

Comments on the State of Aid Effectiveness in Ghana
Prepared for the Consultative Group meeting, June 2007, Accra
– by the Growth and Poverty Forum ¹–

Aid, if properly delivered, channelled and managed, has the potential to be truly socially transformative in aid recipient countries; impacting on poverty levels and creating positive change in people's lives. If the remarkable amount of aid flows that are channelled from donors into Ghana each year are to have these types of results, much work still needs to be undertaken in creating the right type of aid environment, aid relationships and aid mechanisms in Ghana. While at an international level, donors and aid recipient governments have been working on and discussing these types of aid effectiveness issues over a number of years, 2005 can be considered a watershed year for joint discussions around enhancing aid practices for better development results. In 2005, the Paris Declaration on Aid Effectiveness saw donors and recipient aid countries (including Ghana, a medium aid dependent country) make a historic bid to enhance their aid delivery and management through a series of twelve trackable and time bound joint commitments, which will be reviewed at the third High Level Forum next year in Accra.

The GPF welcomes the opportunity to reflect on and monitor the implementation of the Paris Declaration so far in Ghana. The results from the recent Baseline Survey on Monitoring the Paris Declaration in Ghana have given the GPF the opportunity to evaluate how far, both donors and the Government of Ghana, have progressed in achieving the Paris aid commitments towards enhanced aid effectiveness. Taking place last year but based on 2005 figures, the survey saw Government and fifteen donors in Ghana (who accounted for 89% of official flows into Ghana in 2005) respond to the survey. While the GPF recognises that there has been momentum towards better aid practices and we commend Government and those donors who participated in the survey for being pro-active in the monitoring process, the real challenge now is to move beyond the rhetoric of commitment to full implementation of the Paris agenda by all. Indeed, while it may appear that Ghana has met and is on track to meet some of the 2010 Paris aid effectiveness targets, the first round of monitoring has exposed some areas for improved action both on the part of the Government of Ghana and donors.

Using the Paris Declaration's overarching five themes of ownership, alignment, harmonisation, managing for results and mutual accountability, the GPF will briefly review our findings from the baseline survey and make some suggestions to the Consultative Group to enhance the effectiveness of aid in Ghana today.

Ownership

The Paris Declaration places a strong emphasis on in-country ownership of development agendas for better aid results. However, the GPF would question how far those outside central government, including Ghanaians and Ghanaians civil society as a whole, own or indeed know about the GPRSII.

¹ The Growth and Poverty Forum is a coalition of CSO organizations in Ghana working collaboratively to engage on policy dialogue around GPF.

For aid to become truly effective in Ghana, we recommend that the Government deepens its ownership of all the aid processes that take place in Ghana by developing its own aid policy (in conjunction with civil society, parliamentarians and other Ghanaian aid actors) and also channelling adequate resources into the independent monitoring of aid in Ghana. Ultimately, the GPF believes if Ghana is to truly own its development agenda for better results then the Government and other Ghanaian aid actors must be at the forefront of aid policy formulation, implementation, monitoring and evaluation.

Alignment

While the Paris Declaration encourages the strengthening of country systems and the subsequent alignment of donors to these systems to make for improved country capacity and lower aid transaction costs, the Ghanaian baseline results have highlighted some key issues that must be addressed in Ghana. The overall results seem to suggest that donors in Ghana are increasingly aligning their aid flows to national priorities, using Ghanaian public financial managements systems and a Ghanaian led model of capacity development, however, the disaggregated results point to a different picture. By reviewing each donor's progress individually, the GPF believes that the alignment process is incomplete in Ghana and donors are not being consistent in aligning their aid towards Government policies and practices. The GPF urges all donors in Ghana to fully commit to directing and channelling their aid through Ghanaian country systems.

- *Reporting and Aid Predictability Discrepancies*

Although MDBS donors should be commended on their use of Ghanaian financial systems and on budget support, there was an overall \$39 million budget reporting gap and a significant \$81 million aid predictability gap in Ghana in 2005. The GPF believes that both donors and Government need to work hard to counter these huge reporting and / or recording discrepancies, which ultimately led to a fragmented, inefficient and un-coordinated aid system in Ghana. On the one hand, the GPF would urge donors to report accurate aid data that reflects all their aid commitments and disbursements directly to the Aid & Debt Management Unit in MoFEP; and on the other, the Government needs to allow for more resources to capture these aid flows and be more realistic in its budget execution and reporting.

- *Reflecting the Real use of PIUs & Co-ordinated Capacity Support*

Reductions in the donor use of parallel implementation units and the increased donor use of providing technical assistance that is co-ordinated under Government leadership were supposed to be key areas for donors to assist in improving Ghanaian state capacity to deliver and manage aid. However, it is evident that in these areas donors have often been undertaking image conscious reporting in the monitoring process. How far donors and Government have progressed in achieving the Paris Declaration 2010 targets is not a competition but should reflect pivotal aid delivery and mechanism changes that can impact directly in Ghanaian lives. As such, The GPF is extremely concerned that, although committed to the monitoring process, donors have seen fit to use their own interpretations of these key aid related processes / terms, which in turn affect their disaggregated 'rating' according to the indicators.

As untied aid is such a contentious aid effectiveness issue, the GPF also believes that the monitoring of this key aid process should be undertaken by a transparent and independent review and we would also urge donors to provide accurate data on complete breakdowns of their aid. Finally, while the GPF supports the good intentions behind the budget support mechanisms employed by many donors today in Ghana, we would urge caution that areas (such as gender, the environment, human rights promotion etc.) that do not necessarily figure highly on budget are not sidelined in resource allocation.

Harmonisation

Clearly a fragmented aid delivery and management system leads to inefficient and ineffective aid practices and impact. While some donors have been working to harmonise their aid practices, it is clear from the disaggregated Ghanaian baseline results that other donors are not. While the GPF recognises the importance of announcing a 'mission free' period for the Government in Ghana later this year, the baseline survey suggests that there is a lot of work that needs to be undertaken amongst donors on joint missions and country analytical work, if the 2010 targets are to be achieved. The GPF urges all donors in Ghana to undertake joint and collaborative work that will ease the current overburden on Government aid systems and procedures.

The GPF would also urge caution with the harmonisation process itself; results from the recent multi-donor budget support evaluation suggest that donors have been using their increased harmonisation as a policy leverage tool, which surely runs counter to the spirit of country ownership of the development process as espoused at Paris.

Managing for Results

Both to improve aid effectiveness and to help Ghana reach the Millennium Development Goals, the GPF commends the Paris Declarations goal of establishing a results orientated aid reporting and performance framework in Ghana that donors in turn commit to using. However, the baseline results suggest that while the quality of Ghanaian poverty data is improving; as mentioned previously, better data is required on budget activities, and that inefficiencies are arising within central Government due to differing ministries using differing data collection systems. The GPF is also concerned that despite the focus on managing for results, there are no tangible results or impact based monitoring of the Paris commitments.

The GPF recommends that for managing for results to be a truly aid effective tool, then aid data collection needs to be targeted and gaps filled, through sufficient resource allocation and streamlining of reporting processes. This will require work from both donors in Ghana and the government.

Mutual Accountability

A deep respect for mutual accountability should form the basis of any relationship between donors and government and in this spirit; the Paris Declaration introduced the concept of mutual accountability for better development results. While the GPF applauds the much overdue focus on issues of mutual accountability that came out of Paris, we

believe that the monitoring of this indicator is both weak and ineffectual. Indeed, last year's baseline survey suggests that Ghana has already achieved this indicator. However, the GPF questions the establishment of the Ghanaian Aid Harmonisation & Effectiveness Matrix as a strong proxy for a mutually accountable aid relationship between donors and government; rather we see the matrix as a first step towards such a relationship and would like to see how commitments have translated into real actions. The GPF would also like to see the definition of mutual accountability deepened within Ghana beyond donors and government.

We also appeal to donors to reflect on their actions and be true to the spirit of mutual accountability within the new aid architecture. The GPF would urge for more transparency not only in aid processes but in the aid monitoring process itself. We are concerned that the monitoring process is not transparent enough; indeed, it has not been undertaken by an independent body, is for many donor orientated indicators the result of self assessment and four indicators are evaluated by effectively closed desk reviews. We are also concerned that donors and Government unduly influenced the final survey report and suggest that any future monitoring is undertaken in a truly transparent and independent manner.

Beyond Paris:

Moving beyond the Paris commitments, the GPF recognises that although the declaration outlines some necessary steps to increase the effectiveness of aid in Ghana; these steps are only preliminary and the declaration itself is incomplete. While the focus on streamlining technocratic processes and on ultimately creating a mature relationship between donors and Government is laudable, the GPF would suggest that these measures do not go far enough. Indeed, the almost implicit assumption that once aid processes are streamlined and made more efficient then aid will have a better and greater impact seems somewhat naïve. The GPF recommends that the 'ends' or impact of aid in Ghana be given as much attention as the reformation of the 'means' or processes of aid that are the current focus of the Paris Declaration commitments.

The GPF would urge both donors in Ghana and the Government of Ghana to reflect further on the way they deliver and manage aid as the results from last year's baseline survey show that these actors have some way to go in implementing the current aid effectiveness agenda. However, while there are many obstacles to improving the aid architecture in Ghana today, the potential benefits for Ghanaians outweigh these challenges.

Finally, the GPF would urge that the current aid focus on reducing transaction costs for efficiency gains and the subsequent drive to create harmonised and aligned relationships between donors themselves and the Government does not overshadow the true test of aid effectiveness: long term improvement in people's lives.