

**STRENGTHENING EFFORTS FOR THE
ERADICATION OF POVERTY AND HUNGER**

GHANA: COUNTRY REVIEW REPORT



THE ANNUAL MINISTERIAL REVIEW

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ABBREVIATIONS AND ACRONYMS

ADF:	African Development Foundation
APR:	Annual Progress Report
APRM:	Africa Peer Review Mechanism
ARI:	Acute Respiratory Infections
BOG:	Bank of Ghana
CDF:	Comprehensive Development Framework
CIEA:	Composite Index of Economic Activities
CSOs:	Civil Society Organisations
CSPGs:	Cross-Sectoral Planning Groups
DAC:	Development Assistance Committee
FAA:	Financial Accountability Assessment
FAO:	United Nation's Food and Agriculture Organisation
fCUBE:	Free Compulsory Basic Education
FINSSP:	Financial Sector Strategic Plan
GCB:	Ghana Commercial Bank
GDP:	Gross Domestic Product
GIS:	Ghana Inter-Bank Settlement
GLSS V:	Ghana Living Standard Survey (Fifth Round)
GOG:	Government of Ghana
GSE:	Ghana Stock Exchange
HIPC:	Heavily Indebted Poor Country
ICT:	Information and Communication Technology
IDGs:	International Development Goals
ITNs:	Insecticides Treated Nets
MDAs:	Ministries, Departments and Agencies
MDGs:	Millennium Development Goals
MDRI:	Multilateral Debt Relief Initiative
MMDAs:	Metropolitan, Municipal and District Assemblies
MOFEP:	Ministry of Finance and Economic Planning
MTP:	Medium Term Priorities
NDPC:	National Development Planning Commission
NED:	National Economic Dialogue
NEPAD:	New Partnership for Africa Development
NETS:	National Expenditure Tracking System
NGOs:	Non-Governmental Organisation
NPV:	Net Present Value
NTR:	Non-Tax Revenue
IGF:	Internally Generated Funds
OMO:	Open Market Operations
PLWHA:	People Living With HIV/AIDs
PMTCT:	Prevention of Mother to Child Transmission
PSBR:	Public Sector Borrowing Requirement
PSIA:	Poverty and Social Impact Analysis

PUFMARP: Public Financial Management Reform Programme
SAP: Structural Adjustment Programme
SEA: Strategic Environmental Assessment
SMEs: Small and Medium Scale Enterprises
START: Support Treatment and Anti Retroviral Therapy
TOR: Tema Oil Refinery
UN: United Nation
VCT: Voluntary Counselling and Testing
WAMZ: West African Monetary Zone
WHO: World Health Organization

EXECUTIVE SUMMARY

Introduction

Strategies

Key strategies for poverty reduction include the following:

- prudent fiscal and monetary policy management;
- private sector-led agro-industrialization;
- sound and sustainable management of the environment;
- promotion of commercial agriculture using environmentally friendly technologies; and
- increased investments in economic and social services.

These strategies were strengthened by increased efforts to implement the following medium term priority interventions:

- infrastructure development
- modernised agriculture based on rural development to ensure increased production and employment;
- investments in education, health, and sanitation to enhance delivery of basic social services;
- upholding the rule of law, respect for human rights and the attainment of social justice and equity to enhance good governance; and
- private sector development through macro-economic stability.

Additionally, measures were adopted to enhance the opportunities for implementing direct poverty reduction interventions at the district level through:

-

- Relative progress has also been made in realising the objectives of the medium term priority areas. In agriculture, for example, the cocoa and forestry sub-sectors have experienced productivity gains;
- Investments in infrastructure have shown significant gains especially in the road sub-sector, energy and ICT.
- The improvements in the fiscal space of the economy has enabled significant increases in investments in the social sector in support of health, education, water and sanitation and special programmes targeted at women, children, the vulnerable and excluded. These have contributed to substantial progress towards the MDGs.
- The private sector has benefited from the improved macroeconomic conditions, increased government efforts to address the infrastructural bottlenecks, and from institutional reforms carried out in the financial sector, customs, legal system, labour market, land reform and civil service. These benefits have manifested themselves in increasing credits to the private sector, and in the ease of doing business in Ghana (CPIA = 3.9).
- These improvements have contributed significantly towards promoting accelerated growth and poverty reduction. The GDP growth rate increased from

Challenges

Ghana has made progress towards accelerated growth and poverty reduction in recent years, but major challenges still remain including the following:

- Lack of structural transformation of the economy in the face of sustained economic growth
- Energy crisis
- Low level of accumulation of technological capabilities
- High youth unemployment as a threat to social cohesion
- Slow pace of public sector reform
- Brain drain
- Unsustainable management of natural resources
- Persistent inequalities in the distribution of the gains of growth
- The HIV/AIDS menace
- Financing the infrastructure gap
- High public sector wage bill

Key lessons learnt

The key lessons learned from Ghana's experience are that true ownership of national development strategies is critical for effective implementation and monitoring. Furthermore, while macro-stability is essential for growth complementary investments in institutions and supportive infrastructure play an important catalytic role in the growth process. In particular, credible reforms in political and corporate governance are essential for creating a favourable investment climate. Moreover, while rapid improvements in primary and secondary enrolment have been observed, looming challenges with respect to maintaining educational quality. Furthermore strengthening the partnership between government and its development partners promotes mutual accountability and overall improvements in the aid architecture.

STRENGTHENING EFFORTS FOR THE ERADICATION OF POVERTY AND HUNGER, (INCLUDING THROUGH GLOBAL PARTNERSHIP(S) FOR DEVELOPMENT

1.0 INTRODUCTION

Following the declaration of the Millennium Declaration in 2000, Ghana has adopted the Millennium Development Goals (MDGs), as its long term minimum objectives for socio-economic development that have influenced the determination of the country's strategic priorities for national socio-economic development. Consequently, the targets of the MDGs have been mainstreamed in the country's successive development policy frameworks – The Ghana Poverty Reduction Strategy (GPRS I) and the Growth and Poverty Reduction Strategy (GPRS II) respectively.

The aim of this national report is to examine and provide an assessment of the implementation of Ghana's national development strategies to achieve national development objectives, including the MDGs. The report focuses largely on the implementation of the GPRS I & II. It outlines the process of formulating the GPRS, the progress made towards strengthening efforts to accelerate growth and poverty reduction, challenges and bottlenecks encountered and support from development partners.

The report is presented in four sections. After a brief introduction in Section I, Section II discusses the socio-economic environment and challenges that confronted the country in 2000. This is followed by an analysis of the economic policies and programmes that were implemented to address these challenges in Section III. Section IV outlines the country's achievements in relation to the objectives of the national development frameworks including the MDGs. The paper concludes with lessons learnt and remaining challenges for the future.

2.0 ECONOMIC POLICY ENVIRONMENT AND CHALLENGES IN 2000

At the time of independence

- ◆ Economic growth had remained stagnant at below 5% for almost two decades of

In order to arrest the fast deteriorating fiscal balance the government launched a stabilization strategy to create sufficient enhance opportunities for financing the necessary investments required to achieve the MDGs. The fiscal strategy focus was influenced largely by revenue enhancing and prudent spending management. This strategy was complemented with a tight monetary policy with the core objectives to reduce inflation to single digits and limit exchange-rate volatility by strengthening the autonomy of the Bank of Ghana (BOG). This autonomy has been further strengthened through the creation of a Monetary Policy Committee to guide the decisions of the Bank of Ghana, and the use of a prime interest rate as signals for the policy stance of the BOG. With the Bank of Ghana Act (612) the government's borrowing requirements became tightly controlled and shifted away to non-banking sector sources and also per legislation pegged at 10% of its revenue.

3.2 Decision to Apply for HIPC

A significant milestone in the evolution of Ghana's new economic policy thrust in the new millennium was the decision of the government to apply for the enhanced initiative for Heavily Indebted Poor Countries (HIPC), with the view to reducing the debt burden and enhancing her access to more resources for accelerated poverty reduction. Ghana reached the HIPC Decision Point in 2002. In order to benefit from the debt relief under the HIPC initiative Ghana prepared a poverty reduction strategy document (GPRS). Through prudent fiscal and monetary policy the country reached the Completion Point of the Enhanced HIPC Initiative in July 2004, within a record time of thirty months.

As a result the Paris Club of creditors offered an outright debt cancellation of about US\$2 billion, with a further US\$2 billion to be forgiven in instalments over the next 20 years. Ghana was required to use 80 percent of the savings generated from the debt relief for additional poverty related expenditures, and 20 percent to reduce domestic debt. In 2006 the fiscal space for investment in poverty reduction programmes was further widened with additional savings from a cancellation of Ghana's debt under a Multilateral Debt Relief Initiative (MDRI) of the G-8 countries equivalent to about US\$4.2 billion.

Between 2001 and 2005 the HIPC debt relief created substantial savings to allow for substantial increases in poverty-related spending from 4.7% of GDP in 2001 to 8.5% in 2005. The savings also bolstered the fiscal consolidation efforts of the government and, thereby, contributed strongly to a significant reduction in domestic debt service. Between 2002 and 2006, for instance, the burden of the domestic debt service, as measured by the ratio of the domestic debt relative to the GDP, declined from a peak of 29.12% to about 15.2%. This, 7(5by)(co(u).3,w(W)139m)5.6el inbsta

4.0 NATIONAL DEVELOPMENT POLICY FRAMEWORKS

4.1 Ghana Poverty Reduction Strategy (GPRS I: 2003-2005)

GPRS I was formulated to enable Ghana to benefit from a significant measure of debt relief under the global HIPC initiative and to position the country in an improved macroeconomic environment to address critical issues of poverty on an emergency basis.

For the limited objective of attaining a measure of macroeconomic stability, sufficient enough to admit a programme of action on poverty an interim poverty reduction strategy (I-PRSP) was prepared followed by a “Ghana Poverty Reduction Strategy I. The strategy was designed at the time to address poverty reduction through programmes and measures

4.2 The Growth and Poverty Reduction Strategy (GPRS II: 2006-2007)

Following the positive results achieved from the implementation of GPRS I, government

A National Expenditure Tracking System (NETS) was also developed by the Ministry of Finance and Economic Planning (MOFEP) and Ghana's Accountant General's Department to track poverty-related expenditures in the priority areas of the GPRS. This tool also facilitated the harmonization of GPRS framework with the MTEF budget format. By capturing all sources of public sector funds and expenditure the NETS additionally served as a useful linkage for tracking expenditures on the implementation of the GPRS.

In 2006 a refined mechanism that allows sector priorities to be effectively linked to the GPRS objectives through the MTEF was instituted by NDPC and MOFEP. This new mechanism establishes the links between the sector plans, GPRS priorities and the annual Budget by ensuring that all:

- ◆ MDAs objectives are properly aligned to the strategic objectives of the GPRS II,
- ◆ The objectives of the current MTEF are properly aligned to the GPRS II,
- ◆ Resources for financing expenditures associated with the implementation of the GPRS II are consolidated and rationally allocated.

4.4. Implementation, Monitoring and Evaluation

The strategy emphasises on stakeholder participation in the implementation, monitoring and evaluation of the GPRS. A national development communication strategy has been formulated to assist in dissemination the strategy to civil society. The participatory process is designed to ensure transparency and promote a sense of national ownership. The oversight responsibility of the parliamentary select committee on poverty will be strengthened to ensure the effective implementation of the strategy. A GPRS M&E system to produce an annual progress report that is fed into the annual planning and budget cycle is instituted.

The GPRS consists of programs and projects that can be implemented by the government, the private sector and civil society organizations, and thus recognises the critical role of the various stakeholders in its effective implementation. Given that the private sector and civil society organizations have competencies in certain areas that government does not have, the GPRS identifies specific roles and responsibilities to these non-state actors based on their special competencies.

A GPRS Monitoring and Evaluation (M&E) plan has been established to monitor the implementation of programs and projects, and evaluate their results and impact on reducing poverty on a continuous basis. The M&E institutional arrangements have been designed to facilitate active participation of stakeholders to ensure policy recommendations are relevant and contribute to further enhancing policy formulation and resource allocation that are geared towards poverty reduction.

The M&E Plan includes the following;

- development of institutional framework for coordinating the system,
- establishment of monitoring indicators against GPRS baselines and core targets

- establishment of special indicators to facilitate the tracking of the HIPC expenditures, Millennium Development Goals (MDGs), and the Medium terms priorities
- studies to enhance the knowledge and data base for the conduct of objective impact analysis of GPRS (i.e. PSIAs)
- dissemination plans and a communication strategy, based on sound understanding of the key stakeholders
- wider stakeholder participation (government, parliament, NGOs, CSOs, private sector) in monitoring progress of the GPRS.

Non-Tax Revenue	1.46	0.91	0.53	0.56	1.42	1.91
Grants	2.12	6.91	3.19	4.78	6.19	5.26
Other Receipts	16.69	10.62	10.73	8.57	6.45	4.53
Divestiture	1.19	0.41	0.02	0.65	0.36	0.24
Project Loans	3.72	5.17	2.48	3.13	3.11	3.17
Programme Loans	2.95	2.78	0.33	1.68	1.15	1.51
Exceptional Financing	0.00	0.00	2.60	2.76	1.33	1.23
Net Domestic Financing	8.83	2.27	4.88	0.35	0.49	-1.62
Total Payments	36.52	35.70	32.34	33.70	36.01	36.77
Statutory Payments	17.14	13.52	13.98	13.84	11.22	12.59
Discretionary Payments	19.38	22.18	18.36	19.86	24.78	24.18
Budget Balance	-8.48	-7.24	-5.26	-3.40	-3.20	-2.00
Primary Budget Balance	2.45	3.80	2.14	2.50	0.70	3.40

Source: Ministry of Finance and Economic Planning

The prudent fiscal and monetary policies have had a positive impact on almost all the fiscal and monetary indicators. The budget deficit reduced over the period from 8.4% of GDP in 2000 to 2%GD
c, with

Figure 2: Trends in Inflation, 2000 - 2006

As a result of stability in the economy the Bank of Ghana lowered its prime rate and lending rates of commercial banks from about 42% and 47% in December 2000 to about 10% and 22% in 2006 respectively. However, the interest rate spread remained high at 13% in 2006, even though it had reduced considerably from more than 30% in 2000. From a deficit of about US\$194 million in 2000, the balance of payment recorded a surplus of US\$ 178.8 million in 2006.

The economy has indeed responded positively to these new reforms with stronger growth, with the average output expanding from an annual rate of 3.7% in 2000 to 6.2% in 2006 (Figure 3). Since 2004 the GDP growth has averaged 6% which is the highest rate ever recorded over the past decades.

Figure 3 : Trends in Real GDP and Real Per Capita Growth Rates, 2000-2005 (%)

Table 2: Selected Performance Indicators, 2004-2005

<i>Indicator</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	<i>Differen</i>	<i>Differen</i>
	<i>Actual (C1)</i>	<i>Target (C2)</i>	<i>Actual (C3)</i>	<i>ce</i> <i>C3-C1</i>	<i>ce</i> <i>C3-C2</i>
National GDP					
Nominal GDP (€ billion)	79,804	96,319	97,018	17,214.3	699
Real GDP Growth	5.8	5.8	5.8	0.0	0.0
Real Per Capita GDP Growth	1.9		2.1	0.2	
Sectoral Growth Rates (%)					
Agriculture	7.5	6.5	6.5	-1.0	0.0
Industry	5.1	5.8	5.6	0.5	-0.2
Services	4.7	5.4	5.4	0.7	0.0
Fiscal Indicators (%)					
Domestic Revenue/GDP	23.8	24.6	24.9	1.1	0.3
Domestic Expenditure/GDP	23.1	22.2	22.2	-0.9	0.0
Tax Revenue/GDP	21.8	21.8	22.2	0.4	0.4
Primary Balance/GDP	0.7	2.5	2.7	2.0	0.2
Overall Balance/GDP	-3.2	-2.2	-2.4	0.8	-0.2
Net Domestic Financing/GDP*					

private sector investment and growth in the real sector (particularly agriculture and industry).

Good progress appears to have been made in realising the objectives of this priority area. The transport (including road, rail, water and air transport) and construction sub-sector, in particular, recorded significant increases in growth under the GPRS I, as a result of

Figure 5: Total Value of Cocoa Exports (2004-2006)

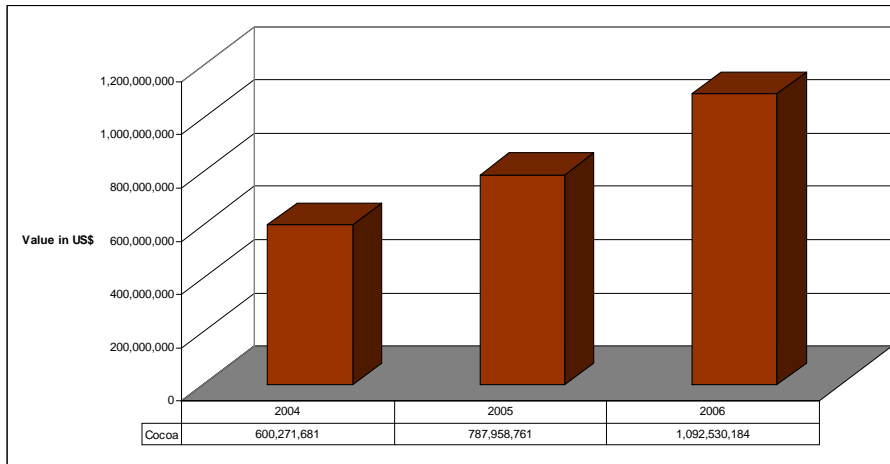
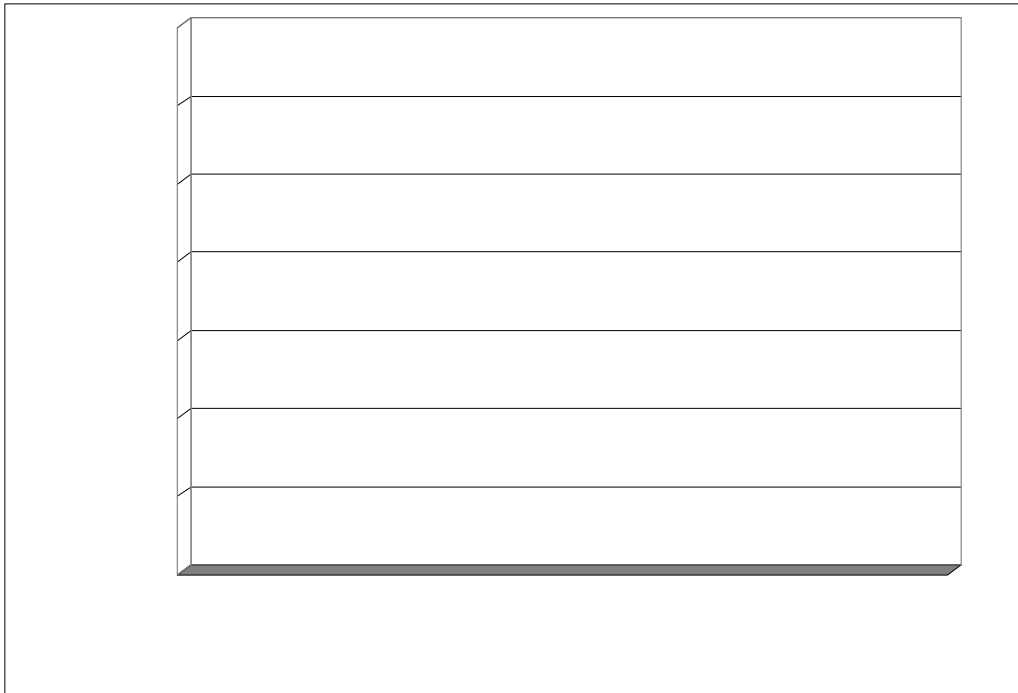
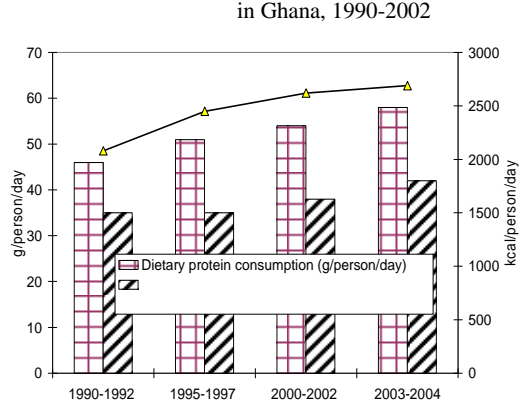


Figure 6: Value of Export of Selected Commodities (2004-2006)



day) also improved. As illustrated below average dietary protein consumption per day increased 46 g/person/day in 1990-2 to 58 g/person/day in 2003-2004 while dietary energy consumption per day per person rose by almost 30% from 2080 to 2690 (kcal/person/day) during the period between 1990-1992 and 2003-2004. Dietary fat consumption (g/person/day) also increased from 35 to 42 over the same period. The positive effects can also be seen in the downward trend in the prevalence of food deprivation in Ghana, which is reflected in the rapid decline in both the number and proportion of undernourished people from 5.8 million and 37% to 2.3 million and 11% respectively between 1990-1992 and 2003-2004.

Figure 7a Selected Consumption Indicators **Figure 7b Selected Indicators of Undernourishment**



ment Ghana, 1990-2002

Figure 8: Trends of Children Nutritional Status in Ghana, 1998-2006

Food security in Ghana can benefit from improvements in agricultural productivity. Overall, agricultural growth has been driven more by expansion (26.3%) in acreage than by increases (5.27%) in productivity. Moreover, cash crop agriculture, particularly cocoa, has accounted for the bulk of the productivity gains. Conversely, expansion of acreage accounted for the bulk of food crop growth during the period 2001-2006.

Factors accounting for the limited productivity gains in food crop agriculture include inadequate investments in inputs due to low returns on investment. Profit margins tend to be low in the sector due to inadequate support mechanisms to protect farmers from volatility in farmgate prices, high input costs, inadequate extension services and limited access to credit and markets. In the absence of effective price smoothing measures farmers are exposed to high market risks. This in turn reduces their capability and incentive to invest in yield-improving inputs. Furthermore, it reduces their credit worthiness and as well as their ability to repay loans. These factors may account for the unfavourable trend in the share of credit to the agriculture sector (excluding cocoa) which declined from 8.1% in 2004 to 4.8% in 2006 as against the 2006 target of 10%.

III. Private Sector Development:

The objective of strengthening the private sector capacity to function effectively as the engine of growth and poverty reduction is pursued through

- facilitating private sector access to long-term finance,
- promoting entrepreneurial skills,
- facilitating reduction of bottlenecks in private sector development, and
- generation of employment.

The share of credit to the private sector has risen since 2000. Credit growth to the private sector has increased from 11% in 2001 to 94.9% in 2006 and this has raised its share of total credit during the period has risen from 59.6% in 2000 to about to 81.6% in

Moreover, the improvement in the quality of Ghana's economic policies has made the World Bank, in its country policy and institutional assessment, to raise Ghana's ranking on the CPIA index of the quality of overall economic policies on 16 dimensions of performance from 3.5 (medium performer) in 1998 to 3.9 (strong performer) in 2005. These ratings thus put Ghana among the top 5 policy performers in the Sub-Saharan African region (Table 4). In confirmation of the of the its sustained track record in prudent economic management and good governance Ghana has now been given a B+ sovereign credit rating (since 2004) by Standard and Poors, Fitch Ratings and at par with countries like Turkey, Brazil and Indonesia, in terms of sovereign credit risk.

The improved investment climate has also impacted positively on the flow of foreign investments into the country, with the FDI net inflow increasing by almost 200% in 2006 alone from US\$144.97million in 2005 to US\$434.50million in 2006.

Table 4: World Bank's CPIA Index* (Economic Policies Quality) and Per Capita Growth of Selected Sub-Sahara African Countries (1998 -2005)

	2005	1998-2005	2005	1998-2005	2005	1998-2005	1998-2005
	CPIA	Annual	Macro	Annual	Public	Annual	GDP per
	overall	change	economic	change	Sector	change	capita
			management		management		growth [†]
Benin	3.7	1.0%	4.0	1.5%	3.4	1.2%	1.3%
Burkina Faso	3.8	2.6%	4.5	4.5%	3.6	2.6%	1.2%
Ghana	3.9	0.9%	4.2	1.3%	3.7	0.8%	2.5%
Kenya	3.6	3.0%	4.2	7.0%	3.3	2.6%	0.3%
Madagascar	3.5	2.8%	3.3	1.0%	3.4	5.3%	0.4%
Mali	3.7	1.2%	4.3	1.9%	3.6	3.3%	2.9%
Mozambique	3.5	0.3%	4.2	0.6%	3.2	0.9%	6.1%
Rwanda	3.5	2.1%	3.5	2.7%	3.3	2.0%	1.1%
Senegal	3.8	0.7%	4.2	-0.8%	3.6	1.5%	2.3%
Tanzania	3.9	1.6%	4.5	1.7%	3.8	2.3%	3.7%
Uganda	3.9	-0.6%	4.5	-0.9%	3.3	-0.3%	2.3%
Africa Average	3.2	0.5%	3.4	-0.1%	3.1	0.8%	1.7%

Source: World Bank WBI and CPIA sheets.

* Country Policy and Institutional Assessment (CPIA)

[†] Africa average GDP per capita growth excluded oil countries.

In spite of the significant progress made in developing the private sector a number of issues need to be resolved in order to enhance the performance of the sector. These include: i) inadequate access to finance, especially for women; ii) falling but still fairly high interest rates; iii) weak commercial dispute resolution system; iv) vulnerability and a large informal sector where the youth and women predominate; and v) weak linkages between the informal sector and the formal sector.

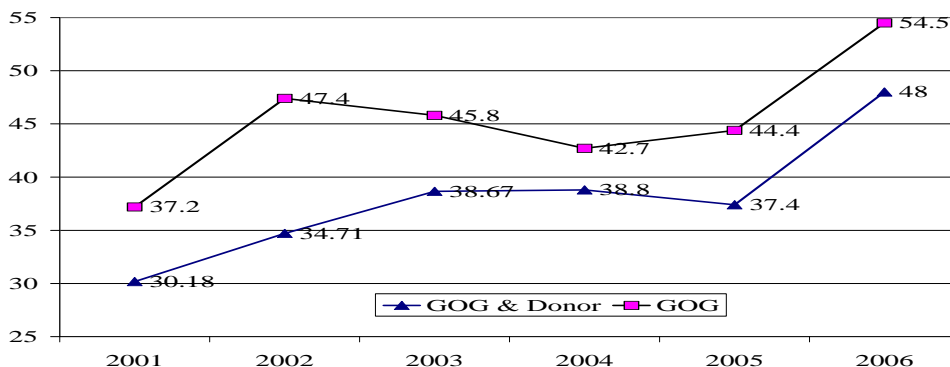
IV. Enhanced Social Services

The objective of this medium term priority is to enhance the delivery of social services taking into consideration the need to ensure locational equity and quality, particularly in the areas of education, water, sanitation and health services. The strategy emphasis on

developing basic education as well as bridging the equity gaps in health care provision, outreach services and clinics in deprived rural and peri-urban areas.

Considerable progress has been made in improving the basic output and impact indicators in health, education and water. This has been the result of increased budget allocations since 2001, which have very often exceeded budget projections. The percentage of total government expenditure (GOG + Donor) to the social services sector, increased from 30% in 2001 to about 48% in 2006 (Figure 12).

Figure 12: Resource Allocation to the Social Sector, (Percent) (2000 – 2006)



A summary of the performance of the education sector is provided in Table 5 below. Indicators that experienced positive trends include primary and secondary enrolment for boys and girls, gender parity at both the primary and secondary schools and the pupil textbook ratio. Increased enrolment however was not matched by corresponding increases in the number of trained teachers. As a result the pupil teacher ratio increased marginally. Overall, there have been measurable improvements in educational infrastructure with increases in both public and private school facilities. In spite of the reforms gender, regional and rural/urban disparities in enrolment persist across different levels of education. For instance, the gender parity index is lower at the secondary level than at the primary level.

Table 5: Achievements of Basic Education Sector Indicators

		1990	2000	2004	2005
Poverty headcount	(percent)	52	51.7	35	28.5
Primary completion rate	(percent)			47	48
Gross Primary Enrolment Ratio (GPER)	(percent)	76.00	81.00	86.30	87.50
Gross Primary Enrolment Ratio for Girls	(percent)	67.00	74.00	83.10	84.40
Gender Parity Index (GPI)	1	0.78	0.88	0.93	0.95*
Pupil – Teacher Ratio				34:1	35:1
Pupil: Core Textbook Ratio				1:0.5	1:0.3
% of Trained Teachers in Primary Schools	(percent)	76%		73.90%	72.40%
Access to safe water	(percent)	54		56	
Access to sanitation	(percent)	21		35	

In the health sector some progress has been recorded although significant challenges remain (Table 6). Despite improvements in a number of input indicators (e.g., number of health facilities, immunization, access to health care services and incidence of hospital deliveries), impact indicators such as maternal and child mortality appear not to have changed very much. This may reflect lags between interventions and outcomes and/or improved reporting as a result of increased sensitization to health issues.

Table 6: Achievements of Basic Health Sector Indicators against Targets

Indicators		1990	2000	2003	2004	2005
Infant mortality	Per 1000	77	57	64	N/A	N/A
Under five mortality	(per 1,000)	122	108	111	112	111
Child Malnutrition	Percent			35.80%	N/A	N/A
Immunization Coverage (Penta 3)	Percent			76.00%	75.00%	85.00%
Neo-Natal Mortality	Per 1000	48	38	47.00%	49.00%	52.00%
Maternal mortality	100,000	740			540	503
Proportion of supervised deliveries	Percent	46%		51.90%	53.40%	54.10%
% increase in health expenditure to total government expenditure	Percent			11.80%	12.00%	11.20%
Access to safe water	(percent)	54			56	55.00%
Access to sanitation	(percent)	21			35	32.00%
% of rural population with access to safe water sources	Percent		45.5	47.70%	51.70%	52.00%
Incidence of Guinea Worm cases				8,290	7,275	3,944
Stunting		26.5	27	30	32	33
Underweight	Percent	26	25	22	21	20
Wasted	Percent	12	10	7	7	6

V. Good Governance

Good governance is critical for ensuring the success of the GPRS II and securing the gains of the recent past. Accordingly, GPRS delineated priority areas of good governance to include public sector reform (PSR), decentralisation, promotion of security and the rule

of law. Since the new millennium the government has implemented several policies and measures to achieve the set objectives of the various priority areas of good governance.

A summary of country achievements resulting from the implementation of these objectives is provided as follows:

Public Sector Reform: The key objective of this initiative is to reorient central government structures, organisations and functions with the view to making them more efficient, effective, and private sector-friendly. A significant achievement in this direction is the enhancement of the regulatory and legal environment to support transparency and accountability in public financial administration including improved auditing and public procurement. The passage of the following three important laws, namely;

- ◆ Financial Administration Act 2003, Act 654;
- ◆ Internal Audit Agency Act 2003, Act 658 and
- ◆ Public Procurement Act 2003, Act 663,

(all in 2003), is a major contribution to the attainment of this objective.

Together with the Whistleblowers Act these laws aim to strengthen the fight against corruption. The administration of justice has also improved with successful computerisation and introduction of Fast Track Courts and augmentation of staff and capacity building of personnel in Performance Management, Alternative Dispute Resolution, Court Automation, Case Management and Change Management. In addition to these, civil society initiated a number of interventions. The Ghana Anti-Corruption Coalition, for instance, undertook a number of activities on creating public awareness on the negative impact of corruption on poverty reduction.

The capacity of the Office of the Attorney General and the judiciary has been strengthened in terms of numbers of qualified staff, technology, training and equipment to ensure the rule of law. In line with its resolve to fight corruption the government has strengthened state institutions established to ensure public transparency and accountability in resource generation, allocation and management, and fraud detection, including the Police, Serious Fraud Office, Commission on Human Right and Administrative Justice (CHRAJ) and the Office of Accountability in the Presidency.

In the area of strengthening law enforcement, the Police Service, has, since 2000, received significant support in the form of personnel and logistics to enhance their operations and effectiveness. Police-citizen ratio has improved substantially with the annual recruitment of about 2000 new police officers, but their fleet of patrol vehicles has greatly been expanded from a low figure of 100 in 2000 to over 2000 by the end of 2006. Collaboration of the police with civil society in the maintenance of law and order has also improved through the formation and training of Neighbourhood Watch Committees nationwide. The result is a decline in the incidence of crime by 15.7% between 2004 and 2005, with the level of commonly committed crimes such as rape, declining by 24.5% in 2005 as compared to 34% in the previous year.

Decentralisation: Appreciable progress has been made in fiscal, administrative and political empowerment at the sub-national levels through increased resource allocations

from a diversity of central government sources. To enhance the capacity of the local government to deliver on their mandate, a new Local Government Service Act is being operationalised.

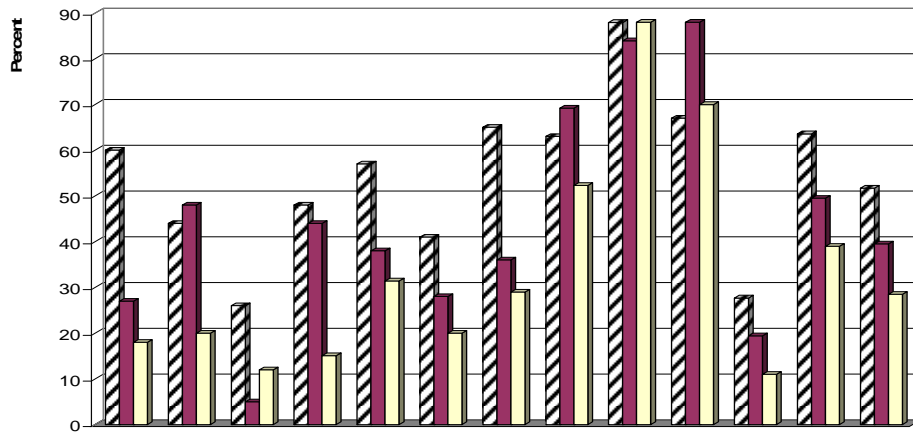
In view of the weak nature policy framework that had impeded the implementation of the decentralisation programme a National Decentralisation Action Plan (NDAP) has been

recommendations emanating from the APRM have been effectively mainstreamed in the GPRS and aligned to the appropriate thematic areas to enhance the quality of national development framework.

The APRM process consists of several inter-related stages of which Ghana has successfully completed including:

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Figure 14: Pattern and Trends of Poverty According to Regions, 1991/92 - 2005/06



almost 23% of children aged 0-35 months are considered to suffer from stunting, with about 18% and 5% suffering from underweight and wasting respectively in 2005. This is an improvement over the 2003 levels of 29.9%, 22.1% and 7.1% respectively. Nationwide, about 55% of mortality in children is associated with malnutrition. There are, however, wide geographical differences. Childhood malnutrition is lower, for instance, in Accra than in rural areas of Ghana but is still high, and close to 18% of children younger than three years of age suffer from low height-for-age. Protein energy malnutrition is the commonest nutritional disorder in children.

However under the ongoing micronutrient deficiency control programme, the Vitamin A supplementation (VAS) achieved a national coverage of 98.6% in 2005.

Achieve Universal Access to Primary Education:

The goal requires governments to ensure that by 2015, children (both boys and girls)

Promote Gender Equality and Empower Women:

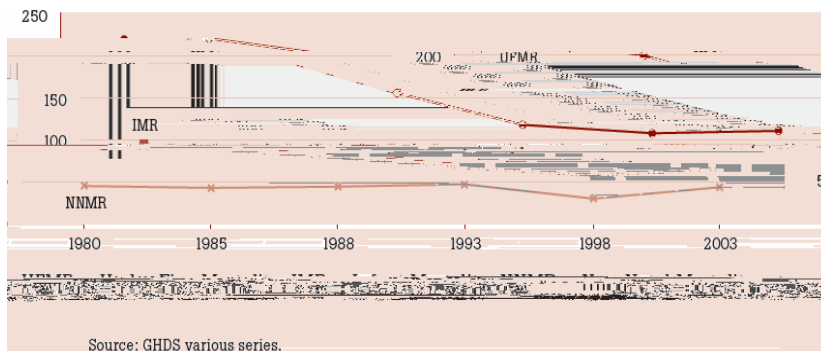
Ghana aims at a Gender Parity Index (GPI) of 1 for all levels of education and training both under the MDGs and the Education Sector Strategic Plan (ESSP). Female participation in education has improved remarkably over the period with the attainment of a gender parity index in primary education of 0.96 (2006/2007) from 0.93 (2003/2004). On the whole, gender parity has improved more rapidly at the primary level than at junior and senior secondary school levels. This was achieved through special programmes targeted at the girl child. In some cases direct transfers are made to girls in the form of cash or support in kind by both government and non-governmental organizations.

In spite of progress achieved there is the need to accelerate the pace of implementing policies and programmes targeted at promoting gender parity in education at all levels. The drop out rate of girls from school is still higher than that of boys. While about 47% of boys enter the secondary education after the basic education level, only 38% of girls do so. Illiteracy rate is not only higher among females in Ghana than males, the rate of change is very low and slow. Consequently one out of every three young women aged 15-24 still remains illiterate. Opportunities for females to enter public life and politics still remain limited. Prior to the recent adoption of affirmative action measures, (, there were only a few females in top positions. Of the 230 parliamentarians, less than 11% are females.

Reduce Child Mortality:

Ghana has prioritised child and maternal health care in its development policy framework. Budgetary allocations to the health sector have increased significantly. Progress in the reduction of under five mortality have been however very slow with a reduction rate of 111 per 1000 births in 2005 against 155 per 1000 births in 1987. Current trends indicate that by 2015 under five mortality will be about 80 per 1000 births. Given the current trends it is unlikely that the goal will be achieved unless efforts are intensify to strengthen the supportive environment.

Figure. 16: Child Mortality Indicators in Ghana, 1980 -2003



Improve Maternal Health:

sectoral Ghana AIDS Commission in 2000. The Commission coordinates the involvement of all public and private sector stakeholders in combating the epidemic. The commission has developed two rolling HIV/AIDS Strategic Frameworks (2001-2005 and 2006-2009) to deal with issues concerning recent evolutions of the epidemic, the social forces driving the epidemic, and the socio-cultural environment. To ensure a proper and co-ordinated implementation of the national response a Programme of Work (POW) has been developed for the period 2006-2010 on the basis of some intervention areas identified in the NSF II.

The government has also designated certain priority interventions, concerning prevention of new infections aimed at promoting safe sex (BCC), condom promotion, and management of STDs, blood safety, and infection control. A secondary set of activities are supposed to focus on HIV/AIDS management (care for people living with AIDS (PLWHA)) and integration of VCT and PMTCT into service provision. Other activities include interventions to reduce morbidity and mortality, strengthening of the health system for the provision of ART, care and support for people infected and affected by HIV/AIDS, counselling and home-based care, etc. To enhance competency and achieve results, guidelines (Guidelines on Anti-Retroviral Therapy and guidelines on the management of opportunistic Infections) for the management of HIV/AIDS and other opportunistic infections have been prepared. A set of activities are also aimed at treatment and vaccines. The government initiated in 2003 a Support Treatment and Anti Retroviral Therapy (START) in three sites to provide anti-retroviral drugs, in addition to Voluntary Counselling and Testing (VCT) and community sensitisation.

These efforts have led to a reduction in the prevalence rate from 3.9% in 2000 to about 3.2% in 2006. According to the latest estimates in mid 2006 about 7,338 people were receiving ART (7070 adults and 268 children). VCT service users are charged 5,000 cedis and ART and laboratory examinations require a 50,000 cedis monthly contribution from patients. PMTCT, the treatment of certain opportunistic infections and CD4 tests are provided free of charge.

Halt and Reverse Incidence of Malaria:

Malaria in Ghana is the single most important cause of mortality and morbidity especially among children under five years and pregnant women. It accounts for about 44.5% of all outpatient illnesses, 36.9% of all admissions and 19% of all deaths in health institutions in Ghana. The disease is responsible for a substantial number of miscarriages and low birth weight babies among pregnant women. Among this group, malaria accounts for 13.8% of Out Patient Department (OPD) attendance, 10.6% of admissions and 9.4% of deaths. About 800,000 children under the age of five die from malaria every year.

A new strategic National Malaria Control Programme (NMCP) has recently been

implementation of multiple prevention methods, focused research and improved partnerships. As a result the use of ITNs has gone up substantially from 3.5% in 2002 for children less than 5 years of age to 35.6% in 2006 and from 2.7% of pregnant women to 32.7% during this period. This has also helped to raise Intermittent Preventive Treatment (IPT) coverage in pregnancy to improve from 20% midyear 2004 to 51% midyear 2005. Apart from these, there are increased efforts to enhance malaria prevention, through the promotion of chemoprophylaxis for pregnant women and improving environmental sanitation.

In addition 2005 a new Anti-Malaria Drug Policy, Artesunate-Amodiaquine, was initiated and expanded into all the 138 districts of the country. The government has also adopted measures to improve malaria case management, through the preparation of treatment protocols.

Ensure Environmental Sustainability

Principles of sustainable development have been integrated into the country's development framework. Indeed in 2003, the Environmental Protection Agency collaborated with the National Development Planning Commission in conducting a Strategic Environmental Assessment on the medium term development (GPRS) to holistically address issues related to environmental sustainability. The objectives are:

- to ensure that sustainable development principles are integrated into all development policies, plans, programmes and project.
- that development programmes and projects are consistent with the realisation of the MDG of sustainable development

A major challenge to formulating sustainable environmental programmes is the ability to balance genuine environmental concerns with the economic imperatives of stakeholders. Such tensions underline the operational difficulties in achieving effective enforcement. In effect, compliance with environmental laws is more likely to improve when such laws do not impose undue hardship on affected parties.

The on-going community water and sanitation programme involving the state, development partners and non-governmental organizations has contributed immensely to improving safe water supply to households in Ghana. In addition, various poverty reduction programmes that are being implemented (e.g. GPRS I and II) and also on-going public health campaigns and non-formal education programmes, are expected to help households to improve their hygiene and sanitation practices to reduce the incidence of water borne and environmentally-related diseases. By 2006 78% of the population had access to safe drinking water (including 91% of urban dwellers and 69% of rural dwellers). But regularity and quality of supply are not guaranteed especially in urban areas, due to frequent water shortage and storage in unhygienic containers.

An assessment of progress made towards improving sanitation is seriously compromised by the absence of adequate data. The most reliable data was sourced from the result of the

In addition sector working groups within the MDDBS framework have been established to provide opportunity for further dialogue on key policy issues. Currently 18 sector working groups, partly comprising of sector mi

work. This has provided a platform for actions to reduce aid fragmentation through specialisation and delegation, and improve internal incentives for collaborative behaviour. The proportion of reported government sector aid using PBAs and hence employing common arrangements is currently reported as 53%, reflecting almost equal volumes of direct budget support and support to joint programmes within particular sectors.

The MDBS programme was initiated by 14 bilateral and multilateral agencies in 2003 and the various Sector-Wide Approaches (SWAs) have further deepened this process of harmonisation. The Netherlands channels approximately 70% of its development assistance through sectoral and general budget support, while the United Kingdom

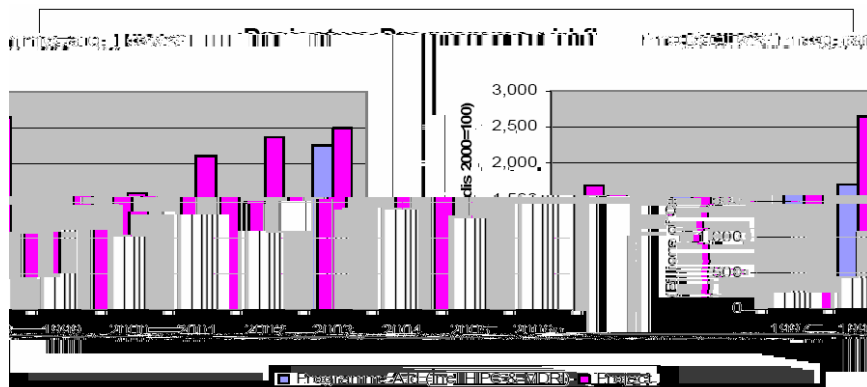
Ensuring Mutual Accountability in Relation to Resource Flow and Results Achieve:

The current partnership arrangement between Ghana and its development partners calls for each other to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires government to improve country accountability systems and donors to be transparent about their own contributions. At the November 2005 CG meeting, the government and external partners agreed on an Aid Harmonisation and Effectiveness Matrix, which sets out country outcomes for each of the 12 Paris Declaration indicators and actions which the government and partners will undertake to achieve them. A core working group (composed of two government officials and a representative set of multilateral and bilateral donors) identified individual agencies to spearhead actions in different fields of aid effectiveness. The group meets monthly to monitor progress.

Improved Government and Donor Partnership has defined the current Aid architecture in Ghana with mutual benefits to both parties. For Ghana the new relations have contributed to increased technical and financial support for the implementation of the GPRS from both bilateral and multilateral donors. In absolute terms, the MDBS has accounted for an average of about US \$300 million on an annual basis.

A close look at the ODA flows to Ghana shows that project aid to finance the GPRS experienced successive substantial increases over the GPRS I period of 2003-2005, whereas programme aid witness successive declines over the same period. As can be seen in Figure 18 the relative levels of both types of aid, in spite of the different trends, remained relatively higher than their levels in the second half of the nineties. 2001, for instance, witnessed an unprecedented high level of ODA disbursements to Ghana in the form of project and programme funding. Available information from OECD-DAC shows that ODA flows to Ghana steadily increased (in real terms) to reached a peak of 18 % of Gross National Income in 2004. It must be pointed out that OECD-DAC data are based on financial commitments by development agencies and are generally substantially in excess of ODA receipts as recorded in-country. In 2005, for instance, ODA receipts by GoG were estimated by the MoFEP's Aid & Debt Management Unit to have reached in excess of US \$ 1 billion, equivalent to 9% of GDP. Accounting for a significant

Figure 16: Official Development Assistance Flows to Ghana between 1997-2006



Source: ADMU, MOFEP

However, as can be seen in Figure 18, the levels of ODA inflows over the GPRS I period have been relatively lower than the peak levels attained in 2001 (Table 7). ODA receipts by GoG relative to the GDP, for instance, have fallen from 15% in 2001 to 9% in 2005, whilst the share of programme aid relative to total ODA receipts appears to have declined from 58% in 2002 to 35% in 2005.

Table 7: ODA Receipts by GoG as % GDP, 1999 – 2005

	1999	2000	2001	2002	2003	2004	2005
ODA Receipts by GoG as % GDP	6	9	15	8	9	10	9
Programme Aid as % share of total ODA	30	44	39	58	49	40	35

Source: ADMU, MOFEP

5.5 Harnessing Investments for Growth and Poverty Reduction

Even though Ghana has achieved substantial improvements on the economic front in recent years, it needs to continue to improve on the economic policy environment and investment climate in order to achieve higher growth rates and make more progress towards attaining the MDGs. Indeed this is the focus of Ghana's second policy framework document which spells out the growth and poverty reduction strategy for the period 2006-2009. It focuses on improving upon the economic policy climate to continue to maintain the macroeconomic stability and strengthen the investment climate so as to address the constraints to rapid economic growth. These constraints, particularly infrastructural bottlenecks, compromise agricultural productivity, human resource development as well as the effective delivery of water and sanitation services. Addressing these constraints will require resources far in excess of the nation's current resource envelope.

Various attempts have been made to measure the costs of reducing the constraints to growth and MDG achievement in the identified priority areas and the emerging financing gaps. The GPRS costing framework, for instance, estimates the total costs of required investments from the sector medium term strategies and programmes necessary to achieve a per capita income of about US\$1,000 by 2015 on the basis of an average minimum GDP growth rate of 6% during the period. From the total estimated costs of US\$6.88 billion (Table 8) over the GPRS II period 2007-2009 about 45.2% is expected to be contributed by DPs. This set against the total budgeted expenditures for investment and services US\$5.31 over the same period gives a financing gap of US\$1.6 billion, which is expected to be covered by largely external flows, including HIPC savings, flows

Table 9: Gross Capital Flows, 2006-2009, (\$ million)

	2006		2007	2008	2009
Concessional Flows	1057	1142	1355	1369	1482
Non-concessional Loans	0	0	250	250	200
I. Low borrowing scenario					
Non-concessional Loans	0	0	550	550	550
II. High borrowing scenario					
Total Flows					
Low			1605	1619	1682
High			1905	1919	2032
Gap from Sectoral Costing			2337	2575	2527

Source: Bank of Ghana

5.7 The Way Forward

The nation has laid firm foundations for an accelerated growth trajectory through effective macro-economic stability measures, strengthened political and corporate governance systems, measurable gains in socio-economic development and strong global partnerships. Collectively these measures have increased investor confidence, improved overall economic growth and sustained political stability. While the nation's performance with respect to the MDGs has been relatively modest, the rate of decline in poverty is well ahead of the 2015 target, primary and secondary school enrolment rates are on track and HIV/AIDS prevalence rates have taken a turn for the better.

However, resource-intensive investments particularly in infrastructure that is supportive of agricultural production, processing and marketing are required to effect the economic transformation required for growth that is sustained and broad-based. Such investments undoubtedly require resources beyond the nation's current resource envelope. In this context it is critical that development partners honour their commitments to scale-up the level and quality of aid to developing countries including Ghana.

Meanwhile, recognizing that the ultimate responsibility for national development rests with the state, the government will continue to strengthen its domestic resource mobilization efforts as well as its governance and expenditure management systems to ensure more effective use of resources.

Beyond financial resources, there is the need for developing countries to institutionalize peer learning and knowledge sharing mechanisms to strengthen evidence-based policymaking and minimize the incidence of policy failure. While the Annual Ministerial Review (AMR) provides such a mechanism it needs to be complemented by additional arrangements that facilitate more frequent interactions and exchanges among policymakers and development practitioners.