortfall in anticipated external finance and the impact on domestic revenues of terms of trade losses in 1999⁷⁵), slippages in election year (as in 2000), the difficulty for the GoG to correctly anticipate regular budgetary outcomes (for instance, overrun on the civil service wage bill reported by the IMF for 2002⁷⁶), or non-implementation of key revenue measures (as for instance delays in moving forward with the divestiture programme or rising tariffs for water and electricity⁷⁷). The impact on the pattern of spending was significant and most frequently

⁷³ IMF/World Bank - Public Expenditure Management Country Assessment and Action Plan, Ghana (2004).

⁷⁴ K. N. Oduro - Results-Oriented Public Expenditure Management, Case Study of Ghana, Overseas Development Institute (2003), IMF/World Bank - Public Expenditure Management Country Assessment and Action Plan, Ghana (2004), IMF - Ghana: Report on the Observance of Standards and Codes - Fiscal Transparency Module (2004).

⁷⁵ ODI - How, When and Why does Poverty get Budget Priority, Poverty Reduction Strategy and Public Expenditure in Ghana, Case Study 2 (2002).

⁷⁶ IMF - Ghana: Report on the Observance of Standards and Codes, Fiscal Transparency Module (2004).

⁷⁷ IMF - Ghana 2003 Article IV Consultation and Requests for a Three Year Arrangement Under the Poverty Reduction and Growth Facility and for Additional Interim Assistance under the Enhanced Initiative for Heavily Indebted Poor Countries, Staff Report (2003).

implied reductions in discretionary spending (for instance real actual discretionary spending was only 94% and 88% of the approved budget in 1999 and 2000 respectively⁷⁸) with the highest impact on non-salary recurrent budget bore the brunt of the cuts. In 2003, payments were lower than planned but affected statutory rather than discretionary payments⁷⁹. This has of course limited the extent to which budgetary instrument like the MTEF to credibly mainstream medium or long-run development plans. The recent HIPC-AAP PEM Country Assessment and Action Plan⁸⁰ however points to considerable improvement of budget execution even though it also stresses the need for further upgrading in the areas of budget formulation, execution and reporting.

The Commission's interventions have certainly contributed to adoption of important policy reforms in the area of public finance management, for instance those incorporated in the Matrix of measures adopted in 2000. Elements included in the Matrix have shown steady progress in their implementation, helped in particular by the passing of several Bills (procurement, financial administration, internal audit)⁸¹. Budget support programmes, together with participation in SWApS, have also contributed to promoting a concern for performance in some of the sectors in which they have been implemented and have fostered revitalisation of the reform agenda. The Technical Assistance included in these programmes has contributed to improving the M&E capacities of the agencies they were targeting. Finally, support provided to the Ghana Audit Service has been very effective. This intervention is part of a task description between donors to support reforms in public finance management more widely, with World Bank concentrating on some areas (e.g. BPEMS), DFID and CIDA on others. In comparative terms, the EU-financed project appears to have been the most successful of these interventions. It has substantially contributed to improve the institution's capacity although most of its impact is yet to come. The majority of the scheduled activities have been implemented and most of the output indicators included in the project's matrix are likely to be met. In particular, financial (90) and performance auditors (23) were extensively trained while some financial (18) and performance (7) audits have been conducted. The management and administration component of the project have however been the least effective as only one out of 6 planned outputs has been achieved. This implies that most of the project's impact is likely to materialise in the future, in particular with regard to the fundamental changes in approach it could foster, such as planning the yearly audit programme⁸².

⁷⁸ ODI - How, When and Why does Poverty get Budget Priority, Poverty Reduction Strategy and Public Expenditure in Ghana, Case Study 2 (2002).

⁷⁹ Institute of Statistical, Social and Economic Research - The State of the Ghanaian Economy in 2003 (2004).

⁸⁰ IMF/World Bank - Public Expenditure Management Country Assessment and Action Plan, Ghana (2004).

⁸¹ European Commission – Mid-Term Review, Ghana (2004).

⁸² Ecorys – NEI - Evaluation of the Project "Support to the Ghana Audit Service" (2003).

JC 4.3 The Commission's interventions in the area of macroeconomic support have contributed to improve the policy dialogue.

The effectiveness of the Commission's budget support programmes has been seriously affected by the erratic disbursements of funds which favoured their use to meet the most urgent needs at the time of disbursement instead of financing regular flow of planned expenditures⁸³. The lack of predictability of the resources provided through budget support has hampered the capacity of these programmes to foster the elaboration and implementation of the GoG's medium and long-term policy agenda. It is however undeniable that the Commission's interventions in the area of macroeconomic support and public finance management have contributed to the adoption of important policy reforms, in particular those related to the GPRS in the areas of the public sector, public finance management, decentralisation and governance, or in reform strategies for sustaining current GDP growth rates (see JC 4.1 and JC 4.2 above).

With regard to the impact of the Commission's interventions to support the GPRS and their contribution to the higher strategic objectives of contributing to the improvement of the living conditions of the Ghanaian population, results are mixed. First, it may be observed that GoG's capital expenditure has decreased from 13.3% of GDSP in 1996 to 6.3% of GDP in 2002 to increase to 9.7% of GDP in 2003⁸⁴. Between half and two-thirds of this spending are financed by foreign sources. Second, the allocation to the social sectors shows a positive evolution. As a share of total expenditure, allocation to social sectors has increased from around 30% in 2001 to 39% in 2003⁸⁵. Provision of and access to basic social services has increased. In the education sector, all GPRS indicators related to the installation/rehabilitation of facilities (e.g. number of classroom rehabilitated, incentive schemes for girls in primary schools,...) are either on track or achieved. Some impact indicators (e.g. gross primary enrolment ratio, girls gross primary enrolment ratio at the level of the three poorest regions) are also on track or achieved but others are not (e.g. gross primary enrolment ratio, girls gross primary enrolment ratio, teacher to pupil ratio at national level). Similarly, the Ghana Human Development Report (2003) shows that a large number of schools have been built in the last year, but many of the schools have no teachers, leading to a decrease in the teacher: pupil ratio⁸⁶. The same is true for the health sector where indicators show global progress in terms of provision of facilities but are in a majority of cases not on track when measuring impact⁸⁷. Adverse performances have indeed been recorded in terms of infant mortality (gone up from 57/1000 in 1998 to 64 in 2003), under-five mortality (worsened from 108/1000 to 111/1000 in the same period) and guinea worm infection (44.3% increase in 2002). These indicators are however too far downstream in the area of influence of the Commission's programmes to establish a clear

⁸³ As noted in McKay and Aryeetey – Operationalising Pro-Poor Growth, A Country Case Study on Ghana (2004), recent expenditure patterns are driven largely by the revenue flows and political expediency and do not reflect any particular commitments to policies and expected growth outcomes.

⁸⁴ IMF - Selected issues (2003) and Ministry of Finance.

⁸⁵ Government of Ghana – GPRS 2003, Annual Progress Report (2004).

⁸⁶ The GPRS 2003, Annual Progress Report (2004) also indicates that this ratio has decreased from 39.9% in 2002 to 31.3% in 2003, not on track with respect to the GPRS target of 33.1%.

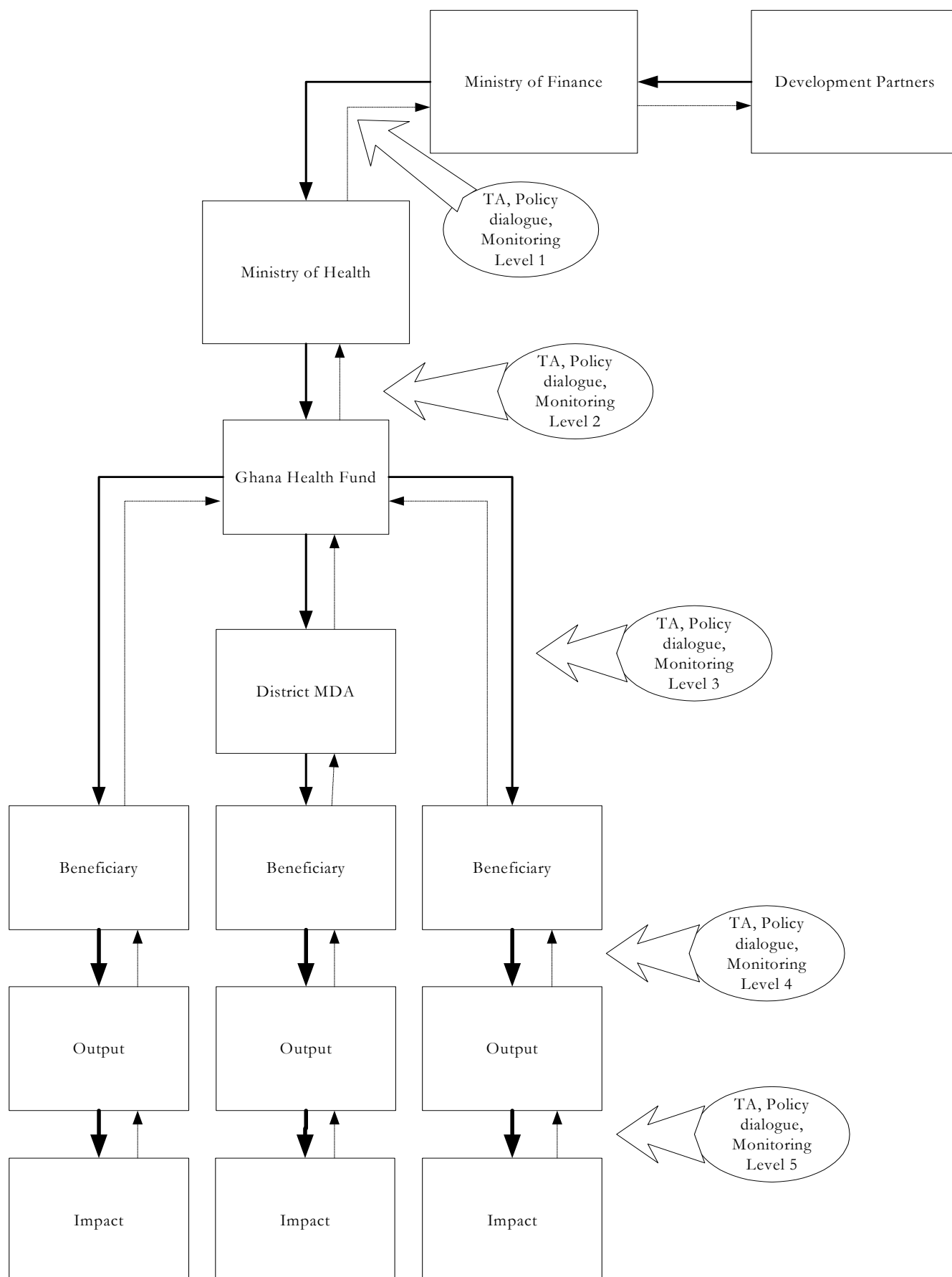
⁸⁷ Government of Ghana – GPRS 2003, Annual Progress Report (2004).

link between interventions and the changes observed in the field⁸⁸. It may however suggest that service delivery has indeed improved but has not been sufficiently framed into a comprehensive programme so as to ensure that it achieves its specific planned outcomes and impact.

The policy dialogue is effective as evidenced by the frequent and numerous discussions between the Commission and GoG as well as the agreement on indicators, targets and triggers that are representative of the vision shared by the Commission and the GoG on policy orientation. However, given the objective of budget support programmes to also sustain sector policies, the focus of the policy dialogue maybe a matter of concern. As an illustration, the diagram overleaf schematises the Commission's interventions and its support to the health sector.

Plain arrows represent the cascading of funds from donor to beneficiary transiting through the various Ministries, Departments and Agencies (MDAs) while bold arrows represent delivery of output and impact. Slashed arrows represent the flow of information feeding the M&E process. Policy dialogue, technical assistance and monitoring can potentially target each level of this structure. In the case of the Commission's budget support programmes, the policy dialogue and monitoring are mainly concerned with levels 1, 2 and 5 while technical assistance has been provided at levels 1 (e.g. SASP VII support to the mini CG secretariat in the MoF and to the Policy Coordination, Monitoring and Evaluation Unit at the Office of the President) and 2 (e.g. PRBS 2001 support to the Centre for Health Information Management). This implies that the policy dialogue and monitoring have been concentrated on the upper and bottom zones of the process and less on intermediate ones. This is for instance reflected in the fact that the introduction of the National Insurance Scheme has practically been absent from the policy dialogue in spite of its important potential impact both on public finance and on the general health sector landscape. Identically, monitoring is essentially focused on public finance management capacities (levels 1 and 2) and the programmes' expected impacts (level 5) while being less informative on the effective distribution and use of resources or on monitoring capacities at the level of beneficiaries or decentralised agencies. It is however these levels that seem the most relevant to conduct the policy dialogue and assessing the efficiency and effectiveness of the Commission's budget support programmes in achieving specific objectives in social sectors. Given the above comments calling for more comprehensive policy design in social sectors, this point appears be central.

⁸⁸ Monitoring Report, SUPPORT TO STRUCTURAL ADJUSTMENT PROGRAMME, SASP VII (2002) and Monitoring Report, POVERTY REDUCTION BUDGETARY SUPPORT (PRBS) 2001 (2004).



Answer - The Commission's interventions in the area of macroeconomic support and public finance management contributed to improve the country's macroeconomic framework and its public finance management capacities. Although substantial progress remain to be achieved, the Commission's interventions effectively participated to the reduction of the macroeconomic imbalances that hampered the country's growth potentials and, together with support to public finance management, some important reforms have been adopted to increase public finance discipline and improve budget practices. The capacity of the Commission to mainstream public spending towards social sectors and the poorest segment of the population is hampered by the difficulties experienced by MDAs to incorporate GPRS targets into a genuine mid-term action plan. The Commission's interventions have contributed to the implementation of the GPRS but the policy dialogue and monitoring of the budget support programmes take place at levels which makes it difficult to distinguish their impact on social sectors.

4.6 Evaluation Question 5 on Mining and Private sector development

EQ5: To what extent have the interventions in the area of mining and private sector development contributed to the overall objective of a broad-based economic growth?

4.6.1 Justification and coverage of the question

The Ghanaian economy remains extremely dependent on two commodities (cocoa and gold), particularly in terms of generating export revenues. This concentration of activities on a limited number of products constitutes a risk for Ghana as world prices for these products are highly volatile. The deep macroeconomic crisis that the country faced during the late 1990s was triggered by a major terms of trade deterioration following a decrease in the price of cocoa and an increase in the price of crude oil which is a major import. Under the 8th EDF, interventions in the area of private sector development partly aimed at diversifying the productive, and hence export, capacity of the Ghanaian economy which supports the overall objective of achieving broad-based growth. Under the 9th EDF, this objective is limited to the mining sector, one of the reasons invoked being the poor delivery of the PSD projects/programmes implemented. As this represents a substantial change in the co-operation strategy, it is crucial to assess the extent to which support to the private sector implemented in Ghana proved to have achieved its objectives particularly in terms of (i) improving the legal and regulatory environment for private investment, (ii) creating an environment favouring the development of micro, small and medium size enterprises and (iii) diversifying the country's productive/export base.

4.6.2 Brief description of the Commission's strategy

The importance of PSD interventions in the Commission's portfolio has been reduced during the period covered by the evaluation. PSD has never been selected as a focal sector. Both the budget allocated to PSD and the number of programmes/projects in this area have decreased over time. From the 7th to the 9th EDF, the NIP allocation to PSD has thus been reduced from 11.98 million euros (7th EDF) to 4.35 million euros (8th EDF) and then to 3 million euros (9th EDF) while the number of projects decreased from 14 under the 7th EDF to 1 under the 8th and 9th EDFs. PSD interventions were also funded through other instruments, namely EIB loans and all-ACP programmes (EBAS, DIAGNOS, Pro-Invest, CDE). Under the 8th EDF, support to the mining sector was planned through Sysmsin funds but not effectively used. Under the 9th EDF, these funds have been incorporated in the NIP. This implies that activities in the mining sector are just starting and that it is therefore too early to assess their effectiveness and impact.

4.6.3 Synthesis of information associated with each judgment criterion

JC 5.1 The Commission's interventions in the area of mining and private sector development have contributed to improve the legal and regulatory environment for private investment.

The GoG has long been committed to creating a private sector enabling environment. It has instituted a number of reforms under the Economic Recovery Programme (ERP), most of them adopted in the first half of the 1990's. Since then however, progress has been slow. In 2001, the Ministry of Private Sector Development was established and in December 2003 the GoG adopted a National Medium Term Private Sector Development Strategy which frames the "Golden Age of Business", a government programme targeted on PSD. However, many reforms still need to be implemented. For instance, there has been no recent reform of the investment framework. The Investment Code, which in 1994 was considered the best of its kind in Africa, needs updating. In addition, bottlenecks in company incorporation, labour laws, access to land, tax regime and administration need to be cleared of obstructions. Policies in key sectors – mining, tourism and agriculture – need to be fine-tuned and brought in line with investor requirements. In particular, the Mining Code does not compare well with the framework provided by new alternative FDI locations, such as the United Republic of Tanzania, where Ghanaian mining firms are now major outward investors. Some regulations also experience enforcement problems. This is for instance the case with some aspects of the Customs Code such as trade facilitation provisions, regulations ruling land ownership, the functioning of free zones or the setting up of investment facilitation mechanisms like the Gateway project which is currently on hold. Moreover, in spite of repeated commitments to accelerate the implementation of the Divestiture programme, the GoG remains highly involved in some activities. The improvement in the reform and enforcement of the legal and regulatory framework is therefore a crucial issue for possible development of the private sector in Ghana⁸⁹.

⁸⁹ UNCTAD - Investment Policy Review, Ghana, 2003, C.K. Dordunoo and G.Y. Dogbey – Globalisation and Economic Reforms in Ghana, Ghana Institute of Management and Public Administration, (2002).

The Commission's interventions in the area of PSD are however mainly oriented towards direct support to private operators and not to the legal and regulatory framework surrounding the private sector. This is true both for programmes/projects funded under the NIP (like for instance, GRATIS which aims at promoting grassroots industrialisation through the establishment of a network of regional centres and the Woodworking Sector Development Programme (WSDP) targeted at promoting better business and processing practices in the woodworking sector) and those funded through other instruments (like for instance, EBAS which aimed at supporting the internal adjustment needed by ACP firms with a view to facilitating their integration into the world economy). This implies that the contribution of the Commission's interventions to improving the legal and regulatory framework is limited.

JC 5.2 The Commission's interventions in the area of private sector development have contributed to the development of micro, small and medium size enterprises.

The Commission's interventions in the area of PSD had various degree of success. In particular, programmes like GRATIS, WSDP or EBAS have been characterised by efficient implementation and globally proved to attain their respective main objectives. For instance, GRATIS contributed to the establishment of a network of regional centres called ITTU (Industrial Technology Transfer Units) and provided technical support, entrepreneur training and a credit scheme for ITTU clients. By the end of 1998, GRATIS phase II had reached 11,000 beneficiaries and directly contributed to the establishment of nine ITTUs. Phase III of the programme started implementation in 2000 and should run until 2005. It is directed at intensifying capacity building ITTUs, and training programmes. Monitoring shows positive progress in the implementation with training programmes on schedule and productivity index rising⁹⁰. By the end of 2001, WSDP had delivered most of its results. In particular, it supported 28 SMEs, enabling them to purchase machinery and equipment to upgrade their production facilities. Also, 15 solar kilns have been constructed at SMEs, leading to improvements in quality products for the market. The final evaluation report indicates that WSDP has largely achieved its purpose "to contribute to the stabilisation and increase of revenues and yields in the woodworking sector"⁹¹.

Although other projects did not perform as well, successful interventions have dominated suggesting that the Commission has a comparative advantage in this area. Assessing the impact of the Commission's PSD interventions, particularly in terms of development of micro, small and medium enterprises, is however difficult because of lack of reliable data. Some elements can nevertheless highlight general trends, in particular with respect to private investment. From 1995 to 2001, the investment rate averaged 23%, with 12% accounting for public investment. In 2002, this share was reduced to 6.1% while that for the private sector was 13.6%. This trend is also reflected in the share of domestic credit to the private sector which has been increasing since 2000⁹². On the other hand, FDI has been

⁹⁰ European Commission – GRATIS phase II Final Evaluation Report, GRATIS phase III monitoring reports and GRATIS Foundation – Corporate Profile (2004).

⁹¹ European Commission - Woodworking Sector Development Programme, Final Evaluation Report (2003).

⁹² Institute of Statistical, Social and Economic Research - The State of the Ghanaian Economy in 2003 (2004).

decreasing during the period covered by the evaluation. It remains concentrated in the service sector and is particularly low in the export/trade sector. The main factors limiting Ghana's attractiveness for FDI are macroeconomic instability, weak infrastructure, low productivity and lack of local business partners. Its strengths lie mainly in natural resources, but there is also potential to develop wider investment in non-traditional sectors such as resource-based agro-processed and agricultural products, and in light manufacturing for local and regional markets. Moreover, progress in the establishment of a sound regulatory framework, improvement of the internal economic environment, revival of the Gateway strategy and regional integration will play an essential role in restoring the attractiveness of Ghana⁹³. This again militates in favour of refocusing future Commission's interventions on the improvement of the institutional environment surrounding the Ghanaian private sector.

JC 5.3 The Commission's interventions in the area of mining and private sector development have contributed to the diversification of Ghana's productive/export base.

As already mentioned, one of the most important weakness of the Ghanaian economy is its vulnerability to internal and external shocks which is exacerbated by the concentration of its activities on a limited number of products (see section 2.2.3 above). The diversification of its production/export base is therefore a key element for achieving the objective of PSD interventions to foster a broad-based economic growth. One systematic finding is that the fundamental structure of the country's economy has remained relatively unchanged, not only over the period covered by the evaluation but for an even longer number of years⁹⁴. The share of agriculture in GDP has remained practically unchanged in the last 15 years and this sector is still largely dominated by the two traditional commodities, cocoa and timber. In general, the need to modernise the agriculture is widely recognised and explicitly included in the GPRS. In particular, there is a need to promote farm mechanisation, provide for irrigation facilities, increase the capacity of fish hatcheries, expand access to inputs and produce high value crops. However, output of major crops continues to depend heavily on the area that farmers can cultivate in a given year, while use of fertilisers and certified seeds remains low. With the exception of the manufacturing sub-sector whose contribution to GDP remained stable, almost all other industry sub-sectors' contributions slightly decreased. These trends reflect the persistence of obstacles to growth such as lack of access to credit, unreliable energy supply and weak management capacity. Services remain dominated by Government services which account for more than a third of the sector production. Moreover, as emphasised by Aryeetey and Mac Kay (2004), part of the increase in services is attributable to the lower-order service sectors (e.g. wholesale and retail trade, restaurants and hotels). On the other hand, the shares of mining and construction have also increased over the last decade, but that of manufacturing has not which implies that these changes are not suggestive of substantial structural transformation.

⁹³ UNCTAD - Investment Policy Review, Ghana, 2003 and McKay and Aryeetey – Operationalising Pro-Poor Growth, A Country Case Study on Ghana, 2004.

⁹⁴ Institute of Statistical, Social and Economic Research - The State of the Ghanaian Economy in 2003 (2004) and McKay and Aryeetey – Operationalising Pro-Poor Growth, A Country Case Study on Ghana (2004).

The external trade sector has also experienced only marginal changes in the last forty years. Several challenges remain to an enhanced export sector growth as reflected by the fact that the trade intensity index (the sum of exports and imports divided by GDP) decreased from 92.2% in 2000 to 64.1% in 2003. Moreover, the composition of exports was hardly altered, until very recently with an encouraging evolution in the contribution of non-traditional exports in total export revenues. Between 1999 and 2003, the share of non-traditional exports in all merchandise exports increased from 20% to 25% which indicates a slight improvement in the diversification of Ghana's export base⁹⁵. However, exports remain heavily dominated by cocoa and minerals which, in 2003, still account for respectively 34.9% and 38.9 of merchandise exports earnings⁹⁶.

Overall, it seems that the fundamental structure of the Ghanaian economy has not substantially changed from which one can infer both that relatively modest progress has been made in diversifying the production/export base and that consequently the fragility of the economy to internal and external shocks has not been reduced.

Answer - The contribution of the Commission's interventions in the area of private sector development to the overall objective of a broad-based economic growth is limited. The PSD projects/programmes implemented by the Commission were in general effective in delivering their results. However, they were mainly targeted to private sector operators and therefore could not address the weaknesses of the legal and regulatory framework which is a main constraint affecting private sector in Ghana. Their impact in terms of diversification of the production/export base is also limited as the economy remain dominated by traditional products in spite of an encouraging increase in the share of non-traditional exports.

4.7 Evaluation Question 6 on Social sectors

EQ6: To what extent have the interventions in the social sectors contributed to increase access to basic education and health services for the poorest segment of the population as identified in the PRSP?

4.7.1 Justification and coverage of the question

One of the main GoG policy priority is to improve the provision of basic social services in particular for the poorest segment of the Ghanaian population. Commission interventions in this area have been in support of the GoG's social policy, concentrating on the health and education sectors. This evaluation question aims to assess the extent to which the Commission's interventions fostered (i) the utilisation of health services by the rural

⁹⁵ These non-traditional exports are mostly agricultural or processed agricultural products, including pineapples, yams, wood products, cocoa products, canned tuna and oil palm products.

⁹⁶ Institute of Statistical, Social and Economic Research - The State of the Ghanaian Economy in 2003 (2004) and McKay and Aryeetey – Operationalising Pro-Poor Growth, A Country Case Study on Ghana (2004).

population and (ii) access by the poorest segment of the population to basic education. Since most of the assistance to social sectors is channelled through budget support, the question also aims at assessing the extent to which these interventions contributed to improving the delivery of basic social services by the GoG.

4.7.2 Brief description of the Commission's strategy

The European Commission funds education in Ghana through a budget allocation to the Ministry of Finance (PRBS 1 & 2). It also provides technical assistance to the Planning, Budgeting, Monitoring and Evaluation Division of the Ministry of Education, Youth and Sports (MOEYS) and supports the construction of education facilities within the 5th MPP. A SWAp is currently being designed in cooperation with other donors (particularly with DFID and the World Bank), which will establish a financial relation with the Ghana Education Service and the Districts.

Over the period 1998-2003, the Commission has funded health in Ghana within a multi-donor SWAp. This € 11 million programme was divided in three components:

Financial contribution to the Common Donor Health Account: non-earmarked fund representing 38% of the programme, with two tranches (€ 1.8 million disbursed in 1999 and € 2.4 million in 2002).

Procurement component: earmarked fund representing 47% of the SWAp, with € 3.15 million dedicated to procurement of medical supplies and € 2.1 million for procurement of ambulances.

Long and short-term technical assistance and contingencies (earmarked fund; € 1.55 million; 14% of the SWAp).

Assistance to the health sector has also been provided through budget support which currently constitutes the main instrument to channel funds to this sector.

4.7.3 Synthesis of information associated with each judgment criterion

JC 6.1 The Commission's interventions in the health sector have contributed to increased access to and utilisation of basic health services by the rural population.

Under its support to the health sector, the Commission contributed to the Common Donor Health Account and participated in the sector policy dialogue. The sector programming appears to be closely in line with the approach promoted by the Commission and its SWAp partners. From this standpoint, the Commission has performed well: promotion of increased access to and utilisation of basic health services by the rural and deprived population have been explicitly integrated into health sector programming documents. Access is a key component of the POW I strategy (1997-2001). The Second Health Sector Five-Year Programme of Work 2002-2006 (POW II) reaffirms this concern and takes deprived regions much more into consideration, as shown in its title: "Bridging the inequalities gap". "Improved access to health facilities" is defined as one of the 5 pillars of the package of health interventions under POW II. Actions aim at improving

geographical, financial and socio-cultural access. The POW II presents innovative aspects in terms of targeting inequities gaps. This includes implicating the private sector in the provision of health services, promoting complementarity between private/public sectors and fostering the willingness of empowering communities for health improvement and access to quality basic health care, through the Community-based Health Planning and Services Strategy (CHPS).

The policy dialogue has however been rather limited with respect to the introduction of the National Health Insurance Scheme (NHIS) in the near future. It is yet a major new feature of the Ghanaian health scene. Several elements of the design of the NHIS could directly address poverty reduction, if properly designed. On the other hand, doubts have been expressed on the financial sustainability of this system and on the ability of health providers to address demand. Prior to further implementation of the NHIS, exemptions have already been put in place for reducing or removing the costs of 'cash and carry' to specific patients and specific exemptions are offered in deprived regions. However, implementation modalities are likely to differ across the country's regions which raises the issue of equity within the NHIS. In addition, cultural and socioeconomic factors adversely influence the implementation of exemption policies. For instance, self-reporting of pauper status is difficult in Ghana, so requesting exemptions has a socially stigmatising effect, or else implies second-class treatment.

Through the Common Donor Health Account, the Commission also contributed to increasing access to health services by supporting investment in the country's most deprived regions (construction of regional hospitals, health centres, renovation and re-equipment of health facilities, CHPS initiative). However, the impact of such investments has been limited by the fact that their use implies high financial costs and that inadequate transport systems still exclude the poorest from health facilities. Exclusion is particularly important for women, leading to a greater tendency on their part to use untrained and unsupervised informal providers. Moreover, POW I & II put a particular emphasis on deprived regions, financial resources are not always allocated in proportion to regional needs and disparities. This problem is now strongly addressed by donors and the MOH: resource allocation criteria for 2005 are reviewed to increase allocations to deprived areas (implementation of the second recommendation under the Aide-Memoire progress report for June 2004).

Commission support to the Common Donor Health Account has been complemented by earmarked funds specifically devoted to procurement (of medical supplies and ambulance vehicles) and to technical assistance. Technical assistance provided to the Centre for Health Information Management (CHIM) since October 2002 was particularly relevant for strengthening the Ministry of Health (MOH) capacity to assess and monitor its interventions, and so to enable the Commission to assess sector performance on the basis of sound data. This assistance was particularly well received by the sector's national authorities. It also contributed to an introduction of crosscutting aspects in data collection and analysis supported by the Commission (for example, information is now systematically broken down by gender).

The procurement interventions did not have the same positive results, either because of non-implementation (procurement of ambulance vehicles⁹⁷) or because of non-optimal implementation processes (procurement of medical supplies). As regards the procurement of medical supplies, a stronger contribution to capacity building in the drugs provision chain (i.e. from Central Medical Stores to Service Delivery Points) would have contributed to reducing uncertainty and inefficiency in medical supply provision. There are also currently non-satisfied needs in relation to malaria prevention, malaria being known as “the disease of the poor people”.

JC 6.2 The Commission’s interventions in the education sector have contributed to increased access to and utilisation of basic education by the rural population.

Commission assistance to the education sector is provided through budget support. In this context, one of the expected result of the Commission’s intervention is to feed the policy dialogue so as to promote provision of basic education services in rural and deprived areas. The following elements show that support to equitable access to education has indeed been an increasing concern of national authorities over the last two programming periods.

The 1992 Constitution of Ghana stipulates “all persons shall have the right to equal educational opportunities and facilities”. In line with the 1992 Constitution, Vision 2020 identifies education as a priority for achieving middle-income status by the year 2020. With respect to the Constitution and Vision 2020, the MOEYS has defined five National Education Goals, including provision of basic education for all, opportunities for open education for all, and facilities for ensuring that all citizens, irrespective of age, gender, tribe, religion and political affiliation, are functionally literate and self-reliant. These National Goals and the GPRS constituted a framework for the preparation of the Education Strategic Plan (ESP) 2003-2015. The MOEYS intends to implement a number of programmes designed to achieve primary education for all, over the period 2003-2015. The ESP identifies ten key policy goals, under four thematic areas, including “Equitable access to education”. This aspect is particularly in line with the policy promoted by the Commission in the area of education.

As for the achievement of impact, the “ESP Implementation, Progress in 2003 and Plans for 2004” designed by the PBME Division⁹⁸ in April 2004, stresses the following results in terms of improvement of access to education:

Basic Education: the targets included in the MDBS programme - Growth Primarily Education Rate (GPER) and Girls Enrolment - are on the way to being reached in 2005, both at national level and at level of the three northern regions. The national Gross Enrolment Rate at the primary level is more important in the three northern regions than in the rest of the country, but enrolment is still behind the national average. In terms of

⁹⁷ As noted in Annex 6 (see JC 6.1), the earmarked funds for the procurement of ambulances was not implemented and re-channelled to the Health Account.

⁹⁸ Technical assistance to the PBME Division of the MOEYS has been provided by the Commission, along with other donors, since 2001.

Junior Secondary School enrolment, the three northern regions also lie behind the national average, but enjoy relatively stronger increases. Enrolment of girls is still a key issue in the three northern regions where more significant improvement have been observed, in relation to the national average.

Interventions have been successfully implemented in the area of *Second Cycle Education*, which address the gap between rural and urban areas: they include the GoG's policy of upgrading one Senior Secondary School per district, or additional rehabilitation and construction projects for Senior Secondary Schools in rural areas.

Tertiary Education is particularly targeted by the MOEYS, with massive investments from the Ghana Education Trust Fund, thereby contributing to recent increases in university and polytechnic admissions.

This last point is however a stumbling block between Ghanaian authorities and donors. The latter reproach the MOEYS for disproportionately endowing the top level of education, to the detriment of basic education and therefore of rural areas and of the poorest people⁹⁹. Financial needs per capita being higher at tertiary level than at basic level, the distribution of resources to each education level is crucial to reducing education inequities. The necessity to refocus on primary education is therefore promoted by donors with one voice.

JC 6.3 The Commission's assistance to the social sectors channelled through budget support contributed to improving the delivery of social services and their provision to the poorest segment of the population.

The Commission has provided assistance to the social sector through general macroeconomic budget support. Under the 9th EDF, this has become the main instrument of intervention in these sectors. It faces three major challenges: (i) assessing the evolutions of these sectors (for instance with regard to the GPRS targets), (ii) promoting allocation of resources in favour of the poorest segment of the population and (iii) releasing funds in timely fashion.

On the first aspect, major improvements have been observed in the health and education sectors over the two programming periods. The M&E capacity of the MOH and the MOEYS have substantially increased, in part due to the support provided by the Commission under the form of TA to the CHIM and to the PBME Division of the MOEYS.

Concerning the second point, the extent to which the policy dialogue that takes place within the framework of budget support programmes is likely to orient budget allocation to the poorest is debatable. Ghana still faces major difficulties in anticipating budget expenses and resources, in particular at the level of line ministries. The budget allocation of one particular year mainly reproduces the one of the preceding year. This and the absence of a

⁹⁹ The 2004 Education Sector Review recommended the construction of Junior Secondary School in the Northern Region to be highly prioritised.

clear identification of objective needs imply that the capacity of budget allocation to reflect the GoG's strategic choices is relatively limited and that budget allocation is characterised by strong inertia. For instance, although the GPRS stipulated that by 2004 39% of current government health care expenditures should be targeted at the four most deprived regions, only 26% ended up being allocated to these regions.

In the health sector, budget support programmes and the SWAp complemented each other to address this issue. A concrete result of this complementary approach is illustrated by the contribution of the SWAp to further decentralisation of management responsibility to Budget Management Centres (BMCs) during the period of POW 1. BMCs will develop need-based budgets through the realisation of environmental scans¹⁰⁰, in line with the Ministry of Health Guidelines for preparation of the 2005-2007 plans and budget. These guidelines conform to the national MTEF developed within the policy dialogue.

As illustrated by this example, the capacity to influence budget allocation in social sectors requires that the dialogue effectively covers the sector policy. This is however less likely when assistance is provided through general macroeconomic budget support as the natural scope of the policy dialogue it implies generally focuses on upper level macroeconomic and public finance management aspects. This is indeed the case in Ghana where monitoring of the health sector within budget support programmes proved much more superficial than the one incorporated in the SWAp. In practice, the simultaneous use of the two instruments proved useful and offered powerful complementarities.

For the third aspect, it is essential that assistance is disbursed on time as predictability of funds released to national authorities is a major condition for efficient budget support. The financing channel from donors to local level institutions involves a number of steps (including the Ministry of Finance and Economic Planning, the line ministry and regional levels), each one having potential for delaying release of funds. The current situation is characterised by late donor disbursements, including those from the Commission. These delays have cumulative impacts at all levels, local levels being the most affected. This issue was identified in both the health and education sector reviews. In health, there are chronic delays in disbursement of funds to district levels, with a backlog of at least three months. Funds that are not accessed by December 31st are automatically forfeited and are paid back to central government, which puts extra pressure on district accountants to access and spend the money by the end of the year. This 'rush to spend' is inconsistent with prudent financial management and can seriously jeopardise the efficiency of interventions. The Education Sector Review 2004 recommends that *"development partners who provide budget support release proportionally more of their funds at the start of the financial year"*.

¹⁰⁰ The Environmental Scan should result in a definition of targets (especially in terms of outputs and activities) translated to inputs; the costing of these inputs gives the budget figures.

Answer – The Commission’s interventions in social sectors contributed to increase access to basic education and health services for the poorest segment of the population. Access to basic health services by the rural and deprived population has been explicitly integrated in the GoG’s health sector policy and access to education has been an increasing concern of national authorities over the last two programming periods. However, there are concerns relative (i) to the financial allocation resources of that does not always reflect needs of the most deprived regions and/or the poorest segment of the population and (ii) the switch observed between the 8th and 9th EDF from SWAp towards budget support as the policy dialogue conducted within this framework is not be as deep as the one conducted through participation to a SWAp.

4.8 Evaluation Question 7 on Efficiency

EQ7: To what extent did the implementation mechanisms (financing instruments, administrative regulatory framework and procedures) facilitate the attainment of the Commission’s interventions objectives?

4.8.1 Justification and coverage of the question

Implementation modalities are often an important determinant of the extent to which a project/programme succeeds or fails to achieve its objectives. This question attempts to assess the performance of the Delegation and the NAO services as well as their relationship with the GoG and the implementing agencies. It also seeks to assess the adequacy of the technical assistance involved in project/programme implementation and in allocation of existing resources.

4.8.2 Synthesis of information associated with each judgment criterion

JC 7.1 *The organisation and practices of the Commission’s services contribute to designing and implementing projects/programmes so as to facilitate the attainment of their objectives.*

The implementation of the Commission’s interventions has been characterised by generalised and important delays which, in some cases, have hampered the ability of projects/programmes to deliver their expected results. Delay is evidently the norm in donor-funded interventions in Ghana, so the fact of delayed implementation is not in itself evidence of EU inefficiency vis-à-vis other donors. Most EU-funded projects suffer hold-ups, and many take around twice the planned completion time. Road transport, rural development, governance, mining and macroeconomic support have all been affected. With physical construction, the cause is often delayed start-up, due to problems with tendering and contracting procedures. Another common cause of delay is late payment of partners, which can take many months. This has been found in road transport, agriculture and microprojects. The sources of delay are numerous. A generic problem seems to be

over-optimistic programme design and scheduling, but there are also avoidable delays. In road transport the problems seem mainly to lie with the GoG and result from procedural difficulties and administrative inefficiencies. However, procedural delays at Commission level have also played a part. In rural development too, public sector partners are often not geared to efficient implementation, but in this sector the need for transparency has itself been a cause of delay. This is because when the number of beneficiaries is large (as in Microprojects and CSSP) the correspondingly lengthy audit process delays fund replenishment. This is liable to worsen under 9th EDF rules, because the advance payment will be reduced from 50% to 30%. The efficiency of the budget support programmes has also been hampered by important delays in the release of funds. Such delays were mainly due to GoGs default with respect to the programmes' conditions, lack of clarity of the conditions related to the release of variable tranches and slow and cumbersome administrative procedures at the level of the Commission (see JC 7.1, I 7.1.1 for a detailed sector by sector description of delays evidence).

Costs of interventions are generally in line with their budgets – indeed there is often a surplus – but the reasons vary. In transport, where cost over-runs are the norm, completion within budget is *prima facie* encouraging, but the question of value for money then arises. The worst case is that of Commission-funded weigh stations that are four times as expensive as those funded by IDA¹⁰¹. Some have never even been used, so even though the investment was expensive, the return has so far been zero. The CSSP, although within budget, covered much less than anticipated, because of cost over-runs due to an unforeseen rise in world cocoa prices. Anecdotal evidence suggest that microprojects are less expensive than comparable interventions, partly because of community input. Taken as a percentage of commitment, disbursement of funds tends to be close to 100%, but because of delays the annual flow of funds is much lower than anticipated. Disbursement levels may sometimes appear lower than they actually are, possibly because of delays in updating OLAS.

The implementation channels selected in the different areas of interventions were generally appropriate to foster the efficient delivery of results by projects/programmes. Several implementation channels are in use, ranging from macroeconomic budget Support (e.g. Poverty Reduction Budget Support Programmes), sector support programmes (e.g. SWAp in Health), and projects implemented in collaboration with local institutions (PSD and rural development). For instance, the implementation channel of the 5MPP went through the District Administration, with bottom-up inputs from the community concerned in terms of project identification, contributions, construction and post-construction O&M. The Mid Term Evaluation concluded that 5MPP gave better value for money than other donors' interventions in this area which adopted the pure project approach by relying entirely on contractors. Support to the GAS was provided through TA and short-term courses. The TA proved of very high quality (members of Swedish and UK national audit services)¹⁰². Moreover, both channels of implementation were adequate to cope with the need to build

¹⁰¹ The TRIP II Evaluation (Ecorys - Evaluation of the 2nd Transport Infrastructure Programme, 2003) examined this issue in detail. Reasons evoked relate to the lack of ownership (e.g. the design and implementation process was largely left to GHA, supervised by MRT and NAO) and resulted in poor project's specification, deficient contractors, absence of supervision, costs over-runs, unfinished product and delays.

¹⁰² Ecorys - NEI, Evaluation of the Project "Support to the Ghana Audit Service" (2003).

capacity at the level of the GAS. In particular, the presence of experienced members of renowned European national audit services ensured that the TA was provided by experts characterised by a professional background totally suited to ensuring a correct understanding of the tasks to be performed in order to achieve programme objectives. Previous budget support programmes have been affected by important delays in the release of funds which could question the efficiency and effectiveness of this type of instrument to channel assistance. However, in spite of this, programmes still achieved important objectives - notably in the area of public finance reforms – and, as indicated above (see JC 4.1), progress in programme design will hopefully help to reduce the likelihood of such counter-performance.

There is now a general move towards budget support, although the modalities are far from fully worked out. Attitudes towards this differ between ministries. The MOH is opposed on the grounds that they have worked hard to make SWAp efficient expressed fears of additional delays if assistance is channelled through budget support. In road transport and mining the ministries oppose it on the grounds that they would lose out in competition for funding. Representatives of MOFA and the Water Resources Directorate, on the other hand, welcome the move, as their sectors have been accorded high priority in the GPRS.

JC 7.2 The organisation and practices of the NAO and GoG services contribute to designing and implementing projects/programmes so as to facilitate the attainment of their objectives

The NAO has been efficient in terms of the amount of time required to complete tasks, and no complaints were voiced on this score. There have, however, been criticisms regarding the fact that in some sectors, there seemed to be room for improvement in the capacity of the NAO's office to handle management of EU funded programmes, with the Delegation reporting that their staff are obliged to complete paperwork that is the responsibility of the NAO¹⁰³. This is worrying, as the Cotonou Agreement requires the NAO to assume a quite active role and points to the need to provide additional institutional and human resources to allow the NAO's Office to assume its enhanced responsibilities¹⁰⁴. In the other direction, there are clear signs of dissatisfaction from the NAO regarding EDF procedures. Special concern has been expressed regarding delays at Commission level, particularly in communication between the Delegation and Brussels, which are attributed to staff shortages at HQ (*ibid*). In some cases relationships between the NAO and the Steering Committee are strong (W&S), while in others the Steering Committee seems to have been sidelined (Microprojects). The problems caused by delayed disbursement to beneficiaries and contractors were noted under JC 2.1. Available data on Health indicate that during 2003 delays fell steadily, from four months in the first quarter to one month in the last. In the same year average disbursement delays on the donor side in Health were around three months, the Commission's performance being much the same as other donors'. In Education, GoG-to-BMC transfers have been delayed by around three

¹⁰³ This was for instance reported by stakeholders in the area of transport and rural development as well as in various documents (e.g. CSP/NIP 2002-2007 or CSSP MTE).

¹⁰⁴ At present, a staff of 8 to 9 persons may be insufficient to complete the tasks falling under the responsibility of the NAO in particular in the prospect of the much needed development of a contracts and financial section.

months in three-quarters of cases. This sector is also affected by delayed donor-to-GoG disbursement.

In a majority of cases, the Commission's interventions come in support of GoG's sector or general policies. Commitments taken by the GoG therefore often constitute key assumptions of the Commission's projects/programmes and their non-fulfilment can significantly affect the ability to achieve expected results. The extent to which the GoG has fulfilled its commitments (as identified in the CSPs/NIPs) varies from one sector to another. Low scores are observed in transport (with for instance, the abandonment in 1998 of the commitment to increase the fuel levy annually or non fulfilment of commitments on axle loading) and in rural development where implementation agencies reliant on GoG for funding often receive less resources than those committed (e.g. the CWSA which receives less than 20% of its agreed government budget or the Cocoa Board which has suffered a drastic cut of its funding when the Board failed to meet its commitments). Fulfilment of commitment is higher in PSD (for instance, the GoG's financial obligations to the GRATIS Foundation were met in full) and in the area of macroeconomic support, particularly as the GoG succeeded in tightening fiscal and monetary policy, reducing domestic and international debt (notably by reaching decision and completion points for HIPC relief) and improving PFM capacity. However, the fulfilment of commitments related to structural and privatisation reforms has been recurrently defaulted.

JC 7.3 The technical assistance provided positively affects the design and implementation of the projects/ programmes

On the whole Ghanaian partners tend to have a high regard for the quality of the TA they have received. This is especially true in public finance management and private sector development, where the teams were very highly regarded. In general, external evaluations tend to support the perception of Ghanaian agents regarding quality of TA. This was found particularly high in areas like public finance management, small town water supply, mining and the health sector. On the whole the quality of the Commission's international TA to Ghana can be rated very highly and both beneficiaries and evaluations report a significant contribution to the smooth implementation of projects/programmes¹⁰⁵.

There were a few complaints in W&S, not about the quality of the TA as such, but about whether so much TA needs to be foreign when local firms seemed capable of doing more. This view should be balanced against the fact that in the case MPPs the TA was provided entirely by local contractors, and although the beneficiaries voiced no complaints (not being technically qualified to do so), the MTE was critical of technical standards in most projects, in some cases highly critical¹⁰⁶. The auditors in the CSSP also heavily criticised the

¹⁰⁵ See for instance, Ecorys - NEI, Evaluation of the Project "Support to the Ghana Audit Service" (2003), Ecorys - Evaluation of the 2nd "Transport Infrastructure Programme (TRIP II)" (2003), KAMPSAX - Mid-term Evaluation of "Technical Assistance towards the Efficient, Effective and Sustainable Management & Maintenance in the Roads Sub-sector 8ACPGH009", Final Report (2004), Ministry of Health - Appraisal of the Information, Monitoring and Evaluation (IME) System for the Health Sector, A report for the Annual Health Sector Review (2003), Leemans, Annelies and Jesper S. Pedersen - Final Evaluation of the Water and Sanitation Project in Ashanti, Brong Ahafo and Western Regions, COWI (2004).

¹⁰⁶ This may be due to the fact that technical staffs of the PMU are over-stretched in terms of their supervisory duties.

TA provided (in this case by locally-hired temporary staff), noting problems with eradication of diseased trees and poor training of farmers in correct agronomic practices. It should also be noted that the 9th EDF financial regulation encourages the use of local knowledge as TA. In this regard, local firms are given a preference in the evaluation of certain tenders (see point 2.4.9 of the Guide of contract procedures).

Answer – The implementation of the Commission's interventions were affected by important delays that emerge in almost all sectors of interventions and projects/programmes. To a certain extent, these delays have hampered the effectiveness of interventions. Delays were mainly due (i) to the length of administrative procedures and (ii) poor design of projects/programmes which implied foreseeable difficulties in their implementation. On the TA provided by the Commission proved highly valuable and significantly contributed both to facilitate the projects/programmes implementation and the effectiveness with which they delivered their results.

4.9 Evaluation Question 8 on Cross-cutting issues: Good governance, gender and environment

EQ8: To what extent were cross-cutting issues related to good governance, gender and environment taken into account through the programming and implementation of specific interventions and their integration in other interventions of the Commission's support to Ghana?

4.9.1 Justification and coverage of the question

The Lomé Conventions and the Cotonou Agreement (article 20) explicitly mention the necessity of taking systematically into account the mainstreaming of cross-cutting issues into all areas of co-operation. Cross-cutting issues are considered essential for strengthening the impact and the sustainability of interventions. This question attempts to assess the extent to which the activities implemented under the Commission's support to Ghana were designed and implemented so as to mainstream and promote cross-cutting issues related to good governance, gender and the environment.

4.9.2 Brief description of the Commission's strategy

Ghana faces a number of challenges in terms of these cross-cutting issues. In environmental terms recurrent drought in northern Ghana, deforestation, soil erosion and water pollution are areas of particular concern. Having signed and ratified major international conventions on the environment, Ghana is developing legislation frameworks and byelaws for sustainable use and protection of Natural resources although enforcement of this legislation lags behind. The GPRS has identified gender disparities as a major issue in poverty efforts while good governance is considered a key issue in the area of public sector management. With regard to the Commission's response, both the 8th and 9th EDF include good governance as a non-focal sector while concentrating on public finance

management capacity through support for GoG's programmes to improve budgeting, accounting, revenue control and audit. Assistance was also provided for facilitating the monitoring role of the competent parliamentary body. Specific social sector activities addressing issues related to HIV/AIDS, environment and gender are included in the Commission's strategy but interventions are not detailed in the programming documents.

4.9.3 Synthesis of information associated with each judgment criterion

JC 8.1 The Commission's interventions in Ghana have contributed to promoting the quality of governance.

The Cotonou Agreement specifically identifies good governance issues including decentralization and the role of Non State Actors. The GPRS embraces similar concerns. The Commission's programmes all take governance issues into account, some specifically targeting governance, e.g. support to Ghana Audit Service, Human Resource Development Programme (HRDP), support to elections in 2000 and 2004. Other actions cover the issue as an adjunct to the maximum extent possible while concentrating upon a sectoral (or technical) objective. Thus, for example, rural development projects seek to minimize corruption through accountability and audit measures while supporting decentralization issues by trying to maximize community and district involvement (community involvement in project identification, management and monitoring is, in itself, a major contribution to good governance and potential sustainability compared with the more conventional central agency approach). Also, in the transport sector the donors have consistently advocated improved financial management and discipline following the run-away arrears of the 1990s. On a different level, macroeconomic support is directly related to good governance by demanding manifest accountability and transparency as conditions for release of budget support.

It can thus be stated that currently the greatest perceived issue impacting upon governance is that of public finance management and minimizing corruption. A signal is given to local authorities under MDBS 2004: specific triggers are defined with regard to the implementation of the "Freedom of Information" and "Whistle Blower" Bills.

It can thus be stated that currently the greatest perceived issue impacting upon governance is that of public finance management and minimizing corruption. A signal is given to local authorities under MDBS 2004: specific triggers are defined with regards to the implementation of the "Freedom of Information" and "Whistle Blower" Bills and of a study on institutional mandate of anti-corruption agencies. The Commission's interventions also contribute to facilitate decentralisation: endorsement of the National Decentralisation Action Plan by the Cabinet is a major trigger for governance under MDBS 2004. Decentralisation is also strengthened through the HRDP, with trainings provided to local authorities. The Commission is also structuring its interventions in favour of Non State Actors inclusion. But at the moment, donors regret a relative lack of response to this type of intervention in Ghana.

Ghana's results are positive in terms of good governance. As revealed by Aryeetey and Mac Kay (2004)¹⁰⁷, across a wide range of cross-country governance indicators Ghana scores better than the Sub-Saharan African average, including in the following areas: protection against appropriation risk, voice and accountability; political instability and violence, government effectiveness, and rule of law.

JC 8.2 The Commission's interventions in Ghana have contributed to promoting the equal participation of men and women in political, economic, social and cultural life

Programming documents make reference to gender issues, as do the GPRS. The design of Project Identification Sheets by the Delegation and Brussels Head Quarter integrates an assessment of issues related to gender and environment. But overall, gender issues are addressed in sector interventions on a piecemeal basis. Most Commission interventions implicitly promote gender equality while concentrating upon objectives to which gender-related objectives are secondary. However, there are exceptions, for instance in the area of water supply, sanitation and agriculture (provision of household water is predominantly a task for women and gender issues have been clearly address in interventions concerned with water supply and sanitation while components of MPP are directed towards women) and PSD (for instance, GRATIS Foundation was selected to be the implementing agency for the "Gender Responsive Renewable Energy Systems Development and Application" – GRESDA - project in Ghana¹⁰⁸). Similarly, feasibility studies for focal sector interventions have historically been more concerned with technical rather than with social aspects although more baseline studies are now being carried out.

Furthermore, there appear to be very few references to gender issues in any of the sector's monitoring indicators. In practice, identifiable gender-related indicators refer to education of girls (a trigger concerning release of funds under PRBS2) and maternal health (supervised deliveries and maternal mortality are triggers for release of funds under MDBS). Thus, while there is consistent emphasis on the cross-cutting imperative of gender issues, especially in the context of poverty reduction, there is little or no assessment of the impact of Commission interventions on gender related issues.

JC 8.3 The Commission's interventions in Ghana have contributed to promoting aspects related to sustainable development and environment

Commission programming documents explicitly refer to sustainability and environmental issues but usually more in a sector context than in any cross-cutting approach and there seems to be no explicit strategy for incorporating environmental or sustainability issues in Commission programmes. But as mentioned above concerning gender issues, these aspects are generally perceived as secondary objectives, they hardly reflect an overall strategy for these issues. They are usually addressed but usually more in a sector context more than in

¹⁰⁷ Aryeetey, E. and A. McKay – Operationalising Pro-Poor Growth, A Country Case Study on Ghana (2004).

¹⁰⁸ GRESDA is a programme of the UNIFEM which has supported the economic empowerment of women in Africa and other regions with a particular attention to the fact that lack of reliable, affordable and locally-available energy supplies limit women's productivity.

any cross-cutting approach and there seems to be no explicit strategy for incorporating environmental or sustainability issues in Commission programmes. That said, sector interventions in transport, mining and rural development do address project-specific environmental impacts and identify mitigation measures to such an extent that no evidence has been uncovered of any adverse environmental impacts arising from these interventions. All interventions respect national environmental legislation and in the case of support to water supply and sanitation environmental issues are central to project objectives. Most projects involving physical works have undertaken some form of environmental impact assessment at feasibility stage and an EMP is implemented during the construction phase in accordance with good international practice (in some cases this extends to including safety audits and compensation issues).

Although Commission support addresses some environmental issues, the Mid-term Review (2004) sounds a cautionary note in that Commission support *'has only limited impact on this area'* which is understood to refer to serious and widespread environmental problems nationally on which Commission activities can only be expected to make a limited impact.

Answer – The extent by which cross-cutting issues related to good governance, gender and environment are taken into account in the Commission's interventions is variable. Good governance issues are extensively addressed, either through specific programmes or by incorporation of related aspects in non-specific interventions. Gender and environment are less deeply addressed and their systematic inclusion in the Commission's programming documents hardly reflect an overall gender-related or environment-related strategy.

4.10 Evaluation Question 9 on 3Cs: Complementarity, Coordination and Coherence

EQ9: To what extent has the Commission's strategy with Ghana been designed so as to complement and coordinate its actions with other donors' programmes or with other EU Member States initiatives? To what extent has the Commission's strategy and interventions in Ghana been affected by other EU policies?

Justification and coverage of the question

The 3Cs (Complementarity, Coordination and Coherence) are mentioned in the Commission policy documents as essential to increasing the impact of interventions. Many donors provide assistance to Ghana in different domains and this question aims to assess the extent to which the activities implemented under the Commission's support to Ghana are coordinated with those of other donors and also the extent of coherence between the strategy adopted by the Commission in the country and other EU policies. It also assesses the extent to which activities implemented by the Commission complement those implemented by other donors so as to ensure coverage of the country's needs.

Synthesis of information and data associated with each judgment criterion.

JC 9.1 Activities implemented under the Commission's support to Ghana are coordinated with the other donors' interventions

Number and modalities (meetings, coordination groups, task forces, ...) of coordination mechanisms between the Commission and other donors - in particular with EU Member States at programming level. Ghana is one of the pilot countries for the Comprehensive Development Framework. During the November 1997 Ninth Consultative Group Meeting for Ghana, a key conclusion was the need to "create a mechanism for making the Consultative Group a regular process of coordination rather than a biennial event". In order to effect this recommendation, the Ministry of Finance and the World Bank have created what is commonly referred to in Ghana as the "Mini-CG." This meets quarterly, is co-chaired by the Minister of Finance and the Country Director of the World Bank, and is attended by all major bilateral and multilateral agencies operating in Ghana. Representation on the Ghanaian side depends on the agenda items, but always includes the key members of the economic team. This "Mini-CG" follows up on key issues raised at the CG itself, briefs participants on recent developments, and addresses partner coordination.

Partly as a result of this, there is strong donor coordination in almost every sector of intervention (transport, rural development, water and sanitation, public finance management, social services, governance and, most recently, PSD); only in the case of microprojects is this collaboration on an ad hoc basis. Donors' interventions are all reported to be focused on poverty reduction (although there are variations in how donors interpret this focus). However, there are some differences in the various donor instruments. The incorporation of the Commission's interventions into multi-donor programmes (SWAps, MDBS) has generated high levels of donor coordination leading for instance to the adoption of a common policy matrix including targets and triggers for release of funds. Multiple donor support to a sector is a feature of the transport and rural development focal sectors. With the exception of potential overloading of northern districts, no serious overlaps have been recorded at project level (see I.9.1.5 in Annex 6). In the same way there are considerable synergies between donor programmes in sector-wide approaches while some donors opt to absent themselves from certain activities for various reasons (e.g. the World Bank and USAID decline to fund irrigation infrastructure in Ghana).

Implementation and programming issues are generally covered by the same coordination mechanisms noted above but this coordination becomes less effective at a lower, project level (e.g. potential overloading of local capacity in the north by the influx of many donors; GoG salary level top-ups in some projects). Although, in the absence of effective GoG coordination, donors are committed to coordination at these lower levels, there appears to be room for improvement here.

More precisely, in the transport sector, development partners in the Road Sector (RDPs) hold monthly meetings with MRT, GHA, DFR, DUR, GRFB and NRSC and there are other meetings of a specialized nature (e.g. Axle Load Control Committee). These monthly meetings are coordinated by the Road Programme and Donor Coordinator, MRT. Commission leads the RDG that comprises AfDB, AFD, Danida, DFID, EU, KfW, JICA and WB. There is also an annual donor conference at which RSDP progress is reviewed

and priorities established (although it is noted that the most recent conference in March 2004 was originally scheduled for November 2003). Donor coordination in Ghana appears to be effective with the Donor Consultative Group holding quarterly 'mini-CG' meetings. There are 14 sectoral groups of which the road sector group is among the more active. Implementation issues which are common to the sector-wide approach (e.g. policy issues) are covered in the same way and with the same mechanisms as for programming. Other implementation issues which relate to individual donors (e.g. individual interventions) tend to be pursued on a bilateral basis. Examples of donor coordination are the commitment by various donors to the E-W ECOWAS trans-coastal axis (i.e. AfDB, KfW, JICA, Danida, WB) and the joint evaluation of RSDP in 1999/2000.

In the area of rural development, co-ordination mechanisms must be considered at the level of sub-sectors of interventions. For agriculture, there are two strongly functioning donor groups for co-ordination in agriculture and the Commission is a member of both. The first brings together donors and government in the MoFA and Development Partners Coordinating Group, one of 14 Sectoral Co-ordinating Groups formed out of the CDF process. The group meets 2-3 times a year. Although the co-ordination is functioning well at the information-sharing level, thus helping to avoid overlaps, there are no joint programmes at the moment. However one is under development in the proposed Agriculture Sector Support Programme in the North of Ghana, which is planned for co-financing by the Commission and France. The MTR of the 9th EDF recommended a move away from projects towards sector support in rural development, and the Commission, like some other donors, see the co-ordination groups as working towards this ultimate goal. A 9th EDF project, Strengthening Monitoring and Evaluation Capacities in the decentralised MoFA, which is presently under preparation, aims among other things to develop effective linkages between MoFA's Policy Planning Monitoring and Evaluation Directorate and other stakeholders, particularly at the decentralised level. Donor co-ordination is however much less at implementation level, although it does exist. For instance, GTZ, CIDA and JICA have been providing TA to World Bank funded activities. At district level there is a major concern that GoG capacity may be overstretched as more and more donors begin to work in the three northern regions in response to the GPRS. Lack of co-ordination is illustrated by the practice by some donors providing salary top-up in one form or another to GoG officials. IFAD, which is a major development partner in the North, provides 5-to10-fold top-ups which causes problems for other donors.

For Water and Sanitation also there is strong donor co-ordination with regular meetings of donor agencies active in water. There are also co-ordination groups for the water sector. On the Government side, water is one of the 14 Sectoral Co-ordinating Groups mentioned above. However until recently the group in this sector was inactive. The group is led by the Ministry of Works and Housing and chaired by its Directorate of Water. In addition to donors, membership includes a number of government and semi-autonomous agencies, as well as NGOs engaged in the sector. In the past leadership from the Ministry has been weak, particularly when compared with the Food and Agriculture group, but this may change after the creation of a Water Directorate under the MWH earlier this year, and the launch under the Water Resources Commission of a strategic planning process for water in mid-2004. One of the co-ordination problems faced in this sector is that, unlike agriculture, it lacks an overarching government policy document, so that there is as yet no mechanism

for co-ordinating interventions. Such a document is now under development through a consultative process. The second group is the Development Partner Water Group (DPWG), which is led by CIDA, and normally meets quarterly (or on an “as needed” basis) to discuss policy and co-ordination issues and try to engage GoG on sectoral issues of common interest. As has been reported to the evaluation team during the field mission, the group is functioning well. Donors also tend to co-ordinate activities at grass roots level. For example, AfDB, CIDA and the Commission have agreed among themselves not to overlap in districts where all three work, and there is good co-ordination at the level of drilling. However there is little co-ordination at the level of sharing information, or at the level of activities, such as the development of training manuals. There is even a reluctance to share information between projects in areas such as lessons learned and the development of best practice. At one point Danida took the lead in the development of model by-laws for water, but these efforts came up against the problem that the local WSDBs have no legal status.

Microprojects are not a sector as such, and the Programme has no sectoral parent ministry (it is in fact parented by the Ministry of Finance). The disadvantage is that there is no overall sectoral policy to provide guidance. There is no donor co-ordination group for Microprojects and any co-ordination that occurs is purely ad hoc.

The area of macroeconomic support is also characterised by strong donor co-ordination. Previous budget support programmes were implemented by the Commission on its own. Coordination meetings were taking place with other donors but in practice transaction costs were high as the GoG had to comply with a set of conditions that were specific to each donor. The 9th EDF BS programmes PRBS 2 is implemented in the framework of the MDBS which naturally generates a high degree of coordination between donors. In particular, it led to the adoption of a policy matrix including targets and triggers (i.e. the conditions to which the GoG must comply for the variable tranches to be released) that are common to each donor thereby significantly reducing the transaction costs for the GoG. The MDBS is the occasion of regular meetings (around 10 a year). These are not systematically organised on a calendar base but rather on specific occasion when particular issues must be discussed. Interventions programmed and implemented in the framework of the support to the GAS programme did not used to be coordinated with other donors in a very efficient nor systematic way. The GoG, through the PUFMARP, was in practice the coordination agency but meetings were irregular and the programme came to an end in 2003. Coordination is now taking place under the auspices of the Public Finance Management (PFM) group which gathers donors involved in this area and become much more effective than before. Meetings are taking place every two months. Coordination nevertheless remains an issue of concern for PFM interventions and their articulation with actions taken by the GoG.

Finally, in social sectors, monthly meeting are organised with GoG and donors, both in health and education. Concerning health, a biannual health summit is organized with the MoH and donors, to prepare the next year Work Plan. There are also quarterly meetings. However these monthly meetings on health are not completely places to discuss policies and interventions. These aspects should be improved. Donors meetings are regular and frequent.

JC 9.2 *The achievement of the overall objectives of the Commission's support to Ghana is coherent with the provisions related to other EU policies*

Overall, policy and programming documents do not identify possible linkages between the cooperation strategy for Ghana and other EU policies and thus it is difficult to directly confirm either conflicts or synergies with other EU policies. Trade or the common agricultural policies are the most likely to interfere with the Commission's cooperation strategy in Ghana.

Evidence of synergies or conflicts with the EU trade policy exist. The EU is the main trade partner of Ghana (in 2003, 50% of Ghanaian exports were directed to EU markets while 32% of Ghana's imports originate from the EU¹⁰⁹) and the trade balance with the EU features a recurrent surplus in favour of Ghana. Ghana's exports to the EU are to a large extent dominated by primary products like cocoa, aluminium and wood, products for which the EU grants free entry on its domestic market. This implies that more than 90% of Ghana's exports to EU markets are in fact free of duties¹¹⁰ and have benefited from the preferences granted to Ghana as an ACP country under the regime inherited from the Lomé conventions . Current international trade conditions potentially penalises those engaged in food crop agriculture for which the subventions allocated to EU and American farmers constitute a serious threat to the sustainability of their incomes and their ability to escape from poverty. Most imports from the EU are commodities not subject to export subsidies¹¹¹ and it is thus inferred that it is unlikely that the EU common agricultural policy has adversely affected the Commissions co-operation strategy for Ghana. However, subventions and aid received by European agriculture are also likely to introduce significant distortion in international competition and have had a dramatic impact on some agricultural sub-sectors in Western Africa. Ghana is now Africa's largest importer of tomato concentrate from southern Europe (especially from Italy) which are principally processed from fresh subsidised tomatoes. Imports of such products (tomatoes, prepared or preserved otherwise than by vinegar or acetic acids) from the EU indeed represents 2,5% of total imports from the EU and ranks as the fifth item in importance (the first one being imports of motor cars and other motor vehicles which represents 5,1% of total imports from the EU). This has contributed to the breakdown of the country's tomato canning industry and all related up and down-stream activities (e.g. producers, transporters)¹¹². At one point subsidised EU beef was being dumped on the local market, but Brussels has put an end to this practice. However subsidised EU milk powder is still being dumped on the Ghanaian market. This is probably not a very important issue at the moment, but it could become one, as the MoFA Strategic Plan for 2005-2007 identifies a

¹⁰⁹ Institute of Statistical, Social and Economic Research - The State of the Ghanaian Economy in 2003 (2004).

¹¹⁰ A tariff quota applies to non-LDC ACP tuna-exporting countries, such as Côte d'Ivoire, Ghana, Mauritius and the Seychelles (Agritrade - Agricultural Trade Issues, June 2004).

¹¹¹ About two-thirds of Ghanaian imports are manufactured products, comprising mainly machinery and transport equipment, chemicals, other semi-manufactures, and other consumer goods (WTO – Trade Policy Review, Ghana, 2001). In 2002, the imports from the EU represented around 32% of total imports, the main products concerned being motor cars, petroleum products, electrical equipment, clothing medicine and spare parts (EU- http://trade-info.cec.eu.int/doclib/docs/2004/april/tradoc_116845.pdf#zoom=100&page=30). Other significant imports are agricultural products, including foodstuffs and unprocessed raw materials, such as wheat, sugar, and rice, and fuels, mainly crude oil (WTO – Trade Policy Review, Ghana, 2001).

¹¹² Aryeetey, E. and A. McKay – Operationalising Pro-Poor Growth, A Country Case Study on Ghana (2004).

number of programmes to increase the quantity and improve the quality of domestic milk production through measures such as cross-breeding local strains with Friesians, increasing and improving the hygienic quality of milk production in peri-urban areas, and improving vaccination services for cattle¹¹³.

Finally, Ghanaian cocoa is very often cited as a textbook example of the fact that the EU trade policy filters out exports of value-added products. Imports of cocoa is free of EU markets but is manufactured in Europe as tariffs on processed chocolate products would significantly raise prices of these products if they were manufactured outside the European Union (in 2004, the average EU tariff on cocoa and cocoa preparations is 17.9% and ranges between 0 and 68.9%¹¹⁴). Although theoretically correct, the argument is factually flawed in this case, as the processing of cocoa (i) features important economies of scale and hence implies a small number of large production plants and (ii) requires (for product stability reasons) the use of cocoa beans from several origins. Given these facts, Ghana has no comparative advantage in terms of locating cocoa processing industries.

JC 9.3 The distribution of donors' activities ensures the coverage of the main constraints and needs of the country

Under the Comprehensive Development Framework, all development sectors have multiple donor funding. The distribution of donor sectors of intervention is set out in detail in a donor matrix appended to the CSP/NIP 2002/2007 which allows to check that GPRS sectors are effectively covered by the donor community. Co-operation mechanisms between donors are generally efficient and seeks the complementarity of their actions. As an example, the Commission no longer focuses on HIV/AIDS, because funds and activities implemented by other donors and NGOs already cover most of the needs of the country in this area. In the transport sector, an analysis of the portfolio of each donor is also included in both CSP 1996/2001 and CSP/NIP 2002/2007 (that is EU member states, bilateral and multi-lateral funding agencies) so as to identify the coverage of each development partner and avoid overlaps. In agriculture and food security, the main subsectors are all covered to some extent, but conflicts may arise, most importantly between food aid and the market prospects for Ghanaian farmers (particularly in the rice and wheat markets; see Annex 6, indicator I 9.3.1).

The articulation of the co-operation strategy for Ghana with the regional strategy for the West African region is limited. There is clear evidence of national interventions contributing to wider regional objectives (e.g. rehabilitation of international road transit corridors) or of programmes financed under the RIP (particularly in the health and agriculture sectors). However, there appear to be few explicit links between the Commission's national and regional strategies. This is not to say that Ghana will not benefit from the current RIP, it is simply that there appears to be a lost opportunity for greater complementarity of RIP and NIP to the benefit of both in terms of greater and wider impact.

¹¹³ MoFA Strategic Plan for 2005-2007, 2004

¹¹⁴ WTO – Trade Policy Review, European Communities (2004).

Answer – Donor’s activities ensure a wide coverage of the main constraints and needs of the country. This is partly explained by the large number of effective coordination schemes in almost every sector of intervention. Although coordination is found to decrease at lower level of implementation, the Commission has a clear view on the distribution of donor sectors of intervention over the country. As a result, no detrimental overlaps between donors’ interventions were identified. This reveals a high degree of complementarity of the Commission’s strategy with that of other donors. Finally, it is likely that other EU policies have significantly affected some sectors of the Ghanaian economy. In particular, the trade and the CAP may have had important adverse impact on particular industries but the extent to which this affected growth and poverty in Ghana is not clearly established.

4.11 Evaluation Question 10 on Sustainability

EQ10: To what extent are the results achieved through the Commission’s interventions in Ghana likely to be sustained without further Commission support?

4.11.1 Justification and coverage of the question

To produce long-lasting effects, development assistance must be sustainable, i.e. it must deliver results that can be maintained once support comes to an end. This question attempts to assess the extent to which results achieved in the areas of transport, rural development, macroeconomic support, private sector development and social sectors can be sustained after the termination of Commission support.

4.11.2 Synthesis of information associated with each judgment criterion

JC 10.1 *The transport infrastructure financed by the Commission achieves reasonable levels of serviceability and durability as reflected in the sectoral policy documents.*

Despite official assurances to the contrary, scepticism remains about the Ghana Road Fund’s ability to deliver sufficient revenues to cover all maintenance needs. With hindsight, the assumption of a reduced maintenance gap was wrong. Although it is reported that all roads recently funded by the Commission are in acceptable condition, the effects of maintenance neglect are already evident. The prime factor supporting RSDP/TRIP development objectives is a realistic policy for road maintenance i.e. (a) correct balance of capital/recurrent expenditure, (b) adequate sustainable funding, (c) optimal use of resources through good programming of works, and (d) good quality and cost-effective works. At present there is still a considerable distance to be travelled before these goals can be said to have been fully reached.

JC 10.2 Projects that have been supported by the Commission in the area of rural development survived or are likely to survive the suspension of the Commission's support.

Local funding to maintain public sector projects comes from two sources, the district's grant from central government and user fees. At the moment, under the decentralisation policy, 10% of government spending is channelled through the districts, but this is due to increase to 15%. If this is attained, it could enhance prospects for local operation and maintenance of Commission-supported capital works. The prospects for user fees covering running costs are good where people are willing and able to pay the price. This is the case with market infrastructure, water supply and schools. Prospects are also good for sanitation where the facility is built in crowded areas like markets, or on private property for the owner's benefit. Prospects are much less favourable where users are poor and a traditional alternative is available, as in the case of public latrines in villages. Initiatives designed to eradicate an endemic problem, such as CSS virus disease in cocoa, or guinea worm contamination of water supplies, are special cases as, if the eradication effort is successful there will be no need for further funding, local or otherwise.

Water: Income from user fees is generally sufficient to cover cost of O&M, repairs and even minor extensions, although they are unlikely to cover larger extensions and will not cover replacement. This situation is in line with the draft Small Towns Water and Sanitation Policy, which implies that communities should bear the cost of repair and maintenance over the system's estimated life span, but that replacement or major rehabilitation when it becomes necessary should be funded from outside the community. Sustainability prospects will be further improved if consumption increases. At present consumption is significantly below design capacity, and is growing only slowly.

Sanitation: In the case of public latrines in villages, the prospects of sustainable financing seem to hinge on a concerted educational effort to persuade the community that it is in everyone's interest to provide affordable public facilities for those that cannot afford them at household level. This is unlikely to prove an easy task.

Agriculture: Since the main element of the CSS Programme is disease eradication, long-term support should not be necessary. Due to implementation delays, however, this will require at least one more round of funding. In the case of the proposed food crops sub-sector project in the north, the sustainability issue will arise as experience indicates that those who are really poor cannot contribute to project costs.

Microprojects: Prospects for sustainability for many microprojects are encouraging. In the case of schools built under MPP, teachers' salaries are already met by the Ministry. Maintenance costs are now largely funded by the PTAs, which levy fees for the purpose. In the case of boreholes a similar situation applies, with each member of the community paying a monthly fee for access to the facility.

JC 10.3 The macroeconomic framework designed with the support of the Commission contributes to a long-term macroeconomic stability

In recent years Ghana's macroeconomic performance has been good. Growth rate have increased in line or above targets, major imbalances have been reduced and interest rates have fallen. Performance with regard to inflation has been less satisfactory as the target to lower inflation to single digit rate has not been reached (see JC 4.1 above). Some important reforms have improved fiscal discipline and public administration. However long-term macroeconomic stability mainly relies on (i) the capacity and willingness of the GoG to maintain the orientation it has adopted in macroeconomic policy, and (ii) the capacity of the country to reduce its vulnerability to shocks. The latter can be achieved only by diversifying the production and export base. Positive moves have been made towards the former through important new legislation. There is also an increase in general PFM capacities. On the other hand there is no evidence that vulnerability to shocks has been substantially decreased, and GoG's capacity to limit the extent to which such shocks affect the macroeconomic balance is debatable. Progress has been generally slow on structural reform, especially in the divestiture programme. The presence of SOEs remains worrying in key economic sectors for a number of them are in a precarious financial situation.

JC 10.4 The Commission's interventions have contributed to the creation of a long-lasting environment conducive to private sector development

Changes in the regulatory framework aimed at promoting an enabling environment for PSD have been limited, although the rate of change has recently picked up. The extent to which the Commission's interventions have contributed towards an enabling environment is unclear. Indeed, most of its programmes in this area are targeted on operators, rather than the institutional framework, and the impact of the Commission's interventions on the legal and regulatory environment has been limited. There is no information on the number and volume of loans obtained by SMEs from the private financial sector, but allocation of domestic credit indicates clearly that this sector is increasing its share of total credit. Moreover, both the central bank prime rate and the treasury bill 91-day discount rate have declined steadily, although the response of commercial rates has been rather low, reflecting structural weaknesses of the financial market. This implies that, although particular projects/programmes have produced long-lasting results (e.g. acquisition of new skills or technologies), moves towards the emergence of an environment conducive to PSD have been modest which potentially reduces the sustainability of the Commission's PSD interventions. In the mining sector, the technical assistance provided to mining under the EIA sub-project is likely to help improve the regulatory framework and boost environmental sustainability. Likewise, the Mercury Abatement sub-project is expected to influence the legal framework for sustainability, although it is proving difficult to convince small-scale miners to use the new technology.

JC 10.5 The support provided through budgetary support contributed to permanent reforms in the GoG's sectoral policies for health and education

The process of consensus-building in Health has not been easy. In 2000 the donors threatened to stop financing the sector if the MOH continued investing in projects thought by many to reflect no more than electoral priorities, but the situation has not changed. The proposed National Health Insurance Scheme is in part designed to promote access to health care for the poorest segment of the population but its financial viability is in doubt. There are similarly conflicting views in Education, as in the case of the MOEYS' decision to focus more on tertiary education at a time when donors had been pushing for a focus on basic education. The sustainability of interventions in social sectors thus strongly depends on the fulfilment of the GoG's commitment to effectively prioritise access for the poorest to basic social services.

JC 10.6 Stakeholders and private sector are involved in management and implementation of sector programmes

This applies mainly to transport, where private sector involvement is high. Almost all road maintenance and capital works are undertaken by national or international private contractors, with over 90% of contracts being awarded by competitive tendering. However it is reported that this system has become even more lax than previously, so that some contracts are being awarded to firms without the resources, equipment or experience to undertake the work. The predictable result is poor quality and late or uncompleted works. Given the large private sector role in this sector, the GoG committed to implement a reduction of force account about a decade ago, and the results have been impressive on paper. In fact, however, it was budget constraints that brought about the desired results. In identifying focal sectors, there has been close cooperation between GoG and the EU member states, contributions from civil society, and feedback from consultative workshops held in various parts of the country. The Ghana Road Fund Board (GRFB) has representation from the private sector ('hauliers' and transport operators, associations, other stakeholders) and the public sector, but overall direction appears to be under ministerial control.

Answer – The sustainability of the Commission's interventions varies from sector to sector. Sustainability is likely to be high in the areas of macroeconomic support and in most of the rural development components. It is lower in the transport and social sectors. For the first, the main cause is the incapacity of the Ghana Road Fund to deliver sufficient revenues to cover all maintenance needs while for the second, it relates to the ability of the GoG to hold on its commitments and to the financial viability of the NHIS.

Chapter 5 - Conclusions

Conclusions are organised so as to provide a global assessment of the Commission's strategy for Ghana. The Evaluation Questions cover five evaluation criteria (relevance, effectiveness, impact, efficiency and sustainability), crosscutting issues and 3Cs. The strategy is therefore assessed against these criteria and on the basis of the answers to the Evaluation Questions and the underlying analysis reported in Chapter 4.

Conclusions first focus on the relevance of the strategy both to the Commission's overall and general objectives and to the country's priorities. They also address the extent to which the Commission's strategy has contributed to the achievement of enhancing growth and reducing poverty. The analysis then turns on the extent to which specific and operational objectives identified for each sector in the reconstruction of the logic of intervention (see the generic logical diagram displayed in Annex 2) have been achieved. Finally, aspects related to implementation modalities including, crosscutting issues and 3Cs are discussed.

5.1 Conclusions on global and general objectives of the strategy

The Commission's strategy for Ghana is broadly relevant to the general objective of fostering growth and poverty reduction but the extent to which it is based on an in-depth analysis and prioritisation of objectives is unclear.

Conclusion 1.1 – Based on JC 1.1, 1.2 and JC 1.3.

The Commission's strategy for Ghana is broadly relevant to the general objective of fostering growth and poverty reduction but the extent to which it is based on an in-depth analysis and prioritisation of objectives is unclear. The Commission's strategy forms a coherent set of interventions relevant to some of the main constraints affecting the country's growth potential as well as key aspects of its poverty dimension. However, the selection of sectors of interventions and allocation of funds seem to result from a pragmatic approach guided by the GoG's agenda, activities of other donors and the Commission's own experience. The extent to which they also reflect a genuine strategic choice based on an in-depth technical analysis of the context and a prioritisation of objectives is unclear. Given the information reported in the Commission's programming documents, it is difficult to rationalise the extent to which the strategy and the selection of sectors of intervention effectively address the country's objective priorities. The Ghana CSP/NIP 2002/2007 responds to the requirements of the "Guidelines for Implementation of the Commission Framework for Country Strategy Papers". However, the country analysis that these Guidelines recommend to achieve is too superficial to rationalise a country strategy. CSPs are policy documents and as such cannot at the same time constitute the comprehensive, archived and regularly updated technical document that should be the basis of the strategic choices described in CSPs.

The Commission's interventions have a pro-poor orientation which varies across sectors of interventions.

Conclusion 1.2 – Based on JC 1.1 and JC 1.2.

The Commission's interventions have a pro-poor orientation which varies across sectors of interventions. Most of the Commission's interventions are designed so as to be supportive of the objective of economic growth and poverty reduction, whether this turns out to be reflected in the geographical focus of the interventions or in the segments of the population they target. The Commission's strategy is indeed closely articulated to the GoG's development policy which is based on these two objectives. This however implies that the capacity of the Commission to effectively orient the interventions towards one or the other objective depends on the capacity and the willingness of the government to streamline the assistance to the beneficiaries targeted by the donor. From this point of view, the Commission strategy may to some extent be at odds with the GoG's views as the latter seem to favour a poverty reduction strategy which is mainly growth led.

Poverty and Growth in Rural Development.

Conclusion 1.3 – Based on JC 2.1 and JC 2.2.

Poverty and Growth in Rural Development. The Commission's interventions in the area of rural development have done much to tackle rural poverty but less to foster economic growth. Even before a northern focus was adopted under 9th EDF, RD efforts targeted other deprived rural districts and have provided infrastructure with considerable poverty-reduction potential. The Commission's interventions targeted to improving agricultural production systems and diversification of the sector have however been limited both in scope and in space. The main growth pole in the RD portfolio has been restricted to the cocoa sector and, until now, did not incorporate sufficient actions to properly activate the high potentials of agricultural growth in view of reducing poverty, especially in the most remote areas.

Poverty and Growth in Transport.

Conclusion 1.4 – Based on JC 3.2 and JC 3.4.

Poverty and Growth in Transport. The Commission's interventions in the area of transport, through rehabilitation and upgrading of trunk and feeder roads, institutional support, prioritisation and programming of sector programme have all contributed to the objective of enhancing economic growth. However, sustainability of all components is seriously in doubt. The contribution of interventions in the transport sector to the objective of poverty reduction is less clear. From this point of view, one should distinguish interventions focused on trunk roads from those focused on feeder roads. For some areas, the only access to markets is through feeder roads and thus the link to poverty may be indirect but exists. However, there does not seem to be a strategy to systematically reach the poorest segment of the population, not to measure the impact of such interventions on rural poverty. In the case of trunk roads rehabilitation, the majority of activities concentrated on large roads and in areas where poverty incidence is not the highest.

The Commission's interventions in the area of macroeconomic support and public finance management are relevant to address the needs and constraints of the Ghanaian economy.

Conclusion 1.5 – Based on JC 1.2 and JC 1.3.

The Commission's interventions in the area of macroeconomic support and public finance management are relevant to address the needs and constraints of the Ghanaian economy. The country has been characterised by important macroeconomic imbalances and weaknesses in its public finance management system, which have significantly hindered its development. In such a context, the provision of budget support to the structural adjustment process coupled with projects in the area of public finance management is an appropriate response. Budget support programmes have been implemented in a general economic and institutional environment which presented many risks, including the lack of a coherent macroeconomic policy. Improvements have nevertheless been observed, in particular with (i) the adoption by the GoG of the GPRS, which now constitutes a framework to which interventions can appropriately be anchored and (ii) the participation of the Commission to a multi donor budget support programme which has helped to increase both the coherence between donors interventions and reduce transaction costs for the GoG.

The importance of PSD has been steadily decreasing in the Commission's strategy.

Conclusion 1.6 – Based on paragraph 4.5.1, JC 4.1 and JC 5.3.

The importance of PSD has been steadily decreasing in the Commission's strategy. Resources and the number of PSD programmes/projects incorporated in the NIP have been substantially reduced from the 7th to the 9th EDF. PSD activities are still funded by other instruments but which are not genuinely incorporated in the country strategy. This conflicts with the fact that PSD is a key factor in the development process of the country. In particular, it is crucial to tackle the vulnerability of the Ghanaian economy to internal and external shocks, which mainly stem from the concentration of Ghana's production and exports on a limited number of products. It is also an important vector of poverty reduction since, as reflected in the GPRS, it is in economic sectors with a large predominance of the private sector that the reduction of the poverty incidence was the most remarkable. Finally, PSD is also central to the Commission's strategy because of the numerous synergies one can expect with other sectors of intervention, and in particular with the two focal ones.

5.2 Conclusions on specific and operational objectives

5.2.1 Rural Development

In general, effectiveness of interventions in the area of rural development appears to correlate (a) negatively with requirements for local contributions, (b) positively with the strength of the implementing agency, (c) negatively with the number of partners involved, and (d) negatively with the complexity of the intervention.

The RD projects have been effective in increasing access to safe water and sanitation, and to basic economic and social facilities.

Conclusion 2.1 – Based on JC 2.1 and JC 2.3.

The RD projects have been effective in increasing access to safe water and sanitation, and to basic economic and social facilities.

Technically the most successful intervention has been the STWSP, where only a 5% local contribution was required: the implementation agents were contractors, and the partners were a handful of towns. 5th MPP constitute the main part of the RD portfolio contributing to improve access to basic economic and social facilities, mainly through the provision of schools and of medical facilities. From this point of view, the programme has been very effective attaining to a large extent its expected results. Positive impact of the STWSP is demonstrated by the improvement in water quality that has been achieved and maintained. This has presumably contributed to the reduction of water-borne disease although the lack of baseline studies and monitoring at the point of consumption makes it difficult to be definitive. As far as the impact of the 5th MPP is concerned, the programme has contributed to a more conducive learning environment for pupils and facilities for teachers that may encourage them to remain in rural areas but the lack of a meaningful baseline survey makes it difficult to estimate the Programme's contribution in terms of beneficiaries.

RD projects have been less effective in improving productive systems and diversifying the Ghanaian agriculture.

Conclusion 2.2 – Based on JC 2.2 and JC 7.1.

RD projects have been less effective in improving productive systems and diversifying the Ghanaian agriculture. Agricultural interventions have been limited to the CSSP which proved to be the least successful of the RD projects. The Commission's contributions were only around a third of the resources allocated to the programme, the implementing partner has just gone through a major reorganization and loss of resources, and hundreds of thousands of small farmers. Too a large extent, these features explain the poor performance of the CSSP compared to STWSP and 5th MPP. In technical terms, construction of physical infrastructure is evidently more straightforward than identifying which individual trees out of millions are actually infected, and then eradicating them completely. The impact on the productivity and diversification of the agricultural sector seems to be limited. In particular, the sector remains characterised by rigid structures and the production of low-value agricultural products. Lack of efficient land tenure and administration systems implies land tenure insecurity which limits investment and development of the sector. Agricultural investment is low and less than 2% of arable land is under irrigation. Agriculture however remains crucial for the achievement of the objectives of growth and poverty reduction, since agricultural growth creates demand for rural non-farm activities, which is the most promising way out of poverty in rural areas.

Many RD Projects have contributed to capacity building.

Conclusion 2.3 – Based on JC 2.1, JC 2.3 and JC 7.3.

Many RD Projects have contributed to capacity building. The 5th MPP works directly with districts and communities and has helped to improve their capacity and sense of ownership, which is in line with the GoG's decentralisation policy. The same can be said of the STWSP, which has been effective in helping create capacity and ownership through local WSDBs.

Many interventions in the area of Rural Development are likely to be sustainable.

Conclusion 2.4 – Based on JC 10.2.

Many interventions in the area of Rural Development are likely to be sustainable. Many RD projects outside of agriculture are now generating sufficient operational funds, and the sense of community ownership is high. The increase in capacity obtained through putting in place institutions and processes (Cfr. Conclusion 2.3) is likely to maintain its positive impact even after possible termination of the related assistance. Human, plant and animal disease eradication programmes, provided they are successful, are sustainable by definition. In the case of agriculture in northern areas, the sustainability of interventions like credit schemes may not be achievable, but it is much too early to be definitive on this.

Sustainability and poverty reduction can conflict.

Conclusion 2.5 – Based on JC 10.2 and JC 2.1.

Sustainability and poverty reduction can conflict. Local funding to maintain public sector projects comes from district's grant, from central government, and from user fees. The prospects for user fees covering running costs are good where people are able to pay the price. Sustainability and poverty reduction may therefore be mutually contradictory, because poor people cannot normally afford the full user fees that make interventions sustainable. This conflict is most likely in the areas of agriculture, health, water, sanitation and schools.

5.2.3 Transport

The contribution of the Commission's interventions in the area of transport to the enhancement of the institutional framework has been limited.

Conclusion 3.1 – Based on JC 3.1 and JC 7.2.

The contribution of the Commission's interventions in the area of transport to the enhancement of the institutional framework has been limited. The Commission's interventions in the area of transport have contributed to GOG's capacity to develop and implement a sectoral approach to transport infrastructure. Significant effort has been made in support of a sector-wide approach to transport management but although government asserts ownership and commitment to this approach, delivery of policies, actions and commitments as set out in successive Letters of Sector Policy has been only partial and late. Serious capacity, ownership and management issues including budgetary control, programming, prioritisation and fiscal continence still remain to be addressed.

The Commission's interventions have contributed to significantly facilitate rural access to markets, services and social facilities but not in the most deprived areas of Ghana.

Conclusion 3.2 – Based on JC 3.2 and JC 3.3.

The Commission's interventions have contributed to significantly facilitate rural access to markets, services and social facilities but not in the most deprived areas of Ghana. The interventions of the Commission have produced positive outcomes which include increased transport services and reduced waiting times, increased agricultural production, easier marketing of farm output, ingress of more traders to previously inaccessible areas and improved access to social services. More attention is now being paid to rural accessibility with increasing support to feeder road rehabilitation that should bring significant direct impacts on rural poverty reduction while trunk road rehabilitation and upgrading is contributing to regional integration and international trade movements. Interventions under TRIP II have however concentrated in western Ghana. The absence of coverage in the north may nevertheless be partly explained by the fact that other donors promote transport interventions in the region. Finally, there is a general lack of data on the impact of transport on poverty and the extent to which programming, implementation and monitoring of transport interventions systematically mainstream the high complementarity with those in rural development remains limited. Also, given that these sectors are a very large percentage of the Commission's portfolio, there is certainly a *prima facie* case for some closer articulation efforts at strategy level.

The achievement of the Commission's interventions in the area of transport is hampered by resource limitations and persistent maintenance backlog.

Conclusion 3.3 – Based on JC 3.4 and JC 10.3.

The achievement of the Commission's interventions in the area of transport is hampered by resource limitations and persistent maintenance backlog. Funding of the sector, whether for maintenance or ambitious capital works programmes, remains seriously insufficient whilst use of secured funds is suspect in terms of allocation, works quality and supervision. There is at present no sustainable basis for road maintenance funding. As a result, the periodic maintenance backlog continues and routine maintenance does not cover the entire national network. Consequently, although network condition is improving, but this is only at about half the planned rate. This maintenance neglect seriously erodes the achievements in rehabilitation and upgrading by failing to prevent premature decay of poorly maintained roads.

Weaknesses in maintenance impact on the sustainability of interventions.

Conclusion 3.4 – Based on JC 10.3 and JC 7.1.

Weaknesses in maintenance impact on the sustainability of interventions. Most feasibility studies and EIAs cover maintenance needs, and contracts for major roads (but not usually for feeder roads) contain a plan for this. However maintenance then depends upon the highway agency actually carrying out timely maintenance, and in many cases this does not happen. Sustainability is therefore a major issue in the roads sector.

5.2.4 Macroeconomic Support and Public Finance Management

The Commission's interventions in the area of macroeconomic support and public finance management have generally been effective in delivering their results although their impact in some areas is relatively weaker.

Conclusion 4.1 – Based on JC 4.1, JC 4.2 and JC 4.3.

The Commission's interventions in the area of macroeconomic support and public finance management have generally been effective in delivering their results although their impact in some areas is relatively weaker. In particular, they have contributed to improve the macroeconomic framework and the public finance management systems. However, much progress remains to be achieved to reduce general fiduciary risks and improve budgeting practices. Impact of the Commission's interventions is more difficult to assess. Support to the GPRS and to social sectors does not always show positive evolutions. The delivery of basic social service has indeed improved (indicators related to the installation/rehabilitation of facilities are either on track or achieved) but their impact on health and education outcomes remains limited. Progresses as measured by indicators related to impact are generally less satisfactory, for instance with regard to the GPRS targets. In a number of cases, effective use of facilities remains low this is partly explained by lack of human resources. This questions the comprehensiveness of policies in these areas and the extent to which GoG's poverty reduction strategies are effectively translated into mid-term plans and budget realities.

The effectiveness of the Commission's interventions in the area of macroeconomic support and public finance management has been adversely affected by the poor programme design.

Conclusion 4.2 – Based on JC 4.3 and JC 7.1.

The effectiveness of the Commission's interventions in the area of macroeconomic support and public finance management has been adversely affected by the poor programme design. In particular, weaknesses and loopholes in implementation modalities have led to serious delays in the release of funds which goes against one of the fundamental objective of budget support which is to improve the predictability of assistance. Moreover, the erratic disbursements of funds has hampered the capacity of these programmes to foster the elaboration and implementation of the GoG's medium and long term policy agenda. Noticeable progress has nevertheless been achieved in programme formulation, as design has constantly improved over time in terms of both quality and rigor.

Some areas of the process through which budget support is channelled to beneficiaries so as to produce expected impacts are less represented in the policy dialogue and monitoring than others.

Conclusion 4.3 – Based on JC 4.3, JC 6.3 and JC 7.1.

Some areas of the process through which budget support is channelled to beneficiaries so as to produce expected impacts are less represented in the policy dialogue and monitoring than others. Policy dialogue and monitoring have mainly taken place either (i) at high levels in the chain linking the different stakeholders involved in the implementation of the policies supported by the Commission's budget support or (ii) at the end of process through the use of performance indicators. The policy dialogue is less focused on intermediary levels like

technical ministries, decentralised agencies or beneficiaries. As a result, some issues either related to important changes in the context affecting the sectors supported or to the effectiveness of implementing agencies in delivering their services receive less attention. As a consequence, the policy dialogue is disconnected from the field in which the assistance provided through budget support is supposed to deliver part of its results.

5.2.5 Mining and Private sector development

The Commission's interventions in the area of PSD have globally been successful in achieving their respective objectives.

Conclusion 5.1 – *Based on JC 5.2, JC 7.1 and JC 7.2.*

The Commission's interventions in the area of PSD have globally been successful in achieving their respective objectives. In a majority of cases, projects were correctly designed and based on a clear and reasonable logical framework. Implementation was generally satisfactory and did not hamper the attainment of the projects' objectives. A majority of the projects implemented during the period covered by the evaluation proved to have delivered their expected results and beneficiaries mostly reported contentment with respect to the form and nature of the assistance provided. Exceptions are projects for which important delays occurred due either to distant relationship between the implementation agency and Europe-based headquarters or to interventions in capital markets which, among the PSD interventions implemented by the Commission worldwide, have proved to be the most deficient. The reasons of such failures are however clearly identified which allows compensatory PSD interventions for which the Commission seem to have the capacity and experience required to ensure success.

The Commission's interventions have focused on private operators rather than on the legal and regulatory framework.

Conclusion 5.2 – *Based on JC 5.1.*

The Commission's interventions have focused on private operators rather than on the legal and regulatory framework. The Commission's interventions in the area of PSD are mainly targeted to providing direct support to private operators. Both projects funded under the NIP and those funded under other instruments have in fact aimed at increasing the capacity of local firms to acquire new technologies, improve their competitiveness on world markets or the efficiency of the production process. To the exception of a component included in a particular project, the PSD interventions of the Commission did not address the weaknesses of the legal and regulatory framework surrounding the private sector. This can however be partly explained by the fact that the GoG has just recently started to frame a policy outline in this domain. There were therefore few credible frameworks to which the Commission's interventions could be anchored.

The main constraints of the Ghanaian private sector are institutional.

Conclusion 5.3 – Based on JC 5.1 and JC 5.2.

The main constraints of the Ghanaian private sector are institutional. The main factors limiting the performances of the Ghanaian private sector are macroeconomic instability, weak infrastructure, low productivity, lack of local business partners and inefficient banking and financial system but also the lack of a sound regulatory framework. In particular, the Investment Code and other important bodies of regulations like the Customs Code need updating. Bottlenecks in company incorporation, labour laws, access to land, tax regime and administration as well as the still important involvement of the GoG in some sectors of activities also limit investment and the development of the private sector. Policies in key sectors should also be defined to create a private sector enhancing environment. Moreover, the need to closely integrate trade and private sector policies in Ghana's efforts to restructure the economy and improve its international competitiveness is widely recognised¹¹⁵. Ghana's trade policy has been the subject of substantial reforms with the principal objective of promoting export-led growth by broadening the economy's export base and a more competitive manufacturing sector. In particular, efforts have been made to improve customs administration to facilitate trade, such as the implementation of the transaction value and termination of pre-shipment inspection. However, some important issues still need to be tackled, in particular the Economic Partnership Agreements' (EPAs) that are currently being negotiated between the European Union and the different sub-regions of the ACP group, including ECOWAS. EPAs will have considerable consequences for the domestic economy in the sub-region and therefore will be a critical element in defining the direction of the region's economic - and in particular private sector - development in the next decade or two. While the ECOWAS governments and the Commission are still agreeing the road map for the negotiations, EPAs have not been discussed fully with local stakeholders.

Impact against the objective of developing the private sector and contributing to the diversification of the production/export base is weak.

Conclusion 5.4 – Based on JC 5.3.

Impact against the objective of developing the private sector and contributing to the diversification of the production/export base is weak. The fundamental structure of the country's economy has remained relatively unchanged over the period covered by the evaluation. This is reflected in the contribution of the different sectors of activity to the country's GDP which have not featured substantial evolution. Two traditional commodities, cocoa and timber, still largely dominate commercial agriculture. Production processes continue to be rather rudimentary. The contribution of non-traditional exports to total exports has risen but not sufficiently to significantly increase the diversification of Ghana production/export base and hence reduce the economy's vulnerability to internal and external shocks.

¹¹⁵ World Trade Organisation, Trade Policy Review, Report by the Secretariat (2001).

5.2.6 Social sectors

The Commission along with its development partners effectively contributed to pro-poor reorientation of the GoG's social programmes.

Conclusion 6.1 – Based on JC 6.1, JC 6.2 and JC 8.2.

The Commission along with its development partners effectively contributed to pro-poor reorientation of the GoG's social programmes. The visibility of strategies aimed at addressing the equity gap in access to and use of social facilities comparing rural and urban populations has increased over the two programming periods. This has moved to the foreground in recent national strategies on health (2002-2006 Health Sector Programme of Work) and education (2003-2015 Education Strategic Plan). General trends have been positive, and social statuses have obviously improved over the two programming periods. However gaps between deprived regions and urban areas remain large, and gender related barriers continue to exist. These aspects are further discussed below.

Concrete improvements are visible in terms of social status, but implementation issues still remain.

Conclusion 6.2 – Based on JC 6.1, JC 6.2, JC 6.3 and JC 7.1.

Concrete improvements are visible in terms of social status, but implementation issues still remain. Resource allocation to deprived areas still faces major issues: budget preparation (resource-based budget vs. need-based budget) share of the national budget allocated to social sectors and to deprived localities, and delays in disbursing funds are all important issues. Delays in the Commission's disbursement process affect provision of services, especially at the local level. Delays in procurement of suitable ambulance (under the SWAp in health) impeded its implementation.

Intra-sectoral allocations and budget shares allocated to social sectors can sometimes fail to connect with the Commission priorities.

Conclusion 6.3 – Based on JC 6.1, JC 6.2 and JC 6.3.

Intra-sectoral allocations and budget shares allocated to social sectors can sometimes fail to connect with the Commission priorities. The complementary approach adopted in health – with a SWAp and budget support – had an important impact on practices and resource allocations within the line ministry. The single budget support approach adopted in education, which essentially targets political dialogue at the higher level, faces further uncertainty in terms of implementation at the sectoral level. This is illustrated by the conflict between the MOEYS and donors over the relative allocation to tertiary and basic education. On this basis, the design of a SWAp in education to complement budget support is a very positive orientation. Moreover, given that Vision 2020 identifies social sectors as a priority in order to achieve middle-income status by the year 2020, the GoG's financial allocation efforts to social sectors hardly reach the levels of countries like Kenya and Zimbabwe, or even Ivory Coast.

Technical assistance has been a relevant and effective instrument in support of the Commission's interventions in social sectors.

Conclusion 6.4 – *Based on JC 6.3 and JC 7.3.*

Technical assistance has been a relevant and effective instrument in support of the Commission's interventions in social sectors.

Technical assistance provided both to the health and education authorities has been a very effective instrument (particularly concerning the support to the CHIM). It actively supported sectoral capacity building, implementation and assessment of the other funded interventions. In the case of procurement of medical supplies, management deficiencies at the local level have compromised implementation. Here, technical assistance to enhance local authorities management capacities could have overcome these difficulties.

5.3 Conclusions on implementation modalities

Delays at various levels are the most important factor compromising efficiency.

Conclusion 7.1 – *Based on JC 3.2, JC 4.3, JC 6.3 and JC 7.1.*

Delays at various levels are the most important factor compromising efficiency.

Road transport, rural development, governance, mining, social sectors and macroeconomic support have all been affected by delayed completion. In the case of roads, contractors respond to anticipated delays by factoring them into their charges, so that cost/km rises. In rural development, where beneficiaries are often required to make a contribution in cash or kind, delayed payment erodes enthusiasm, thus reducing participation and benefits. The new “30% rule” under 9th EDF will worsen this situation. In social sectors, organisational delays in launching tenders for procurement of ambulance vehicles jeopardized implementation. Delays in launching support to the 2004¹²³ elections process¹¹⁶ will also seriously compromise the effectiveness of the project. In the area of macroeconomic support, delays in the release of tranches implied that this intervention signally failed to increase predictability of funds available for the GoG, therefore preventing budget support programmes to deliver one of their main expected output. Delayed completion of projects compromises efficiency for two reasons. First, the benefit-cost ratio falls because benefits are discounted over time. Second, delays lead to time extensions, thus increasing management costs as a proportion of the total. However it must be kept in mind that staff of PMUs may have little incentive to prevent delays, as these increase the probability of contract extensions.

¹¹⁶ Support to the 2004 elections: Financing agreement signed end of September 2004, elections held in December 2004.

The main sources of delays are administrative procedures and poor project/programme design.

Conclusion 7.2 - Based on JC 7.2.

The main sources of delays are administrative procedures and poor project/programme design. The implementation of project/programme were in general subject to lengthy administrative procedures. These also proved relatively inflexible and did not foster the capacity to adapt to changing conditions. In some cases, delays also stemmed from the poor design of project/programme. Some of the programmed interventions were either too ambitious or not drafted with sufficient rigor. This resulted in severe implementation difficulties and the need to operate changes during the course of implementation which, given the lack of flexibility mentioned above, implied important delays and, in some cases, the temporary suspension of the project/programme.

Technical assistance positively affects design and implementation of the interventions funded.

Conclusion 7.3 – Based on JC 2.1, JC 2.2, JC 4.2, JC 6.3 and JC 7.3.

Technical assistance positively affects design and implementation of the interventions funded. With very few exceptions, technical assistance is undeniably regarded as useful by national authorities and beneficiaries. And on the whole, quality of the Commission's international TA to Ghana can be rated very highly. This instrument clearly responds to the need to reinforce capacity in targeted sectors. This is particularly relevant to the proper implementation of budget support programmes.

5.4 Conclusion on transversal issues

Commission interventions have directly and indirectly contributed to good governance to a significant degree.

Conclusion 8.1 – Based on JC 4.2 and JC 8.1.

Commission interventions have directly and indirectly contributed to good governance to a significant degree. Good governance issues have been extensively addressed by the Commission's interventions. Most projects/programmes take good governance into account, some being specifically targeted to governance issues. This reflects the fact that, to a large extent, the Commission provides support to the GoG in implementing its own sector or general policies. The success of such form of assistance partly rests on the quality of governance, particularly on the transparency of the political decision-making and execution process. The strong emphasis of the Commission's interventions on good governance is therefore also related to the fact that progress on such issues determine the correct implementation of the Commission's strategy.

Overall, the Commission's interventions have made only a limited contribution to promotion of equal participation of men and women in political, economic, social and cultural life.

Conclusion 8.2 – Based on JC 6.2 and JC 8.2.

Overall, the Commission's interventions have made only a limited contribution to promotion of equal participation of men and women in political, economic, social and cultural life. With a few exceptions, gender issue are only implicitly addressed by the Commission's interventions. Historically, feasibility studies for focal sectors have focused on technical rather social aspects, but there are

exceptions (W&S and agriculture), and more baseline studies are now being carried out. Few indicators refer to gender issues in any of the sector of interventions, and there has been little or no assessment of the impact of Commission interventions on gender related issues.

There is no evidence of any Commission interventions having negative environmental impacts while some are manifestly positive.

Conclusion 8.3 – Based on JC 8.2.

There is no evidence of any Commission interventions having negative environmental impacts while some are manifestly positive. Commission interventions in Ghana have contributed to the promotion of sustainable development and environment but only in the sense of ensuring that no negative environmental impacts result from individual sector interventions. Prospects for sustainability continue to be elusively addressed across many sectors of Commission activity.

Although taken into account in specific interventions there does not appear to be any overall strategy to ensure consistent coverage of cross-cutting issues in the Commission's programmes.

Conclusion 8.4 – Based on JC 8.1, JC 8.2 and JC 8.3.

Although taken into account in specific interventions there does not appear to be any overall strategy to ensure consistent coverage of cross-cutting issues in the Commission's programmes. Cross-cutting issues related to good governance, gender and environment were taken into account in programming and implementation of specific interventions but integration into other interventions of the Commission's support has been limited by lack of an overall strategy for dealing with cross-cutting issues across the whole of the NIP and by inability to identify impacts.

There is strong donor coordination and synergies at programming level.

Conclusion 8.5 – Based on JC 4.3 and JC 9.1.

There is strong donor coordination and synergies at programming level. Coordination mechanisms are in place in almost all sectors of intervention. Moreover, these mechanisms have led to complementary donor interventions within a sector-wide programme and/or widespread co-funding arrangements. However, coordination becomes weaker at a lower project level or when implementation problems arise as there is no effective mechanism for re-coordinating interventions which slide out of synchronization in a sector programme.

There is no clear evidence of conflict or incoherence between Commission support and EU policies.

Conclusion 8.6 – Based on JC 9.2.

There is no clear evidence of conflict or incoherence between Commission support and EU policies. The EU policies which are most likely to lack coherence with the Commission's country strategy for Ghana are the common agricultural policy and the trade policy. Generally, such potential inconsistencies are not identified in the Commission's programming documents. Due to the fact that most of trade between Ghana and the EU is in commodities for which policy related distortions are few, the scope for conflict or incoherence is limited. However, EU agricultural subventions may have adversely affected some of the country's agricultural and agro-processing industries.

Links between the Commission's regional and national strategies do not appear to be well developed or clearly stated although there is no conflict apparent.

Conclusion 8.7 – Based on JC 3.2 and JC 9.3.

Links between the Commission's regional and national strategies do not appear to be well developed or clearly stated although there is no conflict apparent. There seem to be virtually no sectors of interventions for which activities implemented within the framework of the national strategy are articulated and complemented by those implemented under the regional strategy. Scope for such articulation exists as a number of issues have a regional dimension, in particular in the area of transport (e.g. potential competition among countries leading to no enforcement of axle loading legislations), rural development (Ghana and neighbouring countries share many common agro-ecological basins) and PSD which cannot be isolated from trade policy issues.

Donor support to Ghana (including Commission support) responds well to priority areas identified by GoG.

Conclusion 8.8 – Based on JC 9.3.

Donor support to Ghana (including Commission support) responds well to priority areas identified by GoG. The Commission's strategy for Ghana has been designed to complement other donors' programmes and other EU member states' initiatives and there is a high degree of coherence and complementarity between programmes and activities within the donor community. One possible exception is PSD for which the assistance provided has been reduced and is now limited for all donors.

Chapter 6 - Recommendations

This chapter presents the recommendations derived from the conclusions. It also suggests a hierarchy among these recommendations by associating each recommendation with a simple index which is meant to capture both its order of priority and applicability:

P1 refers to recommendations representing a priority for the next programming exercise and corresponding to an issue for which the recommendation is directly applicable.

P2 refers to recommendations representing a priority for the next programming exercise and corresponding to an issue for which further analysis, a joint approach by the Commission and the GoG and /or other donors is required.

P3 refers to recommendations representing potential improvements of the future strategy but does not correspond to an issue likely to put its success at risk.

The first section relates to recommendations at the strategy level, section 2 contains recommendations at the level of sectors of intervention while section 3 is devoted to recommendations concerning implementation and transversal issues. Options are proposed for each recommendation at the strategy level. For the other sections, options are also introduced when it is felt that they can contribute to increase operationality.

6.1 Recommendations concerning the strategy

The Commission should continue to base its strategy on the areas that are currently selected as sectors of intervention but should seek to improve performance in targeted areas.

Recommendation 1.1 (P1) – Based on conclusions 1.1, 1.3, 1.4 and 1.5.

The Commission should continue to base its strategy on the areas that are currently selected as sectors of intervention but should seek to improve performance in targeted areas. The selection of sectors of intervention is appropriate to cope with some of the main constraints affecting the country's growth potential and address some important aspects of its poverty dimension. They also represent areas in which the Commission has accumulated experience which it should capitalise. However, the capacity of a particular sector to contribute to the overall and general objectives of enhancing growth and reducing poverty critically depends on the performances achieved in other sectors. The impact of the whole strategy can therefore be affected by deficiencies occurring in a few areas. In this respect, higher performances in the transport sector should become a priority both because it is a key factor in the country's development process. Synergies between sectors of intervention could also be further exploited so as to increase the coherence of the Commission's strategy. The options that can be envisaged for this recommendation are related to the depth with which such synergies are taken into account in the programming process. To the least interventions in the area of transport should be designed so as to offer clear complement to rural development so as to better achieve the overall objectives of growth and poverty reduction. A further step

would be to consider interventions in the area of PSD that could target agriculture and transport as the contribution of private operators to the development of these sectors could be highly relevant and promising. Finally, synergies that would include social sectors could also be considered, exploiting possible links for instance between PSD and education (e.g. vocational training) or transport and health (e.g. access to basic medical facilities). Options corresponding to deeper exploitation of synergies require to spend more resources on the identification of the potential linkages between the different sectors of interventions.

The Commission should base its strategy on an in-depth and comprehensive analysis of the country's main developmental issues.

Recommendation 1.2 (P3) – Based on conclusion 1.1.

The Commission should base its strategy on an in-depth and comprehensive analysis of the country's main developmental issues. The country analysis reported in the Commission's programming documents remains too superficial to support elaboration of a genuine strategy based on a prioritised inventory of the country's main economic and social constraints. A technical document should therefore be produced, detailing relevant social and economic issues (demography, sociological characteristics, economic features, economic policy provisions and orientation). This analysis should be regularly updated and be used as the main information source on which strategy and policy documents are based. This process should also promote the collection and archiving of the information required for proper functioning of an administration like that of the Commission characterised by high rates of staff turn-over. Options to be considered are a slight improvement of the Business-As-Usual situation by completing the information contained in the existing country strategy Mid-Term Review with some figures and data concerning the evolution in recent years of the main aspects covered by the review. Another, more sophisticated, option would be to constitute a country file that would provide a comprehensive description of the country's situation with regard to each sector of interventions, including relevant statistical material covering recent years, the legal/regulatory framework and/or the GoG's main policy orientation in the area, the donor intervention matrix and the main feedback from the monitoring and evaluation of the projects/programmes implemented in a particular field. Obviously, this last option necessitates both that resources are mobilised for constituting the country file and that the different Commission services collaborate to feed and regularly update the section of the file under their responsibility. However, it is the establishment of the country file that is the most resource consuming which should be considered as a fixed cost.

The Commission's strategy should incorporate PSD as a transversal sector of intervention.

Recommendation 1.3 (P1) – Based on conclusions 1.1 and 1.6.

The Commission's strategy should incorporate PSD as a transversal sector of intervention. PSD is crucial for the development of Ghana and for alleviation of poverty. It also offers many potential synergies with other sectors of intervention. Moreover, the GoG has established a private sector policy framework and has repeated its intention to accelerate reforms in this area. It is therefore recommended that the Commission supports the GoG in this effort by including PSD in its future strategy as a core area of intervention. PSD is indeed central to the country's development and its capacity to sustain an economic environment favouring poverty reduction. It is also central to the Commission's strategy as many objectives of other sectors of interventions could be better achieved with the sound development of the country's private sector. At the same time, the private sector can only develop if tangible improvements in other sectors occur. PSD should therefore be incorporated in the Commission's strategy as a transversal issue that could be mainstreamed in the main areas of intervention. The options to be considered for this recommendation are similar to those related to recommendation 1.1. At first, interventions in transport should in part be designed and/or selected so as to positively spill-over into PSD. Likewise, the objective of rural development of supporting the modernisation and diversification of the Ghanaian economy should be underpinned by interventions aimed at favouring PSD in the agricultural sector. Then, the mainstreaming of PSD into other sectors of interventions could also be considered. For instance, interventions in the area of education could be partly targeted to PSD (e.g. management/business schools). They could also be partly funded by contributions of the private sector.

The Commission's interventions should ensure that the pro-poor orientation included in its strategy is effectively reflected in the implementation of its programmes.

Recommendation 1.4 (P2) – Based on conclusions 1.2, 1.4, 1.5 and 4.1.

The Commission's interventions should ensure that the pro-poor orientation included in its strategy is effectively reflected in the implementation of its programmes. A large fraction of the Commission's assistance to Ghana is provided through sector or budget support programmes. This implies that the pro-poor orientation of its strategy can only be properly reflected in the implementation of programmes if there is a close alignment between the Commission's and the GoG's priorities. From that point of view, some discrepancies could exist in that priorities of the GoG could be more oriented towards economic growth. Particular attention is therefore needed to ensure that the pro-poor orientation of the Commission's strategy is not lost to the GoG's priorities on growth and economic performance. Poverty alleviation is one of the main objectives of the Cotonou agreement to which both the GoG and the Commission have pledged their support and must be fully reflected in the strategy to guarantee its coherence with the logic of intervention of the Commission. It is therefore recommended that the Commission increases the likelihood that its pro-

poor priorities are properly reflected in the implementation of the programmes it is funding. Different options could be considered according to the extent to which their implementation depends on the involvement of other stakeholders. The first option therefore relates to actions that can be taken by the Commission independently of other actors, although their success obviously depends on the responsiveness of other parties. In particular, the Commission should (i) pursue the efforts to include social sector triggers in the MDBS matrix and (ii) take advantage of the elaboration of the new GPRS to push for a re-orientation of priorities towards poverty reduction that can be reflected in a realistic budget scenario. The second option also includes actions for which a clear commitment of other parties (in particular the GoG) constitute a binding pre-condition. These would focus on (i) improving the policy dialogue on the issue of a possible trade-off between growth enhancement and poverty reduction, (ii) promoting interventions and a geographical distribution of activities that are the most likely to positively impact poverty reduction and (iii) increasing the focus of interventions (particularly in the area of transport) on the most deprived areas (particularly North) of the country to the extent allowed by the absorption capacity of local institution¹¹⁷.

6.2 Recommendation concerning sectors of intervention

6.2.1 Rural Development

It is recommended that baseline surveys be conducted to establish benchmarks against which to measure future progress on a range of indicators, including those at the impact and outcome levels.

Recommendation 2.1.1 (P2) – Based on conclusions 2.1 and 2.2.

It is recommended that baseline surveys be conducted to establish benchmarks against which to measure future progress on a range of indicators, including those at the impact and outcome levels. A baseline has been built into the new STWSP, and this should become regular practice for all RD projects, as well as monitoring to ensure the intervention is on course to achieve its intended impact. The need for adequate monitoring at the point of water consumption will become more pressing as the W&S programme moves into guinea worm-endemic areas.

¹¹⁷ The three northern districts have attracted so many donors that evidence is beginning to emerge of some northern institutions becoming “overheated”. Examples that have been cited include the University of Development Studies and the Savannah Research Institute, both at Tamale in the Northern Region. Low absorptive capacity is a problem and donors such as CIDA has tried to avoid over-loading absorptive capacity by maintaining the project approach in the North.

The Commission should support programmes targeting the main constraint of the agricultural sector and in particular seek to increase productivity in this sector.

Recommendation 2.1.2 (P1) – Based on conclusions 2.1 and 2.2.

The Commission should support programmes targeting the main constraint of the agricultural sector and in particular seek to increase productivity in this sector. Increasing productivity in agriculture is a key issue for rural development and poverty reduction, and this is likely to be particularly important in the most remote areas where poverty levels tend to be highest. Crop diversification is important as a means towards the ends of reducing rural poverty and improving export performance. New agricultural and natural resource-based enterprises must therefore be firmly rooted in the realities of the domestic, regional and global markets. Commission interventions should thus foster and support programmes focused on improving land productivity (e.g. irrigation), investment (e.g. reform of the land tenure system) and products/markets diversification. Different options can be adopted according to the extent to which the Commission intends to address these issues. To the least, a desk and/or field analysis should be conducted to establish a list of the main constraints affecting growth in the agricultural sector, possibly presenting a ranking of importance in particular with the view of maximising agricultural growth spill-over on poverty reduction. This would help to identify possible actions in this area. Another option would be to complete this analysis with a market research that would investigate national, regional and international market potentials for the local agricultural commodities, in particular for the poorest areas, so as to identify enterprises that can create effective and sustainable improvements that impact positively on both agricultural growth and the livelihoods of the poor.

Programme should address possible policy conflicts/contradictions and programme management should not be expected to achieve conflicting aims.

Recommendation 2.1.3 (P3) – Based on conclusions 2.3, 2.4 and 2.5.

Programme should address possible policy conflicts/contradictions and programme management should not be expected to achieve conflicting aims. The liberal values conveyed by the Commission's projects/programmes, such as gender equity and pro-poor growth, may conflict with the rather conservative mentality of the rural world which particularly strong in North. In such case, local ownership of liberal interventions may be low. Similarly, a pro-poor approach may conflict with sustainability, where user fees are necessary for O&M. Where such policy contradictions exist (as is the case of sanitation provision for the poor), these must be explicitly addressed in project/programme documentation.

It is recommended that the Commission systematise ex-post evaluations as a means of learning key lessons about programme approaches that contribute to sustainability.

Recommendation 2.1.4 (P2) – *Based on judgement criteria 10.2 and conclusion 2.5.*

It is recommended that the Commission systematise ex-post evaluations as a means of learning key lessons about programme approaches that contribute to sustainability. Ex-post evaluations should be conducted to establish whether the apparent sustainability of rural development projects has been realised in the longer term. Importantly, such evaluations should examine the issue of whether the requirement of sustainability has excluded poor people, or limited their participation on the grounds of cost.

6.2.2 Transport

The Commission should continue support to trunk road rehabilitation, but analyse economic benefits of major upgrading or new construction.

Recommendation 2.2.1 (P2) – *Based on conclusions 3.2, 3.3 and 3.4.*

The Commission should continue support to trunk road rehabilitation, but analyse economic benefits of major upgrading or new construction. The Commission should not consider major upgrading or new construction without compelling evidence of significantly enhanced economic and social benefits. It is also recommended that the Commission widen the scope of feasibility studies to include collection of baseline data for quantification of economic and social benefits and provide for follow up studies. In particular, given (i) the high complementarity that exists between transport and rural development, particularly in terms of poverty reduction and (ii) the fact that these sectors are a very large percentage of the Commission's portfolio, there is certainly a prima facie case for some closer articulation efforts at strategy, implementation and monitoring levels.

It is recommended to use specific conditionalities for release of the Commission funds linked to time bound delivery of government commitments as set out in Letters of Sector Policy or subsequent statements of commitment.

Recommendation 2.2.2 (P1) – *Based on conclusion judgement criteria 1.3, conclusions 3.1 and 3.3.*

It is recommended to use specific conditionalities for release of the Commission funds linked to time bound delivery of government commitments as set out in Letters of Sector Policy or subsequent statements of commitment. The GoG must be encouraged to fulfil its commitments in terms of road maintenance, including commissioning and using weighbridges to enforce axle load restrictions. Until this issue is resolved the advisability of further capital investment in this sector remains in doubt. A first option would be to introduce specific conditionalities targeting various aspects. There is evidence that conditionalities do concentrate minds and generate action. This could cover some immediately important issues such as empowerment of GRF and raising fuel levy, implementation of existing policies and legislation (as opposed to simply policy writing) and execution of promised actions (e.g. manned weigh stations, more maintenance, stopping over-commitment, enforcement of transport regulations, NMT). The Commission should complete the ongoing interventions supporting axle load control, but should also consider conditionalities before further

support. Implementation of the transport sector policies and strategies (to be prepared shortly) and, in the longer term, fully actioning recommendations for institutional changes, could be candidates for this approach. In particular, the Commission should include a prescribed maintenance programme in an Environmental Management Plan (EMP). In a second option, no further support should be considered until and unless there is clear evidence of functioning weigh stations and the effect of effective enforcement in terms of reduced loading, impact on road pavement design parameters and extended serviceability of existing roads. Should further support be considered, it is recommended to review the design and the specification of weighing gear, to engage professional supervision, award the construction contract as a part of a larger rehabilitation or upgrading contract.

The Commission should develop further institutional support in the transport sector.

Recommendation 2.2.3 (P1) – Based on conclusion 3.1.

The Commission should develop further institutional support in the transport sector. Following development of the ODICTP training programme, training should be addressed by the proposed joint training with basket funding. An urgent need also appears to be assistance with financial management and budgetary control which could be addressed separately. This should be considered as a matter of urgency and arguably more necessary should budget support become the major instrument for the sector. However, given the sector's history of mismanagement, such option should be preceded by capacity building and detailed studies of budget support formulation and implications for the transport. It is also important that, although there should be uniform control measures across MRT and all the agencies, the basket funding of technical assistance could field a team that would cover all institutions but with a smaller team actually in each agency.

The Commission should improve the coverage of HIV/AIDS awareness and road safety measures in EDF contracts as well as in planned physical rehabilitation interventions.

Recommendation 2.2.4 (P2) – Based on JC 8.3 and conclusion 8.4.

The Commission should improve the coverage of HIV/AIDS awareness and road safety measures in EDF contracts as well as in planned physical rehabilitation interventions. It is recommended to include specific HIV/AIDS awareness measures in programmes targeted at major transport corridors, as there are signs of a significant correlation between traffic intensity and evolution of HIV/AIDS incidence. Safety measures should include not only safety audits of designs but also specific measures for traffic calming and additional signing. This should be implemented by including a 'lump sum' item in 'Preliminaries' of Conditions of Contract (or Special Conditions) whereby payment could be made (or reimbursement of the contractor) for engagement of specialist awareness practitioners (such as an NGO, theatre group or simply to provide resources for district authority personnel to visit the site and villages within a specified catchment area of the road for awareness raising).

6.2.3 Macroeconomic support and public finance management

The Commission should continue to implement its interventions in the area of macroeconomic support under the form of budget support.

Recommendation 2.3.1 (P1) – Based on conclusions 1.5 and 4.1.

The Commission should continue to implement its interventions in the area of macroeconomic support under the form of budget support. In spite of implementation difficulties, the Commission's budget support programmes have contributed to the objective of improving the macroeconomic framework and the public finance management system. They have been implemented in a difficult general economic and institutional environment but still managed to deliver their results. Encouraging improvements have been observed in the macroeconomic situation, in public finance management and in the design of budget support programmes. It is therefore recommended that these efforts be pursued.

The Commission should take measures to increase the predictability of the assistance provided through budget support.

Recommendation 2.3.2 (P1) – Based on conclusions 4.2, 7.1 and 7.2.

The Commission should take measures to increase the predictability of the assistance provided through budget support. Disbursements of the assistance provided through budget support have been erratic. To some extent the Commission is not responsible for these delays, for instance when they are due to the non-fulfilment of conditionalities. However, on several occasions the Commission's administrative procedures have proved to be the source of late disbursement of funds. The design of budget support programmes should therefore be extremely rigorous with respect to the formulation of mechanisms conditioning the release of funds and to the implementation timetable, including a description of the country's budget cycle and provisions concerning the payment of agreed tranches by headquarters. It is also recommended to adapt the Commission's procedures so as to secure the alignment of budget support programmes with the country's budget cycle.

The policy dialogue that takes place within the context of the Commission's budget support programmes should be widened in scope.

Recommendation 2.3.3 (P2) – Based on conclusions 1.2, 4.3 and 6.3.

The policy dialogue that takes place within the context of the Commission's budget support programmes should be widened in scope. It is recommended that the focus of policy dialogue and monitoring increases on intermediary levels of the chain linking the different stakeholders involved in the implementation of the policies targeted by the Commission's budget support programmes, especially when such programmes come also in support of sector policies. A first possible option would focus on the policy dialogue. In particular, performance in social sectors could be improved by fostering the GoG's efforts to enlarge the comprehensiveness (in time and in scope) of the

policies in these areas which requires increasing focus of policy dialogue on such issues. A second option relates to the combination of instruments used by the Commission. More precisely, budget support programmes, when oriented towards a particular sector, should be complemented by participation in a sector support programme (e.g. a SWAp). In this perspective, participation in the SWAp in the health sector should be maintained and the development of another one in the area of education encouraged. Decentralisation could also be relevant as this area is targeted by many stakeholders with decentralisation projects which could be implemented through a SWAp. A last option concerns the exploitation of all existing in-house resources to feed the policy dialogue. In particular, it is also recommended that synergies that could be achieved by using monitoring capacity developed in other sector of interventions be activated. For instance, the monitoring of rural development programmes, in particular MPP and W&S, could provide valuable field information for budget support programmes oriented towards social sectors.

6.2.4 Mining and Private sector development

The Commission's interventions in the area of PSD should support the GoG reform agenda.

Recommendation 2.4.1 (P1) - Based on conclusions 5.2 and 5.3.

The Commission's interventions in the area of PSD should support the GoG reform agenda. The lack of a sound legal and regulatory framework has been identified as one of the major constraints limiting PSD in Ghana. It is therefore recommended that future intervention in this area target reforms aimed at the creation of an environment conducive to private sector development. In particular, the Commission should provide capacity building support to the GoG so as to improve the legal framework and regulatory framework¹²⁶. The Commission should also support the National Medium Term Private Sector Development Strategy and use the existing information on the main bottlenecks affecting the private sector so as to establish a prioritised calendar of activities framing the policy dialogue in this area.

The Commission's interventions in the area of PSD and trade should be closely articulated.

Recommendation 2.4.2 (P2) - Based on conclusions 5.3 and 5.4.

The Commission's interventions in the area of PSD and trade should be closely articulated. Trade is an important issue for Ghana. The country actively seeks to improve its integration within the regional framework of ECOWAS. As a member of this agreement, it will participate to the negotiation and eventually be part of an EPA with the EU. All these developments will have a significant impact on the domestic private sector. Moreover, there is a stringent need to diversify the export base of the Ghanaian economy so as to reduce its vulnerability to external shocks stems.

Trade and PSD are therefore closely integrated and it is recommended that the Commission's systematically streamlines trade issues into its PSD interventions. Also, support should be provided for the identification of growth niches to promote diversification of the production and export base.

6.2.5 Social sectors

The Commission should develop its support to the development of a need-based budgeting procedure along with a resource based planning.

Recommendation 2.5.1 (P1) - Based on conclusions 1.2, 6.2 and 6.3.

The Commission should develop its support to the development of a need-based budgeting procedure along with a resource based planning. Ghana still faces major difficulties anticipating budget expenses and resources. At the same time, budget top-slicing for targeting worst-off regions does not guarantee long-term equity. It is therefore recommended to support the adoption of need-based formula for geographic resource allocation, with inputs from relevant stakeholders. Specific support to the implementation of the MOH 2004 Guidelines for preparation of the 2005-2007 plans and budget should also be provided, as the Guidelines mainstream the need-based budgeting at the level of BMCs. More precisely, supporting the design of sound “*Environmental Scans*” (instruments to be used by each BMC to identify their budget needs) would be highly relevant. For the same reasons, support to a needs-based budgeting procedure in the education sector is also recommended.

It is recommended to systematise linkage between budget support and sector support programmes: the health sector as a reference.

Recommendation 2.5.2 (P2) – Based on conclusions 4.3 and 6.3.

It is recommended to systematise linkage between budget support and sector support programmes: the health sector as a reference. In the health sector, combination of macroeconomic budget support and SWAp has proved relevant and effective to exploit the potential benefits of budget support and remain involved in the policy dialogue at the level of the line Ministry. Following this positive example, the Commission is considering its participation to a SWAp in the education sector, as a complement to its current macroeconomic budget support. This orientation is strongly supported by the evaluators¹¹⁸.

¹¹⁸ The same could be applied to non-focal sectors, like decentralization which could create additional positive impacts on good governance (see also recommendation 2.3.2).

It is recommended to maintain and systematise technical assistance, as a support to other interventions.

Recommendation 2.5.3 (P1) - Based on conclusion 4.3 and 6.4.

It is recommended to maintain and systematise technical assistance, as a support to other interventions. It is essential that the policy dialogue rest on sound and relevant data, from the local level to the top. Based on that, it is necessary that the Commission maintain its technical assistance targeted to information collection and management capacity building. In particular, as recommended by the Education Sector Review 2004, specific support to the EMIS would be welcome, in order to support the provision of timely, accurate, easy to interpret information, and a minimal burden for collection and analysis. Commission support could be modelled on the efficient TA provided to the CHIM in the health sector.

The Commission should promote follow up of the NHIS together with the MOH.

Recommendation 2.5.4 (P2) - Based on judgement criteria 4.4 and 6.1.

The Commission should promote follow up of the NHIS together with the MOH. This new NHIS aims to address equity for the provision of health services. Concerns have however been expressed on its financial sustainability which could impact on the global macroeconomic balance of the country. Also, questions have been raised concerning the ability of health providers to face demand, as well with regard to the procedures to target the poorest segments of the population. It is therefore recommended that the Commission promotes activities so as to document and analyse the financial and social impact of the NHIS. This could be achieved by relying on existing information, on external resources or by developing Commission own baseline studies.

6.3 Recommendation concerning implementation modalities and transversal issues

The Commission should take the necessary steps to reduce implementation delays.

Recommendation 3.1 (P1) – Based on conclusions 4.2, 7.1 and 7.2.

The Commission should take the necessary steps to reduce implementation delays. It is essential to learn more from past experience so as to reduce start-up delays, particularly on tendering and contracting. While external audits are necessary, the provision of more staff on the audit and more careful planning could help avoid replenishment delays. There is a need to work closely with the steering committees on this. The decision to reduce the revolving fund from 50% to 30% should be reviewed as a matter of urgency, because it can only worsen existing delays. A comparative study with other donors is needed to establish how Commission-funded interventions compare, and whether any lessons can be learned that will speed up processes. Delays are also due to inappropriate project design. The identification and formulation stage of the project cycle should therefore be seen as crucial for a timely implementation of the projects.

It is recommended to set the level of beneficiary input so as to maximise ownership while minimising the strain on beneficiary resources.

Recommendation 3.2 (P3) - Based on conclusions 2.4 and 2.5.

It is recommended to set the level of beneficiary input so as to maximise ownership while minimising the strain on beneficiary resources. This system has served the aim of efficiency very well, but the level of inputs should be carefully set so as to maximise ownership while minimising the strain on beneficiary resources. The principle needs to be made more poverty-sensitive, because at the moment it risks excluding poor communities. More intractably, it also risks excluding the poorer households within communities. It is therefore recommended that the contribution of the beneficiaries is based on a whole community approach with the view to secure the access of the poorest to the services delivered.

The Commission should develop strategies and indicators for more consistent mainstreaming of cross-cutting issues for all interventions and programmes of NIP.

Recommendation 3.3 (P2) – Based on conclusions 8.1, 8.2, 8.3 and 8.4.

The Commission should develop strategies and indicators for more consistent mainstreaming of cross-cutting issues for all interventions and programmes of NIP. Good governance issues are addressed by the Commission's strategy Progress could however be realised as far as gender and environment are concerned. In particular, gender and environment mainstreaming in programmes/projects' implementation and monitoring could be improved. This could be fostered by generalising the conduct of baseline studies, the use of gender and environment related indicators in any of the sector of interventions and the assessment of the impact of Commission interventions on gender or environmental related issues¹¹⁹. Also, it is recommended to increase coverage of HIV/AIDS sensitisation measures in all interventions and programmes of NIP.

The Commission should make explicit linkages between its regional and national strategies.

Recommendation 3.4 (P3) - Based on conclusion 8.7.

The Commission should make explicit linkages between its regional and national strategies. National and regional strategies should be more articulated to each other. Many issues addressed by the country strategy have a regional dimension. This is particularly the case in the areas of transport, rural development and PSD. It is therefore recommended that regional and national strategies are more integrated and that the formulation of the national strategy more systematically refer both to the regional context. Eventually, the combination of the national and regional strategies should offer an appropriate response to the country's needs taking into consideration the possible regional aspects of the issues addressed.

¹¹⁹ This is a recommendation of Leemans and Pederson, 2004 which is endorsed by this evaluations.