

IDA AT WORK

Ghana: Aiming for Middle Income Status... But Will Oil Fuel Development?

With strong, broad-based economic growth for close to two decades, Ghana today has reason to be optimistic. The country has enjoyed two peaceful democratic transitions, with a strong civil society and media playing active roles. Ghana also remains on course to achieve the Millennium Development Goal of halving poverty by 2015, with economic growth averaging 6–7 percent since 2005.

Challenge

Yet, Ghana's economy is also facing some challenges, macroeconomic imbalances in particular, which need to be addressed in a sustainable way to pave the way for the use of new oil funds to help accelerate development. The advent of new oil revenue reinforces the need for continuous progress on governance and transparency, particularly with growing civil society engagement in the country's nascent oil and gas industry.

Approach

In Ghana, the Bank is focusing on three main fronts. The first area of focus is improvement of private sector competitiveness, including modernization of the agriculture, transport and energy sectors, and improvement of natural resources management. The second is human development and improvement of basic services delivery. Here the priority is given to education, health, water and sanitation, as well as to social protection. Finally, reforms are underpinned by the work on the promotion of good governance and the strengthening of civic responsibility.

Results

In addition to significant budget support from the International Development Association (IDA) to help the government address key economic and structural issues, there are a number of ongoing and pipeline IDA supported investment projects in Ghana.

There has been reasonable progress in the energy sector, with household electrification rates reaching 59 percent in 2009. Distribution losses, however, are at a level of about 25 percent and the sector remains financially challenged.

IDA also has provided general budget support in the area of human development and basic services, as well as through investment operations in health, HIV-AIDS, education, and water and sanitation. At the national level, under-five mortality rates have been reduced to 80 per 1,000 live births in 2008 from 111 in 2003 due to improved provision of maternal and child health care. Antenatal care remains high at above 90 percent, and women giving birth with the attendance of skilled personnel had increased to 59 percent in 2008 from 46 percent in 2003. Neonatal mortality has declined and immunization coverage has improved to 79 percent in 2008 from 69 percent in 2003. Child nutrition has also improved, although malnutrition continues to be a problem in some parts of the country. All these outcomes have been supported by the Nutrition and Malaria Control Project.

In the education sector, access and completion rates have improved steadily with primary completion increasing to 86.3 percent in 2009 from 80.1 percent in 2007, but without an accompanying improvement in quality standards. The improvements in access to

education across the country have been supported under the IDA-financed Education Sector Project.

In the water and sanitation sub-sectors, rural access to water has increased to 57 percent from 53 percent during last two years, but there remain major challenges in the provision of water to urban populations. Sanitation, however, remains an under achieving sub-sector, with Ghana rated among the lowest in Africa on Millennium Development Goal scorecards. IDA support to water and sanitation has been come through a number of projects, including: Small Towns Water Supply and Sanitation, Urban Water Project and the Second Urban Environmental Sanitation Project.

Bank Contribution

In years 2009-2011, Ghana will receive over US\$1.3 billion in support from IDA. A significant proportion of the assistance will be provided through the multi-donor budget support mechanism. During the last two years the budget support mechanism has enabled IDA to respond in a flexible manner to a series of challenges facing the Ghanaian economy. The Economic Governance and Poverty Reduction Credit, approved in June 2009, was designed to provided urgent support to the new authorities' stabilization program, based on its commitment to a more prudent, transparent, and accountable use of the country's resources.

Under sustainable natural resource management, IDA has provided support through the Natural Resources and Environmental Governance credit to foster the adoption of key policies in the mining, forestry, and environment sectors. This includes the Voluntary Partner-

ship Agreement, which seeks to guarantee better regulation of timber exports to the European Community, as well as to improve mining regulations and the preparation and implementation of a Climate Change Strategy. The project has also helped the government to improve its sector planning and budgeting processes to ensure that adequate funds are available to enact the existing environmental policies in the country.

In the area of land management, significant progress has been made at the country level and the Bank has contributed to this through the Land Administration Project. This assistance has also resulted in the strengthening and streamlining the institutional arrangements for land administration in Ghana, backed with the passage of the Lands Commission Act 767 (2008) by Parliament on October 29, 2008.

Partners

Ghana continues to enjoy the support of a whole range of development partners, as well as nontraditional partners. At present, official development assistance to Ghana (grants and loans) finances 24 percent of Government spending and will remain an important, but decreasing, proportion of revenue with the onset of revenues from oil production. Over the last several years, development partners have substantially increased their levels of direct budget support, now amounting to approximately 30 percent of all Official Development Aid. Actual multi-donor budget support in 2009 was estimated at US\$425 million, or 21 percent of total assistance, while un-earmarked sector budget support is another US\$140 million (7 percent).

Moving Forward

As in many minerals-endowed countries, the arrival of oil in 2011 provides Ghana with both important opportunities, and also substantial risks. The government is fully aware of the need to further pursue economic efforts over the next several years, while encouraging growth through reforms in productive infrastructure, agricultural modernization, private sector development and investment in social services. IDA will continue to provide support for all these efforts, while endeavoring to promote the use of oil revenues for development initiatives. This will require sound legislation and strong institutional capacity to ensure a prudent, transparent and accountable use of these new resources.

The role of civil society in influencing policy and in shaping well-informed developmental debates, as well as tracking actions, has thus become more crucial, and underlies the importance of establishing access to timely and unbiased information on public spending and developmental results. The Bank, in collaboration with various local think-tanks and other civil society organizations, will continue to promote a demand-driven, socially accountable approach—one that fosters civic engagement—to deepen Ghana commitment to improving the lives of its people.

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