The main challenges on the development agenda of the Government of Ghana are, in our view, to stabilize the fiscal balance, gain a significant increase in private investment and reduce poverty. The Bank Group’s Assistance Strategy for Ghana responds in an appropriate way to these challenges, and we are generally in agreement with the line taken in the strategy.

Poverty reduction and broad-based social and rural development remain of high priority in the CAS, and we fully support this. In this context we note that recent analysis of the Living Standard Surveys carried out in 1987, 1989, and 1992 appear to show that poverty has been reduced from approximately 37 percent to 32 percent during this period. This finding seems to rely largely on which base year is chosen and on how the differences in methodology are dealt with. Therefore poverty could have increased since 1992, and it would be of interest to learn the Bank’s view on this.

As far as targeted poverty intervention is concerned, it is suggested that public sector interventions are channeled - and supported through districts and sub-districts (area councils). This will enable locally-elected peoples' representatives to be involved in prioritization and implementation and to build capacity for long term accountability and checks and balances.

Consensus-building in relation to the Government’s and the Bank’s strategy is of great importance. Therefore, preparing policies, programs, and projects, need to involve all stakeholders. We are therefore concerned with the observation that in planning for the Economic Forum in early September 1997, the Government has not succeeded to invite the opposition in Parliament. Given the need for consensus on sensitive policy issues, such as VAT and increase in tariffs for electricity, this is worrying.

Corruption, by observers continued to be seen as a problem in Ghana, is not mentioned in the CAS, and governance issues in a broader context are also not addressed. We are, however, pleased to note that Ghana has achieved improved accountability and transparency. Nevertheless, it is required to strengthen public institutions, especially the Parliament and District Assemblies with better instruments and training to allow them to play their constitutional role as the peoples'
watch dogs. Implementation of the recommendations of the Auditor General would thereby be facilitated. Better management and control systems also could help to reduce expenditures without jeopardizing social expenditures.

Agriculture plays a dominant role in the private sector, and unless investments in agriculture and related rural production improve, broad-based growth to help reduce poverty will be hampered. The CAS is not very explicit when it comes to concrete measures aimed at improving agricultural production, food security, and nutrition. In the CAS it appears as if the private sector is identical to the "modern" private sector including manufacturing, telecommunication, power and large scale agricultural production of non-traditional exports such as pineapple, cotton, coffee, and rubber, thereby neglecting the traditional sector.

In the CAS it would be interesting to have an indication as to the level of Bank and Government investment (subsidy) in infrastructure, tax exemptions, etc., which are proposed to provide an enabling environment for manufacturing. This especially is of interest in relation to "free zones" and the level of Bank and Government investment in infrastructure and incentives (for example reduction in cocoa export tax) to promote agricultural production. It is noted that subsidies for agriculture, e.g., on fertilizer, are not planned.

Micro-projects for village roads and other infrastructure are, in our view, importance tools in order to enhance broad-based economic and social development in rural areas. However, we are not convinced that the Bank has a comparative advantage in financing and executing such projects. Implementing such projects should be linked to building local capacity and involving District Assemblies in order to obtain ownership and secure that maintenance is properly arranged for. In the case of the Bank's engagement in such projects we therefore find that projects should be implemented using local contractors (i.e. contractors working in the districts) rather than being lumped together for international competitive bidding. Information on the Bank's strategy in this respect would be of interest.

It is a concern that feeder roads construction under the village infrastructure project will be the responsibility of the Ministry of Agriculture. This seems to be out of line with the policy for feeder roads as adopted by the Ministry of Transport, and involvement of District Assemblies in these programs are important.

Regarding donor cooperation, it is stated in para. 56 that weekly heads-of-donor-agency-meetings are being held. However, according to our experience, heads of agencies meet monthly, and the World Bank is not always present. In this connection we welcome the strengthening of the Bank's Accra Office.

The CAS suggests that more lending is provided by the Bank if the Government pursues sound policies and less if fiscal performance falls short of the agreed macro-economic program. We agree that there is a need to give the Government a clear signal on this issue. In this connection it would be of interest to learn the Bank's comments on prospects that the domestic primary balance will not reach 3.5 percent in 1997.