Statement by Neil Hyden  
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Ghana: Country Assistance Strategy and Urban V

Ghana has set ambitious targets for itself, including raising and sustaining an economic growth rate of eight percent. This will require major policy changes and reforms. The CAS should help the Government do this.

The challenges ahead include sustaining macroeconomic stability, improving governance, reforming the state sector, and promoting private sector development. The CAS targets these areas, with triggers that are well defined and very specific. The targets for 2003 and current baselines provide a model for other CASs. Similar triggers and baselines have not been provided for actions under Objective 3 (Implementation of the Strategy); while the reasons for this are understandable, I hope that indicators will be able to be developed over time.

The lending program appears to be well-formulated. The differences in the size of the program between the low, base and high case scenarios are significant enough to provide real incentives for continued performance. The lending program is heavily weighted towards the use of APLs and the adoption of a sector-wide approach. Consequently, the targets and monitoring of such a large adaptable program will need to be of high quality: the indicators in the individual APLs should aim to be of the same high standard and specificity as they are in the CAS. It is pleasing to note that at least for Urban Development Program V this is the case and therefore I support the proposed credit.

The Government is developing a strategy to reform the cocoa sector. The failure to introduce reforms in this area has been a problem for many years. While care needs to be taken to manage the impact of changes on farmers, this does not justify postponing any action. Opening cocoa marketing to effective competition is desirable to improve efficiency and encourage farmers to be more responsive to market forces including, where appropriate, by diversifying their crops. Such actions could, over time, help expand the export base and reduce the vulnerability of the economy.
I support the CAS and the proposed credit.