Ghana Country Assistance Review
A Study in Development Effectiveness

Robert P. Armstrong
Ghana Country Assistance Review
A Study in Development Effectiveness
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Ghana Country Assistance Review
A Study in Development Effectiveness

Robert P. Armstrong

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Foreword

This country assistance review (CAR) on Ghana is the first in a new series of OED studies. These studies will, for each country concerned, evaluate the relevance and efficacy of the Bank’s overall country assistance strategy and the effectiveness of the various instruments of Bank assistance, with a view to drawing lessons from experience.

Ghana was selected for this first CAR in part because of its experience of sustained adjustment and resumed growth. Poverty in Ghana has decreased and the gross domestic product (GDP) growth rate has averaged nearly 5 percent over the past decade—higher than in any African country except Botswana and Mauritius. At the same time, there remain questions regarding the extent, depth, and sustainability of Ghana’s economic recovery.

The review finds that World Bank loans of more than $2 billion since 1984, including more than $1 billion for adjustment operations, did contribute to Ghana’s progress. The impact of the Bank’s nonlending services (policy dialogue, economic and sectoral studies, and aid mobilization and coordination) has been particularly significant.

Looking ahead, however, the study cautions that progress will not be sustained unless Ghana speeds up implementation of a large unfinished agenda of reforms designed to stimulate private sector development and enhance the prospects for sustainable agricultural growth. Accordingly, the Bank’s country assistance strategy should give central importance to the “nexus” of declining agricultural productivity, high population growth, and environmental degradation, as well as to economic governance and institutional development issues.

The study also advises the Bank to strengthen its process of country-assistance strategy formulation through more rigorous self-evaluation and risk analysis combined with regular monitoring of performance against a set of suggested sustainability indicators.

Robert Picciotto
Director General
Operations Evaluation
Prefacio

Este examen de la asistencia para países, en que se analiza el caso de Ghana, es el primero de una nueva serie de estudios del Departamento de Evaluación de Operaciones (DEO). A fin de extraer las enseñanzas oportunas, los estudios evaluarán la relevancia y eficiencia de la estrategia global de asistencia para países del Banco y la eficacia de los numerosos instrumentos de ayuda de la institución en cada país afectado.

Ghana fue seleccionada para este primer examen de la asistencia para países debido, en parte, a su historial de ajuste y crecimiento sostenido. La pobreza ha disminuido, y durante el último decenio el producto interno bruto (PIB) ha crecido a un promedio de casi un 5 por ciento, el más alto de África con excepción de Botswana y Mauricio. No obstante, persisten dudas con respecto a la amplitud, profundidad y sostenibilidad de la recuperación económica de Ghana.

En el examen se ha comprobado que los préstamos otorgados por el Banco Mundial a Ghana a partir de 1984, por un total de más de US$2.000 millones (incluidos más de US$1.000 millones destinados a operaciones de ajuste), contribuyeron al progreso económico del país. La repercusión de los servicios no financieros del Banco (diálogo sobre políticas, estudios económicos y sectoriales, y movilización y coordinación de la ayuda) ha sido especialmente importante.

No obstante, en el estudio se pone de relieve que el progreso no será duradero a menos que Ghana acelere la aplicación de importantes reformas pendientes destinadas a estimular el desarrollo del sector privado y mejorar las perspectivas de crecimiento duradero del sector agrícola. Por consiguiente, la estrategia de asistencia para países del Banco debe centrarse en el vínculo entre la baja de la productividad del sector agrícola, los altos índices de crecimiento de la población y la degradación del medio ambiente, así como en la gestión económica y los problemas de desarrollo institucional.

En el estudio se recomienda también que el Banco refuerce la formulación de estrategias de asistencia para países mediante una labor más rigurosa de autoevaluación y análisis de riesgos, además de un seguimiento periódico de los resultados a la luz de un conjunto propuesto de indicadores de la sostenibilidad.

Robert Picciotto  
Director General  
Evaluación de Operaciones
Cette étude de l’aide apportée au Ghana est la première d’une nouvelle série d’études du Département de l’évaluation rétrospective des opérations (OED), qui permettront d’évaluer le bien-fondé et l’efficacité de la stratégie générale d’aide de la Banque au pays bénéficiaire, ainsi que l’utilité pratique des différents instruments mis en œuvre à cet égard, afin de tirer les leçons de l’expérience.

Le Ghana a été choisi pour cette première étude en partie du fait de ses efforts soutenus d’ajustement et de la reprise de sa croissance. La pauvreté y a diminué, et le produit intérieur brut (PIB) y a connu une croissance moyenne de près de 5 pour cent par an au cours de la dernière décennie, la plus élevée d’Afrique en dehors du Botswana et de Maurice. Des questions subsistent cependant, concernant l’ampleur, la profondeur et la durabilité de la reprise économique au Ghana.

Cette étude révèle que les prêts de la Banque mondiale, soit plus de 2 milliards de dollars depuis 1984, dont plus de 1 milliard pour des opérations d’ajustement, ont effectivement contribué au progrès du Ghana. L’incidence des services dispensés par la Banque en dehors des prêts (dialogue de politique économique, études économiques et sectorielles, et mobilisation et coordination de l’aide) a été particulièrement sensible.

Pour l’avenir, les auteurs avertissent toutefois que le Ghana ne pourra pas continuer à faire des progrès s’il n’accélère pas la mise en œuvre d’un vaste programme encore inachevé de réformes destinées à stimuler le développement du secteur privé et à améliorer les perspectives d’une croissance durable de l’agriculture. Les problèmes étroitement liés au déclin de la productivité agricole, de la forte croissance démographique et de la dégradation de l’environnement devraient donc occuper une place de tout premier plan dans la stratégie d’aide de la Banque, de même que les questions touchant à la gestion économique et au développement institutionnel.

Les auteurs de l’étude recommandent également à la Banque de renforcer son processus de formulation de stratégies d’aide aux pays en effectuant des auto-évaluations et des analyses de risques plus rigoureuses, et en suivant régulièrement les résultats obtenus par rapport à un ensemble suggéré d’indicateurs de durabilité.

Robert Picciotto
Directeur général
Evaluation des opérations
This study is founded on a variety of sources. World Bank country program papers, country strategy papers, and country assistance strategy documents provided benchmarks for evaluating the Bank's overall assistance program. Project completion reports and OED project performance audits were used to identify project-level experiences and factors underlying project success and failure over time. Evaluation studies on projects financed by other donors were also consulted. Project supervision reports and periodic implementation reviews provided information on the performance of ongoing projects, and on systemic project implementation issues. Reviews were also made of Bank archives and of the substantial literature, Bank and non-Bank, on Ghanaian development. Thanks are extended to the many library and archival staff who helped the study team with its searches.

Interviews were held by the study team with staff of the Bank, International Finance Corporation, International Monetary Fund, African Development Bank, and other donors, as well as with Ghanaians in both the public and private sectors. Background reports were prepared by study team members on agriculture, education, poverty, and macroeconomic management issues. Other Bank staff provided inputs relating to external shocks, commodity price projections, and the costs of manpower and other resources employed by the Bank in carrying out its assistance strategy.

The kind cooperation and valuable assistance of all those who contributed their time and efforts to the preparation of this study are much appreciated. Special thanks are extended to those Ghanaians and Bank staff who gave their time for extensive interviews in which they conveyed their knowledge and insights. Particular thanks also are extended to Mark Baird and Manuel Pefalver who provided overall supervision and helpful advice, and to Norma Namisato who cheerfully provided word processing and administrative support of the highest quality.

The study was prepared under the overall coordination of Robert Armstrong, the principal author and task manager. The study team included Ronald Ridker (education), Jacob Meerman (agriculture), Niels Dabelstein (poverty), William Branson (macroeconomic policy), Sulaiman Wasty (portfolio performance), and Sanliang Yue (data analysis). Editorial and production assistance was provided by Angie Gentile-Blackwell.
Abbreviations and acronyms

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<th>Description</th>
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<tr>
<td>AEF</td>
<td>Africa Enterprise Fund</td>
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<tr>
<td>AGC</td>
<td>Ashanti Goldfields Corporation</td>
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<td>APDF</td>
<td>Africa Project Development Facility</td>
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<tr>
<td>CAM</td>
<td>Country assistance management (system)</td>
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<td>CAR</td>
<td>Country assistance review</td>
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<td>CAS</td>
<td>Country assistance strategy</td>
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<td>CEM</td>
<td>Country economic memorandum</td>
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<td>CIR</td>
<td>Country implementation review</td>
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<td>COCOBOD</td>
<td>Ghana Cocoa Marketing Board</td>
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<td>CPP</td>
<td>Country program paper</td>
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<td>CSIR</td>
<td>Country strategy and implementation review</td>
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<td>CSP</td>
<td>Country strategy paper</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DEC</td>
<td>Development economics vice presidency</td>
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<td>DFC</td>
<td>Development finance company</td>
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<td>EPS</td>
<td>Extended poverty study</td>
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<tr>
<td>ERP</td>
<td>Economic recovery program</td>
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<td>ESW</td>
<td>Economic and sector work</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>GNP</td>
<td>Gross national product</td>
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<td>GLSS</td>
<td>Ghana Living Standards Survey</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>ID</td>
<td>Institutional development</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
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<td>IPC</td>
<td>International Finance Corporation</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MFEP</td>
<td>Ministry of Finance and Economic Planning</td>
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<td>MIS</td>
<td>Management information system</td>
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<td>MTADS</td>
<td>Medium-term agricultural development strategy</td>
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<td>NATCAP</td>
<td>National Technical Cooperation and Assessment Programme (UNDP)</td>
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<td>NGO</td>
<td>Nongovernmental organization</td>
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<td>ODA</td>
<td>Official development assistance</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>OED</td>
<td>Operations Evaluation Department</td>
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<td>OMS</td>
<td>Operational Manual Statement</td>
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<td>OPR</td>
<td>Operational Policy Review Department</td>
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<tr>
<td>PAMSCAD</td>
<td>Program of Actions to Mitigate the Social Costs of Adjustment</td>
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<td>PAR</td>
<td>Performance Audit Report</td>
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<td>PBD</td>
<td>Planning and Budgeting Department</td>
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<td>PCR</td>
<td>Project Completion Report</td>
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<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PFP</td>
<td>Policy Framework Paper</td>
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<td>SAC</td>
<td>Structural Adjustment Credit</td>
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<td>SAIS</td>
<td>Structural Adjustment Institutional Support Project</td>
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<td>SAL</td>
<td>Structural Adjustment Loan</td>
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<tr>
<td>SAR</td>
<td>Staff Appraisal Report</td>
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<tr>
<td>SDA</td>
<td>Social Dimensions of Adjustment (Project)</td>
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<td>SDR</td>
<td>Special Drawing Rights</td>
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<tr>
<td>SECAL</td>
<td>Sector Adjustment Loan</td>
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<td>SOE</td>
<td>State-Owned Enterprise</td>
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<tr>
<td>SPA</td>
<td>Special Program of Assistance for Africa</td>
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<tr>
<td>SY</td>
<td>Staff Year</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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Executive summary

Bank assistance was generally effective in helping Ghana make considerable economic progress over the past decade. But this progress cannot be sustained unless (a) the implementation of a large unfinished agenda of adjustment is accelerated in the short run; and (b) the government and donors alike mount a concerted effort to address the key long-term "sustainability issues." The watchword is sustainability. And the criteria for assessing the success of future Bank assistance should be focused largely on the performance of a specific set of sustainability indicators.

It is now more than ten years since Ghana launched its far-reaching but “gradualist” Economic Reform Program (ERP). The Bank Group has lent Ghana more than $2 billion since 1984—more than $1 billion for adjustment operations. Much has been achieved owing to the joint efforts of the government and the Ghanaian people, supported by the World Bank Group and other donors. The International Monetary Fund (IMF) and the World Bank played major roles in helping the government shape and underwrite the ERP as it evolved over the years. And it was clearly owned by, not forced on, the government.

In the 1980s, against a background of highly strained relations and mutual mistrust, the Bank succeeded, by and large, in establishing excellent Bank-country relations and a true sense of partnership with a core group of Ghanaian officials responsible for preparing and implementing the ERP. A key factor in sustaining the reforms since 1983, despite a setback in 1992, was the continuity and competence of this core group.

The main accomplishments over the past decade are well known. Exchange rate and trade reforms were the centerpieces of the ERP, and Ghana now has an interbank foreign exchange market, few quantitative restrictions, and low levels of protection. Extensive price and distribution controls were dismantled. The fiscal situation was greatly improved and rationalized, especially on the revenue side. Inflation was brought down from more than 75 percent in the early 1980s to 10 percent in 1992. More was invested in rehabilitating Ghana’s moribund infrastructure. Poverty was reduced and social indicators improved. The regulatory framework has been improved. Cocoa and other exports have recovered. And gross domestic product (GDP) growth has averaged about 5 percent over the past decade.

Moreover, unlike the experience in many adjusting countries, the stabilization objectives were achieved simultaneously with increased real public expenditures, especially
on social services and on public investment. This “win-win outcome” facilitated the pursuit of “adjustment with a human face.”

Poverty in Ghana is less than in many other African countries and has been reduced in recent years. Progress has continued in getting the prices right, in rehabilitating the infrastructure, in rationalizing the revenue structure, and in public investment programming—areas where both the government’s and the Bank’s strengths can be built on.

But fiscal problems have resurfaced in parallel with the move to greater democracy since 1992. And a long agenda of unfinished adjustment remains. Performance has been disappointing in private-sector development, public enterprise restructuring, civil service reform, expenditure control, agricultural development, educational achievement, environmental control, and institutional development. Progress in privatization has also been slow, although some important new privatization measures were taken in 1994 and early 1995.

The prospects for sustaining a satisfactory rate of per capita growth and reducing poverty further are uncertain, unless Ghana continues to rely on exceptionally high volumes of concessional aid, something that may not be feasible nor indeed desirable for reasons discussed later. Agricultural growth remains well below what is necessary and feasible—and may well be no better than the rate of population growth. Total and private savings and private investment remain extremely low. Educational testing results in the primary schools are very low. There are serious environmental problems. And even a continuation of the 5 percent growth of the last decade, at the current population growth rates, would require some 35 years to double the current per capita income and to reach a still low level of $900 by the first third of the twenty-first century.

Rethinking the strategy

For the Bank’s assistance to Ghana in the years ahead to be as relevant, efficacious, and cost-effective as possible, it is recommended that the Bank and government together rethink some of their priorities and focus increasingly on the issues mentioned in the two previous paragraphs. This implies giving more attention to institutional development, economic governance, aid dependency, and sustainability issues.

Two of the key sustainability issues are how to increase substantially the very low private investment rate (recently as low as 4 percent of GDP) and the even lower national savings rate (less than 1 percent of GDP).

It is further recommended that the Bank redefine some of its comparative advantages and refine its performance indicators. And it should sharpen its processes for formulating and monitoring the implementation of its country assistance strategy as articulated in the country assistance strategy papers.

In the 1980s, the Bank’s strategy and instruments were effective in helping the Ghanaian government to stabilize, liberalize, and rehabilitate an economy in crisis. Particularly in the mid-1980s, the Bank’s program of assistance to Ghana gets high marks for the relevance of objectives, efficacy of implementation, cost-effectiveness, and staff performance. The government also gets a high rating for borrower performance.

The hardest parts of Ghana’s adjustment agenda are yet to come, and the objectives and instruments have to be adjusted accordingly. The remaining hard adjustment measures need to be taken and deepened. Urgent attention needs to be given to several longer-term issues if the growth and gains achieved are to be sustained—or acceler-
ated. The binding constraints are on the institutional and managerial side.

**Key issues.** Questions that need to be addressed explicitly in the Bank’s country strategy are: What can the Bank do to improve the sustainability prospects? And what pace of change is needed, on which key fronts, to minimize the risks that Ghana’s progress will not be sustained? Most of the truly important issues—as distinct from the urgent issues that tend to command attention—can be called the “sustainability issues.” Two of the main ones are the “leading sector” and aid dependency issues.

In the 1980s, recovery relied necessarily on the public sector as the leading sector, and was foreign-aid led. During the 1988-92 period, annual net disbursements of official development assistance (ODA) averaged 10 percent of GDP (this figure does not include some of the IMF arrangements). Aid-supported expenditures on infrastructure and social sector development can keep growth going for a time. But sustained growth and poverty alleviation requires a far more vigorous private-sector response, based on higher domestic savings and private investment, than has been achieved so far. Ghana’s heavy dependence on foreign aid also has other disadvantages, and the future strategy should provide for reducing this dependency.

Following the 1992 election of a civilian government under a new constitution, the political economy is now quite different from that in the 1980s. The challenge for the Bank is to help Ghana manage a transition to a more sustainable development path while it also transforms its political forms and processes. The sustainability of the political and social transitions depends partly on how the economy fares, and vice versa. The Bank’s strategy and instruments therefore need to be forged to fit the new political economy.

A shared vision. The future strategy should be based on a shared vision of what kind of society the Ghanaian government and people wish to bring about. As a senior Ghanaian official said, “When we know what we want and take the initiative, things go okay. But when the World Bank takes the initiative, things don’t work so well.” It should be a central role of the Bank to help Ghanaians elucidate the options, and then to foster the needed policy changes, investments, and institutions. If in the 1980s a main thrust of the strategy was to “get the prices right,” for the 1990s it should be in helping Ghana to “get the institutions and economic governance right.”

The policy measures that most need to be taken by the government, and be supported by the Bank and other donors, include developing and implementing a “nexus strategy” (defined below) that gives priority to agricultural development, family planning and environmental protection, civil service reform, capacity building (but not through the traditional technical assistance projects that have so far proven ineffective), and the divestment and restructuring of the large and inefficient public enterprise sector.

Two critical issues are how to stimulate the needed private-sector response, and how to reverse the declining productivity in agriculture without harming the environment.

More gradualism—or breakthroughs? The government strategy has, since 1983, been based on a gradualist approach in which it took the better part of a decade for most of the agenda of stabilization and liberalization measures to be implemented. This gradualism was facilitated by the substantial aid provided by the donors, especially in the form of quick-disbursing aid, much of which financed current expedi-
Box 1: Ghana at a Glance

Ghana is a low-income country, with a population of about 16 million, located on the west coast of Africa. Its land area is about the same as that of the United Kingdom, Uganda, and the Lao PDR. Per capita income in 1992 was $450 (World Bank Atlas method). Average life expectancy is about 55 years and the literacy rate is about 60 percent.

Political developments

Ghana achieved its independence in 1957 and was ruled by a succession of civilian and military regimes. In 1992, a new constitution was approved by referendum and multiparty presidential and parliamentary elections were held. The current President of the elected civilian regime is Flight Lieutenant (retired) Jerry Rawlings. The next elections, both presidential and parliamentary, will be in 1996.

The economic structure

Ghana is well endowed with a broad range of natural resources such as arable land, forests, and sizeable deposits of gold, diamonds, bauxite, and manganese, as well as a considerable capacity of hydroelectric power. The economy has traditionally depended to a high degree on primary (agricultural as well as mineral) production and exports. Exports of gold, cocoa, and timber still account for the bulk of total merchandise exports, with respective shares of 29 percent, 31 percent, and 13 percent.

The agricultural sector, inclusive of forestry and fishing, remains the dominant sector, employing some two-thirds of the labor force and accounting for nearly half of total gross domestic production (GDP). Agricultural production, which is primarily small scale, is concentrated in cocoa and staple food crops. Ghana is currently ranked as the world’s second largest (after Côte d’Ivoire) producer and exporter of cocoa.

Services comprise the second largest sector in the economy, accounting for an increasing share in GDP (37 percent in 1993), while the industrial sector accounts for the remaining 16 percent.

Economic developments

Ghana’s economy grew in the initial years after independence but declined from the mid-1960s into the early 1980s. By 1983,
when the Economic Recovery Program (ERP) was adopted, Ghana's economy had collapsed. The ERP was therefore launched at a time when a broad consensus for change prevailed. Initial reform efforts focused on stabilization and liberalization and were in general successful until a weakening of fiscal discipline, in the wake of the 1992 elections, resulted in a resurgence in inflation and in a rapid depreciation of the now market-determined exchange rate.

Average annual GDP growth over the decade following the introduction of the ERP was nearly 5 percent, with services being the fastest-growing sector. Agricultural sector growth over this decade was 2.3 percent overall, with 3.1 percent growth in cocoa production but only 2.2 percent growth in food production. This recovery was supported by substantial aid from the IMF, World Bank, and other donors.

Adjustment measures were implemented with varying degrees of intensity and success. Good progress was made, for example in exchange rate, pricing, and trade policy reform. There remains, however, a substantial agenda of reform to be undertaken in public sector management and civil service reform, public enterprise divestiture, and in creating an enabling environment for private sector development. The weakest aspect of the economic recovery has been the low private savings and investment rates, which need to increase substantially to sustain growth in the medium term. Issues of high population growth, declining agricultural productivity, and environmental problems also need to be addressed if growth is to be sustained over a longer run.

### A Few Key Indicators (1993)

<table>
<thead>
<tr>
<th>% of GDP</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private investment</td>
<td>4</td>
</tr>
<tr>
<td>Government investment</td>
<td>10</td>
</tr>
<tr>
<td>Consumption</td>
<td>101</td>
</tr>
<tr>
<td>National savings</td>
<td>1.4</td>
</tr>
<tr>
<td>Broad money</td>
<td>17</td>
</tr>
<tr>
<td>Foreign financing</td>
<td>9</td>
</tr>
<tr>
<td>Population (annual growth)</td>
<td>3.1</td>
</tr>
<tr>
<td>Enrollment ratio</td>
<td>71</td>
</tr>
<tr>
<td>Primary</td>
<td>39</td>
</tr>
<tr>
<td>Secondary</td>
<td>25</td>
</tr>
<tr>
<td>Inflation</td>
<td></td>
</tr>
</tbody>
</table>

Accelerating the adjustment will undoubtedly be difficult in the face of developments in democratization that may slow decision-making. But it must be recognized that the binding constraints have changed and that the readiness of donors to support reforms that are not accelerated is uncertain in an era of scarce donor resources. What is needed
today is a strategy that makes a breakthrough in the investment climate and business environment for the private sector. Accelerated programs of privatization, unequivocal support for private sector development, and in-depth administrative reforms appear to be the foundation for persuading the private sector that Ghana's increasingly market-friendly policies are unlikely to be reversed.

*For the Bank.* The Bank had a well-established comparative advantage in helping Ghana to correct its distorted macroeconomic and sectoral policies and to rehabilitate its infrastructure. The Bank now needs to further develop and improve its capabilities—to become more effective in key areas where its past assistance has been least effective:

- In fostering private-sector development, an area in which the International Finance Corporation needs to play an increasingly active role, including through the African Enterprise Fund.
- In promoting institutional development and capacity building.
- In helping the government to become smaller and more efficient.
- In elucidating policy analyses and options to promote enlightened public debates on key policy issues among wider constituencies.

**Recommendations for the design of Bank strategy**

*Focus on sustainability.* The Bank's strategy needs a longer time horizon and a central focus on identifying and addressing the binding constraints to sustainable, long-term development. This implies a need to formulate the strategy with specific reference to evolving political and social as well as economic institutions, that is, in the context of the political economy. The strategy should ultimately be based upon a shared vision of what kind of society the Ghanaian government and people wish to bring about.

*Monitor performance against sustainability indicators.* There is no agreed or established set of core sustainability indicators for Ghana. It would be useful if such a set were identified and used in the Bank's country assistance strategy (CAS) for purposes of options analysis, policy dialogue, and performance monitoring. The report suggests a subset of such indicators (Table 5.8). It suggests further that an additional subset of governance-cum-institutional development indicators be developed and applied. Macro-level monitoring needs to be supplemented by more micro-level monitoring of attitudes and behaviors of farmers, informal sector participants, women in the labor force, the poor, the civil service, and students and teachers in the classroom.

Key indicators of the sustainability of growth and poverty alleviation include: fertility rate, productivity growth and structural change in agriculture, total and private domestic savings rates, the "genuine" savings rate (national savings less depreciation of fixed capital and depletion of natural resources), private investment ratio and annual rate of private investment growth, export growth rate, especially of nontraditional exports, primary school enrollment rate (especially of girls) and criterion reference test scores, and the government revenue to GDP ratio. Either the levels or the trends in these indicators are worrisome. Relevant governance indicators (which are admittedly hard to define in objectively monitorable form) would include: the predictability, openness, and competence of policymakers; the professional ethos of the
bureaucracy; accountability of the executive branch of government; participation of civil society in public affairs; rule of law; and incidence of civil disturbances.

Focus on governance. A greater focus on sustainability also implies a need to focus on governance factors. The government is still in some areas part of the problem rather than part of the solution. For example, Ghana’s overstaffed and poorly functioning public administration and public enterprises are impediments to private sector development through financial crowding out (excessive credit to the parastatals), through the “unlevel playing field” between public and private firms, de facto monopolies, rent-seeking, obstruction and harassment by public officials, inefficient delivery of infrastructure and other public goods and services, and through the “signals” received (if not intentionally sent) that statist or populist policies and intimidating practices are not yet permanently relegated to the past.

The Bank’s strategy, therefore, and its policy dialogue with the government should emphasize the need to address those governance factors that tend to diminish private-sector confidence and hence private-sector savings and investments. And the longer-term strategy also needs to be geared to fostering social and political sustainability, which implies ensuring that the benefits of growth, and of external assistance, are broadly shared through the society, especially by the poorest segments.

Focus on institutional development. A greater focus on sustainability implies a need to focus in turn on institutional constraints. Both the Bank and the government need to formulate and implement a coherent and comprehensive strategy for public administration reform. This strategy should address the root causes of underutilization of Ghana’s existing human capacities and capabilities, the overstaffing and low productivity of the civil service and public enterprises, and the poor performance of most technical assistance projects (not only the Bank’s).

Develop and implement a “nexus strategy.” The CAS should give higher priority to agricultural development, family planning, and environmental protection. The “nexus” here refers to the combination of rapid population growth, declining agricultural productivity, and environmental deterioration. This combination of problems warrants priority attention in both the lending program and in nonlending services (economic and sector work, policy dialogue, and aid coordination). A better information base is needed (for example, on levels and trends in agricultural production and productivity) and new modeling approaches should be encouraged to elucidate the critical linkages.

The poor in Ghana are disproportionately rural and located in the northern region, where the nexus problem is most pronounced. Dealing with the linkages is therefore critical to alleviating poverty. It is also critical to avoiding tribal strife, such as occurred in the north region in early 1994—which appears at least partly attributable to the growing scarcity of fertile land and tensions over land rights.

Make the Bank’s strategy more strategic. Future Bank strategy papers (including sectoral and other strategy documents, as well as country assistance strategies) should be made “more strategic” by ensuring that they address head-on questions such as: Which long-term and short-term constraints are most binding? What are the critical “sustainability issues,” and what can donors do about them? Which risks can be managed and which cannot? How are lessons of past experience being heeded? What “critical masses” of Bank/donor lend-
ing and nonlending services can improve the prospects of getting significant “breakthroughs” on the binding constraints? And what are the Bank’s comparative advantages in assisting Ghana? The previous sections of this summary have addressed some of these questions and they are further developed in the main report. Future strategy papers should focus, more so than in the past, on assessing risks and on elucidating options (especially regarding risks to be taken or avoided) for the Bank’s senior managers and the Board.

**Strengthen CAS evaluation and accountability.** A corollary to making the Bank’s strategy “more strategic” is that the CAS and its discussion should serve, among other things, to clarify what the Region should (and should not) be held accountable for in implementing its country assistance strategy. It may be useful and possible to identify some strategy implementation performance indicators that serve to strengthen accountability without compromising the flexibility needed by the Region at the tactical level. In any event, it is recommended that future country assistance strategy papers contain a more substantial section comprising a self-evaluation of Bank successes and failures in achieving targets and objectives specified in previous papers. It should also explain how the lessons derived from that evaluation are being applied in the current strategy.

**Recommendations for achieving objectives**

*Reach out, and listen to, broader constituencies in and outside Ghana.* There is an unmet demand among Ghanaians for information and analysis on the country’s economic and social situation and prospects. The Bank can help meet this demand by disseminating its documents more widely, by encouraging the government to discuss Bank and jointly authored reports with broader audiences, and by undertaking more “outreach” activities in regard to its provision of nonlending services. The outreach should be a two-way street and involve more listening by Bank staff to views and concerns of Ghanaians and others such as academic analysts of Ghanaian social and political issues.

*Develop a more strategic approach to institutional development and technical assistance.* Ghana lacks a coherent strategy for civil service and parastatal sector reform, and it is a matter of highest priority for the Bank to assist in formulating it. Another problem has been the poor efficacy of technical assistance to Ghana. Such assistance has too often been characterized by the dominance of short-term products and events over longer-term processes geared to institutional development, capacity building, and learning-by-doing. The Bank should encourage the government to convene a local consultative group to focus on these technical assistance issues and come up with an agreed action plan.

*Get at the real causes of inadequate expenditure management.* Despite many public expenditure reviews and the provision of technical assistance in financial management, Ghana’s poor expenditure management continues to be a major problem. Priority should be given to solving this problem, but not by further relaxing conditionalities regarding the government’s required share of local expenditures.

*Do not oversell Ghana as a success story.* Given the large unfinished agenda of reform and the challenges of making the gains sustainable, overselling Ghana as “success case” may be a disservice to the country by detracting attention from the needed reforms. Nevertheless, the relative success of the government policies under the ERP so far
may be held as an example to other countries not yet committed to adjustment.

Beware the downside of excessive aid dependency. The Bank should give greater consideration to minimizing the potential adverse effects of “too high” levels of external aid, including upon the behaviors of government officials. Excessive aid may allow governments to postpone adoption of needed but politically difficult reforms, thus reducing savings and private investment and delaying the expected supply response. But it may also lead to excessive numbers of projects relative to the country’s absorptive capacity, dependency behaviors (such as “let the donors do it”), distortions in incentives created by multiple scales of donor-financed supplements and allowances, and the dominance of donor-driven objectives and donor-specified performance indicators. This attention needs to be made explicit in the design of nonlending as well as lending services.

Develop improved aid coordination policies and practices. All of the above-mentioned recommendations have implications for donor coordination, as the Bank has a role to play in getting all donors to focus on sustainability, to work in the context of a common strategy for institutional development, to minimize the downsides of aid dependency, and so on. Aid coordination is currently effective in some areas but not in others, and the government needs to be urged to take a much greater role itself. In particular, sectoral and subsectoral coordination needs to be strengthened in a context of agreed sectoral strategies and action plans.
Resumen

En términos generales, gracias a la asistencia del Banco Ghana logró considerables avances económicos en la década pasada. Sin embargo, estos avances no podrán sostenerse a menos que: (a) se acelere a corto plazo la aplicación de un programa importante de ajuste que aún no ha llegado a su fin, y (b) el gobierno y los donantes aumen sus esfuerzos para resolver "problemas fundamentales relativos a la sostenibilidad" a largo plazo. La consigna es la sostenibilidad. En consecuencia, los criterios para evaluar la eficacia de la asistencia del Banco en el futuro deben centrarse en gran medida en el desempeño de un conjunto específico de indicadores de sostenibilidad.

Hace más de diez años que Ghana inició un Programa de Reforma Económica (PRE) de gran alcance, aunque "gradualista". Desde 1984, el Grupo del Banco ha otorgado a Ghana financiamiento por más de US$2.000 millones, más de US$1.000 millones de los cuales se destinaron a operaciones de ajuste. Mucho se ha logrado gracias a los esfuerzos conjuntos del gobierno y el pueblo de Ghana, con el respaldo del Grupo del Banco Mundial y otros donantes. El Fondo Monetario Internacional (FMI) y el Banco Mundial prestaron una gran ayuda al gobierno para la formulación y aplicación del PRE a lo largo del tiempo. Dicho programa fue, sin lugar a dudas, obra del gobierno y no le fue impuesto.

En los años ochenta, en circunstancias de relaciones muy tensas y desconfianza mutua, el Banco logró en general establecer excelentes relaciones con el país y un verdadero sentido de colaboración con un grupo básico de autoridades de Ghana responsables de la preparación y aplicación del PRE. Un factor fundamental para apoyar las reformas desde 1983, a pesar de un retroceso en 1992, fue la continuidad y competencia de este grupo básico.

Los principales logros alcanzados durante el último decenio son bien conocidos. Las reformas cambiaria y comercial fueron piezas fundamentales del PRE; actualmente Ghana cuenta con un mercado cambiario interbancario, pocas restricciones cuantitativas y niveles bajos de protección. Se levantaron amplios controles de precios y distribución. La situación fiscal mejoró y se racionalizó en gran medida, especialmente en lo que respecta a los ingresos. La inflación se redujo, de más del 75 por ciento a principios de los años ochenta, a 10 por ciento en 1992. Se hicieron más inversiones en tareas de rehabilitación de la infraestructura de Ghana, cuyo estado era deplorable. La pobreza se redujo y los indicadores sociales mejoraron. Se introdujeron mejoras en el marco regulatorio. Se reactivaron las exportaciones de cacao y otros productos. En la década pasada el producto interno bruto (PIB) medio fue de un 5 por ciento.
Asimismo, a diferencia de lo que sucedió en muchos países en proceso de ajuste, los objetivos de estabilización se lograron en forma simultánea con el aumento del gasto público real, sobre todo en servicios sociales e inversiones públicas. Este resultado seguro facilitó la aplicación del "ajuste con una dimensión humana". En Ghana hay menos pobreza que en muchos otros países africanos, y en los últimos años se ha reducido aún más. Se ha seguido avanzando en cuanto al logro de un nivel adecuado de precios, la rehabilitación de la infraestructura, la racionalización de la estructura de ingresos y la programación de las inversiones públicas, esferas en las que pueden basarse los puntos fuertes tanto del gobierno como del Banco.

Sin embargo, a partir de 1992, junto con la intensificación de la democratización, se volvieron a presentar problemas fiscales. Aun queda por aplicar parte de un programa importante de ajuste. Los resultados han sido desalentadores en lo que respecta a los siguientes aspectos: promoción del sector privado, reestructuración de las empresas públicas, reforma de la administración pública, control del gasto, desarrollo agrícola, nivel de instrucción, protección del medio ambiente y fortalecimiento institucional. También ha sido lento el avance de las privatizaciones, pese a que se adoptaron algunas medidas nuevas al respecto en 1994 y principios de 1995.

Las perspectivas de que se mantenga una tasa satisfactoria de crecimiento per cápita y se reduzca más la pobreza son inciertas para Ghana, a menos que este país siga contando con niveles extraordinariamente elevados de ayuda en condiciones concesionarias, lo que tal vez no sea factible ni, es más, recomendable por las razones que se explican más adelante. El nivel de crecimiento agrícola sigue siendo inferior al necesario y viable, y bien puede ser igual o inferior a la tasa de crecimiento de la población. El nivel de ahorro total y privado, así como el de la inversión privada siguen siendo muy bajos. Los resultados de los test de rendimiento escolar en el nivel primario son muy bajos. Existen problemas ambientales graves. Aun cuando siguiere registrándose un crecimiento de 5 por ciento como en la década pasada, a la actual tasa de crecimiento de la población se necesitarían unos 35 años para duplicar el nivel actual de ingresos per cápita y llegar a un nivel que seguiría siendo bajo, de US$900 en el primer tercio del siglo XXI.

**Reconsideración de la estrategia**

Para que en los próximos años la asistencia que presta el Banco a Ghana sea importante, eficiente y eficaz en función de los costos en la mayor medida posible, se recomienda que el Banco y el gobierno reconsideren en forma conjunta algunas de sus prioridades y se centren cada vez más en las cuestiones mencionadas en los dos párrafos precedentes. Esto entraña prestar más atención al desarrollo institucional, la gestión económica, la dependencia de la ayuda y los problemas relativos a la sostenibilidad. Dos de los principales problemas de esta naturaleza consisten en cómo aumentar considerablemente la tasa muy baja de inversión privada (que hace poco fue de 4 por ciento del PIB) y la tasa de ahorro nacional aún más baja (de menos de 1 por ciento del PIB).

Se recomienda además que el Banco determine nuevamente algunas de sus ventajas comparativas y mejore sus indicadores de desempeño. Además, debería perfeccionar sus procedimientos de formulación y seguimiento de la ejecución de su estrategia de asistencia a los países, como se expone claramente en los documentos de esa índole.
RECUADRO 1: BREVE DESCRIPCIÓN DE GHANA

Ghana es un país de ingreso bajo, con unos 16 millones de habitantes, ubicado en la costa occidental de África. Su superficie es aproximadamente igual a la del Reino Unido, Uganda y la República Democrática Popular Lao. El ingreso per cápita en 1992 era de US$450 (según el método del Atlas del Banco Mundial). La esperanza media de vida es de unos 55 años y la tasa de alfabetización es de aproximadamente 60 por ciento.

Evolución política

Ghana declaró su independencia en 1957 y fue gobernada por sucesivos regímenes civiles y militares. En 1992 se aprobó una nueva constitución por referéndum y se llevaron a cabo elecciones para presidente y miembros del poder legislativo en las que participaron varios partidos políticos. El actual Presidente del gobierno civil electo es el Teniente (retirado) de la Fuerza Aérea Jerry Rawlings. Las próximas elecciones de autoridades (presidente y miembros del poder legislativo) tendrán lugar en 1996.

El sistema económico

Ghana está dotada de una amplia gama de recursos naturales, como tierra cultivable, bosques y depósitos importantes de oro, diamantes, bauxita y manganeso, así como considerable capacidad de energía hidroeléctrica. La economía en general dependió en gran medida de la producción y exportación de productos primarios (agrícolas y minerales). Las exportaciones de oro, cacao y madera siguen representando la mayor parte del total de exportaciones de mercancías; a ellas les corresponde, respectivamente, una proporción de 29 por ciento, 31 por ciento y 13 por ciento en ese total.

El sector agrícola, incluidas la silvicultura y la pesca, sigue siendo el sector predominante; emplea a unas dos terceras partes de la fuerza laboral y a él se le atribuye casi la mitad del producto interno bruto (PIB) total. La producción agrícola, que es fundamentalmente de pequeña escala, se concentra en los cultivos alimentarios básicos y de cacao. En la actualidad Ghana es el segundo productor y exportador de cacao más grande del mundo (después de Côte d'Ivoire).

Los servicios constituyen el segundo sector más grande de la economía; a ellos les corresponde una proporción creciente del PIB (37 por ciento en 1993), en tanto que al sector industrial le corresponde el otro 16 por ciento.

Evolución económica

La economía de Ghana creció en los primeros años que siguieron a la independencia, pero se contrajo a partir de mediados de los años sesenta hasta los primeros de la década de
1980. Para 1983, año en que se adoptó el Programa de Recuperación Económica (PRE), la economía de Ghana se había desmoronado. Por lo tanto, el PRE se inició en momentos en que había un amplio consenso acerca del cambio. Los primeros esfuerzos de la reforma, que se centraron en la estabilización y la liberalización, en general fueron satisfactorios hasta que se deterioró la disciplina fiscal, después de las elecciones de 1992, lo que dio lugar a un nuevo brote de inflación y a la rápida depreciación del tipo de cambio, ahora de mercado.

El PIB anual medio durante el decenio, después de la introducción del PRE, fue de alrededor de 5 por ciento, en tanto que el sector de servicios fue el que creció con más rapidez. El crecimiento global del sector agrícola durante esta década fue de 2,3 por ciento, el de la producción de cacao fue de 3,1 por ciento, y el de la producción de alimentos de sólo 2,2 por ciento. Esta recuperación se vio respaldada por un nivel considerable de ayuda del FMI, el Banco Mundial y otros donantes.

Se aplicaron medidas de ajuste con distinto grado de intensidad y éxito. Se lograron avances importantes, por ejemplo, en materia de reforma cambiaria, de la política comercial y en la fijación de precios. Sin embargo, aún queda por aplicar un programa importante de reforma relativa a la gestión del sector público y la administración pública, venta de empresas públicas y la creación de un clima propicio para el desarrollo del sector privado. El aspecto más endeble de la recuperación económica ha sido las bajas tasas de ahorro privado e inversión, que deben aumentar considerablemente para sostener el crecimiento a plazo medio. Para que el crecimiento se sostenga a largo plazo también es preciso abordar los problemas relativos al elevado crecimiento de la población, la baja de la productividad agrícola y las cuestiones ambientales.

**ALGUNOS DE LOS PRINCIPALES INDICADORES (1993)**

<table>
<thead>
<tr>
<th></th>
<th>Porcentaje del PIB</th>
<th>Porcentaje</th>
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</thead>
<tbody>
<tr>
<td>Inversión privada</td>
<td>4</td>
<td>3,1</td>
</tr>
<tr>
<td>Inversión pública</td>
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<tr>
<td>Consumo</td>
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</tr>
<tr>
<td>Ahorro nacional</td>
<td>1,4</td>
<td>25</td>
</tr>
<tr>
<td>Dinero en sentido amplio</td>
<td>17</td>
<td>Tasa de matrícula</td>
</tr>
<tr>
<td>Financiamiento externo</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>
En los años ochenta, la estrategia y los instrumentos del Banco lograron ayudar al gobierno de Ghana a estabilizar, liberalizar y rehabilitar una economía en crisis. Sobre todo a mediados de los años ochenta, el programa del Banco de asistencia para Ghana se destaca por la pertinencia de sus objetivos, la eficacia de la ejecución, la eficacia en función de los costos y el desempeño de sus funcionarios. El gobierno también logra una buena clasificación por su desempeño como prestatario.

Lo más difícil del programa de ajuste de Ghana aún no ha tenido lugar, y los objetivos e instrumentos deben ajustarse en atención a ello. Deben adoptarse e intensificarse las difíciles medidas de ajuste que queden pendientes. Para que se mantengan o aumenten el crecimiento y los beneficios, se debe prestar atención inmediata a varios problemas de larga duración. Las restricciones con que se topa se vinculan con los aspectos institucionales y administrativos.

Principales problemas. Los interrogantes que deben abordarse expresamente en la estrategia del Banco para el país son los siguientes: ¿Qué puede hacer el Banco para mejorar las perspectivas de sostenibilidad? ¿Qué ritmo de cambio hace falta, y en qué frentes clave, a fin de minimizar los riesgos de que el crecimiento de Ghana no logre mantenerse? La mayoría de las cuestiones verdaderamente importantes, a diferencia de los problemas urgentes a los que por lo general se presta más atención, pueden denominarse "problemas de sostenibilidad". Dos de los principales de éstos son los relativos al "sector punta" y la dependencia de la ayuda.

En los años ochenta la recuperación tuvo que basarse en el impulso del sector público y la ayuda extranjera. En el período 1988-92, los desembolsos netos anuales de asistencia oficial para el desarrollo (AOD) fueron de un promedio del 14 por ciento del PIB (esta cifra no incluye algunos de los acuerdos del FMI).

Los gastos en concepto de desarrollo del sector social e infraestructura financiados con fondos de ayuda tal vez sigan aumentando por algún tiempo. Sin embargo, para el crecimiento y la reducción de la pobreza sostenidos hace falta una reacción mucho más energética del sector privado, basada en un volumen de ahorro nacional e inversión privada mayor que el alcanzado hasta ahora. La fuerte dependencia de Ghana de la ayuda externa también tiene otras desventajas, y en la estrategia para el futuro se debe reducir esta dependencia.

Tras la elección de un gobierno civil en 1992, con arreglo a una nueva constitución, la economía política actual es muy distinta de la de los años ochenta. El Banco encara el desafío de ayudar a Ghana a lograr una transición a un rumbo más sostenible de desarrollo, al mismo tiempo que transforma sus instituciones políticas. La sostenibilidad de las transiciones políticas y sociales depende en parte del desempeño de la economía y viceversa. Por lo tanto, la estrategia y los instrumentos del Banco deben ajustarse a la nueva economía política.

Una visión común. La estrategia futura debe basarse en la visión común acerca de la clase de sociedad que el gobierno y el pueblo de Ghana quieren que exista. Como afirmó una alta autoridad de Ghana: “Cuando sabemos lo que queremos y tomamos la iniciativa, las cosas van bien, pero cuando es el Banco Mundial el que toma la iniciativa, las cosas no van tan bien.” La principal función del Banco debería ser ayudar a los ghaneses a discernir las opciones, para luego promover los cambios necesarios en las políticas,
inversiones e instituciones. Si en los años ochenta el principal impulso de la estrategia era "lograr el nivel adecuado de precios", en los noventa debería ser "lograr instituciones y una gestión económica adecuadas".

Las medidas de política más acuciantes para el gobierno, y que el Banco y los donantes deben respaldar, comprenden la formulación y ejecución de una "estrategia combinada" (tal como se la define más adelante) que otorgue prioridad al desarrollo agrícola, la planificación de la familia y la protección del medio ambiente, la reforma de la administración pública, el fortalecimiento de la capacidad (aunque no a través de los proyectos tradicionales de asistencia técnica que hasta ahora han demostrado ser ineficaces), y la venta y reestructuración de empresas públicas grandes e ineficientes.

Dos problemas cruciales son cómo estimular la reacción tan necesaria del sector privado y revertir la baja de productividad de la agricultura sin ocasionar daños para el medio ambiente.

¿Más gradualismo o avances decisivos? Desde 1983, la estrategia oficial se ha basado en un enfoque gradualista, debido a lo cual la aplicación del programa de medidas de estabilización y liberalización llevó la mayor parte de la década. Este gradualismo fue propiciado por el volumen considerable de ayuda proporcionado por los donantes, especialmente en forma de ayuda de rápido desembolso, gran parte de la cual sirvió para financiar gastos corrientes. Ahora es preciso acelerar el ritmo de la estrategia y revisar la secuencia de las futuras medidas programáticas y de políticas teniendo en cuenta que con la estrategia actual no se ha logrado promover la reacción necesaria del sector privado ni elevar la productividad agrícola, factores de los que tanto depende la sostenibilidad del desarrollo en el futuro.

Sin lugar a dudas, acelerar el ajuste será difícil en vista de que el proceso de democratización puede tornar lento el proceso decisorio. Sin embargo, debe admitirse que las restricciones son otras y que la disposición de los donantes a apoyar reformas que no se agilizan es incierta en una época de recursos escasos de donación. Lo que se necesita en la actualidad es una estrategia que permita establecer un clima más propicio para las inversiones y la actividad empresarial. Al parecer, la aceleración de los programas de privatizaciones, el claro apoyo al desarrollo del sector privado y las reformas administrativas profundas son las bases que permitirán convencer al sector privado de que es poco probable que se inviertan las políticas cada vez más acordes con el mercado.

El Banco. El Banco contaba con una ventaja comparativa de larga data en lo que se refiere a ayudar a Ghana a corregir políticas macroeconómicas y sectoriales distorsionadas y rehabilitar su infraestructura. Ahora es preciso que el Banco fortalezca y mejore más su capacidad, a fin de aumentar su eficacia en esferas clave en las que en el pasado la asistencia no ha sido tan eficaz, a saber:

- La promoción del sector privado, esfera en la que la Corporación Financiera Internacional debe desempeñar un papel más activo, incluso a través del Fondo para empresas africanas;
- El fomento del fortalecimiento institucional y la capacidad;
- La ayuda para achicar el sector público y mejorar su eficiencia, y
- La aclaración de análisis y opciones de políticas a fin de promover debates lúdicos de amplia participación sobre los principales problemas de políticas.
Recomendaciones acerca del diseño de la estrategia del Banco

Centrar la atención en la sostenibilidad. La estrategia del Banco debe abarcar un plazo más largo y prestar primordialmente atención a la determinación y eliminación de las restricciones que se oponen a un desarrollo sostenible a largo plazo. Ello entraña la necesidad de formular la estrategia considerando específicamente las instituciones políticas, sociales y económicas en evolución, es decir, en el contexto de la economía política. En definitiva, la estrategia se basaría en una visión común acerca de la clase de sociedad que el gobierno y el pueblo de Ghana quieren lograr.

Seguir el desempeño frente a indicadores de sostenibilidad. No existe un conjunto convenido o establecido de indicadores de sostenibilidad con respecto a Ghana. Sería útil identificar y utilizar un conjunto así en la estrategia de asistencia a los países (CAS) a los fines del análisis de las opciones, el diálogo sobre políticas y el seguimiento del desempeño. En el informe se recomienda un subgrupo de indicadores de esa naturaleza (véase el Cuadro 5.8). Se recomienda además formular y aplicar un subconjunto adicional de indicadores de fortalecimiento de la gestión y las instituciones. Se debe complementar el seguimiento a nivel macroeconómico con un mayor seguimiento a nivel microeconómico de las actitudes y los comportamientos de los agricultores, quienes integran el sector informal, la mujer en la fuerza laboral, los pobres, la administración pública y los estudiantes y maestros en las aulas.

Los principales indicadores de la sostenibilidad del crecimiento y la reducción de la pobreza son: la tasa de fecundidad; el aumento de la productividad y los cambios estructurales en la agricultura; las tasas de ahorro total y nacional privado; la tasa “natural” de ahorro (ahorro nacional menos depreciación del capital fijo y agotamiento de los recursos naturales); la tasa de inversión privada y la tasa anual de crecimiento de la inversión privada; la tasa de crecimiento de las exportaciones, especialmente de las exportaciones no tradicionales; la tasa de matrícula primaria (sobre todo de las niñas) y los resultados de los test basados en un criterio, y la relación ingresos públicos-PIB. Preocupan tanto los niveles como las tendencias de estos indicadores. Los indicadores de gestión pertinentes (que se admite que son difíciles de determinar a fin de que puedan seguirse objetivamente) comprenderían: la previsibilidad, apertura y competencia en materia de formulación de las políticas; la calidad profesional de la burocracia; la responsabilidad del poder ejecutivo del gobierno; la participación de la sociedad civil en los asuntos públicos; el imperio de la ley, y la frecuencia de los disturbios civiles.

Formular y aplicar una “estrategia combinada”. En la CAS se debe otorgar prioridad más elevada al desarrollo agrícola, la planificación de la familia y la protección ambiental. El término “combinada” se refiere en este caso a la relación entre el rápido crecimiento de la población, la disminución de la productividad agrícola y el deterioro del medio ambiente. La existencia de problemas interconectados justifica que se les preste atención especial, tanto en el programa de financiamiento como en los servicios de distinta naturaleza (estudios económicos y sectoriales, diálogo sobre políticas y coordinación de la ayuda). Se necesita una mejor base de información (por ejemplo, acerca de los niveles y tendencias de la producción agrícola y la productividad) y se deben promover nuevos enfoques ejemplares que pongan claramente de manifiesto los vínculos fundamentales.
En Ghana, la mayor parte de los pobres vive en zonas rurales y en la región norte del país, donde la interconexión de los problemas es más acentuada. En consecuencia, abordar los vínculos existentes reviste importancia vital para aminorar la pobreza. También es esencial para evitar conflictos intertribales, como los ocurridos en la región norte del país a principios de 1994, lo que al parecer se atribuye, al menos parcialmente, a la creciente escasez de tierras fértil y a las disputas acerca de los derechos de propiedad sobre la tierra.

**Prestar atención especial al desarrollo institucional.** Prestar más atención a la sostenibilidad entraña a su vez la necesidad de centrarse en las restricciones institucionales. Tanto el Banco como el gobierno deben formular y aplicar una estrategia coherente e integral relativa a la reforma de la administración pública. Esta estrategia debe abordar las causas básicas de la subutilización de la capacidad y el potencial de los recursos humanos de Ghana en la actualidad, el exceso de personal y la baja productividad de la administración pública y de las empresas públicas y los resultados insatisfactorios de la mayoría de los proyectos de asistencia técnica (no sólo de los del Banco).

**Prestar atención especial a la gestión de los asuntos públicos.** Prestar más atención a la sostenibilidad entraña la necesidad de centrarse en los factores relativos a la gestión de los asuntos públicos. El gobierno sigue siendo en algunas esferas parte del problema y no de la solución. Por ejemplo, el exceso de personal y el mal funcionamiento de la administración pública y de las empresas públicas de Ghana constituyen un impedimento para el desarrollo del sector privado, por cuanto desplaza a éste en el ámbito financiero (volumen excesivo de créditos a las empresas paraestatales); fomenta la desigualdad de posibilidades para empresas públicas y privadas, la existencia de monopolios de hecho, el fin de lucro, la obstrucción y la deshonestidad por parte de los funcionarios públicos; la prestación inefficiente de infraestructura y otros bienes y servicios suministrados por el estado, y las señales que se reciben (cuando no se envían intencionalmente) de que las políticas estatales o populistas y las prácticas intimidatorias no han quedado totalmente relegadas al olvido.

En consecuencia, en la estrategia del Banco y en su diálogo sobre políticas con el gobierno se debe hacer hincapié en la necesidad de abordar los factores de la gestión de los asuntos públicos que en general menoscaban la confianza del sector privado y, por ende, el nivel de ahorro e inversión privados. Además, es preciso orientar la estrategia a largo plazo a la promoción de la sostenibilidad social y política, lo que entraña asegurar una amplia participación de la sociedad, especialmente de los segmentos más pobres, en la distribución de los beneficios del crecimiento y la asistencia externa.

**Aumentar la eficacia de la estrategia del Banco.**

Los futuros documentos de estrategia del Banco (incluidos los sectoriales y otros documentos de estrategia, así como las estrategias de asistencia a los países) deben ser más eficaces y debe asegurarse que en ellos se aborden frontalmente interrogantes como los siguientes: ¿Cuáles son las principales restricciones a corto y a largo plazo? ¿Cuáles son los problemas fundamentales en torno a la sostenibilidad, y qué pueden hacer al respecto los donantes? ¿Cuáles son los riesgos que pueden ser objeto de gestión y cuáles no? ¿Qué atención se presta a enseñanzas extraídas? ¿Qué masa crítica de servicios de financiamiento y de otra naturaleza del Banco y los donantes puede mejorar las perspectivas de lograr un avance
significativo en lo que respecta a la eliminación de restricciones? ¿Y qué son las ventajas comparativas del Banco para prestar ayuda a Ghana? En las secciones anteriores de este resumen se han abordado algunas de estas cuestiones, que se tratan en más detalle en el informe principal. Los documentos de estrategia en el futuro deben centrarse, más que en el pasado, en la evaluación de los riesgos y la explicación clara de las opciones (sobre todo con respecto a los riesgos que deben asumirse o evitarse) que se presentan a los directivos superiores y al Directorio Ejecutivo.

Fortalecer la evaluación y responsabilidad de la CAS. La consecuencia natural del aumento de la eficacia de la estrategia del Banco es que la CAS y el análisis de ésta deben servir, entre otras cosas, para aclarar la responsabilidad que cabe (o no) a la Oficina Regional por la ejecución de la estrategia de asistencia a los países. Tal vez sea útil y posible identificar algunos indicadores de los resultados de la aplicación de la estrategia que sirvan para reforzar la responsabilidad sin comprometer la flexibilidad que necesita la Oficina Regional por razones de táctica. De cualquier manera, se recomienda que los futuros documentos de estrategia de asistencia a los países contengan una sección más importante que abarque la autoevaluación de los logros y fracasos del Banco en lo que hace a la consecución de las metas y objetivos especificados en documentos anteriores. En ellos también se debe explicar el provecho que se saca de enseñanzas derivadas de esa evaluación para la estrategia actual.

Recomendaciones para alcanzar los objetivos

Acercase y escuchar a círculos más amplios de interlocutores dentro y fuera de Ghana. Entre los ghaneses existe una demanda insatisfactoria de información y análisis de la situación económica y social y las perspectivas del país. El Banco sólo puede ayudar a satisfacer esta demanda mediante la difusión más amplia de sus documentos, alentando al gobierno a discutir informes, del Banco y conjuntos, con un público más amplio, y realizando más actividades de extensión en lo que respecta a la prestación de servicios distintos de los de financiamiento. Las actividades de extensión deben ser interactivas; los funcionarios del Banco deben escuchar más las opiniones y preocupaciones de la población y otros interesados, como los especialistas en el análisis de problemas sociales y políticos de Ghana.

Formular un enfoque más estratégico respecto del fortalecimiento institucional y la asistencia técnica. Ghana no tiene una estrategia coherente para la reforma de la administración pública y el sector paraestatal, por lo que ayudar a formularla reviste la máxima prioridad para el Banco. Otro problema ha sido la ineficacia de la asistencia técnica para Ghana. Con mucha frecuencia dicha asistencia se ha caracterizado por la prevalencia de productos y acontecimientos de corto plazo en procesos largos orientados al fortalecimiento institucional y de la capacidad y al aprendizaje sobre la marcha. El Banco debe alentar al gobierno a convocar a un grupo consultivo local que se centre en estos problemas de asistencia técnica y elabore un plan convenido de acción.

Abordar las causas reales de la gestión inadecuada del gasto. Pese a los muchos exámenes del gasto público y al suministro de asistencia técnica en materia de gestión financiera, la mala administración del gasto de Ghana sigue siendo un problema grave. Se debe dar prioridad a la solución de este problema, aunque sin liberalizar más las condicionali-
dades relativas a la participación exigida del gobierno en el financiamiento de los gastos locales.

No pecar de optimismo acerca del éxito del caso de Ghana. Teniendo en cuenta el importante programa inconcluso de reforma y el desafío que representa la sostenibilidad de los beneficios, exagerar el éxito del caso de Ghana puede perjudicar al país, al distraer la atención de las reformas que hacen falta. Sin embargo, hasta ahora el éxito relativo de las políticas oficiales en el marco del PRE puede considerarse un ejemplo para otros países que aún no están empeñados en la tarea del ajuste.

Estar alerta ante la faz negativa de la excesiva dependencia de la ayuda. El Banco debe prestar más atención a reducir al mínimo los posibles efectos adversos de los niveles “excesivamente altos” de ayuda externa, incluso en el comportamiento de los funcionarios públicos. Los volúmenes excesivamente elevados de ayuda tal vez permitan a los gobiernos posponer la adopción de reformas necesarias pero difíciles desde el punto de vista político, con lo que se reducen el ahorro y la inversión privada y se demora la reacción prevista de la oferta. Además, también pueden conducir a un número excesivo de proyectos en relación con la capacidad de absorción del país; a actitudes dependientes (como dejar que los donantes hagan lo que hace falta); a distorsiones de los incentivos creadas por escalas múltiples de financiamiento complementario y asignaciones proporcionados por los donantes, y al predominio de objetivos e indicadores de desempeño fijados por los donantes. Es preciso contemplar expresamente esto en el diseño de los servicios de financiamiento y de otra naturaleza.

Formular políticas y prácticas mejores de coordinación de la ayuda. Todas las recomendaciones mencionadas tienen repercusiones importantes para la coordinación de la ayuda, ya que al Banco le cabe ayudar a que todos los donantes se centren en la sostenibilidad, trabajen en el contexto de una estrategia común de desarrollo institucional, y atiendan los aspectos negativos de la dependencia de la ayuda, por ejemplo. En la actualidad la coordinación de la ayuda es eficaz sólo en algunas esferas, y es preciso instar al gobierno a desempeñar una función mucho más importante. Sobre todo, la coordinación sectorial y subsectorial debe fortalecerse en el contexto de planes de acción y estrategias sectoriales.
Dans l'ensemble, les interventions de la Banque ont aidé le Ghana à faire des progrès économiques considérables au cours des dix dernières années. Mais ceux-ci ne sauraient être durables à moins : (a) que l'application de nombreuses mesures d'ajustement, en grande partie inachevée, ne soit reprise et accélérée à bref délai; (b) que le gouvernement et les bailleurs de fonds n'entreprennent un effort concerté pour s'attaquer aux « problèmes de durabilité » fondamentaux qui se posent pour le long terme. Le mot clé est durabilité. Il faudra donc que les critères qui serviront dans l'avenir à évaluer le succès de l'aide de la Banque soient étroitement liés à une série particulière d'indicateurs de durabilité.

Il y a plus de dix ans maintenant que le Ghana a lancé son Programme de réforme économique (PRE) global mais « progressif ». Le Groupe de la Banque lui a prêté plus de 2 milliards de dollars depuis 1984, dont plus de 1 milliard pour des opérations d'ajustement. Des progrès considérables ont été réalisés grâce aux efforts concertés du gouvernement et de la population ghanéenne, soutenus par le Groupe de la Banque mondiale et d'autres bailleurs de fonds. Le Fonds monétaire international (FMI) et la Banque mondiale ont joué un rôle important en aidant le gouvernement à établir et poursuivre le PRE au fur et à mesure de son évolution dans le temps. Ce programme était manifestement l'œuvre du gouvernement et ne lui a pas été imposé.

Au cours des années 80, dans une situation marquée par des relations particulièrement tendues et une méfiance réciproque, la Banque a réussi dans l'ensemble à établir d'excellentes relations avec le Ghana et un véritable esprit de partenariat avec un groupe restreint de fonctionnaires ghanéens responsables de la préparation et de la mise en œuvre du PRE. Un facteur essentiel qui a soutenu les réformes depuis 1983, malgré un recul en 1992, a été la présence permanente et la compétence de ce groupe.

Les principaux résultats obtenus depuis une dizaine d'années sont bien connus. Le PRE prévoyait comme éléments fondamentaux une réforme du taux de change et une réforme commerciale, qui lui ont permis d'avoir aujourd'hui un marché interbancaire des changes, de faibles restrictions quantitatives et de faibles niveaux de protection. La réglementation générale des prix et de la distribution a été démantelée. La situation budgétaire a été sensiblement améliorée et rationalisée, notamment du côté des recettes. L'inflation a été ramenée de plus de 75 pour cent au début des années 80 à 10 pour cent en 1992. Des investissements plus considérables ont
été consacrés à la remise en état de l’infrastructure moribonde du pays. La pauvreté a été atténuée et les indicateurs sociaux ont progressé. Le cadre réglementaire a été amélioré. Les exportations de cacao et d’autres produits ont amorcé une reprise. Enfin, la croissance du produit intérieur brut (PIB) a été de quelque 5 pour cent en moyenne au cours des dix dernières années.

Par ailleurs, à la différence des résultats constatés dans de nombreux pays appliquant une politique d’ajustement, les objectifs de la stabilisation ont été atteints parallèlement à une augmentation des dépenses publiques réelles, notamment pour les services sociaux et les investissements publics. Ce résultat où l’on a gagné sur les deux tableaux a facilité la conduite d’une « politique d’ajustement à visage humain ». Le problème de la pauvreté au Ghana est moins grave que dans les autres pays africains et a pu être atténué au cours des dernières années. Les autorités, non sans succès, ont continué à rechercher de justes niveaux de prix, à rénover l’infrastructure, à rationaliser la structure des recettes et à mieux programmer les investissements publics, domaines où l’on peut tirer parti des points forts dont disposent à la fois le gouvernement et la Banque.


La possibilité de pouvoir assurer durablement un taux de croissance par habitant satisfaisant et de réduire encore la pauvreté reste incertaine, à moins que le Ghana ne continue à dépendre d’un volume exceptionnellement élevé d’aide concessionnelle, solution qui n’est peut-être ni faisable, ni souhaitable pour les raisons indiquées ci-dessous. La croissance agricole reste très inférieure à ce qui est à la fois nécessaire et possible, et pourrait ne pas dépasser le taux de croissance de la population. L’épargne totale et l’épargne privée, de même que les investissements privés, restent extrêmement faibles. Les résultats de tests dans les écoles primaires sont également très inférieurs à ce qu’ils devraient être. Le Ghana connaît de sérieux problèmes écologiques. Même si le taux de croissance de 5 pour cent des dix dernières années devait durer, il faudrait, avec le taux de croissance actuelle de la population, 35 ans environ pour doubler l’actuel revenu par habitant et atteindre le niveau, pourtant faible, de 900 dollars d’ici le premier tiers du XXIe siècle.

Reconcevoir la stratégie

Pour que l’aide de la Banque au Ghana au cours des années à venir soit aussi correctement orientée, efficace et rentable que possible, il est recommandé que la Banque et le gouvernement réexaminent ensemble certaines de leurs priorités et se concentrent davantage sur les questions mentionnées dans les deux paragraphes précédents. Cela suppose qu’ils accordent une plus grande attention au développement des institutions, à la gestion des affaires économiques, à la question de la dépendance vis-à-vis de l’aide et à celles liées à la durabilité. Deux questions essentielles relatives à la durabilité sont de...
savoir comment relever sensiblement le très faible taux des investissements privés (qui est récemment tombé jusqu'à 4 pour cent du PIB) et le taux d'épargne national encore plus faible (moins de 1 pour cent du PIB).

Il est recommandé en outre que le Banque redéfinisse certains de ses avantages comparatifs et affine ses indicateurs de performance, tout comme elle devrait améliorer les méthodes qu'elle applique à la formulation et à la surveillance, au niveau de l'exécution, de la stratégie d'aide qu'elle applique au Ghana, telle qu'énoncée dans les documents relatifs à cette stratégie.

Au cours des années 80, la stratégie et les instruments utilisés par la Banque ont été efficaces et ont aidé le gouvernement ghanéen à stabiliser, à libéraliser et à redresser une économie en crise. Vers le milieu des années 80, notamment, le programme d'assistance de la Banque pour le Ghana a obtenu d'excellents résultats en ce qui concerne la pertinence des objectifs, l'efficacité d'exécution, la rentabilité et le travail du personnel. Le gouvernement, de son côté, est très bien noté aussi en tant qu'emprunteur.

Les phases les plus difficiles du programme d'ajustement du Ghana sont encore à venir, et les objectifs visés et les instruments appliqués devront être modifiés en conséquence. Il reste à prendre et à approfondir certaines mesures d'ajustement difficiles. Il faut d'urgence aborder une série de questions concernant le long terme si l'on veut maintenir — ou accélérer — le rythme de croissance actuel et les progrès déjà accomplis. Les contraintes fondamentales dans ce domaine se situent sur le plan institutionnel et sur le plan de la gestion.

Questions essentielles. Les questions que la stratégie de la Banque pour le Ghana doit aborder explicitement sont les suivantes:

Que peut faire la Banque pour améliorer les perspectives d'un redressement durable? A quel rythme le changement doit-il se dérouler, et sur quels fronts essentiels, pour éviter au maximum le risque de n'accomplir que des progrès de courte durée? La plupart des questions vraiment importantes — par opposition aux questions urgentes qui tendent à retenir toute l'attention — pourraient être appelées les « questions de durabilité ».

Parmi les questions principales figurent celle du « secteur dominant » et celle relative à la dépendance vis-à-vis de l'aide.

Au cours des années 80, le redressement économique ne pouvait s'appuyer que sur le secteur public en tant que secteur dominant et recevait son impulsion de l'aide étrangère. Au cours de la période 1988-92, les décaissements annuels nets au titre de l'aide publique au développement (APD) ont été de 10 pour cent en moyenne du PIB (chiffre qui ne comprend pas certains accords conclus avec le FMI).

Les dépenses soutenues par l'assistance pour l'infrastructure et le développement du secteur social peuvent continuer à assurer la croissance pendant un certain temps. Mais une croissance et une atténuation de la pauvreté durables exigent une réaction beaucoup plus vigoureuse du secteur privé, qui suppose un niveau d'épargne intérieure et d'investissement privé plus élevé que celui qui a été réalisé jusqu'à présent. La forte dépendance du Ghana vis-à-vis de l'aide étrangère a aussi d'autres inconvénients et la stratégie à venir devrait chercher à la réduire.

Depuis l'élection d'un gouvernement civil en 1992 dans le cadre d'une nouvelle constitution, l'économie politique est très différente de celle des années 80. Le défi que doit relever la Banque est d'aider le Ghana à opérer avec succès une transition vers un
mode de développement plus durable tout en réformant ses structures et mécanismes politiques. La viabilité des transitions politique et sociale dépend en partie des résultats de l'économie, et inversement. La Banque doit donc concevoir des stratégies et des instruments qui soient adaptés à la nouvelle économie politique.

**Une vision commune.** La stratégie future doit être fondée sur une vision commune du genre de société que le gouvernement et le peuple ghanéens souhaitent créer. Comme l'a déclaré un haut fonctionnaire ghanéen : « Lorsque nous savons ce que nous voulons et que nous prenons des initiatives, les choses se passent bien. Mais lorsque c'est la Banque mondiale qui prend l'initiative, les résultats sont moins bons. » Une des fonctions essentielles de la Banque devrait être d'aider les Ghanéens à définir leurs options, puis d'encourager les modifications de politique, les investissements et la création des institutions nécessaires. Si, au cours des années 80, l'orientation principale de la stratégie a consisté à « rechercher de justes niveaux de prix », elle devrait pour les années 90 consister à aider le Ghana à « rechercher une juste structure pour ses institutions et une juste conduite des affaires économiques ».

Les mesures que le gouvernement devrait prendre impérativement, et que la Banque et d'autres bailleurs de fonds devraient appuyer, comprennent la mise au point et l'application d'une « stratégie nexus » (voir la définition ci-dessous) qui accorde la priorité au développement agricole, au planning familial et à la protection de l'environnement, à la réforme de la fonction publique, au renforcement des capacités (mais non au moyen des projets d'assistance technique traditionnels qui se sont montrés jusqu'à présent inefficaces), au désinvestissement et à la restructuration du secteur trop vaste et inefficace des entreprises publiques.

Deux questions cruciales se posent : Comment stimuler les réactions du secteur privé dont l'économie a besoin? Comment inverser le mouvement de baisse de la productivité dans l'agriculture sans nuire à l'environnement?

**Faut-il plus de progressivité — ou des modifications radicales?** Depuis 1983, le gouvernement met en œuvre une stratégie graduelle qui a exigé presque dix ans pour l'application de la plupart des mesures de stabilisation et de libéralisation. Cette démarche progressive a été facilitée par l'aide considérable fournie par les bailleurs de fonds, notamment sous la forme d'aide à décaissement rapide, dont une grande partie a servi à financer les dépenses ordinaires. Il faut aujourd'hui en accélérer le rythme et réexaminer la chronologie des éléments des politiques et programmes futurs puisque la stratégie en question n'a pas réussi à provoquer une réaction du côté du secteur privé, ni à accroître les rendements agricoles, éléments pourtant indispensables à un développement durable au cours des années à venir.

Une accélération de l'ajustement sera incontestablement difficile étant donné l'évolution vers la démocratie qui pourrait ralentir le processus de décision. Il faut toutefois reconnaître que les contraintes fondamentales ont changé et qu'il n'est pas certain, à une époque où leurs ressources sont rares, que les bailleurs de fonds soient disposés à appuyer des réformes sans aucune accélération. Ce qu'il faut aujourd'hui, c'est une stratégie qui modifie radicalement le climat des investissements et le milieu des affaires en faveur du secteur privé. Des programmes de privatisation accélérés, un appui sans réserve au développement du secteur privé et des réformes administratives en profondeur semblent être les éléments nécessaires pour persuader le secteur privé qu'il y
ENCADRÉ I : LE GHANA EN BREF


Situation politique


Structure économique

Le Ghana possède une large gamme de ressources naturelles telles que les terres cultivables, des forêts et d’importants gisements d’or, de diamants, de bauxite et de manganèse, ainsi que des ressources hydroélectriques considérables. Traditionnellement, l’économie dépend pour une très large part de la production primaire (agriculture et minéraux) et des exportations. Les exportations d’or, de cacao et de bois comptent encore pour la plus grande partie des exportations de marchandises, avec des parts de 29, 31 et 13 pour cent, respectivement.

Le secteur agricole, y compris celui de la sylviculture et de la pêche, est toujours le secteur dominant de l’économie, employant les deux tiers environ de la population active et comptant pour près de la moitié du produit intérieur brut global (PIB). La production agricole, assurée essentiellement par de petites exploitations, est concentrée dans le domaine du cacao et des denrées alimentaires de base. Le Ghana est actuellement le deuxième producteur et exportateur de cacao au monde (après la Côte d’Ivoire).

Les services constituent le deuxième secteur de l’économie, comptant pour une part croissante du PIB (37 pour cent en 1993), tandis que le secteur industriel représente les 16 pour cent restants.

Évolution économique

L’économie ghanéenne s’est développée au cours des premières années qui ont suivi l’indépendance, mais a décliné entre le milieu des années 60 et le début des années...
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<td>Population (moyenne)</td>
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La coassence moyenne du PIB en 1983.

En 1983, le PIB de la France était de 15,600,000,000.

Le taux de chômage était de 4,2%.

La population moyenne était de 67,000,000.

La inflation était de 3,1%.

La securite sociale était de 2,4% de la population.

La rentabilité économique était de 2,5%.

Les investissements fiscaux étaient de 1,2% du PIB.

Les investissements étrangers (FII) étaient de 0,8% du PIB.

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a peu de chances que le Ghana inverse l'orientation de sa politique de plus en plus favorable aux mécanismes du marché.

Pour la Banque. La Banque jouit d’un avantage comparatif bien établi pour aider le Ghana à corriger les distorsions de sa politique macroéconomique et sectorielle et à moderniser son infrastructure. La Banque doit désormais développer et affiner ses capacités, afin d’être plus efficace dans les domaines essentiels où elle a le moins bien réussi jusqu’à présent :

- Encourager le développement du secteur privé, domaine dans lequel la Société financière internationale sera amenée à jouer un rôle de plus en plus actif, notamment par l’intermédiaire du Fonds africain pour les entreprises.

- Promouvoir le développement des institutions et le renforcement des capacités.

- Aider le gouvernement à réduire son champ d’action et à devenir plus efficace.

- Effectuer des analyses et définir des options afin d’encourager un débat public éclairé sur les questions essentielles de politique générale entre des groupes plus nombreux.

Recommandations concernant l’orientation de la stratégie de la Banque

Privilégier la durabilité. La stratégie de la Banque doit se situer dans un horizon temporel plus long et se concentrer sur la recherche et l’élimination des contraintes fondamentales qui font obstacle à un développement à long terme durable. Il faudra pour cela formuler la stratégie en tenant expressément compte de l’évolution des institutions politiques et sociales, de même qu’économiques, c’est-à-dire du contexte global de l’économie politique. En dernier ressort, la stratégie devra être fondée sur une vision commune du genre de société que le gouvernement et le peuple ghanéens souhaitent créer.

Suivre les résultats en leur appliquant des indicateurs de durabilité. Il n’existe pas dans le cas du Ghana un ensemble convenu ou établi d’indicateurs fondamentaux de durabilité. Il serait utile d’en créer un et de l’appliquer à la stratégie d’aide de la Banque pour pouvoir analyser les options, engager un débat d’orientation et suivre les résultats. Le rapport propose un sous-ensemble de tels indicateurs (Tableau 5.8). Il y est aussi suggéré que l’on mette au point et que l’on applique un autre sous-ensemble d’indicateurs de développement concernant la conduite des affaires publiques et le fonctionnement des institutions. La surveillance au niveau macroéconomique devra être complétée par l’observation plus rigoureuse au niveau microéconomique de l’attitude et du comportement des agriculteurs, des participants du secteur non structuré, des femmes comprises dans la population active, des pauvres, de la fonction publique, des élèves des écoles et des enseignants dans les salles de classe.

Les indicateurs fondamentaux de la durabilité de la croissance et de l’atténuation de la pauvreté sont les suivants : taux de fécondité, augmentation des rendements et restructuration de l’agriculture, taux de l’épargne intérieure globale et de l’épargne privée, taux d’épargne « réel » (épargne nationale moins la dépréciation du capital fixe et la diminution des ressources naturelles), ratio et taux annuel de croissance des investissements privés, taux de croissance des exportations, notamment des exportations non traditionnelles, taux d’inscription dans les écoles primaires (notamment pour les filles) et résultats de tests.
critiques, enfin rapport des recettes publiques au PIB. Ces indicateurs posent des problèmes soit du fait de leurs niveaux, soit du fait de leurs tendances. On trouverait parmi les indicateurs relatifs à la conduite des affaires publiques (qui sont, il faut le dire, difficiles à définir sous une forme qui en permette une surveillance objective) : la prévisibilité, la transparence et la qualité de la formulation des politiques ; la conscience professionnelle chez les fonctionnaires ; la responsabilité financière du pouvoir exécutif ; la participation de la société civile aux affaires publiques ; la primauté du droit ; et l’incidence des troubles civils.

*Concevoir et appliquer une « stratégie nexus ». La stratégie d’aide au Ghana devrait accorder une plus forte priorité au développement de l’agriculture, au planning familial et à la protection de l’environnement. Ici, le terme de « nexus » se réfère à un enchaînement de différents facteurs : croissance rapide de la population, diminution des rendements agricoles et dégradation de l’environnement. Cet enchevêtrement de problèmes exige de la Banque une attention particulière à la fois au niveau du programme de prêt et dans le travail des services d’appui (études sectorielles et économiques, dialogue d’orientation et coordination de l’aide). Il faut disposer d’une meilleure base d’information (concernant, par exemple, les niveaux et les tendances de la production et des rendements agricoles) et encourager de nouvelles méthodes de modélisation pour détecter les connexions essentielles.

Au Ghana, une trop forte proportion des pauvres se trouve dans les zones rurales et dans la région septentrionale, où le problème du nexus est le plus apparent. Il est donc essentiel de s’attaquer aux liaisons entre les problèmes si l’on veut atténuer la pauvreté. Cette démarche est indispensable aussi pour éviter les conflits tribaux tels que ceux qui ont éclaté dans le nord du pays au début de 1994, et qui semblent en partie attribuables à la rareté croissante de terres fertiles et aux tensions résultant de différends concernant la propriété des terres.

*Viser le développement des institutions. Pour mieux se concentrer sur la durabilité, il faut s’attacher en particulier à la question des contraintes institutionnelles. La Banque et le gouvernement doivent tous deux formuler et appliquer une stratégie cohérente et globale en vue de la réforme des administrations publiques. Cette stratégie devra s’attaquer aux causes premières de la sous-utilisation des capacités humaines et des compétences qui existent actuellement au Ghana, au gonflement des effectifs et à la faible productivité de la fonction publique et des entreprises publiques, et aux résultats insuffisants de la plupart des projets d’assistance technique (pas seulement ceux de la Banque).

*Insister sur la conduite des affaires publiques.

Pour accorder plus d’importance à la durabilité, il faut aussi prendre en compte les facteurs relatifs à la conduite des affaires publiques. Dans certains domaines, le gouvernement fait encore partie du problème plutôt que de la solution. Par exemple, les administrations et entreprises publiques ghanéennes, avec leur personnel pléthorique et leur faible niveau d’efficacité, sont un obstacle au développement du secteur privé, d’abord parce qu’elles absorbent une trop grande partie des ressources financières (le crédit est alloué en priorité aux entreprises paraétatiques), mais aussi à cause de l’« inégalité des règles du jeu » entre les entreprises publiques et les entreprises privées, de monopoles de fait, de la recherche d’avantages personnels, d’une attitude d’obstruction et de harcèlement chez les fonctionnaires, de l’inefficacité de la mise en place de l’infrastructure et de la prestation des biens et des services publics, et des « signaux » reçus (sinon envoyés délibérément)
selon lesquels les politiques étagées ou populistes et les pratiques d'intimidation ne sont pas encore définitivement une chose du passé).

En conséquence, dans sa stratégie et dans son dialogue d'orientation avec le gouvernement, la Banque doit insister sur la nécessité d'aborder les aspects de la conduite des affaires publiques qui tendent à réduire la confiance du secteur privé et, de ce fait, l'épargne et les investissements de ce secteur. La stratégie à plus long terme doit aussi viser à encourager la création d'un contexte social et politique durable, ce qui implique que les bénéfices de la croissance et de l'aide extérieure soient répartis à peu près également dans toute la société, mais en privilégiant les segments les plus pauvres.

La stratégie de la Banque doit être plus stratégique. Dans l'avenir, les documents stratégiques de la Banque (y compris les documents sectoriels et les études de stratégie, dont celles relatives à un pays donné) devraient être « plus stratégiques » en ce sens qu'ils devraient s'attaquer de front à des questions telles que : Quelles sont les contraintes à court ou à long terme constituant les obstacles les plus sérieux? Quelles sont « les questions de durabilité » critiques et comment les bailleurs de fonds peuvent-ils les résoudre? Quels sont les risques dont on peut ou non s'accommoder? Tient-on compte, et comment, des leçons de l'expérience antérieure? Quelles « masses critiques » les services de prêt et les services d'appui de la Banque et des bailleurs de fonds doivent-ils atteindre pour améliorer les chances d'opérer des « démarrages » importants dans l'élimination des contraintes fondamentales? De quels avantages comparatifs la Banque dispose-t-elle pour aider le Ghana? Certaines de ces questions ont été abordées dans les sections précédentes de ce résumé et sont reprises dans le rapport principal. Dans l'avenir, les documents de stratégie devraient, à l'intention des cadres supérieurs de la Banque et des membres du Conseil, se concentrer plus qu'auparavant sur l'évaluation des risques et sur l'explicitation des options (notamment en ce qui concerne les risques à prendre et les risques à éviter).

Renforcer l'évaluation de la stratégie d'aide-pays et le principe de la responsabilité financière. Rendre la stratégie de la Banque « plus stratégique » a pour conséquence que la stratégie particulière à un pays et l'examen qui lui est consacré devraient servir, entre autres, à mieux préciser les éléments pour lesquels la région devrait (ou ne devrait pas) être tenue comptable dans l'exécution de cette stratégie. Il est parfois possible et utile de trouver des indicateurs de performance applicables à l'exécution de la stratégie qui contribuent à renforcer le principe de la responsabilité sans compromettre la souplesse nécessaire dont la Région a besoin au niveau tactique. De toute façon, il est recommandé que les futurs documents stratégiques relatifs à un pays renferment une section plus importante comprenant une évaluation par la Banque elle-même des succès et des échecs constatés pour les objectifs spécifiés dans les documents antérieurs. La section devrait aussi expliquer comment les leçons découlant de cette évaluation sont mises à profit dans la stratégie en cours.

Recommandations concernant la réalisation des objectifs

Chercher à toucher et à écouter des groupes plus nombreux à l'intérieur et à l'extérieur du Ghana. Les Ghanéens manquent d'informations et d'analyses sur la situation et les perspectives économiques et sociales de leur pays. La Banque peut contribuer à satisfaire cette demande en diffusant plus largement
ses documents, en encourageant le gouvernement à étudier avec des groupes plus nombreux les rapports de la Banque et les rapports émanant de plusieurs partenaires, et en entreprenant des activités d'information concernant la prestation des services d'appui. L'activité d'information doit fonctionner dans les deux sens et suppose que le personnel de la Banque écoute davantage les opinions et les préoccupations des Ghanéens et d'autres personnes telles que les chercheurs analysant les questions sociales et politiques qui se posent au Ghana.

N'EXAGÉRER LA RÉUSSITE DU GHANA. ETANT donné la longue liste de réformes encore inachevées et le problème de devoir réaliser des gains durables, toute exagération concernant le succès remporté par le Ghana peut être préjudiciable au pays, en détournant l'attention des réformes nécessaires. Quoi qu'il en soit, le succès relatif de la politique du gouvernement dans le cadre du PRE peut jusqu'à présent être cité en exemple aux autres pays qui ne sont pas encore engagés dans la voie de l'ajustement.

ÊTRE CONSCIENT DES INCONVÉNIENTS D'UNE TROP GRANDE DÉPENDANCE VIS-À-VIS DE L'AIDE. La Banque devrait s'attacher davantage à minimiser les effets défavorables possibles des niveaux d'aide extérieure « trop élevés », y compris ceux affectant le comportement des fonctionnaires du gouvernement. Une aide trop importante peut inciter les gouvernements à ajourner l'adoption de réformes nécessaires mais politiquement difficiles à mettre en œuvre, réduisant ainsi les investissements et l'épargne privée et retardant les réactions attendues du côté de l'offre. Mais il peut aussi en résulter un nombre de projets excessif par rapport à la capacité d'absorption du pays, des comportements de dépendance (par exemple, laisser faire ça aux bailleurs de fonds), des distorsions dans les incitations créées par les multiples barèmes de suppléments et d'allocations financés par les bailleurs de fonds, enfin la prédominance d'objectifs et d'indicateurs de performance spécifiés par ceux-ci. Au stade de la conception, l'attention exigée par ce problème doit être explicitement évoquée au niveau des services d'appui tout autant qu'au niveau des services de prêt.

METTRE AU POINT UNE ORIENTATION PLUS STRATÉGIQUE VIS-À-VIS DU DÉVELOPPEMENT DES INSTITUTIONS ET DE L'ASSISTANCE TECHNIQUE. Il manque au Ghana une stratégie cohérente dans le domaine de la fonction publique et de la réforme du secteur paratéatique; il est donc impératif que la Banque contribue à formuler une telle politique. Un autre problème est le faible niveau d'efficacité de l'assistance technique au Ghana. Cette assistance a trop souvent été dominée par des éléments et des activités à court terme au détriment de processus plus longs visant le développement des institutions, le renforcement des capacités et l'apprentissage par l'action. La Banque devrait encourager le gouvernement à former un groupe consultatif local pour étudier ces questions d'assistance technique et convenir d'un plan d'action.

S'ATTAQUER AUX CAUSES RÉALES DE LA GESTION INÉFFICACE DES DÉPENSES. Malgré de nombreux examens consacrés aux dépenses publiques et à l'octroi de l'assistance technique dans le domaine de la gestion financière, le faible niveau de la gestion des dépenses au Ghana reste un problème majeur. Il faut accorder la priorité à la résolution de ce problème, mais non en assouplissant davantage les conditions obligeant le gouvernement à assumer une part des dépenses locales.
entre les bailleurs de fonds, puisque la Banque a pour rôle d'obtenir de tous les donateurs qu'ils se concentrent sur la durabilité, qu'ils travaillent dans le contexte d'une stratégie commune en vue du développement des institutions, qu'ils minimisent les inconvenients d'une trop grande dépendance vis-à-vis de l'aide, et ainsi de suite. La coordination de l'aide est actuellement bien menée dans certains domaines mais non dans d'autres, et le gouvernement doit être incité à y jouer un plus grand rôle lui-même. En particulier, la coordination sectorielle et sous-sectorielle doit être renforcée dans le cadre de stratégies sectorielles et de plans d'actions convenus.
1. Overview of Bank/Ghana relations

We need Bank people who can speak our cultural and political economy language . . . who can talk to us in our own terms.

—Senior Ghanaian official

At the time of its independence, in 1957, Ghana was considered a middle-income country with a per capita income high by African standards, an educational system judged to be the best in Africa, fairly well-maintained infrastructure, and adequate government institutions. Ghana’s growth of the 1950s continued into the early 1960s, aided by high world cocoa prices. But falling cocoa prices and dirigiste economic policies led to stagnation in the late 1960s. The economy followed a persistent downward spiral throughout the 1970s and into the early 1980s owing to weak producer incentives, poor economic management, and declining external aid levels. The outcome was high inflation, diminished import capacity, and a steady decline in per capita incomes.

The policy environment of this period was one of large budget deficits, pervasive controls, and a pricing framework that, together with an overvalued exchange rate, discouraged private sector savings and investment, provided inadequate incentives for production and exports, and encouraged corruption, rent-seeking, and smuggling. Other important facets of Ghana’s decline were the deterioration in institutions, especially the schools and civil service, and the exodus from the country of many well-educated Ghanaians. On the political front, the 1970s and early 1980s were a period of political instability, with three successful coups (1972, 1979, 1981), one palace coup (1978), and other attempts to overthrow the government. This political volatility was both a cause and consequence of the poor economic performance. The combination of political uncertainty, poor economic policies, and general economic decline rendered it impossible for the Bank to maintain either a satisfactory policy dialogue with successive governments or a satisfactory portfolio of projects.

In the early 1980s, three shocks precipitated a virtual collapse of the economy: a prolonged drought, a marked deterioration in the terms of trade, and the unexpected return to Ghana of more than a million Ghanaian workers expelled from Nigeria.

Overview of Bank/Ghana relations, 1983–93

Bank/Ghana relations were strained and difficult between the mid-1960s and early 1980s (largely for the reasons described
Jerry Rawlings, the single most important “event” was his decision to turn to a market-oriented, outward-looking structural adjustment program—against the background of years of failed dirigiste/statist policies, external shocks, the failure of aid from the eastern bloc, and disruptions occasioned by early efforts to install a radical populist regime. The culminating event was the official adoption of the Economic Recovery Program (ERP) in April 1983.

Box 1.1 provides a chronology of both a number of important Ghana events and some notable events in Bank/Ghana relations.

Changes in the Bank’s “Ghana team” in 1982–85 were too gradual to be classified as an “event,” but over these years the Bank mobilized a very strong core country team for Ghana. The coincidence of these two counterpart teams, with their compatible personal as well as intellectual qualities, goes a long way to explain why Bank/Ghana relations improved so much during the mid-1980s. Many individuals—both in the government and in the Bank (and in other donor agencies)—did in fact exert heroic efforts to make good things happen in Ghana. In many instances, the key individuals who made a difference in the Bank/Ghana relationship, and in some of the Ghanaian outcomes, were at the “working level.”

Key events and people

The main “events” that served to put Bank/Ghana relations on a new footing were the change of government in December 1981, the economic collapse of 1982–83, and the appointment of a small core team of highly competent Ghanaian technocrats (also in 1982–83) with a common, coherent view of what needed to be done and commanding the instruments of central executive authority.

Given the concentration of power in the hands of the head of state, Flight Lieutenant Rawlings, the single most important “event” was his decision to turn to a market-oriented, outward-looking structural adjustment program—against the background of years of failed dirigiste/statist policies, external shocks, the failure of aid from the eastern bloc, and disruptions occasioned by early efforts to install a radical populist regime. The culminating event was the official adoption of the Economic Recovery Program (ERP) in April 1983.

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The nature of the relations is changing as a consequence of Ghana’s movement toward democracy and the Bank’s increased attention to participation, institutional development, and governance issues. In the 1980s, the Bank dealt with only a small group of leaders and technocrats accountable to an unelected head of state. In the 1990s, Ghana has an increasingly active Parliament (notwithstanding its one-party composition) and new forms of decentralized organization and accountability. If these trends continue, the Bank will increasingly deal with a wider set of Ghanaian constituencies.
<table>
<thead>
<tr>
<th>Year</th>
<th>Ghana events</th>
<th>Events in Bank/Ghana relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>Severe drought/bush fires (1982–83)</td>
<td>President Clausen visits Ghana</td>
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<tr>
<td></td>
<td>Close relations with Libya (1982–83)</td>
<td>Bank economic mission (Nov.)</td>
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<td></td>
<td>Peoples’ and Workers’ Defense Committees mobilized</td>
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<td></td>
<td>Unsuccessful coup attempts (1982–89)</td>
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<tr>
<td>1983</td>
<td>Return of one million Ghanaians expelled from Nigeria</td>
<td>Reconstruction Import Credit I (June)</td>
</tr>
<tr>
<td></td>
<td>Economic Recovery Program (ERP) launched (Apr.)</td>
<td>Consultative Group resumed after 13-year hiatus (Nov.)</td>
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<tr>
<td>1984</td>
<td>Attempted coup</td>
<td>Subsequent annual Consultative Group meetings (1984–93)</td>
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<tr>
<td></td>
<td>University reopened</td>
<td>Export Rehabilitation Credit (also Technical Assistance Credit) (Jan.)</td>
</tr>
<tr>
<td>1985</td>
<td>National Economic Commission established</td>
<td>Reconstruction Import Credit II (March)</td>
</tr>
<tr>
<td>1986</td>
<td>Strained relations with Togo</td>
<td>Industrial Sector Adjustment Credit (March)</td>
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<tr>
<td></td>
<td>Coup attempt failed</td>
<td>Education Sector Adjustment Credit I (Dec.)</td>
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<tr>
<td>1987</td>
<td>Togo border reopened (May)</td>
<td>Structural Adjustment Credit (SAC) I (April)</td>
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<tr>
<td></td>
<td>Student disturbances (March–June)</td>
<td>President Conable visits Ghana (July)</td>
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<tr>
<td>1988</td>
<td>District-level political reforms/elections</td>
<td>World Bank reorganization</td>
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<tr>
<td>1989</td>
<td>District-level political reforms/elections</td>
<td>Financial Sector Adjustment Credit I (May)</td>
</tr>
<tr>
<td>1990</td>
<td>Investors Conference (Jan.)</td>
<td>SAC II (April)</td>
</tr>
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<td></td>
<td>Formation of National Commission for Democracy</td>
<td>Education Sector Adjustment Credit II (May)</td>
</tr>
<tr>
<td>1991</td>
<td>Clashes in northern region (Gonja/Nawuri)</td>
<td>SAC III (May)</td>
</tr>
<tr>
<td>1992</td>
<td>Government awards 80 percent wage increases to civil service (Aug.)</td>
<td>Financial Sector Adjustment Credit II (Dec.)</td>
</tr>
<tr>
<td></td>
<td>Presidential elections won by Rawlings (58 percent) (Nov.)</td>
<td>Agriculture Sector Adjustment Credit (March)</td>
</tr>
<tr>
<td></td>
<td>Parliamentary elections (National Democratic Congress wins 189 of 200 seats; opposition boycotts) (Dec.)</td>
<td>Adjustment credit tranche releases withheld (late 1992/early 1993)</td>
</tr>
<tr>
<td>1993</td>
<td>Opposition parties recognize legitimacy of government (Aug.)</td>
<td>Bank releases tranche on SAC III</td>
</tr>
<tr>
<td></td>
<td>More than 10,000 Ghanaians evacuated from Côte d’Ivoire (Nov.)</td>
<td>Consultative Group meeting (June) results in donor pledges of more than $2 billion</td>
</tr>
<tr>
<td>1994</td>
<td>Clashes in northern region, Konkomba/Nanumba (estimated 1,000 killed, refugee movements) (Feb.)</td>
<td>Tranche releases withheld on PINSAC (Financial Sector Adjustment Credit) II and. ASAC (Agricultural Sector Adjustment Credit) owing to delayed privatizations</td>
</tr>
</tbody>
</table>
Two closely related events in 1992 are important to the Bank/Ghana relationship. One was the adoption of a new constitution and the elections of that year, which have already changed, and probably will continue to change, the nature of government and the forms of governance in Ghana. By themselves, these changes have so far neither strengthened nor weakened Bank/Ghana relations. They will however change the nature and forms of the relationship in significant ways. The implications for the Bank’s strategy are discussed in Chapter 2. The other 1992 event was the government’s decision, shortly before the elections, to increase civil service wages by some 80 percent—an action that was not provided for in the budget and that triggered a large fiscal deficit, renewed inflation and exchange rate depreciation, and strains in government/donor relations.

Following nearly a decade during which the stabilization components of the adjustment program remained “on track,” with the inflation rate reduced to about 10 percent (from more than 100 percent), the increased fiscal deficit had a significant effect on the Bank/country relationship. New concerns arose about the sustainability of adjustment, and about whether the pursuit of votes would entail a serious erosion of fiscal discipline. The government was disappointed and to some extent angered by the Bank’s suspension of disbursements on its adjustment operations—just at the time, from the government’s point of view, when it most needed quick-disbursing funds. In 1993 and 1994 the government has taken new revenue and other measures—though not to the extent advocated by the International Monetary Fund (IMF or Fund) and the Bank—to put the adjustment program back on track. The gains have however been offset in part by larger-than-planned borrowing by the state enterprise sector. By customary criteria, however, donor/government relations in general and Bank/government relations in particular are, again, quite good.

The congruence of government and Bank strategies

The fact that the Bank and government had shared objectives and an agreed strategy for undertaking a reform program explains the good working relations and the generally high quality and effectiveness of the policy dialogue that evolved during the 1980s. The two parties perceived each other as partners in Ghana’s development. There were differences, but these had more to do with tactics, pacing, and sequencing of reforms, than with the overall paradigm of reform. By around 1990, however, there was less congruence between the strategy and policies proposed by the Bank and those that the government wanted to pursue. But the differences and disagreements rarely became contentious.

In the same month in which Flight Lt. Rawlings came to power (December 1981), the World Bank published a document that articulated its view of the problems and prospects of African countries. The document, entitled Accelerated Development in Sub-Saharan Africa: An Agenda for Action (World Bank 1981), did not have specific direct applications to Ghana, but was consistent with much of the Bank’s advice to Ghana and with many of its adjustment operation conditionalities. One central theme of the report was the need for countries (such as Ghana) to “get the prices right.” This was a main objective of Ghana’s ERP and of the conditionalities attached to Bank lending in the 1980s. As this report will describe, Ghana has made much progress in getting its prices right; it now faces a new set of binding constraints to sustained growth and poverty alleviation.
BOX 1.2: CONDITIONS FOR SUCCESSFUL ADJUSTMENT IN GHANA

A central question in the political economy of Ghana's reform program is: How did it prove possible for the government to mobilize and maintain the political support that made the reforms possible? Some answers are:

- There was continuity and long tenure by this core team and by the head of state under whom they served.

- The government comprised an authoritarian regime headed by a charismatic leader who did not have to run for reelection or be unduly concerned about delivering fast results.

- A fast albeit modest improvement in conditions followed adoption of the ERP; although this was initially more attributable to recovery from the drought than to the ERP, it made for better ERP acceptance.

- Relations with donors improved considerably, and large aid flows permitted the benefits to be greater and the adjustment process to be more gradual than would have been possible with a lower volume of aid.

- Notwithstanding many governance problems, corruption was relatively contained on the government side. Donors on their side largely refrained from pushing their own favored white elephant projects.

- GDP growth (at about 2 percent per capita per annum) was sustained, with redistribution in favor of the richest and poorest, the latter largely in the rural areas. The poorer, rural beneficiaries of the reforms became the main supporters (in the 1992 elections) of the government party that had launched the ERP.
The focus now is more on the need to "get the institutions right," and to give more attention to longer-term issues that were the main focus of the Bank's long-term perspective study on Africa published in 1989 (World Bank 1989).

Ghana has frequently been cited by senior Bank managers and others as an "African success case" insofar as it has sustained its reform program for more than a decade, achieved 5 percent gross domestic product (GDP) growth, and reduced poverty. This report will consider in some detail the respects in which Ghana has been most and least successful in achieving development objectives. To put the Ghanaian economy and achievement in some perspective, Box 1.3 shows how Ghana compares with other African and low-income countries in terms of a number of key indicators.

Overview of Bank lending

During the four years prior to the launching of the ERP, International Development Association (IDA) commitments and disbursements to Ghana totaled about $100 million. During the four years, FY83–86, IDA commitments rose to nearly $500 million and disbursements exceeded $200 million. Thereafter, the lending program was further built up to commitment averaging about $250 million annually (FY87–FY94) and disbursement of close to $200 million. Of the total commitments of $2.4 billion during FY83–94, adjustment lending amounted to about $1 billion, or roughly 40 percent. Table 1.1 shows the distribution of IDA lending and disbursements by major sector group. Assessments of the relevance and efficacy of this lending, and of the deployment of the Bank's nonlending instruments, are provided in the next chapters.

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</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Sum of loan/credit</td>
<td>30</td>
<td>25</td>
<td>116</td>
<td>217</td>
<td>358</td>
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<tr>
<td></td>
<td>Sum of disbursement</td>
<td>34</td>
<td>22</td>
<td>43</td>
<td>158</td>
<td>223</td>
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<tr>
<td>Industrial/industrial</td>
<td>Sum of loan/credit</td>
<td>19</td>
<td>60</td>
<td>177</td>
<td>141</td>
<td>378</td>
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<td>devel. and finance</td>
<td>Sum of disbursement</td>
<td>4</td>
<td>29</td>
<td>128</td>
<td>160</td>
<td>317</td>
</tr>
<tr>
<td>+ financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Sum of loan/credit</td>
<td>54</td>
<td>114</td>
<td>160</td>
<td>307</td>
<td>581</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>80</td>
<td>55</td>
<td>148</td>
<td>145</td>
<td>348</td>
</tr>
<tr>
<td>Social sectors</td>
<td>Sum of loan/credit</td>
<td>0</td>
<td>50</td>
<td>190</td>
<td>230</td>
<td>470</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>2</td>
<td>14</td>
<td>66</td>
<td>132</td>
<td>212</td>
</tr>
<tr>
<td>Multisector + public sector</td>
<td>Sum of loan/credit</td>
<td>0</td>
<td>220</td>
<td>285</td>
<td>148</td>
<td>653</td>
</tr>
<tr>
<td>management</td>
<td>Sum of disbursement</td>
<td>0</td>
<td>105</td>
<td>344</td>
<td>220</td>
<td>669</td>
</tr>
</tbody>
</table>

Grand total

| Sum of loan/credit         | 103     | 469     | 929     | 1,042   | 2,439   |
| Sum of disbursement        | 120     | 226     | 730     | 814     | 1,769   |

Box 1.3: Ghana Compared with Other Sub-Saharan African and Low-Income Countries

How does Ghana compare with other Sub-Saharan African (SSA) countries? A comparison between key social and economic indicators for Ghana and these other countries shows that Ghana compares favorably with other African comparators, especially in terms of recent trends in these indicators, but lags behind low-income countries taken as a group.

Social performance

Ghana compares favorably with SSA countries in terms of most social indicators (namely, incidence of poverty [headcount ratio], total fertility rate, life expectancy, infant mortality, and primary school enrollment) even though it has a lower per capita gross national product. Average daily calorie intake in Ghana, though slightly increased, failed to recover its previous position (2,089 in 1986). The recent trend for these indicators is favorable, in contrast to much of the rest of Africa where per capita incomes have declined and poverty has worsened. But as the table below shows, the comparison is not so favorable with respect to low-income countries (including China and India, which have comparable per capita income levels). Particularly notable are the differences in fertility rates and primary school enrollment rates.

Economic performance

With regard to the economic indicators, Ghana also compares favorably with SSA countries but is far behind the average for low-income countries, inclusive of Asian countries. Moreover, because Ghana’s per capita income had declined so much before 1983, and because population growth remains high, even the 5 percent annual growth in GDP since 1983 has so far served mainly to restore average living standards to levels reached long before. As may be seen from the table, Ghana is highly dependent on external aid but not more so than other SSA countries on average. But its savings performance is notably poor in comparison to all low-income countries. This is also the case with respect to its private investment rate (not shown) of only 4 percent of GDP in 1993.

(continued)
Notes

1. This distinction between relations at the policy vis-à-vis the technical level is an important one; in some cases relations may be good at one level but not at another. It was not unusual, for example, for relations between Bank staff and country officials to remain good at the technical level, for example, regarding investment projects, even during periods when the policy dialogue was poor or absent. Ethiopia during the Mengistu regime was an example of this phenomenon. In Ghana, however, the relations at both levels have tended to move more or less together.
2. Relevance of the Bank's assistance strategy

The critical test of the success of any adjustment policy is growth. The Ghanaian program went for growth and has provided the wherewithal to enable Ghanaians to dare to hope.

—Senior Ghanaian official

This chapter describes the evolution of the Bank's assistance strategy for Ghana over the past decade and evaluates its "relevance."

Main conclusions

The main conclusions are that: (a) the strategy for the 1980s of "going for growth" through a public sector-led recovery program was highly relevant in its priority objectives and its instruments; (b) the strategy of the late 1980s and early 1990s has only gradually come to recognize the unsustainability of the growth pattern of the 1980s and the critical importance of institutional constraints ("implementation issues" and "sustainability issues"); and (c) Bank strategy documents have been strong in their diagnosis of constraints to near-term growth but weaker with regard to risk assessment, priority setting, long-term issues, and accountability. The changed binding constraints and political economy of the 1990s require the Bank to adjust its priorities and its mix of instruments to reflect the new realities, needs, and perceptions.

The Bank's country assistance strategy over the past ten years has been relatively strong with regard to its near-term "adjustment agenda" but weaker with regard to integrating into this agenda the objectives of poverty reduction, institutional development, and environmental sustainability. The strategy has so far been successful in fostering growth led by Ghana's public sector. But both the country's and the Bank's strategies were slower to confront the constraints to private sector development. What is now needed on the Ghanaian side is a clear vision and enunciation of the country's own long-term development strategy. In turn, what is needed on the Bank side is a clear elucidation of what the Bank and its partners can and cannot hope to accomplish in helping Ghana to achieve an economic transition to a more sustainable, less aid-dependent, private sector-led growth process.

Selective coverage

For purposes of this report, the main "objectives areas" will be public sector management and policy reform, institutional development, educational sector development, and agricultural development. Two
overarching objectives that have not been much focused upon in past Bank strategies, but which are of great importance, are good governance and sustainability. Given the need for selectivity, this report will not have much to say about other important objectives and sectoral issues, for example, gender issues, environmental protection, infrastructure, family planning, urban development, and so on. The main question on private sector development is: Why has the private sector response in Ghana been so sluggish despite the many favorable macroeconomic measures taken? With regard to the Bank’s instruments, particular attention is given to adjustment lending and the related policy dialogue, economic and sector work (ESW) (mainly as it related to adjustment lending and the dialogue), and to selected technical assistance (TA) operations and aid coordination initiatives.

Evolution of the Bank’s assistance strategy

Bank strategy papers

The Bank’s assistance strategy for the period 1983-93 is embedded in many strategy-related documents, including business plans, annual country assistance management system (CAM) statements of objectives, country program and budget papers, sectoral strategy papers, and policy framework papers, among many others. Between the early 1970s and 1988, the basic Bank document used for the country assistance strategy review was the country program paper (CPP). The CPP was superseded in 1988 by the country strategy paper (CSP), which was intended to serve more distinctly as a strategic rather than a programming document. For the present country assistance review, the four CPPs/CSPs prepared between 1981 and 1993 provide these benchmarks.

After the 1981 country program paper, a new CPP should have been prepared by 1984 (at the latest) to reflect the major changes in the Bank’s country assistance program being made to respond to the ongoing changes in Ghanaian policy. In fact, the next CPP was not reviewed by senior management until January 1986. In the absence of a CPP for the period 1983-85, some internal Bank documents (especially back-to-office reports) from missions in late 1982 and early 1983 are taken as a proxy. A country strategy paper was prepared and reviewed in 1990 and again in 1993. No further CSPs will be prepared because the country assistance strategy process is subsuming the country strategy paper process and document. The latest country assistance strategy for Ghana was reviewed by the Board in April 1994.

Overview

The Bank’s strategy for Ghana over the period 1983-93 was characterized by considerable continuity in its basic objectives and instruments. The central objective was to help Ghana adopt and implement an “adjustment agenda” largely in keeping with the tenets of stabilization, liberalization, and “market-friendly” policies as advocated in particular by the Bank’s World Development Report 1991, which focuses on the challenges of development. In particular, IMF and World Bank policies during the period under review put emphasis on: exchange rate rationalization (geared to restoring export competitiveness and inducing rapid growth in nontraditional exports); fiscal discipline; tax and tariff reform (geared to improving incentives to production, broadening the tax base, and improving efficiency while at the same time retaining equity objectives); price and trade liberalization; deregulation; legal re-
forms and measures to secure property rights, promote competition, and stimulate private investment (including foreign direct investment); privatization and reform of state enterprises; and financial liberalization. This agenda of reforms geared to "getting the balances, prices, and incentives right" dominated the policy dialogue and the Bank's (and IMF's) lending conditionalities in the decade 1983-93.

Initially the IMF took the lead in the policy dialogue owing to the high priority given to stabilizing the economy and adjusting the exchange rate. A distinguishing characteristic of the strategy was its "gradualism." The sequencing was orthodox in that it moved from initial emphasis on stabilization and rehabilitation projects to liberalization and adjustment operations. Sectoral adjustment operations preceded the structural adjustment operations. Both the dialogue and the lending program moved gradually toward deepening the adjustment program in areas involving more difficult governance and institutional development issues, for example, in privatization, public enterprise restructuring, civil service reform, and private sector development.

The strategy in the 1981 country program paper

The 1981 country program paper was prepared against the background of longstanding deterioration in Bank/country relations and in the country's economic situation. In the three prior years (FY78-80) only three IDA operations (DFC II, Rural Development II, and Roads III) were approved for a total of $54 million. This was tantamount to a "core program" or holding operation. Nonlending services were also minimal since the Consultative Group was suspended and there was low demand for ESW. The 1981 CPP was nevertheless an "advocacy document," and it made a case for a large increase in the lending program, from the average $18 million of the FY78-80 period to a proposed commitment level averaging $80 million for the period FY82-86. In addition, two large structural adjustment loans (SALs) were identified as reserve projects for FY82 and FY84 in the event the government moved more vigorously to undertake economic reforms than was assumed in the base case.

The country program paper noted the poor economic performance and policy shortcomings but made a case for increased lending and ESW based on a perception that the (then) new civilian government "seemed eager to receive outside advice on economic and sectoral policy matters." But the CPP hedged its bets: the "most likely" scenario was a muddle-through scenario entailing modest policy change at best—well short of what was needed to justify adjustment lending. Yet, the prospects for improving the policy dialogue were argued to be sufficiently good as to warrant a substantial increase in investment lending. No specific targets or events were identified as "triggers" to a larger or smaller lending program.

The Bank's senior management did not accept the Region's proposed strategy and lending program; the internal contradictions were all too apparent. Proposed project lending was curtailed in the absence of substantial policy changes, including exchange rate adjustments. Staff were authorized to prepare for nonproject lending in case of a coherent reform program and instructed to focus on longer-term structural macroeconomic issues and the cocoa sector. No new loans were approved between June 1981 and January 1983.

The strategy in 1982-83

No CPP was prepared between 1981 and 1986, but the evolution of the strategy can be
traced from other documents and interviews with Bank staff. A key document (December 1982) noted that whereas the Bank had kept the lending program “captive” to macroeconomic reform (which the Ghanaian authorities were starting to consider seriously), the Ghanaian authorities’ receptivity and interest in pursuing an economic dialogue with the Bank was very much dependent upon an early resumption of Bank lending. Given this perceived linkage, the case was made for resumed lending even if the Ghanaian policy measures fell short of expectations, on the grounds that providing the support needed to make the reform package workable would enable the Bank to establish its credibility with the authorities and influence the course of events.

This high-risk approach was adopted and the Bank did resume lending in 1983, even though the Ghanaian program was perceived to be far from a “first best” and the prospects for sustaining the reforms were highly uncertain. Within the Fund and Bank there were two schools of thought. Some advocated going ahead with lending, despite the gradualism of the 1983 ERP, in the hope that the government would find the political will to sustain and deepen the reforms with the aid and advice of the Fund and Bank, and subsequently other donors. Others were skeptical of the government’s commitment to reform and its ability to sustain even a modest program. It is not clear to what extent the pro-lending group in the Bank may have influenced the Fund’s decision to go ahead with its 1983 standby arrangement, but in any event this paved the way for the Bank’s own resumption of lending (see Box 2.1 on Bank/Fund coordination).

The Bank’s 1983 economic report laid out in considerable detail a sequenced process of adjustment moving from stabilization to rehabilitation to liberalization and growth. Table 2.1, taken from that report, shows the range of policy and institutional reforms that the Bank was to advise and assist with for the next ten years. This economic report was, therefore, an important, high-quality strategy document, as it laid out the Bank’s recommended program for Ghana to get its prices right, to improve capacity utilization, and to reduce government intervention in the economy. It also provided recommendations for sectoral reforms and recovery measures, and projected the substantial external assistance necessary to make the reform program succeed, and served as an instrument of aid mobilization.

The 1986 country program paper

By the time the next CPP was reviewed in January 1986, there had been a sea change in Bank/Ghana relations and in Ghana’s economic situation, triggered by the launching of the ERP. The government had by then implemented a wide-ranging set of reforms including exchange rate devaluation, increased cocoa producer prices, removed price controls, rationalization (partial) of petroleum and utility prices, reduction in external arrears, and the exercise of fiscal and monetary discipline. These reform efforts were supported between mid-1983 and end-1985 by two IMF standby arrangements (totaling more than 400 million Special Drawing Rights, or SDR) plus two Compensatory Finance Facility drawings (totaling another SDR 178 million).

The Bank had established a good policy dialogue, taken the lead in aid mobilization (including through chairing resumed annual Consultative Group meetings), and mounted a substantial lending program, up from zero in FY82 to $73 million in FY83, $125 million in FY84, and $175 million in FY85. Cofinancing of IDA projects in those years totaled
Box 2.1: Bank/Fund Coordination

Even before the policy framework paper’s (PFP) introduction in 1986-87, Bank/Fund collaboration on Ghana was comparatively close. From the beginning of Ghana’s Economic Recovery Program in 1983, the two staffs worked in tandem, and Ghana was chosen as one of six pilot countries for “enhanced collaboration” between the Bank and Fund. This led to more frequent and timely exchanges of information and draft documents than typically characterized Bank/Fund relations. In addition, it led to a joint seminar to discuss a variety of issues relating to Ghana’s development. This seminar included numerous staff from the Bank’s (then) Projects Department, who normally had little or no contact with the Fund. This kind of initiative was exceptional at the time.

The division of labor between the Bank and Fund largely followed traditional lines. Typical differences arose over the years when, for example, Bank staff felt that Fund requirements on the overall budget deficit and credit ceilings were restraining recovery and having adverse effects on Bank projects. Fund staff on their part had reservations about the Bank’s endorsing Ghana’s gradualism in adjusting the exchange rate (implying multiple exchange rates) and about Bank proposals for the foreign exchange auction. Differences also arose concerning the matter of cocoa producer pricing where, after the initial win-win situation (in which raising cocoa producer prices had the effects of increasing both production and revenues as well as reducing smuggling), there were some trade-offs between fiscal and incentive objectives.

A major Bank/Fund disagreement arose over the size of the government’s wage bill as the Bank supported a civil service reform program that called for a higher ceiling than the Fund proved willing to accept. Bank staff felt strongly that in that instance the Bank “capitulated” to the Fund for reasons other than the technical merits of the Fund’s position. A government view of this episode is that the earlier failure to move ahead with the civil service reforms, including the Bank-supported selective salary increases, was partly to blame for the 1992 “explosion” in the wage bill. Notwithstanding the occasional Bank/Fund disagreements, the staff of both institutions believe that Bank/Fund collaboration on Ghana was effective over the years. The staff cooperated closely in the preparation and monitoring of Ghana’s economic and financial programs, with some joint participation in missions as well as overlapping of missions facilitating this cooperation. The PFP served in fostering this collaboration.
<table>
<thead>
<tr>
<th>Policy reform</th>
<th>Stabilization phase</th>
<th>Rehabilitation phase</th>
<th>Liberalization and growth phase</th>
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<tr>
<td>(a) Pricing reform package</td>
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<tr>
<td>1. Exchange rate</td>
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<td>2. Interest rate</td>
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<td>3. Wage rate</td>
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<td>4. Energy prices</td>
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<td>5. Infrastructure prices</td>
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<td>(b) Trade and industrial policy package</td>
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<td>6. Industrial incentives</td>
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<td>7. Nontraditional export promotion</td>
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<td>8. Price controls</td>
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<td>9. Trade restrictions</td>
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<td>(c) Investment package</td>
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<td>10. Public investment program</td>
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<td>11. Private sector initiatives</td>
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<td>(d) Taxation and subsidy package</td>
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<td>12. Tax reform</td>
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<td>13. Consumer subsidies</td>
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<td>14. Producer subsidies</td>
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<td>(e) Human resource development institutional reforms</td>
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<td>15. Planning process</td>
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<td>16. Investment, appraisal, monitoring, and evaluation</td>
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<td>17. State enterprises</td>
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<tr>
<td>18. Export marketing boards</td>
<td>x</td>
<td>o</td>
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<tr>
<td>19. Mining companies</td>
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<td>o</td>
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<tr>
<td>20. Statistical and information system</td>
<td>x</td>
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<tr>
<td>21. External debt management</td>
<td>x</td>
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<td>22. Financial intermediation</td>
<td>x</td>
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<td>23. Agriculture support services</td>
<td>x</td>
<td>o</td>
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<tr>
<td>24. Civil service reform</td>
<td>x</td>
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Legend: x = initiate action; o = continue action, evaluate, and adjust; + = sustain action

Source: World Bank data.

$127 million. The lending program was a mixture of low-conditionality reconstruction import loans, sector rehabilitation loans, and specific investments. The International Finance Corporation (IFC) made its first investment in Ghana in 1984 in a project to increase the output of the Ashanti Goldfields Corporation. Against this background, the 1986 CPP proposed to focus the policy dialogue and an increased number of adjustment operations on broadening the scope of the government’s reforms into a full-fledged structural adjustment process. This was to include more action on the exchange rate, further increases in the producer price of cocoa, domestic resource mobilization efforts, increases in both current and development expenditures, reforms in the financial sector, public enterprise reforms, and progressive liberalization of the trade regime.
The country program paper proposed to maintain an average of $85 million per year through FY90 with sector adjustment loans (in agriculture, industry, education, and health), two structural adjustment credits (SACs) with conditionalities focused on the areas mentioned above, and a number of investment projects. The CPP focused on agriculture, with six projects (out of 21) and 19 percent of total lending. Industry and transport were both allocated about 14 percent, education and health each about 7 percent, and adjustment lending about 32 percent.

The CPP attached a "relatively high probability that needed policy changes by and large will be achieved," but it noted that "should the [reform] program seriously falter, both the level of lending and the number of operations would be scaled down." The CPP did not however contain any specific performance criteria or triggers, and it provided only a single lending scenario. Three possible risks were identified and briefly discussed. The political risk was seen as a risk of instability that might arise from the regime losing the support of the political base of the trade unions and working classes (on which it came to power) before it could forge new alliances in the rural areas, the main beneficiaries of the new policies. The implications of these risks being realized were not however identified. The other risks identified were those of drought and falling cocoa prices. In both cases, implications were drawn for the balance of payments and financing gap, but no contingency plans were identified, nor were other implications assessed.

*The strategy in the 1990 country strategy paper*

The 1990 country strategy paper was the first CSP for Ghana. By that time, Ghana had attained the status of a model client. In the Bank's annual country performance ratings (used to establish "norms" for IDA allocations), Ghana had received very high ratings for several years. This was reflected in an "excellence premium" in both IDA allocations and administrative resources for economic and sector work, policy dialogue, and lending (CAM resources). Thus, actual IDA allocations to Ghana in the late 1980s were averaging more than $200 million per year—more than double the level requested in the 1986 CPP. The FY88-91 country assistance management systems allocated to Ghana an average of 32 staffyears per year—more than for any African country save Nigeria.

The government's ability to pursue its reform agenda during the years between 1986 and 1990 was enhanced by the fact that this period was relatively uneventful in terms of either major political changes or external shocks. In keeping with its plan to move toward an elected national government, the government established elected district assemblies during the late 1980s, but as of 1990 the timing and modalities had not been clarified. The 1990 CSP envisaged that a broader sharing of power on the political front would help foster support for further economic reforms to maintain the pace of development. It did not envisage an alternative scenario—such as the one that came about in 1992—when an elections-related wage increase for civil servants put the macroeconomic program off track and threatened to dampen the pace of development.

The 1990 CSP was a more sober document than other reports on Ghana at a time when the country was being extolled as a "success story" and when some Bank staff and managers' thoughts were turning to how to accelerate Ghana's growth to the level of the fast-growing countries of East Asia. The CSP did recognize Ghana's "success" in im-
proving production incentives, restoring fiscal and monetary discipline, increasing public investment, and in managing well its external financing strategy. But it also flagged the daunting tasks that lay ahead, noting that inflation was still high, the private investment response weak, the government’s implementation capacity overstretched, absolute poverty still widespread (estimated at a third of the population), and the environment threatened.

The 1990 CSP defined three priority objectives. The first was to intensify efforts to promote private sector development, recognizing that this would require the government to take a more “hands off” approach to managing the economy than it had until then been willing to adopt. Specific measures recommended included improving the regulatory framework for private investment, with comprehensive financial sector reforms, accelerating the divestiture and commercialization of state-owned enterprises, and improving services and infrastructure crucial to agricultural smallholders. The second priority was given to improving public sector management and implementation capacity. Implementation weaknesses were flagged as a “binding constraint” and attention was given to the deterioration in the Bank’s portfolio performance as indicated by a decline in gross disbursements, longer intervals to effectiveness, and an increase in total undisbursed balances for investment projects relative to appraisal estimates. The CSP proposed to relate the volume of future lending to implementation performance, with undisbursed balances comprising the key indicator.

The country strategy paper also proposed a few measures to encourage the government to address human resource development, poverty, and environmental issues that were seen to ultimately determine the economic and social sustainability of the reform program. As in other areas, however, no specific performance criteria or targets were established, and in considering what would warrant a reduction in lending, the CSP argued that owing to the “complex and subtle nature of the judgments that will have to be made . . . , no single indicator or group of indicators can be used to trigger a decision.” The CSP proposed a base case of lending during the period FY91-95 averaging about $250 per annum, of which $80 million per year was for adjustment lending. This compares with average annual lending of $212 million during the period FY86-90, when about half of total lending was for quick-disbursing operations.

The strategy as described in the 1993 country strategy paper

The 1993 CSP was prepared in the first half of 1993, shortly after the elections and the 80 percent wage increase to civil servants. The wage increase resulted in an increase in the fiscal deficit by about 6 percent of GDP, a more than 50 percent increase in the money supply, a sharp depreciation in the exchange rate, and a collapse of private investment. This was characterized as a (presumably one-time) “cost of the political transition,” indicating that the economy seemed to be stabilizing satisfactorily in the first half of 1993. The tone was generally sanguine. The 1993 CSP was significantly influenced by the completion in 1992 of “Ghana—2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction,” a major Bank report produced with large Ghanaian participation, which emphasized the need for action in three areas in order to accelerate the growth rate well above the 5 percent rate achieved during the previous decade. These areas were: private sector development and export promotion, public sector management, and human resource development. In these respects the 1993 CSP appro-
priately put increased emphasis on the long-term issues.

The CSP acknowledged that a major impediment to private sector confidence (private investment dropped to less than 4 percent of GDP in 1992) was uncertainty about government attitudes toward the private sector. Steps seen as essential to the emergence of a vigorous private sector included removal of old inhibiting regulations, increased transparency and due process in enforcement, elimination of implicit transfers to public enterprises, more clarity in the limits to private sector activity, and speedy divestiture cutting through red tape on asset valuation and labor laws.

With regard to public sector management, the country strategy paper identified the need for a re-invigoration of civil service reforms plus steps to make management more effective, reduce uneconomic subsidies on water, electricity and transport, strengthen expenditure management, improve tax collection, and so on. Capacity building was to become a major focus of Bank efforts, based on a capacity-building assessment then under preparation. With regard to human resource development the CSP called for a big push in primary education, which was seen as critical to both growth and poverty reduction. The CSP also noted that the Bank “would change the way it does business in Ghana” by paying greater attention to the overall issue of ownership and avoiding crowding out Ghanaian initiatives.

The CSP noted that although some improvements had been effected in portfolio performance following a major restructuring of slow disdursing projects, the average pace of IDA projects remained slow, partly owing to the nonavailability of counterpart funds. It proposed to reduce the share of adjustment lending to below 20 percent in FY94-96 (compared to 33 percent in FY90-93 and 47 percent in FY83-89) subject to improvements in the investment project disbursement rate that would enable total IDA disbursements to remain at a level of about $200 million annually.

Relevance of the Bank's strategy

The criteria used to assess relevance include: adequacy of the diagnoses; realism of assumptions; clarity of definition of objectives; timeliness; appropriateness of the priorities given to component objectives; appropriateness of the mix of instruments; adequacy of risk assessment; realism/feasibility of implementation; and sustainability. The following paragraphs consider the Bank’s strategy for the full 1982-93 period according to each of those criteria. The chapter concludes with an overall assessment of the strategy’s strengths and weaknesses.

Right diagnosis? Short-term, yes. Long-term, more work needed

Getting the strategy “right” in 1982-83 depended on a good diagnosis of the state of the Ghanaian economy. The government was poorly equipped to do its own in-depth ESW. The Bank was also handicapped by the fact that its ESW on Ghana had been negligible in the years prior to FY83. This vacuum needed to be filled in a hurry. This need however could not be met as fast as was desirable because of the lack of qualified staff with pre-existing country knowledge and experience. With the decline in lending, the economists and sectoral specialists had been transferred to work on other countries. It took some time, therefore, for the stock of people and the stock of needed country knowledge and understanding to be built up.
The costs of the delays were the weaker designs of some initial operations (for example, the export rehabilitation project and associated TA project of 1983, both rated unsatisfactory, and an industrial sector adjustment credit with some serious design flaws). It took several years for the Bank to build up its lending for adjustment, for institutional development, and for agriculture.

Notwithstanding these handicaps, the Bank did manage to produce some high-quality economic work, beginning with the 1983 country economic memorandum, that provided a generally sound diagnostic basis for the strategy of the mid-1980s. In the view of a number of senior Ghanaian and Bank officials, however, it has proven difficult to get similarly robust diagnostic foundations in some of the sectors, and on some cross-cutting issues such as institutional development, privatization, and public enterprise reform. With few exceptions, moreover, most of the Bank’s ESW tended to focus on relatively near-term adjustment issues rather than upon the longer-term issues.

**Clarity of definition and monitorability of objectives: good in the 1980s, fair in the 1990s**

A good strategy should have a limited number of well-defined and well-prioritized objectives, as objectively monitorable as possible. In all of the Bank’s strategy papers, however, the objectives tended to comprise either such a large number of broad goals (GDP growth, stabilization, improved public sector management, environmental protection, and so on) or so many specific “key” and “main” and “high priority” objectives, that it was hard to discern the truly highest priorities.

The guidelines for CPP and CSP preparation were at least partly responsible. The CSP guidelines, for example, called for the document to “list the government’s key development objectives . . . [and] discuss central issues in the economy and its main sectors,” with such listings and discussions not necessarily calling for an evaluation of the strategic focus of the government’s program—or lack thereof. And while the CSP section on the Bank’s assistance strategy was required to “recommend priorities for policy change” and to “focus only on the main macroeconomic and sectoral issues,” the requirement to prioritize was not much enforced.

In the 1980s, the nature of the main goals (stabilization, liberalization, rehabilitation) made it relatively easy to define the relevant key performance indicators, for example, movements in the inflation rate, real exchange rate, recovery of cocoa exports, and so on. In the 1990s, the emphasis on private sector development and capacity building, for example, makes it harder to sort out which of the underlying constraints are more binding than others, to identify the relative priorities of actions needed, and to define the appropriate key performance indicators. This problem needs to be approached from two directions: One is to put more precision and prioritization into the specification of objectives; the other is to develop performance indicators that constitute the best available proxies for measuring qualitative data in a quantitative way.

**Realism of basic assumptions: partial**

Some of the Bank’s underlying assumptions about key variables were off the mark. For example, the terms of trade deteriorated significantly more in the late 1980s and early 1990s than was envisaged, inflation proved harder and slower to bring down than was predicted, aid inflows (disbursements) lagged behind forecasts, and there was overoptimism in the projected trends in
agricultural output and in the growth of domestic savings and private investment. And the Bank now readily acknowledges that, in the early and mid-1980s, there was an institutionwide underestimation of the time required for countries such as Ghana to implement the full range of reforms and to reap the benefits in the forms of increased investment and productivity and reduced poverty. Underlying this optimism was an underappreciation of the importance of non-policy constraints. This said, however, none of the above-mentioned projections was so far off the mark as to undermine the strategy so long as the government remained committed to pursue the reforms—including making adjustments as necessary when some of the initial assumptions proved wrong. As the Bank made the right assumption about the government's ownership of and commitment to its reform program, this sufficed to make realistic the assumption that the consequences of other wrong assumptions could be managed satisfactorily.\(^1\)

Timely? Yes

It was a main contribution of the Bank (and the IMF) that it supported in a timely fashion the government's emergent reform program, a risky thing to do in 1983. This was not only because the new Ghanaian team lacked any track record in managing reform, but also because some of its members had a record of anti-market actions and anti-Bank/Fund rhetoric. Against this background, staff in charge of the Ghana program made a strong case for accepting these risks—at the risk of their own credibility—and the Bank made a substantial upfront commitment of resources.

Appropriate priorities? Short-term, yes. Longer-term, uncertain

A corollary of "getting the priorities right" is "getting the sequencing right." And as noted above, this is highly dependent upon getting a right diagnosis of which constraints are most binding, and which are most amenable to remedy and relief through changed policies, financial inflows, and projects and programs. In general the Bank's macroeconomic analysis and policy advice in Ghana were sound. The Bank advocated a tighter budget policy to reduce inflation, a more flexible and realistic exchange rate policy to restore competitiveness, and a move to positive real interest rates both on efficiency grounds and to restore and maintain external balance. The Bank supported the movement toward a free foreign exchange market, the removal of quotas and internal price controls, and tariff leveling and reduction. It supported financial sector reform and institution building in the two financial sector credits. The Bank was also aware from the beginning of the problem of low private saving and investment and with partial success supported through the private investment credit measures to raise them.

The Bank strategy as manifested in its economic studies, policy advice, and adjustment operation conditionalities was largely in line with the tenets of consensus and other benchmarks of "best practices" in adjustment advice and lending of the times. There were, however, some flaws in the design.\(^{13}\) The first was the early sequencing of the adjustment program. The Industrial Sector Adjustment Credit (approved in March 1986), for example, promoted investment in sectors that were soon to become obsolete due to trade liberalization. It reversed the sequence of stabilize, liberalize, invest, so that the credit supported some nonviable firms. A second problem was the lack of provision of assistance for potentially viable firms in the wake of the trade reform, resulting in a large number of bankrupt firms still in receivership. A third deficiency was in the financial sector, where an initial emphasis...
on cleaning the balance sheets of the banks meant treating symptoms rather than root causes, and the lack of pressure to make the financial system more competitive left the credit and foreign exchange markets with oligopoly structures. This contributed to the high real interest rates and a lack of availability of foreign exchange.  

The Bank's strategy may also be faulted for being slow in identifying and addressing the institutional impediments to the reforms. It was not until 1987, for example, that the Bank approved a project to strengthen the capacities of the core economic ministries/agencies. A more appropriate sequencing would have aimed at improving implementation capacities earlier. And as will be discussed in Chapter 3, the Bank's overall strategy is still handicapped by the lack of a comprehensive and coherent institutional development (ID) strategy that deals adequately with demand-side as well as supply-side constraints, and with economic governance factors.

As identified in the Bank's latest report on governance (World Bank 1994b), some important facets of economic governance with which the Bank may legitimately be concerned (because of their direct bearing on development prospects) are the following: predictability, openness, and competence of policymaking; professional ethos of the bureaucracy; accountability of the executive branch of government; participation of civil society in public affairs; rule of law; and incidence of armed conflict among factions, tribes, and clans (within and across country borders). Neither the formal strategy papers nor other internal documents re-
viewed in the archives gave much attention to these issues until very recently.  

Finally, and perhaps most importantly, the Bank should have sought, earlier and more forcefully, actions by the government to foster private sector development, especially to improve investor confidence; to accelerate the slow processes of privatization, public enterprise restructuring, and civil service reform; to identify and solve fundamental problems in expenditure management (a main cause of the "counterpart fund problem"), to address some of the above-mentioned governance issues seen to impede both private sector development and ID; and to give more attention to longer-term issues such as family planning, agricultural productivity, and environmental deterioration—the "nexus issues."

IMF staff who were involved in designing the arrangements of the 1980s also believe that the IMF (and implicitly the Bank) should have pressed for earlier actions in financial sector reform and state enterprise divestiture in particular (Box 2.2). This IMF diagnosis is consistent with the views of many Bank staff. The Fund’s report emphasizes the crowding out effects, financial and otherwise, that made the slow pace of privatization and public enterprise reform a constraint to private sector development. The government’s lack of action on these fronts was perceived by the private sector as a “danger signal,” given its fears that the “unlevel playing field” in favor of state enterprises might persist, and that the government might even reverse the trend toward promoting a more “market friendly” enabling environment for private sector development.

Some government officials and Bank staff argue that it would have been futile or even counterproductive for the Bank and Fund to "press" for more and faster state enterprise reform and privatization when the political leadership was strongly resistant to these measures. To be sure, strong Bank conditionalities in these areas, even if agreed to by the government, would not have been "owned" by the government and would not have been implemented effectively. The view of this report is not that the Bank and Fund should have "pressed" for reforms in these areas through conditionalities, but rather should have concentrated upon doing more and better ESW and establishing a better and broader dialogue on the options, including nonconventional forms of privatization.

Important reasons why liquidations and divestitures were probably more needed in Ghana than in many other countries were that (a) the state-owned enterprise (SOE) sector was (and still is) large; and (b) the level of private sector confidence was so low that a "nongradualist" approach to dealing with the enterprises seems all too necessary to provide a signal to the private sector that the government is truly serious about its market-friendliness, and will not soon reverse its policies.

The point is often made that reforms such as SOE rationalization, privatization, and financial sector reform require much more administrative and institutional capacity to carry out than, for example, price and trade reforms. This is quite true. But the binding constraint to movements on these fronts in the 1980s and early 1990s was not so much Ghana’s lack of implementation capacity as the lack of political will and the failure to even design a program that could in time be implemented, even if only gradually in the face of the implementation constraints. Finally in 1994-95, however, the government did begin to move ahead with both the design and implementation of a number of privatizations.
Mix of instruments: appropriate in the 1980s, evolving in the 1990s

The Bank’s ESW and aid mobilization/coordination were well suited to address the priority needs of the 1980s. The studies fed into the policy dialogue, and the Bank was relatively well equipped to provide advice in areas where Ghana’s policies were weakest, for example, the large distortions in prices and incentive structures. The Bank was also well equipped, initially through the Consultative Group and staff visits to donor capitals, and subsequently through the Special Program of Assistance for Africa (SPA) and Global Coalition for Africa, to be a major force in aid mobilization and coordination. And with a comparative advantage in infrastructural investment, the Bank was also well equipped to undertake the rehabilitation projects needed in the 1980s. The modus operandi was simple, with a relatively small and cohesive Bank team dealing with a small and cohesive team of technocrats on the government side.

Thus, the Bank’s instrument mix of the 1980s made a good match to the priority objectives. And these in turn made a good fit to the country’s political economy, for reasons outlined in Box 1.2 and because the initial measures (stabilization, price decontrols, and so on) did not require much institutional capacity to implement. And this was a major strength of the strategy.

During the 1990s, however, the needs have changed and so has the political economy. With democratization has come the need for the Bank to relate to more constituencies. With the emergence of institutional and governance constraints has come the need for the Bank to pursue a less familiar agenda, to develop new instruments, and to mobilize new skills. And the main tasks now on Ghana’s unfinished agenda of adjustment, such as privatization, civil service reform, and public enterprise reform, do require substantial institutional capacities to achieve. So the Bank is now very much in transition in trying to accomplish these new tasks and to “get the instrument mix right.”

Adequate risk assessment? Uncertain

The Bank’s guidelines called for country strategy papers to “assess the sensitivity of the base case (of macroeconomic projections) to variations in parameters subject to great uncertainty,” and also to deal with exposure and creditworthiness issues, including “country risk.” Given that Ghana was an IDA country throughout the review period, no creditworthiness analysis was required per se. But an in-depth risk assessment is an integral part of any strategy. The Ghana CPPs and CSPs were relatively weak on this front. The two main areas of risk that most documents flagged were the possibilities that government commitment would falter and that cocoa prices would fall by more than was assumed in the base case. In neither case, however, did the strategy papers outline contingency plans for dealing with such eventualities (except by cutting the lending program in the case of faltering progress on reform).

In following up on the 1992 Portfolio Management Task Force Report (an internal Bank report), the Bank has sought to make more robust its assessments of risks at the project level and its identification of measures that may be taken to manage or minimize those risks. It has not however taken similar action to ensure that the country assistance strategy includes a robust risk assessment. Since some aspects of country risk and creditworthiness assessment typically call for more confidentiality than other issues, this may not make the CAS (which has a less restricted distribution than the CPP and CSP) an
Box 2.3: The downside of high aid dependency: dangers and distortions

A main finding of this study is that too little attention has been given by the donor community in general, and the Bank in particular, to the downside of Ghana’s high aid dependency. A corollary finding is that more attention deserves to be given to sustainability indicators that presuppose declining, rather than increasing or continuing, high aid dependence.

The main dangers and distortions arising from Ghana’s high aid dependence are:

- Dutch disease (see Box 5.2 in Chapter 5).
- Donor-driven agendas and priorities; accountability to donor constituencies vis-à-vis local constituencies.
- Donor-driven budgets and processes.
- Rent-seeking and patronage relations; other “external diseconomies” and “addictive behaviors.”
- The use of leverage and reverse-leverage; conditionality conflicts.
- The use of aid to facilitate avoidance rather than implementation of needed adjustments, especially those involving downsizing the public sector.
- Overreliance on donor initiatives and actions; “letting the donor do it.”

Examples of each of these distortions are provided in the report.

Appropriate vehicle for such assessment. At the same time, there is no more fundamental matter for both senior management and the Board to discuss than how much of which kinds of risks the Bank should be prepared to take, and which risk management strategies are most appropriate.

Feasible implementation and ownership? 1980s, high; 1990s, uncertain

In judging the relevance/appropriateness of a Bank strategy, it is necessary to consider how much congruence there is—or is not—between the economic management strategy of the government and the economic management strategy the Bank is advocating. It is appropriate for the Bank to advocate a “first best strategy,” where first best refers not to some textbook ideal but to the best set of policies that seems feasible of implementation, taking into account real-world constraints.

It is also appropriate that the Bank be pragmatic and make compromises with its first-best solutions if second-best solutions can be found that are more “owned” by the government and so have a better chance of sustained implementation. Both the IMF and Bank appreciate that it is better to have a relatively “soft” program that is owned by the government than a “harder” one that is not so owned. In Ghana’s case, both the IMF and Bank settled for a more gradualist program of reforms than they preferred. In retrospect, this seems to have been a correct decision. It does not however imply that Ghana’s gradualism was optimal. Of course no one knows the counterfactual, that is, whether a faster
pace would not have led to reversals. And one does observe that Ghana’s reforms, notwithstanding the setbacks on the fiscal side since 1992, have been sustained for longer than in any other African country.

The downside of the large aid flows that resulted from this posture, however, has been a number of “dependency effects,” summarized in Box 2.3, which now constitute a danger to the sustainability of the reforms. These effects, including new forms of rent-seeking that serve to undermine governmental capacities, have tended to be too much ignored by donors.

An important feature of the Ghanaian reform program from its beginning in 1983 is that the government had a high degree of ownership of its program. There is considerable evidence of this, including public statements of the authorities that made it clear that they were responsible and accountable for the “bitter medicine” that had to be swallowed, and that the World Bank and IMF were their supporters, not their scapegoats. Similarly, the Ghanaian officials were known in the Bank as people who knew their own minds and were tough negotiators, able to define the limits of which issues they were or were not prepared to take on, and determine how far they could go. And when the government delivered on most of what it had agreed to do, this performance built confidence in the Bank and donor community that led to the gradual buildup of assistance pipelines. The downside of the “soft” and gradualist approach was that certain problem areas were left unaddressed for too long (for example, civil service reform and privatization).

**Defining the Bank’s role vis-à-vis other donors: not much done**

Guidelines for both the CPP and CSP called for Bank strategy to be defined in the frame-work of a country’s overall external assistance requirements and the roles of other donors and creditors. In practice, the Bank’s strategy papers have given little attention to the matter of donor comparative advantages, whether at a point in time or as they might be developed over time, even with regard to partners as close as the IFC. Considerable attention was given to ensuring that adequate aid could be mobilized, but much less attention was given to aid coordination matters such as the “downside” of the dependency effects that may be entailed when so much aid is being provided by so many donors.

**Sustainability? The uncertain path from recovery to sustainable growth**

The Ghanaian strategy was to “go for growth” above other objectives, and the Bank supported this strategy. This led to the designation of the rate of GDP growth as the dominant indicator of the success of the strategy, for both the government and the Bank. And although growth in agriculture and manufacturing was much lower than projected, not much attention was paid to these shortcomings because the mining and services sectors—especially trade, government services, and transport—grew enough to enable aggregate output to rise by the targeted—and seemingly satisfactory—5 percent per annum. No one wanted to “argue with 5 percent” when the rest of Africa and most of the world was doing so poorly.

A number of nongovernmental organizations (NGOs) raised concerns and complaints that the government’s “jump start strategy” of the economy was hurting the environment by pushing logging and other resource exploiting activities. Meanwhile, the United Nations Children’s Fund (UNICEF), the International Labour Organization, and others raised concerns that the government,
Bank, and Fund were giving too little attention to poverty and the social costs of adjustment. Independently of these latter pressures, however, the government launched, with Bank support, ambitious programs of educational reform and of restoring basic social services, including in the rural areas. For this they deserve good marks.

Probably the main shortcoming in the design of the Bank's assistance strategy has been the lack of attention given to what may be called a broader set of “sustainability issues.” In the CPPs and CSPs, a few passing references were made to environmental problems, but none of the strategy documents discussed the matter of sustainability with reference to the political or social dimensions, financial dependency dimensions, or structural dimensions. The Ghana brief for the last two SPA meetings has contained a section on “sustainability indicators,” but this frame of reference did not appear in the last CSP or in the latest CASs. How the current strategy might focus upon the sustainability issues and incorporate a set of sustainability indicators will be discussed in some detail in Chapter 5.

Conclusions

The above review of the “relevance criteria” does not readily give rise to a rating. It shows, however, that the Bank’s strategy had some notable strengths, including especially initial sound diagnostics based on good-quality economic work; close alignment between the Bank’s country assistance strategy and the government’s strongly “owned” own strategy; timeliness; acceptably realistic assumptions about external events; especially for the 1980s, an appropriate mix of instruments; and a generally appropriate sequencing and an acceptable “second-best” pacing.

Among the relative weaknesses identified were a lack of clarity in objectives and their priorities; too much focus on aggregate (GDP) growth as the indicator by which success of the strategy would be gauged; insufficient “strategizing” (for example, identification of which constraints are most binding at each stage, and concentrating resources on key constraints); a lack of robust risk assessment; delays in giving attention to implementation and institutional constraints; and most importantly, an overriding focus on near-term stabilization and adjustment issues that crowded out attention and resources available to devote to the “sustainability issues,” of which the “nexus issues” and the “dependency issues” are important subsets. This last point will be further explained and elaborated upon in the next chapters.

Notes

1. The policy framework paper (PFP) is of course different from the other documents in that it represents a statement of a government’s development program, rather than of the Bank’s strategy and program. But PFPs are nevertheless strategy documents for the Bank as well as the government in that the Bank officially endorses such programs and pledges to help the countries implement them.

2. The country program paper (CPP) guidelines in effect between 1979 and 1988 called for CPPs to be prepared at intervals of not longer than three years. The country strategy paper (CSP) guidelines issued in 1988 called for CSPs to be prepared at two-year intervals for countries receiving International Development Association (IDA) commitments in excess of $100 million. Hence, the Region was not in compliance with OMS 1.12 in this regard. According to the strict “letter” of the guidelines, a CSP should have been prepared in 1988 and in 1992 rather than 1993. It may however be argued that there was compliance with the “spirit” in that both senior management and the Board were continuously apprised through various other documents (for example, reports on adjustment operations) of the Bank strategy and lending program. This was moreover a period in which there was considerable continuity in the government’s strategy and Bank’s program, so that new strategies were not required by significant changes in country conditions.

3. With the benefit of hindsight, it appears remarkable that the Bank found Ghana to be still creditworthy for International Bank
for Reconstruction and Development (IBRD) lending as late as
FY76-77—and not for enclave operations. The FY76-77 IBRD
operations were for power, industry, a development finance com-
pany, and roads. But since the 1970s are prior to the period cov-
ered by this review, no attempt has been made to assess how this
came to be or the lessons to be derived from that period.
4. In retrospect this appears to have been wishful thinking.
5. Not including resources from the Africa Facility that were
projected at about $20 million per annum.
6. The performance ratings and IDA allocation exercises re-
mained procedures internal to Bank management.
7. In the early 1990s, references were being made to Ghana as a
prospective "tiger" of Africa.
8. It was proposed that if total undisbursed balances for invest-
ment lending were higher than aggregate appraisal estimates
by more than a 50-75 percent range, then the volume of lending
in the following year would be reduced to $150 million, with
cutsbacks focused on sectors of weak performance.
9. In project evaluation, sustainability is assessed independ-
ently of relevance, and there can be cases where projects are found to
have a satisfactory outcome even when the benefits are unlikely
to be sustainable. In the case of an overall long-term Bank assis-
tance program, however, the targeted outcome is itself a sustain-
able improvement in the country's welfare, so it is impossible to
imagine a satisfactory outcome that is not sustainable. Hence, in
country assistance reviews, unlike in performance audit reports,
sustainability will be treated as a criterion of relevance.
10. The quality and impact of specific projects will be reviewed
in Chapter 3.
11. There is often some resistance to the adoption of any set of
performance indicators on the grounds that they imply a "tar-
gety," or may be used as "triggers" in a mechanistic way, or
may lead to excessive micromanagement. The 1990 CSP re-
lected this resistance in seeking to avoid quantitative triggers
that could result in a lowering of the lending program. The po-
osition advocated later in this report is that a set of "sustainabil-
ity indicators" should comprise a core set of indicators by
which the performance of the country's strategy and Bank's as-
stance should be assessed. There is considerable truth to the
saying that "what gets measured gets done"—especially to the
extent that the list of priority indicators is short. But this em-
phasis on "getting the right indicators" does not at all imply
that such indicators should be instruments of micromanage-
ment. Quite the contrary!
12. If the Bank has been too widely off the mark in some as-
sumptions, for example, about the external financing require-
ments or availabilities, or the severity of terms of trade shocks,
then it is true that even a government fully committed to re-
form could not have managed the shocks or shortfalls, and
the strategy might have failed for lack of realism in the assump-
tions. But this did not happen.
13. The strengths and shortcomings on the implementation side
will be discussed in Chapters 3 and 4.
14. The main cause of recent inflation, high real interest rates,
and foreign exchange scarcity was the government's lack of fis-
cal discipline in 1992-93, with the consequence that too much of
the burden of stabilization fell on monetary policy. This was
however a failure in the government's implementation of its
own stabilization program, not a shortcoming in the design of
the Bank's strategy per se.
15. The demand side constraints refer to those factors that im-
pede effective utilization of existing capacities, individual and
institutional, for example, the government's bypassing (at a po-
itical level) of the civil service when it comes to decisionmak-
ing on implementation issues.
16. This is not to say that the Ghana team lagged behind the rest
of the Bank in this regard. Yet even the 1994 country assistance
strategy paper (CAS) hesitated to mention the serious tribal
conflict in the north of Ghana in February 1994—an event that
seemingly called for interpretation as to its significance and
implications.
17. The apt observation that there was closer "fit" in the 1980s
than in the 1990s between Ghana's political economy, the bind-
ing constraints, and the Bank's instruments and comparative
advantages is attributable to Mr. Ravi Kanbur, current chief
economist of the Africa Region.
18. The CAS guidelines call for some assessment of the past and
prospective effects of changes in a country's external environ-
ment, and also of the sustainability of the reform process in the
case of countries in the process of economic adjustment.
19. Other things being equal, the more congruent the Bank's
preferred strategy for a country and the government's actual
strategy for that country, the more "relevant" is the Bank's strat-
ey in the sense of its probability of implementation. On the
other hand, a Bank assistance strategy that leads the Bank to
compromise so much that it supports a nonviable government
strategy would be congruent but not relevant. To be relevant, a
Bank strategy has to support a government strategy that is at
least minimally viable, however close or far that may be from a
"first best" or best practice strategy. If that test is not met (as in
1981), then the Bank should refrain from providing assistance
other than in the context of a "core program."
20. In attempting to think systematically about the "counterfac-
tuals," the Operations Evaluation Department (OED) did un-
dertake some formal macro analysis. In addition, it consulted
relevant published analyses (such as Roe and Schneider 1992)
that assessed links between social developments, investor confi-
dence, and the sustainability of Ghana's reforms, plus the sub-
stantial literature on Ghana's political economy. This facilitated
the analysis of both "counterfactual scenarios" of the past and
some "sustainability scenarios" of the future. Substantial addi-
tional formal modeling work in these areas is needed to make
such analyses more robust and more relevant to future policy-
making and future Bank strategy design.
22. This is not to say, however, that a "tougher" posture by the
Bank would have ensured the needed acceleration and deepen-
ing of the reforms. Ideally, the Bank would have more ef-

fective in helping the government to see for itself the benefits of accelerated reform versus the costs of delay. But this is not tantamount to saying the more leverage should have exercised though tougher conditionalities. Bank staff correctly recognized that government ownership was critical.

23. The CAS guidelines go further and call for "an assessment of the role the Bank might play relative to the plans and capabilities of other multilateral and bilateral donors"—a formulating that invites the Bank to identify and pursue its comparative advantages.

24. Relations with the IMF were of course a special case (see Box 2.1). There were close relations and good communications between the Bank and International Finance Corporation, or IFC, (including Foreign Investment Advisory Service) staff who commented upon draft CPPs and CSPs, but there is little evidence of much attempt to achieve fully integrated Bank/IFC strategies. See also Chapter 3.

25. See, for example, Friends of the Earth (1993). The OED mission cannot attest one way or the other to the validity of allegations made in such documents.
3. Effectiveness of the Bank's instruments

When we know what we want and take the initiative, things [projects, programs, and so on] go okay. But when the World Bank takes the initiative, things don't work so well.

—Senior Ghanaian official

Introduction

This chapter focuses on the effectiveness of the various Bank instruments, namely lending (for investment projects, adjustment operations, and technical assistance), ESW, and aid mobilization/coordination. As in other parts of this report, the coverage is selective rather than comprehensive. Emphasis is given to identifying instruments that appear to have been most and least effective. Hence, particular attention is given to the four projects approved since 1983 whose outcomes have been rated as unsatisfactory, and to the two projects whose outcomes were deemed by the Operations Evaluation Department (OED) to have been highly satisfactory. Attention is also given to OED's findings regarding project impacts on institutional development and ratings of the sustainability of project benefits.

The main sources for drawing conclusions about the efficacy (and where possible the cost-effectiveness) of Bank projects in Ghana are OED's performance audit reports (PARs) and project completion reports (PCRs) prepared by the Africa Regional Office and the Ghanaian government. The current OED database contains evaluations of 41 Bank/IDA projects undertaken in Ghana since 1968, of which 16 are PARs and 25 are PCRs. For the period 1983-93, the database includes 19 evaluations of which 14 are PARs and five PCRs. The aggregate commitment amount for these 19 projects was $744 million, equivalent to 35 percent of the $2.1 billion in commitments for all IDA projects approved in 1983-93.

Only one OED impact assessment has been made of a Bank project in Ghana. This was the assessment of the resettlement component of the Kpong hydroelectric project. That project was implemented between 1977 and 1982, before the period covered by this review.

Most and least effective instruments

The Bank's most effective instruments have been its macro- and policy-oriented economic work, the macro-level policy dialogue, the structural adjustment operations, lending for infrastructure rehabilitation, and its aid mobilization efforts (including leadership of the Consultative Group for Ghana and the Special Program of Assistance that mobilized substantial cofinancing). The country economic memoranda of
1983 and 1985 were particularly useful documents that helped the Bank, government, and donors to share a common set of priorities, and Bank ESW was also effective in helping the government with its tax reforms and public expenditure programming.

Less satisfactory or mixed results have been associated with lending for agriculture, social sectors, finance and industry; with some sector work; and with efforts to foster aid coordination (as distinguished from aid mobilization). The least effective instruments have been those (including technical assistance) aimed at fostering institutional development in general and institutional reforms in the civil service and public enterprise sector in particular. One general problem that made for lowered effectiveness of lending was that the Bank and other donors sometimes pushed more operations and financing on Ghana than the limited absorptive capacity could manage effectively. For the Bank, this reflected in part the fact that Africa had a more or less fixed share of total IDA resources, and that few other African countries were comparably aidworthy.

Overview of Bank and total donor assistance

Aid flows to Ghana should be regarded largely as endogenous because they have been very much tied to Ghana's economic management performance. Through most of the 1970s and into the early 1980s, when the Bank and other major donors judged Ghana's economic management performance to be poor, aid flows were relatively low (about 3 percent of GDP in the years 1981-83). After Ghana adopted its ERP in 1983, the aid pipeline was built upon only gradually. But since 1987 Ghana has been a favored aid recipient, and official development assistance (ODA) commitments averaged about $800 million per year between 1987 and 1993. The 1993 recorded commitment was about $700 million.² By the end of 1992 the undisbursed aid pipeline exceeded $1 billion.³

Table 3.1: Aid Flows, 1981-92
(ODA terms, $ million)

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<tbody>
<tr>
<td>Commitments, total</td>
<td>186</td>
<td>356</td>
<td>737</td>
<td>888</td>
</tr>
<tr>
<td>of which IDA</td>
<td>33</td>
<td>137</td>
<td>258</td>
<td>280</td>
</tr>
<tr>
<td>Gross disbursements</td>
<td>152</td>
<td>288</td>
<td>554</td>
<td>873</td>
</tr>
<tr>
<td>of which IDA</td>
<td>14.4</td>
<td>94</td>
<td>189</td>
<td>190</td>
</tr>
<tr>
<td>Net disbursements</td>
<td>133</td>
<td>264</td>
<td>522</td>
<td>687</td>
</tr>
<tr>
<td>of which Bank/IDA</td>
<td>19</td>
<td>89</td>
<td>177</td>
<td>176</td>
</tr>
<tr>
<td>of which IDA</td>
<td>14</td>
<td>93</td>
<td>187</td>
<td>188</td>
</tr>
<tr>
<td>as % of GDP</td>
<td>3</td>
<td>5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>per capita ($)</td>
<td>12</td>
<td>21</td>
<td>37</td>
<td>45</td>
</tr>
<tr>
<td>Net transfers</td>
<td>105</td>
<td>238</td>
<td>478</td>
<td>635</td>
</tr>
<tr>
<td>of which IDA</td>
<td>12.7</td>
<td>90.3</td>
<td>181.3</td>
<td>178</td>
</tr>
</tbody>
</table>

a. Calculated from yearly averages.
Sources: Organization for Economic Cooperation and Development, World Bank Debt Tables.
Table 3.1 shows that Ghana has become a very aid-dependent country, with net ODA disbursements equivalent to about 10 percent of GDP over the five years 1988-92. Ghana has enjoyed both an “adjustment premium” (entitling it to IDA allocations above and beyond the IDA norm) and SPA eligibility (entitling it to large cofinancings in the IDA adjustment operations).

IDA assistance to Ghana over the period 1984-92 was equivalent to 34 percent of total ODA commitments, 28 percent of gross ODA disbursements, and 32 percent of net ODA disbursements. In recent years, IDA commitments have leveled off at about $250 annually—equivalent to about one-third of the annual average ODA commitments. Table 3.2 shows IDA commitments and disbursements to Ghana, by major lending instrument, for the fiscal years 1979-94.

A matter of considerable concern to the Bank has been the stagnation in the level of IDA disbursements on investment projects at a level of about $80 million over several years. This reflects a variety of problems in Ghana’s implementation capacity, including its management of counterpart funds. These issues will be discussed below.

The Bank built up its commitment and disbursement rates until leveling off in the early 1990s. Sectoral adjustment lending was undertaken ahead of structural adjustment lending, and combined sectoral and structural adjustment lending reached about $1 billion—equivalent to 42 percent of the total IDA lending of $2.4 billion.

The effectiveness of lending—performance trends

PCR-PAR performance ratings were available for 41 completed operations in Ghana as of November 1994 (representing total commitments of $1.1 billion). About half of

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</thead>
<tbody>
<tr>
<td>Financial intermediary loans</td>
<td>Sum of loan/credit</td>
<td>19</td>
<td>0</td>
<td>30</td>
<td>0</td>
<td>30</td>
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<tr>
<td></td>
<td>Sum of disbursement</td>
<td>4</td>
<td>18</td>
<td>14</td>
<td>20</td>
<td>53</td>
</tr>
<tr>
<td>Sector adjustment loans</td>
<td>Sum of loan/credit</td>
<td>0</td>
<td>257</td>
<td>191</td>
<td>186</td>
<td>633</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>0</td>
<td>106</td>
<td>257</td>
<td>231</td>
<td>595</td>
</tr>
<tr>
<td>Structural adjustment loans</td>
<td>Sum of loan/credit</td>
<td>0</td>
<td>0</td>
<td>264</td>
<td>133</td>
<td>397</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>0</td>
<td>0</td>
<td>190</td>
<td>206</td>
<td>396</td>
</tr>
<tr>
<td>Specific investment loans</td>
<td>Sum of loan/credit</td>
<td>30</td>
<td>103</td>
<td>237</td>
<td>390</td>
<td>730</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>80</td>
<td>43</td>
<td>135</td>
<td>178</td>
<td>357</td>
</tr>
<tr>
<td>Sector investment and maintenance loans</td>
<td>Sum of loan/credit</td>
<td>54</td>
<td>75</td>
<td>186</td>
<td>318</td>
<td>579</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>56</td>
<td>45</td>
<td>103</td>
<td>160</td>
<td>307</td>
</tr>
<tr>
<td>Technical assistance loans</td>
<td>Sum of loan/credit</td>
<td>0</td>
<td>35</td>
<td>21</td>
<td>15</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>0</td>
<td>13</td>
<td>30</td>
<td>18</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>Sum of loan/credit</td>
<td>103</td>
<td>469</td>
<td>929</td>
<td>1,042</td>
<td>2,439</td>
</tr>
<tr>
<td></td>
<td>Sum of disbursement</td>
<td>120</td>
<td>226</td>
<td>730</td>
<td>814</td>
<td>1,769</td>
</tr>
</tbody>
</table>

Source: World Bank data.
these completed operations were approved prior to 1983, but in terms of volume of lending the projects approved since 1983 comprise about two-thirds of the total. Among these rated projects, 32 (or 78 percent) were judged as satisfactory by the evaluators. A significant proportion of the satisfactory projects and programs have also been marked by likely sustainability albeit moderate achievements of institutional objectives in several instances.

The satisfactory proportion of the Bank’s portfolio in Ghana compares favorably with the Bankwide satisfactory average of 74 percent and with the Africa Region’s satisfactory average of 65 percent. Equally important, the 80 percent of program and policy loans (principally, adjustment operations) judged to have been satisfactory is considerably higher than the Bankwide average of 73 percent and the Africa Region’s average of 59 percent. Two highly satisfactory operations are summarized in Box 3.1. One reason why these SALs succeeded better than the sectoral adjustment loans (SECALs) was that they involved decisions only at the macro level, whereas the SECALs required coordination at the sectoral levels where the deficiencies in information, institutions, and management were more severe.

Portfolio performance in Ghana has fluctuated considerably in recent decades. For projects approved in the late 1960s until 1974, the share of evaluated projects that received a rating of satisfactory remained around 88 percent. For projects approved in 1974-79, performance ratings deteriorated sharply, with the percentage of projects rated satisfactory declining to the mid-60s range. And for projects approved in the 1980s, performance trends show the satisfactory ratio improving again to the mid-80s level. The differences in satisfactory ratings over time reflect a combination of: (a) changes in the external environment, particularly in the terms of trade; (b) the extent to which Ghana managed to buffer domestic economic activity from exogenous shocks through appropriate economic management; and (c) portfolio-specific characteristics.

There are also substantial variations across sectors. The sectors at the upper end of the range have been energy, human resources, power, transport, and water and sanitation. The sectors with below-average trends include technical assistance, telecommunications, finance, and agriculture. The performance of program and policy loans has generally been consistent with the overall country average. Power, transport, and water and sanitation sectors have maintained consistently highly satisfactory ratings whereas the agriculture sector performed worse during the latter half of the 1970s but shows some improvement in performance ratings in the recent period.

Shifts in the sectoral composition of the portfolio had a considerable impact on overall portfolio performance. This was measured by comparing Ghana’s portfolio performance trends with “normalized” trends. Had the Bank continued to lend to the same sectors after 1974 at the same proportionate levels as in the years prior to 1974, Ghana’s overall performance trends would have witnessed a commensurate decline during approval years 1974-79 largely because of the poor performance of finance sector loans.

Projects with unsatisfactory outcomes

Of the 41 projects evaluated by OED through June 1994, nine were rated as having unsatisfactory outcomes (Table 3.3). Five of the nine projects, including the three agricultural projects, were approved in the
BOX 3.1: OUTSTANDING PROJECTS

Ghana's first and second structural adjustment credits (SACs I and II) were judged as outstanding programs by the Operations Evaluation Department evaluators.

The major factor in the successful outcome of these programs was that the government was highly committed to adjustment and implemented a wide range of measures promptly and wholeheartedly. Weaknesses of implementation capacity, owing to deficiencies in the structure and staffing of institutions, and in management information systems in the public sector, were the major constraints on the adjustment process. Facing this, the government set up a Structural Adjustment Program Secretariat (SAPSEC) under the office of the Chairman of the Provisional National Defence Council Secretaries, to enable continuous high-level political monitoring of the program, and to ensure that measures calling for decision by the Council were brought before it promptly. In addition, ten special units and task forces, coordinated by SAPSEC, were set up to implement various parts of the program.

The pace of implementation was markedly slower where adjustment required changes in institutions and recruitment of skilled staff rather than mere changes in rules. In addition, the paucity of up-to-date financial and other information for proper management decisions slowed the pace at which changes, such as the divestiture of state enterprises, could be made. The pace was also slower where adequate studies had not been done and where a basis for agreement at the technical level was lacking.

Main strengths of these SAC operations lay in the following:

- **Timing.** These operations were natural next steps in Bank support to Ghana's ERP, given the mutual confidence built up in the post-1983 period.

- **Consultations.** There were extensive consultations within the Bank, between the Bank and government, between the Bank and Fund, and between Bank and other donors.

- **Complementarity.** The SACs and rest of the Bank/IDA lending program were mutually reinforcing in support of the adjustment program.

- **Time frame.** An optimistic time frame conveyed a sense of urgency at the outset, but was flexible enough to permit more modest targets under SAC II.

- **ESW.** A considerable amount of high quality studies underpinned the success of the program.

- **Ownership.** The consultative approach to the design of the structural adjustment program fostered an unambiguous sense of ownership of the program by the government.
Implementation. Arrangements, especially for SAC I, kept the political directorate and senior officials informed, and provided for adequate coordination and monitoring.

Supervision. Bank staff hands-on supervision facilitated work on the public investment program, budget, tax reform, public expenditure review, and, to a much lesser extent, civil service reform. Staff devoted twice as much time to supervision of these operations as to the average Africa Region SAL operation.

The OED audits identified also some weaknesses in these generally successful operations. These included:

- ESW. In cocoa marketing and state-owned enterprise reforms, the economic and sector work was inadequate to underpin the Bank's efforts to convince the government regarding the need for and direction of change.

- Inexperience. Bank staff lacked experience in public enterprise and in cocoa marketing reforms.

- Narrowness of perspective. Bank insistence on specific targets for divesting state enterprises did not appear to take into account sufficiently the policy and institutional constraints facing private investment at the time; other options were inadequately considered. Similarly, the financial implications of widespread retrenchment in a public sector-dominated economy were not sufficiently considered.

- Institutions. Bank study of institutions and analysis underlying institutional reform was limited. Thus, there was no definition of future roles of institutions that would lose regulatory functions as liberalization proceeded.

Continuity. Frequent turnover of Bank staff, regarded by the client as disruptive of the adjustment process, was an undesirable feature of the Bank's conduct of these operations.

Lessons

- Brainstorming sessions involving high levels of government at the design stage of the adjustment program have considerable merit as a means of enhancing the client's sense of ownership and strengthening commitment to implement it. The Ghana experience shows that the inclusion of the private sector, unions, and other interests in such sessions can foster greater understanding and acceptability of necessary policy measures.

- Where, as in Ghana, the public sector has been the dominant operator in the formal economy for over 30 years and the culture or tradition of private entrepreneurship has been substantially weakened, private entrepreneurs should be expected to re-
respond only cautiously to partial changes in the policy environment. They need to be convinced that policy change will be permanent and comprehensive, and that the "official" attitude to private profit and wealth will be consistent with the enhanced role envisaged for the private sector. Frequent consultations between the government and the private sector can be useful in making the latter comfortable with the policy changes and in identifying the continuing impediments to their response.

- The adjustment process in an economy such as Ghana's requires that in addition to providing incentives to stimulate private investment, institutional arrangements for assisting the private investor in mobilizing resources need to be put in place, and the legal basis and administrative procedures need to be clarified for potential investors as well as for bureaucrats. All these requirements have to be addressed early in the adjustment process.

- Ghanaian officials concur with the view that the progress of the adjustment program in many areas owed much to the "hands on" supervision of Bank staff. This allowed Bank expertise to buttress Ghanaian efforts in critical areas in a manner not feasible with contract assistance, and permitted flexibility in resolving unforeseen and unforeseeable implementation problems. Norms of staff time provided for supervision of adjustment operations should be reviewed in light of this experience.

1970s, and were characterized by implementation delays and financial and other problems attributable mainly to the overall economic and political environment described in Chapter 1.

Of more interest and pertinence to the present situation are the two rehabilitation loans that received unsatisfactory ratings. Evaluation experience indicates that these two projects were premature and that their preparation was hurried. They were based on insufficient information and were implemented when preparation of the sector work programs was not well advanced. There was also a lack of consultation with implementing agencies at the design stage that hindered implementation at a later stage. The implementation of the technical assistance loan was problematic; in timber, the deployment of advisors was out of phase with the rehabilitation work; in cocoa, Bank staff did not consult sufficiently with Ghanaians, the ownership level was low, and there was no agreement on the technical assistance that was needed; and in mining, the Bank's insistence on foreign managers taking over functions of local managers proved to be disastrous. So, while exports did improve, there were substantial problems with implementation and the two loans were rated as unsatisfactory.

Among the recently evaluated projects, the Energy/Petroleum Infrastructure Operation (Credit 1373) was hampered by enormous complexity of project objectives leading to
TABLE 3.3: UNSATISFACTORY PROJECTS

<table>
<thead>
<tr>
<th>Project</th>
<th>Year of approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar rehabilitation</td>
<td>1972</td>
</tr>
<tr>
<td>Livestock development</td>
<td>1974</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>1975</td>
</tr>
<tr>
<td>Upper region agricultural development</td>
<td>1976</td>
</tr>
<tr>
<td>Second National Investment Bank (NIB)</td>
<td>1979</td>
</tr>
<tr>
<td>Energy</td>
<td>1983</td>
</tr>
<tr>
<td>Export rehabilitation</td>
<td>1984</td>
</tr>
<tr>
<td>Export rehabilitation technical assistance</td>
<td>1984</td>
</tr>
<tr>
<td>Structural adjustment institutional support (SAIS)</td>
<td>1987</td>
</tr>
</tbody>
</table>

Source: World Bank data.

Implementation delays and, eventually, an unsatisfactory outcome. Finally, the Structural Adjustment Institutional Support Project (SAIS) (Credit 1778) failed to meet its objectives mainly because the project did not have either an adequate degree of local ownership or sufficient discipline in the process of supervision by the Bank. Other factors having an adverse effect on the outcome were the legacy of mutual mistrust between the political leadership and the civil service, and the management styles of those overseeing the project.

Among the key lessons learned from this last project were that the "enabling environment" for institutional development in the public sector is more important than the choice of instruments applied in technical assistance operations, and that the governance-related constraints to effective Bank assistance for institutional development are fundamental, binding constraints. The SAIS project confirmed the desirability of pursuing a "process" rather than a "blueprint" approach to the design of such projects. But it also pointed to the need to put discipline into the process and to ensure that appropriate staff skills are mobilized (see Box 3.2). A fundamental problem is that civil service salary and other conditions are so poor that there are few, competent counterparts to work with consultants (local or expatriate), as trained staff leave the service in large numbers. In-service training is woefully inadequate, but the benefits of training cannot be sustained in the absence of reforms that improve motivations as well as salaries of productive civil servants and public enterprise employees.

The effectiveness of the Bank's lending program as a whole has been hindered by institutional and managerial weaknesses on the part of the implementing ministries and agencies. In many cases, it is not easy to ascertain whether the more binding constraint to effective implementation is a lack of commitment or a lack of institutional and managerial capacity. But the latter are clearly serious constraints. In some cases, moreover, ownership has been lacking. The Agricultural Diversification Project was reportedly a project pushed by the Bank on a government reluctant to accept it.
The importance of having good "champion" teams and superintendents.

The need to support, and how political, cultural, and personal.

There are no substitutes for ownership on the local level.

The need for local institutions, really work.

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The need for local institutions, really work.
In some cases, technical assistance has helped to improve institutional capacities, but the record on TA effectiveness is itself very mixed and on the whole poor. How to improve the effectiveness of TA is a subject that requires more concerted attention by both the donors and government. The United Nations Development Programme's National Technical Cooperation and Assessment Programme (NATCAP) was supposed to help in this regard but this program is ineffective and lacks donor confidence. And TA does not much help to address systemic problems such as the poor ethos of the bureaucracy and distorted incentive structures, which, being problems themselves, tend to render TA ineffective.

Box 3.3 describes a cross section of projects in which varied progress was achieved on the ID front.

Status of the portfolio

As of FY93, 40 projects and programs under implementation had received supervision ratings (for their overall status as well as progress toward their development objectives) as reported by the Bank's Operational Policy Review (OPR) Department. In addition, audits of six PCRs were in progress. About 13 percent of the ongoing projects were marked by considerable implementation difficulties. The overall status of the Bank's current portfolio was then below the Bankwide average. Problem projects then included: Mining Sector Rehabilitation, Small and Medium-Scale Enterprises, Rural Finance, Cocoa Rehabilitation, Forest Resources Management, Telecommunications II, Petroleum Refining and Distribution, Power V, Public Enterprise Technical Assistance, and Transport Rehabilitation.

Despite slipping over the period FY89-93, Ghana’s supervision measures remained roughly on a par with the all-Regions averages, and compared favorably with the Africa Region averages. The Annual Review of Portfolio Performance (ARPP) ratings initially improved from 1.72 in FY89 to 1.59 in FY90, but then fell to 1.92 by the end of FY93. A major cause for concern was the proportion of “problem” projects in the portfolio, which have yet to show any significant improvement.

Some of the implementation delays in the portfolio were attributable to the deterioration of disbursement ratios. The undisbursed balance rose steadily over the five years from FY89-93. Some of this increase was accounted for by the depreciation of the dollar against the SDR, but the bulk was due to a substantial deterioration of the disbursement ratio, from 33.1 percent in FY88 to 14.3 percent in FY92. This compared to a Bankwide ratio of 17 percent and the Africa Region’s average of 15 percent in FY92.

The lack of timely availability of matching funds for the government’s contribution to projects has often become a bottleneck to Bank disbursements. The government has argued that the Bank’s practice of requiring upfront payments into project accounts in the relevant ministry or agency ties up resources inefficiently, and that the proliferation of accounts also leads to loss of control by the Ministry of Finance and Economic Planning.

Concerns have also been expressed regarding delays in contract processing and procurement both at the level of the ministry and the implementing agencies. The Bank has undertaken a training seminar for project coordinators to address the issue of implementation delays. Especially for procurement of goods, the Ghana Supply Commission’s monopoly position adversely affects its efficiency and performance ac-
Marginal Improvements

The marginal improvements in the context of the improvements in the efficiency of the economy are associated with an increase in the efficiency of the agricultural sector. The improvements in the agricultural sector are due to the adoption of new technologies and practices, which have led to increased productivity and reduced costs. These improvements have been achieved through the implementation of policies aimed at enhancing the efficiency of the agricultural sector.

Policy Reforms

The policy reforms introduced in the early 1990s have been instrumental in improving the efficiency of the agricultural sector. These reforms included the introduction of market-oriented policies, which have led to increased competition and efficiency in the agricultural sector. The reforms have also been accompanied by increased investment in agricultural research and development, which has contributed to the introduction of new technologies and practices.

Box 3.3: Attention of Institutional Development Objectives

The following box presents a summary of the institutional development objectives that have been achieved through the implementation of the reforms. The box highlights the key achievements and the challenges that remain in the institutional development of the agricultural sector.


does of 22

The following section presents a detailed analysis of the achievements and challenges that have been faced in the institutional development of the agricultural sector. The section includes an analysis of the key policies and reforms that have been implemented, as well as an assessment of the impact of these policies on the efficiency and productivity of the agricultural sector.
lished, but the latter remained under-
staffed. Similarly, no worthwhile institu-
tional improvement was achieved in gold
mining activities.

- **Health and Education Rehabilitation Project**
  (Credit 1653, approved in 1986). Despite
  the emergency nature of the project, sev-
  eral long-term benefits were derived
  from the project: (a) work in the critical
  area of drug supply and extension of im-
  munization coverage; and (b) developing
  middle-level leadership in the health sec-
tor and in the Ministry of Health.

- **Petroleum Refinery Rehabilitation and Techni-
cal Assistance Project** (Credit 1446, ap-
proved in 1984). The project was designed
also to provide technical assistance for a
management improvement program (MIP)
and for training of Ghanaian Italian
Petroleum Company refinery staff. But it
took considerably more time than was
originally expected. The study on the MIP
was seriously delayed, and implemen-
tation of the recommendations had to be car-
rried out under a succeeding project (Credit
1819).

- **Water Supply Technical Assistance and Reha-
bilitation Project** (Credit 1342, approved in
1983). The primary objective of the project—to strengthen the managerial capabili-
ties of the Ghana Water and Sewerage
Corporation both at headquarters and in
the districts and to improve its operating
efficiency and financial performance—was
not as successfully achieved as had been
envisaged during project preparation.

**Negligible results**

- **RIC 1** (Credit 1393, approved in 1983).
  Notwithstanding the achievement of the
  objective of providing quick-disbursing
  foreign exchange to finance urgently
  needed rehabilitation imports, the pro-
gram made very little progress toward
building the procurement and implementa-
tion capacity of the Ghanaian agencies.

- **Export Rehabilitation Project and Export Re-
habilitation Technical Assistance Project**
  (Credits 1435 and 1436, approved in
1984). The implementation of these proj-
ects, except perhaps in the ports sector,
left much to be desired. In timber, the
timing of the deployment of advisors was
out of phase with physical rehabilitation.
In cocoa, expertise could not be effi-
ciently provided and effectively utilized.
The implementation of the project in the
mining sector was very poor.

- **Second National Investment Bank (NIB) Proj-
ect** (Credit 0901, approved in 1979). The
technical assistance components of the
project consisted of: (a) assisting the gov-
ernment in formulating and implement-
ing an export and marketing program;
and (b) improving the internal operations
of Ghana’s primary development finance
institution. The project had a minimal ef-
fect on improving NIB’s institutional
capabilities.

- **Structural Adjustment Institutional Support
Project** (Credit 1778, approved in 1987).
(See Box 3.2.)
<table>
<thead>
<tr>
<th>Indicators</th>
<th>FY84</th>
<th>FY88</th>
<th>FY91</th>
<th>FY92</th>
<th>FY93</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Portfolio performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of projects under implementation</td>
<td>15</td>
<td>25</td>
<td>38</td>
<td>38</td>
<td>40</td>
</tr>
<tr>
<td>Average implementation period (years)</td>
<td>3.3</td>
<td>2.9</td>
<td>3.3</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Average ratings (scale of 1-4, with 1 being the highest)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development objectives</td>
<td>1.67</td>
<td>1.40</td>
<td>1.43</td>
<td>1.58</td>
<td>1.57</td>
</tr>
<tr>
<td>Overall status</td>
<td>1.93</td>
<td>1.68</td>
<td>1.71</td>
<td>1.95</td>
<td>1.92</td>
</tr>
<tr>
<td><strong>Percent of projects rated 3 or 4</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development objectives</td>
<td>13.3</td>
<td>.0</td>
<td>5.3</td>
<td>10.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Overall status</td>
<td>26.7</td>
<td>4.0</td>
<td>7.9</td>
<td>18.4</td>
<td>12.5</td>
</tr>
<tr>
<td>Canceled during FY in $ million</td>
<td>.01</td>
<td>.00</td>
<td>1.85</td>
<td>.18</td>
<td>.89</td>
</tr>
<tr>
<td>Disbursement ratio (%)</td>
<td>.5</td>
<td>.5</td>
<td>17.4</td>
<td>14.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Disbursement lag (%)</td>
<td>.0</td>
<td>.0</td>
<td>4.0</td>
<td>12.9</td>
<td>25.9</td>
</tr>
<tr>
<td>Supervision resources (total in staffweeks)</td>
<td>260</td>
<td>358</td>
<td>453</td>
<td>601</td>
<td>631</td>
</tr>
<tr>
<td>Average supervision (staffweeks/project)</td>
<td>17.4</td>
<td>14.3</td>
<td>11.9</td>
<td>15.8</td>
<td>15.8</td>
</tr>
<tr>
<td><strong>Supervision resources by location</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headquarters (%)</td>
<td>100</td>
<td>99</td>
<td>100</td>
<td>88</td>
<td>76</td>
</tr>
<tr>
<td>Resident Mission (%)</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td><strong>Supervision resources by rating category</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects rated 1 or 2</td>
<td>14</td>
<td>14</td>
<td>12</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Projects rated 3 or 4</td>
<td>27</td>
<td>13</td>
<td>24</td>
<td>30</td>
<td>24</td>
</tr>
</tbody>
</table>

a. Average age of projects in the Bank's country portfolio.
b. Extent to which the project will meet its development objectives.
c. Assessment of overall performance of the project based on the ratings given to individual aspects of project implementation (for example, management, availability of funds, compliance with legal covenants) and to development objectives. The overall status is not given a better rating than that given to project development objectives.
d. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.
e. For all projects comprising the Bank's country portfolio, the percentage difference between actual cumulative disbursements and the cumulative disbursement estimates as given in the 'original staff appraisal report/president's report forecast' or, if the loan amounts have been modified, in the 'revised forecast'. The country portfolio disbursement lag is effectively the weighted average of disbursement lags for projects comprising the Bank's country portfolio, where the weights used are the respective project share in the total cumulative disbursement estimates.

Source: World Bank data.

countability. However, the alternative of competitive contracting through private sector procurement agencies remains closed.

**The role of the International Finance Corporation**

Notwithstanding some continuing important constraints to private investment, and especially direct foreign investment (see Chapter 5), IFC has progressively increased its involvement in Ghana in recent years, with generally satisfactory results to date.

As of June 1994, IFC's Ghanaian portfolio amounted to 20 projects for total commitments of $155 million, of which $148 million (95 percent) was related to loan investments and $7 million to equity. The mining sector accounted for 76 percent of the total. Ghana now represents one of IFC's largest exposures in Sub-Saharan Africa. The substantial growth of IFC's activities in Ghana led to the
opening of an office in Accra in May 1992. Until 1990, IFC involvement in Ghana was heavily oriented towards the gold sector, in keeping with the government’s strategy to rehabilitate and expand a sector that represents almost one-quarter of export resources. Ashanti Goldfields Corporation (AGC), with a total exposure of $79 million, represents one of the highest single-company exposures in IFC’s portfolio.

From IFC’s point of view, its most satisfactory involvement has been in the gold sector, where it has brought some $386 million to rehabilitate the sector on its own account, as well as on account of participants through mobilizations. In FY92, it introduced AGC to the derivative-products market through the approval of a $140 million gold-link loan to finance its future expansion, and a gold hedging facility to enable the company to purchase forward-sale and option contracts from international bullion dealers. IFC also assisted the government in its divestiture of AGC, through a successful flotation in the international market.

While in volume terms IFC’s financing has been concentrated in the mining sector, it has diversified into a range of activities in steel manufacturing, aluminum, plastics products, tourism, packaging, soap, wood products, agribusiness, and the financial sector. IFC has also become actively involved in the development of the small business sector through its Africa Enterprise Fund (AEF), which provides loan and equity financing to small businesses. Ghana is by far the most active AEF country, with 17 approved projects totaling about $9.2 million. With the opening of its satellite office in Accra last year, IFC expects a continued increase in its involvement.

Several AEF projects have matured with assistance from the Africa Project Development Facility (APDF). Ghana is currently the most active APDF country. The Facility has processed 20 projects since its inception in 1986, for which it developed concepts, marketing strategies, and in many cases helped mobilize local funding. Twenty-two new projects are currently in the pipeline.

Allocation of staff resources

Table 3.5 describes trends in the Bank’s deployment of staff resources, as allocated among the main instruments. As may be seen, the trend in the total amounts of staff time allocated for Ghana was very much in line with the trends in lending volume described earlier—a rapid buildup in the mid-1980s but a leveling off (albeit still some increase) in the early 1990s.

<table>
<thead>
<tr>
<th>Table 3.5: Staffyears by main instrument (annual average)</th>
<th>1983-86</th>
<th>1987-90</th>
<th>1991-94</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending</td>
<td>8.8</td>
<td>13.8</td>
<td>12.3</td>
</tr>
<tr>
<td>Supervision</td>
<td>4.8</td>
<td>8.0</td>
<td>12.3</td>
</tr>
<tr>
<td>Economic and sector work</td>
<td>6.0</td>
<td>7.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Aid coordination</td>
<td>0.8</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>1.0</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>22.4</td>
<td>33.2</td>
<td>35.4</td>
</tr>
</tbody>
</table>

Source: World Bank data.
Economic and sector work

Some of the main conclusions on the Bank’s ESW on Ghana, 1983-93, are: (a) it had to “fill a vacuum” especially in the mid-1980s, and to some extent today as well; (b) it was of mixed although generally high quality; (c) it had a substantial impact on the formulation of the Bank’s country assistance strategy in general and on the lending program (and the quality thereof) in particular; and (d) it had a substantial impact on the government as an instrument of policy dialogue and on the donors as an instrument of aid coordination.

Some weaknesses were that: (a) it was slow to turn from short-term macroeconomic issues to matters of poverty, environment, the “nexus,” institutional development, economic governance, and other so-called long-term issues; (b) it was sometimes too “economistic,” or without sufficient regard for the political economy or cultural context; (c) it tended to be “inward looking” (for example, without much reference to other work on Ghana outside the Bank), and was disseminated to only a narrow audience; (d) it sometimes presented as prescriptions the Bank’s preferred options, rather than elucidating options for consideration by policymakers; (e) it was sometimes presented in less than the most user-friendly fashion; and (f) its availability led in some cases to neglect by the government to do its own economic analysis. The criticisms notwithstanding, and subject to the caveats below, the Bank’s ESW on Ghana was on the whole highly relevant, especially in the mid-1980s but also thereafter, efficacious to a satisfactory degree, and cost-effective.

The judgments above cannot be defended on the basis of a robust cost-benefit methodology. The costs (Table 3.5) were an average of six staffyears per year in the period 1983-86 and at 7.7 staffyears on average for the period 1987-94. But it is difficult to identify and measure quantitatively the benefits of activities such as ESW, and to gauge what impact or influence any particular study had, directly or indirectly, on any particular audience, or any particular decision.

The above assertions that the Bank’s ESW on Ghana had a “substantial impact” on the government, donors, and Bank managers are largely based on the answers of more than 150 respondents drawn from these audiences to interviews in which questions were posed regarding the perceived impact/influence and the strengths and shortcomings of the Bank’s ESW. The judgments rely not on the views of the authors as to the impact they thought (or hoped) they had, but rather of the audiences who might be expected to have some bias toward underreporting the actual impact. Given the close linkages between the Bank’s ESW on Ghana and its country assistance strategy, it is probably inevitable that the “relevance” of the ESW is found to parallel the relevance of the assistance strategy, as was assessed in some detail in Chapter 2.

In the early 1980s when lending was minimal, there was a hiatus in Bank economic work on Ghana. Consequently, it took some time to fill the vacuum of country knowledge, especially since there was a lack of flexibility in the Region in reassigning staff across divisional and departmental lines. As one Bank lead economist observed: “This shows how the Bank pays a heavy price for budgeting according to lending size, as it took us about three years to properly staff ourselves after the government of Ghana decided to launch the ERP.” As neither the government nor anyone else had been producing economic or sectoral studies for some years, only the Bank and Fund were able and willing to fill the void.
Fortunately, in spite of the lag by the Bank in filling the void, the quality of what limited economic studies the Bank was able to produce in the mid-1980s was very high, not only in terms of economics but also in strategic content. As early as October 1983, the Bank laid out a proposed phasing and sequencing of Ghana’s adjustment process that stands well the test of “best practice” more than a decade later. The same can be said of the 1985 country economic memorandum that provided a strong analytic basis for the well-constructed 1986 country program paper, as well as for that year’s Consultative Group meeting.

In succeeding years, the country economic memoranda had a more varied quality, and in some years they were largely descriptive and not so robust analytically. By and large, however, the Bank’s macroeconomic analysis (and in consequence its policy advice) was sound in advocating tighter budget policy to reduce inflation, a more flexible and realistic exchange rate policy to restore competitiveness, movement toward free foreign exchange markets and positive real interest rates, the removal of quotas and internal price controls, tariff leveling and reduction (though the speed of the last was probably excessive), institutional reforms in the Ministry of Finance and Economic Planning (MFEP) (which advice was not taken), and so forth. Chapter 2 has also provided examples of where, with the benefit of hindsight, it appears that certain advice given to the government or action taken by the Bank on the basis of ESW was somewhat faulty.

One hypothesis supported by the Ghana experience is that the quality of the Bank’s policy advice and in turn the likelihood that this policy advice will be heeded is a function of the quality of the underlying ESW. Thus, where high quality ESW was done—as for example in the case of cocoa pricing, tax reform, and some aspects of public expenditure analysis—the government did in fact pursue the recommended reforms. This was also the case with the first two structural adjustment credits that OED deemed to be outstanding projects, based on high-quality ESW.

In other cases where there was either a lack of Bank ESW (say, on institutional development and environmental economics), or when the ESW was judged (both by Bank and government staff) to have been of lesser quality and persuasiveness (privatization, public enterprise reform), there was less inclination on the part of the authorities to accept the proffered advice.\(^5\)

One apparent exception to the good analysis, good advice, good results links is in education where the government accepted Bank advice, deemed to have been based upon more or less “best practice” sectoral work, and where the sectoral work also underpinned the Bank’s two education sector SECALs. Given the poor outcomes in education testing to date, one may have to revisit a judgment of the quality of the underlying ESW, for reasons described in Chapter 4.

Similarly in agriculture, there are strongly variant views within the Bank as to the technical quality of the sectoral work underlying the medium-term agricultural strategy (MTADS), which provided a basis for numerous agricultural operations funded by the Bank and other donors. That the medium-term strategy, which was prepared jointly by the Bank and government, served to raise the government’s ownership of those projects is not questioned. The fact that post-MTADS agricultural projects appear to have better supervision ratings than pre-MTADS projects tends to validate the importance of ownership. But this report cannot shed any light on possible tradeoffs.
between technical quality and greater ownership, if in fact that happened.

As in other low-income countries, an important area in which Bank ESW of the 1980s "missed the boat" was in expecting that getting the balances and prices right would produce rapid supply responses through increased private savings and investment. In Chapter 5, other examples are provided of where the Bank's projections, based on its ESW, were reasonably accurate or otherwise (and for the right or wrong reasons). An annex to that chapter provides a set of charts comparing actual and projected values of selected macroeconomic variables.

The Bank's work on its public expenditure reviews (PERs) has in general been of good quality and helped to rationalize the programming and budgeting of public expenditure. But one problem that the PERs have not yet served to solve is that of poor expenditure (cash) management. This problem is adversely impacting the rate of project implementation across the board. A recent PER has focused on these problems and the government is reportedly preparing a strategy and action plan to address them. The Bank should give high priority to following up on this matter to ensure that necessary corrective actions are taken without delay.

One of the most notable, controversial, and expensive pieces of ESW on Ghana to be produced by the Bank (together with a team of Ghanaians) was the internal report entitled "Ghana—2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction." This study was launched following the Consultative Group meeting of 1991 in response to a perception of "adjustment fatigue" and a slowing of the reform momentum. Its objectives were to raise the sights of Ghanaians and donors alike as to the possibility of accelerating growth to well above the 5 percent annual growth rate achieved since 1983. A related aim was to lengthen horizons and to shift the focus of attentions from near-term to longer-term issues including human resource development and capacity building. The report also constituted a poverty assessment. Well over 300 staffyears of resources were devoted to this task alone, making it an extremely expensive piece of ESW by Bank standards.

The report got a wide readership, and prompted diverse reactions among donors, Bank staff, and Ghanaians inside and outside of the government. Some were of the view that it was a "marvelous, readable report, for all the criticisms about its being over-ambitious," and that it did indeed succeed in raising sights and understandings about Ghana's longer-term constraints and prospects.

Others took a more critical view, feeling that "it gave exactly the wrong message" and was not credible in targeting a dramatic acceleration in Ghana's growth rate when, at the very time of its release in draft (the latter part of 1992), the government's reform program had come off track. According to this more critical school, the report was akin to advocating a "great leap forward" just when the real issue was how to prevent backsliding and even sustain the 5 percent growth previously achieved. The diverging views cut across all audiences, including some Bank staff who felt that the Bank team took too academic an approach, and had too little experience of Ghanaian realities.

Both views are warranted. The main problem with the report was its timing. Its messages would have been far more appropriate and timely in the absence of the 1992 backsliding. The report can be criticized for its lack of a full poverty strategy and for the short shift it gives to issues such as environ-
mental degradation and land tenure. But this report seems likely to have, and to deserve, a substantial shelf life. It served a needed and useful function by raising sights, lengthening horizons, putting long-term issues on the table, and getting some Ghanaians to become more outward looking, including through taking heed of lessons of experience from Asia that could usefully be applied in Ghana.

One lesson of experience of “2000 and Beyond” is that such high profile, high-expense ESW undertakings are risky and likely to be controversial. But the risk of raising such controversies and debates, within and among the various audiences, may well be worth taking if they serve to shift attentions of policy and opinion-makers away from “merely urgent” and toward “truly important” issues. The report was surely warranted, and the Bank should not hesitate to raise its own sights and undertake such ambitious (albeit expensive) undertakings when circumstances again warrant.

Other issues concerning the management and processing of ESW include the felt but unmet need on the part of many Ghanaians, within as well as outside the government, to have access to more Bank documents such as “2000 and Beyond” and other Bank reports that provide otherwise unavailable information and analyses. This consideration, plus the fact that a democratized Ghana will call for an increasingly well-informed electorate if economic policy is to be enlightened, suggests that increased priority is warranted for the dissemination of Bank ESW documents.

Finally, in view of the need for economic policymakers in Ghana to give increasing attention to the “sustainability issues,” priority should be given to developing new analytic frameworks that integrate, for example, environmental and economic and institutional dimensions of development. Recent work by Ramon Lopez on modeling interrelationships in Ghana among agricultural production, environmental, and trade policy variables is just the kind of innovative ESW the Bank should be encouraging.

Aid mobilization and coordination

The Bank has played a leading and highly effective role in helping the government mobilize large amounts of external assistance since 1983. It has also played a leading role in fostering communication and coordination among donors, with some success. The evidence suggests that such aid mobilization/coordination efforts as have been undertaken by the Bank have been highly relevant, fairly efficacious (in terms of meeting the limited coordination objectives set), and on the whole cost-effective (even if the Bank’s management information system data indicating that less than one Bank staff year of resources per year has been devoted to aid coordination is a clear underestimation).

In no small part because of these efforts, aid coordination is deemed to have been more successful in Ghana than in most other developing countries, and is not now generally perceived to be a serious problem in Ghana.

This report, however, concludes that Ghana does have an aid coordination problem. This is not a problem of the Bank’s making, nor one for which it has the principal responsibility for solving. The basic problem is that high volumes of aid and large numbers of donors and donor-financed projects give rise to a need for many kinds of coordination. These range from getting consistency in basic national and sectoral objectives to getting donors to pursue their own comparative advantages (for example, in terms on
concentrating on types of projects they do best) to harmonizing disbursement procedures. Progress has been made on all these and other fronts, but not to the extent needed. A main source of the problem has been the limited role taken by the government in aid coordination.8

The overall role of aid mobilization and coordination in the Bank's country assistance strategy was discussed in Chapter 2. As was indicated, the Bank correctly recognized, beginning in 1983, that more resources would be required to support Ghana's reform program than the Bank and IMF could provide alone. But because most donors then had strained (if not broken) relations with Ghana, and were lacking in confidence that the initial reforms would be sustained, Bank staff engaged in an active program to persuade other donors to extend aid to Ghana, including through numerous visits to donor capitals.

As was indicated in Chapter 2, the Bank's aid mobilization objectives with regard to the composition as well as the level of aid sought from other donors were highly relevant, and there was a high degree of complementarity between the Bank's ESW and aid coordination instruments. The Bank and IMF studies underpinned the Bank's aid mobilization/coordination required, and gave credibility to the analysis of aid requirements.

The Consultative Group meetings, resumed in 1983 and chaired by the Bank, became the main formal instrument of aid mobilization, though not of coordination. In fact, however, the mobilization efforts took place in advance of the meetings, and the main focus of the meetings, at least until recently, was on communication (exchange of information and views) rather than on coordination (moving toward integrated/harmonizing donor actions or policies).

These meetings have served the main function of being forums that (a) served a catalytic function by accelerating some government policy actions (including preparation of budgets and annual public investment programs); (b) allowed the government to "make its case" regarding its aidworthiness and to answer questions about its policies and how it intended to deal with its main problems; (c) facilitated exchanges of information among donors about their ongoing and planned activities in Ghana; (e) provided an opportunity for stocktaking on both sides; and (f) strengthened the position of the reform elements in the government by demonstrating the international support for such reforms, and so probably had some role in helping to keep the reforms on track.

A few donor representatives expressed more critical views of the Consultative Group meetings as "set pieces with donors and government alike overstating and bragging about their accomplishments" and with so-called "pledges" (or indicative commitments) being "fudged if not farcical." But even these critics did not dispute that the above-mentioned benefits were to some extent realized and all seemed to agree that recent meetings are characterized less by such formal recitals of accomplishments and more by more constructive and substantive discussions of issues, generally at the macro level.

In addition to the Consultative Group's meetings, the Bank organized a social sector donors' meeting in Vienna in 1986 and a PAMSCAD (Program of Actions to Mitigate the Social Costs of Adjustment) donors' meeting in Geneva in 1988. The biannual SPA meetings that have taken place for the past several years have served mainly as instruments for aid mobilization for adjusting African countries, including Ghana, charac-
terized by heavy external indebtedness. In recent years, the SPA has become involved in coordinating activities including the design of a standard audit for the adjustment operations of all donors, harmonization of certain disbursement procedures, untying of some forms of aid, and so on. The SPA has also organized a number of working groups to address issues such as public expenditure reviews, poverty, civil service reform, and governance. While highly relevant, the benefits of such activities are hard to quantify, and the Bank does not have line-item budget or management information system entries for “SPA inputs” or “Global Coalition for Africa inputs” against which to measure the costs.

Whereas the annual formal Consultative Group meetings were important as catalysts for government actions and for the mobilization of aid, the true coordination of donor policies and programs has come about more through periodic (generally ad hoc) sectoral consultative groups (often following major Bank sector reports) and through local aid groups meeting in Accra. The extent and nature of the Bank’s participation in these activities seems to be a function not so much of Bank policy or country strategy as of the approach followed by individual task managers and Resident Mission staff. When staff are inclined to be proactive in aid coordination, then actions may be taken. But there is little compulsion, within the Bank or other donor agencies, to require certain types of coordination because the country assistance strategy requires it. At the macro level, the World Bank Resident Representative has hosted monthly meetings geared mainly to brief other donors on the status of the government’s macro policies and indicators. These meetings are however more geared to improving communications than coordination.

At the sectoral level, monthly health meetings among donors (begun in 1986) have been followed by monthly donor meetings on education since 1990. There is currently a monthly lunch of donors involved in the health sector and other local donor groups for primary and tertiary education, water supply, and other forms of infrastructure. Lead agencies of such groups tend to extol their benefits, but other donors are more skeptical. And owing to their ad hoc nature, their sustainability is questionable. Most donors appear to want to make these sectoral groups more effective, but specific proposals for how to do so seem to be lacking.

The two main constraints to more effective coordination at the sectoral level appear to be (a) the failure of the government to take the lead in aid coordination; and (b) the lack of clearly defined sectoral strategies and project priorities consistent with medium-term macro and expenditure frameworks. A major exception was the medium-term agricultural strategy, seen by some donors as a prototype warranting emulation in other sectors. The essence of the problem is best characterized by a senior official who observed that: “We have many needs, and if a donor comes to help meet these needs, we take what the donor offers. Whether this adds up to a cohesive program or not is another matter.”

A major, strategic issue, which is also a matter of aid coordination, is the determination of the appropriate balances among quick-disbursing aid, project assistance, and various types of sectoral aid, for example, time slices of sectoral expenditure programs. Neither the Bank’s own strategy documents (CSPs, CASs) nor its documents prepared for aid coordination meetings (SPA, Consultative Group) have been as explicit or as transparent as would be desirable in setting forth the assumptions and criteria underlying pro-
jections of needs for quick-disbursing vis-à-vis other forms of aid over the coming years.

In many countries experiencing overstretched absorptive capacities such as Ghana's, it has proven cost-effective to undertake major project pruning exercises. Such exercises can serve to reduce the number of projects under implementation (pending an improvement in absorptive capacity) in order to ensure that implementation of the higher priority projects is not impeded by too much robbing of Peter to pay Paul, or by too few "critical masses" of implementation capacity. Given the consensus about how overstretched is Ghana's absorptive capacity, it seems surprising that such an exercise has not been mounted.

That it has not implies that the Bank is satisfied that public expenditure reviews—which may now be considered the most important instrument of aid coordination—are fulfilling their function of striking the right balance between resource availabilities and resource utilizations.1 It is entirely appropriate that PERs be such instruments, as they serve to focus the attention of the government and donors alike on the overarching issue— which is not just to maximize the return on IDA resources but to make the totality of resources, Ghanaian and aid financed, as productive as possible. And while other donors note that there have been improvements in the quality and transparency of the PER, and more donor participation/consultation in the PER process, they clearly look for further movements in these directions.

In conclusion, it would seem that Ghana's aid coordination problems should be addressed mainly by government actions to clarify its national and sectoral strategies, to prioritize its projects and programs accordingly, and to take the lead in managing aid and directing donors to their areas of comparative advantage.

On the Bank's part, however, there is scope for the country assistance strategy to define more clearly how the Bank sees its own comparative advantages evolving vis-à-vis other major donors over time, and what possibilities it sees to minimize donor competition and to improve cooperation in cost-effective ways. A corollary would be to identify possible roles the Bank might play to assist such partners as the African Development Bank and major NGOs to deliver their assistance to Ghana more effectively, whether alone or in partnership (cofinancing, costudying, coevaluating, and so on) with the Bank.

Notes

1. Sometimes "policy dialogue" and "portfolio management" are treated as separate instruments. But since policy dialogue is so much intertwined with ESW discussions and adjustment operation preparation and negotiation, and portfolio management is so intertwined with project supervision, these will be treated in this chapter as subsumed in ESW and lending respectively. There are of course particular portfolio management instruments such as the country strategy and implementation reviews (CSIRs) and country implementation reviews (CIRs) at which Bank staff and managers meet periodically with senior government officials to take stock of project implementation and sometimes other issues. Documents relating to such reviews (especially the CSIRs of 1989, 1991, and 1993), known as the "Akuse Reviews," were of course reviewed by the mission and proved especially valuable in identifying systemic problems in project implementation. Such problems are identified and discussed in this chapter. But it was not possible to undertake, on the basis of the mainly hearsay and anecdotal information collected, a process evaluation of portfolio management in Ghana, for example, an evaluation of the efficacy and cost-effectiveness of the "Akuse process" per se.

2. At the June 1993 Consultative Group meeting, donors were reported to have "pledged" more than $2 billion in assistance. Such Consultative Group pledges, however, frequently involve some double-counting and do not provide a good basis on which to predict disbursements.

3. Since the official development assistance flows include highly concessional aid flows only, the above figures do not in-
clude, for example, some of the IMF arrangements and other official flows that were on harder-than-ODA terms.

4. These may be converted to current dollar prices. As with other Bank management information system data, in the case of the considerable adjustment lending that took place in Ghana, the convention adopted was to count as ESW any preparatory work up to the issues paper stage and as lending the appraisal and subsequent stages of the lending cycle. In practice, especially in the late 1980s when ESW came under some attacks as being of questionable efficacy, there became a tendency to record as lending some preparatory activities previously recorded as ESW.

5. This presentation has not discussed what criteria are appropriate to measure the quality and efficacy of ESW. One current view in the Bank is that the Bank’s expenditure on ESW is an investment in knowledge and understandings (intellectual capital) rather than an operating cost of turning out products called ESW reports. The “real” products are seen to be the improved internalized knowledge of the staff involved and the associated institutional memory. Some benefits accrued to staff, government officials, and Board members who read the reports, but these benefits are seen as basically externalities. It is the improved competence and knowledge of staff that are the key payoff to the ESW studies. Another view defines the quality of ESW as virtually identical to its impact.

6. Considering the time spent by Headquarters staff on consultations with the IMF on preparing semiannual Special Program of Assistance for Africa meetings and annual Consultative Group meetings, visiting donor capitals to discuss sectoral and project issues, and the frequent interaction of Resident Mission staff with their counterparts in other donor agencies, it appears that aid coordination has utilized considerably more than the very modest amounts shown in Table 3.5. The judgment that the Bank’s aid mobilization/coordination efforts were probably cost-effective is based on a counterfactual scenario in which the Bank did not undertake those aid mobilization/coordination efforts. In this framework, even a small acceleration of government policy actions and donor commitments that might be attributable to the Bank’s aid mobilization/coordination activities could justify the marginal expenditure of even several man-years of staff time.

7. This finding is based upon extensive structured interviews with donor representatives (mainly in Accra and in a few donor capitals). To one of the least structured opening questions (“Is there an aid coordination problem in Ghana, and if so what is its nature and how serious is it?”), most respondents answered no, even when they believed that excessive aid and excessive numbers of projects (in relation to the country’s limited absorptive capacity) were indeed fairly serious problems.

8. The principle that the main responsibility for aid coordination must lie with the recipient government has been an agreed Development Assistance Committee (DAC) principle for nearly a decade. See Development Assistance Committee (1986).

9. The Global Coalition for Africa (GCA) is a political-level forum for bringing together top-level representatives of African governments, donors, and other leaders to focus attention upon and mobilize support for actions to address some of Africa’s major problems, for example, the “nexus,” low savings, and the defense burden. There are surely some benefits to Ghana from the GCA activities, but it is not possible to quantify the costs, much less the benefits, attributable to Ghana per se.

10. The IMF, in contrast, considers that it is for the government to decide how much it wishes to communicate to donors about the macro situation. The Bank tries to steer the fine line between being helpful and communicative to other donors without communicating more than the government may wish to communicate.

11. This skepticism seems to be particularly pronounced in the case of NATCAP, the program supported by the United Nations Development Programme for reviewing, prioritizing, and programming technical cooperation from all donors. This seems to be a case in which an effort at donor coordination may be counterproductive, since several important donors seem not to take seriously either its inputs (requests for data, answers to questionnaires) or outputs (data, reports). This illustrates that more aid coordination is by no means always a good thing.

12. It is an arbitrary matter of classification that the public expenditure review (PER) is defined as an instrument of ESW rather than of aid coordination, or lending, or policy dialogue. But given how important the PER is (or should be, even if it is not) to other donors as an instrument for both aid mobilization and coordination, and at both the macro and sectoral levels, it might well be classified as an aid coordination instrument to emphasize this linkage.
4. Agriculture and education: objectives and performance

We considered agriculture as cocoa for too long; this was a blind spot . . . . The nexus issues are now critical.

—Bank Division Chief

The educational testing results are again dreadful, although there may be a mismatch between what is being tested and what is being learned. In any event, the test results are provoking a lot of soul searching about what is to be done [about improving educational performance].

—Bilateral Donor Official

This chapter reviews briefly the objectives of the Bank’s country assistance strategy in agriculture and education, and performance against those objectives. Agriculture was selected because of its large and critical role in the economy. The sustainability of Ghana’s development will depend heavily on the extent to which agricultural productivity can be improved. And because most of the poor in Ghana are rural people who remain dependent upon agriculture for their livelihood, Ghana’s progress in poverty alleviation is closely linked to progress in agriculture.

A key conclusion of this report is that the “nexus” issues (that is, the interrelated issues of declining agricultural productivity, high fertility and population growth rates, and environmental deterioration) are critical. And whether the nexus issues are adequately dealt with or not will have a large bearing on whether Ghana’s growth can be sustained.

Education was selected because of the importance of human resource development to Ghana’s longer-term prospects, and also because the Bank has played a substantial role in supporting comprehensive education reform, launched in 1986, through two education sector adjustment credits and five investment credits.

In both sectors important progress has been made, yet the outcomes, as measured by trends in output and productivity in agriculture and by test scores in the case of education, have been unsatisfactory to date.

Agricultural objectives and performance

The Bank’s strategy in the 1980s gave high priority to agriculture in principle, but the Bank was slow in practice to build up its pipeline of sectoral studies and lending operations. The Bank did play a useful role (through policy dialogue and project conditionalities) in pushing for pricing reforms,
but the pace of reform in reducing the role of inefficient agricultural parastatals continues to be slow, and the rate of growth of agriculture is unsatisfactory. A potential crisis looms unless the “nexus issues” are addressed more vigorously by both the government and the Bank.

Before 1983, Ghana’s approach to development was reflected in the agricultural sector by input subsidies, heavy output taxes, administered prices, marketing by public monopolies, and processing by public enterprises for rubber, palm oil, rice, and other crops. In general, farm prices were too low and processing too costly. Macroeconomic policies were also anti-agriculture insofar as the currency was overvalued and industrial protection excessive. In the several years prior to 1983, cocoa growers received less than a fifth of the value of their output (at a realistic exchange rate).

The results included a catastrophic deterioration of infrastructure and institutions, the gradual replacement of official commerce by parallel marketing, and a retreat by farmers into subsistence production. Official cocoa exports fell by more than half, while other official agricultural exports nearly disappeared. During the 1970s agricultural production grew less rapidly than population. The only exception was rice, which became a flourishing minor crop that enjoyed good prices and privileged access to highly subsidized inputs, including fertilizer and tractor services.

At the onset of the reforms, Ghana’s agriculture, including forestry, accounted for about half of GDP, 60 percent of employment, and nearly 80 percent of total merchandise exports (cocoa, 73 percent, forestry products, 4 percent). Cocoa covered half the total cultivated area, with the main cereal, maize, being grown in all regions. Most production was (and is) by small holders using traditional techniques (slash and burn); mechanization and irrigation are still unimportant.

The decline in Ghana’s cocoa production from 400,000 tons per year (tpa) in the early 1970s to only 158,000 tpa by 1983/84 was largely due to the decline in real producer prices; other factors included swollen shoot virus disease, drought, bush fires, aging of trees, ineffective extension services, irregular input supply, and costly marketing services. Industrial crops were also held back by low producer prices and inefficient parastatals. Public expenditure in agriculture was relatively low and concentrated on provision of fertilizers and on high-cost irrigation investments. Technological packages were available for several important crops but extension services were weak and ineffective.

Between 1969 and 1980 the Bank approved eight agricultural sector projects geared to helping Ghana to achieve greater self-sufficiency in food and raw materials for agroindustry, and to rehabilitate cocoa. The projects (for cocoa, integrated rural development, oil palm, sugar, livestock, and fisheries) were relatively unsuccessful except for oil palm, mainly because of the overall country economic difficulties. Bank staff involvement in these projects served to maintain some stock of sectoral knowledge in the Bank. But owing to the hiatus in sectoral work, the Bank’s sectoral strategy formulation and project development work was handicapped pending completion of an agricultural sector review in 1985.

**Bank strategy for agriculture in the 1980s**

The Bank’s strategy in the early 1980s recognized that agriculture was the key sector for short-term recovery and medium- to long-term sustained growth. Without growth in agriculture, foreign exchange shortages
would persist, periodic food shortages would reappear, the unemployment problem could become unmanageable, and industrial rehabilitation would be hampered. The broad objectives of the strategy were to assist the government's efforts to:

- Provide adequate incentives through appropriate price and trade policies, with prices for a number of important crops needing to be increased in real terms.

- Provide inputs, tools and spare parts, and essential rehabilitation of machinery and equipment.

- Undertake investment and/or institutional restructuring for export/import substitution crops—particularly cotton, tobacco, and groundnuts.

- Shift crop production to the private sector; to implement a food security system for maize.

- Reduce the number of agriculture-related public corporations and eliminate subsidies to these entities.

This required promotion of private sector involvement, reduction in direct government intervention (including fertilizer distribution), improved cost recovery on irrigation schemes, streamlining of extension, and a coherent research policy. In retrospect, these appear to have been appropriate objectives and priorities.

It took some time, however, for the Bank to develop the necessary ESW and lending instruments. Some agricultural conditionalities were attached to the initial reconstruction credits, for example, increased producer prices for cocoa, cotton, and tobacco in 1984-85. But between 1980 and mid-1987 only one Bank project (Oil Palm II) was approved.

This was a period of "catching up" in sectoral work, and during this period the Bank carried out a number of studies on cocoa, irrigation, forestry, and selected crops. In retrospect, the Bank seems to have given to agriculture in practice less priority than given to it in the strategy statements of the 1980s.

On the lending side, the SAC I (1987) contained important conditionalities on cocoa pricing while the Agricultural Services Rehabilitation Project (also 1987) tackled the reorganization and strengthening of the Ministry of Agriculture (especially its policy and planning functions), pricing and trade policy, the detailed investment program, rationalization of production parastatals, privatization of input supply (initiated under RIC I), and rehabilitation of cotton. Cocoa subsector problems were addressed to some extent in a FY88 Cocoa Rehabilitation Project, but it was not until the 1992 Agricultural Sector Adjustment Credit that the domestic purchasing monopoly of the Cocoa Market Board (COCOBOD) was finally broken. Through the 1980s the focus was instead on trying to improve COCOBOD's efficiency through downsizing and restructuring.

Policy and output

Agricultural GDP estimates (by the Bank) suggest growth of less than 2 percent per year since 1984, far below the rate of growth of population, and well below the rates targeted in the Bank strategy papers. If agricultural growth has indeed been this poor, then a key component of the strategy has had a highly unsatisfactory outcome. The data on agricultural growth are however contradictory, with the Food and Agricultural Organization of the United Nations (FAO) estimating that agriculture production (as distinguished from agricultural value
added) grew nearly twice as fast. It seems hard to reconcile these data.

Food prices would be expected to increase under a scenario of low supply growth (2 percent) when gross national disposable income was rising by more than 5 percent annually and when there is a very high income elasticity of demand for food staples (close to unity). But real food prices in fact declined since 1984 (see Table 4.1), an outcome that supports the conclusion that agricultural growth was more than 2 percent annually. Moreover, the divergence could be due to some combination of three factors: greatly reduced costs in the marketing chain from producer to consumer, increased imports, or underestimated production. Since there were only minor changes in marketing organizations and instruments over the period, reduced marketing costs are not the explanation. Nor do increased imports appear to have been an important factor. The last factor, underestimated output, would be consistent with FAO production series based on official government data. Since agricultural GDP and production were highly correlated over the periods in question, it is possible that the Bank has underestimated the growth of agricultural GDP. Some Bank staff privately estimate the growth rate to be about 5 percent annually—that is, near to the population growth rate. But that growth rate must also be regarded as unsatisfactory. In any event, given the apparent data discrepancy, the importance of agricultural production in the Ghanaian economy—about half of GDP—and the influence of perceptions about agricultural growth on strategy and programming, an effort at reconciliation is needed. Table 4.1 shows some key indicators of agricultural outcomes over the decade.

Since 1983, much of agriculture has been liberalized, but by no means all. Food crops and inputs, now largely untaxed and unsubsidized, are traded on open markets. Many of the marketing and production parastatals have disappeared or been made private. Yet at end-1993, parastatals still played a dominant role in tree-crop marketing and processing (rubber, cotton, palm-oil) and the Ghana Cocoa Board still monopolized export marketing. It still remained responsible for cocoa research, extension, seed-produc-

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**Table 4.1: Selected Agricultural Indicators**

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<tr>
<td>Cocoa data</td>
<td></td>
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<tr>
<td>Production ('000 tons)</td>
<td>177</td>
<td>218</td>
<td>261</td>
<td>262</td>
</tr>
<tr>
<td>Producer price ('000 cedis per million tons)</td>
<td>12</td>
<td>86</td>
<td>224</td>
<td>258</td>
</tr>
<tr>
<td>Receipts to farmer (%)</td>
<td>45</td>
<td>41</td>
<td>56</td>
<td>43</td>
</tr>
<tr>
<td>Duties paid (%)</td>
<td>na</td>
<td>58</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>Value of nontraditional agricultural exports ($ million)</td>
<td>6</td>
<td>17</td>
<td>29</td>
<td>22</td>
</tr>
<tr>
<td>Annual growth rates (%)</td>
<td></td>
<td>1983-91</td>
<td>1984-92</td>
<td></td>
</tr>
<tr>
<td>Agricultural GDP (World Bank)</td>
<td>2.9</td>
<td>1.7</td>
<td></td>
<td></td>
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<tr>
<td>Agricultural production (FAO)</td>
<td>7.6</td>
<td>3.1</td>
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*Note: na means not available.*

*Sources: FAO Statistical Yearbooks, World Bank Macroeconomic Model, COCOBOD, Ghana Export Promotion Board.*
tion, and quality control, and the producer price of cocoa was still set by government.

**Bank performance and recommendations**

Several IDA investment projects in agriculture approved in the late 1980s became problem projects, mainly owing to weak government ownership, excessive Bank zeal in their promotion, a failure to work with beneficiaries during project preparation, and weak commitment to achieving project objectives by those charged with their implementation. With the important exceptions noted below, during the decade 1983-93 the Bank correctly emphasized the most pressing issues in agriculture—those involving basic structural reform of prices, marketing, and enterprise ownership.

Agriculture received insufficient attention in the evolving Bank strategy for Ghana for several reasons. One was the difficulty the country operations and agricultural divisions had in working together, with country operations having lead responsibility for cocoa sector issues. Another reason was that when Nigeria launched its own adjustment program in 1986, this created a large demand for staff in the agricultural division of the Bank's West Africa Department to work on Nigeria, resulting in a "crowding out" of sectoral work on Ghana for some years.

The slow pace in eliminating the parastatal monopoly in cocoa marketing and developing a more efficient, competitive domestic and export market was a major shortcoming. In 1994, 11 years after the initiation of structural adjustment, Ghana was beginning to open local cocoa marketing to private operators and cocoa producers were still getting less than half the value of their production.  

In 1991, a medium-term agricultural development strategy was prepared with unusually intense collaboration between bank and government officials in carrying out upstream analytical work. On the whole, the MTADS paid big dividends in subsequent government ownership, in improved project design, and in improved implementation of Bank-financed and other projects, even though it has weaknesses, notably the lack of integration of cocoa sector issues into the analysis. But after substantial analytical work had been carried out, the Bank seemed to lose interest in food-security issues, notwithstanding that poverty is mainly a rural problem and a sizeable proportion of the population is seriously malnourished. The MTADS work could still be used to help develop interventions to enhance food security and thereby help to alleviate poverty. More attention is warranted in particular for roots and tubers vis-à-vis rice, on which large sums have been expended for low-return irrigation.

In recent years the Bank has taken useful initiatives to deal directly with private sector agents, as in the 1993 Agricultural Sector Investment Project and in the areas of agricultural exports and rural credit. But there remains a need for more in-depth analytical work to identify specific constraints to increase private investment in agriculture and to propose specific remedies. Particular emphasis needs to be given in this work to fostering investment in nontraditional agricultural exports.

Following the Bank's suggestion, Ghana created an interministerial Agricultural Policy Coordinating Committee (APCC). Chaired by the deputy minister of finance, it has dealt adequately with difficult policy and programming issues that cut across ministries, including design and implementation of the Agricultural Sector Adjustment Credit. Competent authority to deal with agricultural
policy issues has been a problem in some countries. The APCC approach may be worth considering elsewhere.

In recent years, the Bank has not worked much with most other donors in agriculture, notwithstanding the important contribution of other donors to Ghana’s development. Presumably the payoff from closer interaction could be considerable. One promising area: increased harmonization of donor/government practices with respect to the pricing and distribution of commodity assistance, for example, of food and agricultural chemicals.

Natural resource conservation: an impending crisis?

Ghana’s land frontier has been receding rapidly in the last three decades, and rising population density has led to a shortening of the fallow period and a reduction in soil fertility. Increasingly, agricultural production is obtained at the expense of the soil, the forests, and the wetlands. The long-term sustainability of farming is, therefore, becoming an important issue for policymakers, and it will become more so if there is a significant increase in the agricultural growth rate. Soil fertility loss, soil erosion, and deforestation have been estimated to cost as much as 4 percent of GDP per year. The report “2000 and Beyond” (pp. 31-32) notes that “though land does not appear to be a critical constraint in the immediate future, there is still cause for concern.” This concern would seem to warrant much higher priority than it has so far received in both the government’s and Bank’s strategies.

Educational objectives and performance

Ghana once had one of the most developed educational sectors in Africa and a large stock of well-qualified manpower. But in 1983, it faced a crisis of educational decline in quantity, quality, and infrastructure. Primary enrollment and adult literacy had fallen back to the average for low-income Africa, while the proportion of government expenditures going for education declined to only 1 percent in 1983 and 1984. A mass exodus of trained teachers resulted in their replacement by unqualified teachers (44 percent of primary and 33 percent of secondary teachers were still untrained in 1985), instructional materials and supplies were severely lacking; and the planning and management of education was weakened by emigration of specialists and lack of transport to collect statistics, inspect schools, and so on. Up until 1986, the Bank had never financed education in Ghana—a rare exception in Africa—and its knowledge of the sector was limited.

Against this background of deterioration, Ghana launched a comprehensive education reform program in 1986. Its goals were to replace the previous English-style academic education with a more vocationally and practically oriented curriculum, reduce the number of years required to complete the primary and secondary cycles, increase access to basic education for the rural masses, improve quality, and accomplish all this in a financially sustainable manner. This was indeed an important way in which Ghana sought to achieve “adjustment with a human face.” The program has been heavily supported by the World Bank and other donors.

The objectives and the design of this program were exemplary, and the reforms have been advanced as a model for other developing countries. Progress in implementing the program has been substantial on the input side. But there are major shortcomings in terms of outputs and outcomes. By far the most worrisome of the problems is the fail-
ure to achieve better learning outcomes. Recent test results suggest that minimal learning is happening in the classrooms.

**Bank support to the sector**

The first Bank-supported project in this sector, the Health and Education Rehabilitation Project (HERP, approved in January 1986), provided inputs (textbooks and supplies) on an emergency basis to stop the deterioration until a more comprehensive program could be worked out. The next two projects, the First and Second Education Sector Adjustment Credits (EdSACs 1 and 2, approved in December 1986 and May 1990, respectively) provided support for the reform and introduced cost-sharing and efficiency measures to allow more resources to be devoted to quality improvements and basic education. The four subsequent projects provided support for specific sectors: expansion of the new Senior Secondary Schools (SSS) into underserved areas; nonformal education; tertiary education; and primary education. Altogether, these seven projects have committed $232 million to assist Ghana's education sector. The first two projects have been satisfactorily completed; the others are being implemented without major problems. Learning outcomes, however, are difficult to predict.

Other donors have made significant contributions to the program. The United States Agency for International Development (USAID) has provided a $35 million grant for a Primary Education Program (PREP) while the United Nations Development Programme (along with the Bank) provided funds for a technical assistance project to help establish a central Planning, Budgeting, Monitoring, and Evaluation (PBM&E) Division in the Ministry of Education (MOE).

The size of this Bank portfolio and the generally satisfactory project implementation to date are the result, among other things, of the government's ownership and commitment to the reform program. Another contributing factor was a capable task manager located in the field since its inception. This has enhanced the dialogue, made it possible to address problems and potential misunderstandings quickly, and made it easier for the borrower to understand and comply with Bank requirements for procurement, disbursement, and audit.

**Outcomes**

Although the reform program is still being implemented, it is possible to assess progress so far. In terms of inputs, progress is substantial. Textbooks and teachers' manuals incorporating the new curriculum have been produced and distributed, all teachers have been provided with at least some in-service training for the new curriculum, the structural changes have been fully implemented, and cost-saving and cost-sharing measures have been put in place at all but the tertiary level—an important qualification. The gross primary enrollment ratio has increased, and although the enrollment ratio for girls remains somewhat lower than for boys, the growth rate of girls' enrollment has slightly exceeded that for boys, as may be seen from Table 4.2.

In terms of outputs and outcomes, however, there is cause for concern for several reasons:

*Enrollments.* While enrollment at the secondary level has increased satisfactorily, primary enrollment is expanding less rapidly than population. One reason is the increased fees imposed by districts or local communities after the government decentralization program initiated in 1988.

*Equity of access.* Equity of access has been improved by locating new schools in previ-
TABLE 4.2: EDUCATION SECTOR INDICATORS

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<tr>
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<tr>
<td><strong>Gross enrollment ratio (%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary, total</td>
<td>80</td>
<td>(1980)</td>
<td>11</td>
</tr>
<tr>
<td>Pupil-teacher ratio (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>30</td>
<td>23</td>
<td>28</td>
</tr>
<tr>
<td>Middle/junior secondary school</td>
<td>23</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>Trained teachers (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>na</td>
<td>56</td>
<td>72</td>
</tr>
<tr>
<td>Secondary</td>
<td>na</td>
<td>65</td>
<td>72</td>
</tr>
</tbody>
</table>

| Average annual growth (%)        |         |         |         |
| Grade/enrollments                | 2.3     | 2.1     |         |
| Primary enrollments              | 2.6     | 2.5     |         |
| Girls enrolled in primary school | 2.7     | 3.0     |         |
| Middle/junior secondary school (JSS) enrollments | 2.2 | -0.8 |         |
| Girls enrolled in middle/JSS     | 2.6     | -0.9    |         |

Note: na means not available.
Source: For secondary enrollments in all years and for all 1970-75 indicators and Sub-Saharan Africa comparisons, World Bank (1994c). All other information from a 1994 internal background paper.

Rously underserved areas and by eliminating the examination that previously took place at the end of the primary cycle. This allows students to continue into junior secondary before facing a major screening test. There are, however, two countervailing trends. First, there has been rapid growth in enrollments in private primary schools in the two major cities. For those who can afford the fees, these schools substantially increase the probability of their children getting into good senior secondary and tertiary schools, thereby strengthening the high correlation between educational attainment and income. Second, the decentralization of school management and the cost-sharing measures are resulting in increased fees, both at primary and secondary levels, that hurt the poor more than the rich. No integrated study has been undertaken to determine the net effect of these various trends. There have been studies on why parents do not send their children to school, on schooling expenditures (under the Ghana Living Standards Survey), and in connection with the participatory poverty work.

Learning outcomes. Most disappointing and worrisome is that learning outcomes appear to be quite poor. The strongest evidence for this comes from two rounds of criterion reference tests given to sixth grade primary (P-6) students in conjunction with USAID's PREP project, which indicated in two successive years of tests that only some 2 percent of students were able to answer more than 60 percent of relatively simple mathematics and English questions correctly.

This outcome is consistent with other surveys and with anecdotal information from primary and secondary schools. It is also consistent with information (including circuit monitoring reports) on within-school activities indicating that learning materials, even when available, are often not used,
that actual student-teacher contact hours are very low (because of absence of teachers and/or students from class), that in-service teacher training (to orient teachers to the new curriculum) was inadequate, that parts of the new curriculum are overly ambitious (for example, classes getting through less than half of the syllabus by the end of the allotted time), and that within-school supervision and discipline of teachers is weak. There is also a problem of poor linkage between the junior and senior secondary schools. One factor that may have affected the early scores was a reported "flight to quality," as the educated and higher-income classes rushed their children through the old system; consequently, some of the better students missed the first years of the new system.

These poor test outcomes have provoked a new stocktaking by the government and donors. Efforts are underway, in the context of a Committee for the Review of the Educational Reforms (established in 1994) and the donors’ roundtable, to formulate a new vision and action plan geared to getting more satisfactory results in future.

Nonformal education. The nonformal program has not enrolled as many students as targeted, although a larger number than expected have come from poorer, rural areas. More serious, there seems to be a lack of discipline in the program's operations and management, as training materials are not available on time, new classes are not opening on schedule, meetings take place less than the prescribed four times per week, financial records are in disarray, and there are delays in the production of reading materials in local languages and lags in research and evaluation activities. In spite of these difficulties, however, an impact assessment of the program does report some encouraging results in terms of learning achievement.

One reason may be that adults are taught in their own languages.

Monitoring and evaluation. While some capacity-building activities have borne fruit, an important one reviewed in this report—efforts to establish a viable PBM&E Division—has had an unfortunate history. A high level of useful output was produced during project implementation, but most of this capacity has proved to be unsustainable.

Financial sustainability. Given projected enrollment figures, it will be difficult to sustain required recurrent expenditures even if per student costs (corrected for inflation) remain constant. But if quality is to be increased, there will be upward pressures on costs related to vocationalization, the replacement of untrained with trained teachers, and upgrading materials and supplies. This puts a heavy burden on measures to improve efficiency and cost-sharing. Thus, the structural change is resulting in less savings than originally anticipated; revolving funds for replacing donor-provided textbooks are in place but not keeping up with financial requirements; room and board subsidies have been eliminated at secondary level but not at tertiary level if the subsidy element in loans is taken into account; and pressures to increase staff, while so far resisted, are likely to increase over time. The financial sustainability outlook needs to be regularly monitored in a modeling framework that incorporates research findings on all important pressures on costs, including the willingness of parents to pay. Contingency plans also need to be developed. These are jobs for the PBM&E Division, but that division does not yet have the capacity to undertake them.

Conclusions

The most serious of these problems is the failure to achieve better learning outcomes.
It is difficult to discern the root cause of the problem and suggest what should be done about it. Projects supporting the reform program provided all the inputs thought to be necessary for the proper operation of a school system. That they proved inadequate may mean that the Bank does not know enough about how to reform an education system, such as Ghana's, which was so close to being moribund. A lesson is that, as other countries and cities (including in the developed world) have found, educational reform is more complex and difficult than is often thought at the onset of a reform program. There seems now to be a consensus that the Ghanaian reforms were too rushed, without adequate time being allowed for debate, training of teachers, development of curricula, and so on, to phase in the reforms.

Two conclusions can be suggested in the form of hypotheses that need further testing. The first is that the curriculum reforms, imposed on the school system from above, were based upon an inadequate knowledge of the capacity of the average school to absorb and implement the changes. To the extent that was the case, the reforms should not have been implemented so rapidly: more time should have been taken to learn about the capacity of the school system, to involve teachers in average schools in the process of developing the new curriculum, to test the new curriculum and textbooks before applying them wholesale, and to more properly train teachers in their use.

The second conclusion/hypothesis is that the system of rewards and punishments for performance within which teachers operate is very weak, and has almost nothing to do with learning outcomes. In Ghana today it is still difficult to fire a teacher for absence or drunkenness, let alone for being a poor teacher. Until this changes—until there is more discipline and accountability in the system—learning outcomes will continue to be poor if this hypothesis is correct. This is the premise behind the Bank-funded Primary School Development Project, which attempts to use community pressure and improvements in the calibre and motivation of headteachers to obtain better performance. The measures employed in that project, however, may be less powerful than required, given the severity of the problem.

At least two things are needed for parents and community leaders to exert effective pressure on teachers to perform: an objective way to judge performance, and budgetary or other mechanisms to affect the situation. The first requires examination scores for individual classes or schools that can be compared over time and across schools. The second requires that the government delegate budgetary or employment authority to local communities and, to reduce inequalities in the capacity to pay, provide funds to poorer communities (or parents) for use by their schools. Neither of these conditions is present in most of Ghana's rural communities. Community involvement is however an important objective of the Primary School Development Project in which 1,500 communities have so far participated in selection of their headmaster.

Notes

1. This chapter is based in large part upon two internal background papers written by Jake Meerman and Ronald Ridker in the Bank’s Operations Evaluation Department. With regard to the “nexus issue” in Africa in general, see Cleaver and Schreiber (1994).

2. This price decline is consistent with the increase over time in the average purchasing power of the minimum daily wage in kilograms of maize: from 1.02 kilos on average for the three Junes of 1980-82 to 1.86 kilos for the Junes of 1985-90. See Alderman (1992), Table 1, page 5. The cross-elasticity of demand of maize with other staple foods is high.

3. For example, grain imports in 1991 at 340 thousand tons (compared to 250 thousand tons in 1980) had a value equivalent
to less than 3 percent of aggregate value added in agriculture (World Bank 1992b, Table 4).

4. The Food and Agriculture Organization’s production indices are price-weighted and all intermediate inputs of agricultural origin are deducted. Use of inputs (chemicals, fuel, tools, and so on) is low in Ghana so that production may be very close to value added in agriculture. Pertinent here is the lack of any great increase in input use since 1983.

5. This is considerably below what is received by producers in Côte d’Ivoire and other competitor countries in the world cocoa market.

6. The problem should not seem to be much less serious if it turns out that agricultural growth is closer to the population growth rate than Bank data indicate. As was seen above, the Bank seriously overestimated the agricultural growth rate in its earlier projections, and in the face of declining productivity owing to environmental deterioration, the nexus problem may get worse whether sectoral growth is now 2 percent or 3 percent.

7. This has not yet happened at the tertiary level because only feeding subsidies have so far been eliminated and a heavily subsidized loan scheme has been introduced simultaneously.
5. Progress toward the strategic objectives

As a sign of how times have changed, just think of terms and words like queuing, essential commodities, hoarding, middlemen, black marketer, economic saboteur! Our children today don't even know what these mean.

—Ghanaian businessman

We didn't have a clear vision after SAC I of what to do in institutional development, private sector development, public sector management, or state enterprise reform.

—Senior Bank staff member

This chapter evaluates the extent to which the stated objectives of the Bank's country assistance strategy were achieved. One benchmark for the evaluation is the set of targets identified in the country program and strategy papers. The impact of the external environment is also considered. A principal question addressed is whether the outcomes seem likely to be sustainable. The evaluation is made largely through assessing the performance of a number of economic, financial, and social indicators. There is already a substantial literature on Ghana's adjustment record (see Bibliography); this chapter will therefore give more attention to some selected issues less well covered in the literature, for example, institutional development and sustainability.

A substantial part of the "evidence" underlying many judgments arrived at in this chapter lies in the performance of a variety of economic indicators shown in several tables in the following pages. In brief, the "story" told by the "incentive indicators" (Table 5.2) is that great progress was made in "getting the prices and incentives right." The story told by the fiscal and monetary performance indicators (Table 5.3) is of more mixed success, such as with good desirable trends, for example, in tax revenues and public investment expenditures but with inflation and real interest rates at undesirably high levels and government savings and the M2/GDP rations being desirably low. (M2 is defined as the sum of money and quasi-money.) The story told by the indicators on public sector reform (Table 5.4) is one of very slow progress in that area. Tables 5.5-5.7 describe a story of satisfactory growth in aggregate output, mining, services, and most social indicators but dismal growth in manufacturing, agriculture (with qualifications cited in Chapter 4), and especially in savings (both public and private) and private investment.

A set of charts (presented in an annex to this chapter) compares how actual outcomes (in terms of the behavior of some key variables) compare with the values targeted/projected in the several country program and strategy papers described in
Chapter 2. These comparisons serve to facilitate the “efficacy analysis” of this chapter, where efficacy refers to the extent to which objectives and targets are achieved.

The final set of indicators presented in this chapter (Table 5.8) comprises some “sustainability indicators” that the report advocates should be key/core benchmarks for assessing future progress.

Overview of outcomes

Ghana achieved notable success over the past decade in macroeconomic policy reform as measured by various macro-level indicators (GDP growth, export recovery, removal of price distortions, and so on), but far less in terms of institutional and structural change and as measured by various micro-level indicators (school test results, soil fertility, productivity of civil servants, and so on). The successes have been in rehabilitating infrastructure, getting the prices right, freeing up foreign exchange and other markets, reforming taxes and reducing subsidies, initiating cost recovery measures, and putting in place some important elements of an enabling environment for private sector development.

The record on poverty alleviation is mixed. Owing to a lack of baseline data for the early 1980s, it is difficult to establish changes in poverty up to 1987/88, when such baseline data became available. But the available evidence suggests that poverty decreased somewhat in the mid-1980s and that the proportion of the population in poverty has dropped marginally from about 43 percent in 1987/88 to about 42 percent in 1991/92.

Ghana also has a mixed record on stabilization, although budget deficits were reduced considerably between 1983 and 1992. Inflation remained high and too much of the burden of stabilization was put upon monetary policy, with crowding out effects on the private sector. The least satisfactory performance has been in agriculture and manufacturing output growth, in institutional reform (including the civil service and public enterprise divestiture and reform), in investment project implementation, and most importantly, in the “sustainability indicators.” The disappointing response of private savings and investment is reflected in these sustainability indicators. Clearly the heavily aid-dependent, public sector-led growth of the 1980s and early 1990s will not be sustainable indefinitely. As will be discussed below, the interrelated issues of dependence, economic governance, and institutional development themselves form a nexus of “sustainability issues” that comprise core issues for the Bank’s future assistance strategy.

Thus, the performance of the Ghanaian economy is a qualified success story. The attention and praise given by spokesmen for the Bank and other donors to the successes at the macro level may have served to mask some shortcomings at the sectoral and micro levels. While GDP growth was at or near the targeted 5 percent annual rate, the composition of this growth was markedly different from what was projected/targeted, with services (largely trade) growing much faster and agriculture and manufacturing growing much slower than targeted. In some cases, moreover, there seems to have been a “halo effect.” And some apparent successes at the design stage have not been translated into successes at the implementation stage. For example, the Ghana education reforms described in Chapter 4 were still, as of early 1994, being represented as highly successful even though “results on the ground” suggested that the outcome was far from a great success.
In sum, different stories can be told about Ghana depending upon the choice of indicators, and this choice may focus attention on which actions and outcomes will be most closely monitored and measured in future. For this reason, a main finding of this report is that it is exceedingly important to "get the right indicators" as a precondition to "getting the indicators right."

**External shocks/exogenous factors**

Ghana's performance was affected by events and shocks beyond the control of the government, but which called for a response by the government and donors. Table 5.1 shows the nature of the shocks experienced by Ghana over the 15 years 1978-92. (Note that a positive sign for the shocks refers to adverse shocks rather than to beneficial windfalls.)

The terms of trade deterioration was quite substantial in the years just preceding the ERP and in recent years. During the mid-1980s Ghana's terms of trade improved slightly until 1987 (104, with 1984 = 100), but the index has deteriorated steadily since then (to 74 in 1992 and 66 in 1993). Falling cocoa prices were a main determinant of this decline, as they declined from 90-110 cents per pound in the period 1984-87 to between 50-56 cents over the years 1989-93.

Ghana was able to offset these external shocks mostly through its access to increased concessional external financing. Since a substantial share of this external financing was in the form of quick disbursing nonproject aid, the government retained considerably more financial degrees of freedom than had it been forced to undertake import intensification or economic compression. But if the terms of trade deterioration is permanent, one cannot ignore also the undesirable effect of raising the country's aid dependence and the consequences of the "Dutch disease" (see below).

Natural disasters and exogenous circumstances are other external shocks. In Ghana, with more than 40 percent of GDP originating in agriculture, weather conditions signifi-

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**Table 5.1: External shocks and performance response measures**

(as percent of GDP)

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<tr>
<td><strong>External shocks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terms of trade</td>
<td>3.4</td>
<td>-0.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Export volume</td>
<td>0.7</td>
<td>-0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>4.1</td>
<td>-0.4</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Performance response measures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional net external financing</td>
<td>1.6</td>
<td>-0.8</td>
<td>2.3</td>
</tr>
<tr>
<td>Export promotion</td>
<td>-0.4</td>
<td>0.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Import intensity</td>
<td>2.8</td>
<td>1.0</td>
<td>-0.5</td>
</tr>
<tr>
<td>Economic compression</td>
<td>0.0</td>
<td>-0.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>Total</td>
<td>4.1</td>
<td>0.4</td>
<td>2.3</td>
</tr>
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a. For an explanation of the concepts and methodology employed in deriving this table, see McCarthy and Dhareshwar (1992).

*Source*: World Bank data.
BOX 5.1: PROJECTED VS. ACTUAL COCOA PRICES

It was noted in Chapter 2 that the Bank’s projections of Ghana’s terms of trade were not very accurate, mainly because the Bank did not correctly foresee how large would be the fall in cocoa prices in the late 1980s. The differences between the Bank’s projections and the actual outcomes in Ghana’s export prices and terms of trade are shown in Figures 5.1 and 5.2.

Several questions can be posed about these projections. One is whether the Bank’s forecasters were particularly wrong in this instance, or only about as wrong as other forecasters (given that no one has proven consistently accurate at forecasting). Another is whether the error in the forecasts had serious adverse consequences—for example whether large and lumpy investment projects were launched on the basis of commodity price (and consequent revenue) forecasts that subsequently could not be fully funded. A related question would be whether there was sufficient contingency planning by either the government or Bank for dealing with unexpectedly adverse outcomes in the terms of trade.

Apropos of the first question, the Bank has been accused of indulging its “vested interest in commodity price optimism” in order to “validate the export-led growth strategy for primary product exporters” (Toye 1991, p. 197). But while there were flaws in the technical analysis, the same technical reasons (too much reliance on extrapolation) led the Bank’s forecasts below actual prices for the period 1974-82—a mistake for which the Bank was not accused of “commodity price pessimism.” Since then, the Bank has improved its technical analysis by taking into account the vintages of cocoa trees planted around the world and by relying more on futures prices for near-term forecasts, and on econometric models only for medium- to longer-term forecasts. It is also consulting more with private forecasters, and since 1988 its cocoa forecasts have been quite consistent with private sector forecasts.

a. This conclusion is based upon a study by Professor Angus Deaton (1992) comparing actual versus forecasted cocoa prices.

Significantly affect GDP; performance can vary severely owing to periodic droughts such as in 1981-83 and again (to a lesser extent) in 1990. Nigeria’s expelling of over one million Ghanaians in 1983 resulted in about a 10 percent increase in Ghana’s population that year. Conversely, the overvaluation of the CFA franc (currency of the Communauté Financière d’Afrique) relative to the Ghanaian cedi and hard currencies up to 1993 was a positive exogenous development whereas the CFA devaluation in 1994 constituted a shock.

There was relative peace between Ghana and its neighbors, political stability within the country, and no major natural disasters.
to cope with between 1984 and 1993. Periodic tensions with Togo and Côte d'Ivoire did not cause major disruptions to the economy. There was however a man-made disaster in February 1994 when tribal strife in the northern region resulted in deaths of more than a thousand persons, in large movements of refugees fleeing this strife, and in the interruption of all developmental activities in the region. The causes and consequences of this strife need to be better understood if the Bank's strategy is to be as "relevant" as may be necessary to help avert recurrences in future. Such events clearly highlight the need for donor strategies to be grounded in a good understanding of a country's political economy.

Because the aid inflows largely offset the exogenous shocks over the period under review, the latter cannot be blamed for those aspects of Ghana's performance that were less than satisfactory. Yet the impact on the economy, and on the behavior of the various agents in the economy, are very different depending upon whether Ghana's foreign exchange resources come from export earnings or from aid. This requires that the Bank pay close attention to how changes in macro variables affect micro-level incentives and behaviors, as in the case of cocoa earnings versus aid transfers. It also means that positive windfalls (such as the discovery of oil, a surge in cocoa prices, or very plentiful supplies of external assistance) typically have some distorting, downside effects that need to be monitored and minimized insofar as possible. These effects may, in some cases, outweigh the benefits when a "behavioral approach" and a long-term view are taken. In Ghana's case, the benefits of plentiful aid have more than compensated for the windfall losses from the terms of trade. But one type of distorting effect that large aid flows can create is that known as the "Dutch disease" effect (see Box 5.2).

**Evaluation of performance in economic management**

This section reviews Ghana's performance in economic management against the objectives of the Bank's strategies as outlined in Chapter 2. The relevant performance indicators are those relating to policy and institutional measures. A subsequent section reviews per-
The article with this title (by Stephen Younger) appeared in the November 1992 issue of World Development. In it, Younger shows how the large aid inflows into Ghana in recent years have sometimes worked at cross purposes with both stabilization and structural adjustment objectives.

Younger points out that of the 5-6 percent (in some years more) of GDP that has been flowing into the government’s coffers each year in aid, less than 1 percent has been channeled to the financial sector via repurchase of debt or bank deposits. The rest has gone to government spending. Younger notes that although some government expenditures are ill-advised, the problem is not too-high government expenditure per se. The problem is that “when the government accepts foreign aid to finance local expenditures, it forces the money base to increase as dollars are converted into cedis”—with the resultant inflation causing an appreciation of the real exchange rate. Then, in trying to hold down inflation by restricting money growth, Younger argues, the government has pursued a tight domestic credit policy, at the expense of crowding out private investment.

The remedy? In seeking to limit aggregate demand, Younger argues that the government should look for ways to raise revenue through more incentive-neutral taxes (such as income tax or a value-added tax), thus constraining private sector expenditures in general rather than just limiting investment through tight credit.

In practice this means that the government should try to balance the budget inclusive of project aid (that is, by running a surplus of say 4 percent of GDP before projects) and channeling the surplus (through debt reduction) to the private sector. “This is what Ghana must do," Younger concludes, “if it wants to shift the engine of growth from public sector recovery projects to new productive investments in the private sector.”
tion for export promotion. There is no export credit facility, export bank, or import duty drawback system, and an "export mentality" has yet to develop. The IMF took the lead on exchange rate matters but the Bank played a substantial role and made a significant contribution to the exchange reforms through its economic work and policy dialogue.

**Fiscal discipline: fair.** Achievements under the ERP included increased resource mobilization and budget deficit reduction (see Table 5.3 below and Figure 5.6 in the annex to this chapter). Fiscal policy formulation is however hampered by insufficient data to construct accurate consolidated public sector accounts. In any event, there was recurrent slippage in meeting fiscal targets, and the policy mix became too weighted toward fiscal ease and monetary tightness even before the 80 percent wage increase of October 1992. New revenue measures were taken in 1993-94, but the deficits are still larger than is consistent with low inflation and the provision of adequate credit to the private sector. The IMF took the lead in negotiating deficit reduction targets under its arrangements, but the Bank also contributed to the achievement of budgetary reform through its policy dialogue, its economic studies relating to taxes, subsidies and cost recovery, and through its effective technical assistance to the National Revenue Secretariat.

The Bank’s strategy documents underestimated revenue growth before 1988 and overestimated it since then, while it consistently overestimated expenditures (see Figure 5.6). The revenue overestimate was related to the underestimation of the decline in coffee prices, while the expenditure overestimate stemmed from overoptimism regarding both aid flows and project implementation capacities. The deficits in most years were larger than projected in the country program papers, but in the more-frequently updated policy framework papers the Bank proved overly optimistic about the rate of deficit reduction.4

The 1992 election-related fiscal shock had a greatly adverse impact insofar as it weakened the response to the positive private sector development measures. And because the fiscal situation remained problematic into 1994 and 1995, with large credits to public enterprises being the main problem, this continued to have a depressing effect on private investments and savings.

**Tax reform: good.** There have been major improvements in resource mobilization and in the rationalization of the tax structure. The tax base has been broadened, marginal tax rates have been reduced, and the indirect tax regime has been rationalized. A value-added tax (on which the Bank did considerable preparatory work) is to be implemented in 1995. Other Bank contributions on the revenue side were mentioned above.

**Public expenditure priorities: fair.** Expenditure allocation has improved markedly since the early 1980s through implementation of a rolling, three-year public investment program and regular public expenditure reviews. Inefficient subsidies have been reduced, white elephant projects minimized, debt arrears have been cleared, and expenditures have been directed toward priority areas such as primary education and infrastructure rehabilitation. Ghana’s expenditure levels and composition are however in large part “donor facilitated” if not “donor driven.” The huge public sector in terms of employment (nearly 600,000 employees in a country of 16 million persons, an extremely large number by a comparative standard) and the consequently large wage bill underlie the government’s difficulties in controlling the deficit. Major weaknesses in budget execution, accounting, and monitoring sys-


**Table 5.2: Selected Incentive Indicators**

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1987</th>
<th>1990</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exchange rate policy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal exchange rate (cedis per $)</td>
<td>36</td>
<td>162</td>
<td>330</td>
<td>652</td>
</tr>
<tr>
<td>Real exchange rate (index)</td>
<td>45</td>
<td>100</td>
<td>102</td>
<td>134</td>
</tr>
<tr>
<td>Black market premium (%)</td>
<td>147</td>
<td>33</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td><strong>Trade policy (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average of import tariffs</td>
<td>27</td>
<td>24</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Import duties/total imports</td>
<td>11</td>
<td>10</td>
<td>13</td>
<td>na</td>
</tr>
<tr>
<td><strong>Indices of price liberalization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tradable consumer price (CPI)</td>
<td>100</td>
<td>225</td>
<td>459</td>
<td>665</td>
</tr>
<tr>
<td>Nontradable CPI</td>
<td>100</td>
<td>206</td>
<td>494</td>
<td>799</td>
</tr>
<tr>
<td>Tradable CPI/nontradable CPI</td>
<td>100</td>
<td>109</td>
<td>93</td>
<td>83</td>
</tr>
<tr>
<td><strong>Incentives for cocoa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real producer price of cocoa</td>
<td>758</td>
<td>2,132</td>
<td>1,565</td>
<td>na</td>
</tr>
<tr>
<td>(cedis per metric ton)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Producer price/FOB price (%)</td>
<td>36</td>
<td>38</td>
<td>51</td>
<td>na</td>
</tr>
<tr>
<td>Real interest rate</td>
<td>-16.6</td>
<td>-14.5</td>
<td>-7.1</td>
<td>7.6</td>
</tr>
<tr>
<td>91 day T-Bill (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial sector measures (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real deposit rates</td>
<td>-17.0</td>
<td>-13.3</td>
<td>-14.0</td>
<td>-2.6</td>
</tr>
<tr>
<td>Real lending rates</td>
<td>-12.3</td>
<td>-9.9</td>
<td>-8.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Spread</td>
<td>4.7</td>
<td>3.4</td>
<td>5.2</td>
<td>6.2</td>
</tr>
</tbody>
</table>

*Note: na means not available.
Source: World Bank data.*

...tems remain to be corrected. The Bank made a major contribution in this area through its economic work on public investment and public expenditure reviews.

**Trade liberalization: mixed.** The Bank considers Ghana's trade liberalization to have been a success since imports are not subject to quantitative restrictions, the import licensing system has been abolished (as of 1989), export taxes have been abolished except for cocoa, and tariffs have been rationalized and brought to low average levels (three tiers with rates of 0, 10, and 25 percent). The removal of import quotas and tariff reduction was however done quickly and to some extent unexpectedly, resulting in widespread bankruptcies in the private sector. Both Bank staff and Ghanaians are divided on the question of whether the trade liberalization went too far too fast (partly as a result of Bank conditionalities), resulting in the demise of potentially viable firms that did not have the time or wherewithal to adjust and to survive.

**Deregulation: fair-to-good.** There has been substantial deregulation in recent years, and a new investment act now makes the approval of all investments automatic. Regulations were liberalized on minimum capital requirements for foreign investors, expatriate immigrant quotas, technology transfer rules, and the number of industrial activities exclusively reserved for Ghanaians. But Bank staff cite considerable anecdotal reports of remaining "informal" regulation, intimidation, and rent-seeking behavior by the
TABLE 5.3: SELECTED FISCAL AND MONETARY PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Fiscal indicators (% of GDP)</th>
<th>1984</th>
<th>1987</th>
<th>1990</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue(^a)</td>
<td>8.0</td>
<td>14.1</td>
<td>11.8</td>
<td>15.9</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>6.6</td>
<td>12.7</td>
<td>10.8</td>
<td>12.7</td>
</tr>
<tr>
<td>Total expenditure(^b)</td>
<td>11.1</td>
<td>19.1</td>
<td>17.0</td>
<td>26.3</td>
</tr>
<tr>
<td>Recurrent expenditure(^c)</td>
<td>8.6</td>
<td>11.2</td>
<td>10.2</td>
<td>15.5</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>2.5</td>
<td>7.9</td>
<td>6.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Current savings(^d)</td>
<td>-0.6</td>
<td>2.9</td>
<td>1.6</td>
<td>-0.4</td>
</tr>
<tr>
<td>Overall deficit</td>
<td>-3.1</td>
<td>-5.0</td>
<td>-5.2</td>
<td>-10.4</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary (net)</td>
<td>0.7</td>
<td>-1.0</td>
<td>-1.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other domestic</td>
<td>0.4</td>
<td>0.6</td>
<td>-0.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Foreign</td>
<td>2.0</td>
<td>5.4</td>
<td>6.6</td>
<td>8.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monetary policy (annual % changes)</th>
<th>1984</th>
<th>1987</th>
<th>1990</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad money</td>
<td>61</td>
<td>53</td>
<td>18</td>
<td>na</td>
</tr>
<tr>
<td>Credit to rest of the economy</td>
<td>103</td>
<td>30</td>
<td>110</td>
<td>na</td>
</tr>
<tr>
<td>Quasi-money/M2</td>
<td>16</td>
<td>21</td>
<td>23</td>
<td>34</td>
</tr>
<tr>
<td>M2/GDP</td>
<td>11</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Real M2 growth</td>
<td>25.8</td>
<td>14.0</td>
<td>na</td>
<td>-13.2</td>
</tr>
<tr>
<td>Real GDP growth</td>
<td>8.6</td>
<td>4.8</td>
<td>3.3</td>
<td>na</td>
</tr>
<tr>
<td>Inflation (average)</td>
<td>39.6</td>
<td>39.8</td>
<td>37.2</td>
<td>25.2</td>
</tr>
<tr>
<td>Real interest rate 91 day T-bill</td>
<td>-16.6</td>
<td>-14.5</td>
<td>-7.1</td>
<td>7.6</td>
</tr>
</tbody>
</table>

\(^a\) Excluding grants.
\(^b\) Including capital expenditure financed by externally financed grants and loans.
\(^c\) Includes special efficiency.
\(^d\) Total revenue minus recurrent expenditure.

Note: na means not available.

Source: World Bank data.

Public administration that inhibits private investors and underlies the "credibility problem" (see Box 5.3). Both the Bank and IFC have provided studies and advice on how to improve the business environment.

Foreign direct investment: fair. Barriers impeding the entry of foreign firms have in large part been abolished, but foreign investment inflows have so far been minimal—in large part for the same reasons that inhibit domestic private investment. Both the Bank and IFC played substantial roles in advising the government on how to create a more favorable investment climate for foreign as well as domestic investors.

Privatization: slow (at least until 1994). Ghana's divestiture program progressed slowly, with only 54 of 300 nonfinancial public enterprises fully divested by 1993 in the sense that they were liquidated or leased or sold to the private sector with all proceeds collected; in another 16 enterprises there has been a partial collection. Bank staff attribute the slow pace of privatization partly to the initial preparation time but mainly to insufficient political support. There seemed to be a lack of ownership of the program (contrary to the ownership of the macroeconomic reforms) partly because of an ideological heritage (shades of Nkrumahism and populist sentiments of the...
A recent article by Ernest Aryeetey (1994) published in World Development addresses the critical question: “Why is the private sector not investing in Ghana as is desirable and expected?”

Aryeetey notes that there are a number of different views on this subject. “There are those,” he says, “including the World Bank who believe that the reforms have not gone far enough in addressing substantive issues (mainly institutional) affecting the operations of potential investors, in spite of the fact that all manner of incentives arising from macroeconomic and other sectoral reforms have been provided. Other views expressed by many Ghanaians suggest that the issue is one of credibility with regard to the sustainability of reforms in the medium-to-longer terms.”

There is a growing literature, authored both by economists and political scientists, on the extent to which “credibility” is a major determinant of the behavior of private agents, particularly decisions of private entrepreneurs as to whether and where to invest. One recent study, in which Ghana was one of 28 countries surveyed, found that the degree to which entrepreneurs expect governments to stick to major policies explains half the variance in growth rates (see Brunetti and Weder 1995).

Aryeetey, drawing upon principal/agent and game theoretic models and upon several surveys made of Ghanaian businessmen, concludes that a “major reason” for the poor private investment response is a “deep mistrust by the private sector for a government whose earlier policies . . . indicated an antagonistic attitude to private investment.” Aryeetey does not find an expectation that the government’s market-friendly policies will soon be reversed, but he notes that “the sentiment is often expressed among Ghanaians that various macroeconomic reforms are pursued only to satisfy donor conditions for assistance”—implying a perception of weak ownership by the government of its reform program.

Aryeetey finds that the very high degree of risk aversion found among Ghanaians is rational only under relatively high levels of uncertainty, where the uncertainty pertains to the government’s real ownership of its reform program, and is reflected in the limited credibility of investors in the sustainability of the reforms. Aryeetey argues that the binding constraints to private investment are not therefore so much in the regulatory and incentive frameworks emphasized so much by the Bank as in the “lack of consensus on a development philosophy and what role the private sector is expected to play.” This uncertainty would only be removed, he concludes, if adequate legislation is passed to assure investors that property rights would be respected in future.

Aryeetey does not use the word “governance” in his article, but his analysis is fully consistent with this report’s conclusion that only by addressing the core “sustainability issues” will Ghana overcome the “credibility constraint” to increased private investment.
early Provisional National Defence Council), and partly because of vested interests. Performance contracts were signed with some 13 state enterprises but pricing and procurement decisions are still taken by the government and efficiency improvements in the enterprises have been very limited. Capacity utilization is very low and many enterprises need to be liquidated. The retrenchment of labor is however frustrated by prohibitively expensive end-of-service benefits. There is still a clear action plan for enterprise divestiture or rationalization. The Bank’s approach to privatization (as well as to deregulate public enterprise reform and civil service reform) may have been too “formulaic,” and not sufficiently heedful of important political and social dimensions of privatization.

In 1994 there appears to have been some acceleration of activity on the fronts of promoting privatization and private sector development. Ashanti Goldfields was privatized and a bill was sent to Parliament to launch privatization of Ghana’s telecommunications. A liberal investment law was adopted along with Ghana’s subscription to Article VIII of the IMF whereby Ghana renounced recourse to quantitative restrictions on its external trade. 1994 also witnessed increased activity on the Ghana stock market and a more active dialogue between the public and private sectors. The results in terms of private investment levels, however, remain to be seen.

Financial liberalization: fair. Interest rates have been liberalized and sectoral lending guidelines lifted. Bank portfolios have been restricted, prudential regulations rationalized, and banking supervision strengthened. But interest rate spreads are high (Table 5.2) and service quality is low, pointing to a lack of competition. The oligopoly in financial markets contributes to high real interest rates and lack of availability of foreign exchange. Divestiture of banks under the Bank’s Second Financial Sector Adjustment Credit (FINSAC 2) has proceeded slowly.

Civil service reform: very slow. Ghana has a huge civil service that is widely acknowledged to be dispirited, de-motivated, oversized, and underproductive. The ethos of the bureaucracy is a major problem, and with donors providing salary supplements in a variety of overt and covert ways, rent seeking is rife. A civil service reform program (CSRP) was launched in 1987, with conditionalities prescribed in SAC I. But the CSRP lacked ownership, at least partly because there was a lack of participation by the various groups that had a stake in the outcome, and the program had few positive results. Net retrenchments were negligible notwithstanding substantial gross retrenchments, owing to unplanned new hiring (Table 5.4). Efforts to control the wage bill at 4.5 percent of GDP, which were finally achieved in 1990, were undone by the 1992 wage hike that raised the wage bill to 8 percent of GDP. Other reforms such as the automated payroll system and job evaluation and planned links of pay to performance have so far been ineffectual. Bank staff report, however, that the new Parliament is now making demands on the civil service to become more effective, and a new CSRP is underway that will supposedly involve a more participatory process to build ownership and the CSRP within a framework of an overall strategy regarding the role of the public sector.

Institutional development and capacity building. Within the last two years the Africa Region has given greatly increased priority to capacity building as an objective of its country assistance strategy. Among the country-specific reasons for this emphasis was the recognition that Ghana’s project implementation capacity was inadequate to manage
**Table 5.4: Selected indicators of public sector reform**

<table>
<thead>
<tr>
<th>Numbers of public sector employees, in thousands</th>
<th>1987</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core civil services</td>
<td>131</td>
<td>102</td>
</tr>
<tr>
<td>Education services</td>
<td>159</td>
<td>167</td>
</tr>
<tr>
<td>Subvented organizations</td>
<td>81</td>
<td>70</td>
</tr>
<tr>
<td>Security organizations</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Total government services</td>
<td>400</td>
<td>368</td>
</tr>
<tr>
<td>Net retrenchment, 1987 to 1992</td>
<td>na</td>
<td>(32)</td>
</tr>
<tr>
<td>Public enterprises</td>
<td>250</td>
<td>227</td>
</tr>
<tr>
<td>Net retrenchment, 1987 to 1992</td>
<td>na</td>
<td>(23)</td>
</tr>
<tr>
<td>Total public sector</td>
<td>650</td>
<td>595</td>
</tr>
<tr>
<td>Net retrenchment, 1987 to 1992</td>
<td>na</td>
<td>(55)</td>
</tr>
<tr>
<td>Civil service wages/GDP</td>
<td>2.0</td>
<td>5.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits (% of GDP)</td>
<td>0.3</td>
<td>1.9</td>
<td>0.7</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Estimated no. of public firms</td>
<td>na</td>
<td>329</td>
<td>291</td>
<td>266</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Divestitures (no. of firms)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Targeted for divestment</td>
<td>na</td>
<td>na</td>
<td>39</td>
<td>42</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Actual divestments</td>
<td>na</td>
<td>na</td>
<td>23</td>
<td>25</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Proceeds collected</td>
<td>na</td>
<td>na</td>
<td>7</td>
<td>3</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Proceeds partially collected</td>
<td>na</td>
<td>na</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>No proceeds collected</td>
<td>na</td>
<td>na</td>
<td>1</td>
<td>10</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Lease/management contract</td>
<td>na</td>
<td>na</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Liquidation</td>
<td>na</td>
<td>na</td>
<td>22</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: na means not available.
Source: Husain and Faruquee (1994) for data on public sector employees and World Bank for data on the performance of state-owned enterprises.

even existing Bank and donor projects, much less the more demanding sectoral operations that the Bank wanted to be able to launch. "Absorptive capacity" rather than finance was seen as the binding constraint to project implementation, and the remedy was to build capacity. Box 3.3 in Chapter 3 illustrated the very mixed record of Bank projects in achieving the institutional development objectives.

The government has created an interagency capacity-building steering committee, a joint UNDP-government team has prepared a study and action plan for capacity building, and work is underway to define a strategy "for both better utilization of existing capacity and development of the specialized skills needed to achieve accelerated economic growth." But the OED findings on past efforts to assist capacity building through technical assistance operations emphasize the need to ensure that the systemic, governance-grounded constraints to more effective capacity utilization are being addressed at the same time. Otherwise the interventions treat symptoms rather than root causes of the inefficiency of the public service. Unfortunately,
Box 5.4: Rent-seeking and Patronage Relations

A subject much talked about by Ghanaians and by Bank staff working on Ghana, but not written about, is how the large donor presence in Ghana has given rise to new forms of rent-seeking through new forms of donor/Ghanaian patronage relationships, which have replaced old forms of rent-seeking (often associated with access to scarce import licenses or foreign exchange).

Incentives in Ghana's public sector are significantly distorted by multiple scales of donor-financed salary supplements, and by the nontransparent manner in which donor-financed benefits (vehicles, external training, study tours abroad, appointment to advisory groups, commissioning of studies, and so on) are allocated through patronage relationships. Another distorting factor has been the dominance of objectives that are essentially short-term, product- and event-oriented, and often donor-driven, over longer-term objectives that are more "process oriented" and geared to institutional development and capacity building. Technical assistance projects that give considerable discretion to project and task managers regarding the allocations of vehicles, study tours, and the like are among the principal targets for this rent-seeking.

An example of the above was found in a Bank technical assistance project approved in 1987 (Structural Adjustment Institutional Support Project). This project helped to foster a system in which much of the regular work of the Ministry for Finance and Economic Planning, whether preparing the public investment program or for a Consultative Group meeting, came to be undertaken by ad hoc task forces and short-term consultants rather than by the institutional units charged with these tasks. This de facto privatization often served to postpone if not undermine the development of the capacity of the institution to do its assigned tasks. But since the task forces and steering committees and advisory groups all got supplements, it is no wonder that this approach became popular. Many donors now acknowledge that work does not get done without the payment of supplements of some sort.

Behaviors induced by these distortions are sometimes disabling, as in the case of public servants who have become resentful and de-motivated because they cannot share in donor-financed benefits received by a favored few. The Skills Mobilization Scheme of the late 1980s clearly had this kind of adverse external effect. Yet when the value of a vehicle is worth several years of a Ghanaian civil servant's salary, and a day's consulting fee or honorarium is worth a month's salary, much time is spent away from assigned jobs in pursuit of fees and favors.
Future TA and capacity-building activities in Ghana should be framed in the context of a comprehensive strategy for institutional development. Many of Ghana’s institutional problems stem from demand-side rather than supply-side constraints, and the "ethos of the bureaucracy" and the overextension of government are central, systemic issues. Until and unless these systemic problems are addressed more directly and vigorously by civil service reforms and other relevant measures than they have been to date, the sustainability of the Bank’s TA/ID projects and project components will be uncertain at best.

Table 5.5: Selected growth and structural indicators

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP and sectoral growth rate (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Private (% GDP)</td>
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<td>6.4</td>
<td>2.3</td>
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<tr>
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<td>9.6</td>
<td>9.4</td>
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<td>8.1</td>
<td>4.3</td>
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</table>

**Memo item**

Direct foreign investment ($ million) | 2.0  | 8.0  | 4.3  | 4.7  | 5.0  | 15.0 | 14.8 | 20.0 | 22.1 | 25.0 |

**Source:** World Bank data.
intermediate goods. The slower than projected rate in agriculture was partly attributable, as discussed in Chapter 4, to the relative neglect of agriculture by the government and donors in the mid-1980s.

Poverty alleviation: some gains. The main thrust of Ghana's ERP was to "go for growth" as the primary objective vis-à-vis poverty alleviation, income distribution, environmental conservation, or other objectives. Given the country's circumstances, however, it was clear that accelerated growth was a precondition for poverty alleviation. The Bank was more concerned in the mid-1980s with helping Ghana to get its prices right and to get stabilized and to get growth going than with reducing poverty—even though not very much was known about the extent and incidence of poverty. And both Ghanaian technocrats and Bank staff were more than fully occupied initially with crisis management and with mobilizing sufficient resources from home and abroad to enable the ERP to be implemented.

By about 1985, however, the Bank was becoming increasingly concerned with the need to address the social costs of adjustment. In the case of Ghana, UNICEF played a catalytic role in getting both the government and the Bank to pay more attention to "human concerns," albeit not without antagonizing the government. The tensions were resolved and in 1987 two poverty-oriented initiatives were launched. One was a Ghana-specific, multidonor program known as PAMSCAD (see Box 5.5); the other was another multidonor, multicountry program known as the Social Dimensions of Adjustment Project (SDA) (see Box 5.6).

PAMSCAD in time became known more as a political, palliative success but it had design and implementation problems that prevented very significant results from being achieved "on the ground." One counterproductive effect of PAMSCAD may have been that it delayed actions by both the government and the Bank to focus more seriously on designing a true poverty alleviation strategy. The SDA project was also plagued with implementation and capacity-building problems that delayed getting comparable multiyear analyses of the impact of adjustment on Ghana's poor, and so also delayed preparation of the poverty strategy.

Because of the lack of baseline data prior to the Ghana Living Standards Survey of 1987/88, it is difficult to know what effect the adjustment program had on the poor in the mid-1980s. Bank staff have written that "the adjustment program in Ghana has had a positive impact on the poor," citing the major expansion in the provision of social services, particularly in health and education, plus the agricultural pricing policy and liberalization, which increased farm income generally.

While data on incomes are lacking, it is evident that several quality-of-life indicators, including child malnutrition, infant mortality, literacy, and access to water all improved since the adjustment program started. Other indicators such as primary enrollment ratios were less changed while a few indicators, such as population per doctor and nurse, pointed to deteriorating services. On balance, however, most social indicators were moving in the right direction. Table 5.6 shows the movements of several of these indicators over the past decade.

It was certainly a positive albeit unusual aspect of Ghana's adjustment that government expenditures rose in real terms even during the early stages of stabilization. This was facilitated by the combination of rising rev-
Box 5.5: Program of Actions to Mitigate the Social Cost of Adjustment (PAMSCAD)

PAMSCAD was conceived as a component of the Economic Recovery Program to cushion the impact of structural adjustment on vulnerable groups and to support those poor who would not benefit from the ERP in the short run. The government and donors alike considered the program a "flagship" in the efforts to counter critique of structural adjustment.

At the Consultative Group meeting in 1987, multi- and bilateral donors enthusiastically supported the PAMSCAD concept and an interagency preparation mission, led by the World Bank, was fielded to assist the government’s Social Sector Task Force in preparing the program. Preparation was strained by two factors. First, it was difficult to identify precisely those households that were particularly vulnerable. Second, a sectoral approach led to competition between line ministries for projects, which, in many cases, were off the shelf projects lacking financing or extensions of existing projects.

The resultant $85.7 million program was a patchwork of 23 individual projects to be implemented by several agencies of seven ministries coordinated by two special units. Employment generation projects were to provide productive jobs and increase incomes for the urban and rural unemployed and underemployed while at the same time produce useful social and economic assets for the country. Retrenched workers were to receive financial compensation, training, counseling, and resettlement assistance. Basic needs projects were to provide essential drugs, supplementary feeding of malnourished children, safe and reliable water supply to rural inhabitants, and deworming of primary school children. Education sector activities comprised bulk food purchase to reduce the cost of feeding secondary school children and paper commodity aid for primary school books. Community initiative projects were to enable communities themselves to identify and implement activities to improve their social and economic infrastructure.

At the pledging conference in Geneva in February 1988, 13 donors pledged a total of $85.7 million. Subsequently $83.9 million was committed. Disbursements were, however, delayed considerably. Of the 13 donors supporting PAMSCAD, four began to commit resources in 1988, seven in 1989, and two in 1990 (as of July 31). In terms of the volume of disbursements, only 19 percent of total funds had been released by the end of

As Table 5.6 shows, public expenditures on basic social services increased significantly as a share of GDP while expenditures on social security also rose as a proportion of total expenditures.
the first year of implementation. A contribu-
tory factor was donors' requirement for
reappraisal (after the Bank's appraisal) and
additional information on project activities
prior to release of funds. About half of the
23 projects were cofinanced by three or
more donors.

Implementation was plagued by the com-
plexity of the program and institutional ar-
rangements with the 23 projects, dispersed
across nine sectors and all regions. Despite
the intentions to design the program for
decentralized implementation with modest
institutional requirements, there was a
strong tendency towards centralization of
key program management responsibilities
within national ministries or agencies and
to establish and equip implementation
committees and units with staff, computers,
and vehicles. The monitoring system,
which was to be financed under the social
dimensions of adjustment program, was
never established.

A multdonor evaluation in 1990 found that
PAMSCAD had not shown significant bene-
fits in terms of mitigating the social cost of
adjustment. Some of the deficiencies noted
were a short time horizon and dispersion of
interventions in all regions despite the geo-
 graphical concentrations of the poor; con-
trary to the analysis of poverty and
vulnerability and the stated intentions there
was a bias in resource allocation toward
communities and male beneficiaries in
urban and/or southern areas. While these
groups were affected by structural adjust-
ment in the short term—that is, some 45,000
retrenched government employees who in
general found the severance pay (which was
not donor-funded) adequate and few of
whom took advantage of various training
and credit schemes offered—they were not
particularly vulnerable compared to small
farmers in the northern regions.

The important lesson from PAMSCAD is
that, being primarily palliative in design and
function, it deals with short-term effects
rather than causes. This orientation led to a
segmentation of the poverty problem and
partial rather than holistic approach to inter-
ventions. It marginalized issues of poverty
and vulnerability from mainstream eco-
nomic policy and planning, by appearing to
address them within a distinct program, at a
time when the more fundamental issues of
poverty and the policies and strategies
needed to address them remained unaltered.

New data on poverty in Ghana from the
extended poverty study (EPS) show that
between 1988 and 1992 the incidence of
poverty in Ghana as a whole fell signifi-
cantly. Some of the more important data
are reported in Table 5.7 below. Some of
the more important conclusions drawn
from both the EPS and a participatory
poverty assessment are summarized in
Box 5.7.
Box 5.6: The Social Dimensions of Adjustment (SDA) Project

The Ghana Social Dimensions of Adjustment Project was initiated by the "Assessment of Social Dimensions of Structural Adjustment for Sub-Saharan Africa Project," which was launched in 1987 with the United Nations Development Programme, African Development Bank, and the Bank as partners. The regional project and the Ghanaian project have identical objectives: to support the government in formulating and implementing a medium- and long-term poverty alleviation strategy in the context of its Economic Recovery Program.

In this perspective, the project would foster the development of a close interaction between the entities responsible for the design and follow-up of poverty alleviation programs and projects, the execution of policy studies on the social dimensions of adjustment, and the production of statistical data on the structure and evolution of living conditions of households. The Ghanaian SDA Project was one of the first country projects to be developed.

Partly because the SDA concept was new, project preparation and appraisal took an unduly long time—27 months. The SDA project was seen by the Ministry of Finance and Economic Planning (MFEP) as "supply driven" by the Bank (SDA Unit) because of the amount of input to and frequency of missions dealing with Ghana Statistical Services (GSS), and the Bank's very active role in securing bilateral cofinanciers. After one year of preparation, the MFEP intervened in the negotiations, which until then had primarily been between the Bank (SDA Unit) and GSS. The project proposal was unacceptable to MFEP because it focused too much on statistical data collection and too little on linking the work of GSS with Ghanaian policymakers' needs. It then took another ten months before a revised project was ready for negotiations.

The Ghana Living Standards Survey is of a scale and complexity that few statistical departments in the developed world would have undertaken. Neither the processing nor the analytical capability was available in Ghana. The first living standards survey was conducted in 1987/88, that is, prior to project effectiveness, and was designed to ac-

The decline in poverty between 1988 and 1992 was most marked in the rural areas, and especially in the poorest region, rural Savannah. But poverty has clearly become a major problem in Accra, where the incidence of poverty tripled from 7 percent to 21 percent of the population and income distribution became more unequal. The causes are still poorly understood and warrant more research. It is also not fully understood why rural poverty decreased so much in a period of declined agricultural prices and productivity. But a large part of the answer seems to be the growth in the share of income from nonfarm self-employment in the poor households. And more than half
commodate the regional SDA data requirements. The results were emerging from processing in 1990 and most analytical work took place in the Bank Headquarters. The publication of *A Poverty Profile for Ghana, 1987-88* (Boateng et al. 1990) provided substantial and important information for poverty analysis in the Bank, and outside, and much poverty analysis and programming is based on this report. Ghanaian researchers, however, point out that the database is accessible in Washington, DC, only. Processing of two subsequent surveys in 1988/89 and 1990/91 has not yet been completed. Both have been plagued by a number of technical problems, difficulties of compatibility between the rounds, shortage of qualified staff, and a management who had no experience with this type of survey, and therefore could not provide the necessary professional supervision.

In terms of capacity building in the Ghana Statistical Services, the project has not been very successful. Permanent technical assistance is supplemented by numerous trouble-shooting missions from the Bank (SDA Unit) and consultants. Throughout the project, government agencies and donors complained that the GSS did not make data available soon after processing, and that the GSS was slow to react to requests for specific data. The socioeconomic analysis unit in GSS has not been established and the Studies Fund has not been utilized for its purpose. Few outside GSS and MFEP knew about its existence, and the panel for vetting proposals was never established. The frustration was clearly expressed by a Bank mission in March 1991: “the GSS should not be in the business of undertaking its own policy analysis function, until such time as it can first demonstrate its ability to meet its own deadlines for providing macro-economic and socio-economic data in a user friendly format to MFEP and line Ministries.” The fund is now used to finance statistical trouble-shooting consultancies.

The evaluation and monitoring fund was never implemented. Initially delays were caused by lack of donor funding. Switzerland withdrew its commitment in 1991 and the component was dropped.

of that income came from service activities, mainly wholesale and retail trading. The sustainability of these trends is among the more important “sustainability issues” in Ghana.

The most common indicator for relative income inequality is the Gini coefficient. For Ghana, the indicator remained essentially unchanged between 1985 and 1992 at 40 (zero is perfect equality, 100 perfect inequality), which compares favorably with levels of inequality in Latin America and a number of African countries in the range of 40-60 but unfavorably with Asia where the range is 25-40.
Table 5.6: Selected social indicators, 1970-92

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<td>76</td>
<td>77</td>
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<td>60</td>
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<td>Female literacy</td>
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<td>Infant mortality</td>
<td>per 1,000 live births</td>
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<td>Life expectancy</td>
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<td>Population per physician</td>
<td>persons</td>
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<td>14,894</td>
<td>22,970</td>
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<tr>
<td>Population per nurse</td>
<td>persons</td>
<td>693</td>
<td>640</td>
<td>1,669</td>
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Note: na means not available.  

Table 5.7: Recent trends in poverty, 1988-92  
(headcount and poverty gap ratios by region)

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<td>Headcountb</td>
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<td>Greater Accra</td>
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<td>2</td>
<td>21</td>
<td>6</td>
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<td>Other urban</td>
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<td>Rural coastal</td>
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<td>Rural forest</td>
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<td>31</td>
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<td>32</td>
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<td>Rural savannah</td>
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<td>39</td>
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<td>Ghana</td>
<td>36</td>
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<td>31</td>
<td>100</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>48</td>
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<td>48</td>
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</table>

| Poverty-gap ratioC       |      |      |      |      |
| Greater Accra            | 2    | 1    | 5    | 6    |
| Ghana                   | 12   | 8    | 6    |      |
| Sub-Saharan Africa       | 18   | 19   | 19   |      |

| Squared poverty gap (%)  | 6.36 | 5.11 |

Note: a. Shares may not add to 100 percent owing to rounding.  
b. Headcount ratio: Percentage of the population whose income or consumption is less than a pre-specified poverty line.  
c. Poverty-gap ratio: The "gap" or distance between the mean income (expenditure) of the poor and the poverty line. The poverty line was $31.23 per person per month at 1985 prices.  
Sources: Data for 1988 from World Bank (1990 and 1993a); data for 1992 from an internal World Bank extended poverty study.
The gender incidence of poverty also seems to have improved. The gender incidence of poverty is 1992, from 38.7 percent in 1988 to 21 percent in 1992. However, women's increased participation in the labor force, economic recovery, and poverty from the economic recovery period have reduced urban areas other than women have been.

Increased influence on overall income earned in rural areas may be due to the reduction in poverty. There has been a decrease in poverty levels from 1998 to 29 percent in 1999. It appears that rural areas, especially rural areas in the western part of the country, have improved the most in poverty and the food expenditure ratio has also improved. Other indicators such as the depth of poverty have changed significantly. The government has taken measures such as reducing poverty, improving the quality of education and health care, and promoting economic growth to reduce poverty in rural areas. Despite these efforts, the incidence of poverty remains high in rural areas, especially in the western part of the country. The government continues to work towards reducing poverty and improving the well-being of its citizens.
Sustainability indicators

The sustainability of Ghana’s growth means different things to different people. At a project level, project designers or reviewers focus mainly on financial sustainability—as in the case of schools, which will not be sustainable unless growing government revenues permit growing allocations for teacher salaries and other operation and maintenance expenditures. For many, the central sustainability issue is the need to accelerate private sector development, as it is recognized that the public sector-led growth of the past decade cannot go on indefinitely. For others, sustainability is seen as an environmental issue—reversing trends in deforestation, soil erosion, and so on. And for still others, sustainability is an issue of self-sufficiency in foreign exchange, where the central question is how fast export expansion and import substitution will proceed to enable a country to restore creditworthiness and no longer be dependent upon foreign aid.

Under the auspices of the SPA, the Africa Region developed its own set of sustainabil-

<table>
<thead>
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<th>TABLE 5.8: SELECTED SUSTAINABILITY INDICATORS</th>
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<tr>
<td><strong>Savings, investment, and aid dependency</strong></td>
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<td><strong>Private investment (% of GDP)</strong></td>
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<td><strong>National savings (% of GDP)</strong></td>
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<td><strong>“Genuine savings rate”a (% of GNP)</strong></td>
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<td><strong>External aid dependencyb (% of GDP)</strong></td>
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<td><strong>Nexus indicators</strong></td>
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<td><strong>Total fertility rate</strong></td>
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<td><strong>Agricultural growth rate</strong></td>
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<td><strong>Cocoa</strong></td>
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<td><strong>Agriculture, livestock fishery</strong></td>
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<td><strong>Forestry</strong></td>
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<td><strong>Environmental indicators</strong></td>
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<td><strong>Annual loss from deforestation, erosion, soil fertility (% of GDP)</strong></td>
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<td><strong>Deforestation rate (annual % of total forests)</strong></td>
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<td><strong>Export growth</strong></td>
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<td><strong>Nontraditional</strong></td>
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<td><strong>Government revenue (% of GDP)</strong></td>
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<td><strong>Proportion of population below poverty line (%)</strong></td>
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<td><strong>Distribution inequality index (Gini coefficient)</strong></td>
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a. The "genuine savings rate" is obtained by subtracting depreciation of fixed capital and depletion of natural resources from the national savings rate.

b. Net ODA disbursements as percent of GDP.
ity indicators. Taking that set as a departure point, Table 5.8 presents a set of sustainability indicators for Ghana. The rationale for the choice of these variables and the interrelationships among them are fairly self-evident, but a few Ghana-specific factors may be emphasized. One is that the emphasis on the growth of nontraditional exports is all the greater considering that some of Ghana’s traditional exports are nonrenewable (gold, other minerals), some are based upon already overexploited resources (logging), and cocoa is a product with very low income and price elasticities, making it undesirable from a producer’s standpoint to expand world production. Thus, if the long-term outlook for traditional exports is not favorable, and the size of the domestic markets limits the scope for import substitution, there is all the more reason to regard the growth of nontraditional exports as a critical policy variable.

The need to regard these variables together is underlined by the fact that some of the relations among the variables are complementary, some competing. Accelerating the growth of private investment, for example, will be essential to get progress in all the other variables, although in the short run there may be tradeoffs between increasing government revenues and providing adequate incentives to private investors. By the same token, foreign aid may be supportive of private investment in the short run (as through the financing of infrastructure that improves the enabling environment) but could undermine it by financing government expenditures that would crowd out, rather than crowd in, private investment. And in both the short run and longer run, efforts to deal adequately with the “nexus issues” are essential to raise “green” savings, which in turn are needed to finance a more adequate level of private investment.

The behavior of all the variables shown in Table 5.8 has been discussed elsewhere in this report. But by pulling these key indicators together, attention is focused on how serious is the problem of putting Ghana’s development on a more sustainable path. These indicators point to a potential “sustainability crisis,” which should command the urgent attention of government and donors alike. The indicators may also usefully serve as key long-term target variables to be monitored at the highest levels.

Annex: projected vs. actual values for selected macroeconomic variables

The following charts compare how actual outcomes (in terms of the behavior of some key variables) compare with the values targeted/projected in the several country program and strategy papers described in Chapter 2. These comparisons serve to facilitate “efficacy analysis,” which focuses on the extent to which the Bank’s (and government’s) policy and output objectives were achieved.
Notes

1. See especially text tables and annex for evidence underlying these and similar assertions.

2. Even if the agricultural growth rate is higher than Bank data indicate, it is unlikely that the growth has reached the rates targeted; more seriously, the trends in agricultural productivity and in environmental deterioration are the most worrisome.

3. This was clearly the case, for example, with the Structural Adjustment Institutional Support Project, which tended to be regarded (including by the PCR) as more successful than the facts warranted, probably at least in part because of that project's association with the successful first two structural adjustment operations.

6. Conclusions and recommendations

We need longer time horizons. Even the CSP/CAS has a short-term horizon.

—Senior Bank official

We need to define better [in our country assistance strategies] what we need and want to hold ourselves accountable for.

—Bank director

Overview

In order for the Bank’s assistance to Ghana in the years ahead to be as relevant, efficacious, and cost-effective as possible, this report recommends that the Bank rethink some of its priorities; give more attention to institutional development, economic governance, and sustainability issues; redefine some of its comparative advantages; reformulate its performance indicators; and refine its process of country assistance strategy formulation.

The Bank’s strategy and instruments were effective, in the 1980s, in helping the Ghanaian government to stabilize, liberalize, and rehabilitate a moribund economy in crisis. Particularly in the mid-1980s, the Bank’s program of assistance to Ghana warrants high ratings for the relevance of objectives, efficacy of implementation, cost-effectiveness, and staff performance. The Ghana government warrants a high rating for borrower performance during those years.

In recent years, however, the performance on both sides has been more mixed. Progress has continued in getting the prices right, in rehabilitating the infrastructure, in rationalizing the revenue structure, and in public investment programming. These are areas where both the government’s and the Bank’s strengths and comparative advantages can be built upon.

Performance has however been disappointing in private sector development, privatization (at least until 1994 when more privatization activities were launched) and public enterprise restructuring, civil service reform, expenditure control, agricultural development, educational achievement, environmental control, and institutional development.

Ghana’s agenda of unfinished adjustment is a long one and the prospects for sustaining a satisfactory rate of per capita growth and poverty alleviation are uncertain. Agricultural growth remains well below what is feasible (and may well be no better than the rate of population growth), private savings and investment rates remain extremely low,
educational testing results in the primary schools are very low, and there are serious environmental problems. This being the case, proclaiming Ghana to be a “success story” may not be accurate nor in the country’s best interest.

**Key strategic issues**

The objectives and instruments of the Bank’s country assistance strategy for Ghana today are not so well adapted to current conditions as they were in the 1980s. The hardest parts of Ghana’s adjustment agenda are yet to come, and the objectives and instruments have to be adjusted accordingly. More urgent attention needs to be given to several longer-term issues if the growth and gains achieved are to be sustained, or accelerated. The binding constraints are on the institutional and managerial side.

Key issues that need to be more explicitly addressed in the Bank’s country strategy are: What can the Bank do to improve the sustainability prospects? And what pace of change, on which key fronts, is needed to minimize the risks that Ghana’s progress will not be sustained? Most of the truly important issues (as distinguished from the urgent issues that tend to command attention) can be called the “sustainability issues.”

Two main categories of sustainability issues are the “leading sector” and aid dependency. During the 1980s, recovery had to be public-sector and foreign-aid led. Aid-supported expenditures on infrastructure and social sector development can keep the growth going for a time. But sustained growth and poverty alleviation will depend upon a far more vigorous private sector response than has so far been achieved. Ghana’s heavy dependence on foreign aid also has its disadvantages, and the future strategy should provide for a reduction in this dependency.

The binding constraints and the prevailing political economy are now quite different from those in the 1980s, the latter being characterized by a transition toward democracy following elections in 1992 of a civilian government under a new constitution. The current challenge for the Bank is how best to help Ghana manage a transition to a more sustainable path while a transition to democratic political forms and processes is underway. The sustainability of the political and social transitions depends partly on how the economy fares, and vice versa. The Bank’s strategy must consequently be a “political economy” strategy.

A new strategy should be based on a shared vision of what kind of society the Ghanaian government and people wish to bring about. It should be a central role of the Bank to help Ghana elucidate the options, and then to forge the needed new instruments and institutions. If in the 1980s a main thrust of the strategy was to “get the prices right,” a main thrust for the 1990s should be in helping Ghana to “get the institutions and economic governance conditions right.”

The new strategy also needs to accelerate the pacing and revisit the sequencing of future policy and program actions in the light of the failure of the current strategy to foster the needed private sector response or to raise agricultural productivity. One of the report’s conclusions is that unless Ghana’s adjustment strategy becomes less “gradualist” than in the past decade, growth may slow down to the extent that political and social stability would be endangered.

Two critical issues are how to stimulate the needed private sector response and how to reverse the declining productivity in agricul-
ture without harming the environment. The trends in several environmental indicators (for example, deforestation, declining soil fertility resulting from shortened fallows) need to be reversed.

The government strategy (as of 1994) was still based on continued gradualism in adjustment, including civil service reform, privatization, public sector restructuring, agrarian reform, and family planning. This gradualism was facilitated, during the last decade, by the substantial aid provided by the donors, especially in the form of quick disbursement policy, much of which financed current expenditure. And as noted earlier, the gradualist strategy did lead to growth although not necessarily of a sustainable nature.

But the binding constraints have changed. What is needed now is a strategy that achieves a breakthrough in the investment climate and business environment, and improves the confidence of private sector investors and actors. Lack of confidence now appears to be the binding constraint to private sector development. Accelerated programs of privatization, administrative reform, and “right-sizing” of government appear to be sine qua non of increased confidence by the private sector that Ghana’s increasingly market-friendly policies are unlikely to be reversed. Accelerating adjustment will undoubtedly be difficult in the face of the developments on the democratization front that may tend to slow decision-making, but it appears as a necessary condition for sustainable growth.

The Bank has a well-established comparative advantage in helping Ghana to correct its distorted macroeconomic and sectoral policies and to rehabilitate its infrastructure. The Bank now needs to further develop and improve its capabilities and change its comparative advantages to become more effective in key areas where its past assistance has been least effective, such as in fostering private sector development (an area in which the IFC needs to play an increasingly active role, including through the African Enterprise Fund), in promoting institutional development and capacity building, in helping the government to become smaller and more efficient, and in elucidating policy analyses and options to promote widened and more enlightened public debates on key policy issues among constituencies formerly excluded from such debate and decisionmaking.

Recommendations

The main recommendations that flow from these findings and conclusions are as follows.

For the design of Bank strategy:

- Focus the strategy on sustainability, institutional development, and economic governance.
- Monitor performance against specified sustainability and micro-level indicators.
- Develop a “nexus strategy” and sectoral action plans.
- Make the strategy “more strategic” and longer term.

For achieving objectives:

- Build on Bank comparative advantages (ESW, policy dialogue, aid coordination).
- Reach out, and listen, to broader constituencies within and outside Ghana.
- Focus the dialogue(s) on hard choices and options.
Develop a more strategic approach to institutional development and technical assistance.

Get at the root causes of inadequate expenditure management.

Do not oversell Ghana as a success case.

Beware the downsides of aid dependency.

Develop new aid coordination policies and practices.

For making Bank instruments and processes more effective:

Get in-house ownership of, and accountability for, the Bank’s own strategy.

Put more “evaluation” into country assistance strategies.

Change the skill mix of staff to better meet the skill requirements of the strategy.

Reassess the mix of Headquarters vs. Resident Mission assignments.

The remainder of the chapter expands upon these recommendations and their rationale. None of the recommendations is directly contrary to the Bank’s current strategy, and for most it may be even said that “the Bank is already doing that.” But the outcomes to date described in Chapters 3-5 suggest that additional movement in the recommended directions is still warranted.

Design of Bank strategy

Focus the strategy on sustainability, institutional development, and economic governance.

Ghana has been doing well by some criteria but not in terms of several “sustainability indicators.” More attention to sustainability will itself imply giving priority to relieving those institutional and governance constraints that are now the binding constraints to private sector development, which is necessary to maintain growth and to achieve the ultimate objective of poverty alleviation.

The Bank’s current strategy focuses on portfolio implementation and private sector development. The emphasis on implementation is appropriate insofar as implementation capacity has replaced policy distortions and resource scarcity as the binding constraint to public investment and to the cost-effective delivery of crucial public services. So far, however, Ghana’s (and the donors’) approach to capacity building has emphasized the supply side (increasing the volume of skills through more donor-financed training programs) and has neglected the demand side, that is, the institutional context and governance conditions that determine how effectively capacities are utilized.

Ghana’s underutilized human capacities and the poor “ethos of the bureaucracy” are arguably more important constraints to the effective functioning of government than the scarcity of skills per se. A strategic emphasis on institutional development will therefore serve to focus attention on the binding constraints to better public sector management, as well as to private sector development.

Ghana’s overstaffed and poorly functioning public administration and parastatal enterprises are impediments to private sector development in several ways: through financial crowding out, through the “unlevel playing field” between public and private firms, through de facto monopolies, through rent-seeking, obstruction, and harassment by public officials, through the inefficient delivery of infrastructural and other public
goods and services, and through the "signal" sent that statist or populist policies and intimidating practices are not yet permanently relegated to the past.

This review therefore recommends that the Bank strategy pay more attention to these and other "behavioral" and political economy dimensions of Ghana's development, including the factors that give rise to the values and attitudes of the principal actors on the economic scene and how they interact with each other. The focus on institutional development, governance, and sustainability will help to ensure that these behavioral dynamics are taken into account. One example in shifting the public/private line would be to explore more "populist" approaches to privatization (for example, vouchers, lotteries) that take into account Ghana's legacy of Nkrumahism and prevailing fears of change in ownership. Another example would be to analyze more explicitly the prospective winners and losers from the next steps in the adjustment agenda, and adjust the strategy accordingly.

Both the pacing and sequencing of future policy measures need to be analyzed in a political economy context. It is often said by Bank staff, for example, that Ghana's political reforms, involving a greater role for the Parliament, may slow decisions and actions in the short to medium term. But insofar as these broaden ownership and improve the prospects of sustainability, they will serve to accelerate development in a longer run. The Bank needs to more explicitly build the analysis of such factors into its country assistance strategies.

- **Monitor performance against sustainability and micro-level indicators.**

Key indicators of the sustainability of growth and poverty alleviation include: fertility rate; productivity growth and structural change in agriculture; total and private domestic savings rates; "genuine" savings rate; private investment ratio and annual rate of private investment growth; export growth rate, especially of nontraditional exports; primary school enrollment rate and criterion reference test scores; and the government revenue to GDP ratio. Trends in these indicators are not encouraging.

The Bank recognizes that there is a close relationship between governance and sustainability. Hence, the sustainability indicators should include a subset of governance indicators to complement the more traditional economic ones. Relevant governance indicators would include: the predictability, openness, and competence of policymaking; the professional ethos of the bureaucracy; accountability of the executive branch of government; participation of civil society in public affairs; rule of law; and incidence of civil disturbances. Given the low productivity in the public service and the link between the "ethos" and the productivity of the civil service, the government might wish to institute periodic attitude surveys of civil servants to monitor progress in developing the needed "ethos."

The Bank's country assistance strategy needs to pay more attention to the implications of movements in these indicators and to what the Bank and other donors can do to help improve the indicators.

This study has emphasized the importance of monitoring performance at the micro as well as macro level. In education, for example, the performance of the educational reform program appears satisfactory when measured by expenditures on education, or growth in enrollment. But at the micro, classroom level, recent criterion reference test results suggest that little learning is hap-
pening in the classroom. The need for timely micro-level monitoring should be recognized in all sectors.

The "sustainability indicators" can usefully serve both to focus the dialogue on key strategic issues, options, and trade-offs and to provide benchmarks for judging the extent to which the Bank’s assistance strategy is succeeding or not in achieving its most important objectives.

However, because most of the sustainability indicators shown in Table 5.8 are essentially “outcome” indicators (as distinguished from “policy” or “intermediate” indicators), they are not recommended as “triggers” for the determination of Bank (or other donor) lending levels, at least not in the short run. Other indicators that monitor specific governmental policy or programmatic actions are better suited to that purpose.

Over a medium-to-longer term, sustainability indicators may be relevant as "development effectiveness" indicators, since one might expect some correlation between the level of donor assistance and the country’s performance as reflected in the sustainability indicators. But the level of Bank lending should take into account many other considerations such as the country’s absorptive capacities and the levels and types of financing available from other official and private sources.

- **Develop a “nexus strategy” and sectoral action plans.**

Enhanced attention to institutional development, governance, and sustainability issues should be built into sectoral strategies. The process used in preparation of the medium-term agriculture strategy could serve as a model collaboration so as to ensure government and stakeholder ownership.

The strategy should address the linkages between rapid population growth (3.0 percent per annum, with a total fertility rate of 6.1), slow agricultural growth, declining agricultural productivity, and environmental deterioration. The poor in Ghana are disproportionately rural and located in the northern region, where the nexus problem is most pronounced. Dealing with the linkages is therefore critical to the poverty alleviation strategy. It is also critical to the avoidance of tribal strife such as occurred in the northern region in February 1994—which appears at least partly attributable to the growing scarcity of fertile land and consequent tensions over land rights. The linkages or “nexus” issues have been relatively neglected over the years by both the government and the Bank, and should be addressed in future strategies.

Ghana elected not to participate in the UNDP-financed program to assist African countries in developing their own national long-term perspective studies (the NLTPS program). This was a surprising decision. The Bank should urge the government to get into the NLTPS process—or something equivalent—involving debates among constituencies regarding Ghana’s long-term development options.

- **Make the Bank’s strategy “more strategic” and longer term.**

The Bank’s current country assistance strategy papers have their origins in CPPs and CSPs that tended to be “advocacy papers.” In those earlier documents, regional staff and managers typically made a favorable case—within some bounds of credibility—for each country’s aidworthiness, creditworthiness, readiness to pursue appropriate policies, and ability to absorb and use effectively both Bank loans and nonlending resources. Projections were required by Bank
operational directives to represent “most likely” outcomes, but in practice the projections tended to reflect several optimistic biases; the Ghana CPPs/CSPs shared these biases.

The country assistance strategy documents of recent years are more in the nature of true strategy documents than the early CPPs and CSPs, but they could and should be made “more strategic” if they are to address head-on questions such as: Which long-term and short-term constraints are most binding? What are the critical “sustainability issues,” and what can donors do about them? Which risks can be managed and which cannot? How are lessons of past experience being heeded? What “critical masses” of Bank/donor lending and nonlending services can improve the prospects of getting significant “breakthroughs” on the binding constraints? And what are the Bank’s comparative advantages in assisting Ghana? Future strategy papers should focus, more so than in the past, on assessing risks and on elucidating options (especially regarding risks to be taken or avoided) for the Bank’s senior managers and the Board.

Strategy papers should also focus more on elucidating options for the Bank’s senior managers and for the Board regarding the various types and levels of risk that may or may not be warranted. This is not the same as presenting high and low lending scenarios contingent upon the country’s adopting more or fewer reforms, or improving its absorptive capacity by more or less.

The strategy should also assess whether there are possible “critical masses” of Bank lending and nonlending services that can and should be mobilized and concentrated upon getting “breakthroughs” on the country’s binding constraints. Above all, sharpening the strategic focus has to do with priority setting, realism about what the Bank can accomplish in both the short term and longer term, defining appropriate leadership and supporting roles, and pursuing the Bank’s comparative advantages vis-à-vis the government and other donors.

Achieving objectives

- Build on Bank comparative advantages.

Many donor representatives interviewed for this study felt that the Bank’s greatest strengths and its comparative advantages vis-à-vis other donors lie in the areas of ESW and ESW-based policy dialogue, “macro level” aid mobilization and coordination, and adjustment lending. There was also a majority view that the Bank has been least effective in projects and policy dialogue involving institutional development (including free-standing technical assistance projects and technical assistance components) and in rural projects. These responses were broadly consistent with this report’s reviews of project performance and the efficacy of other instruments.

But in specific projects and activities “the Bank” is mainly the set of individuals that represent the Bank at any particular time and place, and efficacy depends greatly upon individual skills. Thus, for example, some Bank Resident Mission heads were seen to have been highly effective at policy dialogue while others were less so. Bank staff having similar or identical titles come with highly varied experiences and skills. A lesson of experience is that great care needs to be taken to fit the right persons to the right jobs, on a case by case basis, especially in the case of Resident Mission staff and above all in the case of the head of the Mission.

Insofar as the binding constraints have changed from those where the Bank has been
most effective to those where it has been least effective, the Bank needs to focus on ways to overcome its relative weaknesses as well as to build upon its established strengths. (See also below on changing the skill mix.)

- Focus the dialogue (and related ESW) on hard choices and options.

This report concludes that Ghana’s unfinished agenda of reform needs to be implemented more expeditiously in the near future. There is, however, some tension between the goals of rapid implementation and Ghanaian ownership, probably best exemplified in the area of public service reforms. This tension reflects in turn the government’s multiple objectives—social and political as well as economic—objectives that are sometimes complementary, sometimes conflicting.

It follows that the government/Bank dialogue should be focused largely on the hard choices and options, and that Bank ESW (or more appropriately, joint government/Bank ESW) should be geared to illuminating the trade-offs and elucidating the options. The government cannot be compelled to deepen and accelerate implementation of its unfinished agenda of adjustment, or to give greater priority to the sustainability issues. The lesson is clear that conditionalities imposed on unwilling and unpersuaded governments are often futile, if not counterproductive. The “tension” between the needs for ownership and accelerated actions needs to be addressed through ESW and dialogue geared not so much to presenting the Bank’s prescriptions for action as to assessing implications of alternative courses of action—including the likely adverse implications of too-gradual action.

Thus, the Bank’s response should be an active one that serves to make the diagnostics and prognostics so compelling that there emerges a shared perception of problems and needed solutions that will warrant Bank financial and technical support.

- Reach out, and listen, to broader constituencies within and outside Ghana.

At present, there is excess demand in Ghana for information on the economy, and especially for assessments of policy and program options/alternatives. Official documents, including those of the Bank, currently have a very restricted circulation and few people, even within the government, have seen a policy framework paper. This demand will grow with the transition to democracy, with a new Parliament, local assemblies, and other constituencies with responsibilities and accountabilities whose fulfillment depends on better information about the economy.

The Bank should play an important role in helping to meet this demand by disseminating reports and encouraging the government to discuss Bank and jointly authored reports with broader audiences. Within tight ESW resource constraints this may require fewer studies and more “outreach” functions. But many Ghanaians in government and in the private sector indicated that what they most want is for Bank reports to discuss policy options, and the pros and cons of those options, to inform public debate—not have Bank staff disseminate and defend prepackaged messages.

Thus, the outreach should be a two-way street, and involve more listening by Bank staff to views and concerns of Ghanaians, and others. Bank reports could gain by citing more non-Bank sources, including serious critics of the Bank. Annotated bibliographical references in Bank reports would be a useful way of alerting readers to this substantial non-Bank literature.
There has been a great deal of collaboration in recent years between Bank staff and Ghanaians (academics and consultants as well as government officials) in producing major studies such as "2000 and Beyond" and the medium-term agricultural strategy. This collaboration has generally been fruitful. Other donors have collaborated in preparing public expenditure reviews and other studies. This collaboration often results in longer production times, and sometimes in compromises that Bank staff are uncomfortable with. While no rigorous study of the costs and benefits of these collaborative efforts could be made, anecdotal evidence strongly suggests that such collaboration, although sometimes costly in the short run, is likely to be cost-effective in the long run.

- Develop a more strategic approach to institutional development and technical assistance.

Ghana lacks a coherent strategy for civil service and parastatal sector reform and it is a matter of highest priority for the Bank to assist in formulating it. The strategy should recognize that the "root causes" of the problems (overstaffing, low productivity, rent-seeking behaviors, lack of motivation) may lie in the environment and governance frameworks in which the institutions function.

A related need is for better coordination of donor policies and practices on technical assistance, much of which is ineffective. Attention needs to be given in particular to minimizing the "negative externalities" of many technical assistance projects. These externalities include distortions in incentive structures due to the multiple scales of donor-financed salary supplements and by the nontransparent way in which technical assistance-financed benefits (vehicles, external training, appointments to advisory groups or task forces, and so on) are allocated. Another distorting factor has been the dominance of short-term, product-, and event-oriented objectives over longer-term objectives that are more "process oriented" and geared to institutional development, capacity building, and learning-by-doing. The Bank should encourage the government to convene a local consultative group to focus on these issues and to come up with an agreed action plan.

- Get at the root causes of inadequate expenditure management.

A major cause of slow project disbursement/implementation has been the non-availability of counterpart funds, a problem that stems more from inadequate expenditure management (loose correspondence between budgeted and actual expenditures due to weaknesses in Ghana's budget execution, accounting, and monitoring systems) than from revenue shortfalls. This has been raised at successive country implementation reviews that have concluded with assurances that the underlying problems would be addressed. At the same time, the Bank has relaxed its requirements that the government finance increasing shares of local expenditures, over time, on several projects. This was an expedient response to the problem of slow project disbursement, but went against sustainability and accountability objectives. It is recommended that no further compromises of this type be made with the sustainability objectives.

A recent public expenditure review has focused on the expenditure control problems, and the government is reportedly preparing a strategy and action plan to address them. The Bank and other donors should give high priority to ensuring that the necessary actions are taken without delay.
Do not oversell Ghana as a success case.

The Bank has often proclaimed Ghana to be a case of successful adjustment, and put it forth as an example to other African countries. This has served a useful purpose, but it may have contributed to some slackening in Ghana's own efforts from around 1989. While the Bank certainly did not intend to send a message to the authorities that they could rest on their laurels, a substantial number of Ghanaians (as well as non-Ghanaians) interviewed suggested that the effusive praise of Ghana by the Bank had some such effects. This report could not attest to the validity of these perceptions. Nevertheless, given the large unfinished adjustment agenda and the challenge of making the gains sustainable, the possible costs of overselling Ghana as a success case should be borne in mind when the Bank uses Ghana as a model of success in its external relations activities.

This report does not purport to proffer specific guidelines for putting this injunction into practice. The main general guideline is that Bank staff and managers need to consider not only (a) the real benefits of giving credit where credit is due (as it has been to the Ghanaians for their considerable achievements) and of pointing out to the other African countries the benefits that adjustment has brought to Ghana; but also that (b) there is a potential downside to giving rise to perceptions that the Bank is oversrepresenting Ghana as a success case, as that may have adverse effects on Ghana's resolve and/or the Bank's credibility.

Beware the downsides of aid dependency.

This report has flagged several aspects of Ghana's dependency on foreign aid. At the macroeconomic level, aid levels are high, as measured by aid as percentages of GDP, savings, or import capacity. Negative effects may include 'Dutch disease,' donor-driven agendas and budgets, and distortion of behaviors. But there are no clear-cut criteria for judging how much aid is enough, too much, or too little. From the government's standpoint, given that aid is available on highly concessionary terms, there is incentive to maximize the flow, even if the rate of return on the additional resources is low.

The Revised Minimum Standard Model framework has been a standard tool used by Bank staff for estimating resource requirements and the "financing gap." To the many familiar shortcomings of using an accounting consistency model as a normative instrument, it may be added that estimating the "foreign exchange gap" is now less relevant to Ghana because of its floating exchange rate. Attention should be put instead on the consolidated public sector deficit. But with big gaps in information, departures from efficiency in expenditure, and poor correspondence between budgets and expenditures, a "resource requirement" approach to determine the "right level" of foreign aid is not very helpful.

The more useful approaches are micro and sectoral, and involve the identification of ex post and ex ante rates of return on actual and prospective projects, taking account of limited implementation capacities. Ghana has been fortunate in having enough external financing resources to be able to push its absorptive capacities to the limit. But the record of declining project implementation and slow disbursement on donor projects points to the conclusion that this limit has been passed in some areas.

The project-level impacts and the "behavioral aspects" of the aid flows discussed in this report suggest that the Bank (and other
donors) should (a) define the trajectory along which Ghana's high aid dependence will be reduced; and (b) treat the dependency effects of aid as costs, including for example costs of delays in undertaking civil service and parastatal sector reforms that might have been forced by a lesser availability of aid. Donors also need to pay more attention to the behavioral dimensions of the dependency.

- **Develop new aid coordination policies and practices.**

This report concludes that a lack of aid coordination is more of a problem than the government, the Bank, or other donors perceive it to be. Annual Bank-led Consultative Group meetings were particularly useful in the mid-1980s in providing a forum for Ghanaian and Bank advocates of larger aid to make their case. These and subsequent SPA meetings (the latter not attended by Ghanaian representatives) have remained as useful aid mobilization forums. But they do not serve much as instruments of aid coordination.

True aid coordination (that is, coordination that focuses on improving the quality of aid) takes place through a few local groups organized by sector; these are rated (by the donor representatives) as having mixed success. Costs are low but benefits are hard to assess. Several donors want these groups to be made more effective, but specific proposals for how to do so seem to be lacking. The Bank could usefully play a more proactive role in developing such proposals, without necessarily infringing upon the inclinations of other donors to playing leading roles in sectoral coordination.

Progress has been made, including through the SPA, to harmonize procedures for import finance and to untie some aid. But there remain problems of differing donor standards for procurement, disbursement, accounting and reporting, paying of salary supplements, and so on. Overproliferation of projects and project management units and of donor missions overextend the government and make it too donor-oriented—a manifestation of the dependency syndrome remarked above. These concerns and issues add up to an “aid coordination problem.” The sheer size of aid and the large presence of the donors makes aid coordination quality control important. The overarching issue is to make the totality of resources, Ghanaian and aid-financed, as productive as possible.

**Making Bank instruments and processes more effective**

- **Get in-house ownership of, and accountability for, the Bank's own strategy.**

One of the more surprising findings (from statements made by Bank staff and managers) of this study is that there was weak in-house ownership of the Bank country assistance strategies articulated in the 1990 and 1993 country strategy papers. Ownership of the 1985 CPP seems to have been greater. The Ghana country team was particularly cohesive in the mid-1980s but has been somewhat less so since then. The large turnover in Bank managers and senior staff since the 1987 Bank reorganization has been disruptive to both strategic continuity and in-house ownership.

The lack of ownership of the last two CSPs stems partly from the fact that they were prepared in the Country Operations Divisions, and reflected views and preferences not fully shared by sectoral staff who were invited to comment on draft CSPs but felt that their comments were not much heeded. Also, one division chief remarked of the
1990 strategy paper that "the CSP strategy was endorsed by senior management one day but the next day it was back to business as usual." At the time, this meant giving higher priority to getting new projects launched than to getting ongoing projects implemented satisfactorily.

The gap between officially sanctioned strategy and implementation reflects not only that some staff responsible for its implementation may not "own" the strategy, but also that there were no processes to ensure accountability at the country strategy level. The only formal mandated monitoring of actions and outcomes was the provision that each CSP should review recent performance in light of the previous CSP's objectives. Such review sections, however, tended to be short and perfunctory (not just in the Ghana CSPs), and so the monitoring and accountability mechanisms remained weak.

The Africa Region recognized the need to build better in-house ownership of the 1994 country assistance strategy and used a more participatory process in preparing it. The Region notes that a new role of country teams in strategy formulation is improving the process and providing more sectoral and institutional focus to the strategy. It may nevertheless be useful to conduct periodically some kind of in-house survey to assess how much of a "CAS ownership problem" persists in the Region, and to determine what more could be done to solve that problem. The responsibility of Bank managers and staff to adhere to the approved strategy, and to be accountable for outcomes, is now enhanced by the Board's role in defining the mechanisms for monitoring and accountability of CAS documents. The Regions should, however, propose to the Board, as part of each CAS, what results from the Bank's strategy should be used as performance indicators. These results would normally be in the form of movements in key indicators, for example, of portfolio performance, actions to improve aid coordination and ESW dissemination, and so on. The adoption of such performance indicators should not however imply a reduction in the flexibility needed by Bank managers to manage effectively.

Increased accountability for country strategies implies a need for the country assistance strategy to be frank and forthright about the risks inherent in the strategy, and how it proposes that these risks be managed—if in fact the Bank can do anything to manage the risks. This path would allow the Board discussion of CASs to focus on which risks the Board thinks the Bank should take, how risks should be minimized or managed, and, given these risks, what results should the Regions be accountable for.

- Put more evaluation into country assistance strategies.

A corollary of the above recommendation on accountability for Bank strategy implementation is that CASs should contain a more substantial section on self-evaluation of the Bank's successes and failures in achieving the targets/objectives of the previous strategy paper. The section should make clear which assumptions underlying the past strategy paper proved right or wrong (and the reasons) and how lessons derived from evaluating the past strategy have been applied to the proposed current/future strategy. In addition, it would be desirable for the Bank and the government to conduct ex post evaluations of the CAS in a similar way to that of project evaluations (through implementation completion reports).

- Change the skill mix of staff to better meet the skill requirements of the strategy.
The strategy shift of the 1990s and the changed political economy in Ghana imply a need to change the skill mix of those responsible for designing and implementing the strategy. The appropriate mix of skills and experience to enter into dialogue with a few technocrats at the center of government about exchange auction systems in the mid-1980s is not the same required to enter into dialogue with tribal elders in rural areas about local-level governance and institutional issues. Understanding the systemic problems that hinder the effectiveness of institutional development/technical assistance projects, and the interactions of interest groups involved in private sector development, is a challenging task. And it takes special skills to engage in participatory poverty assessments and to dialogue with new parliamentarians about options for solving "nexus" problems. Yet these are among the skills that will be needed to deliver what the new challenges require. Recruitment, retrenchment, and retooling criteria need to be adjusted accordingly.

If the strategy were to be focused especially on the institutional development, governance, and sustainability issues as recommended, this would put a premium on staff and consultants with considerable field experience, private sector or NGO experience, private sectoral managerial experience, and institutional development skills. The increased emphasis on dissemination, outreach, and listening would also call for staff and consultants with attributes relevant to performing those functions most effectively.

- **Reassess the mix of Headquarters vs. Resident Mission assignments.**

The above strategy would constitute a significant change in the Bank's modus operandi, with a premium put on field skills and understandings based upon field experience. The new priorities would also seem to call for a shift in favor of staff in the Resident Mission vis-à-vis Headquarters.


Development Assistance Committee. (1986). Aid for Improved Development Policies and Programs and Implications for Aid Coordination. Paris: DAC.


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Introductory note

Feedback of evaluation results within the World Bank

Each study by the Bank's independent Operations Evaluation Department is reviewed by the Bank's management before being discussed by a committee of the board of executive directors. Management provides a detailed response to the recommendations outlined in the study. This response is discussed by the committee and, together with a record of actions promised and taken, is recorded in a "policy ledger" accessible to all Bank staff. The Bank's executive directors have requested that all published studies by the Operations Evaluation Department include a synopsis of the management response and the committee's findings.
Management response

Bank management, responding to the study, agreed that Ghana's policies should seek to encourage private sector growth by accelerating privatization, increasing competition in the financial sector, liberalizing the cocoa and petroleum sectors and sustaining macroeconomic stability; support institutional development by improving public expenditure management and restructuring the public service; and promote agricultural growth while protecting the environment. As to OED's recommendation that the unfinished adjustment agenda be implemented faster, management noted the tension between the goals of rapid implementation and Ghanaian ownership. The Bank plans to support measures that government itself develops for public service reform, provided they can be expected to achieve the goal of a leaner and more effective public service: this strategy is consistent with supporting a program that is both Ghana-owned and sustainable. On consultation with broader constituencies, management noted its plans for public dissemination of the results of the Bank's economic and sector work, and for supporting workshops for parliamentarians and the public at large. On public expenditure management, management noted that a financial management technical assistance project now in preparation will support implementation of expenditure monitoring and accounting systems in 16 ministries. On aid dependency and coordination, management noted that donors' impact and influence on government's choices remains large, even if declining. The government now coordinates aid in some subsectors, and it led the development of the public expenditure program which has become the basis for all donor support. Future Bank economic and sector work will examine the potential for reducing aid dependency. As to the skill mix of Bank staff, management noted that it is paying special attention to institutional development skills in its recruitment policy.
Committee on Development Effectiveness (CODE) response

The Committee on Development Effectiveness of the Bank's board of executive directors discussed the study on July 5, 1995. Members highlighted the following issues: the need for greater borrower participation in preparing the Bank's country assistance strategies; differences between management and OED on the proper pace of institutional development; aid dependency and ways of improving domestic resource mobilization; ways to strengthen aid coordination; and the need to be realistic about the time needed to implement reform programs and achieve sustained supply responses.

Noting that many of the findings, conclusions, and recommendations could usefully be applied to other countries and regions, the committee subsequently sent the Bank's President a list of generic issues for discussion. These included:

- the Bank's propensity to underestimate the time required, especially in countries with weak institutional capacities, to implement reform programs and achieve sustained supply responses;

- the need for country assistance strategy to reflect the country's political economy;

- the need to consider costs as well as benefits of rapid trade liberalization, to design programs flexibly, and to monitor their effects so as to enable mid-course corrections;

- the need for advice and support in the financial sector to address root causes, not just symptoms, of problems;

- the need for an adequate method of defining and measuring the minimal acceptable degree of "ownership" needed for success in individual operations, and for consistent, thoroughgoing efforts to promote partnership and borrower participation in Bank operations;

- the need for high quality, judiciously timed, economic and sector work and for thorough analysis of proposed operations;

- skill mix, staffing, and work location issues.
The committee also asked the Director General, Operations Evaluation, for a summary of OED findings on the need to broaden the Bank's skills mix, and the desirability of greater involvement by resident missions in the Bank's operational work. That summary was delivered to the committee on July 26, 1995.
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