

## PROJECT INFORMATION DOCUMENT (PID)

Report No.: AB1739

<b>Project Name</b>	Third Poverty Reduction Support Credit (PRSC-2)
<b>Region</b>	AFRICA
<b>Sector</b>	
<b>Project ID</b>	P078619
<b>Borrower(s)</b>	GHANA
<b>Implementing Agency</b>	Ministry of Finance and Economic Planning
<b>Date PID Prepared</b>	July 7, 2005
<b>Estimated Date of Appraisal Authorization</b>	April 25, 2005
<b>Estimated Date of Board Approval</b>	August 4, 2005

### 1. Key development issues and rationale for Bank involvement

Ghana's key development objectives are outlined in the 2003-2005 Ghana Poverty Reduction Strategy (GPRS). These objectives include maintaining macroeconomic stability and enhancing equitable growth, improving human development indicators, especially in deprived areas, and strengthening governance and public sector management. Ghana is a low-income country of about 20 million inhabitants and a per capita income of US\$380 (2004), which is about one-fifth below the average of US\$490 for Sub-Saharan Africa (SSA). Despite progress in raising per capita income and improving indicators of human development over the last twenty years, there are still large regional disparities within the country. While just under 60 percent of the population lives in rural areas, these areas account for three-quarters of those living on one dollar or less a day. There are also large differences in provision of human services between urban and rural areas, which are reflected in a one-to-five difference in the ratio of doctors to the overall population, and a female school enrollment that is one-quarter lower than the country average.

The Bank supported the launching and the first year implementation of the GRSP through PRSC-1 and PRSC-2, and PRSC-3 would support the third year of implementation of the strategy through continued quick-disbursing assistance, providing predictable resources for the implementation of the 2005 budget. Through its PRSCs, the Bank has established a credible framework for supporting the GPRS, with increasingly close collaboration with other donors. Bank support through PRSC-3 would be crucial to maintaining macroeconomic stability, and funding of human services in deprived areas, making possible progress toward meeting the MDG targets and the GPRS objectives.

## **Proposed objective(s)**

PRSC-3 would support the government in making progress toward key GPRS objectives. By providing financing for the budget, including additional external financing, it would support the government in maintaining a sound macroeconomic framework. A stable macroeconomic framework would be essential for achieving the economy's growth potential and reducing poverty as targeted under the GPRS. The operation would furthermore aim at enhancing growth potential by supporting measures to improve the business environment, facilitate trade, increase energy supply, develop the rural economy, and improve the management of natural resources. In the education sector, the operation would aim at increasing access, completion and quality in basic education in deprived regions, and at ensuring sustainable financing for the delivery of education to the poor. In the health sector, PRSC-3 will focus on bridging the equity gaps in the access to health care services in deprived regions. In areas of social protection, PRSC-3 would support the development of a comprehensive social protection strategy, as well as interventions to help contain the spread of HIV/AIDS, especially among high risk groups and in areas of high prevalence. Similarly, in the areas of safe water and sanitation, PRSC-3 would support the development of a comprehensive sector policy, allowing better targeting of investments, and supporting deprived districts in preparing water and sanitation plans to guide these investments. Furthermore, to reinforce the programmatic links of the budget with the GPRS, the operation would support key public sector reforms aimed at (i) laying the ground work for better service provision at the local level; (ii) enhancing the efficiency and transparency of public spending; and (iii) building the capacity to monitor and evaluate policy outcomes.

## **2. Preliminary description**

To support progress toward GPRS objectives, PRSC-3 would support policies under three broadly-defined components: promoting growth, income and employment; improving the delivery of human services, and strengthening governance and public sector management. Policy reforms under the first component include measures to create a more diversified financial sector, opening room for increase credit to the private sector, and measures to strengthen the business environment through the expansion of energy supply services and the removal of administrative barriers for business development. This component also supports measures to improve the performance of the rural sector through policy actions aimed at strengthening government's support to agriculture, and at improving the management of forestry resources. Actions under the second component include measure aimed at assisting Ghana reach the MDG goals by improving service delivery in education, health, social protection, and water and sanitation. Measures to improve service delivery in education focus on increasing access and completion of quality basic education, particularly in the three most deprived regions (Northern, Upper East and Upper West), and on improving the efficiency and equity of education financing, with greater attention to the poverty impact. Measures to improve the delivery of health services center on bridging the equity gaps in the access to health care services in deprived regions (Northern, Upper East, Upper West and Central), and at reducing the spread of HIV/AIDS. Measures to improve social protection concentrate on actions supporting the vulnerable and the excluded, such as the people living with HIV/AIDS, orphans, the homeless, and street children. Measures to expand the provision of safe water and sanitation include the development of a comprehensive sector strategy that addresses issues ranging from existing coverage, sector

implementation capacity, technology choices, and the incidence of water-borne diseases. Action envisioned under the third component center on moving ahead with a medium term agenda for public sector reform that includes decentralization, improving public sector performance, the modernization of the fiduciary framework and public expenditure management, and strengthening the capacity to monitor and evaluate the policy agenda.

### **3. Environmental Aspects**

The proposed operation has been rated a development policy credit, requiring that the program document identify possible negative environmental outcomes arising from activities supported by the leading operation, and there are none. The team working on the preparation of this operation acknowledges that Ghana is aware of the importance for poverty reduction to meet the Millennium Development Goals (MDGs) of ensuring environmental sustainability, and the cross-sectoral nature of the environment and its direct and indirect linkages to economic growth and poverty reduction agenda have been taken into account in the preparation of the GPRS. The GPRS builds on Ghana's robust environmental institutional framework and considerable capacities to set, regulate and enforce environmental management standards. The main frameworks are the 1991 National Environmental Policy, the 1992 National Environmental Action Plan, and the 1994 Environmental Protection Agency (EPA) Act. This framework laws give an adequate reflection of the national environmental policy objectives, seeking to reconcile economic development and natural resource conservation.

### **4. Tentative financing**

Source:	(\$m.)
BORROWER/RECEPIENT	0
INTERNATIONAL DEVELOPMENT ASSOCIATION	125
Total	125

### **5. Contact point**

Contact: Carlos Cavalcanti

Title: Lead Economist

Tel: (202) 458-9076

(233-21) 22 96 81

Fax: (233-21) 22 78 87

Email: ccavalcanti@worldbank.org

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