Document of
The World Bank

Report No: ICR00001499

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-095730) (IDA-099287) (IDA-103631)

ON A

PROGRAMMATIC CREDIT IN THE AMOUNT OF SDR 97.4 MILLION
(US$140 MILLION EQUIVALENT)

AND A

PROGRAMMATIC CREDIT IN THE AMOUNT OF SDR 72.7 MILLION
(US$110 MILLION EQUIVALENT)

AND A

PROGRAMMATIC CREDIT IN THE AMOUNT OF SDR 60.8 MILLION
(US$100 MILLION EQUIVALENT)

TO THE

THE REPUBLIC OF GHANA

FOR A

POVERTY REDUCTION SUPPORT CREDIT (4-5-6)

March 31, 2010

Poverty Reduction and Economic Management 4 (AFTP4)
Country Department West Africa 1
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 29, 2010)

Currency Unit =
GHC 1.00 = US$ 0.707
US$ 1.00 = 1.415 GHC

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AFD	Agence Française de Développement
APR	Annual Progress Report
APRM	Africa Peer Review Mechanism
ART	Anti-Retroviral Treatment
BOG	Bank of Ghana
BPEMS	Budget and Public Expenditure Management System
CAGD	Controller and Accountant General Department
CAS	Country Assistance Strategy
CEM	Country Economic Memorandum
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
CWIQ	Core Welfare Indicators Questionnaire
DACF	District Assembly Common Fund
DFID	Department for International Development
DPs	Development Partners
ECG	Electricity Company of Ghana
ECOWAS	Economic Community of the West African States
EdSEP	Education Sector Project
EPA	Environmental Protection Agency
ESW	Economic and Sector Work
ETC	Entity Tender Committee
EU	European Union
FASDEP	Food and Agriculture Sector Development Policy
FINSSP	Financial Sector Strategic Plan
GAC	Ghana AIDS Commission
GAS	Ghana Audit Service
GCMS	Ghana Customs Management Systems
GCNet	Ghana Community Network

GDP	Gross Domestic Product
GJAS	Ghana Joint Assistance Strategy
GLSS	Ghana Living Standards Survey
GNI	Gross National Income
GoG	Government of Ghana
GPER	Gross Primary Enrolment Rate
GPRS	Ghana Poverty Reduction Strategy
GTZ	Gesellschaft für Technische Zusammenarbeit
JICA	Japan International Cooperation Agency
HIPC - AAP	Heavily Indebted Poor Countries – Assessment and Action Plan
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFIs	International Financial Institutions
ILO	International Labor Organization
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IRS	Internal Revenue Service
LIL	Learning and Innovation Loan
MDAs	Ministries, Departments and Agencies

Vice President:	Obiageli K. Ezekwesili
Country Director:	Ishac Diwan
Sector Director:	Sudhir Shetty
Sector Manager:	Philip English
Task Team Leader:	Carlos Cavalcanti
ICR Team Leader:	Sebastien Dessus
ICR External Consultant	Karen Hendrixson

GHANA
POVERTY REDUCTION SUPPORT CREDIT (4-6)

CONTENTS

A. Basic Information

Program 1			
Country	Ghana	Program Name	Fourth Poverty Reduction Support Credit
Program ID	P095730	L/C/TF Number(s)	IDA-41860,TF-56132
ICR Date	04/01/2010	ICR Type	Core ICR
Lending Instrument	DPL	Borrower	GOVERNMENT OF GHANA
Original Total Commitment	USD 140.0M	Disbursed Amount	USD 143.1M
Implementing Agencies Ministry of Finance and Economic Planning			
Cofinanciers and Other External Partners			
Program 2			
Country	Ghana	Program Name	Fifth Poverty Reduction Support Credit
Program ID	P099287	L/C/TF Number(s)	IDA-43090
ICR Date	04/01/2010	ICR Type	Core ICR
Lending Instrument	DPL	Borrower	GOVERNMENT OF GHANA
Original Total Commitment	XDR 72.7M	Disbursed Amount	XDR 72.7M
Implementing Agencies Ministry of Finance and Economic Planning			
Cofinanciers and Other External Partners			
Program 3			
Country	Ghana	Program Name	Sixth Poverty Reduction Support Credit
Program ID	P103631	L/C/TF Number(s)	IDA-44300
ICR Date	04/01/2010	ICR Type	Core ICR
Lending Instrument	DPL	Borrower	GOVERNMENT OF GHANA
Original Total Commitment	XDR 60.8M	Disbursed Amount	XDR 60.8M

Implementing Agencies
Ministry of Finance and Economic Planning
Cofinanciers and Other External Partners

B. Key Dates

Fourth Poverty Reduction Support Credit - P095730

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	03/13/2006	Effectiveness:		06/20/2006
Appraisal:		Restructuring(s):		
Approval:	06/15/2006	Mid-term Review:		
		Closing:	06/30/2007	06/30/2007

Fifth Poverty Reduction Support Credit - P099287

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	12/13/2006	Effectiveness:		06/22/2007
Appraisal:	03/30/2007	Restructuring(s):		
Approval:	05/24/2007	Mid-term Review:		
		Closing:	06/30/2008	06/30/2008

Sixth Poverty Reduction Support Credit - P103631

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	12/20/2007	Effectiveness:	06/17/2008	06/17/2008
Appraisal:	04/09/2008	Restructuring(s):		
Approval:	06/03/2008	Mid-term Review:		
		Closing:	06/30/2009	06/30/2009

C. Ratings Summary

C.1 Performance Rating by ICR

Fourth Poverty Reduction Support Credit - P095730

Outcomes	Moderately Satisfactory
Risk to Development Outcome	Moderate
Bank Performance	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory

Fifth Poverty Reduction Support Credit - P099287	
Outcomes	Moderately Satisfactory
Risk to Development Outcome	Moderate
Bank Performance	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory

Sixth Poverty Reduction Support Credit - P103631	
Outcomes	Moderately Unsatisfactory
Risk to Development Outcome	Moderate
Bank Performance	Moderately Unsatisfactory
Borrower Performance	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Fourth Poverty Reduction Support Credit - P095730

Bank	Ratings	Borrower	Ratings
Quality at Entry	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance	Moderately Satisfactory	Overall Borrower Performance	Moderately Satisfactory

Fifth Poverty Reduction Support Credit - P099287

Bank	Ratings	Borrower	Ratings
Quality at Entry	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance	Moderately Satisfactory	Overall Borrower Performance	Moderately Satisfactory

Sixth Poverty Reduction Support Credit - P103631

Bank	Ratings	Borrower	Ratings
Quality at Entry	Moderately Unsatisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance	Moderately Unsatisfactory	Overall Borrower Performance	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Fourth Poverty Reduction Support Credit - P095730			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating:**
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Satisfactory		

Fifth Poverty Reduction Support Credit - P099287			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating:**
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Satisfactory		

Sixth Poverty Reduction Support Credit - P103631			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating:**
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Moderately Satisfactory		

D. Sector and Theme Codes

Fourth Poverty Reduction Support Credit - P095730		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Central government administration	50	50
General industry and trade sector	10	10
Health	15	15
Power	10	10

Primary education	15	15
Theme Code (as % of total Bank financing)		
Administrative and civil service reform	16	16
Education for all	17	17
Health system performance	17	17
Public expenditure, financial management and procurement	33	33
Regulation and competition policy	17	17

Fifth Poverty Reduction Support Credit - P099287		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Central government administration	44	44
General education sector	14	14
Health	14	14
Non-compulsory pensions, insurance and contractual savings	14	14
Power	14	14
Theme Code (as % of total Bank financing)		
Administrative and civil service reform	16	16
Education for all	17	17
Health system performance	17	17
Infrastructure services for private sector development	17	17
Public expenditure, financial management and procurement	33	33

Sixth Poverty Reduction Support Credit - P103631		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Forestry	10	10
General public administration sector	40	40
General water, sanitation and flood protection sector	10	10
Health	20	20
Primary education	20	20

Theme Code (as % of total Bank financing)		
Decentralization	13	13
Education for all	25	25
Environmental policies and institutions	13	13
Health system performance	24	24
Public expenditure, financial management and procurement	25	25

E. Bank Staff

Fourth Poverty Reduction Support Credit - P095730

Positions	At ICR	At Approval
Vice President:	Obiageli Katryn Ezekwesili	Gobind T. Nankani
Country Director:	Ishac Diwan	Mats Karlsson
Sector Manager:	E. Philip English	Robert R. Blake
Task Team Leader:	Carlos B. Cavalcanti	Carlos B. Cavalcanti
ICR Team Leader:	Sebastien C. Dessus	
ICR Primary Author:	Carlos B. Cavalcanti	

Fifth Poverty Reduction Support Credit - P099287

Positions	At ICR	At Approval
Vice President:	Obiageli Katryn Ezekwesili	Obiageli Katryn Ezekwesili
Country Director:	Ishac Diwan	Mats Karlsson
Sector Manager:	E. Philip English	Antonella Bassani
Task Team Leader:	Carlos B. Cavalcanti	Carlos B. Cavalcanti
ICR Team Leader:	Sebastien C. Dessus	
ICR Primary Author:	Carlos B. Cavalcanti	

Sixth Poverty Reduction Support Credit - P103631

Positions	At ICR	At Approval
Vice President:	Obiageli Katryn Ezekwesili	Obiageli Katryn Ezekwesili
Country Director:		Sergiy V. Kulyk
Sector Manager:	E. Philip English	Antonella Bassani
Task Team Leader:	Carlos B. Cavalcanti	Carlos B. Cavalcanti
ICR Team Leader:	Sebastien C. Dessus	
ICR Primary Author:	Carlos B. Cavalcanti	

F. Results Framework Analysis

Program Development Objectives (from Program Document)
Increase domestically-financed poverty reducing expenditures.

Revised Program Development Objectives (as approved by original approving authority)

(a) PDO Indicator(s)

Fourth Poverty Reduction Support Credit - P095730				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	National Primary Gross Enrollment increased.			
Value (quantitative or Qualitative)	81 % in 2003	107.4% in 2015		
Date achieved	07/27/2003	09/30/2015		
Comments (incl. % achievement)				
Indicator 2 :	Comphrensive of CAGD reports increased, as measured by the share of public resources reported in the budget execution.			
Value (quantitative or Qualitative)	51% in 2004	75% in 2009		
Date achieved	06/07/2004	09/30/2009		
Comments (incl. % achievement)				

Fifth Poverty Reduction Support Credit - P099287				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Comprehensiveness of the budget statement increased, as measured by the share of total public expenditures included in the bu dget statement.			
Value (quantitative or Qualitative)	50 percent	70 percent		
Date achieved	12/15/2005	12/15/2009		
Comments (incl. % achievement)				

Sixth Poverty Reduction Support Credit - P103631					
Indicator		**Baseline Value**	**Original Target Values (from approval documents)**	**Formally Revised Target Values**	**Actual Value Achieved at Completion or Target Years**
Indicator 1 :	Domestically-financed poverty reducing expenditures increased				
Value (quantitative or Qualitative)	Domestically Financed Poverty Reducing Expenditures=6.5% of GDP		The ratio of domestically financed poverty reducing expenditures to GDP increased		
Date achieved	12/30/2003		06/30/2009		
Comments (incl. % achievement)					
Indicator 2 :	ECG system losses reduced				
Value (quantitative or Qualitative)	ECG system losses=25.5%		ECG system losses reduced		
Date achieved	12/30/2005		06/30/2009		
Comments (incl. % achievement)					
Indicator 3 :	Time required to register new businesses reduced				
Value (quantitative or Qualitative)	Time required to register new businesses=81 days		Time required to register new businesses reduced		
Date achieved	12/31/2005		06/30/2009		
Comments (incl. % achievement)					
Indicator 4 :	Time required to trade across borders reduced				
Value (quantitative or Qualitative)	Time required to trade across borders: Exports=21 days; Imports=42 days		Time required to trade across borders reduced		
Date achieved	12/31/2006		06/30/2009		
Comments (incl. % achievement)					
Indicator 5 :	Gross Primary Enrollment Rate (GPER) increased				
Value (quantitative or Qualitative)	Gross Primary Enrollment Rate (GPER)=88.5%		Gross Primary Enrollment Rate (GPER) increased		
Date achieved	06/15/2005		06/30/2009		
Comments (incl. %					

achievement)				
Indicator 6 :	Gender Parity Index increased			
Value (quantitative or Qualitative)	Gender Parity Index=0.93	Gender Parity Index increased		
Date achieved	06/15/2005	06/30/2009		
Comments (incl. % achievement)				
Indicator 7 :	Coverage of supervised maternal deliveries increased			
Value (quantitative or Qualitative)	supervised maternal deliveries=49%	coverage of supervised maternal deliveries increased		
Date achieved	12/31/2002	06/30/2009		
Comments (incl. % achievement)				
Indicator 8 :	Children five or younger sleeping under under ITNs increased			
Value (quantitative or Qualitative)	Children five years or younger sleeping under under ITNs=22%	Share of children five or younger sleeping under under ITNs increased		
Date achieved	12/29/2006	06/30/2009		
Comments (incl. % achievement)				
Indicator 9 :	Access to safe water and sanitation increased			
Value (quantitative or Qualitative)	Access to improved drinking water=55%, access to improved sanitation=10%	Access rate to safe water and sanitation increased		
Date achieved	12/29/2006	06/30/2009		
Comments (incl. % achievement)				
Indicator 10 :	Comprehensiveness of the budget statement increased			
Value (quantitative or Qualitative)	Share of public funds preented in the budget statement=50%	Comprehensivenes s of the budget statement increased		
Date achieved	02/23/2005	06/30/2009		
Comments (incl. % achievement)				

Indicator 11 :	Implement the provisions of the Public Procurement Act			
Value (quantitative or Qualitative)	Percentage of the number of public procurement contracts above the threshold awarded on competitive basis=40%; percentage of the number of contract awards published=16%	% of the number of public procurement contracts above the threshold awarded on competitive basis increased, and % of the numb er of contract awards published increased		
Date achieved	12/30/2005	06/30/2009		
Comments (incl. % achievement)				

(b) Intermediate Outcome Indicator(s)

Fourth Poverty Reduction Support Credit - P095730				
Indicator	**Baseline Value**	**Original Target Values (from approval documents)**	**Formally Revised Target Values**	**Actual Value Achieved at Completion or Target Years**
Indicator 1 :	Credit to private sector as a share of domestic credit increased.			
Value (quantitative or Qualitative)	51% in 2004	65% in 2009		
Date achieved	06/07/2004	09/30/2009		
Comments (incl. % achievement)				
Indicator 2 :	ECG System Loses reduced.			
Value (quantitative or Qualitative)	25.5% in 2005	18% in 2009		
Date achieved	07/27/2005	09/30/2009		
Comments (incl. % achievement)				
Indicator 3 :	Time for business registration reduced.			
Value (quantitative or Qualitative)	85 days in 2004	25 days in 2009		
Date achieved	06/07/2004	09/30/2009		
Comments (incl. % achievement)				

Indicator 4 :	Budget executioin rate of non-salary expenditures in education increased.			
Value (quantitative or Qualitative)	80% in 2004	100% = 2009		
Date achieved	06/07/2004	09/30/2009		
Comments (incl. % achievement)				
Indicator 5 :	Ratio of population per nurse in the four deprived areas.			
Value (quantitative or Qualitative)	2,000:1 in mid-2002	1,500:1 in 2009		
Date achieved	06/07/2002	09/30/2009		
Comments (incl. % achievement)				
Indicator 6 :	Ratio of population per doctor in the four deprived regions			
Value (quantitative or Qualitative)	16,500:1 in mid-2002	9,000:1 in 2009		
Date achieved	06/06/2002	09/30/2009		
Comments (incl. % achievement)				
Indicator 7 :	Percentage of supervised maternal deliveries increased			
Value (quantitative or Qualitative)	525 in 2002	65% in 2009		
Date achieved	06/06/2002	09/30/2009		
Comments (incl. % achievement)				

Fifth Poverty Reduction Support Credit - P099287				
Indicator	**Baseline Value**	**Original Target Values (from approval documents)**	**Formally Revised Target Values**	**Actual Value Achieved at Completion or Target Years**
Indicator 1 :	National primary net enrollment rate increased.			
Value (quantitative or Qualitative)	59.1 percent	80.0 percent		
Date achieved	05/30/2005	05/29/2009		
Comments (incl. % achievement)				

Indicator 2 :	Credit to private sector as a share of domestic credit increased.			
Value (quantitative or Qualitative)	57.5 percent	65.0 percent		
Date achieved	12/30/2005	12/31/2009		
Comments (incl. % achievement)				
Indicator 3 :	Time required to register new businesses reduced.			
Value (quantitative or Qualitative)	81 days	65 days		
Date achieved	04/29/2005	04/30/2009		
Comments (incl. % achievement)				
Indicator 4 :	Access rate to electricity increased.			
Value (quantitative or Qualitative)	45 percent	52 percent		
Date achieved	06/15/2005	06/19/2009		
Comments (incl. % achievement)				
Indicator 5 :	Forest plantation cover expanded.			
Value (quantitative or Qualitative)	20,000 hectares	100,000 hectares		
Date achieved	11/15/2002	11/21/2009		
Comments (incl. % achievement)				
Indicator 6 :	Primary Gender Parity Index increased.			
Value (quantitative or Qualitative)	0.93	1.0		
Date achieved	05/31/2005	05/30/2009		
Comments (incl. % achievement)				
Indicator 7 :	Percentage of children under five sleeping under Insecticide Treated Nets (ITNs) increased.			
Value (quantitative or Qualitative)	26 percent	50 percent		
Date achieved	05/31/2006	05/29/2009		
Comments (incl. % achievement)				

Indicator 8 :	Percentage of the population covered by the National Health Insurance Scheme increased.			
Value (quantitative or Qualitative)	18 percent	60 percent		
Date achieved	12/31/2005	12/31/2009		
Comments (incl. % achievement)				
Indicator 9 :	Percentage of the rural population with access to safe water increased.			
Value (quantitative or Qualitative)	52 percent	57 percent		
Date achieved	03/31/2005	03/31/2009		
Comments (incl. % achievement)				
Indicator 10 :	Effective compliance with the Public Procurement Act, as measured by the OECD/DAC Methodology for Assessment of National Proc urement Systems, increased.			
Value (quantitative or Qualitative)	1.9 (on a range from 0 to 3)	2.5		
Date achieved	03/31/2006	03/31/2009		
Comments (incl. % achievement)				
Indicator 11 :	Percentage of the children under 5 that are underweight reduced.			
Value (quantitative or Qualitative)	22 percent	15 percent		
Date achieved	03/31/2003	03/31/2009		
Comments (incl. % achievement)				

Sixth Poverty Reduction Support Credit - P103631					
Indicator	**Baseline Value**		**Original Target Values (from approval documents)**	**Formally Revised Target Values**	**Actual Value Achieved at Completion or Target Years**
Indicator 1 :	Budget execution rate of domestically-financed poverty reducting expenditures				
Value (quantitative or Qualitative)	Budget execution rate of domestically-financed poverty reducing expenditures=110%		Budget execution rate of domestically-financed poverty reducing expenditures increased		
Date achieved	12/31/2004		06/30/2009		
Comments (incl. % achievement)					

G. Ratings of Program Performance in ISRs

Fourth Poverty Reduction Support Credit - P095730				
No.	**Date ISR Archived**	**DO**	**IP**	**Actual Disbursements (USD millions)**
1	08/22/2006	Satisfactory	Satisfactory	143.09
2	10/06/2006	Satisfactory	Satisfactory	143.09
3	10/06/2006	Satisfactory	Satisfactory	143.09

Fifth Poverty Reduction Support Credit - P099287				
No.	**Date ISR Archived**	**DO**	**IP**	**Actual Disbursements (USD millions)**
1	08/10/2007	Satisfactory	Satisfactory	110.08

Sixth Poverty Reduction Support Credit - P103631				
No.	**Date ISR Archived**	**DO**	**IP**	**Actual Disbursements (USD millions)**
1	08/01/2008	Satisfactory	Satisfactory	98.12
2	06/29/2009	Moderately Satisfactory	Satisfactory	98.12

H. Restructuring (if any)

1. Program Context, Development Objectives and Design

1.1 Context at Appraisal

This series of Poverty Reduction Support Credits (4-5-6) was designed as an integral part of the Bank's strategy to support the implementation of Ghana's Growth and Poverty Reduction Strategy (GPRS II). Originally designed as a series of four credits, these programmatic operations were to be implemented over the period 2006 to 2008, and were designed to facilitate the implementation of cross-cutting reforms aimed at improving the living conditions of the Ghanaian population by promoting private sector–led growth, vigorous human development, and strengthening governance and civic responsibility.

PRSC-4-5-6 built upon the satisfactory progress achieved under the first PRSC series),[1] which was designed in support of Ghana's first Poverty Reduction Strategy (GPRS I) introduced in 2003. The GPRS I set poverty reduction goals in alignment with the Millennium Development Goals (MDGs) and identified measures to increase growth, income, and employment; improve the delivery of basic social services; enhance governance and public sector management, and address vulnerability and exclusion. A key foundation of this strategy was the recognition that there could be no meaningful poverty reduction without a strong economic foundation and sustained growth. It was in this context that the Bank and Ghana's other key development partners (DPs) considered that the country's stable democratic governance, improving investment climate, and progress in achieving the MDGs constituted a good set of fundamentals on which to build support for the GPRS. The initial series of three PRSCs, designed in 2003, was the Bank's major contribution to this partnership.

PRSC-1-2-3 were also implemented in the context of a strong macroeconomic performance. Annual real GDP growth had continued to grow steadily, reaching 6.0 percent in 2005, following a solid 5.8 percent real GDP growth in 2004, and 5.2 percent in 2003. The fiscal deficit had also remained low, reaching 4.9 percent of GDP by end-2005, still enabling an increase in the share of credit allocated to the private sector. Although overall exports increased only modestly as increases in gold and timber exports were offset by a decline in cocoa exports, and imports increased by almost 25 percent (largely owing to the 45 percent increase in the price of imported oil), the resulting increase in the trade deficit was partially offset by increases in official and private transfers (primarily expatriate remittances) of US$2.0 billion, equivalent to 20 percent of GDP. Moreover, aggregate investment continued to be strong, with increases in private sector investment matching the recovery in public sector investment.

Prudent fiscal management also contributed to macroeconomic stability, as central government expenditures were adjusted downward at year-end to compensate for an unexpected shortfall in revenues, and made it possible to further reduce the ratio of public expenditure to GDP. In doing so, it lowered domestic debt service enabling lower domestic interest rates and contributed to maintaining expenditures within the budget ceiling and exerting a moderating effect on inflation.

[1] PRSC-1-2-3 were each rated "satisfactory" in terms of Outcome, Bank Performance, and Borrower Performance, and "moderately satisfactory" in terms of Risk to Development Outcome.

Sound monetary management meant that the exchange rate also had a moderating impact on inflation, and the decline of domestic interest rates resulting from lower domestic debt stock and inflation rates enabled credit to the private sector as a share of overall credit to increase to 55 percent by end-2005, up from 50 percent in the 2004. Notwithstanding the need to tighten expenditures at the end of the year, fiscal management maintained its pro-poor orientation, with poverty-related expenditures rising to 8.5 percent of GDP in 2005, up from 7.7 percent in 2004.

It was in this context of sound macroeconomic management and growth that this second set of programmatic PRSCs was designed and implemented. PRSC-4-5-6 were designed to support the implementation of the GPRS II, consistent with the 2004 Country Assistance Strategy (CAS), the 2005 Africa Action Plan, the 2006 CAS Progress Report (CAS PR), and the 2007 CAS. PRSC-4 was a SDR 97.4 million (US$140 equivalent) operation. PRSC-5 was a somewhat smaller operation of SDR 72.7 million (US$110 million), as it took into account the implementation of the Multilateral Debt Relief Initiative (MDRI) in Ghana, with the rationale that debt relief was similar to direct budget support.[2] The PRSC-6 credit totaled SDR60.8 million (US$100 million equivalent). This development policy assistance was provided, as was the support provided under PRSC-1-2-3, through the Multi-Donor Budget Support (MDBS) framework, a coordinated approach with Ghana's other key development partners (discussed further in *Section 2.2, Major Factors Affecting Implementation*).

1.2 Original Program Development Objectives (PDO) and Key Indicators (as approved)

The GPRS II, which covered the period 2006-09 and that was submitted to Parliament in October 2005 and to the Bank and IMF in February 2006 (and considered by the Boards of both institutions in June 2006), was based on the stated objective of achieving middle income status by 2015.[3] Achieving middle income status entailed a real GDP growth rate of at least 6 percent per annum, and these higher growth rates were expected to result in higher positive social change and improvements in the quality of life for all Ghanaians.

The GPRS II updated the strategy laid out in the GPRS I, with a strengthened focus on private sector-led growth across three strategic pillars:

- Accelerating *private sector led growth and poverty reduction* by assisting the private sector to grow and generate employment;
- Investing in *vigorous human resource development* to ensure the development of a knowledgeable, well-trained, and disciplined labor force;
- Encouraging *good governance and civic responsibility* by empowering state and non-state entities to participate in the development process and collaborate in promoting peace and political stability.

[2] The debt relief provided by the MDRI represented a net financial gain to Ghana in the form of sharply reduced payments on multilateral obligations.
[3] In the Bank's assessment, the main contribution of the GPRS II was in articulating the country's renewed focus on growth, and the priority attached to structural transformation, especially in agriculture given its potential role in ensuring pro-poor growth; however, more work was judged to be needed in ensuring consistency between sector strategies, giving more even treatment to different sectors and activities; and in translating the broad policy framework into a strategic, monitorable, and time bound set of actions and results.

The program development objectives of the PRSCs were to support the implementation of the GPRS II and facilitate the implementation of cross-cutting reforms aimed at improving the living conditions of the Ghanaian population by promoting private sector-led growth, vigorous human development, and strengthening governance and civic responsibility. These three components corresponded directly to the government's growth and poverty reduction agenda and were the same as those supported by the first series of PRSCs. While PRSC-4-5-6 support primarily translated into funding for the implementation of the GPRS II, particular attention was given to policy dialogue and to monitoring resource allocations and outcomes.

Particular attention was given to leveraging the poverty emphasis of several sector-focused operations by ensuring appropriate expenditure allocation (level and structure) and by addressing some of the financing implications of proposed policy actions (e.g., extension of capitation grants, removal of school fees, deployment of teachers and health care professionals to under-served areas, and the implementation of inclusive health insurance schemes). The PRSC-4-5-6 also focused on cross-cutting issues related to private sector development and the strengthening of institutions, ranging from institutions related to governance, public sector reform, decentralization and public financial management.

Key Indicators: There were 8 prior actions for PRSC-4 and PRSC-5, and 14 prior actions for PRSC-6. The medium to long term impact of these prior actions was measured, in turn, against key expected outcome indicators. These key indicators included: (1) indicators on the national budget, (2) indicators on electricity power supply; (3) indicators on public education services, (4) indicators on public health services, (5) indicators on private sector development, (6) indicators on natural resource management and agriculture, (7) an indicator on the coverage of water and sanitation services, and (8) an indicator on public procurement. As seen in Table 1 below, most of the key indicators remained unchanged, although some indicators were added over the course of these three operations to more closely reflect the policy dialogue with the authorities. Changes in these indicators reflected the annual consensus process for setting the indicators in the dialogue between the authorities and development partners (DPs) participating in the MDBS. Additional indicators were therefore inevitable as a result of both the consensus process itself and attempts to capture new areas of focus in the dialogue.

1.3 Revised PDO (as approved by original approving authority) and Reasons/Justification

The Project Development Objective (PDO) was not formally revised, but it did become more tightly focused under PRSC-6, centering on "increase domestically-financed poverty reducing expenditures."[4]

1.4 Original Policy Areas Supported by the Program (as approved)

In support of the GPRS II pillar of *Accelerating Private Sector-Led Growth,* the PRSCs' **first component** focused on consolidating macro-economic stability and removing some of the

[4] As stated in the Implementation Status and Results Reports for PRSC-6.

constraints on the private sector's ability to respond to growth opportunities. To this end, the following policy areas were supported:

- **Financing Development:** This policy area focused on improving private sector growth by both reducing public domestic debt in order to increase the credit available to the private sector, as well as improving financial intermediation to expand access to credit and capital.
- **Private Sector Development and Trade:** Measures in this area sought to address the high cost business environment by removing the administrative barriers to business development that limited the entry of new business and competition within the private sector.
- **Energy Sector Reform:** This area focused on improving the reliability of the energy supply resulting from the deterioration of the power distribution system, the operational inefficiencies of the power utility companies, and the slow expansion of low-cost, high quality energy supply sources. Reforms in the energy sector were a particularly important aspect of this component, as the long-term resolution of Ghana's energy problems depended on the actions aimed at ensuring the financial viability of the enterprises operating in the sector (mostly state-owned enterprises), increasing private sector participation, and securing access to cheaper sources of energy supply.
- **Rural Development and Natural Resource Management:** This area focused on measures to improve the performance of the rural sector through policy actions aimed at strengthening the government's support to agriculture and improving the management of natural resources, with a focus on forestry resources.

Under the GPRS II pillar of *Human Resource Development,* the **second component** of PRSC-4-5-6 incorporated measures to assist Ghana to reach the MDG goals by improving service delivery in the following areas.

- **Education:** Measures in the area of *education* focused 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.
- **Health, Malaria Control, and the HIV/AIDS Program:** In the *health sector*, the program for improving human service delivery for health centered on (i) bridging the equity gaps in the access to health care services in the deprived regions (Northern, Upper East, Upper West, and Central), and (ii) ensuring sustainable financing arrangements for the health sector to protect the poor. To improve *malaria control,* key interventions focused on improved case management and enhanced multiple preventions. In the area of *HIV/AIDS*, the focus was on maintaining the country's relatively low prevalence rate; giving attention to prevention; and providing care and support to persons living with and affected by HIV/AIDS.
- **Social Protection:** The focus in this area was the social protection strategy, which emphasized the expansion of the livelihood empowerment against poverty (LEAP) social grants; the increase coverage of the national health insurance scheme, as well as several

preventive health programs; the continuation of capitation grants in education; and the scaling up of school feeding and child nutrition programs.

- **Water and Sanitation:** The key areas of focus were (i) completing the medium-term implementation plan for rural water; (ii) ensuring the financial sustainability of the water sector; and (iii) clarifying the institutional, legal, and policy framework for sanitation.

Table 1: Key Indicators for PRSC-4-5-6 (major changes in indicators are in italics)

Policy Area/Sector	Indicator for PRSC-4	Indicator for PRSC-5	Indicator for PRSC-6
Budget	Domestically-financed poverty-reducing expenditures increased Comprehensiveness of the budget statement increased, as measured by the share of total public expenditure included in the budget statement Budget execution rate increased Comprehensive of CAGD budget reports increased	Domestically-financed poverty-reducing expenditures increased Comprehensiveness of the budget statement increased, as measured by the share of total public expenditure included in the budget statement Budget execution rate increased Comprehensive of CAGD budget reports increased	Domestically-financed poverty-reducing expenditures increased Comprehensiveness of the budget statement increased, as measured by the share of total public expenditure included in the budget statement Budget execution rate increased Comprehensive of CAGD budget reports increased
Electricity	Access to electricity increased and Electricity Company of Ghana (ECG) system losses reduced	Access rate to electricity increased and Electricity Company of Ghana (ECG) system losses reduced	Access to electricity increased and Electricity Company of Ghana (ECG) system losses reduced
Education	Gross primary enrollment rate (GPER) increased Gender Parity Index increased Number of teacher vacancies in deprived districts reduced. Pupil-Teacher Ratio reduced. Pupil: textbook ratio improved Percentage of the non-salary budget increased	Gross primary enrollment rate (GPER) increased Gender Parity Index increased Number of teacher vacancies in deprived districts reduced. Pupil-Teacher Ratio reduced. Pupil: textbook ratio improved Percentage of the non-salary budget increased Non-salary expenditures as share of actual total expenditures in the education sector increased	Gross primary enrollment rate (GPER) increased Gender Parity Index increased Number of teacher vacancies in deprived districts reduced. Pupil-Teacher Ratio reduced. Pupil: textbook ratio improved Percentage of the non-salary budget increased

	Non-salary expenditures as share of actual total expenditures in the education sector increased	*Proportion of public education expenditure spent on primary education*	Non-salary expenditures as share of actual total expenditures in the education sector increased *Per student expenditure in public primary education increased*
Health	Ratio of population per nurse in the four deprived areas Ratio of population per doctor in the four deprived areas Percentage of supervised maternal deliveries increased Coverage of the National Health Insurance Scheme increased. Prevalence of HIV among pregnant women retained below 4.5% by 2009. Funding for health care exemptions increased Percentage of Government budget spent on the health sector increased Health sector budget execution rate increased Budget execution rate of non-salary expenditures increased	Ratio of population per nurse in the four deprived areas Ratio of population per doctor in the four deprived areas Percentage of supervised maternal deliveries increased Coverage of the National Health Insurance Scheme increased. Prevalence of HIV among pregnant women retained below 4.5% by 2009. *Percentage of children under five sleeping under Insecticide Treated Nets (ITNs) increased.* Funding for health care exemptions increased. Percentage of Government budget spent on the health sector increased. Health sector budget execution rate increased. Budget execution rate of non-salary expenditures increased.	Ratio of population per nurse in the four deprived areas Ratio of population per doctor in the four deprived areas Percentage of supervised maternal deliveries increased Coverage of the National Health Insurance Scheme increased. Prevalence of HIV among pregnant women retained below 4.5% by 2009. *Percentage of children under five sleeping under Insecticide Treated Newts (ITNs) increased.* Funding for health care exemptions increased. Percentage of Government budget spent on the health sector increased. Health sector budget execution rate increased. Budget execution rate of non-salary expenditures increased.
Private Sector	Credit to private sector as share of domestic credit increased Time to register new businesses reduced	Credit to private sector as share of domestic credit increased Time to register new businesses reduced	Time to register new businesses reduced *Time to trade across borders reduced*

Natural Resources and agriculture	Forest cover expanded Budget execution of the Forestry Commission increased	Forest cover expanded Budget execution of the Forestry Commission increased *Revenues from TUCs increased*	Forest cover expanded Budget execution of the Forestry Commission increased *Revenues from TUCs increased* *Coverage of irrigation schemes increased*
Water	Percentage of the rural population with access to safe water and sanitation increased	Percentage of the rural population with access to safe water and sanitation increased	Percentage of the rural population with access to safe water and sanitation increased
Procurement	Effective compliance with the Public Procurement Act, as measured by the share of contracts above the threshold awarded on a competitive basis.	Effective compliance with the Public Procurement Act, as measured by the share of contracts above the threshold awarded on a competitive basis	Effective compliance with the Public Procurement Act, as measured by the share of contracts above the threshold.

The **third component** of the PRSCs focused on governance and public sector management and corresponded to the GPRS II pillar of *Good Governance and Civic Responsibility*. This component centered on moving forward with a medium-term agenda for public sector reform in the following area:

- **Decentralization:** This area focused on supporting the Government's program for implementing the framework for the decentralized delivery of local public services.
- **Public Sector Reform:** Public sector reform efforts focused on improving payroll management and control and enhancing the public service's delivery capacity.
- **Public Financial Management (PFM):** The program for strengthening public financial management was centered on making the budget an important instrument of economic management by making it more comprehensive (e.g., including internally generated and donor funds), and then by raising the budget execution rate and broadening the scope of budget reports produced by the Controller and Accountant General Department (CAGD) at the Ministry of Finance and Economic Planning.
- **Monitoring and Evaluation (M&E):** The M&E program supported by the PRSCs focused on continuing to strengthen M&E capacity and M&E coordination at the national, regional, and district levels, and on improving access to information on M&E.

1.5 Revised Policy Areas (if applicable)

There were two modifications to the policy areas covered by this program. In addition to supporting the policy areas outlined above, PRSC-5 also supported the adoption of a National Water Policy, catalyzing needed funds for investments in urban and rural water delivery systems. Similarly, PRSC-6 – in addition to supporting the policy areas outlined above – included support to protect and improve the focus of existing safety net programs and mitigate the impact of food price increases on the poorest. These efforts included (i) refining existing targeting mechanisms and strengthening a centralized early warning system for food insecurity; (ii) targeting the most vulnerable food insecure areas through the government's recently established conditional cash transfer program (Livelihood Empowerment Against Poverty – LEAP); and (iii) ensuring access to health care services for the poorest by continuing to provide a with an exemption from the premium for registration in the National Health Insurance Scheme (NHIS).

1.6 Other Significant Changes

(in design, scope and scale, implementation arrangements and schedule, and funding allocations)

There were two significant changes in this series of credits. One, the amount of the PRSC-6 credit was reduced by SDR6.8 million (US$10 million equivalent) owing to Ghana's less than satisfactory performance on the energy sector trigger, and an additional SDR6.8 million (US$10 million equivalent) was added to the credit to help the Government scale up programs aimed at mitigating the impact of recent rises in food prices on the consumption level of the poorest. (Energy sector performance is discussed further below in *Section 2.1, Program Performance*).

The second significant change was the dropping of the final credit, PRSC-7. Although this series of PRSCs was originally designed to consist of four stand-alone operations, the final credit, PRSC-7, was dropped in early 2009 after severe macroeconomic imbalances developed in late 2008 and the need to address them frontally (discussed further below in *Section 2.1 Program Performance*).

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance

Overview: Overall the program performance was mixed, with some significant achievements in governance, growth, public service delivery and poverty reduction blended into some increase in vulnerabilities due to delays in carrying out energy sector and public financial management reforms, as well as vulnerabilities associated with rising balance of payments current account deficits. Although it is complicated to attribute any specific outcome to development policy operations, the implementation of the latter nevertheless coincides with a period of rapid developmental progress, as measured by improvements in the Country Policy and Institutional Assessment (CPIA), which ranked Ghana 5th among all low-income countries (75), second in Sub-Saharan Africa and above several middle-income countries in 2007. Also, between 2001 and 2007, this index went from 3.4 to 4.0. The successful democratic transition from December 2008 was an important expression of the maturity of Ghanaian institutions at their highest level. Poverty reduction was also very rapid during the PRSC period, with annual GDP growth reaching was 1.6 percentage point (5.7 against 4.1) higher on average over the PRSC period than during the previous six years (1996-2001). The proportion of people living below the PPPUS$1.25 a day poverty line declined from 39 percent in 1999 to 29 percent in 2006, and to probably less afterwards given the rapid growth in per capita consumption recorded over the period 2006-8. At the same time, the very significant results obtained in terms of growth, poverty reduction, health and education were achieved at the expense of fiscal sustainability and macro-economic stability, which weakened after 2005.

Component I: Promoting Growth, Income, and Employment: The first component of the PRSCs reflects the objective of ensuring progress on macroeconomic stability and pro-poor growth. Progress in this component was mixed: if GDP growth significantly accelerated over the period, it was both because of a benign external environment and a fiscal stance which proved ex-post to be unsustainable in spite of the massive debt reliefs of 2005 and 2006 (HIPC and MDRI). While data is lacking, in the absence of a recent household survey, it is likely that poverty continued to decline after 2006 (the latest year with data), given continuously high pro-poor public spending and robust per capita private consumption growth.

Macroeconomic performance: Ghana's macroeconomic growth remained strong throughout this series of operations, despite disruptions in power supply in the latter part of 2006 and first half of 2007, and sharp increases in international food and fuel prices in 2007 and 2008. Real GDP growth, reached 6.4 percent in 2006, 5.7 percent in 2007, and rose to a two-decade high of 7.3 percent in 2008.

Accelerated economic growth did however result primarily from higher demand pressures, stimulated by expansionary fiscal policies, remittance inflows, and positive terms of trade, and only to a lesser extent from increases in productivity.[5] While the doing business indicator increased,[6] the increase was not sufficiently to offset the resource pull away from the manufacturing tradable sectors. This resource pull away from tradable manufacturing products is typical of countries affected by the 'Dutch disease' syndrome, which is the forerunner to a loss of economic competitiveness that usually ends in economic stagnation. The concern with a possible 'Dutch disease' syndrome is derived from past experiences from natural resource exporting countries, where spending out of natural resource wealth increases the demand for non-tradable, drawing productive resources into that sector. Also consistent with these developments, the continued high dependence on natural resource, leads to the widening gap in labor productivity and capitalization between a small number of large firms and the majority of small and medium, often informal, enterprises, significant factors and goods market segmentation, a growing share of resources absorbed by non tradable sectors, a persistently weak manufacturing sector, or increased difficulties to access urban land.

A series of shocks in 2008 revealed and exacerbated the unsustainable nature of the development path; it also underlined a lack of transparency and executive accountability. Rapid fiscal expansion in 2008 coincided with a sudden closure of access to international capital markets in September 2008 and, as a result, the Ghanaian economy was hard hit by the combination of a widening current account deficit and a contracting capital account surplus. While fiscal expansion was prolonging trends observed since 2005, see below, it was also the result of a combination of important exogenous shocks, including floods and droughts in late 2007 and a rise in world oil and food prices, prompting the Government to reduce the pass-through to consumers through higher subsidies. [7] By year end, the current account deficit rose to 18.7 percent of GDP, and the fiscal deficit to 14.5 percent - and probably more once large expenditures arrears accumulated in 2008 are accounted.

The fiscal situation gradually deteriorated between 2005 and 2008. The fiscal deficit went up from 4.9 percent of GDP in 2005 to 7.5 percent in 2006, 9.2 percent in 2007, and 14.5 percent in 2008, the result of rapidly growing current and capital expenditures (total public expenditures went up from 31 percent of GDP in 2005 to 42 percent in 2008, while the recurrent balance

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[5] See World Bank (2007). Ghana: Meeting the Challenge of Accelerated and Shared Growth.

[6] Following some improvements in ease of doing business rankings in 2006 and 2007, Ghana saw its relative position deteriorate in 2008. .

[7] Subsidies to the energy sector absorbed 3.1 percent of GDP in 2008, up from 1.6 percent in 2007, and 0.9 percent in 2006.

(total revenue minus recurrent expenditures) went down from 7.1 percent of GDP, in 2005, to 1.1 percent, in 2008. The increase in public expenditures was the result of significant increases in the wage bill, the expansion in public education and health services to finance progress towards MDGs, and subsidies to utilities to finance losses in the energy sector. In contrast, the increase in domestically-financed capital expenditures in 2007 and 2008 was more sudden (+2.6 percent of GDP between 2006 and 2008), as it was mainly financed via the accession to international financial markets in 2007.

This highly expansionary fiscal position entailed deterioration in the country's debt position. By the end of 2008, Ghana's total public debt was an estimated 56.8 percent of GDP, including external debt equivalent to 29 percent of GDP as a result of Ghana's non-concessional borrowing in late 2007, in addition to new concessional bilateral financing and new borrowing from IDA since 2006.[8] The pursuit of highly expansionary fiscal policies contributed to rising inflation and interest rates, as well as to currency pressures. Inflation – which had briefly fallen to single digits in 2006 rose through 2007-08 as a result of global increases in food and fuel prices, strong domestic demand, and by late-2008, a pass through of currency depreciation. The inflation reached 12.7 percent by end-2007, up from 10.9 percent in 2006, and rose to 18.1 percent by end-2008. In reflection of the macroeconomic imbalances and declining foreign exchange inflows – as the global financial crisis led to a fall in remittances and to capital outflows -- the exchange rate depreciated by about 25 percent against the dollar during 2008.

Meanwhile, the budget maintained its pro-poor orientation in 2007 and 2008. Although poverty reduction expenditures fell slightly from the 10.5 percent recorded in 2006, to 9.4 percent of GDP in 2007, this was an improvement over the 8.5 percent reached at end-2005. In 2008, Ghana retained its overall pro-poor orientation with poverty reducing expenditures still accounting for 9.2 percent of GDP, approximately one-third of overall budget expenditures, and attaining a strong increase in per capita terms.[9]

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[8] Ghana borrowed US$750 millions in 2007 in the form of Eurobonds, of which US$595 millions was disbursed by January 2009. The proceeds were allocated primarily to support much needed public investments in the electricity generation and distribution (two areas identified in the 2007 CEM as needing additional investment to sustain economic growth). In addition, another US$617 million was contracted on nonconcessional terms in 2008.

[9] The sharp increase in public sector salaries, of course, helped the Government to maintain its pro-poor spending as salary expenditures make up a significant portion of education and health expenditures (more than 90 percent of health expenditures that go through Ghana's budget, for example, are spent on salaries). In the education sector for instance, individual remunerations went up annually by 10 percent in real terms over the period 2003-08. Wages increased even faster in the health sector over the same period.

Table 3: Selected Economic and Financial Indicators, 2005-09

	2005	2006	2007	2008	2009f
National accounts and prices					
Real GDP	5.9	6.4	5.7	7.3	4.5
Real GDP per capita	3.2	3.8	3	4.6	1.9
Change in the consumer price index (annual	15.1	10.2	10.7	16.5	19.1
External sector					
Exports, f.o.b. (percentage change, in US$)	0.7	33	11.9	26.3	12.4
Imports, f.o.b. (percentage change, in US$)	24.4	26.3	19.4	27.3	-10.3
Export volume	-0.9	15.4	-3.7	7.5	7.2
Import volume	14.2	14.4	14.6	14.1	4.9
Terms of trade	-6.9	4.4	11.5	5.3	22.5
Ghana Cedis (new) per U.S. dollar (end of	0.91	0.92	0.97	1.21	1.48
Money and credit					
Net domestic assets	7.8	18.4	27.8	46.2	10.5
Real private sector credit (% annual changes)	31.1	28.6	41.9	25.4	7.4
Broad money (excluding foreign currency	13.7	39.4	43	31.2	14.5
Investment and saving					
Gross investment	29.9	30.4	33.8	35.9	29.2
Private investment	17.9	18	19.5	20.3	17.9
Central government investment	12	12.4	14.4	15.7	11.3
Gross national saving	21.5	20.5	21.8	17.3	17.5
Private savings	12.6	12.6	14.1	12.5	11.6
Central government savings	8.8	7.8	7.7	4.8	5.8
Foreign savings	82.5	9.9	12	18.7	11.7
Government operations					
Total revenue and grants	27.1	27.3	28.8	27.5	28.3
Total expenditure including arrears	30.7	34.4	38.1	42	38.6
Overall balance	-4.9	-7.5	-9.2	-14.5	-10.2
Net domestic financing	-1.5	5	1.3	9.8	7
External sector					
Current account balance (including official	-8.3	-9.9	-12	-18.7	-11.7
Gross international reserves (millions of US$)	1,950	2,270	2,837	2,036	2,153
Total donor support (millions of US$)	1,087	979	1,171	1,478	1,499
Memorandum items:					
Nominal GDP (billions of GHc)	9.7	11.7	14.0	17.6	21.8

Source: Source: IMF, November 2009.
f) forecast.

Energy Sector Reform: Under the 2004 CAS, the energy sector was targeted for substantial reform as it posed a critical growth bottleneck. Two Bank operations were slated to address the bottleneck in the energy sector, including the GEDAP (Ghana Energy Development and Access

Project) and the second PRSC series (PRSC-4-5-6).[10] Under the PRSCs there was a trigger/prior action relating to the energy sector under each of the credits. Progress in this policy area was problematic, however, as the combination of utilities' inadequate cost recovery tariffs with negative external shocks (rains, oil prices) resulted in substantial losses and additional burden for public finances during 2006-08. In 2007, electricity shortages significantly affected economic activity[11], but were partially removed afterwards with increased thermal generation capacity and better rains. Between 2005 and 2008, the proportion of households with access to electricity increased from 45 to 54 percent.

Under the two Bank operations, reforms in the power sector were expected to occur through two, inter-related efforts: (i) ensuring the increased efficiency of domestic utility companies – the Electricity Company of Ghana (ECG) and the Volta River Authority (VRA) -- by reducing commercial and system losses through unbundling, improved management, and maintenance investment; and (ii) the setting up and licensing of an independent operator for the transmission system that would allow independent power producers to come on line.

Accordingly, PRSC4 supported the settlement of accounts payable to ECG by the water utility company and government agencies, while PRSC5 supported the earmarking of funds needed for VRA to subsidize power supply to the aluminum company, VALCO, in the supplemental budget of 2006. PRSC6 supported actions aimed at restoring ECG and VRA capacities to operate commercially and cover capital expenditures, but the increase in electricity tariffs in 2007[12] proved ex-post to be insufficient to offset the negative impact on generation costs of rising oil prices, declining water reserves, and delays in completing the West African Gas Pipeline. The severe blackouts of 2006-7 (the result of droughts and poor policies, see Box 1) and the gradual deterioration in services also made tariffs adjustments increasing challenging politically. As a result, public subsidies to cover utilities losses mounted, while the Government also continued to fully finance their investment plans and debt obligations.

[10] It was at the Bank's urging in 2003 that the energy sector was originally included in the PRSC/MDBS policy matrix, as it was initially opposed by some DPs who argued that the energy sector was not a sufficiently cross-cutting issue to be included.

[11] It was estimated that the prolonged periods of power outages in 2007 reduced real GDP growth rates by between 0.5 and 1.0 percentage points.

[12] In May 2007, the country's independent public utility regulator (PURC) raised tariffs for non-residential consumers by around 20 percent, and then again on November 1, 2007, by 35 percent on average. Electricity tariffs for residential consumers were raised on November 1, 2007, by between 35 and 175 percent, depending on the customer's electricity consumption levels. In the process of adjusting tariffs, however, the tariff band for low consumption customers (so called lifeline tariff customers) was widened, lowering the average residential tariff increase from 44 to 35 percent. In the event, the tariff structure was made more progressive to encourage energy conservation.

Box 1: Background on the Ghanaian Energy Sector

As noted in the 2008 Ghana Country Economic Memorandum, the Ghanaian energy sector has been characterized by poor planning, notably: (i) an over- reliance on hydropower, and (ii) an inadequate tariff policy, including tariffs that were consistently set at levels that did not cover recurrent costs, causing public utility companies to operate in chronic deficit and requiring associated subsidies. Both of these factors were present in the energy crisis in 2006-07:

- Over reliance on hydroelectric generation, at the expense of a more cautious management of the water levels at the Akosombo dam, resulted in low water levels in the dam during the drought, which led in turn, to subsequent shortfalls of an estimated 25 to 30 percent reduction in power supply capacity, necessitating the use of more expensive thermal power at a time when global oil prices were rising.
- Subsidies played a role as well. In September 2005, the Government ordered the Volta River Authority (VRA) to resume electricity supply to the now state-owned aluminum smelter, the Volta Aluminum Company (VALCO) at a price of US$0.027 per kilowatt hour (kWh) compared to an average cost of around US$ 0.10/ kWh. This placed the financial viability of VRA and, more broadly, the energy sector, at risk. Accordingly, as a prior action for the program under PRSC-5, the Government allocated funding in its 2006 supplementary budget to compensate the VRA for the difference between the average cost of electricity generation and the tariff agreed under the power supply agreement with VALCO.

The Government's failure to meet the energy sector prior action for PRSC-6 led in turn to a reduction in the credit amount by SDR 6.8 million (US$10 million equivalent at the time). In 2008, ECG and VRA operating ratios improved, on account of declining oil prices[13], better rains, a 40 percent increase in tariffs for large-scale industrial consumers in July of that year, and the full-year impact of tariff increases of 2007. Nonetheless, significant problems remained in the energy sector, including slow-to-adjust cost recovery; weak sector planning; oversight and management; the backlog of debt obligations (between Government, utilities, and the banking system, including for petroleum product supply); high technical losses in electricity distribution; and lack of budgetary resources to complete the substantial ongoing committed investments in the sector. By March 2010, there had been no further adjustment in electricity tariffs despite significant consumer price inflation and exchange rate depreciation since November 2007.

Financial Sector Developments: Notwithstanding the limited progress in energy sector reforms, other policy areas under Component 1 were characterized by more success. A number of measures were successfully introduced to improve the efficiency of the financial sector. The total share of investment assets managed by regulated private financial institutions was increased from 25 percent in 2005 to 35 percent in 2006, transferring to the private sector a greater responsibility for managing these financial assets and, in doing so, helping to mobilize additional private sector savings for the growth agenda. Also, Parliamentary approval of the Foreign Exchange Act in 2006, which enabled foreign investors to participate in the secondary capital market, contributed to deepening capital markets, and the Credit Reporting Act, which helped reduce the risks of lending and the cost of borrowing. Lastly, Ghana's financial sector seems to be withstanding the global financial crisis unscathed. Ghana's financial sector (mostly banks) was not directly affected by the global financial crisis because they were not greatly exposed to international financial markets on either the asset or liability side,

[13] Government procured oil directly on behalf of utilities in the first half of 2008 when global prices were peaking.

Private Sector Development and Trade: There was significant progress in this policy area under this series of PRSCs, with four key indicators showing significant improvements. The share of private sector in total domestic credit reached 70 percent in 2007 and 83 percent in 2008, up from around 47 percent in 2002. The simplification of customs procedures and the operationalization of a remote entry system for customs declarations resulted in a reduction in the time required to export and import to 19 and 29 days, respectively, in 2008, down from 47 and 55 days in 2005. The number of days required to register a new business fell from 81 days in 2005 to 33 days in 2008, while the time needed to resolve commercial disputes fell from 80 days in 2007 to 30 in 2008. Consequently, Ghana's standing in the Bank's "ease of doing business" ranking improved from 82nd out of 155 countries in 2005 to 92th out of 183 countries in 2008. Ghana was also ranked among the top 10 reformers in the ease of doing business for 2006 and 2007. This positive business climate contributed to Ghana's strong export performance and in the country's ability to – until the global economic crisis intervened -- draw on foreign savings by tapping the international capital market, attracting external investors to its domestic bond market, and continuing to receive large remittance inflows from Ghanaians living abroad. This positive business development has translated, in time, into the strong performance of private investment and exports, which have increased to 20.5 and 33 percent of GDP at end-2008, respectively, compared to 18 and 29 percent of GDP at end-2006.

Rural Development and Natural Resource Management: Although agriculture was an important part of Ghana's economic growth agenda under the GPRS II, progress in this sector was limited, and can only be measured by the laying of the groundwork for the establishment of the multi-donor support fund for agriculture, as reflected in the approval of the Food and Agriculture Sector Development Plan (FASDEP) and by making needed changes to the **irrigation** policy. The FASDEP was approved in 2005, and a new irrigation policy, consistent with the new agricultural development plan, was adopted in 2007. The new policy defined clearer rules for the operation and maintenance of irrigation facilities, and enshrines the role of water user associations in the management of irrigation schemes, giving them greater responsibility and control over the management and maintenance of secondary structures for irrigation. To this end, approximately 280 farmers from 14 irrigation schemes were provided with training in Joint Irrigation Management (JISM), and civil works for the rehabilitation of irrigation schemes was completed at multiple localities. Progress under this element of the PRSCs was intentionally limited, therefore, as this narrow focus on policies for agricultural development supported a broader dialogue with the ministry, as recognized by the fact that the Bank joined the special a multi-donor support fund for agriculture.

Natural resource management under the PRSCs focused, similarly, on a narrow set of new policies for managing forestry resources, under which increases in forest coverage were combined with a new Cabinet-approved financial framework for the Forestry Commission (FC) to ensure: (i) predictable funding for the FC; and (ii) transparency and accountability in the FC's financial management. The new financial framework for the Forestry Commission aimed at addressing earlier impediments to the adoption of earlier policies such as the conversion from timber area leases to timber utilization contracts (TUCs). Delays occurred in carrying out the inventory of trees in areas eligible for conversion. (These inventories were required to calculate the timber right fees that would, in turn, be used for determining the value of the TUCs.) These inventories are time-consuming and expensive to carry out. This made them difficult to carry out, as the Forestry Commission (FC) had lower-than-expected revenues coming from internally generated funds, as around one half of the FC's internally generated funds were derived from a 3 percent export levy on timber, which the Commission was unable to collect as it was challenged in court by the timber exporting companies.[14] These legal impediments to revenue collection were removed, and targets were eventually met in this area, allowing the Bank to join other development partners in developing a separate multi-donor program of general budget support for natural resource management.

Component 2: Improving Service Delivery for Human Development: The second component of the program supported by the PRSCs focused on measures aimed at assisting Ghana reach key MDG goals by improving service delivery in education, health, social protection, and water and sanitation.

Education: Important progress continued to be made in **increasing the access, completion, and quality of primary education, although issues of quality remain**. [15] A large program of teacher recruitment resulted in an increase in the number of teachers posted in deprived districts, reducing the number of teacher vacancies by an estimated 40 percent between September 2006 and January 2007, and enabling a number of schools that had closed to be re-opened. The recruitment drive for teachers in deprived regions did raise issues of the sustainability of the progress achieved, however. Most of the new recruits came in under the National Youth Employment Program and were subsequently transferred to the Education budget. Therefore, sustaining the reduction of teachers vacancies with the drive to increase the number of teachers posted in deprived requires continued efforts to monitor teacher vacancies in deprived regions and to adequately fund the education budget with a view to avoid that these numbers creep up again. Meanwhile, the implementation of district sponsorship schemes for teachers – under which teachers return after training to the districts that sponsored them – contributed to a decrease in primary pupil-teacher ratios (PTR) in poorer districts of two out of three deprived regions, and reducing PTR regional disparities.

The Gross Primary Enrolment Rate (GPER) continued to rise, as reflected in official statistics, reaching 95 percent in academic year 2008/09, up from 92.1 percent in 2005/06 and 87.5 percent in 2004/05, while the net primary enrollment rate went up from 65 to 88 percent during the same period.[16] The national Gender Parity Index (GPI) also showed improvement, rising to 0.96 in

[14] The timber exporting companies challenged in court the government's export levy on timber, and which was used to help generate funds for the Forestry Commission. As a result, revenues were less than anticipated and the Forestry Commission had inadequate funds for carrying out the tree inventory in areas eligible for conversion; these inventories, which are expensive and time-consuming to conduct, were needed to calculate the timber right fees (TRF) that are used to determine the value of the timber utilization contracts (TUCs) that are part of the government's policy for managing forestry resources.

[15] As indicated by the fact that the share of students meeting the required grade in the Basic Education Completion Examination (BECE) varies widely within the country, as well as between genders. Likewise, increased enrollments place additional demands on the quality of education as newly enrolled students are typically from the deprived areas and are from poorer families.

[16] As noted in a recent IEG evaluation, a crucial PRSC 4 measure for increasing enrollment was the introduction of the "capitation grant" to schools and the elimination of all government- and district-controlled fees at primary and junior secondary level. Though small, these fees posed a real obstacle to enrollment for children from poor families, with enrollment data pointing to rapid increases after the fees were eliminated in 2005. While the government was committed to eliminating the fees, the fact that it was a PRSC trigger probably accelerated its implementation, as the need for PRSC funding pre-empted opposition from the Ministry of Finance. This was a major achievement for the

2006/07, up from 0.95 in 2005/2006 and 0.93 in 2004/05, although this was still below the 1.0 target in the GPRS II. The country appears therefore to be on track to meet the MDG goals of primary completion and gender parity at school. The number of primary students dropping out of school or repeating grades also fell during the period covered by the PRSCs, dropping from over 120,000 during 1997 to 2002, to just below 80,000 over the 2001-2006 period, owing to overall increases in the average level of income and the introduction of capitation grants. Per capita expenditures on primary education rose by 12 percent in 2006 over 2005, almost twice the 6.7 percent rate of expansion in student enrollment. To ensure that the necessary resources for effective teaching were available, the execution rate of budgeted non-salary expenditures increased to 98 percent in 2006, up from 92 percent in 2005. Finally, five Teacher Training Colleges specializing in the training of mathematics and science teachers were established in time for the 2007-08 academic year.

*Health, Malaria Control, and the HIV/AIDS Program***:** PRSC-4-5-6 continued the progress made in the health sector under the first series operations. There was a significant increase (from 9 to 13 million Ghana Cedis) in **health care spending** on services (item three of the health care budget) in 2006 over 2005. This 45 percent increase in spending in nominal terms (a 34 percent increase in real terms) was important because increased spending on health care professionals' wages and salaries needed to be matched by increased spending on services to enable the greater availability of vaccines and pharmaceutical drugs if Ghana is to reach the MDGs. Budget execution also reached high rates, rising to over 80 percent for non-salary expenditures and to over 100 percent at the district level. Some of this progress can be measured by comparing the two last demographic and health surveys (DHS) for 2003 and 2008. There was an impressive, even if belated, improvement in health indicators over this period: (i) the under-5 mortality rate was reduced from 111 deaths per 1,000 births to 80, (ii) the proportion of malnourished under-5 children was reduced from 18 to 14 percent, and (iii) the proportion of maternal deliveries supervised by professional medical staff went up from 47 to 59 percent.

Similarly, there was also good progress on reducing the incidence of **infectious diseases**. The number of children immunized in 2008 grew by 12,000 over 2007, with 87 percent of children being immunized. Measles cases fell below 500 for the 2005-07, and no deaths have been reported for four consecutive years, while Ghana's documentation that the country was polio-free was accepted by the Africa Regional Commission on Polio certification. **Malaria** fatalities continued to decline (to 2.1 percent in 2006, down from 2.3 percent in 2005 and 2.5 percent in 2004, as the use of Insecticide Treated Bed Nets (ITNs) by children under 5 rose to 22 percent nationally, up from 3.5 percent in 2003. There was also a further decline in the **HIV/AIDS** prevalence rate among pregnant women, which dropped to 2.6 percent in 2007, down from 3.6 percent in 2002.)[17]

While this progress in health indicators happened concomitantly with the continued increase in coverage under the National Health Insurance Scheme (NHIS), it is difficult to determine with a great degree of confidence the causality chain. The fact is that 55 percent of the population (12

PRSC/Multi-Donor Budget Support process and the Government and also demonstrates how the PRSC can act as a platform for supporting reform measures that require consensus beyond a specific line ministry.

[17] It is important to note that this decline reflects, part, changes in the UNAIDS methodology for estimating HIV/AIDS prevalence.

million) was registered in the National Health Insurance Scheme by October 2008, up from 39 percent of the population (7.7 million) at end-2006, and up from 3.6 million at end-2005. Within the population covered, an estimated 1.2 million people were in the exempt category (i.e., children less than 18, pensioners and extreme poor). Similarly, the number of registered NHIS participants with ID cards almost doubled over the same period, rising to 66 percent of the population (6.5 million people), up from only 51 percent (3.9 million) of those registered at end-2006.[18] In the meantime, efforts were also made to address the problem of brain drain among **health care professionals,** and an additional seven new Health Assistant Training Schools (HATS) were established, enabling an increase in health care trainees from 444 to 1,020.

Social Protection: Initiatives under social protection initially planned to focus on improving the targeting of resources for vulnerable group in accordance with the National Social Protection Strategy (NSPS) published in 2007. As global food prices increased, however, the prime focus of the social protection strategy shifted under PRSC-6 to offsetting the impact of the price rises on the poor. Accordingly, the number of households receiving grants under the Livelihood Empowerment Against Poverty (LEAP) conditional cash transfer program targeted to the extreme poor reached more than 8,000 households in 2008,[19] up from 2,000 in the regular program in 2007, although these figures fail to distinguish between regular beneficiaries of the LEAP program and emergency, sometimes poorly targeted, transfers under the LEAP program. There was also a scaling up of school feeding programs in 2008, benefiting 987 public schools with a total number of 477,714 children in all the 170 districts across the country. While it is still early to assess the full nutritional impact of the program, initial data suggest that it helped increase enrolment in the schools benefiting from the program, with attendance rising by 19 percent in these schools, against 3 percent elsewhere[20].

Water and Sanitation: To broaden access to water and sanitation, one of the most important infrastructure investments for achieving the MDGs, coverage of water and sanitation was incorporated into the program supported from PRSC-3 onwards.[21] The program supported by the PRSC-4-5-6 focused on making the water and sanitation policy framework more

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[18] Among those registered, the share of elderly (those 70 years and over) and indigents rose from 7.85 percent to 9.0 percent.

24,300 households were registered as regular beneficiaries under the LEAP program by end—October 2009. Another 6,000 households were benefiting from the LEAP on an emergency basis in response to the 2007-08 floods in northern Ghana.

[20] Poverty related expenditures include the following expenditures from the Appropriation Act: (i) Education – non-formal education, pre-school, basic education, technical & vocational education, teacher training, and education management and supervision, plus a fraction of the expenditures on special education (90 percent), general administration (50 percent), etc ; (ii) Health – district health services, regional public health expenditures, oncology expenditures, funding for the International Red Cross, and health learning materials, plus a fraction of the expenditures on regional health support services (50 percent), psychiatric hospital (50 percent), regional clinical care (50 percent), health training institutions (70 percent), institutional care (60 percent), etc ; (iii) Agriculture – crop services provided through the regional agriculture development units and projects funded by IDA; (iv) Works and Housing – the community water and sanitation, rural housing and rural hydrological drainage; (v) Feeder Roads and Transport – feeder roads and road safety; (vi) Energy – rural electrification programs; and (vii) Other – national vocational training, social welfare programs, etc.

[21] PRSC-3 introduced a water sector and sanitation strategy after the Demographic and Health Survey (DHS) indicated deterioration in infant mortality and under-5 mortality rates between 1997 and 2003. This deterioration was attributable in part to emerging problems with child malnutrition, as well as to slow progress in increasing access to safe water sources and to safe sanitation.

programmatic, thus allowing funding from development agencies (which accounts for almost the totality of the water sector investment in rural areas) to be maintained. To this end, the following was completed: the National Water Program (NWP) was belatedly approved by Cabinet in 2007; the 5-year Sector Investment Plan (SIP) for community and small towns' water and sanitation was updated; the 5-year investment plan for Urban Water was updated; and the National Sanitation Policy was drafted. Although a water tariff review was completed and new water and electricity tariffs were announced in 2006, a plan to raise water tariffs on commercial and industrial users was replaced by a government plan to absorb the higher tariffs. While progress on the overall planning was limited, the more programmatic approach taken in the water sector allowed development agencies to increase and/or maintain their contributions to the sector, leading investments to be made in water supply systems and rural water coverage to increase. The access rate to safe drinking water increased from 55 percent in 2006 to 76 percent in 2008 in rural areas. As a result, Ghana is on track to meet the MDG on access to safe water, even if progress in urban areas is much slower, with a proportion of population with access to safe water declining from 83 to 79 percent between 2003 and 2008.[22] In contrast, Ghana is unlikely to be able to meet the sanitation MDG. Progress in sanitation has been very slow, with still 82 percent of the population without access to sanitation facilities in 2008. Lack of progress primarily reflects lack of public investment. While the capital investments necessary to provide access to water services are fully subsidized, no subsidies have been contemplated so far for the provision of sanitation services. This differentiated treatment in the provision of public goods greatly contributed to the difference in achievement, while in the meantime the urban population and the demand for sanitation needs has also grown. As the Government plans to promote sanitation through communication campaigns, it also needs to provide some subsidy for basic capital investments if Ghana is to improve access to sanitation.

Component 3: Governance, Decentralization, Public Sector Reform, and Public Financial Management. Under this component gradual progress was made on decentralization and public sector reform. Significant structural progress was achieved in PFM, yet insufficient to avoid the very large budget deviations exposed during the 2008 crisis.

Governance: Ghana was the first country in Africa to undergo the Africa Peer Reviewer Mechanism (APRM) on governance. While the country received a generally positive assessment, the APRM also noted the need to address a number of issues to ensure good governance, including removing barriers in access to land and justice, and the clarification and modernization of the role of the chieftaincy. Surveys by the Afrobarometer indicate that there has been a decline in public service corruption, and Ghana's ranking in the Transparency International Perception of Corruption Indicator rose slightly from 70th out of 169 countries to 69th out of 180 in 2007. Ghana's ranking in the World Press Freedom Index also continued to improve, rising to the 29th position in 2007, ahead of South Africa and Cape Verde, and not far behind Mauritius and Namibia (both tied for 25th position).

These advances in governance under this second PRSC series reflected several other reforms efforts that occurred in parallel. First, in the fall of 2008 Parliamentary approval was sought for the sale of a majority stake in the state-owned telecommunications company (Ghana

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[22] The decline in water coverage in urban areas reflects the rapid expansion in urban population during this period, as well as the slow progress in water sector investment.

Telecommunications), as well as for additional external borrowing that had not been envisioned at the time of the budget approval.[23] Second, renewed attention was given to the enforcement of the legislation on asset disclosure by high level government officials, which requires that the President, Vice-President and other senior officials submit a declaration to the Auditor General before taking office, although the same degree of scrutiny does not appear to have been exercised at the time when official were leaving office. These procedures were enforced during the selection of candidates for the December 2008 elections, and the new Government's Cabinet Ministers have all declared their assets to the Auditor General. Third, there was continued reduction in the backlog of audited accounts, and the new Government is moving to set up Internal Audit Units in all MDAs and MMDAs. Fourth, there were follow up actions on these reports, with the Parliament's Public Accounts Committee (PAC) active in overseeing the accounts of MDAs by carrying out public hearings based on the Auditor General's reports spanning 2002 to 2005. For those accounts where there was found to be wrongdoing, the PAC submitted their report to the courts for the prosecution led by the Attorney General. In turn, prosecution started. Yet, the external auditing of the consolidated funds' accounts for the years 2006 and 2007 still awaits their approval by the Parliament's Public Accounts Committee. Eliminating such backlog would bring back external auditing processes to normalcy.[24]

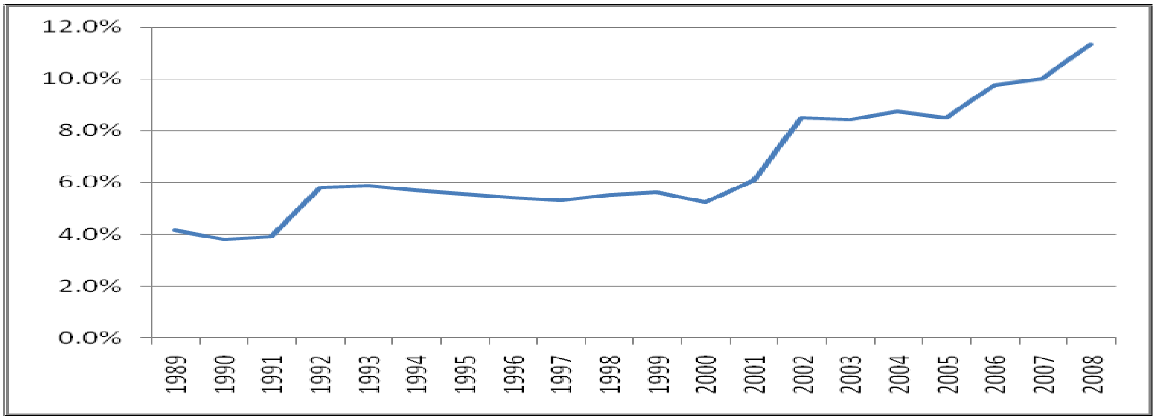
Decentralization: The progress in implementation of the government's framework for decentralized delivery of local public services was piecemeal, relying on separate initiatives aimed at (i) establishing a mechanisms for District Development Funding (DDF); (ii) designing a framework for a harmonized capacity building program for local governments, rationalizing the multiplicity of capacity building projects/programs and ensuring better targeting of these funds; (iii) preparing composite budget guidelines; and (iv) agreeing on modalities and initiating development of framework governing intergovernmental fiscal relations, clarifying expenditure responsibilities and revenue assignments. Also, to strengthen the MMDAs' revenue generating capabilities the government launched a Municipal Financing and Management Initiative (MFMI) in 2008 in response to the recommendations of the International Forum on Municipal Finance and Management held in October 2005. Subsequently a draft Local Government Finance Bill was submitted to Cabinet and later laid in Parliament for passage into law. The Local Government Service legislation was adopted by Parliament in mid-2008 aiming at supporting the devolution of functions and staff to MMDAs. This bill aimed at facilitating the establishment of a Local Government Finance Authority with a mandate to mobilize resources from both internal and external sources for MMDAs, and to channel them into productive infrastructure development and to manage risk. Lastly, there was an across the board increase in local government funding from the budget by raising the share of the District Assembly's Common Fund (DACF) in overall tax revenues from 5 to 7.5 percent, as well as by reviewing the sharing formula of the DACF, in accordance with the Ghanaian Constitution. While these efforts were a good start to the decentralization agenda, decentralization efforts still need to be deepened in upcoming years.

[23] It is important to underscore here that advances refer to in this paragraph is the seeking Parliamentary approval for these deals. This document does not pass judgment on the merits of the deals themselves, not least because the sale of Ghana Telecommunications is still under scrutiny.
[24] By end-2008, internal audit units had been established in all MDAs and in 268 MMDAs out of 362 (77 percent).

Public Sector Reform: The public sector reform program supported by this second PRSC series ranged from setting up the institutional arrangements for a new public sector reform strategy to strengthening payroll management and control. The former included the creation of the Ministry for Public Sector Reform, the submission of several pieces of legislation to Cabinet and from there to Parliament, and the launching of a broad outreach program to communicate these reforms to stakeholders. The latter set of reforms ranged, in turn, from implementing a comprehensive work plan for the remuneration of senior civil servants to taking steps to setting up and operationalizing a more modern payroll management and control system that operated online. The implementation of this second set of reforms was particularly important because modernizing the payroll system was critical to ensure control over the fastest growing expenditure item in the budget. The results of the efforts to modernize the payroll system were limited, however, given the political pressure to increase public sector wages and salaries following the debt relief provided by HIPC and MDRI. Indeed, despite these reforms, the public sector wage bill to GDP continued rising, reaching, at end-2008, 11.3 percent of GDP and accounting for around one quarter of overall expenditures. These end-2008 figures are the result of the steady rise of the public sector wage bill-to-GDP ratio over the last 20 years, with particularly sharp increases during the period 2006-08 (Figure 2).[25]

[25] These increases in the public sector wage bill were reflected in turn in the increases in poverty-reducing expenditures, since payroll expenditures account for a large share of expenditures on primary health care and on basic education.

Figure 2: Ghana-Wage bill to GDP ratio, 1989 to 2008 (%)



Source: Ghanaian authorities.

Public Financial Management (PFM): The PRSCs focused on supporting measures aimed at transforming the budget into a more meaningful tool of economic policy and to increase the efficiency of budgeted expenditures by enhancing management and information systems and strengthening public procurement and audit systems. Two additional modules (Cash Management and Accounts Receivable) were added under PRSC-5, bringing the total number of deployed modules to five. However, despite the fact that BPEMS operated in 8 pilot ministries by the time of the approval of PRSC-6, only a fraction of transactions were processed through it (e.g., the administrative component of the health budget but not payroll or investment), even though the system was capable of processing all. Also, a pilot for the Single Treasury Account, called the consolidated sub-Treasury accounts, was established under PRSC-6. There was more sustained progress in other areas of public financial management, however. Under the PRSCs, there was a broadening of the scope of the budget, with greater clarity in the amounts and allocations of Internally Generated Funds, as well as the inclusion of HIPC and MDRI funds in the budget and the presentation of the allocations for statutory funds alongside the central government's budget statement. Meanwhile, the **fiscal reports** from the Controller and Accountant General Department (CAGD) of the Ministry of Finance continued to improve in timing (monthly budget execution reports) and quality (coverage of MDAs and Statutory Funds, functional classification of expenditures, etc.). **Budget execution** also became more timely, including the automatic releases of items 2 (administration) and 3 (services) that began in 2008.

In the area of **procurement**, actions were taken to comply with the requirements of the new Public Procurement Act (a PRSC-1-2-3 achievement), including the full establishment of the Public Procurement Authority (PPA), and the submission of public procurement plans for 22 entities to their respective Entity Tender Committees (ETCs) and to the PPB. Since 2005, the PPA has focused on enforcing the use of open competition, above a minimum threshold, and on reviewing authorizing requests from MDAs that want to use less competitive methods. In 2008, 97.6 percent of the procurement contracts for high spending, above the minimum threshold level, were awarded competitively. [26] In addition, in 95.2 percent and 81.6 percent of the cases the

[26] The degree of adherence and compliance with public procurement rules is uncertain in the absence of a monitoring system of procurement by value. In 2007, one fourth of transactions were subject to competitive bidding, down from one-half in 2006, according to the first two National Procurement Assessment reports from the

information on upcoming tenders and contract awards was made available on the PPA website. Finally, the procedures for examining award complaints, which had been established in 2007, continued operating at the Public Procurement Authority. The Government also took steps to ensure that Procurement Plans were completed and submitted in a timely fashion by including this as a requirement in the 2008 budget guidelines. Despite some notable improvements, a number of weaknesses remain in the procurement area, necessitating the new Government to undertake a number of measures in 2009 to raise the degree of compliance with the respect to the PPA.[27]

Finally, Government **audit** capabilities were strengthened as the Internal Audit Agency (IAA) was made operational in key MDAs, and Internal Audit Units (IAUs) were made functional in nine government entities.[28] The IAA also carried out special audit assignments during 2007, including the confirmation of bank account balances of the MDAs and MMDAs, and the monitoring of procurement compliance and the facilitation of the audit of the internally generated funds (IGFs) of 28 public institutions, including 10 MDAs. There was also a continued reduction in the backlog of audited accounts, including follow up public hearings by the Parliament's Public Accounts Committee (PAC) based on the Auditor General's reports for 2002 to 2005, and the commencement of prosecution for those accounts showing financial malfeasance. Progress on building the internal audit capacity in MDAs was mixed, however, and there are still weaknesses in the timely receipt of reports and follow-up actions, and, as indicated above, the external auditing of the consolidated funds' accounts for the years 2006 and 2007 still awaits approval by the PAC.[29]

However, the fast rise in expenditures in 2008 revealed several important weaknesses in Public Financial Management. Owing to a lack of transparency, some large budgetary deviations from planned expenditures were not apparent to the public, Parliament, the IFIs, and the DPs. Additional funds from proceeds from the Eurobond issued in 2007, which had been earmarked in the 2007 supplementary budget, were deposited at the Bank of Ghana, but continued financing expenditures for which they had been earmarked into 2008. The pressure for electoral expenditure lead to budget deviation in 2008 and exposed the remaining weaknesses in the areas of payroll management and control, as well as the public access to information and Parliament's oversight of major budget revisions within Ghana's fiscal year, and external audit effectiveness.

Monitoring & Evaluation (M&E): **M&E was an original policy area under Component 3. To avoid repetition, however, M&E progress is discussed below in *Section 2.3, Monitoring & Evaluation*.**

Table 2: Progress against Triggers and Proposed Actions

PPB. However, the two estimates are not entirely comparable because the sample for the 2006 assessment is skewed toward larger public sector entities, more likely to follow competitive processes, while the sample of entities reviewed in the 2007 assessment contained a large number of entities procuring smaller amounts and therefore relying disproportionally on price quotation as a procurement method.

[27] Including the establishment of a system to monitor and report on a real time basis the value of most public procurement transactions.

[28] These entities were the Ministry of Finance and Economic Planning, Ministry of Education and the Ghana Education Service, the Ministry of Health and the Ghana Health Service, the Ministry of Transport, and the Ministry of Food and Agriculture, as well as in two MMDAs.

[29] The delays in the PAC approval of external audits are due to the court case against the Auditor General, which, at the time of the writing of this report, was not yet resolved. The latter reflects in turn weaknesses in the judicial system in ruling a seemingly straightforward (but highly politicized) case.

PRSC-4		
Original Triggers	**Proposed Prior Actions**	**Status at the time of Board approval**
1. Settle the accounts payable to the Electricity Company of Ghana by the MDAs and the GWCL within 90 days.	1. Settle the accounts payable to the Electricity Company of Ghana by the MDAs and the GWCL within 90 days from the date of billing.	**Met, with no modification of the original trigger**.
2. Further reduce the time required to register new businesses.	2. Further reduce the time required to register new businesses in 2005 from the 85 days in 2004.	*Met, with modification in the original trigger to provide more information about the prior actions completed.*
3. Eliminate government and district-controlled levies and extend capitation grants to all pupils attending public primary and junior secondary schools.	3. Eliminate government and district-controlled levies and extend capitation grants to all pupils attending public primary and junior secondary schools.	**Met, with no modification of the original trigger**.
4. Register the indigents at the District-wide Mutual Health Insurance Schemes (DMHIS) and have the National Health Insurance Council (NHIC) transfer the premium subsidy to district schemes.	4. Ensure that at least 0.5 percent of persons registered in the District-wide Mutual Health Insurance Schemes (DMHIS) are classified as indigents, and have the National Health Insurance Council (NHIC) transfer the premium subsidy to said district schemes.	*Met, with modification in the original trigger to provide more information about the prior actions completed.*
5. Initiate the consolidation of all anti-corruption legislation, covering sanctions regime and institutions to deal with identified forms of corruption (enforcement responsibilities).	5. Ratify by Parliament the United Nations and the African Union Anti-Corruption Conventions, and complete the indexation of all anti-corruption legislation.	*Met, with modification in the original trigger to provide more information about the prior actions completed.*
6. Include HIPC funds in the budget formulation process, with allocations by MDAs in the budget proposal.	6. Include HIPC funds in the budget formulation process, with allocations by MDAs in the budget proposal.	**Met, with no modification of the original trigger**.
7. Ensure that the provisions of the Public Procurement Act are fully implemented and applied to headquarters and regional offices of key MDAs (Ministry of Finance and Economic Planning, Ministry of Education and Sport, Ministry of Health, Ministry of Local Government and Rural Development, and Ministry of Road Transport).	7. Ensure that the provisions of the Public Procurement Act are implemented and applied to headquarters and regional offices of key MDAs (Ministry of Finance and Economic Planning, Ministry of Education and Sport, Ministry of Health, Ministry of Local Government and Rural Development, and Ministry of Road Transport).	**Met, with no modification of the original trigger**.
8. Ensure that the Government's computerized financial and accounting system (BPEMS) is fully operational in the headquarter and Tema offices of the Ministry of	8. Ensure that the Government's Budget and Public Expenditure Management System (BPEMS) is operational at the	*Met, with modification in the original trigger.*

Finance and Economic Planning and key line ministries (Education, Health, Road Transport, Local Government and Rural Development), with core functionalities (general ledger, purchase order and accounts payable) being utilized on-line for processing and reporting transactions.	headquarter offices of the Ministry of Finance and Economic Planning/Controller and Accountant General Department and the Ministry of Health, with the core functionalities (general ledger, purchase order and accounts payable) available on line for processing and reporting transactions on personnel and administrative expenditures.	
PRSC-5		
Original Triggers	**Proposed Prior Actions**	**Status at the time of Board approval**
1. Continue to increase the share of SSNIT investment assets managed by regulated private financial institutions.	1. Continue to increase the share of SSNIT investment assets managed by regulated private financial institutions.	**Met, with no modification of the original trigger**.
2. Earmark in the upcoming 2006 supplementary budget the funds necessary to compensate the Volta River Authority (VRA) for the difference between the weighted average cost of electricity production in Ghana and bulk power supply agreed in the VRA interim power supply agreement with the Volta Aluminum Company (VALCO).	2. Earmark in the upcoming 2006 supplementary budget the funds necessary to compensate the Volta River Authority (VRA) for the difference between the weighted average cost of electricity production in Ghana and bulk power supply agreed in the VRA interim power supply agreement with the Volta Aluminum Company (VALCO).	**Met, with no modification of the original trigger**.
3. Increase the budget execution of the Forestry Commission to carry out: (i) the allocation of new Timber Utilization Contracts (TUCs) (ii) the conversion of existing timber leases into TUCs, and (iii) the design and implementation of the log tracking system, in accordance with the Financial Administration Regulations.	3. Carry out an inventory of plantation forests, providing the needed information for at least one auction of timber utilization contracts in 2006.	*Met, with modification of the original trigger*.
4. Reduce the share of teacher vacancies in deprived districts.	4. Reduce the share of teacher vacancies in deprived districts.	**Met, with no modification of the original trigger**.
5. Scale up health spending to accelerate progress toward the MDGs by ensuring: (i) that the Government of Ghana allocation to the health sector is increased to compensate for the reduction in donor contribution to the health fund; (ii) the increase in the budget execution rate of (a) total	5 Scale up health spending to accelerate progress toward the MDGs by ensuring: (i) that the Government of Ghana allocation to the health sector is increased to compensate for the reduction in donor contribution to the health	**Met, with only editorial modifications to the wording of the original trigger**.

non-salary health budget, and (b) district level allocations.	fund; (ii) high rates of budget execution of (a) total non-salary health budget, and (b) district level allocations.	
6. Continue actions to deepen payroll management and control, by having the new computerized payroll system online and fully operational, giving MDAs access to salary payment reports on a monthly basis, with MDA responses to be used to progressively improve accuracy of pay records.	6. Continue actions to deepen payroll management and control, having the new computerized payroll system online and operational, with changes, additions and deletions to the payroll records being gradually handed over to the employing ministries.	*Met, with modification of the original trigger*.
7. Broaden the (CAGD) reports to include revenue and expenditure information on externally-funded projects and retained internally generated funds.	7. Establishing the pre-conditions for broadening the coverage of the CAGD reports by carrying out a bank accounts restructuring in all MDAs, RCCs, and MMDAs, so that the new sub consolidated fund bank accounts embrace revenue and expenditure from GoG internally generated funds, and the funds from external projects that do not require separate bank accounts.	*Met, with modification to the original trigger*.
8. Continue to ensure that the Public Procurement Act are fully implemented and applied by having public procurement plans for key MDAs submitted to the Public Procurement Board (PPB) soon after the approval of the budget and by ensuring the publication of the PPB monthly bulletin containing detailed information on upcoming tenders, contract awards, and the resolution of complaints.	8. Continue to ensure that the Public Procurement Act are fully implemented and applied by: (i) having public procurement plans for a sizeable sample of entities submitted to the PPB soon after the approval of the budget; (ii) having information on upcoming tenders and contract awards available on the PPB website; and (iii) by setting up procedures for examining awards complaints at the PPB.	**Met, with only editorial modifications to the wording of the original trigger**.
PRSC-6		
Original Triggers	**Proposed Prior Actions**	**Status at the time of Board approval**
1. Develop a customized ease of doing business survey to measure progress on PSD reforms, including information on the time required to register new businesses.	1. Develop a customized ease of doing business survey to measure progress on PSD reforms, including information on the time required to register new businesses.	**Met, with no modification of the original trigger**.
2. Supporting the power utility		**Not met.** The two power utility

companies, ECG and VRA, with actions aimed at restoring these companies' capacity to operate commercially, carrying out needed investment and meeting working capital needs.		companies, ECG and VRA, were still unable to operate commercially and carryout needed investments without Government support. The Government did take action to begin reversing this situation, however. These actions included the November 1 tariff adjustment that brought electricity tariffs closer to cost-recovery levels and several transfers from Government to support the investment programs of these companies. Allocations were made in the 2007 supplementary budget and in the 2008 annual budget. Also, earlier in that year the Government made a large equity injection into VRA, clearing previous obligations owed to Government. These actions are important because there is the need to resolve the problems ensuing from delayed maintenance and investments, as well as the spiralling costs of past debt obligations.
3. Develop a Cabinet agreed financial and policy framework for the Forestry Commission (FC) to ensure: (i) that the forest revenues and the budget of the FC are released in time to conduct its core functions; (ii) transparency and accountability in financial management including budget execution; and (iii) the collection and distribution of revenue to stakeholders.	2. Develop a Cabinet agreed financial framework for the Forestry Commission (FC) to ensure: (i) predictable funding for the FC; (ii) transparency and accountability in financial management, including budget execution	*Met, with modification of the original trigger. The financial framework for the FC was approved in September 2007, providing a solid basis for implementation of the 2008 program by giving the FC a more predictable revenue stream and ensuring timely budget releases. It is an important step in increasing efficiency and transparency of revenue collection, tackling the costs of managing forests, and reducing environmental degradation. However, since discussions are still ongoing on the collection and distribution of revenues to stakeholders, the prior action modifies the original trigger by excluding the third item in the original trigger.*
4. Finalize and submit to Cabinet an irrigation policy document, consistent with Food and Agriculture Sector Development Policy (FASDEP).		**Met but not included amongst the prior actions for this operation** to avoid cross-conditionality with one of the prior action for the proposed Ghana Agriculture Development

		Policy Credit.
5. Continue to improve national Gross Primary Enrolment Rates (GPER) in Academic Year 2006/07 with no deterioration in national Gender Parity Index (GPI).	3. Continue to improve national Gross Primary Enrolment Rates (GPER) in Academic Year 2006/07 with no deterioration in national Gender Parity Index (GPI).	**Met, with no modification of the original trigger**.
6. Increase the level of public expenditure on primary education to at least 33% of total public expenditure on education.	4. Increase the per student expenditure on public primary education to US$101 in 2006, compared to US$90 in 2005.	*Met, with modification of the original trigger to focus on per student expenditure rather than the share of total public education expenditure. The proposed prior action modifies the original trigger because per student expenditure on public primary education provides a more accurate measure of the Government's effort to match the demands on the public primary system resulting from increased enrollment.*
7. Equip Teacher Training Colleges to specialize in the training of Mathematics and Science teachers.	Not included amongst the prior actions for this operation because the original trigger constituted a physical investment, rather than a policy action.	**Met, with no modification to the original trigger but not included amongst the prior actions for this operation because the original trigger constituted a physical investment rather than a policy action**.
8. Increase utilization of Insecticide Treated Bed Nets (ITNs) by children under 5 years to 30 percent nationally; and reduce malaria case fatality to 2.3 percent.	5. Increase utilization of Insecticide Treated Bed Nets (ITNs) by children under 5 years to 21.9 percent; and reduce malaria case fatality to 2.1 percent.	*Met, with modification of the original trigger to provide more specificity and more recent information on the prior action completed.*
9. Increase health spending to accelerate progress toward the MDGs by increasing in absolute terms the spending on item three of the health budget (services).	6. Increase health spending to accelerate progress toward the MDGs by increasing in absolute terms the spending on item three of the health budget (services).	**Met, with no modification of the original**
10. Adopt and begin implementation of a new National Water Policy (NWP), including: (i) approving the 5-year Sector Investment Plan (SIP) and the implementation framework for Rural Water; and (ii) updating the Sector Investment Plan (SIP) and approving the 5-year investment plan for Urban Water.	7. Adopt a new National Water Policy (NWP).	*Met, with modification of the original trigger. The NWP was approved by Cabinet on June 21, 2007.*
11. Formulate a comprehensive decentralization policy.	8. Formulate a comprehensive decentralization policy.	**Met, with no modification of the original trigger**.
12. Complete deployment of all 6 modules of BPEMS in the 8 pilot MDAs. At present three of the	9. Continue the implementation of BPEMS - the Government's computer-	*Met, with modification of the original trigger to provide more specificity and more recent*

Budget and Public Expenditure Management System's (BPEMS's) core functionalities (general ledger, purchase order and accounts payable) are operational for processing and reporting transactions of personnel and administrative expenditures.	based accounting and information system, with the deployment of two additional modules (Cash Management and Accounts Receivable) to the pilot MDAs, bringing the total modules deployed up to five.	*information on the prior action completed.*
13. Realign treasuries by integrating them into the MDAs, the RCCs, and the MMDA and by increasing transparency and accountability by informing cost centers directly when disbursements are made.	10. Realign treasuries at the six pilot MDAs, 14 with the establishment of the Sub-Consolidated Funds Bank Account to cover the management of other public funds including Internally Generated Funds (IGF) and Donor Funds.	*Met, with modification of the original trigger to provide more specificity and more recent information on the prior action completed.*
14. Continue to ensure that the provisions of the Public Procurement Act are fully implemented and applied by using PPB's PPME assessment covering 200 entities.	11. Continue to ensure that the provisions of the Public Procurement Act are fully implemented and applied by using PPB's PPME assessment covering 200 entities.	**Met, with no modification of the original trigger**.

2.2 Major Factors Affecting Implementation:

Six sets of factors affected the implementation of these operations. They were:

The Government wavered in its committed to the reform program, especially as the 2008 elections drew closer. As with the previous series of operations, the focus on programmatic lending entailed in the PRSC process needs to be grounded in clear country commitment and capacity to reform. While the Government's ownership of the programs supported by the PRSC-4-5-6 was reflected in its alignment with the GPRS II – for which the preparation was led by the Government, the Government understood that the GPRS II was considered as a 'living document', with the agenda moving forward to balance the broad principles enshrined in the GPRS II and the more immediate Government needs. These circumstances led to commitments that reflected the borrower's predicaments but that in hindsight were less credible.

The background analysis supporting the reform program was extensive but not always timely. While this series of operations was expected to be informed by the conclusions and recommendations of an extensive body of analysis conducted over multiple years (see Table 4 overleaf), in practice these studies were completed after most of the annual agreements reached under the MDBS/PRSC. Also, the principal authors of the documents limited their responsibility to completing them, rather than contributing to the policy dialogued carried out under the MDBS/PRSC. Finally, there was limited effort to align the views of all the development agencies contributing to the MDBS, so the conclusions of these results were perceived by some of the participating agencies as the World Bank's views on the subject under study, rather than a commonly shared view. That said, the PRSCs were still central to the Bank's FY04 Country Assistance Strategy (CAS) as well as the FY06 CAS Progress Report (CAS-PR), which reaffirmed that the strategy laid out in the CAS continued to be relevant to the Bank's program in Ghana and that the PRSCs would remain an integral part of the Bank's support strategy. [30]

Donor coordination. The first GPRS created the momentum for a significant group of Ghana's development partners to align their assistance through a common framework, beginning in 2003. The resulting Multi-Donor Budgetary Support (MDBS) group was established to improve harmonization among Ghana's key DPs, and provided a framework for policy dialogue and decisions linked to progress on the implementation of Ghana's poverty reduction efforts (see Box 2). Under this framework, the DPs carried out joint MDBS/PRSC missions, reached a collective agreement with the Government of Ghana on a joint matrix of policy actions, and aligned almost all aspects of their M&E frameworks (except those regarding the use of outcome indicators as a basis for disbursement). The MDBS endeavored to increasingly focus on the cross-cutting issues, as well as policy actions that either had economy-wide implications or required collaboration between Government agencies.

In practice however the transaction costs of operating the MDBS were high. The increasing number of partners, with competing agendas, made coordination costs high and the existing structure too rigid and slow in responding to unfolding developments. A simpler, more flexible approach, which would allow Development Partners to participate in the group without having to agree to one-size-fits-all' matrix would greatly reduce transaction costs and free more time for the policy dialogue. The rigidity of the current process driven by the sole bottom-up supply of triggers and targets by sector working groups could also be reduced through a complementary top-down approach by allowing the PAF to focus more heavily on cross-cutting issues and make it thus more strategic. The possibility to re-visit the PAF within a year due to the emergence of severe shocks (or changing priorities is also to be retained.[31]

[30] Namely, the importance of (i) the prudent management of public finances to ensure macroeconomic stability for growth and to preserve the funding for the social sectors; (ii) investing in human capital to mitigate the situation of chronic and persistent poverty among a large number of households, especially in view of the ongoing process of urbanization; (iii) targeting women and children in the delivery of education and health services (including nutrition programs); and (iv) sustaining increases in agricultural productivity for maintaining the long-term trends in growth, urbanization, and poverty reduction.

[31] For the first time since 2006, a Multi Donor Budget Support (MDBS) retreat was organized to reflect on the effectiveness of the process. The MDBS retreat involved a series of meetings: meetings with sector working groups, a 2-day workshop between Ministry of Finance and Economic Planning, National Development Planning Commission and MDBS Development Partners (the retreat proper), and a high-level forum to present and validate retreat conclusions to policy makers, the press and CSOs. Recommendations included among others (i) the need to introduce greater flexibility in the PAF to allow for the inclusion of triggers addressing unforeseen shocks to preserve PAF longer term objectives, (ii) the need to revamp sector working groups through greater participation of Ministries' Chief Directors, and (iii) the need for more frequent high level dialogue over the year (parallel to the establishment of an early warning system to monitor progress on the PAF), beyond the formal Consultative Group meeting.

Table 4: Analytical Underpinning for PRSC-4-5-6

Area	Remarks
Poverty Assessment	A Poverty Note ("Reducing Poverty and Improving Human Development") was prepared in 2002 on the basis of information contained in the 1998-1999 Ghana Living Standards Survey (GLSS). Poverty update for PRSC-4 builds on the Poverty Note, while also incorporating more recent poverty figures and analysis from the 2003 Core Welfare Indictors Questionnaire (CWIQ), which validated the policy directions proposed in the GPRS I and supported by the PRSCs. Poverty and social impact analyses (PSIAs) conducted by the Government of Ghana and its DPs on: (i) tackling vulnerability and exclusion; (ii) the economic transformation of the agriculture sectors; (iii) power sector reforms and setting electricity tariffs; and (iv) decentralization and pro-poor service delivery. Poverty update for PRSC-5 draws on preliminary results of the 2006 Ghana Living Standards Survey (GLSS-5) and identifies trends in poverty and human development. These findings appear to validate the policy directions outlined in the GPRS II and supported by this series of PRSCs.
Public Financial Management & Procurement	The recommendations of the FY03 Country Procurement Assessment Report (CPAR) provided input to the PRSC-4 policy matrix. An External Review of Public Financial Management (ERPFM) was conducted annually beginning in 2004. o FY05 ERPRM evaluated budget design and execution. o FY06 and FY07 ERPFMs set out action plans for improvements in public financial management and public procurement. o FY08 ERPFM updated the results of the Public Expenditure and Financial Accountability (PEFA) framework.
Financial Accountability	The PRSC-4 policy matrix drew on the recommendations in the 2006 Country Financial Accountability Assessment (CFAA).
Private Sector	FIAS Study on "Regulatory Barriers to Investment in Ghana" and the annual Doing Business Reports provided inputs in this area.
Public Expenditure Management (PEM)	FY04 HIPC Public Expenditure Assessment and Action Plan assesses capacity of the public expenditure management system to track poverty-reducing expenditures. FY06 Country Financial Accountability Assessment (CFAA) and the FY03 Country Procurement Assessment Report (CPAR). Public Expenditure Review (PER) on budget design and implementation, (FY04, FY05)
Country Work	Country Economic Memorandum (CEM) on "Public Policy, Growth and Poverty" (FY04) Country Assistance Strategy (CAS) (FY04-07) Country Assistance Strategy Progress Report (CAS-PR) (FY06) CAS (FY08-11) FY07 CEM, "Ghana: Meeting the Challenge of Accelerated and Shared Growth."
Economic and Sector Work	Economic and Sector Work (ESW) supporting the PRSCs includes work on the electricity and petroleum sectors; youth employment; and natural resource management (including the DFID/ISSER/Bank FY05 country study on "Natural Resources Management and Growth Sustainability" and the FY06 Country Environmental Analysis (CEA))
Macroeconomic Framework	Regular IMF assessments contributed to staff's assessments that Ghana's macroeconomic policy framework was adequate to support the PRSCs.

There were, nevertheless, aspects of harmonization that positively contributed to the success of the PRSC-4-5-6 and the Government's poverty reduction efforts in a number of ways (Box 2). These positive contributions included: increasing the predictability of donor inflows;[32] reducing

[32] Between 2003 and 2006 annual Multi-Donor disbursements have been within 5 percent of pledges except for one year, when it was still within 10 percent. Predictability was further strengthened in 2007 as the MDBS moved to a

the Government's transaction costs of working with multiple donors; improving the coordination among the DPs[33]; and increasing the Government's accountability for service delivery The MDBS framework was an important contributor to the successful implementation of the GPRS I and an important, albeit less successful, framework for policy dialogue and decisions linked to the progress in GPRS II implementation. This was possible because, over time, the structure of the MDBS evolved to increasingly mitigate some of the transaction costs that usually arose in multi-donor settings. For example, the MDBS reduced the cost of collective action by devising rules that allowed all the development agencies to increase their share of the contribution coming through the MDBS, instead of through large projects and off-budget disbursements. Also, a number of sectoral strategies that were aligned with the GPRS were developed in the context of the MDBS, including the Private Sector Reform Strategy, the Private Sector Development Strategy, the Education Sector Development Strategy, and the revised Food and Agriculture Sector Development Strategy.   Since the objective of this post-structural adjustment approach to financing development was based on improving the quality of high-level dialogue on policy choice and implementation, further simplifying and flexibilizing the workings of the MDBS will be an important step in achieving this objective.

The PRSCs were integral to a program with other Bank operations. Other investment operations acted in parallel with the PRSCs by providing financial and technical assistance in areas ranging from health, private sector development, energy, roads, telecommunications, water and sanitation, and other infrastructure operations.[34] The complementarity between the PRSC and these other Bank operations was reflected in the sharing of information between the teams, as well as the differences in the focus audiences for these operations. While the PRSC focused on policy actions that required the involvement of either the entire Cabinet or a subset of ministers, the Investment Operations focused mostly on actions involving one sector minister and the agencies of a given ministry.

"year-plus-one" basis so that any assistance that was withheld owing to non-compliance takes effect in the financial year after that in which the break occurs. This strong year-on-year predictability has been a valuable contributor to strengthening macroeconomic management and fiscal planning.

[33] A recent IEG study of the PRSCs concluded that "Based on the views of donors and Government, the PRSC/Multi-Donor Budget Support achieves high scores as an instrument for donor harmonization … Overall, the depth and quality of donor coordination in Ghana appears to be close to best practice."

[34] These projects included the Education Sector Project (US$78m, FY04) to address and promote equitable access to, and efficient delivery of, quality services at basic and higher levels; a second MAP for Ghana (US$20m, FY06 to help address HIV/AIDS; the Public Sector Capacity Building/Private and Financial Sector Development TA (US$20m, FY06) combine support for public sector reform with private and financial sector development; and a project providing advisory and business development services for micro, small and medium enterprises through the IDA-IFCMSME (US$25m., FY05); the Ghana Energy Development and Access project (GEDAP, US$120 million, FY08-12); the Land Administration project (LAP, US20.5 million, FY03-08); the Economic Management Capacity Building project (EMCB, US$25 million, FY06-11), and the Micro, Small, and Medium Enterprise project (MSME, US$45 million, FY06-10).

Box 2: Ghana's Multi-Donor Budgetary Support (MDBS) Program

Ghana was one of the first countries to participate in the preparation in a joint donor matrix to underpin the budget support disbursement of multiple donors, and the MDBS program has been in operation in Ghana for six years. The objective of the program is to provide more harmonized assistance to Ghana with a view to accelerating implementation of the GPRS. Initially comprised of six bilateral partners (Canada, Denmark, Germany, the Netherlands, Switzerland, and the United Kingdom), and three multilateral partners (the World Bank, European Commission, and the African Development Bank), the MDBS subsequently expanded to include France in 2008 and Japan in 2008. The United States and UN agencies participate as observers. MDBS DPs have provided general budget support of about US$300m annually to assist the Government's efforts in implementing the GPRS. Within the MDBS the PRSCs have accounted for 30 to 40 percent of general budget support provided to Ghana in most years.

A Framework Memorandum, signed in June 2003 between the Government and the DPs and modified in 2008, sets out the principles of the program. The MDBS includes the identification with the Government of a selective joint matrix of policy actions, including triggers and benchmarks, to be supported by DPs, aligning their monitoring and evaluation frameworks through a common rolling 3-year Progress Assessment Framework (PAF). In order to do so, DPs have established several sector groups to carry out the dialogue at that level and inform the MDBS on issues ranging from education and health to energy and private sector development to be considered in the PAF. Each year, the bilateral and EU partners agree on the arrangements for a base and a performance tranche, while the World Bank's single tranche PRSCs is disbursed against the country's performance on agreed prior actions.

While implementation of the MDBS-PRSC program was aided by strong export commodity prices, it was undermined by loose fiscal policy management and external events. Favorable commodity prices for Ghana's chief exports, gold and cocoa, combined with record cocoa crops in 2006, contribute positively to economic growth and macroeconomic performance. The country exposed its vulnerability and was negatively affected, however, by several exogenous factors, including the drought in late-2006 and 2007, a sharp global food and oil price increases in 2008, and the global economic crisis in 2008 and 2009.

The sustainability of the PRSC 4-5-6 outcomes were, as a result, challenged in 2008 by some risks that eventually materialized. First are the delays in energy sector reforms, a risk which had been anticipated, as discussed above. While energy sector reform and tariff adjustments in Ghana have always been problematic, a failure to anticipate the unusual juncture of drought and high oil prices – in combination with inadequate energy policies and the political sensitivity of raising tariffs -- was not unreasonable. The steep rise in world market prices for petroleum products, coupled with delays in raising domestic electricity tariffs and the increase reliance on thermal-electric power generations, left the country vulnerable to an external shock. Also, the possibility that severe fiscal deficits might arise as a result from the granting of public sector wage increases in an election year was also not appropriately foreseen. At first glance, the failure to anticipate this possibility was less reasonable, as Ghana has a long history of electorally induced financial problems and this possibility had been correctly identified as a risk in the previous series of operations. [35] The global financial crisis, with the resulting closure of

[35] As the ICR on PRSC-1-2-3 noted, "The risk of electorally-induced economic slippages was correctly identified [for PRSC-1 and PRSC-2], incorporating the lessons learned from previous election cycles in Ghana" Poor economic management, --including higher overspending leading to fiscal imbalances and higher inflation and a slowing in the pace of structural reforms -- preceded the elections in 1992, 1994 and 2000.

international financial markets for Ghana and its impact on commodity prices, could not have been anticipated, however. The crisis did trigger nevertheless many of the risks identified in Box 3 below, as the slowdown in growth, exposed the country's vulnerabilities due to external shocks, delays in carrying out needed energy sector reforms and increased public sector spending.

Box 3: Key Risks Identified in PRSC 4-5-6

There were six main risks to the implementation of the reform program supported by these PRSCs:

- Further delays in carrying out the needed reforms in the energy sector, including tariff adjustments, the removal of transmission bottlenecks, and increasing power supply capacity.
- The large size of the public sector, which might compromise the sustainability of the economic expansion by limiting private sector growth and by reducing the scope for fiscal management.
- A possible disconnect between increased health spending and improved health due to weaknesses in the health administration.
- Delays in structural reforms aimed at raising productivity throughout the economy, which could compromise long term growth prospects. These included, in addition to energy sector reforms identified above, the business environment reforms, the land administration reforms aimed at ensuring greater security of land tenure, and natural resource management reforms designed to increase transparency in the allocation of these resources and at ensuring the long term sustainability of natural resource assets.
- The risk of debt distress resulting from a slowdown in growth, because of either an external shocks (e.g., a worsening in the terms of trade), or a disruption in the domestic economy (e.g., an election induced increase in the public sector deficit) and an increased levels of non-concessional borrowing.
- Remaining fiduciary weaknesses that might limit the impact of the program and lead to only partial funding from development partners.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization:

M&E Design: As part of the process of implementing the Ghana Poverty Reduction Strategy (GPRS), a comprehensive Monitoring and Evaluation (M&E) Plan was adopted with the goal of facilitating the tracking of progress of policy implementation and effectiveness, as well as to identify bottlenecks associated with the implementation of the strategies for early resolution. The output from this M&E effort has been documented and widely disseminated through the Annual Progress Reports (APRs) of the GPRS. The key elements of the M&E system for the GPRS II included: (i) developing an institutional arrangements that can support a sustainable monitoring and evaluation processes; (ii) establishing special indicators to facilitate tracking of the HIPC and Millennium Development Goals (MDGs); (iii) studies to enhance the knowledge and data base for the conduct of objective impact analysis (i.e. PSIAs); and (iv) ensuring a holistic and participatory approach to M&E. The M&E system for the PRSC 4-5-6 relied on the broader M&E system for the GPRS as well as the harmonized MDBS regular monitoring framework.

M&E Implementation: The Government's Annual Progress Report (APR) aimed at providing the key platform for the M&E of progress towards the GPRS's poverty reduction targets, and consequently the PRSC 4-5-6 outcomes. APRs were published, albeit with considerable delay, for three consecutive years of the PRSC-4-5-6, and the breadth of the information reported and the quality of the assessments has continued to improve.[36] The delays in preparing the APRs meant, however, that they were completed too late to provide inputs to the yearly MDBS-PRSC assessment of the GPRS.[37] The only positive outcomes that are associated with the annual APRs, as part of the process of monitoring and evaluating the GPRS II, was that they were disseminated through workshops organized in all 10 regions to discuss the reports' highlights as well as to obtain stakeholders' feedback to so to inform decision making. M&E implementation also occurred through the use of Citizens' Assessment surveys, which provide an opportunity for citizens to participate in the GPRS II M&E. These were used to complement the quantitative data collected by the MDAs and the Metropolitan, Municipal, and District Assemblies (MMDAs). Two such surveys were conducted under the GPRS I, and the third – conducted in 2008 under the GPRS II – focused on the National Health Insurance Scheme (NHIS).

Other forms of M&E implementation include the establishment of the National Strategy for the Development of Statistics (NSDS) to develop a formal statistics structure and improve official statistics so to provide a quantitative basis for informed decision-making. The development of the NSDS framework utilized inputs from stakeholders in the national statistical system (data suppliers, statistics producers, statistics users, training institutions, local and international organizations and development partners) to ensure effectiveness in the implementation of the strategic plan, and a series of workshops were organized for the MDAs and Ghana Statistical Service (GSS) strategic plan design team from in 2008 to review, cost, and finalize the sector and national strategic plans.

Finally, the Government established an Evidence Based Policy Making Programme aimed at strengthening the government's effectiveness in policy, program and project implementation. The EBPM commenced in 2007 and in 2008 a series of meetings were held among key monitoring institutions[38] to encourage collaboration and improve the harmonization of the existing monitoring process. One of the outcomes of the meeting was the adoption of a set of planning and reporting templates to facilitate M&E across the board.

Nevertheless, after several years of implementing the M&E plan for the GPRS II, the M&E system continues to be challenged by severe institutional and technical capacity constraints and fragmented set of uncoordinated information, both at the national and sub-national levels. The two key institutions in developing this M&E system, the National Development Planning Commission (NDPC) and the Ghana Statistical Service (GSS), continue to depend on the existing systems of MDAs, who are the primary sources of information. These systems which have been in place over different time spans reflect a variety of approaches to sector specific monitoring and varying degrees of success.

M&E Utilization: The PRSCs were designed to encourage the utilization of M&E results. By using human development indicators to monitor the poverty outcomes of sector programs, it was

[36] For example, M&E reporting has expanded to include new areas, such as Information and Communications Technology; however, as the JSAN on the 2006 APR notes, the reporting system still lacks focus on results in some of these new areas, as few indicators or outcomes are stated (particularly in the governance area).
[37] The delays in preparing the APRs reflect in turn the lack of synchrony between the reporting cycles of the Ghanaian ministries, the timing of the MDBS-PRSC assessments, and the preparation of the APRs.
[38] Including the NDPC, MOFEP, the GSS, the Public Procurement Authority, Internal Audit Agency and the Office of the President.

anticipated that the Government's allocation of resources would increasingly begin to reflect the feedback provided through this M&E. While this has increasingly been the case, further progress is still needed on M&E utilization. As noted in the 2008 Joint Staff Advisory Note (JSAN) on the Government's 2006 APR "a more refined M&E framework could contribute toward bringing existing frameworks (e.g., the Ghana Partnership and Resources Agreement and the MDBS policy matrix) in line with the GPRS II, and should be a factor in strengthening evidence-based policy making in Ghana."

2.4 Expected Next Phase/Follow-up Operation (if any):

In response to the economic crisis emerging in late 2008 and the change of government in February 2009, an Economic Governance and Poverty Reduction Credit (EGPRC) was approved in May 2009**.** A stand-alone operation was selected owing to both the country's urgent need for financial assistance and the focus of the new administration on stabilization issues. This two-tranche, SDR 193.8 million (US$300 million equivalent) credit was designed to support the authorities' efforts, in the midst of the ongoing global financial crisis, to bring their fiscal stance to a sound and sustainable track, and to protect the development objectives set in GPRS II for the period 2006-2009. While the EGPRC primarily translated into funding for the GPRS II implementation, particular attention was given to (i) restoring budgetary discipline, (ii) tackling long-standing[39] public sector and energy issues, and (iii) protecting the poor and the gains from the past.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

(to current country and global priorities, and Bank assistance strategy)

The objectives, design, and implementation of these operations was relevant to current country and global priorities and to the Bank's assistance strategy, as follows.

PRSC Objectives: As discussed in *Section 1.2, Original Program Development Objectives* above, the PRSCs' development objectives were relevant as they directly mirrored the objectives and components in the Government's poverty reduction strategy as laid out in the GPRS II.

PRSC Design: The design of these operations was relevant to Ghana and the GPRS-II. This series of operations built on the prior set of successful operations (PRSC-1-2-3), and the PRSCs were central to the Bank's FY04 Country Assistance Strategy (CAS) for Ghana, the 2006 CAS-PR, and the 2007 CAS all of which had a consistent strategy and focus. The Bank's strategy to progressively increase the share of assistance developed programmatically through the PRSCs became important to the Bank's FY04-07 CAS and accounted for around 50 percent of overall Bank lending during the CAS period. The CAS itself was firmly rooted in the Strategic Framework for IDA in Africa (SFIA) and the West Africa Regional Integration Assistance Strategy. The CAS was also properly driven by the PRSP and was developed through extensive

[39] The first tranche was disbursed upon effectiveness in July 2009. The Government plans to complete all second tranche release actions in Q3 FY10, including large consultations on the oil and gas regulatory and fiscal frameworks.

consultations with Government, stakeholders, and civil society. As a result, it was closely aligned with the GPRS program and focus. The CAS' close alignment with the GPRS and GPRS II was acknowledged in the CAS Progress Report (discussed by the Board in June 2006) which confirmed that the strategy laid out in 2004 could continue to guide the Bank's program for Ghana.

As noted previously, the reform program associated with this operation was also relevant to the borrower's development priorities and circumstances. It was built directly on the Government's GPRS II, thus establishing some ownership by drawing on the Government's own priorities. By channeling resources through the budget, the MDBS fostered decision-making by the Ministry of Finance and Economic Planning, Cabinet, and Parliament, giving these entities a greater stake in the pro-poor agenda, sound financial management, and decision-making; thereby enhancing domestic accountability. In addition, the decisions on which would be the triggers/prior actions for each operation were made with the Government and drew from the 30 benchmarks that were identified during the policy dialogue carried out at the sectoral level. The benchmarks/triggers selected reflected the Government's own policy documents (e.g., GPRS II, sector strategy documents).

The number of triggers/prior actions was deliberately limited to 8 for PRSC-4 and PRSC-5. While there were 11 triggers/prior actions for PRSC-6, these were chosen in coordination with the Government and the entire set of MDBS partners, and their satisfactory implementation would trigger the disbursements from all MDBS partners. As seen in Table 2 above, the prior actions show a consistent unfolding of a reform package designed to support the implementation of the GPRS, and ensuring a high level of continuity from operation to operation.

Program design also incorporated a detailed policy matrix that set forth the government's reform strategies, progress indicators, and expected outcomes for each of the three operations and which was developed at the outset of the series of operations. An additional schedule detailed the relationship between specific PRSC measures and the MDGs and indicated the anticipated PRSC outcomes that would contribute to meeting the MDGs. The lending mechanism used -- budgetary support through a MDBS framework -- had already demonstrated its effectiveness in the Ghanaian context under PRSC-1-2-3. The program documents for each credit demonstrated how program design satisfied the Bank's "Good Practice Principles on Conditionality," and these credits were also informed by both the general lessons learned from the first series of operations,[40] as well as by the need to address certain delays in meeting the targets for the GPRS I health indicators.[41]

PRSC Implementation. Policies supported by PRSC-4 built on reforms implemented under PRSC-3. The **first component** of PRSC-4 focused on actions aimed at ensuring progress in attaining macroeconomic stability. Measures focused on (i) settling ECG accounts receivable

[40] Namely, the importance of Government ownership of the reform program and a recognition of the very high returns that result from increasing harmonization among Ghana's DP partners around the MDBS framework.

[41] Accordingly, PRSCs 4-5-6 placed greater emphasis on strengthening the links between intervention in the health and water sectors (in order to reduce the incidence of water-borne diseases), as well as the links between health and nutrition interventions (to reduce infant and under 5 mortality rates, since child malnutrition accounted for up to 60 percent of the child mortality cases.)

from MDAs and the Ghana Water Company (GWC) within 90 days; and (ii) further reducing the time required to register new businesses. This component also supported measures to improve the performance of the rural sector through the revision of the government's Food and Agriculture Sector Development Policy (FASDEP). In the area of natural resources management, attention shifted towards the more pressing issues relating to the management of forestry resources.

The **second component** incorporated measures aimed at assisting Ghana reach the MDG goals by improving service delivery in education and health. The measures to improve service delivery in education focused on eliminating district-levies and extending capitation grants to all pupils attending primary and junior secondary public schools. Measures to improve the delivery of health services centered on bridging the equity gaps in the access to health care serves by increasing the registry of indigents in the National Health Insurance Scheme and by scaling up the provision of anti-viral combination therapy (ART) to people with advanced HIV.

The **third component** of PRSC-4 incorporated measures designed to strengthen governance and public sector management. These actions included ratifying the United Nations and the African Union Anti-Corruptions, including HIPC funds with allocations by MDAs in the budget proposal, and ensuring that the provisions of the Public Procurement Act were implemented and applied..

Policies supported by PRSC-5 also built on the reform agenda of the previous PRSCs. The **first component** of PRSC-5 focused on structural reforms that supported growth and macroeconomic stability. Measures under this component focused on (i) increasing the share of SSNIT investment assets managed by regulated private financial institutions; (ii) eearmarking in the upcoming 2006 supplementary budget the funds necessary to compensate the Volta River Authority (VRA) for the difference between the weighted average cost of electricity production in Ghana and bulk power supply agreed in the VRA interim power supply agreement with the Volta Aluminium Company (VALCO); and (iii) carrying out an inventory of plantation forests, providing the needed information for at least one auction of timber utilization contracts in 2006.

The **second component** of PRSC-5 incorporated measures aimed at improving service delivery in education and health. The measures for improving service delivery in education focused in the three most deprived regions (Northern, Upper East, and Upper West), while the measures to improve the delivery of health services centered scaling up expenditures on health to accelerate progress toward achieving the MDGs. These measures included: (i) reducing the share of teacher vacancies in deprived districts, and (ii) ensuring that (a) the Government of Ghana allocation to the health sector was increased to compensate for the reduction in donor contribution to the health fund; (b) higher rates of budget execution of the non-salary health budget, and of the district level allocations..

The **third component** of PRSC-5 incorporated measures designed to strengthen public sector management. These actions included (i) measures to deepen payroll management and control; (ii) carrying out a bank accounts restructuring in all MDAs, RCCs, and MMDAs, so that the new sub consolidated fund bank accounts embraced revenue and expenditure from GoG internally generated funds, and the funds from external projects that did not require separate bank accounts;

and (iii) having public procurement plans for a sizeable sample of entities submitted to the PPB soon after the approval of the budget; (iv) having information on upcoming tenders and contract awards available on the PPB website; and (v) setting up procedures for examining awards complaints at the PPB.

Policies supported by PRSC-6 further refined the reform agenda of the previous PRSCs. The **first component** of PRSC-6 focused on structural reforms that supported private and sustainable growth. Measures completed under this component focused on (i) developing a customized ease of doing business survey to measure progress on PSD reforms, including information on the time required to register new businesses; and (ii) developing a Cabinet agreed financial framework for the Forestry Commission (FC) to ensured (a) the predictable funding for the FC and (b) the transparency and accountability in financial management, including budget execution. The agreed prior action committing government support to the power utility companies, ECG and VRA, with actions aimed at restoring these companies' capacity to operate commercially, and carrying out needed investment and meeting working capital needs was never met, however – a sign of the difficulty the country was having in the face of rising crude oil prices in international markets.

The **second component** of PRSC-6 incorporated goals for increasing the expansion of primary education, as well as goals for broadening the use of Insecticide Treated Bed Nets (ITNs) and for increasing spending in public health. The measures for setting new goals for the provision of education service included: (i) raising the National Gross Primary Enrolment Rates (GPER) in Academic Year 2006/07, with no deterioration in national Gender Parity Index (GPI); and (ii) the increase in the per student expenditure in primary education. The measures in public health included (i) increasing the utilization of Insecticide Treated Bed Nets (ITNs) by children under 5 years, and (ii) increasing in absolute terms the spending on item three of the health budget (services).

The **third component** of PRSC-6 focused on measures designed to strengthen public sector management. These actions included: (i) the formulation of a comprehensive decentralization policy; (ii) the realignment of the treasuries at the six pilot MDAs;[42] and (iii) continuing to ensure that the provisions of the Public Procurement Act are fully implemented.

Other IDA lending: Finally, the PRSCs were complemented by the implementation of a series of specific investment and technical assistance operations, covering the education sector, HIV/AIDS, public sector reform, and finance and private sector development. In addition, PRSC-6 was complemented by two sector-focused DPLs (Agriculture and Natural Resources Environmental Governance), which was the Bank's contribution to the MDBS sector groups that conducted most of the policy dialogue with the government in these sectors. Non-lending activities were designed to provide the analytical underpinnings for the PRSCs' support to strengthening fiduciary arrangements, including ERPFMs, CFAAs, and CPARs.

3.2 Achievement of Program Development Objectives

[42] The six MDAs that have been selected for the pilot program are: the Ministry of Health, the Ministry of Education, Sports and Science, the Ministry of Transportation, the Ministry of Food and Agriculture, the Ministry of Lands, Forestry and Mines, and the Ministry of Local Government, Rural Development and Environment.

(including brief discussion of causal linkages between policy actions supported by operations and outcomes)

PDO Achievements: As detailed in Section 2.1 (*Program Performance*), PRSC-4-5-6 achieved the following results under each program development objective:

(i) Accelerating private sector-led growth: This component focused on ensuring solid macroeconomic performance; enacting energy sector reforms; improving financing for development; eliminating barriers to private sector development and trade; and encouraging rural development and natural resource management. Progress towards this goal was very strong in the area of financing development and removing barriers to private sector development and trade, while progress in the areas of rural development and natural resource management focused on laying the groundwork for separate multi-donor budget support instruments. Meanwhile the most lasting contribution to energy sector reforms was the amendment of the legal framework for the Volta River Authority to allow the setting up of an independent operator for the transmission system. Otherwise, progress on energy reforms was limited to instances where electricity tariffs were brought closer to cost recovery levels, albeit against the backdrop of fast rising petroleum prices in international markets, and to ensuring needed budget support to the energy utility companies to offset delays in these tariff adjustments. These delays in adjusting tariffs to cost recovery levels deepened, however, the financial difficulties of the utility companies, postponing needed investments and contributing to the Governments already widening fiscal imbalance. These fiscal imbalances left the country very vulnerable to the external shocks that happened in 2008 (rising food and petroleum prices, as well as the global financial crisis), disrupting macroeconomic management.

(ii) Improving service delivery for human development: Progress towards the PRSP's priority sectors ranged from gains in education sector enrollment, belated improvements in health indicators, the extension in social protection, and increased coverage in access to safe water in rural areas.[43] The PRSCs contributed to these outcomes by enabling the Government to increase spending in these areas while (until late-2007 and 2008) contributing to maintaining macroeconomic stability.

(iii) Improving governance, decentralization, and public sector reform: There was more progress in public financial management than in governance, decentralization and public sector reform. This disparity in achievements was due to the complexity of the reforms in these latter areas and likely related to the challenging political economic aspects of the reforms. Also, while there were some positive developments in public financial management (broadening the scope of the budget, consolidating treasury accounts, implementing the new public procurement law, setting up internal audit procedures, broadening the tax revenue net, and increasing Parliamentary oversight over public accounts), an unfinished agenda was still left behind. For instance, while there was a consolidation of sub-treasury accounts began during the PRSC period, the establishment of

[43] Although it is important to note that the contribution of the MDBS-PRSC was primarily in instigating the Government to adopt a programmatic approach to water sector investment in rural areas, since most of these investment were funded by contributions from development partners.

the Single Treasury Account (STA) happened only at the time of the EGPRC. Also, although efforts were made to establish and make operational the Public Procurement Authority (PPA), the Government is yet to establish a direct link between budget releases and approved procurement plans that reflect the Appropriations Act.

Table 5: PRSC-4-5-6 - Key Outcomes, 2006-2008

Policy Objective	Baseline Indicators	2006	2007	2008
I. Promoting Growth, Income and Employment				
A. Improving the environment for business while protecting the poor				
A1. Expand supply of energy services while protecting the poor.	ECG system losses reduced (baseline: 2005=25.5%). Access rate to electricity increased (baseline: 2005=55%)	ECG system losses (2006=24.3%). Access rate to electricity increased (2006=57%)	ECG system losses (2007=24.0%). Access rate to electricity increased (2007=57%)	ECG system losses (2008=12%). Access rate to electricity increased (2008=60%)
A2. – Enhance private sector competitiveness u	Credit to the private sector as a share of Total Domestic Credit increased (baseline:2005=58%) Time required to register a business reduced (baseline: 2005=81 days). Time required to trade across borders reduced (baseline: 2005=Exports – 47 days; Imports – 55 days).	Credit to the private sector as a share of Total Domestic Credit increased (2006=62%) Time required to register a business reduced (2006=81 days). Time required to trade across borders reduced (baseline: 2006=Exports – 21 days; Imports – 42 days).	Credit to the private sector as a share of Total Domestic Credit increased (2007=70%) Time required to register a business reduced (2008=42 days). Time required to trade across borders reduced (baseline: 2006=Exports – 19 days; Imports – 29 days).	Credit to the private sector as a share of Total Domestic Credit increased (2008=80%) Time required to register a business reduced (2008=34 days). Time required to trade across borders reduced (2008=Exports – 19 days; Imports – 29 days).

Policy Objective	Baseline Indicators	2006	2007	2008
B2. Improve management of natural resources	Forest plantation cover expanded (baseline: 2005=20,000 hectares) Budget execution of the Forestry Commission increased (baseline: 2005=56%). Information source 2004 Forestry Commission report on the National Forest Plantation Development Program. Revenues from Timber Utilization Contracts increased (baseline:2005= GH¢40 million) Coverage of irrigation schemes increased (2006=<1 percent of land under cultivations)	Forest plantation cover expanded (2006=53,000 hectares). Budget execution of the Forestry Commission increased (2006=45%). Revenues from Timber Utilization Contracts increased (2006= ¢35 million)	Forest plantation cover expanded (2007=87,000 hectares). Budget execution of the Forestry Commission increased (2007=85%). Revenues from Timber Utilization Contracts increased (2006= ¢55 million)	Forest plantation cover expanded (2007=123,000 hectares). Source: 2007 Forestry Commission report on the National Forest Plantation Development Program. Budget execution of the Forestry Commission increased (2008=164%). Revenues from Timber Utilization Contracts increased (2006= ¢78 million) Coverage of irrigation schemes increased (2008=1.6 percent)
II – Improving Service Delivery for Human Development				
A. Education				
A.1 - Improve equity and access to education by reducing disparities in basic education service delivery	National Primary Gross Enrolment Rate (GER) increased (baseline 2005= 87.5%). Gender Parity Index increased (baseline 2005= 0.93). National Primary Pupil-Teacher Ratio increased (baseline: 2005=34.9:1)	National Primary Gross Enrolment Rate (GER) increased (2006= 92 %). Gender Parity Index increased (2008=0.95). National Primary Pupil-Teacher Ratio increased (2006=35:1)	National Primary Gross Enrolment Rate (GER) increased (2007= 94 %). Gender Parity Index increased (2007=0.96). National Primary Pupil-Teacher Ratio increased (2006=35:1)	National Primary Gross Enrolment Rate (GER) increased (2008= 95 %). Gender Parity Index increased (2008=0.96). National Primary Pupil-Teacher Ratio

Policy Objective	Baseline Indicators	2006	2007	2008
				increased (2006=35:1)
A.2 - Improve efficiency and equity of financing education with attention to greater poverty impact	Per student expenditure in public primary education increased (baseline: 2005=US$90).	Per student expenditure in public primary education increased (baseline: 2006=US$100).	Per student expenditure in public primary education increased (baseline: 2007=US$139).	Per student expenditure in public primary education increased (baseline: 2008=US$137).
B.1 – Bridge equity gaps in access to quality health care	Coverage of supervised maternal deliveries increased (baseline:2005=49%) Percentage of children under five sleeping under ITNs increased (baseline 2005=22.0%).	Coverage of maternal supervised deliveries increased (2006=not available) Percentage of children under five sleeping under ITNs increased (2006=25.5%). Source: 2006 Multiple Indicators Cluster Survey.	Coverage of maternal supervised deliveries increased (2007=not available) Percentage of children under five sleeping under ITNs increased (2007=not available).	Coverage of maternal supervised deliveries increased (2008=59%) Source 2009 Demographic and Health Survey Percentage of children under five sleeping under ITNs increased (2008=28.2%) . Source: 2009 Demographic and Health Survey
B.2 - Ensure sustainable financing arrangements that protect the poor				

Policy Objective	Baseline Indicators	2006	2007	2008
	Sustain the implementation of national health insurance scheme with a view to increase the share of the population registered. the National Health Insurance Scheme increased (baseline: 2005=38%).	Coverage of the population by the National Health Insurance Scheme increased (2006=38%). Source NHIS	Coverage of the population covered by the National Health Insurance Scheme increased (2007=48%). Source NHIS Share of the indigents amongst NHIS registrants increased (baseline: 2007=2.5%). Source NHIS	Coverage of the population covered by the National Health Insurance Scheme increased (2008=54%). Source NHIS Share of the indigents amongst NHIS registrants increased (2008=3.0%). Source NHIS
C. Social Protection				
C 1- Implement special programs to support the vulnerable and the excluded	Number of households receiving the Livelihood Empowerment Against Poverty (LEAP) Social Grants increased (baseline: 2007=2,000 households) Source Government of Ghana.		Number of households receiving the Livelihood Empowerment Against Poverty (LEAP) Social Grants increased (baseline: 2007=2,000 households) Source Government of Ghana.	Number of households receiving the Livelihood Empowerment Against Poverty (LEAP) Social Grants increased (2008=8,000 households). Source Government of Ghana.
D. Water and Sanitation				
D 1. Increased access to safe and sustainable water and sanitation coverage for rural and small town populations	Access to safe water and sanitation increased (baseline: 2006 -access to improved drinking water= 55%; access to improved sanitation=10%) source WHO/UNICEF	Access to safe water and sanitation increased (baseline: 2006 -access to improved drinking water= 55%; access to improved sanitation=10%) source WHO/UNICEF	Access to safe water and sanitation increased (2007 – access to improved drinking water= no data available); access to improved sanitation=no data available)	Access to safe water and sanitation increased (2008 – access to improved drinking water= 75%); access to improved sanitation=18 % source WaterAid UK
III – Improving Governance and Public Sector				

Policy Objective	Baseline Indicators	2006	2007	2008
Management				
A. Building a democratic inclusive and decentralized state				
A.1 Improved governance and public accountability.	Continue implementing the National Decentralization Action Plan.		Percentage of local government em**ployees** operating under the Local Government Service Act (2008=8.2%). Source Government of Ghana	
B.1 Strengthen budget formulation	Comprehensiveness of budget statement increased, measured by the share of public funds presented in the budget statement (baseline: 2005= 50%). Source: 2005 Budget Statement.	Comprehensiveness of budget statement increased, measured by the share of public funds presented in the budget statement (2006= 60%). Source: 2007 Budget Statement	Comprehensiveness of budget statement increased, measured by the share of public funds presented in the budget statement (2007= 70%). Source: 2008 Budget Statement	Comprehensiveness of budget statement increased, measured by the share of public funds presented in the budget statement (2008= 83%). Source: 2009 Budget Statement
B..2 Strengthen budget execution				
	Improve Budget Execution (baseline: budget deviation index in 2004 = 12.4%) – source: ERPEFM 2009 report. Share of the number of procurement contracts above the threshold awarded on a competitive basis increased (baseline: 2005=40%). Share of contract awards published (baseline: 2005=0%).	Improved budget execution (baseline: budget deviation index in 2004 = 12.4%) – source: ERPEFM 2009 report. Share of the number of procurement contracts above the threshold awarded on a competitive basis increased (baseline: 2005=40%). Share of contract awards published (baseline: 2006=16%).	Improved budget execution (2007 = 3.2%) – source: ERPEFM 2009 report. Table II.5 Share of the number of procurement contracts above the threshold awarded on a competitive basis increased (2007=23%). Source PPA 2008 report Share of contract awards published (2007=71%). Source PPA 2008 report	

Notwithstanding the limited progress in some of the PRSC components, it should be noted that the moderately satisfactory performance of PRSC-4-5 and the Moderately Unsatisfactory performance of PRSC-6 followed on the satisfactory performance of PRSC-1-2-3, for a combined total of six years of relatively positive performance in the areas of private sector development, several of the areas relevant for achieving the MDGs (education, health, social protection, and water and sanitation), as well as some visible progress in areas of governance and public financial management. The progress under the PRSCs can be measured through significant gains across a wide of range of indicators, as shown in Table 5 above, and the fact that Ghana is on track to achieve the MDGs in income poverty, hunger, primary completion, gender parity at school and access to water (recent progress recorded in child (MDG4) and maternal mortality (MDG5), while obviously[44] welcome, is not sufficient to put Ghana on track to meet these MDGs by 2015, however)**.** These outcomes are commendable, and show the real gains that can be made in poverty reduction if macroeconomic growth is maintained and a concerted and consistent reform effort is made over an extended number of years.

3.3 Justification of Overall Outcome Rating

(combining relevance, achievement of PDOs)

Rating:

PRSC-4 Moderately Satisfactory
PRSC-5 Moderately Satisfactory
PRSC-6 Moderately Unsatisfactory

While the PRSCs' objectives, design, implementation, and outcomes were relevant to country circumstances and development priorities and were consistent with Bank strategies and goals, progress was limited in a number of policy areas. Although GDP growth was consistently high, severe macroeconomic imbalances emerged in 2008 that threatened some of the poverty reduction gains made in previous years (discussed below). In 2008 there was limited progress in PFM matters given the magnitude of the problems that eventually emerged, especially regarding budget execution. Similarly, while the government did belatedly introduce cost-recovery energy tariffs and the fragility of the energy supply was addressed by new investments in thermal capacity, important energy sector reforms remain to be completed.

Gains were made in improving the private sector climate and in the areas of education, some aspects of health, water, and social protection, as well as progress achieved in governance and public financial management. Also, the PRSCs played an important role enabling the government to increase spending on its poverty reduction agenda without cutting other programs or undermining macroeconomic performance (prior to late 2007 and 2008). The economic growth that coincided with the PRSCs period also contributed to substantial reductions in

[44] The share of supervised maternal deliveries rose to 57 percent by 2008, up from 47 percent in 2003, with particularly marked increases in the deprived Northern regions. Meanwhile, under-5 mortality dropped from 111 deaths per 1,000 births in 2003 to 80 in 2008 (source: Demographic and Health surveys 2003 and 2008). There was also an increase in the Net Primary Enrolment Rate which reached 83 percent in 2007/08, up from 56 percent in 2003/4. Finally, there was a further decline in the HIV/AIDS prevalence rate among pregnant women, dropping to 2.6 percent in 2007, down from 3.6 percent in 2002.

poverty, and was reinforced by government action to increase the provision of education, health, social protection and rural water services. Finally, there were some achievements in institutional strengthening under these operations (discussed below), with the operationalization of new agencies that had been established in the new legal framework for public financial management enacted during the first PRSC series (e.g., Public Procurement Authority, Internal Audit Agency). Notwithstanding these gains, in particular the deterioration in macroeconomic performance in 2008, the policy weaknesses that were exposed in the aftermath of the 2008 crisis warrant a *moderately satisfactory performance overall* for PRSC-4-5-6.

3.4 Overarching Themes, Other Outcomes and Impacts

(if any, where not previously covered or to amplify discussion above)

(a) Poverty Impacts, Gender Aspects, and Social Development

Poverty: The program supported by the PRSCs coincided with the period of strong GDP growth that contributed in turn to the fight against poverty.[45] Owing to the time lag between poverty expenditures and poverty data collection, it is not yet possible to measure to date the contribution of the PRSC-4-5-6, if any. There was, however, a notable decline in poverty between 1998 and 2006, and Ghana is poised to achieve the MDG of halving extreme poverty ahead of 2015. The poverty headcount fell to 28.5 percent in 2006, down from 39.5 percent in 1999 (there are no figures available for 2005). While all major regions recorded reductions in poverty, some did it more rapidly than others. Most of the poverty reduction occurred in the Forest regions, while the Northern Savannah region – which was already the poorest of the ecological zones – accounted for a growing share of the poor.

Since 2006, various factors could have impacted poverty positively or negatively. Between 2006 and 2008, per capita real consumption grew by almost 30 percent, which, if equally shared across households, should have generated substantial poverty reduction gains (assuming unchanged distribution, the headcount index would have approached 20 percent by end-2008). However, important uncertainties regarding the measurement of private consumption and its distribution among households and regions, and the fact that some recent shocks might have disproportionally affected the poor (droughts and floods in the Northern regions, food price increases in cities) could mean lower actual poverty reduction gains. These factors explain the emphasis placed on protecting poverty-reducing expenditures and social protection programs under this second PRSC series, notably under the last operation of this series (PRSC-6) as well as the EGPRC.

Gender: The PRSCs focused primarily on raising the gender parity index and several measures pursued under the program supported by the PRSCs had a positive impact on reducing gender disparities. In the *education sector*, the national Gender Parity Index (GPI) rose to 0.96 in 2006/07, compared to 0.95 in 2005/06 and 0.93 in 2004/05, while the GPI in deprived districts

[45] "Reductions in poverty are mainly the result of the substantial GDP growth experienced by Ghana over the last five years, and the PRSC indeed made some important contributions to the country's economic growth agenda. The macroeconomic stability supported by the early PRSC operations at a critical juncture of Ghana's reform program was important for this growth path. Energy-related measures taken up under the PRSC were essential for sustaining macroeconomic stability. The investment climate improved over recent years, and the PRSC made some useful contributions to this improvement." (IEG case study 4.5)

also increased, rising from 0.93 in 2004/05 to 0.94 in 2006/07. The government also introduced in the 2007/08 academic year specific measures to help achieve gender parity, such as the deployment and training of female teachers and provision of sanitary facilities, implemented during the 2007/08 academic year, particularly in areas with low enrolment of girls.

In the *health sector*, the percentage of women receiving ante-natal coverage rose to 97.4 in 2008, up from 88.4 percent in 2006, and exceeding the government's target of 95 percent. The percentage of women with supervised maternal deliveries also rose to 57 percent in 2008, compared to 54 percent in 2005. The achievements in 2008 fell short, however, from the government's target of 60 percent, and also mask wide disparities amongst regions.

In the area of *social safety nets*, poor mothers were one of the groups targeted by the LEAP program, which was supported under PRSC-6, while the programs aimed at increasing the coverage of water and sanitation services in rural areas had an indirect beneficial impact for women. Since the task of fetching water is primarily a female responsibility, especially in rural areas, increased coverage of these services frees up women's time for other activities..

Social Development: Social protection measures initially focused on actions supporting the vulnerable and the excluded (e.g., the homeless, orphans, street children). In addition to supporting youth employment, this focus shifted to offsetting the impact of increasing food prices on the poor through the LEAP program and scaling up the school feeding program. Accordingly, the number of households receiving grants under the Livelihood Empowerment Against Poverty (LEAP) conditional cash transfer program targeted to the extreme poor reached more than 8,000 households in 2008,[46] up from 2,000 in the regular program in 2007. It is difficult to determine whether these additional transfers were made to regular LEAP program beneficiaries and emergency, sometimes poorly targeted, transfers, however. There was also a scaling up of school feeding programs in 2008, benefiting 987 public schools with a total number of 477,714 children in all the 170 districts across the country. While it is still early to assess the full nutritional impact of the program, initial data suggest that it helped increase enrolment in the schools benefiting from the program, with attendance rising by 19 percent in these schools, against 3 percent elsewhere.

(b) Institutional Change/Strengthening
(particularly with reference to impacts on longer-term capacity and institutional development)

Instances of institutional strengthening occurred under this series of operations included:

- The Ministry of Finance and Economic planning (MoFEP) has increasingly focused on the budget process as a result of the shift to programmatic lending in support of the Government's poverty reduction program.[47]

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[52]. 24,300 households were registered as regular beneficiaries under the LEAP program by end—October 2009. Anotyher 6,000 households were benefiting from the LEAP on an emergency basis in response to the 2007-08 floods in northern Ghana.

[47] As noted in the ICRR on PRSC-1-2-3, an indirect and intangible impact of the MDBS process was the apparent strengthening of the MoFEP which is responsible for overseeing the implementation of the MDBS/PRSC program,

- The IRS has been modernized, enabling the introduction of some tax reforms and the development of a tax administrative system. Indeed, as part of the efforts to widen the Government's tax net, a Tax Policy Unit (TPU) was also established in the MoFEP, and a Revenue Protection Unit (RPU) was created at the Revenue Agencies Governing Board (RAGB). Other tax reform proposals are still outstanding, however.
- There was one attempt to strengthen the Government's capacity to monitor and evaluate changes in the environment for private sector development with the introduction of a customized doing business survey.
- A combination of institutional strengthening and procedural improvements has strengthened the performance of Ghanaian Customs, leading to a reduction in the time needed to export and import, as well as improving the performance of the Register's General Department, leading to further reductions in the time needed to register new businesses.
- All 138 of District Planning Coordinating Units were trained in District Composite Budgeting, giving them the ability to prepare their own budgets in the 2008 fiscal year using the MTEF format.
- Building on the passage of the Public Procurement Act (PPA, a PRSC-1-2-3 achievement), the Public Procurement Authority (PPA) was set up and made operation, and there was increasing compliance with the requirements of the PPA.
- The number of training institutions has been increased, including seven new Health Assistant Training Schools and five new Teacher Training Colleges.
- Audit capabilities have been strengthened through the establishment of Internal Audit Units in all MDAs and in the Ministry of Finance and Economic Planning, Ministry of Education and the Ghana Education Service, the Ministry of Health and the Ghana Health Service, the Ministry of Transport, and the Ministry of Food and Agriculture, as well as in seventy percent of the MMDAs. In addition, the Internal Audit Agency, which was newly established under the first series of PRSC operations, strengthened its oversight role through special audit assignments in 2007 and the monitoring of procurement compliance and the facilitation of the audit of the Internally Generated Funds (IGFs) of 28 public institutions, including 10 MDAs.

(c) Other Outcomes and Impacts (positive or negative, if any)

There were several outcomes from the PRSCs that kept the agenda for policy dialogue continuously evolving:

- The focus on expanding student enrollment at the primary level has placed additional demands on improving the quality of education, as newly enrolled students are typically from the deprived areas and from poorer families. Thus, while there was an important increase in the recruitment of new teachers, as well as efforts to retain existing teachers and continuously train teachers, the additional demand coming from new students exceeded the supply of teachers that could be made available. These developments led to a gradual shift in the policy dialogue, with emphasis increasingly being placed on the

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including a shift to a greater emphasis on the national budget process and a greater focus on improving intra-government coordination and setting priorities.

importance of improving the quality of education and reducing the number of teacher vacancies in deprived regions as an effort to mitigate the skewed distribution of the available trained teachers to the disadvantage of deprived districts.

- The increase in the availability of credit through the banking system contributed to increase aggregate demand in 2008, so that by the time the PRSC-6 policy agenda was outlined the indicator on the increased share of credit to the private sector, that had been included in previous operations, had already been dropped. The focus shifted to reducing the time required to trade across borders, instead. Although improvements in bank supervision were undertaken during this period, actions and outcome indicators in this area were not included under the PRSC policy dialogue because this is understood as falling under the IMF's mandate.

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

(optional for Core ICR, required for ILI, details in annexes)

Not applicable.

4. Assessment of Risk to Development Outcome

Rating: Moderate

The risk to development outcome is judged as moderate because of the country's demonstrated political stability. This caveat notwithstanding significant macroeconomic imbalances emerged in late-2008, Ghana has been taking corrective measures with the support of the Bank and the IMF. In this context, Ghana is focusing on eliminating Ghana's large fiscal imbalances by 2011-12, strengthening public financial management, and restoring macroeconomic instability, thereby removing the key obstacle to growth and poverty reduction. The 2009 budget protects pro-poor expenditures, and the Government has also stated that a number of social and safety nets will be strengthened and extended in order to mitigate the impact of slower growth and fiscal tightening on low income and vulnerable groups.[48] Finally, work is proceeding on the development of the GPRS II successor to cover the period beginning in 2010, with a draft already available.

These factors will all help to minimize the risk to development outcomes. Nonetheless, progress towards the MDGs will be slowed in the near term as Ghana's economic growth for 2009-10 is likely to fall below the 6 percent per annum growth rate that is needed if Ghana is to meet the MDGs by 2015.[49] Restoring economic stability will require the adoption of cost-recovery utility tariffs by end-2009 to support the 2010 budget,[50] as well as necessitating the readjustment on a

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[48] Current programs include subsidies to low-consumption consumers (so-called "lifeline" tariff customers) for utility costs; the LEAP cash transfer program; school feeding programs; free maternal care for nearly 500,000 women; grants and subsidies for basic education; and national youth employment programs. New initiatives include the provision of free school uniforms to about 1.6 million pupils in deprived districts; free exercise books for all pupils; and an increase in the capitation grant by 50 percent.

[49] Bank estimates indicate that real GDP growth could fall to around 4 percent in 2009-10 as a result of fiscal stabilization, lower remittances; lower FDI (excluding investments for oil extraction capacity); lower portfolio investment (in the absence of any new privatization in 2009); and in spite of positive terms of trade (as gold price prospects remain positive).

[50] According to the IMF, the combination of the depreciating currency, the project global price outlook, and the projected shift from hydro to more costly thermal power generation will lead to estimated operating shortfalls at the

timely basis in future years, and energy pricing has been a consistent area of weakness in Ghana's economic history.[51] While the start of oil production in 2010/11 will create opportunities for additional poverty-reducing and growth-promoting investment, it will also create challenges for macroeconomic management. Moreover, if the country's current fiscal stance is not corrected, the expected oil revenues will not be sufficient to stabilize the macroeconomic situation. Finally, unless Ghana takes steps to rationalize public administration and expand non-oil revenue mobilization, recurrent spending could absorb the fiscal space created by Ghana's oil income, and impede the growth and poverty reduction needed to reach the MDGs.[52] Consequently, there is a risk that the macroeconomic imbalances that emerged in 2008 could continue to jeopardize the sustainability of the development achievements made under the PRSC 4-5-6, even though the Government is making efforts to address this risk.

5. Assessment of Bank and Borrower Performance

(relating to design, implementation and outcome issues)

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

(i.e., performance through lending phase)

Rating:

PRSC-4: Moderately Satisfactory
PRSC-5: Moderately Satisfactory
PRSC-6: Moderately Unsatisfactory

Bank performance in ensuring quality of entry is rated as moderately satisfactory for PRSC-4-5 and as moderately unsatisfactory for PRSC-6. As discussed in Section 3.1, (*Relevance of Objectives*, *Design and Implementation)* above, these operations were highly relevant to Bank and Ghanaian priorities and continued to build on the reform progress achieved under the PRSC-1-2-3. The program of reforms agreed with the Government was based closely on Ghana's own priorities and extensive analytical work completed prior to, and during, this series of credits. Similarly, the triggers/prior actions were also drawn from the Government's own program. The lending mechanism used was central to the Bank's strategy to Ghana, had already been employed successfully, and was appropriate to both country circumstances and capabilities. Also, PRSC-4-5-6 explicitly incorporated the good practice principles on conditionality into program design and implementation, as well as the lessons learned from the previous series of operations. Program design could have been improved, however, by linking the result indicators more closely to the supported policy actions, and by having less variability in the key indicators used (discussed in Section 1.5 above), as such variability makes operational assessment difficult on a consistent basis. Meanwhile, the Bank's engagement with the authorities was undermined

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power authority of nearly 3 percent of GDP in 2010.) A key condition of the PRGF is the adjustment of electricity rates to cover operating costs, with cost-recovery maintained through subsequent quarterly reviews.

[51] Indeed, the Government has delayed twice a planned adjustment in electricity tariffs, once in April and again in December 2009.

[52] The twin fiscal and current account deficits in 2008 were principally financed through the use of privatization proceeds (Ghana Telecom), the remainder of Eurobonds issued in 2007, foreign currency reserves and domestic borrowing at short term maturities and from the Bank of Ghana.

by the fact that the TTL was not based in Accra. Also, PRSC-6 quality of entry was undermined by increasingly identifiable risks, such as delays in energy sector reforms and political pressures to increase pre-election spending.

More positively, however, the Bank took a lead and very strong role in working with the Government through the MDBS, and also worked closely and cooperatively with other DPs at the macro and sectoral level (e.g., the joint Bank-DFID Economic Management Capacity Building team). Increasingly, the Bank's non-lending services were coordinated with those of the other DPs to ensure complementarity and avoid duplication. The PRSCs were also complemented by a series of specific investment and technical assistance operations covering the education sector, HIV/AIDS, public sector reform, and finance and private sector development. Finally, there was strong staff continuity from the previous series of operations, including at the team leader and other technical staff level, thus preserving the "institutional memory" associated with these operations, as well as the working relationships with the Government and other budget support donors. [53]

As with the previous set of operations, the Bank and the Fund closely coordinated their policy advice to the Ghanaian authorities and collaborated closely in terms of joint support for the implementation of the GPRS II (e.g., the joint assessment contained in the 2006 Joint Staff Advisory Note on the GPRS II). Consistent with standard practice on such operations, the IMF led the policy dialogue on macroeconomic policies such as fiscal and monetary policy, while the Bank led the policy dialogue on economic reforms in sectors such: (i) infrastructure; (ii) local government development; (iii) agriculture and rural development; (iv) human development; (v) private sector development; and (vi) public sector reform and public financial management.

(b) Quality of Supervision
(including M&E arrangements)

Rating:
PRSC-4: Satisfactory
PRSC-5: Satisfactory
PRSC-6: Unsatisfactory

Bank supervision was satisfactory for PRSC 4 and 5, and unsatisfactory for PRSC-6. The supervision of PRSC-4 and PRSC-5 took place in the context of the MDBS, as it was aligned with both the activities of other donors and the Government's M&E of the GPRS II implementation. Supervision by the Bank and its MDBS partners focused on a year-long verification process that monitored the implementation of the policies supported by the PRSC/MDBS and identified how to best measure the completion of the agreed policy actions. The use of the joint streamlined matrix (which included all Bank prior actions) provided a common basis for discussion, evaluation of progress, and disbursement; it also facilitated and strengthened coordination. Supervision of program implementation for PRSC 4 and 5 was extensive and was carried out on a monthly, quarterly, and annual through a series of reports completed by the Government and its development partners with responsibility for these reports

[53] There were two TTLs throughout the PRSC 1 to 6 period, with one TTL for PRSC-1 and another one for the other five operations.

being divided between the Government and its DPs (see Table 7 overleaf). For PRSC 6, supervision was limited to monitoring of developments in Ghana. IMF inability to visit Accra on account of Article IV duties made in particular the monitoring of macro-economic developments increasingly difficult in the second half of 2008, at a time when the global financial crisis was exerting growing pressures on Ghanaian accounts. During July and November 2008 the Bank regularly reported on the increasingly worsening macroeconomic performance of the country, including by issuing a June 2008 ISR alerting about these development, inputting information in the 2008 Annual Meetings brief and preparing ad hoc reports. Management raised the issue of the worsening macroeconomic performance with Government officials at the time of the 2008 Annual Meetings and in the field. When the Bank eventually fielded a mission in early December 2008, the earlier assessment of the macroeconomic performance was confirmed and even found to be much worse[54]. The fact that the Government did not win the elections further delayed early action in response to these imbalances.

Table 7-: PRSC/MDBS Reporting and Responsibility Assignment

Reporting	Responsibility
Quarterly DP-reports to the Government on disbursement (programme, sector and project) and projections of disbursements for the next two quarters	DPs
The Economic and Financial Reviews of the Monetary Policy Committee of the Bank of Ghana to assess progress on the implementation of the framework agreed between the Government, the IMF and the World Bank	GoG/BoG
Monthly reports on budget expenditures with breakdown by Ministry, Department and Agency with a lag of no more that 6 weeks after the end of each quarter. These reports will also present the breakdown for Items 1-4 of the Ghanaian budget.	GoG
Monthly reports on domestically financed poverty-related (including HIPC financed expenditures), with a lag of no more that 6 weeks after the end of each quarter. These reports would include a breakdown along main poverty-related expenditure programs (education, health, etc.), and a breakdown for Items 1-4 of the Ghanaian budget (personnel, administration, services, investment).	GoG
A joint Aide Memoire from the annual assessment reporting on the Progress Assessment Framework's triggers (prior actions)/targets	GoG and DPs
Selected-flows audit (in advance of the first review mission)	GoG (GAS)
Annual Progress Report on progress on the implementation of the GPRS II	GoG

(c) Justification of Rating for Overall Bank Performance

Rating: Moderately Satisfactory

The Bank's overall performance is rated as satisfactory for PRSC 4 and PRSC 5, and moderately unsatisfactory for PRSC 6. The performance for quality at entry was rated as satisfactory for PRSC-4 and PRSC-5, and moderately satisfactory for PRSC-6. Also, while the performance for supervision was rated as satisfactory for PRSC-4 and PRSC-5, and unsatisfactory for PRSC-6. The combination of these ratings justifies therefore an overall rating of moderately satisfactory for the entire series.

5.2 Borrower Performance

(a) Government Performance

[54] The mid-year review of the budget 2009 in August 2009 revealed even larger fiscal gaps in 2008, via the accumulation of uncovered arrears and off-budget expenditures.

Note: According to the ICCR Guidelines, if Government and the implementing agency are indistinguishable, particularly for DPL operations, a rating and justification is provided only for Overall Borrower Performance.

Rating:

PRSC-4 - Moderately Satisfactory
PRSC-5 - Moderately Satisfactory
PRSC-6 – Moderately Unsatisfactory

Government's overall performance is rated as moderately satisfactory for PRSC-4, PRSC-5 and PRSC-6. ICRR Guidelines (Appendix A) identify nine criteria for rating Government performance. Overall Government performance is rated in accordance with the following eight criteria:

- Government ownership and commitment to achieving the development objectives was moderate.
- Stakeholders and civil society were consulted at the beginning of the GPRS-I development, and again in the formulation of the GPRS-II, but consultations throughout the implementation of the program were less frequent. Transparency and the sharing of timely information were not a priority.
- The Government had adequate readiness for implementation and capacity but DP technical assistance was not as forthcoming.
- Fiduciary requirements were met satisfactorily.
- Most implementation issues were resolved on a timely basis; the main exception were the energy sector trigger under PRSC-6 and the implementation of the government's computerized financial and accounting system (BPEMS) throughout the series.
- The relationships and coordination with the Bank and other donors through the MDBS were positive , although the 2008 global crisis exposed some of the latent tensions that had been present since the inception of the MDBS In particular, the crisis exacerbated the difference between the Bank's approach of focusing the dialogue with the Ministry of Finance on more immediate structural issues, while the approach embraced by other development agencies favored a policy dialogue based on outcomes defined several years in advance.
- While the GPRS-II continued to provide a comprehensive framework for poverty reduction through 2009, the document provided only general guidelines that need to be followed up on to be made operational.
- The Government's capability and commitment to effective M&E has steadily improved and the information and conclusions reached as a result of this M&E have been disseminated widely to the public, donors, and other civil society organizations. Their use in assessing progress in the implementation of the GPRS II was minimal, however.

While the Government's macroeconomic performance in 2008 was less-than-satisfactory, there are three offsetting reasons that justify the moderately satisfactory rating: (i) the Government showed ownership throughout the implementation of the program; (ii) the GPRS II was an appropriate strategy for the country's circumstances; and (iii) the design of the program and the dissemination of its results was appropriately inclusive. Government ownership evolved over time and became increasingly multi-faceted at the ministerial and sectoral level. In the first phase, the Government led the preparation of GPRS. In the second phase, the Government developed sector strategies aligned with the GPRS that would provide operational guidance for the implementation of the GPRS. Sector strategies completed during this phase include, inter alia, the Power Sector Reform Strategy, the Private Sector Development Strategy, the Education Sector Development Strategy, and the revised Food and Agriculture Sector Development Strategy. In the third phase, the Government exerted stronger leadership in the dialogue with DPs, drawing on these strategies to define the content and focus of development policy operations supported by DPs.

The GPRS II was appropriate for the country's circumstances when it was originally designed. The program maintained continuity with the priorities and programs of the GPRS I, and introduced a renewed focus on growth that was recognized as necessary if Ghana was to meet middle income status. This growth focus, and the priority attached to structural transformation of the economy (especially agriculture), was highly appropriate to ensure pro-poor growth.

The GPRS II was also developed through a transparent and inclusive process that included input from key stakeholders, including civil society. The program was developed through broad consultations including preliminary stakeholder consultations at Regional and District levels; policy review and hearings with the budget divisions of each MDA; a number of meetings to agree on budget estimates and costing; and a National Stakeholders Forum on the final draft of the GPRS II.

The GPRS II and its Annual Progress Reports (APRs) provided less strategic guidance as the implementation of the program evolved, however. A problem that was exacerbated as Ghana first benefited from the expansion in global liquidity in 2007 and then suffered, as the rest of the world, from the consequences of its contraction in the second half of 2008. The mitigating factor was that no individual country could have anticipated the magnitude of these developments – a difficulty that was magnified in the case of Ghana by the proximity of the 2008 presidential elections.

Finally, the Government disseminated the annual APR findings on GPRS II implementation progress, inviting stakeholder feedback to inform decision-making of the program through workshops organized in all the 10 regions of the country. Copies of the APRs were also distributed to the media, universities, other tertiary institutions, civil society organizations, community-based organizations, and the private sector. Likewise, the APRs for 2005, 2006, and 2007 (published in 2006, 2007, and 2008, respectively) were posted on the NDPC website, and simplified versions were prepared and distributed nationwide to ensure that all Ghanaians, some of whom might not understand the main report because of the technical language, benefited from their findings. Nevertheless, severe macroeconomic and fiscal imbalances the materialized in 2008, justifying the moderately satisfactory performance rate assigned to PRSC-6.

6. Lessons Learned

(both operation-specific and of wide general application)

The evidence presented in this ICRR indicates that the Ghana PRSCs have a mixed record in enabling Governments to pursue reform policies. While there were instances that the PRSCs enabled the Government to pursue reform policies that would otherwise be unaffordable for the country, such as the extension of capitation grants and the expansion of the national health insurance scheme, there were other instances where the PRSCs were less successful. Energy sector reforms are a case in point. Notwithstanding the MDBS efforts, the Government implemented these reforms when it found fitting to do so. As a result, increases in electricity tariffs were gazetted but only implemented belatedly and when every other source of funding for subsidizing consumers had been exhausted. This mix record reflects the fact that PRSCs are very complex instruments, with many dimensions that need to be considered jointly (e.g., the fungibility of funds, the centrality of the policy dialogue, the nature of conditionalities, donor alignment and harmonization). The outcomes associated with PRSCs are, therefore, varied and difficult to identify from the beginning. There can be many causal chains whose effects take time to manifest. The intermediate effects are often hard to identify and measure, and may arise from many different causes. The logic of causation can itself be contested; since the counterfactuals are difficult and controversial to determine. A case in point is the progress achieved under the PRSC in health sector reforms. Only with the results of the 2008 Demographic and Health Survey (DHS) – published in mid 2009 – was it possible to measure the impressive improvement in health indicators achieved over the previous five years. When the results of the 2008 DHS are compared to the results of the 2003 DHS one observes that: (i) the under-5 mortality rate was reduced from 111 deaths per 1,000 births to 80, (ii) the proportion of malnourished under-5 children was reduced from 18 to 14 percent, and (iii) the proportion of maternal deliveries supervised by professional medical staff increased from 47 to 59 percent. Even after one can measure these improvements, it is difficult to identify exactly the causality chain, however. Were these improvement due to either the increase funding provided to the health sector or the expansion of the national health insurance scheme, or to both? The reality is that there is no precise answer to this question – something that only underscores the importance of maintaining the continuity in involvement and the centrality of the policy dialogue.

More broadly, however, the progress in maintaining prudent fiscal management was not sustained once the Ghanaian government no longer had an IMF-sponsored program. While containing expansionary fiscal policies (which exposed external vulnerabilities and fueled inflation) was beyond the efforts of the PRSC-MDBS, and muddled ongoing efforts to improve Public Financial Management, it does reflect on the quality of the policy dialogue with Development Partners, especially regarding the transparency of information about public accounts.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/Implementing agencies

(b) Cofinanciers

(c) Other partners and stakeholders
(e.g. NGOs/private sector/civil society)

Annex 1 Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending/Supervision			
PRSC-4			
Carlos Cavalcanti	Snr. Country Economist	AFTP4	Team Leader
Laura L. Rose	Snr. Health Economist	AFTH2	Health
Eunice Dapaah	Education Sector Specialist	AFTH2	Education
Evelyn Awittor	Snr. Operations Officer	AFTH2	Health
Peter Darvas	Snr. Education Economist	AFTH2	Education
Yongmei Zhou	Snr. Institutional Development Specialist	AFTPR	Decentralization, Governance, Public Sector Reform
Smile Kwaukume	Snr. Public Sector Specialist	AFTPR	Decentralization, Governance, Public Sector Reform
Marcelo Andrade	Snr. Country Economist	AFTP4	Public Financial Management
Daniel Boakye	Economist	AFTP4	Economics
Simplice Zouhon	Consultant	AFTP4	Macroeconomics
Tsri Apronti	Procurement Specialist	AFTPC	Procurement
Anthony Mensah-Bonsu	Consultant	AFTPC	Procurement
Kofi-Boateng Agyen	Snr. Operations Officer	AFTPS	Private Sector Development, Energy
Pape Thiam	Snr. Private Sector Development Specialist	AFTPS	Private Sector Development
C. Juan Costain	Lead Financial Sector Specialist	AFTFS	Financial Sector
Thomas Muller	Financial Economist	AFTFS	Financial Sector
Gayatri Acharya	Snr. Economist	AFTS4	Agriculture
Patience Mensah	Consultant/Agriculture Economist	AFTS4	Agriculture
Edward Dwumfour	Snr. Natural Resources Specialist	AFTS4	Natural Resource
Jean-Christophe Carret	Snr. Environmental Economist	AFTS4	Natural Resource
Edward Olowo-Okere	Manager	AFTFM	Financial management
Frederick Yankey	Snr. Financial Management Specialist	AFTFM	Financial management
Sona Varma	Snr. Economist	PRMDE	External Debt
Subramaniam Iyer	Lead Financial Analyst	AFTEG	Energy
Prasad Tallapragada	Lead Energy Specialist	AFTEG	Energy
Irene Xenakis	Consultant	AFTOS	Quality Assurance
Modupe Adebowale	Snr. Financial Management Specialist	LOAG2	Financial Officer
Manush Hristov	Snr. Counsel	LEGAF	Legal
PRSC-5			
Lending/Supervision			
Carlos Cavalcanti	Snr. Country Economist	AFTP4	Team Leader
Laura L. Rose	Snr. Health Economist	AFTH2	Health
Eunice Dapaah	Snr. Education Sector Specialist	AFTH2	Education

Evelyn Awittor	Operations Officer	AFTH2	Health
Peter Darvas	Snr. Education Economist	AFTH2	Education
Smile Kwaukume	Snr. Public Sector Specialist	AFTPR	Decentralization, Governance and Public Sector Reform
Marcelo Andrade	Snr. Country Economist	AFTP4	Public Financial Management
Daniel Boakye	Economist	AFTP4	Economics
Simplice Zouhon	Consultant	AFTP4	Macroeconomics
Amadou Tidiane Toure	Lead Procurement Specialist	AFTPC	Procurement
Tsri Apronti	Procurement Specialist	AFTPC	Procurement
Kofi-Boateng Agyen	Snr. Operations Officer	AFTPS	Private Sector Development, Energy
C. Juan Costain	Lead Financial Sector Specialist	AFTFS	Financial Sector
Gayatri Acharya	Snr. Economist	AFTS4	Agriculture
Edward Dwumfour	Snr. Natural Resources Specialist	AFTS4	Natural Resources
Jean-Christophe Carret	Snr. Environmental Economist	AFTS4	Natural Resources
Jonathan Nyamukapa	Snr. Financial Management Specialist	AFTFM	Financial Management
Amarquey Armar	Program Manaer	AFTEG	Energy
Paivi Koljonen	Lead Energy Specialist	AFTEG	Energy
Irene Xenakis	Consultant	AFTOS	Quality Control
Modupe Adebowale	Snr. Financial Management Specialist	LOAG2	Financial Officer
Mark Thomas	Lead Economist	PRMED	Peer Reviewer
Manush Hristov	Snr. Counsel	LEGAF	Legal
PRSC-6			
Lending			
Carlos Cavalcanti	Snr. Country Economist	AFTP4	Team Leader
Laura L. Rose	Snr. Health Economist	AFTH2	Health
Eunice Dapaah	Snr. Education Sector Specialist	AFTH2	Education
Evelyn Awittor	Operations Officer	AFTH2	Health
Peter Darvas	Snr. Education Economist	AFTH2	Education
Smile Kwaukume	Snr. Public Sector Specialist	AFTPR	Decentralization, Governance and Public Sector Reform
Kofi-Boateng Agyen	Snr. Operations Officer	AFTPS	Private Sector Development, Energy
C. Juan Costain	Lead Financial Sector Specialist	AFTFS	Financial Sector
Gayatri Acharya	Snr. Economist	AFTS4	Agriculture
Chris Jackson	Economist	AFTS4	Agriculture
Edward Dwumfour	Snr. Natural Resources Specialist	AFTS4	Natural Resources
Jean-Christophe Carret	Snr. Environmental Economist	AFTS4	Natural Resources
Robert DeGraft-Hanson	Financial Management Specialist	AFTFM	Financial Management
Sunil Mathrani	Snr. Energy Specialist	AFTEG	Energy
Amarquey Armar	Program Manager	ETWEN	Energy
Angelique Deplaa	Sr. Economist	FRM	External Debt
Rajiv Sondhi	Snr. Finance Officer	LOAFC	Financial Officer
Manush Hristov	Snr. Counsel	LEGAF	Legal

(b) Staff Time and Cost

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending/Supervision		
PRSC 4		
FY06-Lending	32.53	52,825.00
FY07-Supervision	26.70	32,384.00
TOTAL for FY06-07	59.23	85,209.00
PRSC 5		
FY07-Lending	24.23	19,362.00
FY08-Supervision	28.06	12,264.00
TOTAL for FY07-08	52.29	31,626.00
PRSC 6		
FY08-Lending	57.95	83,188.00
FY8-Supervision	0	0
Total	168.47	200,023.00

Annex 2. Beneficiary Survey Results

Annex 3. Stakeholder Workshop Report and Results

(if any)

Annex 4. Summary of Borrower's ICR and/or Comments on Draft ICR

Comments from the Government of Ghana, through the Ministry of Finance and Economic Planning, on an earlier version were received on March 30, 2010, and are reported below.

General Comments

Although the EGPRC may have addressed Ghana's urgent need for financial assistance, it also represented a break in the harmonization/alignment process, and was deemed by the MDBS partners as a parallel process to the MDBS program. This was particularly in view of the fact that the World Bank was involved at every stage in the development of the MDBS policy matrix, and the economic crisis had set in as at the time of developing the 2008 MDBS policy matrix.

It is also worthy to note that the decision to re-open the 2009 MDBS policy matrix was championed mainly by the World Bank, on the basis that it was not strategic enough. This is particularly surprising since the Bank was co-chairing the negotiation process alongside the Swiss Embassy and GoG.

The transaction costs for Government and possibly the other MDBS DPs increased significantly as a result of the World Bank's actions through EGPRC and the re-opening of the 2009 MDBS policy matrix. It would have been helpful if the Bank's concerns were brought to light much earlier in the process, to allow more time for the Government in managing the economy.

Box 2 - Ghana's MDBS Program (page 35):

(a) Include the years that France and Japan joined, i.e. 2005 and 2008 respectively.
(b) The MDBS DPs (and not 9 DPs) have provided general budget support of about US$ 300 million annually.
(c) The establishment of some sector groups may have been initiated by DPs, but could not have been established by DPs alone without Government participation. There is a need to re-word this statement, to reflect Government ownership in the process of setting up of the SWGs.

Relevance of Objectives, Design & Implementation (page 40, paragraph 40)

The number of MDBS partners should be changed from 9 to 10, to reflect the correct number of partners involved in budget support operations at the time.

Assessment of Risk to Development Outcome (Page 50)

Reference has been made to a GPRS III. Wording needs to be changed to reflect the development of a Medium-Term Development Framework, which is the successor to the GPRS II.

Quality of Supervision (Page 52)

Line 22: The statement could be better framed and made less political, by referring to the electoral process as the cause of delay and not one particular Government.

Lessons Learned (page 55)

The MDBS partners and their representatives at the Boards of the Bank and IMF endorsement of the EGPRC was an indication of their support of the EGPRC, but it does not imply that they supported the approach that was used by the Bank, especially as it contradicted the efforts being made in harmonization.

Annex 5. Comments of Cofinanciers and Other Partners/Stakeholders

Comments from members of MDBS on an earlier version were received on February 18, 2010, and are reported below.

Ghana PRSC 4-6: Implementation Completion And Results Report

Comments by Netherlands Embassy, DFID, KfW, Danish Embassy

General comments:

1. Overall this is an extensive review of the World Bank's operations and of the situation in Ghana, particularly the macroeconomic situation, during 2006-2009. The completion report is interesting and provides a useful overview of the scope, objectives and achievements attributed to the PRSC 4-6 series in Ghana.

2. However, the document seems overly optimistic about progress, and about the attribution of this progress to the PRSC. Some of the text seems unduly positive, lacking some the depth of critical analysis that is characteristic of the World Bank. Discussion of sectors tends to consider the actions taken, the achievements, and then the weaknesses, but this latter part is thin in some instances.

3. The quality of the analysis and the lessons learnt would greatly improve if a more critical position is taken towards available evidence. For that reason, the major questions remain largely unanswered. These are: (i) to what extent has the PRSC (in combination with MDBS) enabled government to execute policies that would otherwise have been unaffordable (additional financing to increase development potential), and (ii) to what extent the PRSC (in combination with MDBS and other instruments) has been able to encourage and challenge the Ghana government to take forward complicated and difficult reform areas, like PSR, PFM, decentralisation, energy (supporting policy reform)?

4. These questions should be answered for the period that is covered by the PRSC 4-6. Hence, this excludes all reforms starting in 2009 with the new government in place. What is the exact timing of this series of PRSCs? There is a lot of discussion of reforms and progress in 2009.

5. The fact that several important changes took place in 2009 is relevant for the continuation of the PRSC, but it should not compromise a fair look at the genuine achievements of PRSC/MDBS in the period 2006-2008, which largely cover the achievements of the second Kufuor-mandate. E.g. the fact that the PRSC/MDBS was unable to challenge the macro-economic degradation (which was noted as early as 2007), seems to warrant a more in-depth discussion on the potential of the instrument.

6. Looking into the evidence accumulated over this period, support to MDG-progress has been relatively successful, albeit not in all areas. However, policy reform has been slow in many areas, and reform targets set under the PRSC/MDBS – even though they were in general

considered met - have yielded little genuine reform. This is a critically different reading than expressed by the Completion and Results Report. Could more progress have been made on the reform agenda if there was less politicisation of some issues?

7. It would be interesting to square these findings with a follow up to the ODI evaluation of general budget support for the same period. The overall rating of the PRSC 4/5 (satisfactory) and moderately satisfactory for PRSC 6 – it would also be useful to understand the overall rating matrix.

8. In terms of data, the document does not specify sources, leading to doubts about data validity against other recognised sources. For example, according to the PRSC-document, the proportion of supervised deliveries went up from 47 to 59 percent, whereas the APR 2008 shows a decline between 2005 and 2008 down to 39.3 percent (p. 24). This is due to the use of the different definitions of supervised deliveries in this report. The health sector has revised the definition it was using earlier, which included Traditional Birth attendants (TBAs) hence the higher baseline in this report and the higher achievement. The access rate to rural safe drinking water increased from 55 to 76 percent (PRSC), against 53 to 57 percent in the APR. Obviously, data reliability is a problem in several respects (definition, sampling, recording), and careful reconciliation of sources should therefore be basic operational procedure.

9. In terms of PFM, the PEFA documents – which draw a great number of critical conclusions over exactly the same period – are not used, the ERPFM documents seem to be used only to the extent that they support the analysis that PFM has improved relatively well (p. 41). The discussion on decentralisation – a major area for any progress – is discussed in a more shallow manner (p. 28), similar to the one on Public Sector Reform (e.g. the integrated Payroll for Subvented Agencies was typically an area where no progress was made over the PRSC period, whereas this is presented as an achievement). A more comprehensive judgement would help to strengthen the PRSC/MDBS, especially into the oil era in which responsiveness by government may not always remain as strong as today.

10. The lessons learnt section (pp. 54/55) is shallow and does not help PRSC design in the future. The overriding conclusion that "the PRSC is a highly viable lending mechanism in the right circumstances" is fully tautological. The conclusion that a crisis would warrant a change to an emergency procedure is not well corroborated, but basically a restatement of the fact that such a decision was taken. It would be interesting to use the peer review by DPs to tease out genuine lessons that would help the PRSC to evolve into the oil era in Ghana. This could positively affect the process of setting targets and triggers for oil.

11. Though a lot of information is available about cyclical nature of election year overruns in Ghana, especially regarding the end of second term of a government, there appeared to have been not enough effort to monitor events/spending in 2008. The critique by the World Bank of Government moderately satisfactory in this completion report seems at odds with sounding harsher on Government performance than it does in the EGPRC programme document in review of performance for the same period, where it tended to lay more blame on external factors. Such differing positions may tend to affect the credibility of the Bank

among DP and Government partners, as well as the current opposition which had received good reviews from the Bank until then.

Specific comments:

12. P.1 – par. 2 – omission – the GPRS I also included measures for addressing vulnerability and exclusion and was one of the five pillars of the strategy.

13. P.8: In 2008, a withholding took place of US$10 million, which was in the meantime offset by an additional contribution of US$10 m to counter the food crisis. Given fungibility of general budget support, this seems somewhat meaningless. How was the amount to be withheld (i.e. $10m) determined? It would be helpful to assess whether such a technical move was beneficial to the instrument, whether this was exceptional or accepted as common practice, etc.

14. P.8: It is important to note that the World Bank was largely absent from the MDBS negotiations which were supposed to feed into PRSC-7, only later taking the decision to redraft the EGPRC against new targets.

15. P.9 (Table 3). What is the difference between "original triggers" and "proposed prior actions"?

16. P.14 "Overview". Difficult to differentiate here between PRSC 1-2-3 and 4-5-6

17. P.14: The conclusion that overall program performance was solid, should be qualified better, since progress was clearly achieved at the expense of increased vulnerability. This is done to some extent, but I suggest this is included in the overall conclusion, and presented in bold case.

18. P.14-15: Could we explain better that despite the PRSC/MDBS, major macro-economic weaknesses did occur, and what conclusions one would draw from it for the continuation of the instrument? Could we say something about the role of IMF in the period that it did not conduct a programme (2006-2008) and the way PRSC/MDBS did or did not fill in the macro-economic agenda?

19. P.15: Reference is made to "Dutch disease", but in a rather superficial way. Obviously, the high dependence on commodity export (cocoa, gold) makes Ghana prone to Dutch disease, but this paragraph does not really deal with this issue. Since the term Dutch disease is leading to quite some confusion among people, it could be removed here without harming the key messages of the paragraph.

20. P.15: Reference is made to labour productivity, but little mention is made about the development of the formal labour force, a key indicator of macro-economic progress. The title of this section does refer to it, and it would indeed be helpful to include this data (with a breakdown over sectors).

21. P.17: "consumer price levels ... stabilized". Not really, inflation stabilized.

22. P.18+: "Energy". A long section. Some useful detail but not always clear.

23. P.19: "resistance from other development agencies". Is this the right place for such a statement? Perhaps in a later section discussion harmonisation issues, with a somewhat broader perspective? Is footnote #10 really necessary? There is a lot more history than just this.

24. P.21: 4 Par.): In this context …will start implementing Electricity Sector Financial Rec. Plan: Is this really the case, or do we expect that it will happen.

25. P.22: (top section): The following sentence should read: "Ghana's financial sector (mostly banks) was NOT directly affected…"

26. P.22: "Rural Development". The progress outlined here sounds quite weak, but the text does not really seem to reflect/acknowledge this.

27. P.23+: "Education". This is a very positive assessment, with little critical assessment. Was progress really *so* good? (And are the statistics reliable?)

28. P.24+: "Health". This is a very positive assessment, with little critical assessment. Was progress really *so* good? (And are the statistics reliable?)

29. P.25: "Social Protection". 8,000 households in 2008, but page 44 states 18,000 in 2008. There is no acknowledgement that these figures are somewhat uncertain, e.g. "registered" versus actually received transfers, or the difference between poorly-targeted emergency disbursements and regular LEAP.

30. P.26: "Water". This sector is dominated by donor funding, outside the budget (and PRSC funding and probably influence), so likely to be significant PRSC impact?

31. P.26 "Sanitation". The situation in Ghana is appalling. The text does not sound good, but it might understate the seriousness of situation? (And including sanitation on p.41 in a discussion about "strongest achievement" seems inappropriate.) The Table (p.44) suggests increased access to sanitation from 10% to 18%, but this is not mentioned in the text. Is it appropriate to use Water Aid data? A key data source on sanitation is the UNICEF/WHO joint monitoring programme

    http://www.wssinfo.org/en/welcome.html), which takes all known data along with the specific definitions and model estimates by country. These estimates are available every two years, the next due out in late March this year for 2008 (current latest is 2006 estimates). http://documents.wssinfo.org/?type=country_files shows that for Ghana the current estimates for sanitation are: urban 11% in 1990, 15% in 2006; and rural 3% in 1990 to 6% in 2006. (UN official data shows 6% in 1990 and 10% in 2006.)

32. P.26: par 2 on broadening access to water & sanitation – indicates that this is the most important infrastructure investment for achieving the MDGs. This is subjective.

33. P.26: par 3, part of reason for the decline in proportion of population with access to safe water in urban areas, was the slow increase in investments in urban areas juxtaposed with a rapidly increasing urban population.

34. P.26: par 4, Data reconciliation needed with page 45 on population without access to sanitation was 89%; while on page 45, it is indicated that access to sanitation was 18% (meaning those without access in 2008 was 82%).

35. P.26, par 5 Under Component 3, It is not correct that "very large budget deviations were exposed during the 2008 crisis". The exposure of these was after the fact, in 2009.

36. P.27: The sale of Ghana Telecom is presented as an advance in governance. However, Is the approval by Parliament of the sale of Ghana Telcom an event which reflects progress in good governance. Judging the current debates on the opacity of the deal, and the conclusions by the Ghana Audit Service, this may have to be qualified.[I think the GT sale was not being referred to as an advance in governance but rather as a reflection of reforms (seeking Parliamentary approval for the sale) that occurred in parallel].

37. P.27: It is important to clarify the cause of backlog with the PAC, caused by the court case against the Auditor General. As a matter of fact, this court case remains unresolved. Although it does not impact further processing of the national audits, it does show the weakness of the judicial system in ruling in this seemingly straightforward (but indeed highly politicised) case.

38. P.27/28: Progress on EITI was typically made outside the PRSC/MDBS framework (as is clearly stated by the additional Bank activities in this area). Can we make MDBS/PRSC more relevant in this area, and how could we do this? Such a discussion would also inform a wider discussion on the role of PRSC/MDBS into the oil era. The report could benefit a lot from highlighting lessons learnt.

39. P.27/28 (governance and oil & gas). This sounds remarkably positive, about intentions, commitments, and initiating "far reaching" reforms. Is the situation really this positive?

40. In terms of Transparency International scores, Ghana is just running on the spot, reaching 3.9 in three years in the current decade, but never going beyond it. Moving up one place in the rankings is hardly great progress. Also the scores for 2008 and 2009 are available, so why use 2007 score?

41. Whilst it is true that Cabinet Ministers declare their assets, nothing seems to be done with the information. It is not made public and no one checks that your assets on leaving government are broadly commensurate with what you declared on becoming a minister.

42. P.28 par 3 – it should read launching of broad 'outreach' <u>not</u> reach out

43. P.28 paragraph on decentralization: Some information in the paragraph are slightly misleading:

a. it is not the Local Government Service Act that establishes the Local Government Finance Authority but the Local Government Finance Bill which is currently under review by MLGRD and will be resubmitted to Parliament before recess, ii) The Local Government Service Act was not adopted by Parliament in 2008 but in 2003. In 2008 Parliament adopted only L.I 1931 that provides for the integration of de-concentrated departments and agencies into the RCCs and DAs. As a consequence of this the provisions of LGS Act to transfer the staff to the Local Government Service can be fulfilled.

44. P. 28 paragraph on public sector reform: the Ministry of Public Sector reform was only short-lived as it has not survived the governmental reorganization following the 2008 parliamentary and presidential elections. These institutional changes should be reflected, as part of ensuing actions as is mentioned for other areas.
45. P.29+ "PFM". This section is long, with little critical analysis of 2006-09 progress.
46. P.29, par 1 – sentence 2 – should read the "effects of modernizing the payroll system" not "the efforts to modernize".
47. P.29, par 1 – to Ghana International Trade Fair, add "Company".

48. P.30: On procurement, it is important to note that despite improvements, no other World Bank programme (except DPLs) use in-country procurement systems as of today.

49. P.32: Reports on fiscal outturns, though posted on the MOFEP website have not been regular. If reports are posted regularly on and on time (with 8 weeks lag minimum) it would reduce transactions costs for different partners all having to contact MOFEP for this same information.

50. P.32: "The Government was highly committed to the reform program." This conclusion seems to overstep quite some evidence to the contrary. [Maybe there is further evidence of the strong Government commitment not spelt out in this report. An expansion of this statement may be necessary].
51. P.32/33: Background analysis was indeed extensive. However, we should also say something about the way this information has fed into the PRSC/MDBS processes. To what extent were these documents discussed in the MDBS core group (or related forums), and how did they impact PAF assessment and negotiations? [This extensive analysis could have been made available to the MDBS group during annual reviews, to strengthen the level of dialogue]

52. P.34: It would be helpful to have a paragraph on the sector group architecture and the relationship between sector groups and the MDBS core group.

53. P.35: The complementarity between PRSC and other Bank operations is hardly addressed. However, this issue seems more prominent with increasing sector working group involvement in the MDBS (and PRSC?). To understand the relevance of PRSC, this analysis could be strengthened (and not be limited to Bank programmes alone in areas with major other donor inflows).

54. P.35 (Box): There is no technical annex to be agreed on. There is a base and a performance component (s. Framework Memorandum May 2008). Base tranche is disbursed on a holistic assessment and macroeconomic stability. Performance Component on triggers in the PAF which are the prior actions of the WB PAF. It should be mentioned that WB also signed the FM.

55. P.35 MDBS. Other reviews have concluded that the MDBS process has insufficient dialogue on strategic cross-cutting issues. This is not reflected here – the World Bank is satisfied with the "quality of high-level dialogue on policy choice and implementation"?

56. P.35 (Box 2). There are more than "several" sector groups, and they do not only inform MDBS on issues with macroeconomic and budgetary implications.

57. P.37/38: APRs were supposed to replace any additional DP reporting requirement. However, until today, this has not been the case. It would be interesting to provide an insight into what the World Bank would expect from such a report, so that it can (partly) replace Bank appraisals and assessments. Otherwise, the APR risks to remain an idle PRSP (and hence PRSC) requirement.
58. P.38 "M&E". Seeking a "more refined M&E framework" seems quite weak; the quality of the underlying statistics seems more fundamental, linked to the critical analysis in the previous paragraph about the M&E system.

59. P.38: EGPRC: it is important to note that the second tranche of the emergency tranche was not disbursed in 2009, which does question the 'emergency nature' of the operation. I understand an in-depth analysis is beyond the scope of this document, but the paragraph regarding EGPRC does overstep the issue completely.
60. P.46 Is it fair to commend a "*consistent* reform effort over an extended number of years"? Reform has perhaps been "concerted", but has ebbed and flowed, particularly evident by the fiscal outcome in 2008.

61. P.49: second bullet: Is the IRS really computerised? There should be a comment that major tax reforms are outstanding.

62. P.49: Is there a positive impact of BPEMS?

63. P.51: It would be justified to mention that other DPs are also supporting corrective measures in addition to WB and IMF. There will be no "GPRS III". There will be a "Medium Term Development Plan", or?
64. Minor point: keep the column widths the same, so that readers can see any differences in the text between columns (e.g. Table 2).

65. P.55 DPs particularly questioned the World Bank's engagement with the MDBS process and harmonisation with other DPs during their design of the EGPRC. This is what their representatives at the Board stressed, but it is not mentioned here.

Annex 6. List of Supporting Documents
(in chronological order):

World Bank, Program Document for the Proposed Fourth Poverty Reduction Support Credit, Report No. 35975-GH, May 1, 2006.

World Bank, Program Document for the Proposed Fifth Poverty Reduction Support Credit, Report No. 39657-GH, May 1, 2007.

World Bank, Program Document for the Proposed Fifth Poverty Reduction Support Credit, Report No. 41842-GH, May 1, 2008.

IDA and IMF, Joint Staff Advisory Note, Annual Progress Report for the Ghana Growth and Poverty Reduction Strategy (GPRS II), May 12, 2008

International Monetary Fund, Staff Report for the 2009 Article IV Consultation and Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility, IMF Country Report No. 09/256, August 2009.

World Bank, Country Assistance Strategy, Ghana, Report No. 27838-GH, February 2004.

World Bank, Country Assistance Strategy Progress Report for the Period of FY04-FY07, May 8, 2006.

World Bank, Back-to-Office Report, PRSC-4, May 2006.

World Bank, Back-to-Office Report, PRSC-5, October 2006.

World Bank, Implementation Status and Results Report, Ghana, GH-PRSC 4 DPL, June 27, 2006

World Bank, Implementation Status and Results Report, Ghana, GH-PRSC 5 DPL, August 10, 2007

World Bank, Implementation Status and Results Report, Ghana, GH-PRSC 6 DPL, June 29, 2008

IDA and IMF Joint Staff Advisory Note, “Annual Progress Report for the Ghana Growth and Poverty Reduction Strategy (GPRS II),” May 12, 2008.

World Bank, Country Economic Memorandum, “Ghana: Meeting The Challenge Of Accelerated And Shared Growth” Report No.40934-GH, November 28, 2007

IDA and IMF, “Joint IMF and World Bank Debt Sustainability Analysis,” June 29, 2009.

World Bank, Program Document for the Economic Governance and Poverty Reduction Credit, May 11, 2009, Report No. 47723-GH.

Annex 7: MAP Number IBRD 33411