

REPUBLIC OF GHANA – EUROPEAN COMMUNITY

**Country Strategy Paper
and
Indicative Programme**

for the period 2002 –2007

The Government of Ghana and the European Commission hereby agree as follows:

- (1) The Government of Ghana, (represented by *Hon. Yaw Osafo-Maafa*), and the European Commission, (represented by Mr. Stefan Frowein, Head of the European Commission's Delegation in Ghana, acting for Commissioner Poul Nielson) hereinafter referred to as the Parties, held discussions in Accra from with a view to determining the general orientations for co-operation for the period 2002 – 2007.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Ghana were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in Ghana.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to Ghana for the period 2002-2007, an amount of €231 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of €80 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The indicative programme under Chapter VI concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which Ghana benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget; contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. With the exception of an amount of €40 million which is destined to finance the development programme identified following a request for aid under the Sysmin programme of the Lomé Convention but for which no financing decision could be taken before 31 December 2000, the B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the indicative programme. For the time being, only the programme to be financed under the Sysmin-allocation is included in the Work Programme.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Support Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Ghana, within the limits of the A- and B-allocations referred to in this document and on condition that sufficient resources are available in the general reserve of the 8th EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until entry into force of the Financial Protocol for the Ninth European Development Fund

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy and the Indicative Programme in the light of current needs and performance

The mid-term review shall be undertaken within two years and the end-of term review shall be undertaken within four years from the date of signature of the Country Support Strategy and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

- (8) The agreement of the two parties to this Country Support Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicate the contrary before the end of this period.

Signatures

Signed
Hon. Yaw Osafo-Maafa

Signed
Stefan Frowein

For the Government of the Republic of Ghana

For the Commission

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PART A

COOPERATION STRATEGY

EXECUTIVE SUMMARY

Ghana is a unitary Republic with a multiparty democratic system. The New Patriotic Party (NPP) won the presidential and parliamentary elections of 2000 bringing to an end the administration of President Rawlings who had ruled the country as a military ruler from 1981-1992 and for the subsequent eight years as a constitutionally elected president. These elections marked the first time Ghana had undergone a change of government through the ballot box.

Ghana was the first sub-saharan country to become independent in 1957. Since then Ghana's political and economic history has been chequered, experiencing a political and economic shocks. Despite this, Ghana has long been considered a pole of stability within a traditionally troubled region. Since the elections of 2000, however, the prospects of political stability and steady economic growth appear good.

Ghana's has a population of over 18m inhabitants, is a low-income country with an annual GDP per capita of €300 and relies heavily on agriculture for employment and domestic income and on gold, timber and cocoa for its exports.

The Country Support Strategy for Ghana for the period 2002-2007 reflects the general principles of the Cotonou Agreement. It takes into account the country's Interim Poverty Reduction Strategy Paper (PRSP) for 2002-2004 which will be developed into a full strategy paper. The CSS will be adapted as necessary as the PRSP process moves forward. The CSS has been drafted with the active participation of a wide range of state and non-state actors and the donor community.

The document provides a comprehensive and coherent framework for the EC-Ghanaian cooperation in the medium term and combines, to the extent possible, all relevant resources and instruments. The indicative allocation in terms of programmable resources (A envelope) amounts to € 231 million, while the B envelope, destined for unforeseen needs which may arise for instance because of a fall in export earnings, budget deficits or emergency situations, is €80 million.

The definition of the EC's support to Ghana's development and poverty reduction priorities takes into consideration (I) the development priorities of the government as reflected in the (i) PRSP and EU development policies and priorities; (ii) the financial requirements and implementation capacities in a particular sector; (iii) the existence of a sector development policy; (iv) the historic development relationship between the EC and Ghana and its strengths and weaknesses; (v) complementarity with other donors and (vi) the comparative advantages of the EU as a donor.

Based on these criteria, rural development, road transport and macro-economic support have been identified as focal sectors for EC support to Ghana. These focal sectors will be complemented by other activities in the fields of governance and the environment. In all sectors, co- or parallel-financing with other donors, specifically EU Member States and the Bretton Woods Institutions, will be considered.

1. EC COOPERATION OBJECTIVES

In accordance with Article 177 of the Treaty establishing the European Community, community policy in the sphere of development cooperation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which put the main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the Community and Ghana shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement - especially the principle of encouragement of ownership of the development strategies by the countries and populations concerned - and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission have determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Support Strategy, in accordance with the principle of national ownership of development strategies.

2. THE NATIONAL POLICY AGENDA

The long-term vision for Ghana is to become a middle-income country by 2020. The development objective is to achieve equitable economic growth and accelerated poverty reduction within a sustained democracy. With over two thirds of the population living in rural areas where poverty levels are at their highest, the priority is to reduce disparities between the income and standards of living of rural and urban populations. The results to be attained are increased access to social services (primary health care; basic education; water and sanitation) and improvement of income generating capacity.

The objective of Ghana's economic development programme, the reduction of poverty, is stated in the interim poverty reduction strategy paper (iPRSP)¹, prepared by the previous government, endorsed by the Bretton Woods Institutions in August 2000 and revised and adopted by the newly-elected government in May 2001.

To reduce poverty the Government of Ghana (GoG) intends to:

1. Restore a sound macro-economic framework to accelerate and sustain growth.
2. Improve its management of both internal and external debt thus reducing its debt service obligations and permitting the reallocation of funds to poverty related programmes.
3. Create an open and liberal market economy in which competition and private enterprise are encouraged.
4. Reduce the vulnerability of the Ghanaian economy to external shocks, promote exports and diversification of exports.
5. Re-orient and increase GoG's expenditure towards poverty-related programmes thus increasing access to basic education, health care, water and sanitation.
6. Further develop the agricultural sector where most of the population and the poor are employed. Diversification of production will be promoted as will the transition from subsistence to commercially viable agriculture.
7. Improve infrastructure linkages to reduce the isolation of poor communities and improve access to market for their products.
8. Strengthen democratic institutions (i.e. the Presidency, the Judiciary and the Parliament) at national and local level.
9. Promote good governance in the public and private sectors through the implementation of a Public Financial Management Reform Programme.
10. Strengthen regional integration and promote intra-regional trade.

3. ASSESSMENT OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

3.1 The Political Situation

A series of military coups and different military junta dominated the political scene between 1966, when the first President Nkrumah was overthrown, and 1981, when Flight Lieutenant Rawlings seized power for the second time in a military coup. Between 1981 and 1992 Ghana was under the authoritarian rule of Rawlings and his Provisional National Defence Council (PNDC). Ghana returned to democracy following the 1992 elections won by Rawlings and the NDC, successor to the PNDC, became the ruling party in Parliament.

Since 1992 parliamentary and presidential elections have been held every four years in accordance with the constitution and democracy has progressively been consolidated. The 1996 elections

¹ Now renamed the GPRS (Ghana Poverty Reduction Strategy) under the present government

though contested by the opposition were described as peaceful, free and fair by international observers. For the 2000 elections the Ghanaian population and the political leadership of the country were congratulated for their civic responsibility and their political maturity. These latest elections brought about the first change in government through the ballot box with the leader of the opposition New Patriotic Party (NPP), John Agyekum Kufuor being elected President.

The decentralisation process remains slow and District Assemblies and Regions have only limited capacity to influence policies and little power to implement them. District Chief Executives, who are appointed by the President, hold the executive function. The new GoG intends to extend and strengthen local democratic institutions, aiming to make District Chief Executives truly accountable to the district electorate.

The GoG has recently announced the establishment of a National Reconciliation Committee for the promotion of national reconciliation and to provide a forum for those with grievances to express them. Though the objective is welcomed the effectiveness of such committees in other countries has been limited.

The internal security situation is good and the country entirely accessible. The GoG is trying to control the worrying proliferation of small arms. There are no major ethnic or religious tensions and the change in government has been widely accepted within society.

Within the troubled West Africa Region Ghana is considered a model of stability. The peacekeeping activities of Ghana's armed forces have further enhanced the country's reputation in this respect. Ghana is keen to take a leading role within ECOWAS in terms of conflict prevention and conflict resolution conscious of the importance of peace and stability in the sub-region for an accelerated and sustained development of Ghana itself. Ghana has no disputes within the sub-region and, in particular, no unresolved border disputes with its immediate neighbours. Relations with Togo have significantly improved. Relations with the democratically elected government in Nigeria are good, thus adding value to both the internal and sub-regional stability. Ghana has obvious concerns about the stability of Ivory Coast where 1.8 million Ghanaians (10% of the population) are living.

3.1.1 Human Rights situation

The human rights record is overall positive. The situation is monitored by both NGOs and the Commission for Human Rights and Administrative Justice (CHRAJ). The CHRAJ, which was set up in 1993, investigates alleged human rights abuses, can take action resulting from such abuses and, despite limited resources, is well regarded for its work.

Freedom of speech and freedom of the press, as enshrined in the Constitution, are respected. The media are free to express ideas and opinions quite openly. The new GoG has decided to expand the boundaries of freedom by repealing the criminal libel law. Freedom of assembly is respected as well as the freedom of association. NGOs are free to operate. There are no restrictions on religious activities and there is a good religious tolerance within the society. Recognising the disadvantage in Ghanaian society regarding women and in order to improve their situation, the new GoG has established the new Ministry for Women's Affairs.

Ghana is among the countries, which have adopted the Rome Statute for the establishment of the International Criminal Court (ICC).

3.1.2 Rule of Law and Good Governance

The Ghanaian Constitution calls for a system of checks and balances, with an executive power headed by the President, a unicameral Parliament, an independent Judiciary and several autonomous commissions such as the CHRAJ. All these institutions, that uphold the constitutional structure, are well established and functioning but they all need to be reinforced.

Although the judiciary system is independent it has at times been subjected to executive influence and is perceived by the public to be open to corruption. It lacks adequate resources and works with old style methods and systems. All these elements have contributed to tarnish the image of the judiciary system. The new GoG considers the judiciary an area of strategic importance for reform.

In January 2001 the Ghana Anti-Corruption Coalition (GACC), composed of civil society organisations, officially presented the Ghana Governance and Corruption Survey and the GACC action plan. This is a study of the phenomenon of corruption in Ghana, which forms part of a renewed national effort to confront the problem of corruption and to devise effective solutions to address it. The action plan, which accompanied the study, is a first response strategy.

3.2 Economic and Social Situation

Ghana is a low-income country with a per capita income €300 in 2000. From 1996–1999 the average GDP per capita was approx. €400. The GDP decline was mainly caused by the sharp depreciation (approx. 150% between October 1999-December 2000) of the local currency (Cedi), which has reduced the foreign currency value of the country's GDP in the year 2000.

Agriculture provides about 55% of employment and about 36% of GDP. Services (mainly public sector, trade, transport and communication) account for about 28% of GDP and about 30% of employment. Industry (mainly manufacturing and construction) accounts for about 25% of GDP and 15% of employment. Gold, cocoa and timber represent approximately 70% of total exports.

With a population of 18.4 m, Ghana ranks 129 out of 174 countries in the Human Development Index. Population growth is estimated at 2.5% per annum and 40% of the population have an income below the poverty line. The primary school enrolment rate is 76%, infant mortality is 5.7% and life expectancy is 59 years. These figures are above the Sub-Saharan average, but below the average for all low-income countries.

3.2.1 Macro-Economic Situation

Since 1983 Ghana has been implementing a comprehensive though rather gradualist programme of structural adjustment, which has been strongly supported by the Donor community. From 1983–1991 GDP growth averaged 5% per year in real terms, inflation fell to a single digit in early 1992 and the recurrent budget and balance of payments moved to surpluses for most of the period.

Since 1992, the macro-economic situation has weakened because of frequent fiscal slippage. In the run up to the 1992 elections, the GoG's decision to increase public sector salaries by 80% led to a large fiscal deficit, rising inflation and interest rates. The macro-economic grip was again relaxed in the period preceding the 1996 elections. A large domestic capital expenditure programme, mainly road contracts, was launched and delays occurred in introducing relevant revenue measures. This led to a fiscal deficit of 10.4% of GDP which was mainly financed through domestic borrowing. This fragile macro-economic situation further deteriorated in 1999 as a result of a severe decline in Ghana's terms of trade (downward trend of cocoa and gold prices; upward trend of crude oil prices)

compounded by further slippages in the fiscal programme. At the end of 1999 the macro-economic programme was in difficulty and a large number of waivers had to be granted by the IMF for Ghana to remain on track. Despite the IMF's leniency Ghana's programme was again in difficulty and by end 2000 all agreed performance criteria were not met.

The negative fiscal performance was also aggravated by the accumulation of GoG's arrears and the accumulation of losses by the most important parastatal companies including the oil refinery and major utilities. Failure to adjust internal petrol and utilities prices in line with international oil price rises in 2000 was the key underlying factor to the present fiscal crisis.

The total debt stock stood at €8 billion (or 180% of GDP) at the end of December 2000 of which €6.5 billion was external debt and €1.4 billion domestic debt. Interest on domestic debt increased from 1% of GDP in 1992 to 5.3% of GDP in 2000. The external debt servicing increased from 2.0% of GDP in 1992 to 9.0% of GDP in 2000. Debt servicing in terms of interest payments absorbed over 40% of total revenues in the year 2000, leaving virtually no room for domestic financing of other expenditure once the other statutory payments (i.e. salaries; district assembly common fund; transfers to households) are met.

The GoG has been forced to make debt management a top priority and has announced its decision to adhere to HIPC, to reduce the domestic debt stock through an accelerated privatisation programme and to limit recourse to domestic borrowing.

Monetary performance was unsatisfactory in the 1990s with the exception of 1998 and 1999 when the Bank of Ghana controlled monetary growth within agreed limits. In all the other years money supply grew considerably higher-than-programmed.

Inflation has been erratic declining from 33% at the end of 1996 to 9.5% in May 1999. This was the result of the prudent monetary policy and the good food supply. However inflation rose at the beginning of 2000 and, because of the steep depreciation of the local currency on the non-food component of the inflation, reached 40.5% by the end of the year.

GDP growth slowed in the 1990s averaging 4.3% in the last five years (3.7% at the end of the year 2000). During the last five years growth has been mainly sustained by the service sector with an average of 5.4% while industry and agriculture have registered an average growth in the order of 4.0%. Growth has been hampered by the unfavourable macro-economic situation, the crowding out of private sector, limited capital inflows, poor infrastructure and lack of effective and efficient strategies in the agriculture sector.

As regards the external sector, Ghana's balance of payments continued to show a negative trade balance of €1 billion per year. The trade deficit reached its peak of €1.3 billion in 1999 and was re-absorbed through the sharp depreciation, which favoured a considerable decline of non-oil imports in the year 2000. Exports amount to some €2.2 billion per year, 70% of which is accounted for by three commodities (gold: 37%; cocoa: 23%; timber: 10%).

Though the level of export diversification is still low, the percentage of other exports (mainly processed cocoa products; wood products; canned food; agricultural products) has constantly increased passing from a few percentage points in mid 1980s to 30% by end 2000. The current account deficit, excluding official transfers, is €667 million per year, positively influenced by the remittances of Ghanaians resident overseas (approx. €555 million per year). The balance of payments is vulnerable being highly dependent on the international trend of commodity prices (on the one hand: gold, cocoa and timber; on the other hand: crude oil) and the level of external aid.

Gross international reserves have substantially declined during the last few years decreasing from 2.9 months of imports in 1996 to 1.0 month of imports at the end of the 2000.

Ghana is now facing its worst economic crisis since 1983. Decisive measures are necessary and the GoG has already increased ex-pump petroleum prices by 65% (February 2001) and utility tariffs (electricity; water) by 100% (May 2001). However efficiency measures and further upward revisions are needed in order to achieve the full cost recovery objective.

Structural reforms have been successful in the cocoa and banking sectors. However, delays have occurred in the privatisation programme, reforms in the utilities and petroleum sectors, public financial management reforms and the restructuring of the public sector. The management of public expenditure is weak and is a source of major concern for the GoG and development partners.

The potential of the private sector has been hampered by macro-economic conditions and the slow pace of structural reforms. In the last two years a practical example of the crowding out theory was registered in Ghana, whereby high levels of government borrowing severely reduced the amount of capital available for lending to and investment by the private sector.

Ghana's trade policy reform measures, which began in the mid 1980s, have involved gradual and systematic reduction and elimination of various forms of price and distribution controls on trade and the liberalisation of the exchange and payment system. The objective has been to allow the market system to operate. Significant developments in Ghana's trade policy régime relate to: a) Ghana's tariff structure has been simplified and the rates reduced over the years, the present structure consisting of four ad valorem rates of 0%, 5%, 10% and 20%. The top tariff rate was lowered from 25% to 20% in the 2000 budget to harmonise with the neighbouring countries; b) VAT rate of 12.5% is applied to locally produced and imported goods; c) a special import tax of 20% was levied in 2000 on a list of items for a temporary period; d) import duty exemptions exist. The wide range of exemptions have serious implications on revenue mobilisation, hence efforts are being made to streamline the system to narrow the scope of exemptions.

The European Union is the most important trading partner accounting for over 50% of Ghana's exports and approx. 35% of Ghana's imports. The trade balance between Ghana and the EU is quite equal in financial terms. The most recent official trade statistics between Ghana and the EU are provided in Annex 5.

The GoG may be interested in negotiating a fisheries agreement with the EU. Should this happen, then the agreement will be designed to contribute to the overall objectives of poverty reduction and sustainable development.

3.2.2 Social Situation

According to the most recent poverty surveys the overall trend in poverty during the 1990s has been broadly favourable in Ghana. Taking the upper poverty line of 900,000 Cedi, the percentage of the Ghanaian population defined as poor decreased from 52% in 1991-1992 to just under 40% in 1998-1999. The incidence of extreme poverty also dropped from 36% in 1991-1992 to just under 27% in 1998-1999. The incidence of extreme poverty remains very high, with more than one quarter of the population being unable to meet their basic nutrition needs.

The same surveys show that poverty reduction is concentrated in Accra and in the forest localities. In the remaining localities poverty decreased only very modestly and extreme poverty rose in the savannah. In both periods poverty is substantially higher in rural areas than urban areas. 84% of those below the upper poverty line are concentrated in rural areas.

An examination of the pattern of poverty by geographical regions shows that poverty is lowest in Greater Accra and highest in the north (notably the Northern, Upper East and Upper West regions). Among the remaining regions, the Central and Eastern regions suffer from the highest incidence of poverty. They are also the regions which did not show any improvement over the reference period. The most significant reductions in poverty at the national level have been concentrated in five regions (Western; Brong-Ahafo; Greater Accra; Volta; Ashanti).

The surveys also show that export farmers and wage employees in private employment enjoyed the greatest gains in their standard of living, while food crop farmers experienced the least gains.

The above-mentioned consumption-based measures have been complemented by other welfare indicators like housing characteristics (access to safe water; sanitation facilities; electricity) and use of social sector facilities (health and education).

Housing indicators show that there have been significant improvements, both in urban and rural areas, between 1991-1992 and 1998-1999 in the number of households obtaining their drinking water from a safe source, using adequate toilet facilities and having access to electricity. However, the gap between urban areas and rural areas remains significant.

The health status of the population has improved during the 1990s when infant mortality decreased from 66/1000 in 1993 to 56/1000 in 1998 and under five mortality decreased from 119/1000 to 108/1000. Life expectancy increased from 53 years in mid 1980s up to 59 years in 2000. The main problems remain: a) HIV/AIDS incidence in Ghana is reaching a critical level. The rate of infection is estimated to be 4.6%, close to the level of 5% beyond which the spread of the disease accelerates within the population; b) Inequalities: large inequalities persist among social groups with the rural population clearly underprivileged; c) Retention of trained health staff.

Enrolment rates in primary and secondary school improved in the 1990's, rising from 74% in 1992 to 83% in 1999 at primary level. However, secondary level enrolment remains relatively low, while still rising from 37% in 1992 to 41% in 1999. Further, a more pronounced urban-rural differential exists at secondary level in favour of urban areas. Relatively limited access for the poor exists for secondary, vocational and tertiary education.

3.3 Medium Term Challenges

The Government's main challenges are to:

- Reduce the high rate of poverty (40%) and eradicate extreme poverty (27%);
- Restore a sound macro-economic framework for accelerated and sustained development which will attract private sector investment and enhance their role;
- Reduce both external and internal debt, freeing resources for poverty-related programmes;
- Enhance social infrastructure (primary health care; basic education; water and sanitation) and income generating opportunities;
- Promote good governance (public expenditure and financial management system, value for money expenditure, reduce corruption at all levels);
- Rationalise the civil service and improve terms and conditions of employment.

Ghana's current development policy is being restructured based on the GPRS. The environment for stable implementation of the new policy is positive, politically, economically and socially. Effective mechanisms for donor – recipient coordination are in place.

The tasks ahead are challenging for Ghana. Although the country is well-endowed with natural resources (agriculture, forestry, gold, diamonds, bauxite, manganese) and has potential for tourism, its capacity to benefit fully from these resources is limited by its weak economic and institutional situation. However, Ghana is a stable country where democracy has been progressively consolidated, the human rights record is positive and there is a culture of rule of law. It should therefore be able to attract a positive flow of investments once its macro-economic environment is improved. When a more positive environment is established, both the private sector and civil society can contribute to the development of the country.

4. ASSESSMENT OF PAST AND ONGOING COOPERATION

Overseas development assistance remains a key source of funds for public expenditure. The flow of official development assistance in the last five-year period amounted to € 888 million average disbursement per year. This amounts to around €48 per capita. Assistance from the EU (Member States plus Commission) is estimated at €333 million per year (€222 million grants; €111 million concessionary loans) which represents almost 40% of official development assistance. See Annex 3 for details.

All programmable resources under the 6th, 7th and 8th EDFs have been committed (€332 m out of € 337 m), leaving a balance of €5 m for preparatory studies for the 9th EDF (€3.1 m) and a capacity building project for the EDF NAO Office (€1.9 m). In recent years, more attention has been paid to focussing assistance on a limited number of sectors (see Annex 2). Today the major programmes under implementation focus on (i) the road transport sector (€72 m); (ii) the rural water sector (€30 m); (iii) microprojects (€27 m); (iv) macro-economic support (€13 m from NIP); (v) health (€1 m); (vi) rural electrification (€10 m).

Ghana has benefited little from non-programmable resources. The 1992-3 Stabex allocation of €34 m is still being implemented in the cocoa and rural roads sectors. A balance of €10 m remains.

In the last five years, Ghana has been able to access only €25.5 m of the resources allocated for structural adjustment support due to the poor macro-economic performance and the negative results of an audit of structural adjustment support carried out in February 2000. Approximately €80 m remain available for budgetary support: approximately €9 m equivalent in Cedi; €38.415 m under SASP VII and €32.9 m allocated for 2001.

4.1 Stocktaking of lessons and past experience

The main constraint with reference to programmable resources relates to capacity problems at the level of project and programme implementation and in the NAO's Office.

Other constraints relate to delays in the adoption of sectoral strategies in several areas (agriculture; private sector; energy sector) and shortcomings in the implementation of sectoral strategies in other areas (education; environment and natural resources; decentralisation).

In the rural water sector the EC is one of the most active partners and has established, through regular donor co-ordination and policy reviews, effective and efficient operation modalities. The EC/GoG micro-projects programme has been evaluated and shown to have positive results. Overall positive experiences were also registered in the road transport sector, though with some delays in the sectoral reform process. In the last few years the policy dialogue in the road transport sector has been quite difficult mainly due to the previous Government's decision to enter into contracts which had not sufficient financial coverage under its budget, thus accumulating arrears. Through joint

donor/Government cooperation the arrears problem was tackled and government committed itself to settling this problem during 2001.

In the health sector the EC is one of the core donor partners, supporting the health sector wide approach, considered as a model for Sub-Saharan Africa. The EC is supporting health policies and reforms through its macro-economic support and through its additional budgetary contributions into the common donor health account.

The main general constraint as regards budgetary support has been weak macro-economic management, described in previous chapters, and the weak financial and public expenditure management. An audit of EC structural adjustment in February 2000, highlighted serious deficiencies in Ghana's public expenditure and financial management systems. The GoG agreed to adopt a number of financial management measures, which are presently being implemented.

4.2 The European Investment Bank

Over the last ten years, 85% of EIB loan financing in Ghana has focused on the energy supply sector where supply struggles to meet demand. Three loans worth €98 m were made to the Volta River Authority (VRA) for the rehabilitation of the Akosombo hydro power plant and for the construction of the Takoradi combustion power plant. The upgrading of the Ghanaian power generation and transmission capacity is still considered a prerequisite for long-term sustainable development of the economy.

EIB's second focal sector was to support small and medium-scale investments through global loans administered by financial intermediaries selected among the local financial institutions. Due to limited corporate lending activities and the precarious situation of Ghana's financial sector during the early 1990's, attempts by the Bank to find suitable intermediaries were unsuccessful until 1995. As a result, EIB's intervention was limited to operations in the non-banking sector with two loans awarded in 1995 and 1998 to a leasing company. In 2000, a first global loan (€10m) was signed with two local banks for on-lending to small and medium scale enterprises in the fields of industry, agro-industry, mining, tourism and related services.

Experience with leasing operations has been very positive. All the funds (€4m) were fully allocated and disbursed satisfactorily despite a difficult local economic context. As a response to the continuing demand for lease finance, especially among the export-oriented companies, the Bank approved in May 2001 a new global loan of €9m to the top three Ghanaian leasing companies.

Support to the private sector was complemented with direct financing for the establishment and extension of two small industrial enterprises (€3.6m).

It is too early to draw conclusions on the experience with the Ghanaian banking sector. Although the ongoing restructuring of the sector and some incipient competition among financial institutions have brought innovative banking instruments, the banks have as yet to fulfil their genuine role as intermediaries between savers and investors, preferring to invest heavily in safer high yielding treasury bills issued by GoG to cover the budget deficits. This reliance on Government paper has discouraged financial institutions from extending loans to small and medium-sized private enterprises. The recent political change and the GoG's commitment to accelerate privatisation and not to increase domestic debt should encourage the banking industry to move from relative dormancy and state control to a more competitive environment for the private sector.

4.3 Other Donors and Donor Coordination

An overview of EU Member States' cooperation programmes, along with those of other donors, is provided in Appendix 3. The same Appendix contains also a matrix showing the donor involvement in each sector.

The Government of Ghana, in co-operation with all the major donors, has carried out substantial work in the context of the Comprehensive Development Framework (CDF) process. As a result, donor co-ordination in Ghana is particularly effective and efficient. The focus remains the Consultative Group, which has become in Ghana a process and not just an event for every second year. "Mini CG" meetings are organised on a regular, normally, three-monthly basis. Under the umbrella of the quarterly "Mini CG" meetings fourteen main sectoral groups are working (see appendix). Some of the groups (i.e. health sector; road sector; water) are more regular and productive, while others are less (i.e. private sector development; public finance; energy). Other sub-sector groups are active in strategic areas like HIV/AIDS and Corruption. The main participants in the CDF process are the Bretton Woods Institutions (IMF; WB); UN Agencies (particularly UNDP; WHO; FAO; UNICEF); EU Member States resident in Ghana (DK; F; D; I; NL; ES; UK); the European Commission; other development partners (Japan; USA; Canada). This structure is complemented by a series of ad-hoc meetings in each sector (i.e. April Summit and September Meeting in the health sector; Annual Road Donor Conference in November; Education Sector Meetings twice per year; etc). All these meetings obviously require a high number of technical preparatory meetings. In addition to all the above, in order to secure an enhanced dialogue within the EU, meetings of the EU HOMs take place regularly every fortnight under the chairmanship of the EU Presidency and meetings of the EU development advisers are held on a monthly basis.

All donor programmes (bilateral and multilateral) are now focused on poverty reduction and there are no major differences on the objective. An increasing number of donors have adopted a sectoral rather than project approach. They are moving, on a selective sector by sector basis, towards common implementation and financing procedures (the health sector is for the time being the sole example in Ghana). Some differences exist in the instruments made available by donors with some providing grants only (UK; DK; CAD; UN; EC) or a mix of concessionary loans and grants (D; F; NL; Japan) or concessionary loans (WB; It; SP) and in some of the requirements (i.e. matching funds; conditionalities; etc). Some differences exist in terms of actors involved for each donor and in terms of development sectors preferred by each given donor.

5. THE RESPONSE STRATEGY

5.1 Policy Objectives

Drawing on the conclusions of the GPRS, the EC response strategy is aimed at reducing poverty in Ghana, which is predominantly a rural phenomenon, by achieving equitable economic growth and accelerated poverty reduction within a sustained democracy in line with the country's Poverty Reduction Strategy. The EC response strategy has been designed to support the efforts of the country to develop its economic and structural reform process as well as main sectoral policies closely linked to the reduction of poverty. Improved access to markets and services, through a more efficient road transport network, will be another main result as well as the restoration of a sound macro-economic framework to reduce fiscal imbalances and sustain the deepening of sectoral policies closely linked to poverty reduction. The improvement of financial management of expenditure and the promotion of good governance will also be pursued vigorously.

The strategy will attempt to maximise the use of Ghana's own human and institutional resources. Available expertise from both public and private research and educational bodies will be drawn upon and strategic support will be given wherever sectorally appropriate. At every stage of the execution of the chosen response strategy cross cutting issues, such as equality between men and women and the environmental dimension will be mainstreamed. These issues will form a vital part of project planning, design and implementation.

In view of the above, the EC response strategy is focused on Rural Development, Road Transport and Macro-Economic Support and will also address Good Governance, HIV/AIDS and the environment.

On the basis of positive past experience in implementing development programmes, the following focal sectors have been identified in close consultation with the Government of Ghana, the EU Member States and with contributions from civil society within the scope of the PRSP process as well as the framework of five consultative workshops held throughout the country in 2001.

5.2 Rural Development

Based on the most recent surveys on poverty in Ghana, which provided the core data for the interim PRSP and the “zero draft” of the Ghana PRSP, it is clear that poverty in Ghana is disproportionately a rural phenomenon, mainly due to the low level of rural based capital. Therefore a sustainable rural development programme aimed at enhancing income and living standards among poor rural communities will be a core element of the EC response strategy.

This sector is fully coherent with the EU development policies, as it is one of the priority sectors identified in the statement of the EU Council and Commission on development policies.

The EC has already developed a wide and comprehensive expertise in the area of rural development in Ghana during the implementation of previous EDF programmes with particular reference to water and sanitation as well as microproject programmes. The present strategy requires a change of geographical focus considering the conclusion of the most recent poverty surveys (reportedly a unique tool in Sub-Saharan Africa) enriched and informed by sectoral information and data gathered within the comprehensive development framework process.

Consistent with Government strategy which is focused on improving access to water and sanitation for rural population, a rural water sector component is being designed under the leadership and co-ordination of the Community Water and Sanitation Agency, which is the focal agency within the rural-water and sanitation sub-sector. The objective of the Government policy, fully shared by development partners, is to further strengthen the efforts already deployed during the last seven years. The objective is to attain an 85% rate of coverage by the year 2009.

The primary rationale for this strong focus by the Government of Ghana is the protection of human health (preventive health care) with expected returns both in terms of increased productivity of the population and reduced pressure on the health care system. Without safe and potable water to drink and to use in food preparation people are very vulnerable to water-borne diseases and to water-related vector borne diseases. Without adequate sanitation facilities it is almost impossible to maintain safe drinking water supplies in highly polluted environments. The secondary rationale is that the provision of water supply not only guarantees a healthier population but also reduces the time spent by the population, and women in particular, fetching water thus enhancing labour productivity in rural areas.

Village water and sanitation facilities are programmed in the most deprived districts in the North of Ghana (Northern Region; Upper East Region; Upper West Region) in accordance with the CWSA plans and in close co-ordination with major development partners active in this geographical area to avoid duplication. Small town water supply systems and sanitation facilities are programmed in the most needy small towns in the Central and Western regions in accordance to CWSA plans and development partners' interventions.

Complementarity in terms of geographical areas of intervention is very high. Other levels of complementarity (i.e. technical) with other development partners, and EU Member States in particular, are being explored. Attention will be also given to the cost/benefit analysis of the production of a hydrogeological map of the targeted areas in the country. If this proves to be worthy, co-financing arrangements with the Government and other major development partners within the sub-sector could be explored.

As part of the proposed rural development programme a new phase of the EC/GoG microprojects is foreseen using a highly participatory, bottom-up approach ensuring the decisive role of district assemblies, the first democratic layer in the Ghanaian society, in the decision making process. Primary health care and education facilities, water facilities, economic infrastructure such as markets and agriculture infrastructure as well as environment protection activities are eligible for financing. The new phase of the EC/GoG micro-project programme will focus on the Northern part of Ghana (Northern Region; Upper West Region; Upper East Region), which is by far the poorest geographical area in the country, and in the Central and Eastern Regions which are those (apart from the north of Ghana) where poverty proved to be most resilient according to the poverty studies. Some limited interventions are also foreseen to respond to acute poverty situations outside the five main regions identified above.

The mechanism of allocation of funds among the various districts within the above-mentioned regions, which has been so far based on population data only, will be revised to take into account the poverty profile of each district with the aim of reducing as much as possible hard core poverty and inequalities. Co-ordination between the micro-project management unit and the relevant line ministries and agencies will be reinforced as well as co-ordination with other initiatives like the village infrastructure programme, financed by the WB.

The proposed rural development programme envisages that the enhancement of rural capital in the northern part of Ghana should be complemented by an agriculture component aimed at the promotion of export/import substitution crops by small out-growers. The rationale is to increase the sustainability of the programme and is also supported by the observation that export/import substitution crop farmers are those who enjoyed the greatest gains in their standard of living, compared to other main economic activities during the last eight years in Ghana. They benefited from the floating exchange policy followed by the Government.

The proposed agriculture component would benefit from technical expertise of EU Member States, which offer specific value-added in agricultural interventions. As part of the agricultural component, donor co-ordination capacity of the Ministry of Food & Agriculture will be strengthened, thus responding to an urgent need of the Ministry of Food & Agriculture which has recently embarked upon an Agriculture Sub-sector Services Investment Programme.

5.3 Road Transport

In line with the poverty reduction strategy of Ghana, the EC response strategy has been designed to improve access to markets and services through an enhancement of the operational efficiency of the road transport system. Road transport is the dominant form of inland transportation, carrying about 94% of freight and 97% of passenger traffic in the country. In line with the PRSP and the road sector policy letter, the enhancement of the operational efficiency of the road transport sector will be measured by the improvements in the road condition mix which is programmed to reach 70% good, 20% fair and not more than 10% poor by the end of 2005.

The objective appears ambitious and requires first of all 100% coverage of all maintenance needs. The GRF aims at 100% coverage of all maintenance needs by the end of 2005 through further increases of its main source of financing (i.e. fuel levy). The Government has taken a clear commitment in this direction in its road sector policy letter. The maintenance gap, which is expected to be progressively reduced between 2001 and 2005, will be temporarily covered by donors (WB; KFW; DFID; DANIDA; AFD; JICA).

In line with the assumption that the maintenance gap will be limited, the EC response strategy will focus on rehabilitation and will give first priority to the completion of investments being financed under the 8th EDF and for which the 8th EDF allocation has proved to be insufficient. After the finalisation of the feasibility studies of the Transport Infrastructure Programme (TRIP), the Kumasi-Techiman road, the Bibiani – Abuakwa road and Axim Junction – Tarkwa road are reported to be under-funded. The theoretical shortfall is in the order of €30 m.

Priority will be given to the works of road sections linking roads rehabilitated already under the 7th and 8th EDF with the rest of the road network. The importance of the interconnecting road cannot be over-emphasised as this will improve access to the northern part of Ghana, the poorest area in the country. The importance of the interconnecting road should also be seen in the sub-regional political and economic context. It may offer better chances to Ghana in the competition to serve the landlocked countries in West Africa. The Tema Port, which handles 85% of imports in the country, has progressively expanded its business from 4.1 million tons in 1994 to 6.1 million tons in 2000 (50% increase over six years). Finally, priority should also be given to the analysis of the investment requirements (periodic maintenance/rehabilitation) along the ECOWAS trans-coastal axis (horizontal axis). Most of the horizontal axis has been already committed for rehabilitation within the scope of a concerted effort of Government and development partners. Firm commitments from ADB (Aflao-Sogakope), KFW (Sogakope-Tema), Japan (Accra-Yamoransa) and Danida (Takoradi-Agona Junction) have been already made though some question marks have arisen as regards the Japanese position after the decision of Ghana to adhere to the HIPC initiative.

The EC and the Government of Ghana have launched a study to identify the priority interventions along the above-described strategic guidelines.

Improving access to land and markets in food growing areas, through a feeder road programme, will be also part of the EC response strategy. This will contribute to unlock agriculture potential, which is available in Ghana, leading to enhanced agriculture production and income at rural level. The Government of Ghana and the EC have preliminarily identified a limited specific area, which is considered a potential food basket for Ghana (i.e. Afram Plains; Fanteakwa; Birim South; Birim North) situated in the Eastern Region which is one of those where poverty data showed to be resilient. A specific study will be launched to obtain the necessary confirmations in collaboration with the Ministry of Agriculture and the Department of Feeder Roads. Worth recalling is that there

is a widespread agreement on the preliminary identification of this area across the political divide. Prioritisation of the feeder roads will be in line with the newly developed method by DFR and DFID, with the participation of non-state actors.

As part of the EC response strategy capacity building interventions, primarily through in-country training and technical assistance, are envisaged for MRH and its main agencies as well as local private sector consultants and contractors. These interventions will be coordinated with those being provided or likely to be provided by other donors within the road transport sector.

5.4 Macro-Economic Support

The EC response strategy has been designed on the basis of the commitment of the Government of Ghana to put in place, in agreement with the Bretton Woods Institutions, a mix of fiscal and monetary policies aimed at containing public expenditure and enhancing revenue collection in order to limit recourse to domestic financing. At the core of the Government strategy is the intention to regain control of public finance, as indicated by the unsustainable level of total public debt, both internal and external. Debt reduction, through the HIPC initiative and a vigorous privatisation process, will allow the Government to re-direct resources saved in terms of debt servicing to poverty related programmes. It would also allow a reduction of interest rates favouring private sector investment and eventually growth.

The EC response strategy aims at supporting the Government in its efforts to restore a sound macro-economic framework, a pre-requisite for an accelerated and sustained development of the country.

While an improved macro-economic framework is a necessary pre-condition for accelerated and sustained growth, it may not be sufficient to ensure a pro-poor orientation of the economic policies if the benefits of growth are not distributed in an equitable manner.

It is therefore for this reason that sectoral policies in social sectors (primarily health and education) will be sustained in the dialogue with the Government within its medium-term expenditure framework. The EC will be involved with donor partners in health and education in the sectoral policy discussions. The EC will also monitor the percentage of domestic primary expenditure allocated to social sectors as well as the percentage of budgetary execution in social sectors and the performance indicators on social sectors. A more comprehensive and detailed impact assessment analysis of expenditure in social sectors is envisaged. The experiences already gained within the scope of sector wide approach of the health sector will be of strategic importance.

The efficiency and effectiveness of public financial management will be enhanced, giving continuity to the positive steps already undertaken in the implementation of the EC/GoG matrix of financial measures elaborated within the scope of the Public Financial Management Reform Programme. The EC budgetary assistance programme, a three-year programme to be disbursed in several tranches, and the financial management and public expenditure systems, will be subjected to regular, annual financial audits aimed at certifying improvements in the management of public expenditure and identifying areas which may require corrective measures. The EC intends to play a leading role in this area with the WB, IMF and EU Member States providing budgetary support.

In the allocation of resources for macro-economic support under the 9th EDF, proper account will be given to the fact that Ghana has a pipeline for macro-economic support of approx. €80m (€ m equivalent in the counterpart funds account; €38.415m SASP VII and an indicative allocation of € 32.9m for 2001 to be disbursed in 2002). This will assist Ghana to overcome the present economic crisis until the benefits of the HIPC initiative, which Ghana has adhered to, filter through.

5.5 Outside the Main Focal Areas

The mining sector will be supported using 8th EDF Sysmin funds. The overall objective is to sustain the mining sector, through diversification of the sector in order to increase the revenue to the country whilst protecting the environment and harmonising the relationship between mining companies and local communities.

Outside the main focal areas the promotion of good governance will be a central theme for a series of possible interventions. Building the capacity of constitutional bodies and non-state actors is envisaged as well as the possible continuation of support to Ghana Audit Service. Support to the establishment of the internal audit system could be envisaged as well as support for the PAC and FC in Parliament. Support for the Electoral Commission may be also considered, on the basis of the recent successful experiences. Scope for involvement in the legal reform being prepared by the Ministry of Justice could be considered. Other opportunities presented by non-state actors within the framework of the promotion of good governance will be also considered. Scope and criteria are being developed. In the promotion of good governance, EDF funds may be complemented with support from EC budget lines.

Although the health sector has benefited from project assistance in the past and has led to successful implementation, it is envisaged that for the future most of the assistance to this sector will be through budgetary support. This will take advantage of the fact that this is the only sector in Ghana with an operational sector wide approach.

Specific social sector development projects (HIV/AIDS), environmental projects (Protected Areas Development Project) may be considered. All possibilities of synergies with other donors and EU Member States, in particular, will be explored. The possible HIV/AIDS intervention will be a contribution to a programme launched by an EU Member State.

5.6 The European Investment Bank

The EIB's contribution to the economic and social development of Ghana will concentrate on the provision of long-term finance to promote private sector growth and the mobilisation of domestic and foreign resources for this purpose. Private and public entities will be eligible for EIB financing, the latter being commercially run and the projects conducive to the expansion of the private sector.

The Investment Facility is the principal instrument of the Cotonou Agreement for term finance. It is structured as a revolving fund aimed at financial self-sustainability and disposes of an array of instruments (loans, quasi-equity, equity participation and provision of guarantees). Operations will be financed, as a rule, on market-related terms.

Considering the strategy of the GoG as well as EIB past experience in Ghana, the Bank will focus on three main areas of intervention:

1. Support to small and medium sized enterprises. Global loans or equity investment funds will be provided through local financial intermediaries in support of small and medium sized enterprises. The target will be to widen the range of intermediaries and to sharpen the financial instruments offered so they can meet the funding needs of the local private promoters.
2. Infrastructure. Urban water supply, power transmission and transport (railways and harbour facilities) could be considered for support depending upon the identified needs. In line with the EC Response Strategy, synergies could be developed in particular through investments in

power transmission with positive impact on the improvement of physical infrastructures in rural areas. Rehabilitation of railway networks would complement the improvement of the road infrastructure network and would similarly contribute to better market access of rural produce. The EIB will target the improved efficiency of publicly owned companies and encourage private sector participation where appropriate.

3. Direct funding of large projects in the key sectors of the economy such as agro-industry, mining and tourism where there is a specific EIB added-value in the technical/financial structuring of the investment.

The Bank's approach in supporting long-term investment has been and will continue to be demand driven. The extent to which the Bank will be able to commit long-term resources to the Ghanaian economy will therefore depend on the measures taken by the Government to reverse the recent negative economic trend and restore a positive investment climate.

5.7 Enhanced Role of Non-State Actors under the 9th EDF

An enhanced role of non-state actors is foreseen under the 9th EDF in Ghana. Within the main results areas the major opportunities are in the rural development programme (income generating activities; develop the capacity to establish and nurture better links such as those between trade associations, consumer groups and post harvest research organisations with rural producers) and in the promotion of good governance (capacity building programmes). Outside these main areas, the main opportunities are in the monitoring and evaluation of the 9th EDF programme, in the capacity building of research institutions and in the development of the private sector through the investment facility managed by the EIB.

PART B

INDICATIVE PROGRAMME

6. PRESENTATION OF THE INDICATIVE PROGRAMME

6.1. Introduction

On basis of the Country Support Strategy presented in part A and in accordance with Article 4 of Annex IV of the ACP-EU partnership Agreement, the Indicative Programme consists of a set of tables presenting the intervention framework for each focal sector, timetables for implementation as well as financial forecasts for commitments and disbursements.

6.2. Financial instruments.

Within the general framework of the present Country Support Strategy, the Parties have agreed on the main priorities for their co-operation (see Chapter 5) and on the sectors in which the support of the Community will be concentrated.

Several financial instruments will be used to finance EC co-operation with Ghana. The following is an indication of their allocation as presently envisaged.

1. 9th EDF, Envelope A (€231 M). This envelope is to cover long-term development operations within the Country Strategy. The indicative allocation of this envelope to the elements of the strategy is proposed as follows:
 - Rural development : 35%
 - Road Transport : 30%
 - Macro-economic support : 26%
 - Other programmes (capacity building, contribution to regional projects, etc.): 9%.
2. 9th EDF, Envelope B (€80 m). To cover unforeseen needs as indicated in the Annex IV of the Cotonou Agreement.

Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the "Investment Facility" as a financing instrument managed by the European Investment Bank (see details in Part A, chapter 5). The Investment Facility does not form part of the Indicative Programme.

6.3 Focal Sectors

6.3.1 Rural Development

The specific objective is to enhance income and living standards among poor rural communities.

For indicative purposes, approximately €80m shall be reserved for this sector.

The major interventions foreseen are:

- Water and Sanitation component aimed at increasing the consumption of safe drinking water and use of sanitation facilities in the most deprived districts in the northern part of Ghana (Northern region; Upper West region; Upper East region) and in the most needy small towns in Central and Western regions;

- Microprojects aimed at increasing access to improved social and economic infrastructure facilities by rural communities in Northern, Upper East, Upper West, Central and Eastern regions;
- Agricultural component aimed at promoting export/import substitution crops in the northern part of Ghana and strengthening donor coordination within the Ministry of Agriculture;

The major policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this sector are:

1. To increase access to safe drinking water and rural infrastructure for the rural population
2. To reduce in the incidence of water borne related diseases
3. Decentralisation of the operations and maintenance of small towns and rural water supply schemes
4. Obtain Parliamentary approval for and implementation of agricultural sector investment policy.

6.3.2 Road Transport

The following specific objective shall be pursued: to improve access to markets and services in the poorest, least developed areas of the country through a more effective road transport network.

For indicative purposes approximately €70m will be reserved for this sector.

The major interventions foreseen are:

1. Rehabilitation/maintenance works. Three road projects financed under the 8th EDF and for which the allocation has proved insufficient require implementation. These roads are the Kumasi-Techiman road, Bibiani – Abuakwa road and Axim Junction - Tarkwa road. A shortfall of some €30 m was identified at feasibility stage owing to the increased traffic observed and the ensuing higher specifications required to complete the works.
2. Rehabilitation of road sections linking roads rehabilitated under the 7th and 8th EDF with the existing road network with particular emphasis on the north-south interconnecting road, which is one of the two major traffic corridors providing access to the northern part of Ghana, which is the poorest area in the country. This road is also important from a sub-regional political and economic context and offers Ghana the chance to become an important transit country for transport of goods to and from landlocked countries in West Africa. The Tema port, which handles 85% of imports, has expanded its business from 4.1 million tons in 1994 to 6.1 million tons in 2000 (50% increase over six years). A pre-feasibility study will be carried to assess the needs and their economic and financial viability taking into account funds available. The mix of the EC intervention (periodic maintenance/rehabilitation) will be determined on the basis of the capacity of the Government to actually adhere to its own policy which rightly gives priority to maintenance above rehabilitation.
3. Rehabilitation/maintenance along the Ecowas transcoastal highway (horizontal axis) most of which has already been targeted for rehabilitation by Government and development partners. Firm commitments from ADB (Aflao-Sogakope), KFW (Sogakope-Tema), Japan (Accra-Yamoransa) and Danida (Takoradi-Agona Junction) have been made. A pre-feasibility study will be carried to assess the needs and their economic and financial viability taking into account funds available. The mix of the EC intervention (periodic maintenance/rehabilitation) will be determined on the basis of the capacity of the Government to actually adhere to its own policy which rightly gives priority to maintenance above rehabilitation.

4. A feeder road programme to improve access to services, agricultural land and markets in food growing areas. This will enhance production and income at rural level. The GoG and the EC have identified some areas in the Eastern Region considered to be a potential food basket (i.e. Afram Plains; Fanteakwa; Birim South; Birim North). This Region figures in national poverty data as one of the poorest regions. A study will be launched to identify the project in collaboration with the Ministry of Agriculture, the Department of Feeder Roads (DFR) and the local communities. Prioritisation of the feeder roads will be done in line with the method elaborated by DFR and DFID and civil society.
5. Capacity building. In-country training and technical assistance are planned for the Ministry of Roads and Highways (MRH) and its agencies as well as private sector consultants and contractors.

The major policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this sector are:

1. Continued commitment to the 2001 road sector policy (see Appendix 4)
2. Sustainability of the Road Fund
3. Settlement of the road contract arrears

6.4 Macroeconomic support

The Community will support the macroeconomic reform programme of the Government. Special attention shall be given to the objective of poverty reduction, particularly with a view to ensuring equitable access to social services. Macroeconomic support shall be delivered under a three-year programme. Funds shall be disbursed on an annual basis. If an annual disbursement is not realised within the time limits foreseen, the corresponding amount can be transferred to one of the other sectors of cooperation in the Indicative Programme. Such a decision can be taken in the context of the annual review.

For indicative purposes, approximately €60m shall be reserved for this support.

The major policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this sector are:

1. The GoG maintains a close policy dialogue with the Bretton Woods institutions and the EC
2. The GoG is committed to remaining on track with the IMF
3. The GoG is committed to maintaining the social sector expenditure as a percentage of domestic primary expenditure
4. The GoG continues to make progress on the EU/GoG matrix of financial measures signed in December 2000.
5. The GoG reinforces the capacity of the Ghana Audit Service.

6.5 Other programmes

An indicative amount of €21m has been reserved for interventions in the areas of good governance, HIV/AIDS, the environment as well as for contingencies.

6.6 Sysmin 8th EDF Balance

The following specific objective shall be pursued: to sustain, in an environmentally-friendly manner, the mining sector to maximise export-earning revenue potential.

An indicative amount of €40m has been reserved for a programme.

The major interventions foreseen are:

1. Exploration programmes
2. Institutional support and capacity building in geological survey department, the minerals commission and the mines department
3. Environmental impact assessment studies
4. Infrastructure upgrading

The major policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this sector are:

- to strengthen and modernise its departments in order to better monitor the activities of the private sector, advise policy makers on legislative change and plan structural change to maintain Ghana's competitiveness;
- to assist prospective investors and promote diversification through exploration and geological mapping;
- to undertake a comprehensive environmental impact assessment in order to improve planning and inform legislative change;
- to determine what remedial measures will be required.

6.7 INTERVENTION FRAMEWORK AND PERFORMANCE INDICATORS

**INTERVENTION FRAMEWORK
(RURAL DEVELOPMENT PROGRAMME)**

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	Achieve equitable economic growth and accelerated poverty reduction within a sustained democracy, in line with the country's PRSP.	Set of core performance indicators as highlighted in the country's PRSP (see enclosure)	<ul style="list-style-type: none"> • Ghana Demographic & Health Surveys • Ghana Living Standard Surveys • Core Welfare indicator Questionnaires • Participatory Poverty Assessment • 9th EDF Mid-term Review • 9th EDF Final Review 	
Programme Purpose	Enhanced income and living standards among poor rural communities	<ul style="list-style-type: none"> • Percentage of rural population with access to safe drinking water • Continued use of potable drinking water • Reduction of water borne and water related diseases. • Percentage of rural population with access to social infrastructures • Income of rural population 	<ul style="list-style-type: none"> • Ghana Living Standard Surveys • Reports from Ministry of Health • Reports from Ministry of Works and Housing and Ministry of Local Government. 	<ul style="list-style-type: none"> • No external economic shocks • Political stability
Results	1. Increased consumption of safe drinking water and use of sanitation facilities in small towns in Central and Western Regions and in villages in the most deprived districts in the northern part of Ghana. (Northern; Upper East and Upper West Regions).	<ul style="list-style-type: none"> • 90% of small town's population benefit from piped water supply • 100% of water distributed of drinkable quality • Number of boreholes, wells, latrines built in working conditions and effectively used • Percentage of rural population in selected areas with access to safe drinking water • Increased capacity of CWSA and Water Sanitation committees to operate and maintain facilities • Percentage of population in target areas adopt safe personal and hygiene water usage practices. 	<ul style="list-style-type: none"> • Reports from District Assemblies • Water Analysis reports • Monitoring Surveys reports • Ghana Living Standard Survey • Field survey 	<p>Water and sanitation interventions are complemented by increased efforts in the health and education sectors</p> <p>Economic conditions permit the communities to contribute to investments and to O&M.</p>

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Results	<p>2. Increased access to improved social and economic infrastructural facilities by rural communities in Northern; Upper East; Upper West; Central and Eastern Regions.</p> <p>3. Agriculture production promoted in the northern part of Ghana (Northern; Upper East and Upper West Regions) and donor coordination capacity of the Ministry of Food & Agriculture strengthened.</p>	<ul style="list-style-type: none"> • Number of schools, health facilities, water & sanitation facilities and income infrastructure built. • Enrollment levels at school sustained/increased • attendance at clinics sustainably increased • access to safe drinking water increased • improved agricultural infrastructure • quality and level of operations and maintenance of facilities improved. <ul style="list-style-type: none"> • Number of small scale farmers benefiting from increased cash crop production • Number of small scale farmers using new technologies/services • Agricultural surface sustainably managed • Level of donor co-ordination 	<ul style="list-style-type: none"> • School records • Health clinic records • District records • Reports from District Assemblies • Reports from MPMU • Annual Beneficiary Assessment. <ul style="list-style-type: none"> • Ghana Living Standard Survey • Ministry of Food & Agriculture agricultural statistics • Import/Export statistics • District annual report • Beneficiary assessment studies • Ag SSIP evaluation report • Ministry of Food & Agriculture report 	<ul style="list-style-type: none"> • District Assemblies and line Ministries are able to staff, furnish and equip facilities • High quality of service provision at facilities. <ul style="list-style-type: none"> • No persistent drought or other major environmental disturbance experienced • Ag SSIP been approved by Parliament • All major donors remain committed to Ag SSIP

INTERVENTION FRAMEWORK (ROAD TRANSPORT SECTOR)

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	Achieve equitable economic growth and accelerated poverty reduction within a sustained democracy, in line with the country's PRSP.	Set of core performance indicators as highlighted in the country's PRSP (see enclosure)	<ul style="list-style-type: none"> • Ghana Demographic & Health Surveys • Ghana Living Standard Surveys • Core Welfare indicators Questionnaires • Participatory Poverty Assessment • 9th EDF Mid-term Review • 9th EDF Final Review 	
Programme Purpose	Improved access to market and services	<ul style="list-style-type: none"> • Road condition mix • Traffic data for vehicles in the two major corridors 	<ul style="list-style-type: none"> • Annual surveys by Ministry of Roads and Highways • Joint Donors Evaluation • Specific reports 	<ul style="list-style-type: none"> • No external economic shocks • Political stability • Other national policies supporting the economic growth and sustained development and equitable distribution of the benefits of the growth
Results	<ol style="list-style-type: none"> 1. Road Network rehabilitated and maintained in project areas. 2. Backlog of road maintenance reduced at country level. 3. Institutional capacity of Ministry of Roads and Highways and private consultants/contractors reinforced. 	<ul style="list-style-type: none"> • Km of roads rehabilitated • Contracts completed • Adherence to technical specifications/standards • Points of axle load control operational • ADT • VOC • Financial rate of coverage of maintenance needs • Progress on maintenance programme • Number of training courses 	<ul style="list-style-type: none"> • Supervision reports • Progress completion reports • Annual survey by Ministry of Roads and Highways/Review Report • Road fund reports • Joint Donors Evaluation • Annual independent technical and financial audit. • Agencies presentations in the annual donors conferences • Agencies annual reports 	<ul style="list-style-type: none"> • Continuous GoG commitment to sector policy • Continuous support from all major donors • Funding of road fund sustained • Ministry of Roads & Highways retain trained staff

INTERVENTION FRAMEWORK (MACRO-ECONOMIC SUPPORT)

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	Achieve equitable economic growth and accelerated poverty reduction within a sustained democracy, in line with the country's PRSP.	Set of core performance indicators as highlighted in the country's PRSP (see enclosure).	<ul style="list-style-type: none"> • Ghana Demographic & Health Surveys • Ghana Living Standard Surveys • Core Welfare indicator Questionnaires • Participatory Poverty Assessment • 9th EDF Mid-term Review • 9th EDF Final Review 	
Programme Purpose	Restored sound macro-economic framework and support provided to the implementation of the PRSP in social sectors.	<ul style="list-style-type: none"> • Macro-economic indicators • Percentage of domestic primary expenditure allocated to social sectors • Percentage of budgetary execution in social sectors • Performance indicators in social sectors 	<ul style="list-style-type: none"> • IMF reports • Budget GoG • Quarterly Reports on government expenditure in health and education • Annual reports on performance indicators from Ministry of Health and Ministry of Education. 	<ul style="list-style-type: none"> • Benefits of the growth are distributed equitably • Political stability • No external economic shocks
Results	<ol style="list-style-type: none"> 1. Improved macro-economic framework. 2. Sectoral policies in social sectors sustained and impact improved 3. Efficiency and effectiveness of public financial management enhanced. 	<ul style="list-style-type: none"> • Domestic primary surplus; overall fiscal deficit; debt/GDP ratio; overall balance of payments. • Rate of protection of non wage recurrent expenditure in social sectors. • progress on EU/GoG matrix of financial measures (Dec 2000) • progress on EU/GoG Ghana Audit Service support programme 	<ul style="list-style-type: none"> • Quarterly reports from Ministry of Finance to mini CG meeting • Quarterly Bank of Ghana reports • Budget Govt. of Ghana • Quarterly reports health and education • Monthly reports from Min. of Finance • Quarterly reports from Pufmarp • Independent Audit reports • Progress reports from Swedish National Audit team 	<ul style="list-style-type: none"> • No external economic shocks • No slippages in fiscal and monetary policies • Continuous commitment to sector programmes in health and education • Continuous commitment to financial management reforms

MONITORING INDICATORS

Core Indicators	2000 a/	Targets 2004
1. Incidence of poverty	39%	32%
2. Incidence of extreme poverty	27%	21%
3. Real GDP growth rate	3.7%	5%
4. Real GDP per capita growth	1.4%	2.4%
5. Gross primary school enrolment rate		
Total	77.6%	82%
Girls	71%	80%
6. Under-five mortality rate (per 1000)	110	95
7. Maternal mortality rate (per 100,000)	200	160
8. Children under-five underweight	25%	20%
9. Total Fertility Rate	4.6	4.2
Supplementary Indicators		
10. Incidence of poverty among food producers	59%	46%
11. Incidence of poverty in:		
Northern Region	69%	60%
Upper East	88%	75%
Upper West	84%	70%
12. Consumer price index (end year)	40%	5%
13. Agricultural growth rate	3.8%	5%
14. Infant Mortality Rate (per 1000)	56	50
15. Criterion Reference Test (mastery level) for public primary education		
English	8.7%	11%
Maths	4.0%	6.4%
16. Gross junior secondary school enrolment rate	60%	65%
17. Households with access to safe water		
Urban	70%	78%
Rural	40%	54%
18. HIV/AIDS behaviour indicator – condom use		
Female	6%	20%
Male	14%	30%

a/ or latest year

Source: GPRS, February 2002

6.8 CHRONOGRAMME OF COMMITMENTS

CHRONOGRAMME OF COMMITMENTS

Rural Development Programme	2001		2002				2003				2004				2005			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Small Towns Water & Sanitation													25					
Village Water & Sanitation (N/Regs)													15					
Microprojects									25									
Agriculture					2				13									
Road Transport Sector	2001		2002				2003				2004				2005			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Trunk rds to compl. 8 th EDF approved tranches					36													
Feeder Roads & remaining trunk roads												34						
Macroeconomic Support	2001		2002				2003				2004				2005			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Macroeconomic Support							60											
Non Focal Areas	2001		2002				2003				2004				2005			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Non Focal Areas								10			11							

Total Commitments: 38 0 60 10 13 25 11 34 0 40

Total Cumulative Commitments: 38 38 98 108 121 146 157 191 191 231

6.9 CHRONOGRAMME OF DISBURSEMENTS

CHRONOGRAMME OF DISBURSEMENTS

	2003		2004		2005		2006		2007	
Rural Development Programme	Semester 1	Semester 2								
Small Towns Water & Sanitation						3	3	5	5	5
Village Water & Sanitation (N/Regs)						2	2	3	3	3
Microprojects			1	3	3	5	5	4	4	
Agriculture		1	1	3	2	2	2	2	2	
	2003		2004		2005		2006		2007	
Road Transport Sector	Semester 1	Semester 2								
Trunk rds to compl. 8 th EDF approved tranches			4	7	6	7	8	4		
Feeder Roads & remaining trunk roads					5	7	8	8	6	
	2003		2004		2005		2006		2007	
Macroeconomic Support	Semester 1	Semester 2								
Macroeconomic Support		20	10	10	10	10				
	2003		2004		2005		2006		2007	
Non Focal Areas	Semester 1	Semester 2								
Non Focal Areas			3	2	2	3	4	4	3	

Total Disbursements

21

19

25

28

37

32

30

23

8

Total Cumulative Disbursements

21

40

65

93

130

162

192

215

223

6.10 CHRONOGRAMME OF ACTIVITIES

CHRONOGRAMME OF ACTIVITIES																			
	2001		2002				2003				2004				2005				
Rural Development Programme	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Small Towns Water & Sanitation	Prefeasibility		FP			FA	-----Feasibility-----				----I M P L E M E N T A T I O N								
Village Water & Sanitation (N/Regs)			-----Pre & Feasibility ---				FP			FA	----I M P L E M E N T A T I O N								
Microprojects			-----Pre & Feasibility ---				FP			FA	-----IMPLEMENTATION-----								
Agriculture			-----Pre & Feasibility ---				FP			FA	----I M P L E M E N T A T I O N								
	2001		2002				2003				2004				2005				
Road Transport Sector	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Trunk rds to compl. 8 th EDF approved tranches			FP			FA	-----IMPLEMENTATION-----												
Feeder Roads & remaining trunk roads	Prefeasibility		-----Feasibility-----				FP	FA		-----I M P L E M E N T A T I O N-----									
	2001		2002				2003				2004				2005				
Macroeconomic Support	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Macroeconomic Support						FP	FA	-----I M P L E M E N T A T I O N											
	2001		2002				2003				2004				2005				
Non Focal Areas	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Non Focal Areas Interventions	IDENTIFICATION			FP	FP	FP/FA	FA	-----I M P L E M E N T A T I O N-----											

APPENDIX 1 - SYSMIN 8th EDF BALANCE (€40 m)

CHRONOGRAMME OF ACTIVITIES

2001		2002				2003				2004				2005			
Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	FP		FA	----- I M P L E M E N T A T I O N -----													

CHRONOGRAMME OF COMMITMENTS

First Quarter of 2002 : 40 Million Euro Committed

CHRONOGRAMME OF DISBURSEMENTS

(€m)

2002		2003		2004		2005	
1st Semester	2nd Semester						
		7,5	7,5	7,5	7,5	10	

APPENDIX 2 - MAIN ONGOING PROJECTS AND PROGRAMMES FINANCED BY THE COMMUNITY
6th EDF (EURO)

Proj. No.	Project	Commitment I	Commitment II	Disbursement	Remarks
6.045	Protected Area Development	4.600.000	3.939.552	2.812.635	on-going
6.047	Transport Infrastructure Programme	32.000.000	32.000.000	31.787.259	on-going
	Total	36.600.000	35.939.552	34.599.894	

7th EDF (EURO)

Proj. No.	Project	Commitment I	Commitment II	Disbursement	Remarks
7,041	Human Resources Dev. Programme	3.800.000	2.191.628	1.012.421	on-going
7,043	Transport Infrastructure Programme	16.207.520	6.654.760	2.097.125	on-going
7,045	Decentralised Cooperation	1.500.000	857.454	362.610	on-going
7,050	Support for STD & HIV/AIDS control	1.897.000	673.356	393.136	on-going
7,053	Small Town Water Supply-T.A.	750.000	700.000	657.479	on-going
7,054	Woodworking Sector Dev. Programme	4.850.000	3.229.800	1.383.759	on-going
7,061	Small Towns Water Supply - AR,BA,WR	15.000.000	8.458.166	1.889.369	on-going
7,064	Rural Electrification Project	10.000.000	-	-	on-going
	Total	54.004.520	22.765.164	7.795.899	

8th EDF (EURO)

Proj. No.	Project	Commitment I	Commitment II	Disbursement	Remarks
8,002	Support to Audit Service	3.600.000	2.920.000	116.071	on going
8,003	Health Sector Support	11.000.000	2.471.570	1.966.456	on going
8,008	5th Microproject Prog. - 1st Phase	3.200.000	2.810.500	881.669	on going
8,009	Transport Infrast. Program. - Phase III	56.000.000	1.791.000	-	on going
8,010	5th Microproject Prog. - 2nd Phase	23.800.000	8.043.002	92.722	on going
8,011	GRATIS - Phase 3	4.350.000	644.000	196.565	on going
8,015	Structural Adjustment Support (NIP)	13.000.000	-	-	on going
8,019	Rural Water Supply in Northern Region	14.800.000	-	-	on going
	Total Nip	129.750.000	15.760.072	3.253.483	

APPENDIX 3 - DONOR MATRIX
Comprehensive Development Framework (CDF) Partner Group Arrangements

SECTOR	LEAD NATIONAL AGENCY	FOCAL POINT	EU MEMBER STATES									OTHER DONORS ³
			D	DK	EC	F	IT	NL	SP	UK		
Mini Consultative Group	Ministry of Finance	WB	x	x	x	x	x	x	x	x	CIDA, IMF, JAPAN, UN, USA, WB	
Poverty Reduction (incl. Nutrition, Street children, Poverty Monitoring)	National Development Planning Commission	UNDP	x		x					x	JAPAN, UN, WB	
Governance (incl. Justice)	Nat. Institutional Renewal Programme	UNDP	x	x	x		x	x		x	CIDA, JAPAN, UN, USA, WB	
Health	Ministry of Health	DK/UK/USA/WB	x	x	x	x ¹		x	x	x	JAPAN, NDF, UN, USA, WB	
Roads	Ministry of Roads & Highways	EU/WB	x	x	x	x		x ²		x	JAPAN, WB	
Education	Ministry of Education	UNICEF	x		x	x		x ²		x	JAPAN, UN, USA, WB	
Agriculture/Food Security	Ministry of Food & Agriculture	FAO	x		x	x				x	CIDA, JAPAN, UN, WB	
Public Finance	Ministry of Finance	UK			x					x	CIDA, WB	
Decentralization	Ministry of Local Govt. & Rural Dev.	CIDA/D	x	x	x		x				CIDA, UN, WB	
Energy	Ministry of Energy	WB		x	x	x			x		JAPAN, USA, WB	
Private Sector & Industrial Development	Private Enterprise Foundation, Ministry of Trade & Industry	USAID	x	x	x	x		x ²			JAPAN, UN, USA, WB	
Urban Development	Ministry of Local Govt. & Rural Dev.	WB/F/D	x			x					WB	
Water	Ministry of Works & Housing	CIDA/DK (rural) UK (urban)	x	x	x	x			x	x	CIDA, JAPAN, UN, WB	
Natural Resources & Environment	Ministry of Lands & Forestry/Ministry of Environment, Science & Technology	WB/UNU	x	x	x			x		x	UN, WB	
Projected yearly expenditure (Mio €)			36	32	50	37	1.5 ⁶	14 ⁴	- ⁵	100		

- Existing regional programme is being extended to Ghana
- Support is provided through the Development Related Export Transactions Programme ORET
- Within the category other donors UN agencies are represented as UN apart from WB and IMF
- The support to private sector development is not included in the figures, it amounted to 18 million Euro in the year 2000. The programme is likely to double in the next two years as a result of inclusion of Ghana to the priority countries for the bilateral cooperation.
- 23 Mio Euro/year in commitments to concessional loans.
- 10 Mio USD available as concessionary loans but no commitments or disbursements have taken place.

EU Member States

Denmark: The current co-operation programme is focused on four main sectors namely: roads; health; water & sanitation; energy. In all main areas of co-operation, apart from energy, a sectoral approach is being followed. Special attention is given to support to social sectors, namely health, water and sanitation particularly in rural areas. Important consideration is also given to the promotion of participation in democratic development process as well as promotion of human rights, democracy, good governance, fight against corruption and promotion of civil society. Outside the main areas, a private sector development programme is being sponsored. Development support to Ghana from Denmark is in the order of approx. €36m in grants per year and is projected to remain in this range. Denmark is considering the possibility of providing budgetary support.

France: Ghana was included in the French priority solidarity zone in 1999. Since the first quarter of 1998 the role of AFD, the principal executive agency of project aid, has been of increasing importance in Ghana because AFD was authorised to provide not only grants but also concessionary loans. As a result the financial commitments of AFD, including its subsidiary PROPARCO, increased from an average of approx. €15m per year to an average of €37m per year. The current co-operation programme focuses on the following main sectors: agriculture; private sector development; roads; water & sanitation; energy; urban development; education. The main sectors are going to be re-confirmed with emphasis on the agriculture sector where priority will be given to the development of cash crops by small out-growers. The traditional focus on the promotion of the French language aimed at facilitating a better integration among countries in the sub-region has been maintained.

Germany: The current co-operation programme focuses mainly on seven sectors: agriculture and forestry; decentralisation and democratisation; water supply and sanitation; education; health; infrastructure (mainly road and water transport); promotion of private sector. The current allocations from Germany are in the order of €23m per year. The main implementing agencies are GTZ for the technical co-operation and KfW for investment support. In financial terms the larger component is the latter (around 80%). The major part of the assistance is made out of grants. The co-operation programme has just been restructured with the aim of concentrating activities in a reduced number of sectors. The ones identified for Ghana are: democracy, civil society, public administration; food security and agriculture; economic reform and development of a market economy; road construction and maintenance is being phased out. Future allocations are expected to remain in line with the above referenced figure.

Italy: A few interventions in the area of decentralisation and good governance have been supported. Future strategy will be aimed at a more pro-active approach. Special attention will be given to HIV/AIDS and malaria. Support to private sector development (SME) through concessionary loans and food aid interventions are being considered. Furthermore Ghana could be included in the list of countries eligible for bilateral debt relief under the provisions of a specific law approved by the Italian Parliament.

Netherlands: Ghana is one of the priority countries (18 in total) of the Dutch bilateral co-operation. The current co-operation programme focuses on two sectors mainly: health and environment. In both areas a sectoral approach is followed. In addition to these two sectors The Netherlands has recently become one of the major budgetary support contributors with an operation of over €65m disbursed in January 2001. In addition to these programmes, financed through grants, private sector non-programmable support is provided in terms of concessionary loans. Following the decision to

include Ghana in the list of priority countries, the availability of Dutch assistance might substantially increase in the coming years from an average of €14 to €26m (these figures do not include non-programmable resources as macro-economic support and private sector development). The Dutch co-operation is going to reconfirm health and environment as priority sectors with the possible addition of a third sector to be identified.

Spain: The current co-operation programme focuses on three sectors mainly: rural electrification; health; water. Spain is implementing a co-operation Protocol of some €80m in total, made available through concessionary loans. In 2001 a second Development Protocol is expected to be negotiated and finalized. The value of the Protocol should be in line with the previous one. The priority sectors are expected to be re-confirmed. Assistance could be extended to the education sector.

United Kingdom: The key areas covered in the UK strategy are: macro-economic support; health; education; water & sanitation; transport infrastructure; agriculture; natural resources; public financial management; governance. Development support provided by the UK to Ghana is in the order of over €90m grants per year and is projected to increase in the next three years. Macro-economic support, health and education are likely to remain major areas of intervention as well as financial aspects of the public financial management reform. Emphasis will remain on feeder roads and water supply. HIV and environmental issues will be integrated throughout the programme and a new strategy will be designed for assistance to help the private sector flourish. Governance issues will also feature. The approach is through strengthened partnership with the Ghanaian people, with Government, civil society, business and other agencies. The context is the medium-term expenditure framework and sector wide programmes, designed to enable greater equity of access to resources and the provision of better social services.

Other Bilateral Donors

USA: USAID concentrates on four strategic objectives to support the Government of Ghana's goal of broad-based economic growth, namely: promoting private sector support; improving the quality of the primary education system; improving family health through family planning, slowing the spread of HIV/AIDS and improving maternal/child health; increasing civic input in civil society. Within the framework of promotion of the private sector support, USAID includes its contribution to expanding the energy support to the country. In addition USAID has an on-going food aid programme with Ghana generating counterpart funds which are then utilised through projects implemented by NGOs.

Japan: Ghana has been up to the end of the year 2000 the largest recipient of Japanese bilateral aid in sub-Saharan Africa. However this is now going to change, following the decision of the Government of Ghana to adhere to HIPC. Most of Japan's disbursements to Ghana were in fact in the form of loans and the provision of loans is going to be discontinued while the provision of grant aid and technical assistance will continue.

As a consequence the relative importance of JICA among the Japanese actors of development co-operation is going to increase within the Japanese assistance. JICA is responsible for the projects financed with grants, which are implemented primarily at local level including through non-governmental and community-based actors.

Canada: CIDA's development programme is focused on two areas mainly: basic human needs (water and food security); governance. Cross cutting emphasis on gender issues and the environment will continue. Support to the private sector should also continue but at a reduced level. CIDA will maintain its primary geographic focus on three poorest regions: Upper East; Upper West and Northern.

Multilateral Donors

World Bank and IMF:

As regards the World Bank the latest country assistance strategy (CAS) was approved in March 2000. The CAS has three main themes: increasing growth; redefining the role of the state, especially vis-à-vis the private sector, and implementing more effectively, especially through improved governance and decentralization. The average level of disbursement is in the order of \$ 200-250m per year, of which almost 50% in terms of macro-economic support. The present portfolio of on-going programmes is in the order of \$ 1.05 billion, of which just under \$ 500m to be disbursed. Road infrastructure, agriculture, health, urban water, urban development, rural water, energy and public financial management reforms are the main areas of interventions.

As regards the IMF a three-year poverty reduction growth facility (PRGF) was approved in May 1999 for a global amount of SDR 155m, later increased to SDR 192m. In 2001, almost at the end of the second year of implementation SDR 71m (37%) have been disbursed. The programme has been under severe stress since the beginning because immediately after its approval the external trade shocks have started to materialise and the GoG has not been ready to take the necessary hard measures in time. Performance waivers have been necessary on a regular basis culminating in the nine performance waivers granted in August 2000. The new macro-economic programme for the year 2001 is being finalised.

Other United Nations Agencies:

Most of the UN agencies are represented and active in Ghana including: UNDP; FAO; UNAIDS; UNICEF; UNU; UNFPA; UNHCR; UNIDO; WFP; WHO. The UN system plays a leading role in donor co-ordination activities through UNDP within the governance and poverty reduction thematic sectors. It also plays an important role within the HIV/AIDS sub-sector through UNAIDS. Among the other agencies, UNICEF, WHO and FAO are the most active within their respective sectors.

APPENDIX 4 - ANALYSIS OF NATIONAL POLICY IN RURAL DEVELOPMENT SECTOR

According to the most recent poverty surveys (Ghana Living Standards Survey N.4; Poverty Trends in Ghana in the 1990s) the overall trend of poverty during the 1990s has been broadly favourable in Ghana. However the same surveys show that the trend was not evenly distributed geographically: the poverty reduction being concentrated in Accra and in the forest localities. In the remaining localities poverty decreased only very modestly and indeed extreme poverty increased in the savannah. In both periods poverty is substantially higher in rural areas than urban areas. 84% of those below the upper poverty line (900,000 cedis per year) are concentrated in rural areas and poverty is therefore disproportionately a rural phenomenon.

An examination of poverty by geographical regions shows that poverty is lowest in Greater Accra and highest in the northern part of the country (notably the Northern, Upper East and Upper West regions) with significant difference between these extremes. Among the other regions, the Central and Eastern regions suffer from a higher incidence of poverty and showed no improvement over the reference period. The most significant reductions in poverty at the national level have been concentrated in five regions (Western; Brong-Ahafo; Greater Accra; Volta and Ashanti).

The surveys also show that export farmers and wage employees in private employment enjoyed the greatest gains in their standard of living while food crop farmers experienced the least gains.

While the Government of Ghana wishes to move towards a more equitable distribution of the benefits of the growth and towards accelerated poverty reduction, sustained rural development is part of the core response strategy. In the design of its rural development programme the Ghanaian authorities have the advantage to know where the poor are and the main reasons why they are poor. Emphasis will be given to the geographical disparities, not only at regional level, but within each region at the district level with the aim of providing responses to the hard core poverty situations.

Three main components of rural development are: a) provision of safe water and sanitation facilities; b) provision of social and economic infrastructure; c) promotion of agriculture with specific emphasis on export/import substitution cash crops.

RURAL WATER AND SANITATION

Situation

Under the Ministry of Works and Housing (MoWH), two bodies are responsible for the Water and Sanitation Sector in Ghana: Ghana Water Company Limited (GWCL) and Community Water and Sanitation Agency (CWSA). GWCL, currently being privatised, is responsible for supplying water to the 85 major urban centres in the country. The aim is to create two business units (A and B), that will be leased to two separate private companies. CWSA is responsible for supplying water and sanitation to rural communities: i.e. the small towns and villages.

The present paper will concentrate mainly on CWSA's activities, since all the EC's (and most other donors') ongoing and future projects are concentrated in rural communities.

In 1994 the Government of Ghana launched the National Community Water and Sanitation Programme (NCWSP). Aim of this programme is to extend the coverage of sustainable rural water and sanitation facilities to 85% of the rural population by the year 2009 and to establish a self-sustaining rural water and sanitation sector. Within this framework of this programme, the Community Water and Sanitation Division was created. Initially part of GWCL, it became an autonomous agency in December 1998. The Board of Directors of CWSA was appointed in March 2000. CWSA has in each region a Regional Office. Its total staff is presently around 200.

110 small towns' water supply systems were transferred at the end of 1998 from GWCL to the District Assemblies (DAs). In view of the above-mentioned privatisation, more towns might be transferred to the DAs in the future. To allow CWSA to continue with the operation and maintenance in the transition phase a 2 % levy has been introduced on GWCL's water bills and transferred to CWSA.

The average percentage of the population in small towns and rural villages with access to drinking water is estimated at 66% (source: GLSS4). According to data collected by CWSA, using a different definition of drinking water, the average percentage is estimated at 47%. Figures vary widely from region to region, with Greater Accra having the highest percentage and the Northern Region the lowest. Continuous donor support in the sub-sector in recent years has increased this percentage. The aim of the Strategic Investment Plan 2000–2008 is 85% by 2009.

The situation for sanitation is worse than for water supply. It is believed that no more than 10 % of the population living in small towns and rural villages have access to adequate sanitation facilities.

The above-mentioned low figures and poor hygiene education result in many water borne diseases between the consumers. Guinea worm and diarrhoea are amongst the most prevalent.

Sector policy and strategy

The main objectives of the rural water and sanitation sector are:

- Facilitate the provision of water and sanitation services in rural communities;
- Ensure the sustainability of these services through private sector participation, public sector facilitation and community ownership and management;
- Maximise health benefits by integrating water, sanitation and hygiene education
- Train the communities to effectively administer and maintain the systems and services.

Key elements of the policy include:

- Adopting a demand driven approach through which communities themselves take the decision to participate by expressing demand and choosing a level of service based on their willingness to contribute 5% of the capital costs and pay for the normal operations, maintenance and repair costs of their facilities. The DAs might in the future also contribute some 5% to the capital cost.
- Decentralisation of planning, implementation and management of services by making (a) communities decision makers, owners and managers of water supply and sanitation facilities, (b) DAs more autonomous and able to assist communities to obtain improved services and (c) linking water and sanitation provision into broader district development plans and activities.
- Private sector provision of goods and services and public sector facilitation and promotion of the sector programme.

- Special focus on women as the principal users of water, planners, operators and managers of community-level water systems.
- Stakeholder consultation, intensive community development and training programmes and an adaptive approach which encourages learning and building on experiences.

Maintenance

The aim of the Government is to decentralise the rural water and sanitation sub-sector. The systems, both in small towns and villages, will eventually be owned by the District Assemblies (DA) under the Ministry of Local Government. Each small town and village has created a Water and Sanitation Development Board (WSDB) and a Water and Sanitation (Watsan) Committee. The WSDB and Watsan Committees are responsible for the operation and maintenance. They collect revenues from the users to finance O&M. For the larger systems the private sector will be actively involved in O&M. They will sign a contract with the WSDB, who has the responsibility to supervise their performance. Otherwise the District Water and Sanitation Teams (DWST), which are part of the DA, are responsible for the technical follow-up as well as serve as the link between CWSA and DA.

Donors active in the rural water and sanitation sub-sector

Besides the EC, the main donors active in the sub-sector are: AFD (Northern region), CIDA (Northern region), DANIDA (Greater Accra; Eastern and Volta regions) JICA (Western region), KfW/GTZ (Ashanti; Eastern and Volta regions), World Bank (Ashanti; Brong-Ahafo, Upper East and Upper West regions).

UNICEF (Guinea Worm Eradication Programme) and some NGOs like Water Aid also play a role in the sector.

Main donors in the urban water sector are the WB and DFID.

Donors meet on a bi-monthly basis with CWSA who organises an annual donor's conference.

Challenges

The main challenges that are:

- ❑ Government's contribution to CWSA's annual operating costs. Presently this contribution is limited to 5 billion Cedi per annum and not indexed. This amount is insufficient and only released in small amounts. This implies of course that the Government can presently not contribute financially to any ongoing or new donor funded investment project.
- ❑ Irregular transfers from GWCL to CWSA of the 2% levy for rural water supply on GWCL's bills.
- ❑ Calculation and use of the 5% communities' contribution (and possibly also the District Assemblies) to the capital cost.
- ❑ Inability of some communities to raise the 5% contribution to the capital cost.

- ❑ Decentralisation process and responsibilities of the district authorities. The DAs and communities will become directly responsible for the water and sanitation schemes. There is therefore a need for capacity building at district level and for the creation of the new Works Departments (some 40 for the whole country).
- ❑ Private sector participation in Operation and Maintenance is still very new for CWSA. Monitoring, training and steering will be needed now that more and more small towns are being rehabilitated.
- ❑ Management Fee for CWSA's senior staff. Due to the insufficient operation budget CWSA is requesting a management fee for their input to the projects.
- ❑ Develop the sub-sector approach through the identification of common procedures for donor support (similar to the Health sector).
- ❑ Non conformity of some NGOs to the national water and sanitation strategy.

A series of studies will examine some of the above mentioned issues in more detail. The first one is on the community (and district) contributions and is due to start in July 2001.

References

Letter of Sector Policy (July 2000)

CWSA's Annual Report 1999

Final Report on 5th Annual Donor Conference on the Water & Sanitation Sector

Strategic Investment Plan 1998 – 2008 (CWSA)

Corporate Plan 1999 – 2001 (CWSA)

Programming Study on the Small Towns Water Supply and Sanitation Project in the Western and Central Regions (final report – March 2001)

AGRICULTURE

More than two-thirds of the Ghanaian population live in rural areas where poverty is most widespread. The main economic activity here is agriculture. Agriculture accounts for approximately 36% of GDP, employs 55% of the national labour force. The sector provides over 90% of the food needs of the country. Its average annual growth was less than 2% during the past decade. Besides some good achievements for non-traditional agricultural exports (eg pineapple) agricultural output increase was unsatisfactory. This low growth is mainly attributed to low levels of investment and agricultural technology, in particular in the crop and livestock sub-sectors.

Agricultural Strategy

At the central government level, the Ministry of Food and Agriculture (MOFA) has the leading role in formulating and assuring effective implementation of policies for agricultural development.

The most important implications of Ghana's vision for the agricultural sector derives from the critical role agriculture has to play in bringing overall economic growth, and its consequent impact on poverty reduction and human development. Under MOFA's Accelerated Agricultural Growth and Development Strategy (AAGDS) in the medium-long term (1997 – 2007), agricultural GDP is to increase from about USD 2.9 billion to about USD 5.5 billion. The strategy is designed to

increase the sector's annual growth rate from the current 2-3 percent to 5-6 percent in order to achieve rapid, sustainable and equitable growth. The strategy covers all agriculture including crops, livestock, fisheries, forestry and cocoa.

The Agricultural Service Sub-sector Investment Program (AgSSIP) has been formulated as the major instrument for implementing MOFA's AAGDS. AgSSIP represents a shift from discrete sector projects to the implementation of a sector-wide programme to increase the coherence of external support. AgSSIP is aimed at reducing poverty and improving food security by providing essential public services and securing an enabling environment for sustainable and equitable growth while the physical and social environments are protected. AgSSIP supports the government's agricultural development goals by rationalising the sectoral public expenditure and the role of MOFA, other Ministries, Departments and Agencies closely related to agricultural development. The programme comprises the core elements of support that should be provided effectively by the public sector to the farming community and business enterprises, thus allowing them to make their contributions to the growth in the sector. AgSSIP's components mainly cover agricultural research, agricultural extension, crop services development, irrigation development, livestock development, fisheries and aquaculture development, sustainable land use, strengthening of MOFA Directorates, promotion of FBO, rural technology information system, enhancement of agricultural education, feeder roads and markets and the development of the agriculture commerce sector.

Over 2001-2003 investments of \$ 123 m are foreseen, \$ 67 m of which are covered by a World Bank credit. Rural finance has not been included in AgSSIP: it is dealt with under separate projects.

Cocoa Sector Policy

Cocoa accounts for 16-20% of agricultural GDP and contributes 23% of export earnings. Cocoa farmers and their families make up around 15% of the population. The cocoa sector has been and will continue to be the driving force of Ghanaian economic development for the foreseeable future. The cocoa sector has been subject to considerable policy changes since 1983. The Ghana Cocoa Board's (COCOBOD) internal purchasing monopoly has been removed, its plantations have been privatised and its extension activities have been assimilated by MOFA. The reforms have reduced COCOBOD's staff from over 100,000 in the 1980's to about 5,140 at the end of 2000. The government's policy is to develop COCOBOD into a regulatory and monitoring agency, with all of its other activities hived off.

The Ghana Cocoa Sector Development Strategy, approved by Cabinet in April 1999, foresees the strengthening of the reform process in the sector and an increase in production from 400.000 tonnes in 1998 to 500.000 tonnes by the year 2004/05.

Donors

The lack of a mechanism to co-ordinate donor support in the agricultural sector sometimes led to overlapping and conflicting donor activities. Effective donor co-ordination is one of the tasks of AgSSIP. Donor Co-ordination is equally a function of the inter-ministerial Agricultural Policy Coordination Committee (APCC). Major donors in the agricultural sector (including cocoa) are ADB, AFD, CIDA, DFID, EC, GTZ, IFAD, JICA, and WB. One half of donor funds contracted for the projects in 1999 were loans, while the other half were grants.

APPENDIX 4 - ANALYSIS OF NATIONAL POLICY IN THE ROAD TRANSPORT SECTOR

The main elements in Ghana's transport system are:

- a network of some 13,400 km of trunk roads, some 24,000 km of feeder roads and some 3,000 km of urban roads;
- 950 km of railway system, linking three main cities (Accra; Kumasi; Takoradi)
- two major ports (Tema; Takoradi)
- a maritime and airline system

Road transport is the dominant form of inland transportation, carrying about 94% of freight and 97% of passenger traffic. The railways mainly handle the balance of traffic. The private sector dominates the road transport industry and carries an estimated 95-98 percent of goods and passenger traffic while the state owned companies carry the remaining 2-5 %.

Road Network and Condition

The road network and its condition are highlighted in the table below.

Table 1:

	GHA	DFR Maintainable	DFR Total ¹	DUR	Total Maintainable roads only	Total ² All Roads
1999 Length (km)	13,433	12,500	24,123	2,909	28,842	40,465
Good (%)	33	52	27	31	35	29
Fair (%)	37	44	23	28	45	28
Poor (%)	30	4	50	41	20	43

For year 2000, condition mix was 29% good, 27% fair and 44% poor.

Institutional Framework

Overall responsibility for the road sector rests with the Ministry of Roads and Highways (MRH). MRH is responsible for the road sector policy and strategy and the coordination and monitoring of the three executing agencies: Ghana Highway Authority (GHA); Department of Feeder Roads (DFR); Department of Urban Roads (DUR). The GHA is responsible for about 13,400km of trunk roads consisting of 5,800km of paved roads and 7,600km of gravel roads. The DFR is responsible

¹ Total represents "maintainable" plus "non-maintainable" feeder road lengths

² Total represents all roads, maintainable or not.

for a network of some 24,000km of feeder roads. The DUR is responsible for roads in Accra, Kumasi, Sekondi/Takoradi, Tema, Tamale and the Ga district.

The Ghana Road Fund (GRF) was established in 1985 with the aim of securing road maintenance funding through fuel levies, tolls and vehicle inspection fees. After problematic performance GRF was restructured in 1997 with emphasis on developing a legal framework and establishing a GRF Board and a secretariat to manage the GRF according to sound commercial principles.

Funding

The three sources of funding for the road sub-sector programme are the GRF, the GoG's consolidated fund and donor grants and loans. Total funds related to the road sector have been quite stable over the last five years at roughly \$ 200 m per year. On average GoG has contributed about \$ 110 m per year while donors have contributed \$90 m per year. The GRF releases have increased, with the exception of the year 2000. Last year releases increased in cedis terms but not in \$ terms due to the sharp depreciation of the local currency. During the last few years releases from the consolidated fund were aimed at the provision of matching funds and clearance of arrears.

Donor Presence

The main donors active within the road transport sector are the WB, the EU, Japan, DK, D, UK and NL. Other donors involved are F, ADB, BADEA, OPEC and Spain. Since mid 1990s a more co-ordinated approach has been followed. The WB and the EU serve as focal support within the road sector donor group. The development programmes cover the total road sector with a commitment to co-ordinate and unify activities of all donors

ROAD TRANSPORT POLICY AND STRATEGY

The principles of Ghana's road transport policy and strategy are laid down in the 2001 policy letter. Government's principal objective in the road transport sector will continue to focus on improving the road network condition mix to 70% good, 20% fair and not more than 10% poor by 2005 and manage the road network on a sustainable basis. To this end, the following specific objectives will underline government investment in the road sector:

- i. Develop in-country capacity for government institutions and the private sector to co-ordinate and manage the road network efficiently.
- ii. Ensure sustainable funding for the road sub-sector programme.
- iii. Base road sub-sector investment decisions on sound socio-economic and environmental principles that are sustainable.
- iv. Enhance the operational efficiency of the road network to promote economic growth and the delivery of social services.
- v. Reduce gender, regional and socio-economic disparities in access to transport to help achieve poverty reduction, national integration, unity and stability.
- vi. Integrate the road network with other modes of transport, which aims at an efficient transport system.
- vii. Develop a comprehensive road safety programme to reduce road transport fatalities.
- viii. Mitigate the negative environmental and social impact of road related activities.

MAIN CHALLENGES

- Clearing the Backlog

The fact that the Government of Ghana has limited funding capacity other than the Ghana Road Fund, implies that the ambition of realizing a 70-20-10 condition mix by 2005 may be overoptimistic and that this target may need to be consequently moderated. The policy of giving priority to maintenance (routine and periodic) has to be respected.

- Road Maintenance Funding, Management and Cost Recovery

Total annual routine maintenance of the road network at a proper level is estimated to cost about \$ 40 million, with periodic maintenance requiring an additional \$ 55 million. The revenue from the GRF currently covers US \$53 million causing an estimated shortfall of some \$42 million to be secured through donor financing (World Bank; KFW; EC; DFID and Danida). The issue remains to ensure the stability of Road Fund revenues and operations, and to increase its revenues so that the GRF can assume responsibility for 100% financing of maintenance activities within the next five years. Further increases in the rate of the levy will be needed within the next few years if the GRF has to reach its objective (100% coverage of maintenance needs, which are projected at \$130 million for the year 2005).

- Road Transport Regulations

The axle load control programme should receive more attention. Putting great effort in improving road conditions is ineffective if at the same time damage caused through overloading is not tackled properly.

- Arrears

This particular issue has its origins in the early-mid 1990s and has been the subject of lengthy and protracted discussions relating to contracts financed entirely by the GoG and often awarded without proper competition. The newly elected GoG has recently taken a commitment to reduce the backlog of arrears to 70 bn cedis being audited by the end of 2001. To this effect an allocation of 235 billion cedis has been made in the 2001 budget.

- Institutional Capacity and Human Resource Development

The GoG should proceed with the re-organisation of the road sector institutions. The agencies should be further brought down in size and focus on core activities. A retrenchment programme should be put in place. At the same time efforts should be made to bring salaries more in line with salaries paid in the private sector, in order to retain qualified staff. The need for training remains high. Donor assistance will remain important in this respect. Programmes are being designed under RSDP to improve training of technical personnel at post-graduate level.

- Investment Priorities

As investments in the road sub-sector are based on different criteria with respect to the financing sources, MRH could play a facilitating role in developing a common approach, e.g. through defining a framework of standards, including (1) a unit cost of

construction/rehabilitation, (2) VOCs, (3) value of time, (4) opportunity cost of capital and (5) environmental, safety and additional socio-economic impact. Balancing equitable regional distribution, including investments in low-volume traffic roads and investments based on “sound economic principles”, needs to be further focused on. Both issues could possibly be combined through a multi-criteria approach. Road standards should be harmonised. Given road conditions and traffic, the combination of these standards with typical unit prices for maintenance provides a method for determining annual budgets in a systematic way.

- Private Sector Financing

Private sector financing is still marginal. In order to pursue in this field it is necessary to develop an enabling environment. Under the RSDP systems will be put in place to enable the private sector involvement in financing of road infrastructure.

- Environmental and Safety Assessment

Environment and safety should receive higher priority from GoG. In particular, as regards road safety limited investment could well result in considerable gains. Environmental impact assessment needs to be applied for all projects and environmental aspects should be monitored during implementation.

RESPONSE OF THE ROAD TRANSPORT POLICY AND STRATEGY TO DEVELOPMENT OBJECTIVES

In line with the PRSP and the road sector policy letter, the enhancement of the operational efficiency of the road transport sector will be measured by the improvements in the road condition mix (2000 baseline is 29-27-44) which is programmed to reach 70% good, 20% fair and not more than 10% poor by the year 2005. This objective appears ambitious and requires first of all 100% coverage of maintenance needs. The Ghana Road Fund aims at 100% coverage of all maintenance needs by the year 2005 through further increases of the main source of financing of the GRF (i.e. fuel levy). The Government has taken a clear commitment in this direction in its road sector policy letter. The maintenance gap, which is expected to be progressively reduced, between 2001 and 2005, will be temporarily covered by donors (primarily WB;KFW;DFID;DANIDA;AFD; JICA). Following the assumption that the maintenance gap will be limited, the EC response strategy will focus on rehabilitation mainly.

The transport policy and strategy responds to the development objective of reducing poverty in Ghana. Its specific objective is to secure an increased access to markets and services through an enhancement of the operational efficiency of the road network, which is the dominant form of inland transportation, carrying about 94% of freight traffic and 97% of passenger traffic. Bearing in mind that poverty in Ghana is predominantly a rural phenomenon the road transport policy gives prominence to feeder roads as well as trunk roads.

In order to make its road transport sector policy sustainable, the Government has re-confirmed its decision to make maintenance the top priority, followed by rehabilitation and reconstruction. Extension and/or upgrading will be given a lower priority. In this respect the funding and operations of the Ghana Road Fund are of crucial, strategic, importance. As highlighted in a recent joint donor evaluation, major steps were made in the last few years and the GRF would have been close to achieve its objective of covering 100% maintenance needs if it were not for the sharp depreciation

which occurred between the last quarter of 1999 and the end of the year 2000. During the year 2000 GRF covered 53 million USD out of 95 million USD global maintenance needs. The objective of the Fund is to step up its revenues in order to achieve 100% coverage by the year 2005 (projected needs of 130 million USD by 2005). The present shortfall, which is projected to decrease year by year, could be covered by donor financing (WB; KfW; DFID; DANIDA; AFD; JICA).

As regards rehabilitation, priority has to be given to the major traffic corridors composed of the vertical axis (Accra – Ouagadougou) and the horizontal axis (Aflao-Elubo). It happens that these two roads are also the main regional links and the road transport sector policy is therefore contributing to the regional integration objective.

The traffic counts (ADT) at the border with Togo at Aflao are of the order of 3,457 vehicles at the border with Cote d'Ivoire at Elubo at 3,412 vehicles for the horizontal axis. Concerning the vertical axis at Paga to Burkina Faso the ADT at the border is 465 vehicles per day, but around Kumasi – Techiman urban areas the traffic reaches 16,000 and 11,000 respectively with the inter-city traffic varying between 2,000 and 6,000 vehicles per day.

With reference to feeder roads a prioritisation system has been developed with the assistance from UK (DFID). The system has been adopted by DFR and will be used in all regions. In line with the Government's decentralisation policy DFR is also participating actively with the Ministry of Local Government and the Ministry of Works and Housing to create some 40 work departments in the country.

The road sector policy calls for a reconfirmation of private sector participation and is therefore in line with the country's development objectives. Ghana has already achieved a 100% participation of private sector in development works and 90% participation in maintenance. There is scope for further privatisation of activities, such as surveying, road and bridge and toll collection. There is a need to explore the possibilities of involvement of the private sector in financing the road sub-sector.

Overall the environmental objectives have not been met yet. The Environment Unit, set up in 1996, has supervised environmental impact assessments in donor funded projects and has prepared some environmental impact assessment studies for Government of Ghana financed projects. However, due to the fact that it is understaffed because of government restrictions to recruit new staff, guidelines have not been approved and both capacity building and training activities have been dependent on donor financing up to now.

The Government of Ghana is aware of the road safety problem. The National Road Safety Commission has been set up and has received a small budget from the Road Fund, but is not operating effectively yet. The Road Safety Unit in GHA is understaffed, has an insufficient budget and no long-term action plan.

STAKEHOLDER INVOLVEMENT AND DONOR COORDINATION

As part of Government's philosophy regarding the role of the private sector in the economy, stakeholders in the transport sector are closely involved in policy formulation and implementation. Consultation is institutionalised through representation of stakeholders on the Ghana Road Fund and Ghana Highway Authority Boards. 100% of road development works and 90% of maintenance works are carried out by the private sector.

Donor co-ordination, under the leadership of the Ministry of Roads and Highways, is very good. It has actually improved during the last few years thanks to the role played by the donor co-ordination unit, funded by the EC. The WB and the EC play the role of focal support agencies within the road sector. Monthly meetings are regularly held, are informative and of good quality. An annual road donor conference is organised every year, usually in November, to take stock of the main trends of the year and to discuss the plans for the year to come. In 1999/2000 a first joint donor evaluation of the performances of the road sector was organised and completed. The large majority of the donor interventions can be brought in direct relation with the Government of Ghana sector policy and plans. However each Donor continue to use its own specific procedures and it seems to be very difficult if not impossible to adopt common procedures.

The WB is going to reconfirm its leading role with a new road sector credit of an approximate value of \$220 million which should be presented to the WB Board in July 2001. Among the other donors DK, F (urban roads), NL and UK (feeder roads) are going to reconfirm their role. Germany has recently announced its intention to phase out the road transport sector in the next few years as they are attempting to rationalise the portfolio of their interventions in Ghana. The position of Japan may also change as a consequence of the Ghanaian decision to adhere to HIPC. While Japan may provide Ghana with grants it is unlikely that the forthcoming grants will match the amount of loans. This means that the sector is not over-crowded and that the role of multilateral agencies, including the ADB in addition to the WB and the EC, in supporting the Government of Ghana's road transport policy will be more and more important.

SUSTAINABILITY OF THE ROAD TRANSPORT SECTOR

Economic principles are applied regularly to all investment decisions funded by donors while there have been instances of politically motivated decisions in government funded investments. Government funded projects have not always followed the best international procedures. However the number of development projects solely financed by Government was limited. The newly elected Government of Ghana is perfectly aware of the above- referred slippages and seems committed to avoid such instances to recur. Expenditure in maintenance works are technically determined (road condition, traffic, type of road) though there are still some regional adjustments.

The policy to give highest priority to routine and periodic maintenance, followed by rehabilitation, reconstruction and new development was not fully met by the previous Government, in particular during the run up to elections, though improvements were registered in the last few years. The commitment of the new Government seems quite strong.

The introduction of maintenance management systems is facilitating the introduction of national harmonised standards (based on economic principles). Further use of these systems may rationalise investments.

The Ghana Road Fund has shown good performance since becoming effective in 1997, maintenance revenues have steadily increased. Revenues for 2000 are five times higher than 1996 levels in cedis. However it is noted that the Ghana Road Fund accounts for some 56% of total maintenance needs. The GRF is expected to cover 100% maintenance needs by the year 2005. In the meantime the gap will be covered by donor funds.

Another important factor to secure sustainability will be the ability to retain qualified and trained staff as the level of salaries paid by the private sector is more attractive than the one affordable by the Government.

APPENDIX 5 - EXTERNAL TRADE WITH THE EU (€)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
IMPORTS in 1000 €									
agricultural products	160,9	194,5	168,8	275,3	296,6	399,1	430,3	517,2	453,6
total imports	717,2	572,1	513,6	778,6	839,2	876,7	940,0	1.217,8	1.164,8
% of total imports									
agricultural products	22%	34%	33%	35%	35%	46%	46%	42%	39%
index 1990 = 100									
agricultural products	82	99	99	141	152	204	220	264	232
total imports	98	78	70	107	115	120	129	167	160
EXPORTS in 1000 €									
agricultural products	72,5	80,3	83,3	63,1	70,2	74,6	85,0	123,0	128,2
total exports	540,1	544,4	631,0	658,0	744,3	984,9	1.109,5	1.148,4	1.099,5
% of total exports									
agricultural products	13%	15%	13%	10%	9%	8%	8%	11%	12%
index 1990 = 100									
agricultural products	121	135	135	106	118	125	142	206	215
total exports	108	109	109	132	149	197	222	230	220
BALANCE in mio euro									
total trade balance	(177,1)	(27,8)	117,4	(120,6)	(94,9)	108,2	169,5	(69,5)	(65,3)
Exports/Imports ratio	75%	95%	123%	85%	89%	112%	118%	94%	94%

Source: Eurostat