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GHANA
Country Assistance Evaluation

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Abbreviations and Acronyms

CAE	Country Assistance Evaluation
CAR	Country Assistance Review
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
ESAF	Enhanced Structural Adjustment Facility
FINSAC	Financial Sector Adjustment Credit
GDP	Gross Domestic Product
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
MTEF	Medium-Term Expenditure Framework
NGO	Non-governmental Organization
OED	Operations Evaluation Department
PER	Public Expenditure Review
PSAC	Public Sector Adjustment Credit
QAG	Quality Assurance Group
UN	United Nations
VAT	Value added tax

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April 18, 2000

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: *GHANA – Country Assistance Evaluation*

The Bank's development assistance program in Ghana was evaluated by OED in 1996. The Country Assistance Review (CAR) found that Ghana had made substantial progress during the prior decade in liberalizing trade, reducing inflation and dismantling price and distribution controls, all of which contributed to restoring growth which was also supported by large inflows of concessional assistance. However, the CAR also found that agricultural growth was slower than feasible, fiscal problems were resurfacing, and private savings and investment rates were extremely low, all of which called for a rethinking of development strategy. The findings of the CAR are summarized in Annex A.

This review evaluates the design and implementation of the Country Assistance Strategies (CAS) presented to the Board in 1995 and 1997. During the period covered by the CASs, the poverty rate continued to decline, reaching 43 percent in 1998/99, compared to 51 percent in 1991/92. GDP growth continued its long-term growth trend, averaging 4.3 percent per year, supported, as in the past, by continuing large inflows of concessional aid. Life expectancy and literacy increased. At the same time, the sustainability of growth was threatened by episodes of macro-instability, chronic governance weaknesses and the continuing large role of the state sector all of which dampened private investment. During 1999, for example, a large fiscal deficit emerged as government maintained domestic cocoa prices in the face of sharp declines in the world markets, reflecting the government's failure to withdraw from cocoa marketing in line with previous commitments.

IDA's economic and sector work has concentrated on Ghana's main development objectives and supported the design of the lending program. The project portfolio is among the largest in the Africa Region and addresses many of Ghana's main development objectives. Project outcomes are in line with overall Africa portfolio performance, with 78 percent of the projects which exited from FY95-FY99 rated satisfactory, compared to 70 percent for all of Africa Region. But the overall development effectiveness of operations has been substantially better since the Ghana portfolio rated higher on sustainability (45 percent versus 34 percent), and much higher on Institutional Development Impact (51 percent versus 27 percent). Similarly, the portfolio of ongoing projects is rated as very satisfactory, with only 8 percent of commitments "at risk," of which all are actual problem projects.

IDA has coordinated development assistance by chairing the biennial Consultative Group meetings and through the Special Program for Assistance for Africa. In addition, monthly “heads-of-donor-agency” and regular sector investment program meetings have been held in Accra. They have contributed to improved project implementation. In addition, the government chairs quarterly “mini-CG meetings” in Accra. More recently, Ghana, as a Comprehensive Development Framework pilot country, has taken the lead in donor coordination, with IDA and bilaterals leading donor coordination only in selected areas according to comparative advantage.

The overall outcome of the program is rated satisfactory, balancing successes in reducing poverty and improving social indicators against shortfalls in governance, reducing the role of the state, uneven macroeconomic management and shortfalls in private sector development. Sustainability is rated as uncertain, since growth and poverty reduction have depended on large inflows of concessional aid and improved environment for private sector development depends on improved governance, sound macroeconomic management, and deeper reform of the state sector. Against this background, IDA’s overall impact on institutional development is rated as modest.

Future assistance strategy for Ghana will be within the Comprehensive Development Framework. This implies a stronger focus on improved economic management and public finances and on improving governance; participation of civil society, and private sector development, with IFC and MIGA playing substantial roles. It also implies even stronger partnerships with other donors to support human capital development in health and education, gender equity and social development and enhanced environmental management.

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1. Introduction

1.1 Ghana gained independence from the United Kingdom in 1957, becoming the first post-colonial independent country in Sub-Saharan Africa.¹ After a series of governments in its first decades which promoted socialist policies, a military/technocratic regime which governed from 1982 to 1992 launched a program of market-oriented reforms. In 1992, the country adopted a parliamentary democratic system. The next election is scheduled for 2000.

1.2 OED published a Country Assistance Review (CAR) in 1996, which evaluated Ghana's experience with more than a decade of far-reaching but gradualist reforms supported by Bank Group lending of more than US\$2 billion. The CAR found that much had been achieved: exchange rate and trade reforms had been implemented, extensive price and distribution controls were dismantled, the fiscal system rationalized with a consequent reduction in inflation from 75 percent in the early 1980s to 10 percent in the early 1990s, poverty was reduced, social indicators improved and GDP growth averaged 5 percent. However, the CAR noted the re-emergence of fiscal problems in 1992 related to a long agenda of unfinished reforms in the public sector. It also noted that private sector development was lagging, and that serious environmental issues had not been addressed. The CAR proposed a rethinking of development strategy, with a clearer focus on private sector development, institutional development, and efforts to assist the government to become smaller and more efficient. The CAR also recommended that the Bank provide clear policy analysis as part of an effort to promote broader and more informed participation in public policy debate, to not oversell Ghana as a success story, and to develop improved aid coordination practices.

1.3 This Country Assistance Evaluation (CAE) evaluates developments since 1995 in the context of the CASs prepared in 1995 and in 1997. Lending for FY95-97 reached US\$625 million, and for FY98-00 (as of end January 2000) has to date reached US\$404 million. GDP growth during that time exceeded 4 percent per annum, the poverty rate continued to decline and reached 43 percent by 1998/99 (from 51 percent in 1991/92, and many social indicators improved. While private sector investment increased from extremely low levels, it is still inadequate, constrained by incomplete implementation of reforms to improve governance and redefine the role of the state, and by continuing episodes of macroeconomic instability. The balance of payments, while benefiting from increasing export diversification, remains dependent on large inflows of concessional aid, as does GDP growth. Balancing these, the CAE rates the outcome of Bank assistance strategy as satisfactory, though the weaknesses outlined above require a sustainability rating of "uncertain." Similarly, a modest institutional development rating reflects some sectoral policy and domestic capacity gains combined with limited progress on private sector development and key structural reforms such as cocoa marketing during the 1990s.² A CAS was discussed by the Bank's Executive Directors on March 30, 2000.

¹ Country background is presented in more detail in Annex B.

² The Borrower commented that hasty reform of this sector could lead to its collapse with major adverse consequences for poverty alleviation. This is noted further in paragraph 2.5.

1.4 Most of Ghana's social indicators compare favorably with the averages for Sub-Saharan Africa and all low-income countries (see annex Tables 1 and 2). Ghana has made considerable progress on health indicators since independence. Nevertheless, a recent survey shows uneven progress; for example, many nutritional indicators have not improved in the last five years. The HIV epidemic is in its early phases in Ghana, but about 750,000 are likely to have been infected as of 2000.

1.5 Ghana's economy grew at an average of 4.4 percent per annum between 1992 and 1998. This strong growth record, however, owes more to a large deficit-financed public investment program than to the private sector investment needed for sustainable growth. Although consistent data are not available, the gross fixed investment rate remained static during the 1994-98 period. While private investment increased from extremely low levels, it still was inadequate to sustain growth and only accounted for 50 percent of total investment at the end of the period, with the other half comprising mostly externally-funded public investment. Foreign direct investment, after peaking in 1994/95 (related to privatizations in those years) has declined and turned negative in 1998. Agriculture and services together still contribute about 85 percent to GDP. Between 1992-96, agriculture grew at an average of 3.6 percent per annum and services by 6.7 percent per annum. Throughout the period, industry grew at about the same rate as GDP, with manufacturing accounting for about 10 percent of value added. Ghana's export performance depends critically on cocoa and gold exports, although non-traditional exports have increased substantially in recent years and now comprise about 10 percent of exports. In pursuing sustainable growth, Ghana needs to more carefully evaluate the environmental soundness of its natural resource management policies given the economy's dependence on its arable land, forests, mineral deposits, and hydropower resources.

Table 1.1: Key Economic Indicators

	1991	1992	1993	1994	1995	1996	1997	1998*
Real GDP Growth %	5.3	3.9	5.0	3.8	4.5	4.6	4.2	4.6
Budget Deficit/ %GDP	4.0	10.7	10.8	9.3	6.7	9.5	9.9	8.1
Priv. Sav./%GDP	6.1	6.4	2.3	7.1	9.4	13.7	15.0	16.2
Priv. Inv./%GDP	8.1	4.3	4.9	3.1	4.1	8.2	11.7	11.6
Direct For. Inv. \$mil.	20	22	25	206	259	70	55	-11
Treas. Bill Rate 91 day	29.2	19.4	31.0	29.5	40.5	42.8	40.0	26.8
CPI %	18	10	25	25	60	47	28	19
Cur. Act. BOP/%GDP	-6.6	-8.6	-13.4	-5.1	-2.3	-4.7	-8.8	-3.5
REER Index % change	NA	-10	-25	-18	15	12	7	8

* Preliminary.

Note: Discontinuities in data, especially in private savings, investment and direct foreign investment, make time series comparisons uncertain.

Sources: Ghana: Growth, Private Sector and Poverty, World Bank, 1995 for 1991-93; Policy Framework Papers 1998-2000 for 1994-95 and 1999-2001 for 1996-98 except for Direct Foreign Investment 1994-1998, for which the source was the President's Report for the Second Economic Reform Support Operation, Annex C. Annex Table 2 reports different FDI levels based on less reliable sources.

1.6 Ghana's efforts to achieve macroeconomic stability in the face of incomplete reforms are illustrated by the recent past. To address recurring macroeconomic instability in the mid 1990s, the government launched a partially successful fiscal adjustment plan in 1997 relying on substantial expenditure cuts. Inflation dropped below 20 percent and the debt service ratio declined to 28 percent in 1998, although the real interest rate increased and the real effective exchange rate appreciated. The government moved ahead with unfinished structural reforms by re-introducing the VAT and raising electricity tariffs. The IMF resumed its ESAF arrangement in March 1998 and IDA approved an adjustment credit in June 1998. However, the government had not yet implemented cocoa marketing reforms so that by 1999 the fiscal position deteriorated as government sustained domestic cocoa prices in the face of sharp price declines in world markets, thereby negating much of the efforts of the prior two years.

2. Main Issues

2.1 Ghana, supported by IDA, has sought to reduce poverty and improve social indicators through sustained and broad-based private sector-led economic growth. Ghana has a per capita income of US\$390 (as of 1998), about 20 percent below the average for Sub-Saharan Africa and 25 percent below the average for all low-income countries. While it has made progress, macroeconomic instability continues to hinder private investment and growth, as does incomplete implementation of reforms.

Macroeconomic Instability

2.2 The large fiscal deficits during most of this decade have resulted in high: (i) government borrowing; (ii) rates of broad money growth; and (iii) inflation. Interest rates have fluctuated widely, being negative in real terms for some periods and currently given increasing government competition for savings. This uneven record has hindered private investment.³ All of these problems occurred despite IMF and IDA programs and ample technical assistance from IDA and other sources. The indications of increased fiscal deficits during 1999 are ominous. It will be an important challenge to the government to adhere to its program targets during the run up to the 2000 elections.

Reform Implementation

2.3 Although Ghana has successfully implemented reforms in a number of sectors, the slow pace of reform implementation in key areas impedes growth and poverty reduction and complicates macroeconomic management. An important set of issues concerns the role of the state. The privatization program has lagged, following initial progress in privatizing telecommunications and gold mining in 1994 and 1995, and passage of legislation liberalizing investment for the domestic and export markets. Only

³ The Borrower has requested IDA to undertake a comprehensive study of the reasons for suppressed private sector investment to look at other factors in suppressed private sector development beyond fluctuating interest rates and macroeconomic instability.

25 percent of public enterprises (by value) has been privatized, and recently the program has further slowed, mired in a lack of political consensus. Public sector employment at 600,000 is very large for a country of 16 million, and it far exceeds Ghana's needs. Civil service reform is proceeding slowly. A long-discussed program has been established but not yet implemented to rationalize 175 agencies employing approximately 400,000 staff. One such agency concerns cocoa marketing which remains a government monopoly despite years of promised reform. There has been somewhat more progress in reforming the state's role in the financial sector, where private banks now play the major role in Ghana's banking system, although state-owned banks still retain an important role. Further progress is expected as the largest state-owned banks and insurance companies are slated for divestment, while distressed banks are being restructured.

2.4 Improved governance is essential. First, decentralization is a priority, but progress here has stalled. Second, the government needs to establish a track record of even-handed, timely, and straightforward implementation of the regulatory and legal framework governing sector development in accordance with the rule of law if the benefits of the improved system are to be forthcoming. For example, the government's recent demolition of an almost completed privately-owned hotel, following charges of noncompliance with regulations but without recourse to the legal system, revived suspicions about government's stance towards the private sector. Third, civil service reform is needed. For example, small-scale corruption is reported to be widespread. This reflects too-low civil service salaries, the inevitable result of an oversized public sector and fiscal constraints. Fourth, the privatization program for state enterprises is not proceeding well, and renewed determination is needed if progress is to be achieved. Fifth, distrust is engendered by the public's difficulty in obtaining information concerning the budget.⁴ More generally, government is still engaged in a large number of activities with a large number of public sector employees which drain resources that could be more productively used. All of these concerns taken together have made domestic and foreign investors hesitant to invest in Ghana.

2.5 Government has supported a number of initiatives to address these issues. An important priority is the Medium-Term Expenditure Framework (MTEF) which has been adopted to provide Ministries and Departments with a firmer idea of resource availability thereby allowing them, in principle, to formulate feasible programs and focus on implementation. However, key structural issues need to be addressed if MTEF is to really make a difference. For example, maintaining the government-determined price of cocoa in 1999 has caused an expenditure squeeze in which month-to-month resource availability is uncertain thus undermining much of the utility of the MTEF. It should be noted that the government has implemented some important institutional reforms in cocoa-marketing, and domestic marketing is now subject to more competition. Further liberalization of cocoa marketing is a complex issue, including the need to protect farmers from undue adverse transitional impact. However, the issue has been under discussion for years, during which the issue has been excessive implicit and explicit

⁴ The Borrower noted that information on the Government's budget is published annually in the Budget Statement and quarterly in the Bank of Ghana Quarterly Economic Bulletin.

taxation which suppressed farmers incomes, so that reform is long overdue.⁵ Evaluation capacity development has been the focus of a number of initiatives, including the Public Sector Management Reform Project, but needs to be given higher priority if adequate guidance is to be derived to improve government operations.

2.6 Implementation of reforms to enhance human capital has also been uneven. While substantial progress has been achieved in the health sector, reform implementation has recently lagged in education where illiteracy rates remain too high, and twice as high for women (at 47 percent) as for men. Since the amounts budgeted are already reasonably large, further progress needs to be made in improving the efficiency of service delivery.

2.7 Agricultural development still lags, with growth rates in the sector one-fourth below GDP growth rates, and far below growth rates in other sector, so that high poverty rates in rural areas are not adequately addressed. Although several successful projects supported by IDA and other donors have been developed, these have not yet been a basis for the more broadly-based development programs needed to address the rural poverty issue. An aspect of the rural poverty issue concerns cocoa marketing reforms, discussed above. Sustainability of such gains as have been achieved is in doubt with only 11 percent of Ghana's original forest cover remaining. While the government recognizes the importance of environmental issues, it has thus far addressed the issue more in terms of setting aside land in an extended system of protected areas, a strategy which needs to be complemented by reforms in policies governing wood processing, timber concessions, and enhancing community involvement.

3. IDA's Assistance Strategy

3.1 On July 1, 1999, IDA's active portfolio in Ghana included 28 projects, totaling US\$1,197.4 million (US\$665.4 million undisbursed). The International Finance Corporation (IFC) has 25 active projects with total investment (equity, quasi-equity and loans) amounting to US\$40 million with another US\$12.5 million from participants. Currently, Ghana does not have any guarantees from the Multilateral Investment Guarantee Agency.

Assistance Strategy

3.2 This evaluation covers the period of two Country Assistance Strategy (CAS) papers, presented to the Board in April 1995 and August 1997. **The 1995 CAS** presented IDA's objective to support the government's efforts to reduce poverty through faster growth. Annual growth was to increase to 7-8 percent by 2000. IDA's strategy was to help the government: (i) accelerate action on poverty reduction; (ii) restore and maintain macroeconomic stability; (iii) develop a national program for capacity building with good governance; (iv) foster private sector development in all sectors, especially agriculture;

⁵ While this refers to a suppression of farmers' incomes on average during the past, the Borrower noted that in 1999, the fixed price policy increased farmers' incomes (which is the counterpart of the increased government deficit).

and (v) help create conditions for environmentally sustainable growth. IDA's program comprised aid coordination, economic and sector work (ESW) and lending operations, including adjustment loans, although, as in the two previous CASs, adjustment lending was to be phased out in favor of fast disbursing sector investment lending. A significant contribution to analytical work and project preparation was expected from Ghanaians, with IDA staff acting as facilitators.

3.3 To assist poverty reduction efforts, the proposed ESW included analysis of the linkages between private sector growth and poverty reduction, a social sector strategy review and a gender issues study. New lending operations would include health, education, agriculture, water, and urban environment and village infrastructure projects.

3.4 The 1995 CAS did not provide performance indicators but included triggers for higher lending levels which included a satisfactory macroeconomic program, keeping the privatization program on target as agreed in the FINSAC II and PSAC projects, implementation of cocoa export liberalization by 1996, petroleum sector deregulation by 1996, and improved efforts at poverty reduction as measured through increased non-wage recurrent and development expenditure on basic education and primary health care.

3.5 The **1997 CAS** reviewed performance since the previous CAS. It praised progress in privatization, petroleum deregulation, non-wage social spending and portfolio implementation. However, it noted that much less had been achieved in fiscal stabilization, cocoa export liberalization and public service reform. The CAS opined that IDA had not adapted its style of dialogue quickly to the changing political climate. For example, there had been inadequate work in developing an appropriate consensus within civil society on issues of inflation and fiscal management. Also, while IDA provided analytical and technical policy advice, it did not assist enough in implementation. The 1997 CAS sought to remedy these shortcomings and support the government's development agenda articulated in its report "Ghana: Vision 2020." At the same time, the 1997 CAS substantially reiterated the objectives and strategy outlined the 1995 CAS: poverty reduction based largely on accelerating broad-based economic growth. This would be achieved by restoring macroeconomic balance, promoting increased private investment, especially in agriculture and exports, emphasizing broad-based social and rural development and addressing poverty alleviation directly. The disadvantaged position of women, especially in education, was noted as an issue to be more effectively addressed.

3.6 The 1997 CAS proposed a new implementation strategy. Activities would be decentralized, the resident mission's role would be more client-oriented, with an enhanced policy dialogue and quicker response times. Program ownership by Ghana would be stressed. A resident director would help develop a closer partnership with the government and increase collaboration with other donors and NGOs. Assistance instruments would shift to non-lending services, such as information dissemination to civil society, transaction oriented "just-in-time" technical advice and quick turnaround policy briefs. Formal ESW would concentrate on agriculture, transport, public service reform, the pension system, a poverty assessment update and a private sector assessment. With appropriate progress, and contrary to the 1995 CAS, adjustment lending was expected to rise (justified by the high debt-service burden linked especially to increased

domestic debt, the low level of reserves, and the risk of higher domestic interest rates), and investment lending would increasingly be oriented to sector expenditure programs to support education, health, rural infrastructure, direct poverty alleviation measures and private participation in infrastructure. Protecting the environment and improving it was also an objective. Capacity would be developed at the center and at local government level to monitor impact and enforce EPA standards for mining and manufacturing, and public investment in urban sanitation, drainage, and solid waste management would be increased. IDA would work with IFC and MIGA on advisory services and lending, especially to catalyze foreign direct investment. The CAS reported on the CAR and incorporated many of its proposals but with less than desirable emphasis on effective governance reforms including the need for even-handed implementation of the framework for private sector development. The 1997 CAS provided comprehensive performance indicators for actions, and reported Government's large number of results indicators including macroeconomic (6 indicators), private sector development (7), education (6), health (12), rural development (5), and poverty alleviation (4). While many of the individual indicators are reasonable, the CAS does not offer a guide for using the 40 indicators as a guide to overall progress/success of the program.

Relevance of IDA's Strategy

3.7 IDA's objectives have been consonant with Ghana's stated development agenda since 1995, but **were only partially relevant** as issues of governance and corruption were not emphasized adequately by today's standards (although this was in line with standards prevailing in 1995, if not in 1997).⁶ Emphasizing poverty alleviation and rural development was appropriate as almost half of Ghana's population lived below the poverty line in 1992, mostly in rural areas. Macroeconomic stability remained an important objective since it is a necessary condition for rapid growth and poverty reduction. Emphasizing private sector-led growth was appropriate, given the failures of public sector-led growth in the first two decades after independence. Improvements in public sector capability and better governance were expected to facilitate private sector growth and poverty alleviation, but governance issues were not treated with enough weight to make an important difference.

3.8 IDA's strategy to achieve these objectives was generally relevant, especially in the 1997 CAS. Decentralizing responsibility to the resident mission enhanced responsiveness. The new assistance instruments such as rapid technical, transaction and policy analysis and implementation support are needed in countries like Ghana that lack such capability. Also, sector investment loans that provide coordinated donor support for the government's articulated sector development program could be more effective than several smaller donor funded projects.

3.9 However, the CAS's strategy to improve aid coordination was more problematic. The proposal for an even more active role for IDA could have corresponded to a further derogation of government's responsibilities, adversely affecting ownership and impinging on efforts to improve capacity, although the government did begin to chair

⁶ The Borrower commented that this sounds like a policy of shifting goal posts.

quarterly “mini CG” meetings. Even more problematic was the inadequate focus on improved governance. By extending generally broad support to the government, IDA lost opportunities to dialogue more forcefully on corruption, the need for adjusting the role of the state more rapidly, and the imperative of even-handed implementation of laws and regulations.

3.10 During the last year, with the advent of the Comprehensive Development Framework, IDA’s perspective shifted to a more appropriate role which saw the government, rather than IDA, as the central manager and coordinator of donor assistance. Further, it provided space for government to guide other donors to take a leading role in particular sectors, and the Bank to focus its leadership role in those sectors where it has a comparative advantage. Governance is now being addressed more forcefully, as in IDA’s Second Economic Reform Support Operation.

4. IDA’s Non-Lending And Lending Services

Non-Lending Services

Economic and Sector Work

4.1 Since 1995, IDA has completed several high quality formal and informal reports on Ghana and included Ghana in several regional studies. The average cost of both formally scheduled and unscheduled economic and sector work for Ghana was about 50-60 percent above the average for the Bank and Africa Region. One reason for this high cost was that the work was intensively interactive with the government, as well as being of high quality. Therefore, on balance, the efficiency of the program is satisfactory. In addition, IDA has participated in and/or facilitated important reports done by the government.

4.2 ESW has appropriately emphasized poverty reduction, macroeconomic stability and private sector development. IDA completed an extensive report on poverty in 1995. It provided measures of poverty, including its regional and gender impact. Because poverty rates are much higher in rural than urban areas, and the agricultural sector provides the most employment, improving agricultural productivity and rural livelihood is crucial. Also, investing in health and education confers direct benefits to the poor and enhances long-term economic growth. Finally, the report suggested increasing targeted interventions to assist the neediest and continuing to monitor poverty to provide feedback on the proposed program. A country economic memorandum in 1995 highlighted the nexus between growth, private sector development and poverty reduction, with rapid agricultural growth as the key element. A financial sector update focussed on the detrimental impact of the fiscal deficit on financial sector development.

4.3 During the ESAF period, annual Policy Framework Papers have provided guidance and targets for macroeconomic management, including fiscal and monetary policy. In addition, they have addressed structural and social issues such as agriculture, the financial system, privatization, government operations, infrastructure and human

capital. In 1997, the government published “Ghana-Vision 2020” which was prepared with IDA’s assistance. The report presents a twenty-five year comprehensive development framework with a program of economic and social policies for accelerated growth and sustainable development. IDA also facilitated the preparation of the government’s Public Expenditure Review, following the best practice of assisting government where necessary rather than undertaking the PER. Finally, several research papers focussed on Ghana or incorporating Ghana, have been published by the Africa Technical Department, on the labor market, poverty, schooling, health, technology, agricultural services, small enterprises, and technology.

The Comprehensive Development Framework and Aid Coordination

4.4 Ghana is well positioned to participate fully as a CDF country. Both the government and the Region place high priority on formulating and implementing a high quality CDF, building on a number of initiatives. First, “Ghana Vision 2020” is a long-term holistic vision of development which serves to underpin the CDF, and is an important element in government’s strong ownership. A CDF matrix is also being developed building on a precursor matrix of donors and sectoral participation presented in the 1997 CAS. Further strengthening partnerships is a high priority. Ongoing sector investment operations are one aspect of this approach. More broadly, fourteen government/donor groups have been established to develop strategies and coordinate donor assistance in the sectors, with leadership of the groups residing with government or various donors, depending on comparative advantage. The focus on capacity building is underscored by the Public Sector Management Reform Project among other efforts. A concise set of performance indicators is being developed as part of the CDF program to assess performance and help trigger adjustments in strategy and implementation when needed.

4.5 IDA staff worked closely with the IMF (and the government) in preparing the Policy Framework Papers, monitoring macroeconomic performance and implementing structural adjustment policies. IDA is increasing its collaboration with donor agencies, the UN system and NGOs. As noted above (paragraph 3.9) the government/donor Economic and Finance Coordinating Group has been meeting quarterly, chaired by the Minister of Finance. Meetings with bilateral and multilateral donors also occur under the Special Program of Assistance for Africa. The relationship is strengthened by monthly “heads-of-donor-agency” and regular sector investment program meetings. IDA is a signatory to the United Nations Development Assistance Framework. The 1998-2000 work-plan under this framework calls for harmonizing country programs. IDA staff attend UN Country Team meetings and have focussed on governance, food security, health and education. IDA is also strongly committed to collaborating with NGOs. Several NGOs participate in IDA projects and, through their coordinating organization, provide inputs into IDA’s dialogue with the government. Important donor and multilateral agencies interviewed for this report said they were pleased with the level of cooperation and IDA’s past leadership role.

4.6 The Consultative Group meets every alternate year and IDA has chaired the CG until 1999. A CG was held in Accra in November 1999, “convened” by IDA but with sessions chaired by the Vice President of Ghana, the Minister of Finance, the UN

Resident Coordinator, and IDA. The CG noted that the government's program supported by the IMF remains in effect, it had come under pressure because of declines in both cocoa and gold prices. Although the problems were caused by external factors, the Government acknowledged its responsibility to respond to them effectively. The Government outlined measures to reduce corruption, including making procurement processes more transparent and increasing the use of open tenders. The Government responded to concerns about the slow pace of decentralization by outlining its program to build capacity at the district level. The CG also agreed on the importance of taking action now to address the HIV/AIDS epidemic. The CG noted progress in poverty reduction but also the need to keep this at the heart of the future agenda.

4.7 The 1999 Ghana Client Survey offers useful insights. Most respondents believed that IDA works in partnership with the government. Government officials and research and private sector institutions perceive IDA to have become much more responsive as a result of the decentralization and relocation of the Director to Ghana. IDA's move to sector program lending was viewed positively, particularly in infrastructure. But IDA received low marks for getting projects to implementation quickly and restructuring projects that were not performing well. NGO's rated IDA relatively poorly, however, in working harmoniously with other donors and in not duplicating activities. Improving on this will be an important test for the decentralization.

Box 1: IFC's Operations

IFC has 25 projects in Ghana and its portfolio is the tenth largest in Sub-Saharan Africa. The portfolio includes investments in mining, steel manufacturing, aluminum, plastic products, tourism, packaging, soap, wood products, the financial sector and small and medium scale enterprises. The mining sector accounts for 70 percent of IFC's disbursements and it played a key role in financing Ghana's gold sector. In the financial sector, IFC has investments in two banks and a leasing company. It has a model small and medium enterprise portfolio with thirteen existing projects and four more recently approved. IFC also provides technical assistance to small enterprises, resulting in 50 projects, about 5,000 jobs and US\$60 million in export earnings. Large new projects are expected in power generation and other infrastructure, especially in privatization and health care.

Lending Services

4.8 IDA's portfolio in Ghana is among the largest in Africa. OED evaluated 27 projects which exited the portfolio from FY95 through FY99, of which 78 percent by value had a satisfactory outcome. This is slightly better than average for Africa but in line with the all-IDA average of 77 percent satisfactory. Sustainability, with 45 percent rated "likely," was above average for Africa but slightly below the all-IDA average of 51 percent, while institutional development impact, with 51 percent was rated "substantial," well above the all-IDA average as well as the Africa average. Private sector development and Education/PHN performed poorly for all ratings, multisector/public sector development (including structural adjustment, economic management, and two economic reform support credits) on Institutional Development, and environment, on sustainability. Agriculture, Mining, and Finance were above average for all three ratings. During the

FY94-98 period, the average project completion cost and supervision intensity for Ghana were a few percent below Africa and Bank-wide averages.

Table 4.1: OED Evaluation Findings – Ghana, Africa Region, Bank-wide (Exit FY95-99)

	<i>No. projs.</i>	<i>Disbursement US\$M</i>	<i>Outcome % Satisfactory</i>	<i>Sustainability % Likely</i>	<i>ID Impact % Substantial</i>
Ghana	27	1,064	78	44	51
AFR Region	350	13,029	70	34	27
IDA countries	431	15,121	75	42	30

Source: OED.

Table 4.2: OED Sectoral Evaluation Findings for Ghana (Exit FY95-99)

<i>Sector</i>	<i>Disbursement %</i>	<i>Outcome % Satisfactory</i>	<i>Sustainability % Likely</i>	<i>ID Impact % Substantial</i>
Agriculture	17	87	64	52
Education/PHN	19	50	13	22
Infrastructure	30	85	17	78
Multi/PSM	7	80	80	0
Finance	9	100	100	100
Mining	4	100	100	100
Private	12	0	0	0

Source: OED.

4.9 IDA's portfolio of ongoing projects is rated as very satisfactory. Out of the 23 ongoing projects at end February 2000, only 5 were rated unsatisfactory, representing 8 percent of commitments and 11 percent of the undisbursed balance. All of the projects rated unsatisfactory were projects with actual problems, and no projects were rated "risky" beyond these five projects. Problems among the unsatisfactory projects include shortage of counterpart funds, lack of government commitment, poor project management and procurement. Four of these projects have been restructured and are expected to turn around. Problem projects include basic education, fisheries, public enterprise/privatization technical assistance, one financial sector operation and one private sector development operation. The proactivity index (the percent of projects rated as problem projects 12 months earlier that have since been restructured, closed, upgraded, suspended or partially cancelled) for February 2000, is only 50 percent, compared to the average for all IDA projects of 70 percent. However, this needs to be evaluated against the small number of problem projects in Ghana. Slow disbursement compared with appraisal estimates is pervasive throughout the portfolio. Although the disbursement ratio has improved from 19.3 in FY96 to 28.0 percent at the end of FY99 (compared to Africa at 20 percent and Bank at 18 percent), disbursement lags are over 33 percent for 12 projects and over 50 percent for eight projects. Several projects were reviewed for quality at entry and were found to be satisfactory. QAG quality at entry reviews have recently been done for two projects and indicate satisfactory quality.

4.10 The portfolio has been managed efficiently. The good performance ratings have been achieved while completion costs per project have been kept below Bank-wide and Africa regional averages, supervision intensity in terms of staff years has been less than average for Africa and in line with Bank-wide averages, and direct costs of inputs for lending kept well below the averages for Africa as well as Bank-wide averages. (see

Annex D, Table 7). The average cost per dropped project was substantially (about 50-60 percent) below Africa and Bank-wide averages.

Macroeconomic Management and Private Sector Development

4.11 Between 1995 and 1999, three adjustment credits and eight investment or technical assistance projects were implemented to assist macroeconomic management and private sector development. More adjustment operations were planned, but were suspended while the ESAF was interrupted. Macroeconomic management improvements were supported by two adjustment and two technical assistance credits. The two adjustment operations since mid-1998 successfully supported the implementation of the VAT, increased electricity tariffs, power sector policy formulation, financial sector reforms, and some cocoa marketing reforms (although measures to break the Cocoa Board's monopoly on exports are only to be taken for the 2000/2001 crop season). IDA has provided technical assistance for improving economic data collection and analysis, budget process and procedures, cash management, etc. to enhance macroeconomic management. Despite delays, most project components have been implemented and government capacity in these areas has improved.

4.12 Private sector development was supported by one adjustment operation and several investment operations that included technical assistance components. Privatization of small and medium sized state owned enterprises assisted by these projects was reasonably successful, but sale of three large strategic enterprises required under the adjustment operation has progressed slowly. Even more worrisome, the entire privatization program has now become mired in a lack of political consensus, and further progress in privatizing the remaining 75 percent of state owned enterprises (by value) is problematic.⁷ Some progress has been made, however, in improving the efficiency of state owned enterprises. For example, in 1998 a financial recovery plan was adopted to improve the viability of public utilities. The four other investment projects aimed at private sector development in industry, finance and exports have failed or are failing to meet their objectives. These relatively small credits included many components, making project management and procurement complex. For the future, IDA may focus on regulatory reforms needed for private sector development, with IFC and MIGA taking the lead in specific investments.

Agriculture and Rural Development

4.13 IDA had 10 projects to assist agricultural (including livestock and fisheries) and rural development. Portfolio performance is satisfactory, although two projects are at risk due to a lack of counterpart funding. Importantly, IDA has continued its support for cocoa policy reforms by supporting a closer match between domestic and world prices and promoting private sector competition in marketing and in liberalizing fertilizer marketing. IDA also supported efforts to mainstream improved practices developed

⁷ The Borrower commented that there is a need for rethinking by all of an innovative approach to privatization of strategic assets. Such rethinking should include a review of the form and pace of such privatization under a Parliamentary system of government that demands extensive consultations with all stakeholders as well as the evolution of a potentially durable national consensus.

under successful projects included those which enhance productivity, food processing activities to increase value added and improved marketing. IDA also supported agricultural research across many commodities. To disseminate the results, a nation-wide professional agricultural extension service has been established with IDA assistance. Finally, IDA has also supported private sector diversification into oil palm, rubber, pineapples and other fruit and assisted traders in coffee, cotton and fruit.

4.14 IDA's livestock project laid a solid foundation for increased milk, meat and egg production with improved productivity. IDA assisted in reorganizing the department of fisheries and implementing policy reforms to optimize the use of resources and develop inland fisheries and aquaculture. IDA projects have also been directed at poverty alleviation in rural areas by financing basic village infrastructure and improving capability at the district level. A new project to protect, rehabilitate, and sustainably manage land, forest and wildlife resources has just come on stream.

4.15 With IDA's support, Ghana's agricultural sector has grown at about 3.5 percent per annum. The growth rate could have been higher in a better macroeconomic environment with better access to investment funds and lower interest rates, and improved competition, as well as reduced gender disparity in access to inputs. Crops needing long gestation periods such as rubber, cocoa, oil palm, did not attract investment, especially large investments in commercial agriculture, with obvious adverse implications for the longer-term growth rate of the economy. Given the large role played by agriculture in the economy and the preponderance of poverty in rural areas, improved productivity in the sector is a high priority, as would be improved indicators to track productivity trends and guide program formulation.

Education and Health

4.16 Over the years, IDA has contributed to changing education policy in Ghana, with Education Sector Adjustment programs playing a key role in reforming the system from cross-country boarding schools to community-based schools and promoting continuing improvements in the new system. However, sustainability of project achievements is a concern. None of the four projects which exited from FY95-99 and were reviewed by OED were given likely sustainability ratings, even though three out of four of these projects had satisfactory outcomes. Problems included lack of counterpart funding, and, relatedly, borrower commitment. Recent education projects have assisted all levels of education including primary schools, adult literacy (a special need for women), vocational training and tertiary education. However, the important basic education sector improvement program has not fared well. Its objectives are to assist the government to achieve free compulsory universal basic education and improve the quality of education services by: (i) strengthening school supervision; (ii) improving teacher training; (iii) improving the curriculum; and (iv) establishing systems for assessing student performance. However, delays in implementation and disbursement have occurred because of poor donor coordination and overlap with an earlier project. An underlying reason has been lack of government capacity to manage the program. Improved performance is needed both to address overall performance in the sector, and to reduce female illiteracy which is about twice as high as male illiteracy.

4.17 In contrast, a health program supported by IDA as part of a pool of 17 donors is progressing smoothly after an initial delay in reaching agreement with the government on one aspect of the program. The program aims to provide universal access to basic health services while improving the quality of those services. The program undergoes an annual independent implementation and financial review that is presented to the Health Summit, which oversees the program. Here, it will be important to vigorously address the issue of HIV/AIDs. The recent CG was informed that about 750,000 Ghanaians were already infected by the year 2000. The latest standardized data available from the United Nations indicates that as of the end of 1997, there had been 180,000 cases of aids, which, with an adult population of 8.4 million, implies an infection rate of 2.4 percent.

Infrastructure

4.18 Infrastructure, consisting of power, urban infrastructure, water and sanitation, and transport projects, comprises the largest sector by value in IDA's portfolio. All current projects are progressing satisfactorily although delays in counterpart funds are adversely affecting one project. The power projects aim to enhance electricity supply to meet overall demand and provide electricity from the national grid to small urban centers and rural areas. Two urban infrastructure projects aim to improve basic infrastructure and urban services in secondary cities and strengthen the technical, financial and managerial capacities of local government. Water and sanitation projects aim to improve sanitation facilities in Ghana's five main cities and provide safe water and sanitation facilities in rural areas and small towns. One transport project is assisting in maintaining roads, improving financial management and introducing user charges. IDA and the government plan to move to a program support mode of assistance for road development. Another transport project aims to improve sector policy and management and quality and efficiency of urban transport services. Private sector participation in infrastructure began with telecommunications in 1996, and several other enterprises, such as Ghana Water and Sewerage Company and Ghana Ports and Harbours, have been outsourced for divestiture.

5. Overall Assessment

Outcome and Sustainability

5.1 The outcome of IDA's country assistance strategy and services is judged by the relevance of their development objectives and their efficacy and efficiency in achieving those objectives. As elaborated in paras 3.7–3.9, IDA's development objectives and strategy to achieve them were generally relevant with the notable exception of an inadequate focus on governance and corruption. IDA's services were performed at a reasonably high standard, except for projects aimed at private sector development, which did not perform satisfactorily, and in basic education, where aid coordination and the quality of government project management in general were not satisfactory. Despite the strengths of the program in sectors such as health, agriculture and infrastructure, some important development objectives were not achieved. Macroeconomic stability and inflation targets were not achieved which inhibited private investment and constrained

growth. Improvements in the fiscal balance in 1997 and 1998 were reversed in 1999. Private sector investment has been furthered dampened by shortfalls in governance and by corruption in some areas. On the positive side, there has been sustained progress in poverty reduction, with the poverty rate falling from 51 percent in 1991/92 to 43 percent in 1998/99, though the rates are still very high and exceed 50 percent in rural areas. Project performance has been average in terms of outcome and sustainability but above average concerning institutional development.

5.2 IDA's non-lending services were generally consistent with the strategy outlined in the two CASs being reviewed and address many of Ghana's main development issues. Formal and informal economic and sector work was performed at a high standard, although a collaborative and sometimes innovative approach raised costs correspondingly. IDA's facilitation of the government's "Vision 2020" is notable. Several sector strategies, such as for agriculture, are also being prepared cooperatively. Relations with the government have improved under the current resident director.

5.3 IDA's lending services were generally consistent with its strategy as outlined in the two CASs, although they were less focussed than desirable on the main development issues: macroeconomic stability, the role of government, and private sector development (paras 4.1–4.8), and instead emphasized infrastructure. Thus, lending services were not as relevant as they might have been. While the overall portfolio performance based on OED evaluations has been in line with averages for sub-Saharan Africa and all-IDA averages, an unfortunate exception concerns projects to promote private sector development, a very high priority. IDA has restructured projects when implementation difficulties surfaced or situations changed. A resident mission with more authority has helped IDA be more responsive to client needs and problems. IDA has also initiated sector program support credits where donors pool funds to assist the government implement an agreed program. This approach could result in strengthened government ownership and a more comprehensive sector program. Indeed, these program support credits should facilitate implementing the Comprehensive Development Framework in Ghana. Since many projects are now disbursing slowly, the new approach should also help correct underlying problems including unrealistic expectations at appraisal, project management, procurement problems and a lack of counterpart funds. The lack of counterpart funds in a number of projects suggests that the government has not been able to sufficiently prioritize its expenditures within a budget constraint, nor adhere to policies conducive to setting realistic overall budgets. Improved operation of the MTEF, cocoa marketing reforms and a clearer priority on macroeconomic stability ought to help address this issue. All of these factors together should improve the efficacy of the assistance program.

5.4 Despite its partnership role and large lending program, it is unfortunate that IDA could not persuade the government to maintain fiscal discipline, although this is clearly a shared task with the IMF. Indeed, the significant progress made towards macroeconomic stability following 1997 occurred at the same time as the cessation of support from IDA and the IMF in 1996 and early 1997 signaled by the interruption of the IMF's ESAF program and IDA's withholding of adjustment loans. An objective of the CDF is allow clearer ownership by government of an appropriate program, thereby reducing or eliminating the need for such interruptions in assistance in the future.

5.5 Although IDA's assistance has not met some important objectives, Ghana has performed better in terms of growth than virtually every comparator country or group of countries, except Malawi.⁸ Aid to Malawi, however, averaged almost 150 percent of its gross domestic investment compared with 55 percent for Ghana. However, as noted above, growth has been driven by public sector expenditures financed to a large extent by domestic borrowing and foreign aid. Ghana is also one of a small set of countries in Africa with sustained and substantial poverty reduction. Would Ghana have performed better without IDA involvement or with a different mix of IDA activities? This is a much harder question to answer. IDA withheld adjustment lending from mid-1996 to mid-1998. Ghana's macroeconomic performance improved over this time. But IDA's total withdrawal would have deprived Ghana of policy advice and financial resources that probably would have resulted in lower growth rates. After all, IDA's assistance was instrumental in Ghana's successful economic performance between 1983 and 1991, and in some sectors since then. However, IDA might have focussed more on key issues such as macroeconomic stability and governance. Despite these shortcomings, IDA has in general promoted a long-term holistic vision of development in line with CDF principles. It has also increasingly supported government in its efforts to manage donor assistance according to comparative advantage, another principle of the CDF. The outcome rating is a balance between positive aspects including a good GDP growth record, sustained poverty reduction, a relatively good performance in a number of sectors and a good portfolio performance, on the one hand, shortfalls in the important areas of macroeconomic performance, private sector development, and governance. Since the weight of performance is in the positive aspects noted above, **the outcome of IDA's assistance to Ghana during 1995-1999 is rated satisfactory.**

5.6 **However, the sustainability of progress towards Ghana's main development objectives remains uncertain.** Significant reductions in poverty will only occur with sustained high rates of private-sector-led growth and government implementation of programs in appropriate sectors such as health, education, and the environment. Until private investment increases, growth will probably not be strong enough to have a significant impact on poverty. Improved private sector investment will depend substantially on the government's ability to improve fiscal discipline through the 2000 election period and on its even-handed application of laws and regulations. Its past track record of fiscal excess during election years does not provide grounds for optimism. Improved governance is also needed. Thus, sustained macroeconomic stability remains uncertain until after the elections.

Institutional Development Impact

5.7 IDA has supported institutional development through technical assistance credits and technical assistance components in most projects. This assistance has sought to enhance the capability at the ministry, local government and district levels. OED rated institutional development impact as modest in 50 percent of projects reviewed. Developing capability is a long-term process, making it difficult to judge success during

⁸ Between 1990 and 1997, Ghana grew at an average per annum rate of 4.2 percent, Cote d'Ivoire at 2.5 percent, Kenya at 2.3 percent, Malawi at 4.6 percent, Zimbabwe at 2.7 percent, Sub-Saharan African Countries at 1.9 percent, and Low-Income Countries at 3.8 percent.

one project period. In addition, high expectations can affect judgements on rating institutional development impact. As Ghana has started at a relatively low base, building capability is likely to take some time. The government's ability to produce a comprehensive report such as "Vision 2020" suggests significant progress. Thus, taking a longer view, and considering the overall effect of all projects, **IDA's assistance for institutional development has probably had a modest impact.**

IDA and Borrower Performance

5.8 IDA services were consistent with its country assistance strategy. Generally, ESW and projects were identified well, except in the area of private sector development. The borrower completed several economic reports and contributed to project preparation. Borrower commitment to projects in infrastructure, health, agriculture, and other sectors was generally strong, but there are unfortunate exceptions in the key areas including public sector reform, education and private sector development. Judging from portfolio performance, IDA staff generally appraised projects thoroughly. While project management was inadequate in some cases, especially, for example, education, overall project implementation was satisfactory. Delays in implementation have occurred because of poor project management, a lack of counterpart funds and procurement procedures. When design flaws or other problems surfaced during implementation, IDA supervision staff responded flexibly and restructured the project. The challenge is to broaden this assistance strategy to more effectively address issues of governance.

5.9 Ghana is increasingly pursuing its development in terms of the key CDF principles. With "Ghana Vision 2020" it has developed a long-term holistic vision of development. It is working with donors to manage assistance more effectively, taking the lead in allocating donor leadership by sector according to comparative advantage, with an increasing focus on capacity building as in the Public Sector Management Reform Project. Finally, a concise set of performance indicators are being developed to assess performance and trigger adjustments in implementation and strategy as needed.

6. Implications For Future IDA Assistance

6.1 As a Comprehensive Development Framework (CDF) pilot county, Ghana has a special opportunity to pursue an improved development strategy. IDA should support this effort as follows:

- Ghana's reputation as a sustained reformer is merited in a number of sectors, but shortfalls need to be recognized in key areas of macroeconomic stability, governance, reform of the state sector and private sector development. As IDA supports Ghana's reform efforts, it should focus more clearly on these key areas than it has in the past by concentrating lending activities in these sectors and

conditioning the size of the lending program more specifically on improved implementation of agreed programs.⁹

- IDA also needs to develop its partnership with the private sector by listening more carefully to the private sector and working collaboratively to support reforms. The private sector should be more involved in designing and implementing projects. IFC should participate fully in these endeavors.
- In line with the CDF priorities, an agreed concise set of sustainability indicators would be valuable to better assess progress and to guide program implementation. These indicators could encompass, among others, growth, stability, private sector development, and agricultural productivity. The indicators themselves should be evaluated and revised regularly to ensure that they provide timely and effective information.
- As sector investment lending proceeds in education and health, and, in line the CDF, perhaps expands to other sectors, the issue of monitoring performance and accountability becomes even more of a priority. Clear performance indicators which effectively guide implementation should be agreed and implemented. Concerning education, one such performance indicator should address the reduction of gender disparities.
- HIV/AIDs is a priority issue. While the recent CG meeting supported government's intentions to address the issue, there was wide agreement that more needs to be done. This clearly merits IDA's full support.

Box 6.1: Good Practices

Capacity building and partnership. IDA has contributed to capacity development by facilitating the Government's preparation of the analytical reports that guide policy. In 1997, the Government published *Ghana-Vision 2020* with IDA's help. It presents a 25-year comprehensive development framework for accelerated growth and sustained development. The first five-year segment provides medium-term objectives and sector strategies based on inter-linked development themes. The detailed sector strategies and investment programs are being developed cooperatively. IDA also facilitated the Government's preparation of a Public Expenditure Review to assist in improving fiscal management.

Sector program loans. IDA has initiated sector program support credits for which donors pool funds to assist the Government in implementing an agreed program. This "common pool" approach could result in more comprehensive sector programs and stronger government ownership. Respondents to the Ghana Client Survey 1999 viewed the sector program lending positively. Sector program credits will also facilitate implementation of the Comprehensive Development Framework in Ghana.

⁹ The Borrower questioned whether such an approach would be in line with the spirit of the recent discussions in Libreville.

Ghana Country Assistance Review

The Country Assistance Review (CAR), published in 1996, evaluated Ghana's experience with more than a decade of a far-reaching but gradualist reform program, during which time the Bank Group lent Ghana US\$2 billion, of which, US\$1 billion for adjustment operations. Much had been achieved. Exchange rate and trade reforms played central roles, as did the dismantling of extensive price and distribution controls. The fiscal situation was rationalized, and inflation decreased from more than 75 percent in the early 1980s to 10 percent in the early 1990s. Poverty was reduced and social indicators improved. GDP growth averaged about 5 percent in the previous decade.

However, fiscal problems reemerged in 1992, and a long agenda of unfinished adjustment was identified. Performance was found to be disappointing in private-sector development, public enterprise restructuring, civil service reform, agricultural development, and privatization. Total private sector savings and investment was found to be extremely low. And even continuation of GDP growth at the same rate would have required some 35 years to reach US\$900 per capita.

The CAR proposed a rethinking of development strategy, in the context of working towards a shared vision and more robust initiatives which would lead to breakthroughs rather than continued gradualism. For its part, the CAR recommended that the Bank focus on fostering private sector development, promoting institutional development, helping the government to become smaller and more efficient, and in elucidating policy analysis and options to promote enlightened public debates on key policy issues among wider constituencies.

The CAR noted the absence of an agreed set of core sustainability indicators for Ghana, and suggested that the 1995 CAS might usefully incorporate a set for purposes of options analysis, policy dialogue, and performance monitoring, supplemented by indicators of governance-cum-institutional development indicators and more micro level indicators of attitudes and behaviors.

Finally, the CAR cautioned on the need for the Bank to:

- reach out, and listen to, broader constituencies in Ghana;
- develop a more strategic approach to institutional development and technical assistance;
- get at the real causes of inadequate expenditure management;
- beware of the downside of excessive aid dependency;
- not oversell Ghana as a success story; and
- develop improved aid coordination policies and practices.

Annex B**Country Background****Political and Social**

1. Ghana gained independence from the United Kingdom in 1957, becoming the first post-colonial independent country in Sub-Saharan Africa. Between 1957 and end-1981, it experienced nine changes of government, including four military coups. Between 1982 and 1992, a military technocratic regime ruled Ghana and launched market oriented economic reforms. In 1992, the country adopted a parliamentary democratic system and has held two multiparty elections, both won by the National Democratic Congress (NDC). In recent years, Ghana has scored poorly in international corruption surveys, making it a growing political issue. The next election is scheduled for 2000.

2. In 1998, Ghana had a population of 18.4 million, growing at 2.6 percent per annum. Most of Ghana's social indicators compare favorably with the averages for Sub-Saharan African and all low-income countries (see Annex D, Table 1). The incidence of poverty fell from 51 percent in 1991/92 to 43 percent in 1998/99, mainly in rural areas. Until the 1970s, Ghana had among the most highly developed education systems in the region. It declined after 1975, along with the rest of the economy. Recent data show that 47 percent of females and 24 percent of males over age 15 are illiterate. Ghana has made considerable progress in health since independence, with improvements in life expectancy and infant mortality. Only 60 to 70 percent of the population, mostly in urban areas, have easy access to health services, however. A recent survey shows that many nutritional indicators have not improved over the past five years. The preponderant reasons for poor health are communicable diseases (malaria, respiratory infections and diarrhea), under-nutrition and poor reproductive health. The HIV epidemic is in its early phases in Ghana, but about 750,000 Ghanaians are expected to have been infected by 2000.

Economic

3. In 1998, Ghana had a per capita income of US\$390, about 20 percent below the average for Sub-Saharan Africa and 25 percent below the average for all low-income countries. It ranks among the world's largest producers and exporters of cocoa and also exports minerals, including gold. Poor economic management during the 1970s and early 1980s led to a protracted economic decline. Policy makers imposed a range of administrative controls on prices, imports, foreign exchange and the distribution of goods and services. In addition, expansionary fiscal and monetary policies, high inflation and an overvalued exchange rate caused a substantial real appreciation of the currency, leading to external payments imbalances.

4. Since 1983, the government has implemented a gradualist adjustment strategy under the Economic Recovery Program (ERP) supported by the IMF and IDA. It succeeded in reversing the profound economic decline suffered in the preceding decade. Initial efforts centered on reducing budget deficits through enhanced revenue mobilization. Fiscal revenues rose from 6 percent in 1983 to 15 percent of GDP in 1991, permitting increased public investment and lower fiscal deficits. Both fiscal and

monetary restraint brought inflation down from a peak of 142 percent in 1983 to 10 percent in 1991. Structural reforms focused on removing price controls, liberalizing the trade and foreign exchange regimes and simplifying the regulations for investment. The government also began to privatize state owned enterprises and restructure the financial sector.

**Ghana: Country Assistance Evaluation
Management Action Record**

<i>Major OED Recommendations</i>	<i>Preliminary Management Response</i>
Sustainable poverty reduction and growth require improved private sector development. Major issues to be addressed by the government include macroeconomic instability, the large role of the state, and governance, including both corruption and uneven implementation of laws. The size of the lending program should be very clearly conditioned on progress in these areas.	The new CAS is focused around the three themes of raising growth, reforming the role of the state and implementing the strategy more effectively. There is a renewed commitment to helping improve the policy framework for the private sector, and working more directly on the governance framework.
IDA/IFC/MIGA need to broaden and deepen private sector participation and bring a broader range of views to the policy dialogue with government, building on past efforts and incorporating these as a regular ongoing feature of the reform program.	Two primary activities involve increased private sector participation especially in infrastructure (a CAS trigger), and continuing to improve the framework for dialogue, with the private sector and civil society.
To improve monitoring and evaluation, a concise set of indicators needs to be developed and used to guide reform implementation. These need to be few enough give meaningful guidance on overall implementation.	For the new CAS, and based on the CAE's preliminary recommendations, six core indicators and ten "auxiliary" indicators have been identified. The Government has agreed with these and will use the same ones itself.
Given agriculture's large role in the economy and the preponderance of poverty in rural areas, improved productivity in the sector is a priority. Progress has been especially lacking in crops needing long gestation periods. To raise the growth rate, more competitive input markets are needed, as well as reduced gender disparity in access to inputs.	Raising agricultural productivity is key and management fully accepts the need to focus on this. The new Agricultural Services Sector Investment program is the core of management's initiative in this area, but this will require constant attention. The program does not have a specific gender focus, but it does prioritize those crops which are the focus of women farmers (mostly foodcrops).
The large gender gap in education needs to be reduced, as does the overall performance of the basic education project. IDA needs to better impress on the government the need not to fall further behind in this area, and donor coordination needs to be improved to enhance the effectiveness of ongoing efforts.	Education remains a primary area of frustration and concern, and management will continue to try to improve sector management. Improving girls education is a well-accepted policy target, but implementation of that policy is lagging and will be a continuing focus of management's attention.
About 750,000 Ghanaians will likely have been infected by HIV by 2000, although the epidemic is estimated to still be in its early stages. A major effort is needed to contain this disaster.	Major attention is being given to HIV/AIDS, and the first explicit operation will be presented to the Board by mid-year. There is a great opportunity to prevent the epidemic from spreading to proportions seen in Southern Africa, but this is also a great challenge. The Bank is working closely with colleagues in the international partnership (UNAIDS) in this regard.

Annex D: Statistical Information

Table 1: Ghana Social Indicators

Table 2: Ghana at a glance

Table 3a: Ghana – Key Economic Indicators

Table 3b: Ghana – Comparative Economic Indicators, 1990-97

Table 4: Ghana – ESW List since January 1990

Table 5: OED Summary Ratings for Ghana, FY95-99

Table 6: Ghana – World Bank Project Ratings, FY88-FY99 (Sorted by Sector)

Table 7: Country Assistance Cost Indicators

Table 8: Bank's Senior Management for Ghana Since 1990

ATTACHMENT

March 29, 2000

Report from CODE

Committee on Development Effectiveness

Ghana: Country Assistance Evaluation

1. The Committee on Development Effectiveness met on March 22 to discuss the report *Ghana: Country Assistance Evaluation* (CODE2000-14) prepared by the Operations Evaluation Department (OED). The Committee expressed appreciation for the candid assessment of the Bank Group's assistance to Ghana since 1995 and noted that the report would be a useful input into the Board discussions on the Ghana CAS and the Ghana Development Strategy for Poverty Reduction on March 30, 2000. The Committee broadly agreed with the recommendations and was pleased to hear that Management had taken the CAE's findings into account in the preparation of the CAS.
2. OED last evaluated the Bank's Assistance program in Ghana in 1996. The current review evaluates the design and implementation of the 1995 and 1997 CASs. Ghana is a CDF pilot country and its project portfolio is one of the largest in Africa. The review found that progress has been made in a number of areas: the overall outcome of the program was rated satisfactory; the poverty rate has decreased from 51 percent to 43 percent; and health and social indicators improved with life expectancy and literacy increasing. However, Ghana still faces major challenges in the key areas of macroeconomic stability, governance, reform of the state sector and private sector development. Weaknesses were also identified in the Government's effort to overcome implementation constraints in decentralization and capacity-building. The report recommends that future IDA support should focus more clearly on these areas than it has in the past; partnership with civil society and the private sector should be expanded to support reforms; a set of sustainability indicators to monitor progress and guide program implementation should be agreed; and HIV should be seen as a high priority issue.
3. The Committee raised a number of issues, which are pertinent to the CAS discussion. These are highlighted below.
4. ***Pace of Reform.*** The Committee expressed concern about the OED findings that although Ghana has successfully implemented reforms in a number of sectors, the slow pace of reform implementation in key areas impedes growth and poverty reduction and complicates macroeconomic management. While acknowledging the fragility of economic recovery and economic reform in the face of political pressures and external shocks, the Committee raised questions about the overextended role of the public sector, the extent to which the Government owns the reform program, the lack of counterpart funding, and the effectiveness of conditionality in promoting reform. Management said that the current CAS includes triggers agreed with the Government which address these issues.
5. ***Privatization and Private Sector Development.*** The Country Assistance Evaluation indicates that while some progress has been made in privatizing small and medium-sized state-owned enterprises and in improving the efficiency of state-owned enterprises, Ghana's privatization program has now become mired in a lack of political consensus, and further progress in privatizing the remaining 75% of state-owned enterprises is proving to be problematic. While acknowledging the difficulties inherent in the situation, the Committee broadly agreed with the report's recommendation to expand private sector development. It concurred with OED that IDA should develop its partnership with the private sector by listening more carefully and working more collaboratively to support reforms. Management said that the current CAS is a joint Bank Group Country Assistance Strategy with the full participation of IFC and MIGA. Each

March 29, 2000

institution will make a significant contribution to enhancing private sector development in Ghana. Furthermore, the issue of privatization will continue to be a major aspect of the dialogue between the Government and the Bank and the Fund.

6. The need to address privatization issues within the wider context of regional integration was also mentioned. Management said that a regional assistance strategy was being developed.

7. **Fiscal Discipline.** The Committee noted that the failure of government to adhere to fiscal discipline, given the large program and consistent Bank support in Ghana raised a number of worrisome issues regarding the role and impact of Bank assistance in Ghana. Management explained that the fiscal deficit in 1999 was largely due to the Government's deliberate decision not to withdraw from cocoa marketing but to slash the export tax to maintain the level of revenue of the cocoa producers, a decision which Management supports because of its impact on reducing poverty. In addition, Management said that maintaining fiscal discipline is a key challenge, particularly leading up to the 2000 election and extra attention is being paid to the adherence of fiscal targets within the CAS.

8. **Government Role in Cocoa marketing.** The Committee was especially concerned with the stalled progress in dismantling the government monopoly of cocoa marketing and the slow implementation of cocoa market reforms. The view was expressed that the CAE did not take into full account political realities including the need to build trust and consensus for reform in light of the mistrust between farmers and the private sector buyers created by past attempts to reform this sector. Management indicated that the base case scenario in the CAS should be based on implementation of agreed processes in this area. Since Ghana is a CDF pilot country, the decision has been made to follow the pace established by the Ghanaians, provided there is movement.

9. **Decentralization and Capacity Building.**

The Committee agreed that improved governance is essential and in that context, decentralization is a priority. Although it expressed concern about the OED finding that progress in this area has stalled, the Committee acknowledged that further progress would require a major effort in capacity building at the district levels as well as addressing the urban-rural wage differentials.

10. **IDA Portfolio.** The Committee broadly supported the focus of the IDA strategy and highlighted a number of specific issues across sectors. The Committee welcomed the progress that had been made in the health sector and welcomed the call for a priority focus on HIV/AIDS. The Committee was concerned about the persistently high illiteracy rates, especially with regard to women and noted the need in all sectors to focus on the issues of gender disparities. Management agreed with the Committee's concern for increased attention to gender in Ghana. The Committee raised a number of issues with respect to the portfolio and disbursement rates and how these were being impacted by the decentralization of the Bank's program for Ghana. Regarding IDA portfolio performance, the Committee was concerned that while most projects were rated satisfactory in terms of outcomes and institutional development impact, overall they were rated lower than the IDA average with regard to sustainability. This was especially the case in the area of Education and Population, Health and Nutrition (PHN). The Committee welcomed the findings of a QAG quality at entry review of a number of projects all found to have satisfactory ratings, but raised concerns regarding the slow disbursement ratios and disbursement lags of over 33 percent. Management noted that the lags were at or better than the Bank average and that overall disbursement ratios had improved from 22 percent in 1997 to 30 percent in 1999. Further the portfolio had been pruned from 34 to 23 projects and efforts were underway to evaluate projects more stringently. Lastly the Committee welcomed the findings that the location of a Country Director in the

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field with more authority appeared to have increased the Bank's response to client's needs especially with regard to aid coordination.

11. ***Performance Indicators.*** The Committee emphasized the importance of developing a concise set of agreed indicators for performance and sustainability, including poverty indicators. The importance of evaluation capacity development was highlighted in this context.

12. ***Issues for Further Consideration.*** The Committee noted that some of the issues raised -- such as the role of Bank assistance and conditionality within the context of the CDF and PRSP's, the Bank's approach to privatization in countries with weak private sectors -- will need to be taken up in other contexts.

Neil Hyden, Acting Chairman

Table 1: Ghana Social Indicators

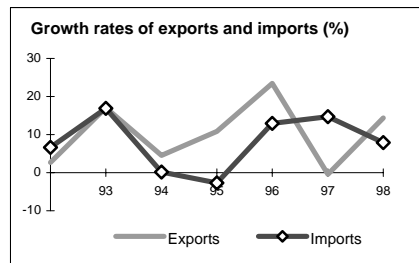
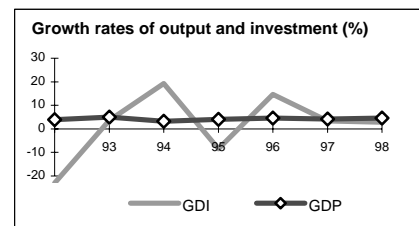
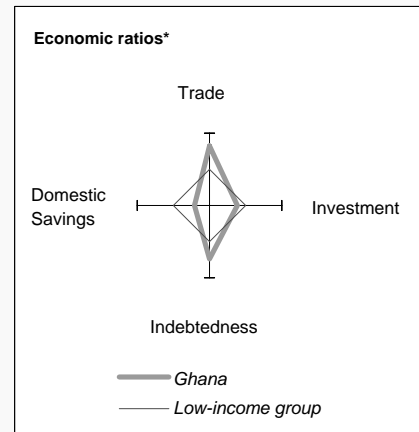
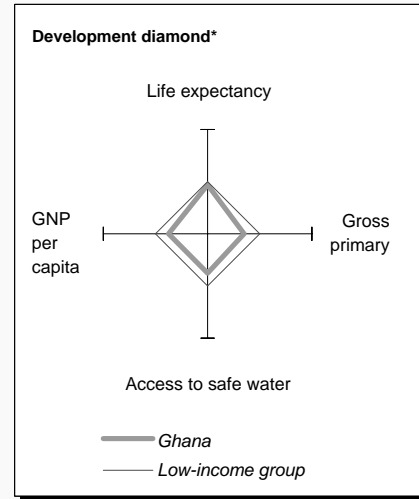
	Latest single year			Same region/income group	
	1970-75	1980-85	1992-97	Sub-Saharan Africa	Low-income
POPULATION					
Total population, mid-year (millions)	9.8	12.6	18.0	612.4	2,035.6
Growth rate (% annual average)	2.6	3.2	2.2	2.2	1.7
Urban population (% of population)	30.1	32.3	36.9	32.3	28.4
Total fertility rate (births per woman)	6.6	6.5	4.9	5.5	4.0
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	31.4	..	..
Urban headcount index	..	..	26.7	..	..
Rural headcount index	..	..	34.3	..	..
INCOME					
GNP per capita (US\$)	310	360	390	510	350
Consumer price index (1995=100)	0	7	171	118	122
Food price index (1995=100)	..	8	136	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	32.7	..	..
Lowest quintile (% of income or consumption)	..	..	8.4	..	..
Highest quintile (% of income or consumption)	..	..	41.7	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	2.9	2.5	1.0
Education (% of GNP)	5.9	2.6	..	4.3	..
Social security and welfare (% of GDP)	..	..	..	..	..
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	..	..	..	..
Male	..	..	..	..	..
Female	..	..	..	..	..
Access to safe water					
<i>(% of population)</i>					
Total	35	..	65	47	69
Urban	86	..	88	74	80
Rural	14	..	52	32	66
Immunization rate					
<i>(% under 12 months)</i>					
Measles	..	1	59	58	74
DPT	..	19	60	53	76
Child malnutrition (% under 5 years)	..	..	27	..	..
Life expectancy at birth					
<i>(years)</i>					
Total	50	54	60	51	59
Male	48	52	58	49	58
Female	52	56	62	52	60
Mortality					
Infant (per thousand live births)	108	90	66	91	82
Under 5 (per thousand live births)	186	157	102	147	118
Adult (15-59)					
Male (per 1,000 population)	459	400	278	428	274
Female (per 1,000 population)	377	334	226	375	255
Maternal (per 100,000 live births)	..	1,000	..	..	..

Table 2: Ghana at a glance

9/7/99

	Ghana	Sub-Saharan Africa	Low-income		
POVERTY and SOCIAL					
1998					
Population, mid-year (millions)	18.4	628	3,515		
GNP per capita (Atlas method, US\$)	390	480	520		
GNP (Atlas method, US\$ billions)	7.2	304	1,844		
Average annual growth, 1992-98					
Population (%)	2.6	2.6	1.7		
Labor force (%)	2.7	2.6	1.9		
Most recent estimate (latest year available, 1992-98)					
Poverty (% of population below national poverty line)	31	..	..
Urban population (% of total population)	37	33	31		
Life expectancy at birth (years)	59	51	63		
Infant mortality (per 1,000 live births)	69	91	69		
Child malnutrition (% of children under 5)	27	..	..
Access to safe water (% of population)	56	47	74		
Illiteracy (% of population age 15+)	36	42	32		
Gross primary enrollment (% of school-age population)	76	77	108		
Male	83	84	113		
Female	70	69	103		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1977	1987	1997	1998	
GDP (US\$ billions)	3.2	5.1	6.9	7.5	
Gross domestic investment/GDP	11.1	10.4	24.1	22.9	
Exports of goods and services/GDP	10.5	19.7	24.0	26.7	
Gross domestic savings/GDP	10.0	3.9	9.8	13.2	
Gross national savings/GDP	9.6	5.6	15.4	19.4	
Current account balance/GDP	-4.5	-4.4	-11.1	-6.6	
Interest payments/GDP	0.5	1.1	1.8	2.0	
Total debt/GDP	33.4	64.6	92.2	92.0	
Total debt service/exports	3.7	45.8	32.6	28.0	
Present value of debt/GDP	54.2	50.8	
Present value of debt/exports	220.3	186.6	
	1977-87	1988-98	1997	1998	1999-03
<i>(average annual growth)</i>					
GDP	0.4	4.3	4.2	4.6	6.1
GNP per capita	-2.7	1.4	1.7	1.9	3.5
Exports of goods and services	-4.7	9.7	-0.4	14.4	5.6

	1977	1987	1997	1998
STRUCTURE of the ECONOMY				
<i>(% of GDP)</i>				
Agriculture	56.2	50.6	35.8	37.6
Industry	15.8	16.3	25.7	24.8
Manufacturing	10.8	9.9	8.2	8.2
Services	28.0	33.1	38.5	37.6
Private consumption	77.4	85.5	77.8	76.5
General government consumption	12.6	10.6	12.4	10.3
Imports of goods and services	11.6	26.2	38.4	36.4
	1977-87	1988-98	1997	1998
<i>(average annual growth)</i>				
Agriculture	0.8	2.7	4.3	5.3
Industry	-4.0	4.8	6.4	2.6
Manufacturing	-4.0	3.1	7.3	3.0
Services	1.9	5.8	3.4	4.5
Private consumption	0.3	3.7	12.1	1.6
General government consumption	1.4	4.6	-11.7	11.3
Gross domestic investment	-4.6	3.8	3.4	2.8
Imports of goods and services	-7.0	7.3	14.7	7.9
Gross national product	0.2	4.3	4.3	4.6

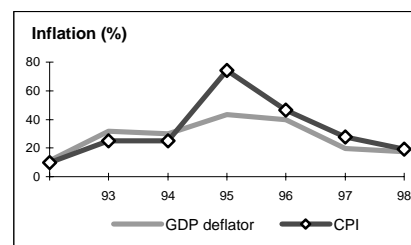


Note: 1998 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

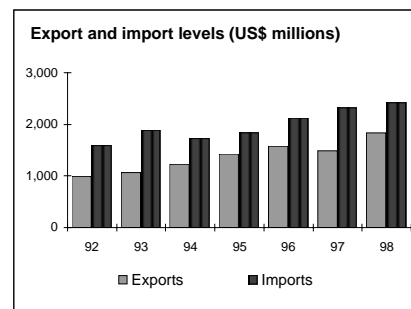
PRICES and GOVERNMENT FINANCE

	1977	1987	1997	1998
Domestic prices (% change)				
Consumer prices	116.5	39.8	27.9	19.3
Implicit GDP deflator	67.3	39.2	19.5	17.6
Government finance (% of GDP, includes current grants)				
Current revenue	..	14.1	17.8	18.9
Current budget balance	..	2.9	1.6	1.6
Overall surplus/deficit	..	-5.1	-10.8	-9.7



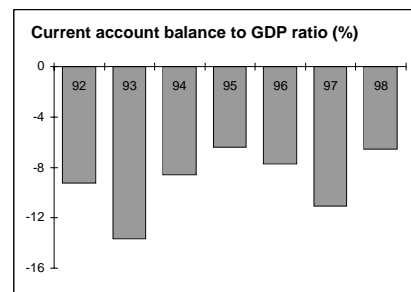
TRADE

	1977	1987	1997	1998
<i>(US\$ millions)</i>				
Total exports (fob)	..	824	1,491	1,830
Cocoa	..	495	470	629
Timber	..	91	172	170
Manufactures
Total imports (cif)	..	1,009	2,321	2,417
Food	..	73	..	..
Fuel and energy	..	145	240	212
Capital goods	..	166	..	..
Export price index (1995=100)	..	97	93	98
Import price index (1995=100)	..	69	97	81
Terms of trade (1995=100)	..	141	96	121



BALANCE of PAYMENTS

	1977	1987	1997	1998
<i>(US\$ millions)</i>				
Exports of goods and services	1,018	903	1,656	2,004
Imports of goods and services	1,121	1,203	2,645	2,732
Resource balance	-103	-300	-989	-728
Net income	-35	-127	-134	-142
Net current transfers	-6	202	360	378
Current account balance	-144	-225	-763	-492
Financing items (net)	254	363	787	591
Changes in net reserves	-109	-138	-25	-99

**Memo:**

Reserves including gold (US\$ millions)	182	332	508	502
Conversion rate (DEC, local/US\$)	3.5	147.0	2,050.2	2,314.0

EXTERNAL DEBT and RESOURCE FLOWS

	1977	1987	1997	1998
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	1,067	3,280	6,345	6,900
IBRD	43	151	30	27
IDA	79	700	2,617	2,962
Total debt service	38	415	552	572
IBRD	5	22	15	6
IDA	1	7	31	34
Composition of net resource flows				
Official grants	65	122	160	230
Official creditors	70	254	333	295
Private creditors	22	3	88	-25
Foreign direct investment	19	5	110	152
Portfolio equity	0	0	46	80
World Bank program				
Commitments	57	233	54	147
Disbursements	30	194	237	261
Principal repayments	3	13	23	19
Net flows	27	181	214	241
Interest payments	3	16	22	20
Net transfers	24	165	192	221

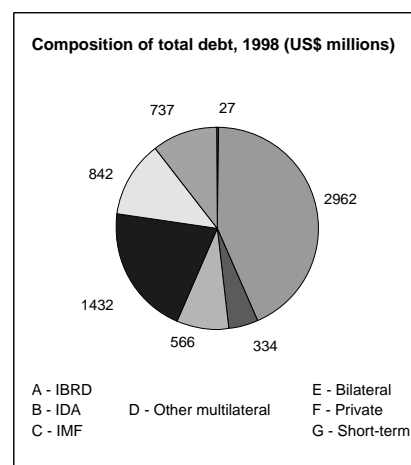


Table 3a: Ghana - Key Economic Indicators

	1990	1991	1992	1993	1994	1995	1996	1997	1990-97 Average
GDP growth (annual %)	3.3	5.3	3.9	5.0	3.3	4.0	4.6	4.2	4.2
GNP per capita growth (annual %)	0.6	2.3	1.2	1.7	0.4	1.4	1.9	1.7	1.4
GNP per capita, Atlas method (current US\$)	390	410	430	410	370	370	380	390	394
GNP per capita, PPP (current international \$)	1250	1320	1390	1450	1480	1540	1590	1610	1454
Population growth (annual %)	3.0	2.9	2.9	2.8	2.7	2.6	2.6	2.6	2.8
Agriculture, value added (% of GDP)	44.8	45.5	44.8	36.9	37.8	38.8	39.0	35.8	40.4
Industry, value added (% of GDP)	16.8	17.0	17.4	24.8	24.9	24.3	23.6	25.7	21.8
Manufacturing, value added (% of GDP)	9.8	9.3	9.3	9.4	9.1	9.3	8.6	9.1	9.2
Services, etc., value added (% of GDP)	38.4	37.5	37.8	38.3	37.3	36.9	37.5	38.5	37.8
Exports of goods and services (% of GDP)	16.9	17.0	17.2	20.2	25.3	24.5	24.9	24.1	21.3
Imports of goods and services (% of GDP)	25.9	25.5	28.8	36.4	36.8	32.8	34.5	38.4	32.4
International tourism, number of arrivals (000's)	146.0	172.0	213.0	257.0	271.0	286.0	305.0	325.0	246.9
International tourism, receipts (current US\$m.)	81.0	118.0	167.0	206.0	228.0	233.0	249.0	266.0	193.5
International tourism, receipts (% of total exports)	8.2	10.7	15.1	17.0	16.5	14.7	14.4	16.1	14.1
International tourism, expenditures (% of total imports)	0.9	0.8	0.9	0.9	1.0	1.0	0.9	0.8	0.9
Current account balance (BoP, current US\$m.)	-223.2	-252.1	-377.0	-559.8	-254.6	-144.6	-323.8	..	-305.0
Resource balance (% of GDP)	-9.0	-8.6	-11.5	-16.2	-11.5	-8.3	-9.6	-14.3	-11.1
Money and quasi money (M2) as % of GDP	13.3	12.7	15.5	15.4	15.7	15.0	13.9	15.7	14.7
Money and quasi money growth (annual %)	13.3	27.2	52.2	26.4	45.7	40.4	32.6	45.5	35.4
Inflation, consumer prices (annual %)	37.3	18.1	10.0	25.0	24.9	74.3	34.1	27.9	31.4
Domestic credit provided by banking sector (% of GDP)	13.2	19.0	24.1	26.2	23.3	23.9	19.6	27.0	22.0
Lending interest rate (%)	..	..	..	..	..	..	..	..	..
Gross domestic savings (% of GDP)	14.4	15.9	12.8	22.2	24.0	20.0	21.5	24.1	19.4
Gross domestic investment (% of GDP)	14.4	15.8	12.7	23.8	22.6	21.1	20.6	23.2	19.3
Private investment (% of GDFI)	48.1	47.6	19.2	53.3	41.1	33.5	34.6	49.4	40.9
Total debt service (% of exports of goods and services)	..	..	..	..	..	..	..	..	..
Foreign dir. Inv. net inflows in reporting ctry. (DRS, % of GDI)	1.8	1.9	2.8	9.4	17.9	8.3	7.6	6.8	7.2
Export duties (% of exports)	9.3	9.9	4.7	5.2	..	..	..	..	7.3
Import duties (% of imports)	16.1	16.3	13.6	11.8	..	..	..	..	14.5
Gross international reserves in months of imports	2.3	4.3	2.5	2.7	3.9	4.3	4.4	..	3.5
Aid (% of GNP)	9.8	13.6	9.8	10.7	10.3	10.3	9.7	7.4	10.2
Tax revenue (% of GDP)	11.4	13.2	10.8	13.1	..	..	..	..	12.1
Taxes on goods and services (% of current revenue)	29.9	38.9	38.6	33.9	..	..	..	..	35.3
Taxes on income, profits and capital gains (% of cur. revenue)	23.0	17.6	18.6	16.8	..	..	..	..	19.0
Taxes on international trade (% of current revenue)	38.8	33.6	33.3	26.8	..	..	..	..	33.1
Overall budget deficit, including grants (% of GDP)	..	..	..	..	..	..	..	..	..
Expenditure, total (% of GDP)	..	..	..	..	..	..	..	..	..
Current revenue, excluding grants (% of GDP)	..	..	..	..	..	..	..	..	..
Pupil-teacher ratio, primary	29.1	27.6	..	..	..	..	..	..	28.3
School enrollment, primary (% gross)	75.3	75.1	..	..	..	..	..	..	75.2
Health expenditure per capita (current US\$)	..	..	..	6.0	6.0	6.0	..	..	6.0
Illiteracy rate, adult female (% of females 15+)	54.5	..	..	..	..	46.6	..	43.5	48.2
Illiteracy rate, adult male (% of males 15+)	30.6	..	..	..	..	25.4	..	23.5	26.5
Illiteracy rate, adult total (% of people 15+)	42.7	..	..	..	..	36.2	..	33.6	37.5
Immunization, measles (% of children under 12 months)	52.0	40.0	43.0	50.0	49.0	54.0	53.0	59.0	50.0
Life expectancy at birth, total (years)	58.9	..	59.7	..	..	..	..	61.8	60.1
Mortality rate, infant (per 1,000 live births)	..	..	..	20.3	..	..	..	..	20.3
Safe water (% of population with access)	..	..	..	57.0	..	..	65.0	..	61.0
Sanitation (% of population with access)	27.0	..	..	29.0	..	..	32.0	..	29.3
Urban population (% of total)	33.9	34.3	34.7	35.1	35.5	35.9	36.4	36.9	35.3
Population density (people per sq km)	65.4	67.3	69.3	71.2	73.1	75.0	77.0	..	71.2
Immunization, DPT (% of children under 12 months)	50.0	40.0	40.0	48.0	48.0	51.0	51.0	60.0	48.5

Source: WDI.

Table 3b: Ghana: Comparative Economic Indicators, 1990-97

	<i>Ghana</i>	<i>Cote d'Ivoire</i>	<i>Kenya</i>	<i>Malawi</i>	<i>Zimbabwe</i>	<i>Sub-Saharan Africa</i>	<i>Low income</i>	<i>Middle income</i>
GDP growth (annual %)	4.2	2.5	2.3	4.6	2.7	1.9	3.8	2.6
GNP per capita growth (annual %)	1.4	0.4	-0.3	2.0	-0.1	-0.7	1.8	1.1
GNP per capita, Atlas method (current US\$)	393.8	735.0	310.0	196.3	741.3	513.8	327.5	1536.3
GNP per capita, PPP (current international \$)	1453.8	1477.5	1075.0	605.0	2091.3	1425.0	1320.0	4050.0
Population growth (annual %)	2.8	2.9	2.8	2.8	2.4	2.7	2.1	1.3
Agriculture, value added (% of GDP)	40.4	30.8	29.6	38.1	16.2	17.8	30.4	12.3
Industry, value added (% of GDP)	21.8	20.9	17.5	23.6	32.0	34.7	27.7	38.2
Manufacturing, value added (% of GDP)	9.2	18.3	10.8	16.9	22.6	17.3	16.3	24.1
Services, etc., value added (% of GDP)	37.8	48.3	52.9	38.3	51.8	47.6	41.9	49.5
Exports of goods and services (% of GDP)	21.3	37.1	31.6	24.2	31.3	28.7	16.2	23.1
Imports of goods and services (% of GDP)	32.4	31.7	33.6	37.0	34.4	29.4	20.3	23.2
Manufactures exports (% of merchandise exports)	..	..	..	..	..	..	..	..
Trade (% of GDP)	53.6	68.8	65.3	61.2	65.7	58.1	36.4	46.2
Agriculture, value added (annual % growth)	2.3	2.9	1.2	11.0	4.5	2.2	2.5	1.4
Industry, value added (annual % growth)	4.7	3.2	2.3	2.3	-0.3	0.9	4.3	3.5
Manufacturing, value added (annual % growth)	3.1	1.8	2.9	5.8	-0.2	0.8	5.2	5.7
Services, etc., value added (annual % growth)	6.1	2.1	3.8	1.6	3.9	1.9	5.2	3.4
Exports of goods and services (annual % growth)	9.2	6.1	4.9	7.7	8.5	4.4	7.8	6.7
Imports of goods and services (annual % growth)	8.0	5.2	9.0	5.6	12.8	4.5	6.6	6.9
Aid (% of central government expenditures)	67.9	26.1	39.7	105.7	23.7	..	..	..
Aid (% of GNP)	..	..	..	..	..	..	..	..
Aid (% of gross domestic investment)	54.9	89.3	51.0	149.4	31.0	44.5	19.5	3.1
Aid (% of imports of goods and services)	30.1	20.9	26.8	56.3	16.7	20.4	17.3	3.3
Aid per capita (current US\$)	38.7	68.2	31.3	52.5	44.9	33.9	13.6	11.9
Commercial energy use (kg of oil equivalent per capita)	..	..	..	..	..	..	..	..
Electricity production from hydroelectric sources (% of total)	99.8	52.7	84.9	..	32.4	17.5	31.0	23.2
Electricity production from natural gas sources (% of total)	..	..	..	..	..	2.0	14.5	18.5
Gross domestic savings (% of GDP)	8.3	16.1	18.1	5.4	17.4	16.9	17.4	25.8
Gross domestic investment (% of GDP)	19.4	10.6	20.2	18.2	20.5	17.6	21.5	25.9
Gross domestic fixed investment (% of GDP)	19.3	10.9	19.0	15.6	21.5	..	..	..
Gross domestic fixed investment (annual % growth)	2.6	8.2	3.4	-5.8	4.8	2.5	5.8	4.4
Gross international reserves in months of imports	3.5	0.7	1.5	1.6	2.2	1.5	2.5	3.8
Total consumption, etc. (% of GDP)	91.7	83.9	81.9	94.6	82.6	83.1	82.6	74.2
Private consumption, etc. (% of GDP)	80.2	69.5	65.8	78.3	64.8	65.5	71.0	60.1
Private investment (% of GDFI)	..	..	..	..	..	..	..	..
Current account balance (% of GDP)	..	..	..	..	..	..	..	..
Foreign direct investment, net inflows in reporting country (DRS, % of GDI)	..	..	..	..	..	..	..	..
Resource balance (% of GDP)	-11.1	5.5	-2.0	-12.8	-3.2	-0.6	-4.2	-0.1
Total debt service (% of exports of goods and services)	..	..	..	..	..	..	..	..
Overall budget deficit, including grants (% of GDP)	..	..	..	..	..	..	..	..
Expenditure, total (% of GDP)	..	..	..	..	..	..	..	..
Current revenue, excluding grants (% of GDP)	..	..	..	..	..	..	..	..
Military expenditure (% of central government expenditure)	4.5	..	8.7	4.2	12.3	..	..	..
Domestic credit provided by banking sector (% of GDP)	22.0	37.3	52.7	20.1	47.2	77.0	42.5	62.1
Lending interest rate (%)	..	16.3	27.2	30.6	27.5	..	..	..

	<i>Ghana</i>	<i>Cote d'Ivoire</i>	<i>Kenya</i>	<i>Malawi</i>	<i>Zimbabwe</i>	<i>Sub-Saharan Africa</i>	<i>Low income</i>	<i>Middle income</i>
Inflation, consumer prices (annual %)	31.4	7.0	20.2	31.8	24.4	..	..	..
Money and quasi money (M2) as % of GDP	14.7	27.2	34.8	17.5	20.6	..	..	..
Money and quasi money growth (annual %)	35.4	9.0	24.7	28.3	29.5	..	..	..
Import duties (% of imports)	14.5	33.6	13.3	21.7	19.6	..	..	..
Tax revenue (% of GDP)	12.1	19.9	21.5	18.0	21.1	..	..	..
Taxes on goods and services (% of current revenue)	35.3	27.3	43.6	33.0	23.6	24.7	..	28.1
Taxes on income, profits and capital gains (% of current revenue)	19.0	16.4	31.7	36.9	47.0	23.5	..	19.2
Taxes on international trade (% of current revenue)	33.1	29.1	13.6	16.3	18.2	27.8	..	10.0
International tourism, expenditures (% of total imports)	0.9	5.9	3.1	2.2	3.1	5.4	3.6	4.8
International tourism, receipts (% of total exports)	14.1	1.7	17.8	1.9	5.3	4.9	4.8	7.9
Pupil-teacher ratio, primary	28.3	39.0	31.3	64.9	38.9	40.1	55.7	23.5
School enrollment, primary (% gross)	75.2	67.6	90.3	80.1	115.9	75.4	90.2	111.8
School enrollment, secondary (% gross)	36.4	23.0	25.7	11.0	47.9	24.9	38.2	61.8
Health expenditure per capita (current US\$)	6.0	25.0	8.0	..	41.0	..	..	..
Illiteracy rate, adult female (% of females 15+)	48.2	70.8	32.7	59.7	14.6	53.7	60.3	22.8
Illiteracy rate, adult male (% of males 15+)	26.5	52.5	15.4	28.9	7.0	36.4	36.2	10.9
Illiteracy rate, adult total (% of people 15+)	37.5	61.4	24.1	44.9	10.9	45.2	48.1	16.9
Immunization, measles (% of children under 12 months)	50.0	57.2	46.1	87.5	77.4	52.9	72.2	89.4
Life expectancy at birth, total (years)	58.4	48.5	55.3	44.0	54.7	50.4	57.6	68.2
Mortality rate, infant (per 1,000 live births)	72.4	91.7	67.7	134.1	57.9	96.7	87.3	38.2
Safe water (% of population with access)	61.0	77.0	46.9	68.5	77.0	46.5	69.3	79.4
Sanitation (% of population with access)	29.3	51.0	57.8	66.8	66.0	47.3	28.5	..
Population density (people per sq km)	71.2	40.1	45.3	98.3	27.2	23.8	63.8	44.3
Urban population (% of total)	35.3	42.5	27.3	13.0	30.8	30.2	26.9	46.3

Source: WDI.

Table 5: OED Summary Ratings for Ghana, FY95-99

EVALUATED PROJECTS¹				
	<i>Number</i>	<i>Percent</i>	<i>Value \$m</i>	<i>Percent</i>
Adjustment Loans	5	19%	369	35%
Non-Adjustment Loans	22	81%	696	65%
TOTAL	27	100%	1,065	100%
Africa Region	350		13,029	
IDA or Blend Operations	557		31,322	
EVALUATED PROJECTS: OED OUTCOME RATINGS				
	<i>Number</i>	<i>Percent</i>	<i>Value \$m</i>	<i>Percent</i>
<i>Satisfactory Outcome</i>				
Adjustment Loans	4	80%	317	86%
Non-Adjustment Loans	14	64%	508	73%
Total Satisfactory Outcome	18	67%	825	78%
Africa Region	203	59%	9,071	70%
IDA or Blend Operations	376	68%	21,004	77%
EVALUATED PROJECTS: OED SUSTAINABILITY RATINGS				
	<i>Number</i>	<i>Percent</i>	<i>Value \$m</i>	<i>Percent</i>
<i>Likely Sustainability</i>				
Adjustment Loans	4	80%	317	86%
Non-Adjustment Loans	5	23%	155	22%
Total Likely Sustainability	9	33%	472	45%
Africa Region	106	31%	4,474	34%
IDA or Blend Operations	226	41%	13,801	51%
EVALUATED PROJECTS: OED INSTITUTIONAL DEVELOPMENT RATINGS				
	<i>Number</i>	<i>Percent</i>	<i>Value \$m</i>	<i>Percent</i>
<i>Substantial ID</i>				
Adjustment Loans	2	40%	187	51%
Non-Adjustment Loans	8	36%	356	51%
Total Substantial ID	10	37%	543	51%
Africa Region	89	26%	3,537	27%
IDA or Blend Operations	172	31%	8,618	32%
ARPP RATINGS OF ONGOING PROJECTS²				
	<i>Number</i>	<i>Percent</i>	<i>Value \$m</i>	<i>Percent</i>
<i>Development Objectives Satisfactory</i>				
Satisfactory	20	87%	901	92%
Unsatisfactory	3	13%	83	8%
TOTAL	23	100%	984	100%
Africa Region (Sat)	294	86%	10,862	88%
IDA or Blend Operations	676	90%	34,835	91%
<i>Implementation Progress Satisfactory</i>				
Satisfactory	19	83%	917	93%
Unsatisfactory	4	17%	66	7%
TOTAL	23	100%	983	100%
Africa Region (Sat)	289	85%	10,604	86%
IDA or Blend Operations	651	87%	33,473	87%
DISCONNECT RATINGS FOR GHANA³				
<i>Number of projects</i>	<i>ARPP % Sat</i>	<i>OED % Sat</i>	<i>Net disc. at exit</i>	
Ghana	27	74%	67%	7%
Africa Region	350	72%	59%	13%
IDA or Blend Operations	557	78%	68%	10%
AGGREGATE PROJECT PERFORMANCE INDICATOR (APPI)				
<i>FY95-99</i>	<i>Number</i>	<i>APPI</i>	<i>SD</i>	
Ghana	27	6.37	1.52	
AFR Africa Region	350	5.9	1.77	
IDA or Blend Operations	557	6.33	1.82	
¹ Comprises projects approved and evaluated by OED as of 6/30/1999 in the OED Database, updated as of December 1999.				
² The ratings of on-going portfolio as of 2/27/2000.				
³ The "Disconnect" is the difference between the share of projects rated satisfactory during the last supervision year and the share of projects rated satisfactory after completion. Thus it is an indication of the optimism in supervision ratings.				

Table 6 - Ghana: World Bank Project Ratings, FY88-FY99 (Sorted by Sector)

PROJECT DESCRIPTION					OED RATINGS						QAG	SUPERVISION	
Project ID	Project Name	Net Comm. (US\$M)	Approval date	ARPP exit FY	Outcome	Sust	ID Impact	Proj. Perf. Indicators	Bank Performance	Borrower Performance	At Risk Rating	Latest DO Ratings	Latest IP Ratings
Agriculture													
873	Cocoa Rehabilitation	23.3	01-Dec-87	1996	U	UNC	MOD	5.25	S	U			
900	Forest Resource	39.4	22-Dec-88	1997	S	UNC	MOD	6	U	U			
887	Rural Finance	19.7	14-Jun-89	1995	S	LIK	MOD	7.25	NR	NR			
918	Agric. Divers.	15.0	16-Oct-90								Non risk	S	S
928	Agric. Research	22.0	23-May-91								Non risk	S	S
914	Agric. Sector Adj.	90.7	26-Mar-92	1996	S	LIK	SUB	8.25	S	S			
931	Agric. Extension	30.0	26-Mar-92								Non risk	S	S
930	Livestock	22.0	08-Dec-92								Actual	S	U
961	Agric. Sector Invest.	22.0	14-Dec-93								Non risk	S	S
962	Fisheries	9.0	02-May-95								Actual	U	U
41150	Village Infrastruct.	30.0	30-May-97								Non risk	S	HS
Education													
896	Educ. Sector Adj. 2	49.9	24-May-90	1995	U	UNL	MOD	5	U	S			
954	Community Secondary	14.1	25-Jun-91	1995	S	UNL	MOD	5.75	U	S			
917	Literacy and Functional	16.3	26-Mar-92	1998	S	UNC	MOD	6.75	S	S			
933	Tertiary Education	45.0	27-Oct-92	1999	S	UNC	SUB	7	S	S			
975	Basic Education	50.0	18-Jun-96								Actual	U	U
974	Nat. Func. Lit. Prog.	32.0	17-Jun-99								Non risk		
Electric Power & Other Energy													
908	Power 5	40.0	29-Aug-89	1997	S	UNC	NEG	5.5	S	U			
953	Natl. Electrification	80.0	04-Mar-93								Non risk	S	S
926	Thermal (P-VII)	176.0	16-Feb-95								Non risk	S	S
Environment													
946	Nat. Res. Management	9.0	04-Jun-98								Non risk	S	S
Finance													
892	Financial Sector Adj.	106.6	31-May-88	1993	S	UNC	SUB	7	S	U			
911	Financial Sector Adj. 2	96.2	19-Dec-91	1997	S	LIK	SUB	8.25	S	S			
943	Non-Bank Fin. Ins. Ast.	24.0	05-Dec-95								Actual	S	U
45588	Pub. Fin. Mgmt. Tap	21.0	07-Nov-96								Non risk	S	S
970	Trade Gateway & Inv.	51.0	09-Jul-98								Non risk	S	S
Mining													
898	Mining Sector	40.0	14-Jun-88	1997	S	LIK	SUB	8.25	S	S			
966	Mining Sec. Dev. & Env.	12.0	13-Jun-95								Non risk	S	S
Multisector													
888	Structural Adjustment	134.0	18-Apr-89	1991	S	LIK	SUB	8.25	NR	NR			
940	Economic Management	15.0	28-Mar-91	1998	U	UNC	MOD	4.5	U	U			
55989	Economic Reform Support	50.0	11-Jun-98	1999	S	LIK	NEG	6.75	S	S		S	S
40557	ERSO II	180.0	27-May-99								Non risk	S	S

PROJECT DESCRIPTION					OED RATINGS						QAG	SUPERVISION	
Project ID	Project Name	Net Comm. (US\$M)	Approval date	ARPP exit FY	Outcome	Sust	ID Impact	Proj. Perf. Indicators	Bank Performance	Borrower Performance	At Risk Rating	Latest DO Ratings	Latest IP Ratings
Population, Health & Nutrition													
897	Health and Population 2	26.2	13-Dec-90	1998	S	LIK	MOD	6.5	S	S	Non risk	HS	S
949	Health Sector Support	35.0	21-Oct-97										
Private													
905	Private SME Dev.	29.3	28-Mar-89	1997	U	UNC	MOD	4.5	U	U	Actual	U	U
916	Private Invest. Promotion	132.6	07-May-91	1994	U	LIK	MOD	5.75	NR	NR			
920	Private Enter. & Exp. Dev.	17.1	25-May-93	1998	U	UNC	MOD	4	U	U			
960	Priv. Sector Dev.	13.0	06-Dec-94										
967	Private Sector Adjustment	80.7	09-May-95	1999	U	UNC	MOD	6.5	U	U			
Public Sector Management													
890	Public Enterprise	9.8	13-Oct-87	1996	S	LIK	MOD	6.5	S	S	Actual Non risk	U S	U S
42516	Public Enterprise/Pr.	26.0	11-Jun-96										
50615	Public Sector Mgmt.	14.0	04-May-99										
Social Protection													
948	Educ./Voc. Training	10.0	28-Mar-95								Non risk Non risk	S	S
40659	Community Devt.	5.0	09-Jun-99										
Telecommunications													
906	Telecommunications 2	18.3	26-Jul-88	1996	U	UNC	SUB	6.25	S	U			
Transportation													
957	Hwy. Sect. Inv. Prog.	100.0	14-May-96								Non risk	S	S
886	Transport Rehabilitation	60.0	10-Dec-87	1996	S	UNC	SUB	7.75	S	S			
895	Transport Rehabilitation 2	94.4	13-Dec-90	1998	S	UNC	SUB	7.75	S	S			
934	Feeder Roads	53.4	19-Dec-91	1998	S	LIK	SUB	10	HS	S			
956	Urban Transport	76.0	25-May-93										
Urban Development													
903	Priority works project	10.6	26-Jan-88	1993	S	UNC	MOD	6.75	NR	NR	Non risk Non risk	NA S	NA S
936	Local Gov. Dev.	39.0	17-Feb-94										
973	Urban Env. Sanitation	71.0	26-Mar-96										
Water Supply & Sanitation													
924	Community Water & San.	22.0	14-Apr-94								Non risk	S	S
GRAND TOTAL:		2376.7											

Note: OED Ratings as of July 31, 1999; QAG/supervision ratings as of July 1, 1999.

Table 7: Country Assistance Cost Indicators

Period	Average Completion Cost (SWs per project)		Average completion cost (\$ per project)		Supervision intensity: Direct cost inputs divided by the no. of projects under active supervision (\$)		Supervision intensity: SY inputs divided by no. of projects under active supervision (SYs)		Average cost per dropped project (\$)		Cost per scheduled ESW report (\$)		Cost per scheduled ESW report (SYs)		Cost per unscheduled ESW report (\$)	
	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)	Last Five Years (FY94-FY98)	Last Ten Years (FY89-FY98)
Bank-wide	114.7	117.6	352,952	323,677	63,437	49,996	18.1	15.8	94,059	81,419	181,722	163,053	1.2	1.2	70,326	61,464
Africa	115.4	114.8	355,023	314,700	64,865	52,332	19.2	17.0	90,334	72,500	169,237	155,043	1.1	1.1	76,904	62,790
Cote d'Ivoire	159.1	137.0	457,579	376,942	70,651	54,604	23.2	18.0	63,710	44,188	326,030	223,626	2.5	1.7	57,938	68,503
Ghana	106.4	106.4	329,995	300,150	59,314	48,789	19.0	16.6	49,768	35,666	278,267	259,897	1.9	2.0	116,866	85,601
Kenya	146.0	128.5	363,214	309,874	85,866	60,929	24.8	20.4	139,009	121,828	..	150,550	..	1.1	119,548	89,946
Malawi	171.0	150.5	546,069	424,579	86,176	61,036	24.2	18.8	88,919	67,568	104,779	133,250	0.8	1.0	76,618	68,998
Zimbabwe	116.8	114.1	390,457	321,160	75,340	57,530	18.0	15.2	96,738	90,234	242,910	143,520	1.6	1.0	91,284	65,361

Table 8: Bank's Senior Management for Ghana Since 1990

<i>FY</i>	<i>Vice President</i>	<i>Director</i>	<i>Country Operations Division Chief</i>	<i>Resident Representative</i>
1990	Edward Jaycox	Caio Koch-Weser	James Adams	Silvio Capoluongo
1991	Edward Jaycox	Edwin Lim	Magdi Iskander	Silvio Capoluongo
1992	Edward Jaycox	Edwin Lim	Magdi Iskander	Nicholas Bennett (acting)
1993	Edward Jaycox	Edwin Lim	Joanne Salop	Ravi Kanbur
1994	Edward Jaycox	Joanne Salop (acting)	Joanne Salop	Ravi Kanbur
1995	Edward Jaycox	Olivier Lafourcade	Ngozi Okonjo-Iweala	Robert Epworth (acting)
1996	Jean-Louis Sarbib	Olivier Lafourcade	n.a.	Kaikhosrou Framji
1997	Jean-Louis Sarbib	Serge Michailof	n.a.	Kaikhosrou Framji
1998	Jean-Louis Sarbib	Peter Harrold	n.a.	Kaikhosrou Framji
1999	Jean-Louis Sarbib	Peter Harrold	Theresa Jones*	n.a.

* Country Program Coordinator.