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MDBS Co-Chair 2006/2007

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19<sup>th</sup> of June 2007

Backward Look

I. Looking backward, we can see that a lot has been achieved since 2003, especially in 2006, and I would like, on behalf of Development Partners, to commend the government for these achievements:

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First of all, macro economic performances have improved, with a rising trend in GDP growth and an average of 5.5% annually ; also it has to be noted that macro economic stability has proven being sustainable over the period

Poverty reduction has been globally successful, decreasing from 51, 7% in 1991 to 39, and 5 % in 1999 and then dropping to 28, 5% in 2006, and Ghana will most probably meet MDG 1 well before 2015.

Let me recall that Ghana was the first African country to be reviewed by its Peers through the APRM Process launched in 2004 and can definitely be proud of that. The recommendations led to the production of a Program of Actions which is monitored through Annual Progress Reports, the first of which having been issued in 2006, clearly showing the importance the Government puts on this process.

The Growth and Poverty Reduction Strategy N° II, which was developed and approved in 2005, started being implemented in 2006 as a follow-up to the Ghana Poverty Reduction Strategy which had been successfully implemented from 2003 to 2005.

The Private sector, which is the driving force for the GPRS 2, is clearly developing, thanks to an improvement in the business climate, with Ghana ranking 9<sup>th</sup> in Africa and first in western Africa with regard to ease of doing business.

Last but not least a comprehensive Public Sector Reform was launched in 2006.

II In response, DPs have increasingly committed themselves to help Ghana implement its GPRS and reach its goals, namely the MDGs and the middle income country status.

-First of all, it should be recalled that having reached the HIPC completion point in July 2004 thanks to its sound macroeconomic performances, Ghana benefited from massive debt cancellations under the HIPC and the MDRI processes in 2004 and 2006: more than 5 billion dollars have been cancelled, therefore improving GoG debt sustainability and enabling the Government dedicate more funds towards poverty reduction

- The level of ODA flows from DPs has constantly increased from 800 million dollars in 2003 to almost 1.2 Billion dollars in 2006, and is expected to be close to 1.4 billions in 2007.

-Since early 2006, a joint Harmonization Action Plan has been developed between the Government of Ghana and its Development Partners in order to implement the Paris Declaration in a concrete and monitorable manner. Among actions and activities that have been on going in 2006, some crucial milestones have recently been reached:

-On the first of March 2007 16 Development Partners have signed the Ghana Joint Assistance Strategy which defines joint principles enabling DPs work in a more harmonized and aligned way, therefore leading to a clear reduction in transaction costs.

-Early April 2007, Guiding principles on how Sector groups, which are key to all decision making processes with regards to sectoral strategies and implementation plans, could better operate, have been jointly endorsed. This already started showing a clear improvement in the sector dialogue that will for sure benefit to a successful implementation of GPRS 2

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-A higher level of predictability has been obtained with regards to ODA flows. As an example, Multi Donors Budget Support flows, which represent more than one fourth of total ODA flows are fully predictable since 2006, with the Government knowing from its DPs the amount it will get from MDDBS for the next budget while preparing the budget.

- The APRM Program of Actions was merged into the GPRS II last year and by now CG and GPRS results matrices are also harmonized and aligned. A set of national key indicators has been defined under the coordination of NDPC, clearly paving the way for more harmonization and alignment between the different matrices which are used to monitor progress against the implementation of GPRS 2, Sector strategies and programs.

- Development Partners have been able to increasingly align their activities, missions and disbursements to Government budget cycle, for example by introducing a Mission Free Period and by readjusting the MDDBS annual calendar.

III. Despite these clear achievements and these joint efforts, some challenges clearly remain unmet

Poverty remains high in rural areas and regional income disparities have widened, in particular with Upper West and Upper East

While some human indicators are improving, such as reducing hunger, others such as the crucial MDGs for safe Water and child and maternal mortality are off track.

The deterioration of Natural Resources keeps on costing a lot to the country's accumulated wealth, equivalent to between 6 and 10% of GDP a year.

The link between the GPRS II and sector policies and or Program of Actions is not clear in all sectors. In conjunction with a lack of planning or programming capacities, this in some cases led to gaps in fundings or delays in the implementation of crucial policy reforms, as has been the case for Decentralization, Energy or Water.

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sustainable Energy sector that will enable Private sector fully invest and develop.

With regards to Harmonization and Partnership areas where progress has been slow and therefore needs to be accelerated include strengthening the sectoral basis for programme-based aid, reducing use of parallel management systems for development programs, defining a mutual accountability mechanism, and carrying out a first independent review before the High Level Forum in 2008.

As a conclusion I would say that Ghana is clearly on the right path, but further efforts definitely need to be jointly developed and conducted in the coming months. Later this morning we will have a presentation on the forward look. I don't think I will preempt what we will hear in saying that the Government of Ghana can be ensured that DPs remain committed to help Ghana reach both MDGs and a middle income country status by 2015

Thank you