



Partnering for Growth & Poverty Reduction

VOL 1, NO.2 December 2005

Multi-Donor Budgetary Support Newsletter

Welcome to MDBS!

This Newsletter is intended to share information and actively engage key stakeholders such as civil society groups, government ministries and other influential sections of society in the Multi-Donor Budgetary Support development dialogue.

12th Consultative Group Meeting

“Realization of the medium term objective of stabilizing the economy which has been achieved earlier than anticipated, must be attributed not only to...our policies but also to the sustained goodwill and timely support of external donors and creditors”. President Kufuor



President Kufuor in a *fete-a-fete* with the CG Co-chairs, Hon Kwadwo Baah-Wiredu and Mats Karlsson, while Dr Paul Acquah, Governor of Bank of Ghana (right) gives ear.

This Partnership Works ...

Keep Faith With US - President Kufuor

The 12th Consultative Group Meeting of the Government of Ghana and its Development Partners, November 7-8, 2005, was a milestone in partnership. Weeks of collaborative preparatory work at focus group levels set the stage for a smooth launch of a New Partnership Strategy to align donors support to the Growth and Poverty Reduction Strategy (GPRS II).

President John Agyekum Kufuor presented a development scorecard that highlighted gains across all sectors of the economy and society. He recalled a goal set at the last CG in 2002; “to make sure that by the end of the 4-year term not only would we have achieved relative stability, but also we would have made Ghana an attractive place for investment, and positioned it for accelerated growth.”

That goal has been achieved thanks to a steady increase in development assistance provided in support of the Ghana Poverty Reduction Strategy through the multi-donor budget support framework. DPs have also kept up efforts to harmonize modalities to enhance aid effectiveness.

Practically, the transformation is easily seen in:

- Extensive infrastructure development in roads, energy, ICT and the ports;
- Enhanced social services in education and healthcare delivery;
- Modernization of agriculture, including agro-processing;
- Good governance, including measures to improve accountability and transparency, decentralization; upholding the rule of law, freedom of expression, human rights and respect for property rights;
- Facilitation of private sector development and an investment-friendly climate.

President Kufuor also noted the increased involvement of civil society in policy formulation, implementation and monitoring. The people are growing in confidence and able to express themselves and demand accountability and transparency. State

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SPEED UP REFORMS - DPs

Ghana's Development Partners at the 12th Consultative Group Meeting reaffirmed their collective commitment to support the country's development agenda. They however pressed for sustained and aggressive reforms by the Government of Ghana to make the most gains from the current favourable climate of goodwill.

At the plenary and in various thematic group sessions, Heads of delegations who addressed the CG emphasized the exigency of deeper public sector and public financial management reforms. They also urged further action to enhance good governance and transparency, deepen decentralization, streamline land tenure and tackle corruption. The message was consistent; progress in these areas is critical to creating the environment for rapid private sector-led growth.

“As we discuss the GPRS II roadmap for Ghana, I would like to challenge Ghana's leaders to aggressively undertake the next level of reforms... vigorously streamline bureaucracy to make it easier to set up and do business. There is a saying that 'investment goes where it wants, not necessarily where it's wanted.'... putting the needed reforms in place will attract the larger investors from all over the world, including IT, Pharmaceutical and agricultural processing companies;” Ambassador Pamela Bridgewater of the US stated in a joint statement with Donald Bobiash of Canada.

Discussions at the various thematic group sessions pointed to a shared

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2005 CG FACT-FILE:

Theme: 2006 Growth Agenda: Investing in People, Investing in Jobs
 Venue: International Conference Centre, Accra
 Co-Chairs: Hon. Kwadwo Baah-Wiredu; Minister of Finance & Economic Planning
 Mr Mats Karlsson; Country Director, World Bank

Total No of Delegates 300
 Bilateral Partners 19
 International Organizations 16
 Thematic Discussion Groups

- Group 1 Private Sector Competitiveness and Growth
- Group 2 Human Resource Development & Basic Services
- Group 3 Good Governance and Civic Responsibility
- Group 4 Partnership and Harmonization

Working Documents:

- Partnership Results Matrix
- Development Partner Support Overview
- Ghana Aid Harmonization and Effectiveness Matrix

Pledge: \$1.2 billion for 2006; real prospect for \$5 billion over 2006-2009 period.

PERSPECTIVES - DPs

"Let's be clear about our objective; It is not to turn out another set of documents, adopt certain procedures or even mobilize a certain sum of money it is to get things done, things that matter to people."

"Ghana has set its eyes on achieving middle-income status. I believe this is the right target, and this Consultative Group should do everything it can to accelerate progress. How fast can Ghana get there? As fast as you move...but there are no shortcuts. Plans don't get us there, only their step-by-step implementation: good, modern policy choices, a well-managed budget and much greater reliance on the entrepreneurship of people and business."

"Development Partners are with you. We know the expectations on each other after years of working together. These resources won't flow without action. ...we are not the solution, but in good partnership we can be part of it. Your actions, the macro-stability, the fiduciary acts, the increased poverty expenditures, the beginning sectoral reforms convinced us; Your continued drive will open up new avenues. Let's make sure we make a difference to people"

- Opening Statement by Mats Karlsson; World Bank Country Director; Co-Chair CG.

"There are few countries of Ghana's size that receive so much support...with this support come higher expectations and the need for greater accountability. Ghana it at a crossroads. It is clear that Ghana is one of the few sub-Saharan countries with the potential to move from lower to middle-income status in the foreseeable future."

"GPRS II shows a continued commitment to poverty reduction, but it must be more than a document. It has to be an active blueprint for national development. Ghana needs to ensure that the benefits of economic growth flow to all Ghanaians and to all regions of the country."

"The level of assistance Ghana receives now is not guaranteed forever. I, therefore, urge government leaders to make the crucial decisions that will result in an even brighter future!"

-- U.S Ambassador Pamela E. Bridgewater, reflecting views of both Canada and the United States at the CG.

"The first big challenge is behavioural change. We need to explode the myth that harmonization is somehow optional. If we are serious about aid effectiveness, then harmonization and alignment are no longer optional: they must be the standard operating procedure for DPs and Government alike. ... Only if procedural understandings are formally recorded can we then challenge those who try to operate outside them. If we want behaviour change to be sustained, we will need to get better at holding each other to account."

"We need to hear from the Government what its preferred aid modalities are..."

"Implementing the commitments and undertakings in the matrix will require concerted follow up to today's meeting and the work done so far..."

-- Mike Hammond, Head of DFID; CG Partnership and Harmonisation Group.

"There are no short cuts to achieving middle-income status. Agreeing strategies, setting targets, drawing up matrices are not sufficient. To accelerate growth and share its benefits will require greater attention to tackle constraints, to reform and to advocate policies."

"It is clear that success has been achieved only where people and institutions made sustained efforts to help themselves."

-- Pierre Jacquemot, French Ambassador DPs Lead Speaker, Private Sector Competitiveness and Growth

"Development Partners are entitled to call for progress on democracy, universal human rights and good governance, but have no right to expect Africa to copy western models... There is only one way that will work in helping Africa: the way it is done must be an African way; one that is in tune with African culture and character... but the red line is where cliques feather their own nests and corruption and mismanagement go unchecked."

"Progress in the devolution of powers and in the field of administrative, political and fiscal decentralization offers a huge potential for further strengthening democracy and the empowerment of people as well as improving service delivery. We like to encourage government to develop and present a clear road map for the timing and monitoring of this process."

-- Peter Linder, German Ambassador, DPs Lead Speaker - Governance and Civic Responsibility Group

"The Multilateral Debt Relief Initiative is still being discussed, with final decisions yet to be taken. Under the proposal, if adopted, Ghana could receive debt relief estimated at about \$2.4 billion based on a cut-off date of end-December 2004 for eligible debt. In the event, this would reduce debt service by an estimated US\$100 million annually over the medium term"

--Samuel P. O. ITAM, IMF Mission Chief

"This is an exciting time to be in Ghana. The challenges are enormous. The expectations are high. But the commitment also seems overwhelming. The United Nations system in Ghana stands ready to walk with you as you embark on this challenging but richly rewarding journey."

-- Daouda Toure, UN Resident Coordinator & UNDP Resident Representative

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This Partnership Works ...

institutions the Legislature, the Judiciary and the Civil Service are being reviewed for improvement. Government, he said, is applying various mechanisms to empower the private sector including Presidential Special Initiatives (PSI) which reflect public-private sector partnership for diversifying and growing the economy.

President Kufuor put on record that DP disbursement totaled 804.2 billion at year end 2004. He remarked that there was 100 percent disbursement of donor pledges over two consecutive years, a historic feat achieved through the MDDBS framework in support of implementation of the GPRS.

While affirming Ghana's appreciation for the immense contribution made by its development partners he stressed that in face of both domestic and regional development demands envisaged under the New Partnership for Africa's Development (NEPAD), Ghana has more room for even greater support and assistance for its accelerated development. These are "goals which must not be held back," he implored.



Minister of Health, Major Courage Quarshigah (left), Minister of Public Sector Reform, Dr. Kwesi Nduom and His Excellency, A. C. A. van der Wiel, Netherlands Ambassador at the CG Plenary.

GOG Viewpoints

"We'll work with the sure prospects of attaining our new development goals. Let us therefore refocus the thinking of all of us and of our countrymen, our donor partners on the development strategy that we're laying before you that Ghana with your help by the hard work of its people will be able to attain middle-income status within the lifetime of most of you here."

--Hon. J. H. Mensah, Senior Minister and Chairman, National Development Planning Commission

"Ghana has achieved a major turnaround. We have put in place a solid foundation. We have not backed off from taking tough decisions and we do not intend to now. Putting the building blocks up is the challenge. We believe we are up to the task. For us, inaction is not an option. We are resolved to improve the lives of our people through sustainable and equitable growth for wealth creation."

--Hon Kwadwo Baah-Wiredu, Minister of Finance & Economic Planning CG Co-Chair

"The external payments position has grown increasingly resilient, including withstanding the hike in oil prices on the international market. The external sector has registered a strong performance over the last four years with significantly increased volume of trade. Exports have increased by 56.5 percent, non-oil imports have increased by 59 percent, and the net private transfers have doubled over this period."

"The fiscal and monetary policy framework initiated in 2001 has so far brought about significant progress in stabilizing the economy with improved fundamentals and outlook. The economy is poised to make the transition from stability to high growth. Significant and predictable donor disbursements and private sector inflows would give it a good spark. I am sure we can count on your support to scale-up our efforts to achieve the objectives of the GPRS II"

--Dr. Paul Acquah, Governor, Bank of Ghana

"GPRS II acknowledges a fundamental fact: The structural constraints point to fundamental weaknesses in governance and civic responsibilities that if not removed will continue to block the drive to accelerated growth. In my view, we can reduce this weakness through better coordination and harmonization of our efforts and the use of resources for public sector reforms. It is effective public institutions that will guarantee good governance and performance of civic responsibilities."

-- Dr Papa Kwesi Nduom, Minister of Public Service Reform

"Accelerated growth is expected to come from the private sector, with government addressing the structural constraints that act against development of the sector..."

DPs must significantly improve on the quality of support and how it is delivered. Donor processes and requirements must be less burdensome on government systems, more flexible, better harmonized and better in line with government's prioritized systems and procedures."

Hon. Kwamena Bartels Minister of Private Sector Development

LANDMARK 2006 BUDGET

In the drive to align the Budget implementation cycle with the fiscal year, Minister of Finance and Economic Planning, Hon. Kwadwo Baah-Wiredu, presented the 2006 Budget and Economic Policy Statement to Parliament November 10, 2005.

The 2006 Budget also saw the involvement of stakeholders as Ghanaians were invited through widely advertised notices to proffer suggestions for inclusion in the document. Detailed consideration and approval of programmes and expenditure proposals by Cabinet then followed before eventual submission to Parliament. Parliament reviewed and approved the Budget before its Christmas recess, setting the stage for implementation from January 1, 2006.

Implementation Briefing Session

Passage of the Budget was followed with a range of measures by MoFEP to enhance implementation efficiency, engender a sense of ownership and responsibility for results delivery.

A budget implementation and monitoring briefing session was held in mid-December 2005 for Chief Directors of Ministries, Departments and Agencies (MDAs) and other frontline officials. The Minister of Finance stated the objective as "creating a sense of ownership and get people to take responsibility in making the 2006 Budget work and deliver tangible

benefits."

The Controller and Accountant-General provided an insight into the new payment procedures, re-engineered budget release processes and treasury alignment to streamline payroll and eliminate opportunities for fraudulent payments.

The Chief Executives of the Public Procurement Board and the Internal Audit Agency similarly briefed participants on how to meet statutory provisions of the Public Procurement and Internal Audit Agency Acts.

Minister of Finance, Hon Baah-Wiredu assured that the briefing sessions will be extended to Regional and District Directors; "to ensure that the sense of responsibility and ownership trickled down to the basic levels".

'Good News Budget' Data file

Total receipts	¢35,672 billion, up 23% on 2005.
Domestic Revenue	¢24,116 billion up 24.5% of GDP.
Nominal GDP	112,320 billion
Real GDP Growth	6%
Inflation	8.8%
External Debt	US\$6.27 billion

Targets of GPRS II in 2006 show the allocation of ¢9,002 billion or 32.7 percent of total government expenditure to poverty reduction.

MDBS TRIGGERS FOR 2006

The 10 prior actions (triggers) agreed to by the Government of Ghana and MDBS partners in the Draft Policy Matrix for 2006 are:

A. In promoting growth, income and employment:

- 1) Settle all ECG accounts receivable from MDAs and GWCL within 90 days.
- 2) Establish Land Deed Registries in 3 additional Regions.
 - I. Further reduce time for registering business.

B. In improving Service delivery for Human Development:

- 3) Eliminate all government /district controlled school levies and introduce capitation grants for all students in public primary and JSS level schools
- 4) Increase GPER in three most deprived regions.
- 5) Increase utilization of health services
- 6) District-wide Mutual Health Insurance Schemes (DMHIS) registering the indigents and the National Health Insurance Council (NHIC) transferring subsidy to district schemes

C. Towards Improving Governance and Public Sector Management:

- 7) Initiate consolidation of all Anti-Corruption rules into one piece of Legislation to cover:
 - * Sanctions Regime
 - * Institution(s) to deal with identified forms of corruption (Enforcement Responsibilities)
- 8) Include HIPC funds in the budget formulation process, with allocations to MDAs in the budget proposal.
- 9) Public Procurement Act provisions fully implemented and applied in headquarters and regional offices of key MDAs (MoFEP, MoH, MoE, MRT, and MLGRD).
- 10) Government's computerized financial and accounting system (BPEMS) fully operational in the Headquarters offices in Accra/Tema of MoFEP and 5 key line ministries¹ with core Functionalities of BPEMS² being utilized online for processing and reporting transactions.
¹ 5 key Ministries MoFEP, MoH/GHS, MoES/GES, MoRT and MoLGRD,
² Core Functionalities of BPEMS: General Ledger, Purchase Order, Accounts Payable

Up Coming

MDBS Partners and the Government of Ghana Retreat.

Venue: Greenland Hotel Agona Swedru

Date: 26-28 January 2006

IMF-MDBS 2005 REVIEW MISSION

An IMF mission was in Accra October 7-18 to hold Article IV Consultations with the Government of Ghana as part of the surveillance responsibility of the Fund.

The team was also joined by MDBS Partners to conduct a Progress Review of fiscal and monetary policies and reform programmes of Government.

Successful deliberations and favourable conclusions at the joint review gave the all clear for DPs to disburse the final tranche of 2005 donor pledges. Under the MDBS Framework, disbursement of the Base Tranche is determined by a positive outcome of the Annual IMF/PRGF Review in the year previous to the Ghana Budget execution year.

Ghana's 100 percent receipt of aid pledges in 2005 made it the third consecutive year of full aid disbursement by DPs. This is one of the key advantages of the MDBS arrangement.

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Speed up Reforms

commitment by all participants to build on the achievements chalked with the Ghana Poverty Reduction Strategy. It was agreed that the new GPRS could be improved to aptly reflect the true potentials and development aspirations of the country.

The gaps identified in GPRS II led to its adoption as a work-in-progress as partners proffered ways of enhancing its strategic alignment and results orientation.

Pierre Jacquemot, French Ambassador, highlighted the core issue:

"In planning/programming process prioritization is essential. In the present Growth Matrix, the programmes are still presented in general terms with no specific costing and timetable for actions....Some critical questions remain: How is the list of planned actions related to existing sector policies (trade, agriculture, transport...)? Where does this action take place and when will it be implemented? What interactions between different actions, projects and programmes? What kind of actions should be taken before? Answers are needed to save GPRS from the ultimate risk of becoming a wishful thinking programme.

DPs declared their openness to whatever was required to help Ghana meet its growth aspirations. Head of DFID, Mike Hammond, urged Government to be more assertive in its harmonization dialogue with DPs while conveying what its preferred aid modalities are. "Our hosts are far too polite to tell us what our worst habits are," he observed. In the end, DPs committed to support the first year of GPRS II with \$1.2 billion, assuring that with dedicated implementation and the achievement of results the prospect for \$5 billion support over the 2006-2009 period is real.

CG Participants Roll Call

Delegates and Organizations represented at the CG meeting included: Australia, Benin, Canada, China Denmark, France, Germany, India, Italy, Japan, Korea, Malaysia, Netherlands, Spain, Sweden, Switzerland, United Kingdom, United States, African Development Bank, European Commission, European Union; FAO, IFAD, IFC, ILO, IMF, UN Programme on HIV/AIDS, UNU, USAID, WFP. Ghana's Private Sector, Media and Civil Society Organizations were also strongly represented.

MDBS Partners

AfDB



CANADA



DENMARK



EU



FRANCE



GHANA



GERMANY



NETHERLANDS



UK



SWITZERLAND



WORLD BANK

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