



REPUBLIC OF GHANA

**QUARTER ONE EXTERNAL FINANCING PERFORMANCE
REPORT**

JANUARY – MARCH 2008

MINISTRY OF FINANCE AND ECONOMIC PLANNING

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TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
1.0 Introduction.....	4
1.1 Background.....	5
1.1.1 Recent Trends in External Assistance flows	5
1.1.2 Structure of the Report	6
2.0 BUDGET SUPPORT PERFORMANCE.....	8
2.1 Multi Donor Budget Support (MDBS).....	8
2.2 Sector Budget Support/SWAPs.....	10
3.0 PROJECT SUPPORT PERFORMANCE.....	11
3.1 Project Support Outturns by Development Partner	11
3.2 Project Support Outturns by GPRS II Pillar.....	13
4.0 CONCLUSION.....	15
4.1 Budget Support Inflows	15
4.2 Project Support Inflows.....	15

Annex 1: Q1 Project Support outturns by MDA

The data used in preparing this report is based on information received from development partners at the end of the first quarter of 2008. While this data may not be fully representative of total disbursements that have been made in the first quarter, MOFEP is dependent on the development partners to submit notices of all disbursements and the data used here is on the basis of what was received only. Disbursements that were not communicated to MOFEP are not included here. The data will however be revised as more notices are submitted to MOFEP. Readers are kindly invited to send comments or suggestions to:

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1.0 Introduction

Over the past 7 years, Ghana has experienced a steady and increasing real GDP growth reaching 6.2% in 2007. The economy has remained resilient even in the face of external and internal shocks. The strong performance in growth and the reduced poverty experienced in the past 7 years has stemmed from improvements in the economic policy management, a favourable investment climate and a more predictable aid flow delivery.

Ghana aims to build on these impressive gains in order to achieve higher growth rates that can propel the country through our National Development Plan (NDP) to achieve a middle income status by 2015. This objective will require massive investments government investments in growth catalytic sectors and the scaling up of aid into growth oriented investments, improving country ownership and leadership of the development agenda, and the strengthening of country systems and institutions.

External Assistance has played and will continue to play a significant role in the Ghanaian economy at least up to 2015 when Ghana is expected to attain middle income status and to meet the Millennium Development Goals (MDGs). There is the need therefore for more, better and effective external assistance.

At the national level, policy initiatives aimed at ensuring effective aid delivery and management have been undertaken which includes Multi Donor Budget Support (MDBS) framework, Ghana Harmonisation Action Plan (G-HAP), Ghana Joint Assistance Strategy (G-JAS). There are plans to have a comprehensive Aid Policy to guide the delivery of aid. At the international level, the Paris Declaration and the Accra Agenda for Action are expected to reinforce Ghana's efforts at improving aid effectiveness.

The report looks at the performance of disbursements of external funds to support the 2008 Budget during the first quarter of the year, covering the period January to March 2008. The Report analyses the performance of disbursements of external funds using 25% as the performance benchmark for the first quarter. In cases of significant variations from the budget projections, some reasons are offered for the variations.

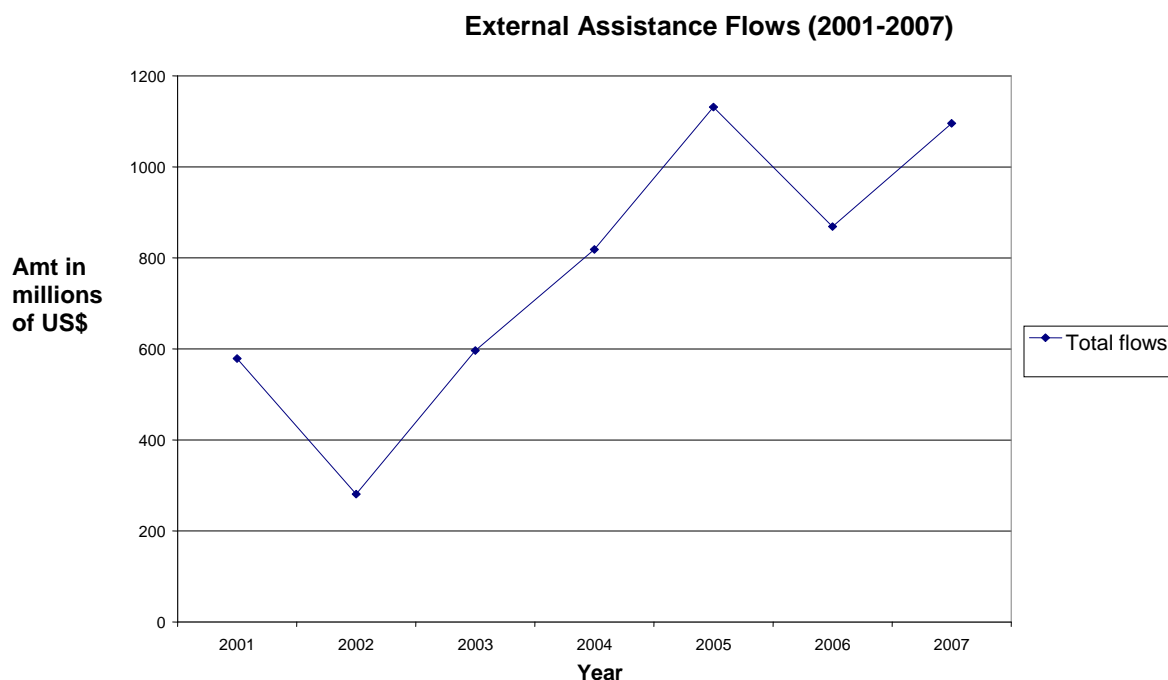
It is hoped that this report would further enhance aid reporting and coordination among stakeholders in external assistance management.

1.1 Background

1.1.1 Recent Trends in External Assistance flows

External assistance to Ghana over the past seven years has averaged about US\$770¹million between 2001 and 2007, registering its highest flow of about US\$1.1billion in 2005. External flows after 2004 were consistently above average (see Chart 1.1). The average flows generally represent 25% of budget revenue and 6% of GDP. The increasing flow within the period was mainly due to heightened donor confidence resulting from the prudent macroeconomic management of the economy.

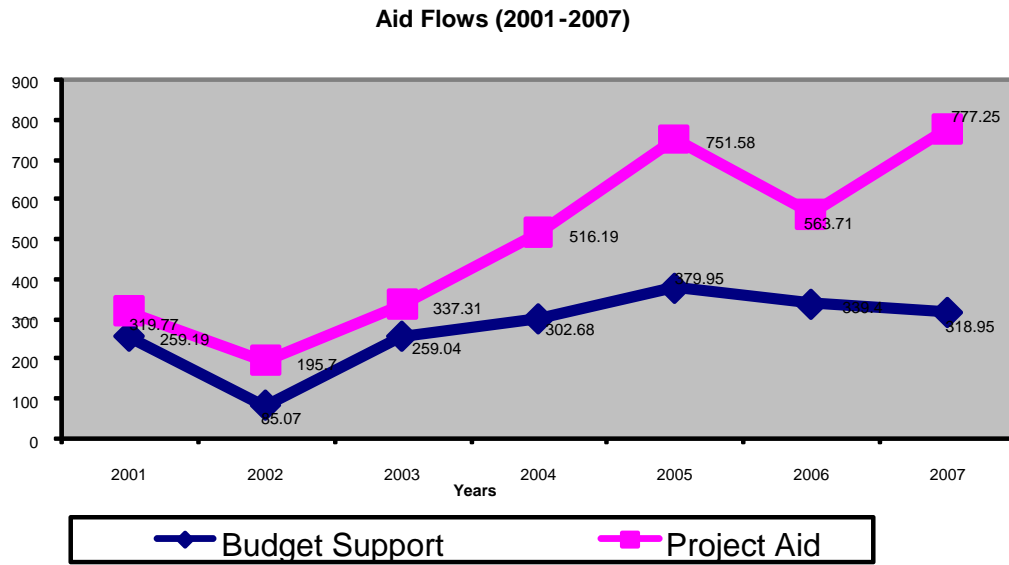
Chart 1.1



Generally, external assistance flow to Ghana includes grants and concessional loans with grant element of not less than 35%. This is in line with the country's external borrowing strategy to ensuring overall debt sustainability. The capital market bond issue in 2007 was an exception to the concessionality rule to support critical and strategic growth induced sectors especially energy but was within the overall medium to long term debt sustainability level, which is one of the primary objectives of debt management in Ghana, following the granting of debt relief under HIPC and MDRI Initiatives.

¹ The average flows for the period does not include the US\$750million capital market funds disbursed in October 2007.

Chart 1.2



By aid type, Budget Support aid averaged about US\$300million, representing 36% of total aid flows between the period 2001 and 2007, while project aid averaged about US\$450 million, representing 64% of total aid flows. The improvement in Budget Support from 2003 onwards is largely attributed to the introduction of Multi-Donor Budget Support (MDBS) framework in 2003 which has improved commitment and predictability of aid flows. The MDBS currently constitutes about thirty percent of total donor inflows to Ghana. Note also in chart 1.2 that in spite of the improved Budget Support flows, it is still below the annual average for project aid

In terms of sources of external assistance, multilateral institutions have historically contributed a greater share than bilateral creditors. The major multilateral institutions include the World Bank, African Development Bank Group, the European Union, the UN agencies and others. The World Bank remains the biggest multilateral Development Partner to Ghana, providing over 45% of multilateral aid annually. The United Kingdom, Japan and the United States are some of the leading aid providers to Ghana in the bilateral group.

1.1.2 Structure of the Report

Section 1: Is the introduction

Section 2: Budget Support Performance: Analyses disbursements for general budget support and sector budget support as well as inflows from debt relief. This section looks at the disbursements for multi-donor budget support (general budget support) and Sector Budget Support/SWAPS.

Section 3: Project Support Performance: Analyses disbursements for project support by development partners (Multilateral agencies, Bilateral DAC donors and Non-DAC donors) and by GPRS pillar.

Section 4: Concludes the Report

2.0 BUDGET SUPPORT PERFORMANCE

There are currently two main modalities through which Development Partners (DPs) provide Budget Support to Ghana, General Budget Support (GBS) and Sector Budget Support through the Sector Wide Approach Support (SWAPs). With the General Budget Support, DPs transfer unearmarked funds into the Government of Ghana's Consolidated Fund to support the implementation of the budget including developmental projects and policies carried in the annual budget and economic statement. This form of support which was fragmented in the past with various DPs having their individual conditionalities, was harmonised in 2003 under the Multi-Donor Budget Support (MDBS) Framework in support of the Growth and Poverty Reduction Strategy (GPRS).

Sector budget Support on the other hand has been provided by DPs in the form of earmarked support to particular sectors.

In 2008, expected inflows under the General Budget Support (adopted in Ghana as the MDBS) are US\$ 373.13mn while Sector Budget Support (SWAPs) projections amount to US\$138.9mn. Total projections for debt relief amount to US\$ 262.2 million (see table 2.1).

Table 2.1: Budget Support Performance (US\$ mn)

Budget Support	2008 Budget Projection	Q1 Actual Disbursement	% of Budget Disbursed
Multi Donor Budget Support	373.13	151.90	40.71%
o/w Loans	189.40	0.00	0.00%
o/w Grants	183.73	151.90	82.68%
Sector Budget Support	138.90	22.10	15.91%
o/w Loans	22.31	3.01	13.51%
o/w Grants	116.59	19.08	16.37%
Total	512.03	174.00	33.98%

Table 2.1 above shows the performance of budget support disbursements for the first quarter of 2008. Total MDBS inflows during the first quarter of 2008 amounted to USD 151.9 million representing 40.71% of the annual budget projections. This performance is accounted for by a high disbursement rate for grants which more than offset the zero disbursements against the loan component of the MDBS funds which are expected to be disbursed in the 2nd and 3rd quarters. Sector budget support was at 15.91% of the annual projections driven by low disbursement rates for both loans and grants.

2.1 Multi Donor Budget Support (MDBS)

The MDBS was formed with the signing of a Framework Memorandum (FM) between the Government of Ghana and nine (9) Development Partners to govern the general

budget support operations in 2003. France signed on in 2005 and Japan is the latest addition to the group of MDDBS DPs in 2008. The Government each year negotiates and agree with DPs on a Performance Assessment Framework (PAF) which outlines the policy actions it intends to undertake as part of its Growth and Poverty Reduction Strategy (GPRS) process. Disbursement of funds are usually made in two (2) tranches viz, a ‘base’ tranche and a performance’ tranche’. The base tranche is disbursed between January to April after a review of the macroeconomic performance. The performance tranche is made following a comprehensive review of GOG implementation of policy actions. However, to improve predictability of funds, a number of DPs are moving away from the two tranche disbursement to a single disbursement. Due to this and other structural changes that have occurred over the past couple of years, Government and her MDDBS partners revised the FM in 2008 to reflect the changes. It was also deemed necessary to incorporate into the FM certain generic aspects of the Technical Annex, which lays down the procedures by which Government and her MDDBS partners carry out joint assessment of Ghana’s performance, dialogue, formulation of commitments as well as disbursements.

A closer look at the MDDBS outturns by development partner in table 2.2 below shows that the disbursement performance of 40.71 percent, which is above a benchmark target of 25 percent² for the first quarter of the year, was on account of disbursements by five MDDBS Development Partners (DPs). There were no inflows from six DPs who are either finalising disbursement procedures or did not program disbursement for the quarter under review

Table 2.2: Q1 MDDBS Outturns (US\$ mn)

	2008 Budget Projection	Q1 Actual Disbursement	% of Budget Disbursed
Multi Donor Budget Support			
World Bank	100.00	0.00	0.00%
ADB	48.00	0.00	0.00%
EU	28.20	0.00	0.00%
Canada	15.90	16.48	103.65%
Denmark	11.40	11.90	104.39%
France	22.40	14.42	64.38%
Germany	13.20	0.00	0.00%
Japan	3.13	0.00	0.00%
Netherlands	34.20	38.44	112.40%
Switzerland	7.20	0.00	0.00%
United Kingdom	89.50	70.66	78.95%
Total	373.13	151.90	40.71%

² We use a benchmark target of 25% throughout document by assuming that 25% of the annual projections is disbursed in the first quarter.

As depicted in table 2.2, disbursements for some MDBS DPs in the first quarter exceeded the annual budget projections (Canada, Denmark, and Netherlands), which is attributed to exchange rate gains as a result of depreciation of the US dollar against the disbursing currencies of DPs.

2.2 Sector Budget Support/SWAPs

The Sector Wide Approach (SWAP) is a process in which funding for a sector whether from government or from external sources are pooled together to support a single policy and expenditure programme, under government leadership, progressing towards the use of Government systems to disburse and account for all funds.

In Ghana, the first SWAP was initiated in the Health Sector, with the formulation and subsequent implementation of a sector strategy by the Ministry of Health with support from Development Partners. Currently, there are five SWAPs in place covering Health, HIV/AIDS, Private Sector Development, Public Sector Reform and Financial Sector Reform. Table 2.3 below shows the 2008 budget projections to the five Sectors and the actual disbursements for quarter one. The table highlights that one sector (HIV/AIDS) was on target with 25.94 percent of the budget projection disbursed in the first quarter of the year while disbursements to the remaining four sectors were below the benchmark target of 25 percent. There were no disbursements towards the Public Sector Reform SWAP during the period under review.

Table 2.3: SWAPs Q1 Outturn Performance (US\$ mn)

Sector Budget Support	2008 Budget Projection	Q1 Actual Disbursement	% of Budget Disbursed
Health	94.88	14.59	15.38%
HIV/AIDS	10.33	2.68	25.94%
Private Sector Development	11.03	2.18	19.79%
Public Sector Reform	8.12	0.00	0.00%
Financial Sector Reform	14.55	2.65	18.20%
Total	138.90	22.10	15.91%

3.0 PROJECT SUPPORT PERFORMANCE

Project support disbursements in the first quarter of 2008 amounted to USD 207.41 million representing 19.82 percent of the annual budget projections. Inflows on loan financed projects measured against the annual projections recorded a higher performance at 22.13 percent than grant financed projects at 17.41 percent.

Table 3.1 Q1 Project Support Outturns (US\$ mn)

	2008 Budget Projection	Q1 Disbursement	% of Budget Disbursed
Project Aid Support			
Loans	535.88	118.56	22.13%
Grants	510.43	88.85	17.41%
Total	1,046.31	207.41	19.82%

3.1 Project Support Outturns by Development Partner

There are 23 multilateral agencies (including the UN agencies and Global and Regional financial institutions), 16 bilateral agencies which are members of OECD/DAC and 4 Non-DAC Governments/Institutions (India, China, Kuwait Fund and Saudi Fund) currently providing external finance to Ghana or have scheduled financing arrangements. Table 3.2 below presents the budget projections (for both loans and grants) for each of these agencies and the actual disbursements made in the first quarter of 2008.

Table 3.2: Q1 Project Support Outturns (Loans & grants) by Development Partner (US\$ mn)

Development Partner	2008 Budget Projection	Q1 Actual Disbursement	% of Budget Disbursed
o/w Multilateral			
IDA	181.85	47.33	26.03%
ADF	73.64	13.57	18.42%
EU	61.10	15.50	25.36%
Nordic Development Fund	7.22	1.68	23.24%
BADEA	5.10	0.02	0.38%
ECWF	0.48	0.00	0.00%
EIB	26.32	0.00	0.00%
NTF	0.90	0.00	0.00%
OPEC	1.66	1.03	62.31%
FAO	2.04	0.00	0.00%
IFAD	4.11	1.51	36.75%
ILO	0.24	0.00	0.00%

IOM	0.12	0.00	0.00%
UNAIDS	0.00	0.00	-
UNESCO	0.00	0.00	-
UNFPA	3.18	0.00	0.00%
UNICEF	4.32	0.00	0.00%
UNIDO	0.36	0.00	0.00%
UNDP	26.90	0.88	3.29%
WFP	1.92	0.00	0.00%
WHO	4.73	0.00	0.00%
Global Fund	21.14	0.00	0.00%
GAVI	1.12	0.00	0.00%
o/w Bilateral			
Austria	0.00	0.00	-
Belgium	40.61	7.50	18.48%
Canada	24.79	27.78	112.07%
Denmark	33.00	25.84	78.30%
Finland	0.00	0.00	-
France	25.87	6.30	24.35%
Germany	38.52	7.52	19.53%
Italy	1.61	0.53	32.94%
Japan	27.97	0.00	0.00%
Netherlands	108.62	10.99	10.12%
Norway	0.00	0.00	-
Spain	2.41	9.36	388.02%
Sweden	0.11	0.00	0.00%
Switzerland	4.81	0.00	0.00%
United Kingdom	41.79	4.33	10.37%
United States	127.75	0.00	0.00%
o/w Non- DAC			
China	116.47	9.28	7.97%
India	11.26	7.91	70.25%
Kuwait Fund	0.83	0.04	5.05%
Saudi Fund	4.97	0.00	0.00%
Others	6.50	8.50	130.69%
Total	1,046.31	207.41	19.82%

Total project support disbursements were 5.2 percentage points below a benchmark target of 25% in the first quarter of 2008 though there were variations in the disbursement rates for different DPs.

Multilateral Agencies

With regard to multilateral DPs, disbursements recorded for four agencies were above the 25% benchmark for the first quarter (OPEC, IFAD, IDA, EU), four were below 25% but not at 0% (ADF, NDF, BADEA, UNDP) while no disbursements were recorded for the remaining 12 multilaterals.

Bilateral Development Partners

Out of the 16 bilateral agencies noted in table 3.2 above, project support disbursements were projected for 13 of them. Of these 13, four Bilateral DPs have recorded disbursements above 25% for quarter one (Canada, Denmark, Italy Spain), of these four, Spain and Canada have recorded disbursements above the budget projections at 388.02% and 112.1% respectively. This is partly attributed to disbursements on projects for which no projected disbursements were made. Five bilateral DPs recorded disbursements below 25% (Belgium, France, Germany, Netherlands, United Kingdom) while no disbursements were recorded for the remaining the four bilateral DPs.

Non-DAC Development Partners

One Non-DAC DP recorded disbursements above 25 percent (India), two recorded disbursements below 25 percent (China and Kuwait Fund) while there were no disbursements recorded for Saudi Fund.

3.2 Project Support Outturns by GPRS II Pillar

Analysis of the project support disbursements by GPRS pillar reveals that the disbursement performance was highest for Pillar 2- Human Development and Basic Services, followed by Pillar 3- Good Governance and Civic Responsibility with Pillar 1- Growth and Employment recording the lowest disbursement performance.

Table 3.3: Q1 Project Support Outturns by GPRS II Pillar (US\$ mn)

Pillar	2008 Budget Projection	Q1 Actual Disbursement	% of Budget Disbursed
Pillar 1: Growth and Employment	647.80	120.02	18.53%
Pillar 2: Human Development and Basic Services	188.89	44.49	23.55%
Pillar 3: Good Governance and Civic Responsibility	209.61	42.91	20.47%
Total	1,046.31	207.41	19.82%

The higher performance for Pillar 2 is on account of a good disbursement rate for the Ministry of Health (30.21% of the annual projections) which more than offset the poor disbursement performance for Ministry of Education, Science and Sports (6.99 %) and Ministry of Women and Children's Affairs (2.09%).

Disbursements on projects that fall under Pillar 3 were at 20.47% of the budget projections. Within the Pillar, two MDAs had disbursements above 25% for the first quarter (Ministry of Finance and Economic Planning and Ministry of Local Government, Rural Development and Environment), the remaining MDAs within the Pillar had disbursements below 25% with four of these recording zero disbursements.

The relatively lower performance of disbursements on projects within Pillar 1 is largely attributable to a slow start to implementation of projects under the Ministry of Energy especially for huge capital investment activities. Disbursements to projects under the Ministry of Energy were at 4.02% of the projections. Disbursements to other sectors within the pillar were closer to target or above target, for instance, disbursements to Ministry of Transport were at 17.8% of projections while disbursements to projects under the Ministry of Food and Agriculture were at 41.53% of projections.

4.0 CONCLUSION

This report has analysed the performance of external support disbursements during the first quarter of the 2008 budget year. Data on disbursements used in the report is purely that available to the Ministry of Finance and Economic Planning (MOFEP).

With regard to project support disbursements, MOFEP depends on DPs to provide notices of any disbursements they have made and the data used here is a careful collation of all such notices. While the MOFEP has taken care to ensure the accuracy of this data, it is fairly possible that it may not be fully comprehensive as a result of lack of disbursement notices to the MOFEP particularly for grants. Any additional notices to MOFEP for disbursements made in quarter one of 2008 will be incorporated in the subsequent external financing performance report and it is hoped that the dissemination of this quarter one report will generate positive results in the form of timely and comprehensive reporting to MOFEP by DPs. MOFEP is taking measures to have MDAs to validate these disbursements notices received from DPs and it is expected that the relevant departments and units in charge of donor activities will cooperate with MOFEP.

Notwithstanding the possible shortcomings in the data used, the analysis provides useful conclusions as highlighted below:

4.1 Budget Support Inflows

Overall budget support inflows were above the benchmark of 25% for the first quarter of 2008. However, General Budget Support or MDBS disbursements had a higher performance against the annual projections than sector budget support. The MDBS disbursements in the first quarter were largely in line with the scheduled disbursements for the year and support the view that the MDBS has reduced delays associated with multiple assessment procedures by individual DPs with the creation of a common set of benchmarks to judge progress. In addition, due to the fact that the MDBS supports the government budget as a whole, budget execution challenges that could potentially delay disbursements such as lengthy procurement processes does not affect the MDBS disbursements as it does sector budget support disbursements.

The slower disbursement rates for sector budget support can also be attributed to the fact that the period under review is the first quarter of the year when budget execution in general is at a relatively slower pace than in latter parts of the year. It is expected that disbursements in the second quarter will pick up accordingly.

4.2 Project Support Inflows

The performance of project support disbursements at 19.82% was generally lower than the performance of budget support disbursements at 33.98%. This difference can be attributed to possible implementation challenges at the MDA or Project Implementation

Unit level, which would need to be addressed. Of particular concern are the implementation agencies which recorded zero disbursements against significant budget projections.

On the one hand, it could be said that the first quarter of the year is normally characterised by slow implementation progress and there may not be a significant cause for concern as the situation will be rectified in subsequent quarters. On the other hand the performance could represent important implementation challenges that will need to be addressed. Overall project level performance and performance of the MDAs noted above will need to be closely monitored in the coming quarters.