



Ghana Consultative Group / Annual Partnership Meeting 2007, June 18/19, 2007 DP-  
presentation on "Results, Resources, and Partnership - Future Prospects" on June 19th

Results:

On behalf of Ghana's Development Partners I would like to start out by commending the Government for the substantial progress that has been made in strengthening the focus on results. Indicators to measure progress against the GPRS II have been agreed. More work has been done on the M&E framework. A structured debate on how exactly results and resources are linked has been initiated. All these processes require further attention and we should try to keep the momentum and e.g. see which role the two GoG-working teams can play in the future. Apart from the CG-platform we propose to also use the recently jointly agreed Sector-Group Architecture to follow up. More progress is needed regarding the overall coordination within GoG as well as between GoG and DPs. This also goes for further strengthening the budget process including the MTEF as reliable framework for planning and actual financing GoG's priorities.

We welcome the two folded approach of further "accelerating current economic growth and share the fruits of growth more equally". GLSS 5 and recent work on CEM has shown that there has been remarkable progress in achieving MDGs, but it can't at all be taken for granted that all MDGs will be met by 2015 and inequality has risen. For a country with the ambition to reach middle-income-status by 2015, current poverty rates are still unacceptable. - Fully acknowledging the need to step up investments and to progress on infrastructure, the two folded approach might influence the type of investment and the setting of priorities. In this context, the issue of Human Resource Development and employment creation seems to be of particular importance and we look forward to the debate later today.

Time doesn't allow a more detailed analysis of the priority targets for 2007 - 2009 as sketched out in the discussion papers - this dialogue should take place on Sector Group level. Nonetheless, some important sets of questions come up to mind:

- 1.) What is the role of GoG in providing the necessary infrastructure? Where can the Private Sector come in and what kind of enabling environment is necessary? How are the priorities defined in each of the mentioned areas?
- 2.) Regarding the energy crises, we fully agree with GoG on the need for increasing the supply capacities, but urge to continue working on the necessary structural reforms to make investments sustainable in the long run and to create an environment which will ensure the generation, transmission and distribution needs of a middle-income country. The necessary structural reforms had been decided and announced in 2003, in order to create a proper environment aiming at attracting private investment in the sector. However, these key reforms have been delayed, and the necessary additional generation capacities are actually financed under public resources, with negative effect on the global fiscal balance.
- 3.) While MDG 1 is in reach, the achievement of the health Millennium Development Goals in Ghana seems to be at serious risk. Against this background, the current and projected resource

allocations on items 3 and 4 in the area of infant and maternal mortality seem to be insufficient and should be significantly increased.

- 4.) The responsibility for delivery of services regarding rural drinking water and sanitation as well as maintenance of feeder roads is in the process of being transferred to District Works Departments. When this is combined with a rights based approach - including direct election of all members of District Assemblies - real progress regarding service delivery in these three areas will be within reach. According to Ghana's APRM annual progress report it is, however of concern to the majority of Ghanaians that the decentralisation process has stalled. How and when can the much needed decentralisation reforms be kick-started?

Resources:

Here as well, our analysis has improved over the last year and is becoming more and more comprehensive. Thanks to all those involved in the preparations! We still seem to lack the contribution of "emerging partners" like China and India and should find ways to incorporate them - or at least their contributions - better into our dialogue. More information would also be welcome on GoG's plans to increase domestic resource mobilization. A discussion on results and resources and how to close financing gaps will become a lot more substantial if we can base it on a complete picture. In this respect, future analysis would most likely benefit if it were possible to include administration and personal emoluments, items 1 and 2 of the GoG budget. Such a discussion would ideally take place on the basis of a solid Medium Term Expenditure Framework.

Looking at the DP-contribution it is first of all worth noting that the GS-leaders reiterated their Gleneagles' Commitments at the recent summit in Germany, including the promise to double their aid to Africa by 2010. We have spent much time over the last years to discuss how much of that scaling up will benefit Ghana. Analysing the new data, the picture seems to be quite promising:

- 1.) Promises on debt relief have been met and give GoG an additional average of 300 Mio. US\$ annual fiscal space, roughly 10 % of the overall envelope.
- 2.) ODA-disbursements to Ghana have been on the rise ever since 2002 and are now projected to reach more than 1.5 Bio. US\$ in 2009. This implies a 50% increase compared to 2005 and a near doubling compared to the levels of 2002/03.
- 3.) It is realistic to predict that future disbursements will be even higher as a number of DP's are not yet able to forecast their disbursements over the full three year period and others have taken their "low case financing" scenario. Following the recent discussions in Heiligendamm / Germany, more funds might be channeled through regional initiatives or instruments like the Global Funds.

Indeed, there has been an impressive scaling up of ODA to Ghana and there is a high likelihood that this trend will continue over the next years. Despite those encouraging news, - according to the analysis presented to us in the discussion papers - GoG is still confronted with an annual resource gap of up to 2.5 Bio. US\$ annually. According to the same documents, last year only 71 % of the projected financing for GPRS II and 53% of APRM and MDGs-related projections were actually released, with GoG reaching only 55% and donors 90% of their commitments. This suggests that we must also consider the weakness of MDAs to actually implement ambitious expenditure plans which also has implications for future financing gaps.

In order to deal with this financing gap, we encourage GoG to take a multidimensional approach, consisting of:

- 1.) Defining cautiously the most urgent funding priorities with a clear indicating of costing.
- 2.) Putting emphasis on further progress and implementation of all "Value for Money" initiatives, including progress on Procurement, M&E, Public Sector Efficiency and Accountability as well as strengthening internal coordination and further progress on the budget planning process and implementation, including the MTEF;
- 3.) Continuing to increasing domestic resource mobilization;
- 4.) Investigating further in PPP's and Private Finance Initiatives;
- 5.) Continuing the dialogue with all DP's to strengthen coordination and better effectiveness of aid flows while also discussing alternative funding instruments not as highly concessional as classical aid flows, but in any case "cheaper" than borrowing on the international private market. ~
- 6.) Taking a very cautious approach to non-concessional borrowing focusing on high-return investments while continuing careful analysis of debt sustainability scenarios and strengthening further debt management structures.

Fully aware of the importance of resource flows, we should not forget the general enabling environment for development. Trade agreements such as the discussions on the EP A, regional integration in ECOW AS and migration-issues are at least equally important on the way to become a middle-income-country.

#### Partnership

Our partnership has become stronger over the years and has reached a solid and impressive level. At the same time, the environment around us is changing with new stakeholders emerging like China or India, with Private Sector and Civil Society looking for their roles in the dialogue and with transaction costs still at unsustainable levels for all of us. The OECD/DAC 3<sup>rd</sup> High Level Forum on Harmonization and Aid Effectiveness which will take place here in Accra in September 2008 will provide the opportunity to take stock in a wider context. Without doubt, participants from all over the world will show special interest in the example of Ghana, the shining Star of Africa. HLF3 must do more than communicate progress, share good practice and set more aspirations. It must deliver changes that remove the main obstacles to aid effectiveness. It is therefore vital that GoG and other developing countries make their voices heard and lead the agenda at Accra to ensure that the process is not "donor driven".

The Ghana Harmonization Action Plan has become a valuable tool to monitor progress and to agree on the next steps. We have a 2007 Progress Report as well as a draft for the time until end 2008 in front of us. We should use this session to formally endorse the out looking Action Plan.

Many of the proposed activities can and will have to be taken up within GoG or other established fora. Quite often they reflect ongoing processes which have already been agreed elsewhere. Nevertheless, looking at the overall number of activities covered in the new G-HAP, it might be useful and necessary to discuss and agree on a few priorities which we consider to be crucial for further progress and the reduction of transaction costs.

I would like to propose three areas which in my mind deserve special attention, one for each of the Paris Declaration principles: ownership, alignment and effectiveness:

1.) Ownership: We would like to encourage GoG to give clear directions to us DP's how and where to best align to the priorities outlined in the GPRS II. This can and should be done based on a joint dialogue between all stakeholders involved, but as we can learn from other countries, a strong leadership helps not only to reduce transactions costs, but also increases the effectiveness of our partnership. In this context, I would like to draw special attention to the envisioned Government Aid Policy as well as to the G-JAS commitment of all DP's to engage in a division of labour process to become more focused on areas where the individual partners have their comparative advantages. Such a process won't go \_ very far without the active participation of GoG.

2.) Alignment: I see the first and foremost priority in further strengthening the Sector Group Architecture. We need to formally launch the agreement we reached a few weeks ago and to start implementation. Issues like the coordination - and subsequently reduction - of external missions, joint analytical work, practical discussions around SWAP's, coordinated technical assistance, or PPIU's can best be taken up on this level. The Sector Group dialogue should be the backbone of our partnership and inform discussions in other fora like the MDDBS or the CG/APM's. In this context, we need to ensure that we have the right mix of participants always including the Sector MDAs and the DPs in the sector and at least keeping closely in touch with MoFEP and NDPC. Why not also try to at least from time to time open up the debate to other stakeholders like Parliament, think tanks, private sector representatives or CSOs?

Another aspect of the Sector Group Architecture is the overall coordination of the Sector Group dialogue within and in-between the GPRS II-pillars. Moreover, the pillar themes deserve overarching attention, just like last years CG/ APM focused on growth and this years' meeting on Human Resource Development. The preparation of the discussion papers has shown the value added to combine the knowledge of different sectors. We should try to keep this momentum and look for smart solutions ensuring additional value of a Pillar Architecture without duplicating what can be done on the Sector Level.

3.) Effectiveness: Many important activities come to mind under this principle. I believe, most are already addressed within the existing fora. Thus, one area might deserve further attention: the idea of Mutual Accountability all of us signed up to in the Paris Declaration as one of the 12 indicators to measure progress in 200& and beyond. Moreover, H.E. President Kufuor himself together with German Chancellor Merkel just recently agreed on initiating a "Mutual Accountability Organ" to independently follow up and monitor the implementation of the G8 commitments as well as the promises made on side of the African leaders. Again, experience from other countries (e.g. Mozambique and Tanzania) shows that mutual accountability assessments can be very valuable tools for Government to hold donors accountable through annual targets and peer pressure. However, Mutual Accountability will only work sustainably if the process is designed and owned by GoG and implementation is linked to its new Aid Management Policy. Mutual Accountability will enable GoG to negotiate greater alignment and encourage a rational Division of Labour and increase the pressure on all of us to concentrate fully on delivering effective aid with the aim to reduce poverty, reach the MDG's and assist Ghana in her way to reach middle income status. We already have some Mutual Accountability assessment experiences on sectoral level like health or MDDBS and could take the debate from here.