1. Ghana has made significant progress over the past 13 years under the economic reform program (ERP). The ERP introduced profound policy changes, such as a market-determined exchange rate, removal of price controls and down-sizing of the work force in government and state-owned enterprises. These changes paid off in increased investment, five percent annual economic growth, and lower inflation.

2. Despite substantial progress, there is growing frustration among Ghanaians and their development partners at the pace of economic growth in the 1990s. Even if the gains from economic growth were evenly distributed -- and they are not -- five percent per year would still fall short of the growth Ghana needs to raise living standards on a sustained basis. With population growth rates of 3 percent, per capita incomes are rising by 2 percent annually. I believe that Ghana has the potential to improve these indicators.

3. OED’s 1995 “Ghana Country Assistance Review” recommended that the next Ghana CAS should give higher priority to the nexus between rapid population growth, declining agricultural productivity, and environmental deterioration. I do not believe this CAS goes far enough in dealing with this urgent agenda.

4. With regard to the macroeconomic issues, I agree with the Bank’s strategy for Ghana, and share the staff’s assessment of Ghana’s prospects and risks. Ghana’s track record, notably over the last five years, illustrates the importance of maintaining sound macroeconomic management, and I commend the authorities for keeping it at the top of their agenda.

5. However, efforts to increase private sector investment, reduce inflation and raise national savings will be inadequate if the government continues to rely on heavy domestic borrowing and monetary policy. Government deficit spending has crowded out the private sector and hampered its ability to finance business development and expansion. Fiscal responsibility and support for productive investments must be the key messages from the donor community if Ghana is to achieve its goal of middle income status by the year 2020.
6. The agenda for increased economic growth is challenging: Ghana must double the GDP growth rate; exports must grow from the current USD1.5 billion to USD16.3 billion; and domestic savings and private sector investment must increase four-fold.

7. I am concerned, not with the direction, but with the rate of economic progress in Ghana. The strong record of growth since 1983 in services, mining, construction, cocoa and timber is blemished by weaker performance in food production and manufacturing. Agriculture, which accounts for 40 percent of GDP and 70 percent of the labor force, has failed to keep pace with population growth. Manufacturing output increased rapidly in the early years of the ERP, as inputs became available and capacity utilization increased. However, growth in manufacturing GDP has been only 2.3 percent between 1989 and 1995.

8. Ghana's economic future depends on its ability to participate in global markets which will provide employment, profits and opportunities for Ghanaians. A major focus on restoring macroeconomic stability, fiscal discipline and promoting export diversification and competitiveness are critical elements of a sustainable policy agenda.

9. A balanced investment rate of 25 percent of GDP or more is needed to achieve GDP growth rates of 7 percent and higher (prerequisites for middle-income status in 25 years). Recorded investment was only 18.6 percent of GDP in 1995, of which a mere 5.5 percent was by the private sector.

10. I commend the authorities for their focus on trying to attract investment, particularly the high-profile public outreach efforts to seek foreign investment. I am pleased by the full integration of IFC's activities in this CAS and the complementarity between Bank and IFC activities. However, I was particularly struck by the CAS discussion of Ghana's unfinished investment reform agenda. The effort to attract investment will be more effective when, in addition to restoring macroeconomic stability, the authorities squarely address the remaining issues on the investment reform agenda.

11. I question the Bank's efforts to promote a private sector-led Gateway project, which was designed to finance large scale infrastructure activities. The Bank has placed a great deal of energy in promoting the Gateway project. I understand that the project has not taken off, much to the disappointment of the public and private sectors. I raised a concern about such a "free-zone" project in our recent discussion on IDA Guarantees. If the Government was more open to promoting an economy-wide environment conducive to a more robust private sector, would Ghana really need a "free zone" project such as this?

12. I commend the authorities for their commitment to further liberalize domestic marketing of cocoa. However, I share Bank staff's assessment that deferring liberalization of Ghana's cocoa exports will be costly to the rural sector. The CAS notes that poverty in Ghana is predominantly a rural phenomenon. Taking an historical perspective on Ghana's cocoa policy, I suspect that liberalizing the cocoa sector could have a significant impact on alleviating rural poverty.
13. The authorities’ decision not to liberalize exports appears to be motivated in part by concern over quality control. Such concern is well-founded, but argues for rising to the challenge of finding a quality control mechanism that would be consistent with private participation in cocoa exports. Over the medium to long term, Ghana’s efforts to improve the efficiency of the Cocoa Board will not achieve the results that allowing private participation would offer.

14. While other countries’ experiences with liberalization of major export commodities has been mixed, I encourage the Ghanaian authorities to keep an eye on developments next door in Cote d’Ivoire, where internal marketing has already been liberalized and export liberalization is expected soon.

15. To its credit, the GOG recognizes that macroeconomic stability is critical to the government’s long-term development agenda and that greater participation in the decision-making process is essential. I commend the participatory approach the GOG has taken to national dialogue on economic issues and the initiative of having the new Ministry of Communications carry out a program of “information, education and communication” on economic issues. I am also pleased that the Bank has begun to support the government in engaging civil society on economic issues and that the USG, through USAID, has been active in supporting and nurturing this dialogue.

16. I strongly support the Bank’s emphasis on capacity-building, particularly in the area of macroeconomic and fiscal management, to help Ghana make the difficult economic choices that lie ahead.

17. In addition to the focus on macroeconomic stability, the CAS appropriately emphasizes private sector and social sector investments, poverty alleviation and rural development.

18. I noted that better delivery of basic social services was established as a criteria of progress in the FY95 CAS. Non-wage recurrent spending on basic education and primary health services increased by more than 10 percent per year in real terms and multi-year sector expenditure programs have been developed. I am concerned about using such indicators as measures of success. Increased government expenditures for sub-par health facilities has significantly increased debt without a concomitant improvement in health sector services. A higher share of non-wage public expenditure on basic education and primary health services does not necessarily translate into better delivery of social services. How can we be assured that the increased IDA funding for education and health, as proposed in this CAS, will result in improved service delivery and that gender and regional inequities in service delivery will be corrected? Could staff elaborate on the reference made to monitorable indicators (page 23)?

19. Although I am pleased to see Box 5 on promoting gender equality, I am concerned that Bank action on this issue seems to be focused on provision of social services. Gender concerns have been dealt with only in the context of the health and education sectors. A proposed micro-finance intervention to provide better access to credit for women is also briefly mentioned.
Could Bank staff please report on the status of the gender strategy and explain how the Bank plans to assist Ghana in dealing with the gender inequalities that exist in the economy? What about the important linkages between gender and population growth rates? Will this issue be addressed in the gender strategy?

20. I was disturbed by the lack of attention in this CAS to population growth. Box 4 makes the strong link between Ghana's environmental problems and population growth. High population growth rates threaten poverty reduction. Addressing the unmet need for female contraceptives is briefly mentioned in Box 5, but the Bank’s role in addressing this critical issue unclear. Women’s health issues are the focus of the Health Sector Investment Credit. Does this include family planning services? What about the problem of female genital mutilation (FGM)? Some reports indicate that the FGM prevalence rate in Ghana is 30 percent and that 2.3 million women have been affected.

21. With regard to the environment, I was pleased to see that a planned new project will support biodiversity conservation, encourage reforestation, and enhance efficiency of the wood-processing industry. I was struck by the fact that Ghana has only 11 percent of its original forest cover and that timber continues to be a significant export for Ghana. In addition to the planned environment project, what projects are planned in the agriculture sector to expand diversification of agricultural exports? What is the status of the Agriculture strategy? Is diversification of agricultural exports a focus of the strategy?

22. I had hoped to see a discussion in this CAS of corruption, in line with the new Bank guidelines. I would not single out Ghana as a country with unusually grave problems in this area, but it does not serve Ghana’s interests to omit consideration of how the Bank might support the authorities’ efforts to mitigate the impact of corruption on its development prospects. I would appreciate staff comment on Bank efforts in this area.

23. I am concerned that an issue raised in the 1995 CAR is not adequately addressed in this CAS, i.e. excessive aid dependence. This CAS proposes a base case IDA lending amount in the US$430 to US$660 million range. This seems high for a country with a population of only 17.5 million. The proposed level of lending will not by any means help reduce dependence. I noted that economic work is planned to look at the issue of aid dependence in FY1999. What else is the Bank doing to address this dilemma?

24. Finally, I fully support the Bank’s plan to devolve considerable decision-making authority by appointing the Country Director in the field. This is a welcome development and one in which I am sure will improve ownership and client-orientation of the program.