



# DEVELOPING GHANA'S AID POLICY

# OUTLINE



1. Introduction
2. Rationale for Aid Policy
3. Objectives of the Aid Policy
4. Guiding Principles
5. Key Policy Areas
6. Policy Recommendations
7. Conclusion

# INTRODUCTION



- Ghana is at the stage of developing an aid policy to guide its engagements with Development Partners.
- Like other developing countries, Ghana relies on external aid for budgetary support as well as capital projects.
- Over the last two decades, external aid has constituted an important source of financing for Ghana. It continues to be a significant player in financing Ghana's development at least up to 2015 when Ghana is expected to attain middle income status.
- In recent years, external assistance has averaged below 30% of total annual budgetary resources, though it has served as the major financing anchor for our infrastructure development.

# INTRODUCTION (CONT)



- External assistance has provided critical support for balance of payments and budgetary support financing.
- It has also complimented Government efforts in poverty alleviation through funding of NGOs and CSOs.
- Although not a heavily aid-dependent nation, the medium to long term objective is to reduce dependence on external assistance.
- In the meantime, to meet our 2015 goal, there is a crucial need for **more, better** and **effective** aid, especially when its delivery and/or predictability has not been on point.



# RATIONALE FOR AID POLICY



- ❖ External aid has been fairly unpredictable and/or not delivered effectively. It has also not been properly coordinated and in most cases is supply-driven.
  
- ❖ Attempts have been made at both national and international levels to make aid delivery more effective such as:
  - Policy initiatives like the G-JAS, G-HAP, MDBS
  - Endorsement of international conventions including the **Paris Declaration, MoU on Aid Harmonisation**, pending **Accra Agenda for Action**



# RATIONALE FOR AID POLICY



- ❖ To enhance the impact of external aid on growth and poverty reduction there is the need for:
  - More effective delivery of aid
  - Improved leverage in negotiation for better aid allocations.
  - Strong human and institutional capacity within a sound legal environment.
  
- ❖ The aid policy is vital to Government to ensure **effective delivery** and **coordination of development assistance** towards meeting our development targets, and gradual exit of Ghana's dependence on aid.

# OBJECTIVES OF THE AID POLICY ★



- ❖ Overarching aim is to ensure that external aid assistance programmes are geared to support Government's development agenda of attaining middle income status
- ❖ The core objectives of the aid policy can be summarized as follows:
  1. To set out Government's preferred modalities and forms of external assistance to ensure that aid is aligned with country priorities
  2. Improve aid effectiveness through strengthened country ownership
  3. Define internal aid management policies and procedures to improve aid management
  4. Define clearer structures for dialogue between GoG and DPs to improve the process of aid management
  5. To have a legally binding arrangement on management and accountability of aid flows

# GUIDING PRINCIPLES



- **Ownership** - Country ownership will be the bedrock of the Aid Policy which will spell out the sourcing, utilization, monitoring and management of external aid in Ghana.
- **Alignment** – External aid should be aligned with GoG development priorities and country systems. Harmonization of DP procedures should be subsidiary to alignment and led by GoG.
- **Predictability and Flexibility** – Commitment should be provided over a medium to long-term basis to synchronize with the MTEF to ensure strategic planning and effective delivery of results.



# GUIDING PRINCIPLES

(cont)★

- **Mutual Accountability/Shared Responsibility** – Mutual accountability will underpin interaction with Development Partners and enhance participation of local stakeholders in aid management
- **Reduced Aid Dependency** : The long-term objective is to ultimately reduce our dependency on aid. Government will therefore endeavour to intensify its efforts to improve domestic resource mobilization and attract private international resources through trade and investment.



## KEY POLICY AREAS/RECOMMENDATIONS

- ❖ ***Alignment with development priorities.*** By 2009, the GPRS II will roll into the National Development Plan (NDP), which will be the primary reference document for dialogue with DPs. The NDP will also guide the development of comprehensive sector strategies by MDAs
- ❖ ***Preferred aid modalities.*** Government's preferred aid modality is **un-earmarked general budget support** and to a **limited extent**, sector budget support defined within the sector-wide approach. Project aid will be limited to specific circumstances, in particular to **infrastructure operations** that are **capital intensive**.
- ❖ ***Use of country systems.*** Government will also intensify the ongoing improvements in the country systems which will require assistance from Development Partners, both in terms of resources and technical know-how.



## KEY POLICY AREAS (CONT)

- ❖ ***Technical assistance and capacity development.*** Government's core objective is to ensure that technical assistance becomes **demand-driven, reflecting government priorities** and structured in way to ensure **sustainability** as well as **value-for-money**.
- ❖ ***Management for development results.*** Ghana's aid policy will ensure that the National Monitoring and Evaluation (M&E) system developed by the NDPC shall be the **primary system for results monitoring** on development priorities, at the central, sectoral and regional levels.
- ❖ ***Mutual accountability and shared responsibilities.*** GoG is accountable to DPs through numerous reporting arrangements. However, no formal mechanism exists to ensure DPs are also accountable in terms of meeting their agreed obligations. Government and DPs will have to commit to share development outcomes governed by the principle of mutual accountability and shared responsibilities.



## KEY POLICY AREAS (CONT.)

- ❖ ***Coordination and management of aid within Government and with DPs*** in terms of sourcing, monitoring, management and reporting, is somewhat fragmented. There are about 15 sector working groups and unspecified number of thematic working groups.

To resolve the issues on aid management and reporting related problems:

- the aid policy will define clearly the institution (MOFEP) constitutionally mandated to source and manage external aid and will coordinate all external aid while strengthening inter and intra coordination.
- an Annual Policy Review Meeting, to be preceded by semi-annual sectoral reviews, will replace the various review processes as the central mechanism for Government and Development Partner consultations.

# CONCLUSION



- ❖ These are some of the key elements and issues which will be integrated into the aid policy.
- ❖ Several follow up actions and decisions need to be taken:
  - The analysis needed to define benchmarks and targets for the key policy areas;
  - Detailed implementation plan for the improvement of systems and procedures;
  - Coordination mechanisms and institutional re-arrangements;
  - Mechanisms for mutual accountability, including the independent assessment of GoG and DP performance;
  - Development of detailed implementation strategy and plan.
- ❖ Also key to the finalization of the aid policy will be comprehensive stakeholder consultations.



**THANK YOU**