

Ghana: Joint Staff Assessment of the Poverty Reduction Strategy Paper

The attached Joint Staff Assessment (JSA) of the Poverty Reduction Strategy Paper Progress Report for **Ghana**, prepared by the staffs of both the World Bank and IMF, was submitted with the member country's Poverty Reduction Strategy Paper (PRSP) or Interim PRSP (IPRSP) to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction objectives and strategies, and considers whether the PRSP or IPRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

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GHANA

Joint Staff Assessment of the Poverty Reduction Strategy Paper

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

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I. Overview

1. **The Ghana Poverty Reduction Strategy (GPRS) outlines the five pillars—macroeconomic stability, production and employment, human resource development, special programs for the vulnerable and excluded, and governance—on which the government bases its strategy for reducing poverty.** The government prepared the document through an extensive consultative process with civil society and other stakeholders. It includes a poverty diagnosis, an analysis of past policies and their shortcomings, an outline of the various elements of the strategy, a policy matrix, selected indicators for the monitoring and evaluation of the strategy and a set of costed programs for 2003-05.

2. **The staffs believe that the GPRS overall provides a sound framework for implementing the government's anti-poverty agenda.** The strategy builds on creating favorable conditions for private-sector-led growth, improving the delivery of basic social services, and raising the efficiency of the public sector. To this end, the government intends to maintain a stable macroeconomic environment with moderate inflation, improve infrastructure and market access, increase the availability and quality of basic health and education services, and strengthen protection mechanisms for the most vulnerable segments of society. Another key element of the strategy is the reform program for the public sector, which encompasses decentralization, public financial management reform, streamlining of public employment, rationalization of government departments and agencies, a review of procurement laws and procedures, and divestiture of selected parastatals in the industrial and financial sectors. The costed programs embodied in the strategy are based on realistic assumptions regarding possible external financing, but the medium-term poverty reduction targets are subject to a number of uncertainties which could have been given more emphasis in the GPRS.

3. **The authorities will need to continue elaborating the policy measures in some areas to operationalize and prioritize the policy framework outlined in the GPRS.** After an informative up-front diagnostic, which includes lessons drawn from past reform efforts, the GPRS could have more explicitly linked the analysis to identified public actions targeted to improve the lives of the poor and stated how past weaknesses in policy implementation will be overcome in the context of the GPRS implementation. In this regard, the challenge of undertaking a reform of the large public sector that is necessary to achieve macroeconomic stability, lower the cost of credit and improve budget predictability would have deserved further attention. The GPRS also appears to focus more on projects than on institutional and policy reforms and capacity building, with the risk that the benefits of projects may neither be attainable nor be sustainable due to the lack of an enabling institutional environment. Moreover, the link between the diagnostic and the medium-term priorities could also have been spelled out more clearly. Staffs believe that future updates of the GPRS would benefit from a more detailed translation of its policy framework into concrete time-bound measures on issues such as removal of impediments to private sector development, social service delivery to most deprived areas, public sector reform, divestiture of parastatals, decentralization, and procurement reform.

II. Participatory Process

4. **The Government of Ghana has developed the GPRS on the basis of broad consultations on issues and challenges of promoting growth and reducing poverty.** After the preparation of the interim PRSP in 2000, extensive consultations were launched under the leadership of the National Development Planning Commission (NDPC) and the Ministry of Economic Planning and Regional Cooperation (MEPRC). Cross-sectoral planning groups that drafted the policy recommendations consisted of representatives from ministries, civil society, private sector and development partners. Concurrently, a Participatory Poverty Assessment (PPA) was conducted in thirty-six communities through local community workshops, to better understand poverty from the perspective of poor people. This included their views on the causes and consequences of poverty as well as their priorities for action. Consultations took place at national and local levels, involving diverse groups including local authorities, NGOs, professional associations, religious bodies, research institutions and development partners. Consultations also involved the Ghana Employers Association and Trade Unions. The National Economic Dialogue provided a forum for all key stakeholders to discuss the policy recommendations, including on broad macroeconomic issues, such as the need to reduce inflation and domestic government debt. Members of Parliament and representatives of political parties had an opportunity to comment on the strategy before it was approved and a Parliamentary Committee on GPRS implementation, monitoring and evaluation has been formed. The document includes a useful annex, describing the main issues that were raised in the consultations, and how these were addressed in the final version of the strategy.

5. **The authorities intend to continue and deepen the participatory process.** Further participatory involvement of community and civil society organizations is a stated goal of the GPRS, in addition to the ongoing activities in the context of interministerial workshops,

seminars with civil society and donors, the National Economic Dialogue, and discussions in Parliament. In order to disseminate the contents of the strategy, the authorities are determined to carry out a nationwide public campaign for the GPRS using printed materials, radio and television programs, websites, seminars and workshops, as well as *durbars* (informal community meetings). The document will also be distributed in various local languages. The authorities are encouraged to consider establishing a taskforce to plan and roll out the outreach strategy for the GPRS, under the auspices and guidance of MEPRC and NDPC, which would bring together key public, private and civil society institutions involved in communication, consultation, and participation.

III. Poverty Diagnosis

6. **Existing poverty data are adequate and comprehensive, and a variety of data sources have been employed for the poverty analysis of the GPRS and other government publications.** The available data encompass both quantitative and qualitative sources. The latest set of quantitative poverty data for Ghana consists of the 1998-99 Ghana Living Standards Survey (GLSS); a 1997 survey on the basis of the Core Welfare Indicators Questionnaire (CWIQ); the 1998 Ghana Demographic and Health Survey; and the 2000 Population and Household Census. Qualitative data were derived from the 2000 Participatory Poverty Assessment. A new CWIQ survey, which also collects representative regional data, is currently under way, and a new GLSS will be launched in 2003. The existing poverty data allow disaggregation by regions and by socioeconomic groups and gender. Broadly comparable surveys have been conducted at several points in time and give a good indication of poverty trends. However, the data on employment and labor markets, including information on the large informal sector, remain weak. Moreover, the government's excessive reliance on donor financing for the surveys conducted by the Ghana Statistical Service (GSS) can limit the timeliness of updates of key poverty statistics, and can hamper the timely availability of surveys for informing policy decisions; the staffs recommend that future government budgets provide resources to cover a greater share of the cost of such surveys.

7. **On the basis of the available data, the GPRS presents a generally sound description of poverty in Ghana.** The document highlights the important regional and socioeconomic disparities in poverty. Although the incidence of poverty (individuals below the poverty line of cedi 900,000 per adult per year, or slightly less than US\$1 per day, in 1999 prices,) fell from 52 percent in 1992 to 40 percent in 1999, it increased in two of the northern regions and the central region. Poverty is by far most prevalent among food crop farmers, many of whom are women. Moreover, women in general tend to experience greater poverty and are more vulnerable to falling into poverty. The GPRS also notes that indicators such as lower school enrollment rates and higher infant mortality, reflecting differences in access to basic social services, generally mirror regional and socioeconomic differences of poverty rates. In the opinion of staff, the GPRS could have made more explicit the basis of the poverty measures it reports—namely, the welfare measure and the poverty lines selected. It could also have acknowledged the uncertainties regarding the medium-term poverty

reduction targets, including the possibility that the base level of poverty in 2000 may have been underestimated, in light of the adverse economic developments in 1999 and 2000. The authorities are to be commended for already planning a fifth round of the GLSS, which will provide information on more recent poverty trends in Ghana.

8. The linkages between growth, poverty reduction, and economic policies could have been analyzed in more depth. In order to guide future policies and translate the GPRS objectives into concrete actions, it would have been desirable to explore the links between past policies and poverty outcomes more explicitly. During the 1990s, Ghana experienced moderate real growth rates and an overall decline in poverty rates. During this time, Ghana also witnessed an increasing divergence of regional and socioeconomic poverty rates, as well as marked regional and socioeconomic differences in access to social services. Therefore, analysis of the links between past macroeconomic, structural, and human development policies, and growth and poverty outcomes could have shed light on how increased economic activity translates into higher incomes and thus resulted in better estimates of the poverty-growth elasticity. Future updates of the GPRS should strive to fill this analytical gap. Ongoing collaborative work on factors affecting growth and poverty reduction, being carried out by government and development partners, will be helpful in this regard.

IV. Targets, Indicators, and Monitoring

9. The GPRS sets out clear and comprehensive medium-term goals for poverty reduction and growth but these goals could usefully be related to Ghana's longer-term objectives. The GPRS tracks overall poverty rates, and aims to reduce the incidence of poverty from 40 percent to 32 percent and extreme poverty from 27 percent to 21 percent by 2005. Supplementary indicators track poverty rates of certain regional and socioeconomic groups, such as residents of the northern regions and food crop farmers, in order to monitor poverty among those who are most vulnerable. Given the poverty projections presented in Table 4.1 of the GPRS and the expected average growth of about 4.7 percent p.a. over the period 2002-2005, the medium-term targeted reduction in poverty may be optimistic. The indicators outlined in the GPRS broadly trace progress in meeting the United Nation's Millennium Development Goals (MDGs), and the targets established for 2005 are generally consistent with reaching the MDGs by 2015.¹ It would have been desirable to link the GPRS medium-term targets to an explicit framework of quantified long-term goals to clarify the transition path. In this context, indicators for the education sector, e.g. the basic education completion rate, would need to be aligned with those of the Education for All/Fast Track Initiative. Moreover, the remaining targets and indicators could be broadened to include progress in private sector development and improvements in the competitive environment, including factor costs.

¹ Some doubts remain as to whether the current trajectories for child malnutrition rates and maternal mortality rates are consistent with reaching the MDGs.

10. **The GPRS approach to monitoring and evaluation (M&E) is comprehensive but poses several challenges.** As set out in the GPRS, there are important constraints on the level of resources and skills of personnel devoted to M&E throughout the government. The NDPC is currently designing a national computerized M&E database system. Once in place and fully functional, the database could provide comprehensive access to data on progress in meeting national GPRS targets. However, for the database to fulfill its role, it will be important to induce sectoral ministries to upgrade the quality of their data, to align their own M&E systems with the new database and to regularly update the data they collect. Moreover, the integration of district-level planning and data collection into the GPRS processes will pose considerable organizational challenges since central agencies will be dependent on data submissions of regional planning bodies to address regional and socioeconomic divergence. The GPRS also proposes a range of participatory methods for M&E which are commendable, including participatory poverty assessments, citizen report cards, expenditure tracking surveys, and formal impact assessments. With respect to the distribution of responsibilities for M&E, it would be important for the GPRS to create an unambiguous institutional division of labor, particularly concerning the roles of the GSS, M&E units in sector ministries, NDPC, MEPRC and the Office of the President.

V. The Five Pillars of the GPRS

11. Policies and interventions of the GPRS cover five thematic areas: macroeconomic stability; production and employment; human resource development; protecting the vulnerable and the extremely poor; and governance and public sector reform.

A. Macroeconomic Stability

12. **The GPRS underscores the importance of macroeconomic stability as a necessary condition for accelerated economic growth and overall poverty reduction.** Macroeconomic stability is viewed as promoting poverty reduction through the preservation of an adequate real wage, the encouragement of foreign direct and domestic private sector investment in physical and human capital, and the maintenance of the real value of government revenues which, in turn, can be channeled to provide social services to the poor. Accordingly, major objectives of the medium-term macroeconomic framework are to reduce the level of government domestic debt and financing from the banking system, and further moderate inflation.

13. **The staffs endorse the government's domestic financing and inflation objectives and feel that the medium-term macroeconomic framework set out in the GPRS is realistic and adequately designed to achieve those objectives.** In particular, the target of 5 percent real growth by 2005, though of course subject to risks and uncertainties, would appear to be achievable, given historical growth levels and the planned reforms to promote private sector activity, provided that the strategy is implemented consistently.

14. **A major challenge will be to maintain fiscal discipline while at the same time achieving the re-allocative objectives of the GPRS designed to support poverty reduction.** Key elements here include: improved public expenditure management to facilitate budget execution and tracking of poverty-related expenditure; strong progress in raising public sector efficiency and reorienting budgetary resources toward education, health, and infrastructure, so as to improve poverty indicators in targeted regions and economic sectors (the agriculture sector in particular); and stability in parastatal finances, to stem the flow of financial leakages and improve the nation's infrastructure. Successful implementation will require assignment of responsibility for, and accurate and timely monitoring of, developments in these three key areas, which should be highlighted in future progress reports on the GPRS.

15. **One policy area that could have merited greater attention in the GPRS relates to the mobilization of resources for poverty spending through a sufficient level of government revenues.** The GPRS maintains that increased revenue mobilization should be achieved by instituting measures that widen the tax base, and not by tax rate increases. The staffs agree that measures to expand the tax base over time are desirable, preferably without increasing the extent of earmarking embodied in Ghana's current tax system. However, to maintain sound macroeconomic policies in the near term increases in some tax rates are also necessary, and are built into the macroeconomic framework underlying the current strategy. Given the significance of such measures, and their potential impact on various stakeholders, the staffs suggest that a wider discussion on tax policy be held in the context of future public outreach as the GPRS continues to evolve. A further refinement to the strategy would have been the inclusion of an explicit contingency plan to address possible revenue shortfalls, indicating how poverty-related expenditures would be protected. The staffs do not endorse the reference in the GPRS to using external tariffs as a way of boosting government revenues, since this would create a bias against exports and inhibit growth.

16. **Attainment of the inflation objective will require strict control of the money supply** while accommodating a targeted build-up in the country's international foreign exchange reserves. Fiscal policy will play a critical supporting role in reconciling the attainment of these monetary objectives with the need to bring about a gradual reduction in real interest rates and foster confidence and credibility, so as to facilitate investment and growth. The staffs endorse the significance the GPRS attaches to the operational independence of the central bank in this context, and suggest that this be reinforced through a recapitalization of the central bank during the period covered by the GPRS.

17. **The GPRS acknowledges some of the risks to which the economy will remain exposed during the implementation period.** These risks include possible exogenous shocks, such as terms of trade declines, especially with respect to cocoa and petroleum prices, as well as domestic risk factors, such as continuing difficulties relating to control of expenditure and parastatal finances, and potential resistance to the reform and restructuring of the public sector. Moreover, political instability in neighboring countries could also hamper the successful implementation of the GPRS. Accordingly, it will be imperative that the authorities carefully monitor developments and promptly implement policy changes when

called for. As in other areas, broad consultation and public debate will help to build understanding and support for such policy adaptations as the implementation of the GPRS proceeds.

B. Production and Employment

18. **The staffs welcome the proposed strategy to expand production and employment through policies and programs designed to eliminate structural impediments to faster growth of private sector activity.** A significant part of the production and employment pillar is devoted to policies aimed at accelerating agricultural development, and the staffs agree that fostering growth in agricultural production and related activities would tap an important potential for faster poverty reduction, particularly in rural areas. However, this would require growth in agricultural productivity and linking rural agricultural production to markets. Given the focus on private sector activity in the production and employment pillar, it would be useful if future progress reports could include more information on general impediments to private sector growth, such as the time and cost to register a business, administrative burdens, factor costs, and the tax system. These progress reports could also identify reforms, adopted or planned, to remove such impediments.

19. **The staffs concur with the GPRS's emphasis on the provision of basic infrastructure (feeder roads, irrigation systems, and storage facilities) and extension services to increase productivity and facilitate the spread of technology.** The government would need to devise strategies to encourage private sector provision of these services, or ensure that they correspond to private sector demand when publicly provided, and that they are supplied in those areas where their contribution to economic activity and poverty reduction is most beneficial. A complementary strategy would also be needed to build the capacities of business development services to private small- and medium-scale contractors and suppliers of infrastructure services in these areas. To the extent that the government intends to encourage the use of equipment and inputs, it would also be important to reflect their true costs, to avoid creating new economic activity fueled by government subsidies and to avoid crowding out the private sector in delivery of services. Moreover, staffs believe that it would be critical for the functioning of rural credit markets and micro-finance institutions that the government ceases to intervene directly in credit markets and to provide loans below market interest rates. Instead, the cost of credit could be reduced through appropriate macroeconomic policies.

20. **The GPRS could have further developed the link between growth and several large infrastructure projects presented in the medium-term priorities of the strategy and the second volume.** The proposals for constructing three major highways, the West Africa Gas Pipeline, the Bui Dam, upgrading of port facilities, and extension of the Takoradi thermal power plant are not well supported by the discussion in Volume I of the GPRS, which directs infrastructure development mainly towards rural areas for the promotion of agriculture. To better appreciate the impact of these projects on economic growth and poverty reduction, it would have been desirable to explicitly develop the link between the large infrastructure projects and factor costs and economic activities. With respect to the

provision of utilities, the staffs welcome the authorities' commitment to a combined strategy of improving the efficiency of utility companies, including deregulation of the petroleum sector and moving to full cost recovery. This double-pronged strategy would keep utility companies financially viable and at the same time assist with controlling factor costs.

21. **The staffs support the government's intention to improve land and natural resource administration to underpin private sector development.** The GPRS includes policies to enhance access to land and improve security of tenure through regulatory reforms. The World Bank and other development partners are currently engaged in a dialogue with the government to initiate a land administration reform program. The GPRS policies for natural resource management are adequately articulated, and are based on the Government's Natural Resource Management Program which appropriately emphasizes sustainability and community involvement in natural resource management. The policies include enforcing existing environmental laws and regulations, undertaking reforestation of degraded land, and adopting collaborative natural resource management systems.

22. **The GPRS highlights the need to improve the functioning of the financial sector, in order to increase the mobilization of savings and provide more long-term resources for private investment.** The staffs fully endorse the importance attached to this area of reform, and the broad outlines of the agenda set out in the strategy. As in other areas, it will be essential to develop the main elements of the strategy into a detailed, prioritized, and timebound action plan. For the near term, the strategy appropriately emphasizes the work that is needed to overhaul and modernize the legal and regulatory framework. As this proceeds, the staffs would encourage the authorities to flesh out a set of detailed measures for the next phase, which should seek to address, among other problems cited in the GPRS, the difficulties faced by small and medium-sized enterprises and the rural population in gaining access to bank credit.

23. **The staffs believe that labor market policies could have been discussed in more depth.** The staffs agree with the thrust of the national employment policy framework, which aims at creating an environment encouraging employment creation through growth of private sector activity. They share the analysis that projects aiming directly at employment creation, such as the priority public works projects, cannot create employment on a sustainable basis. The staffs would caution, however, against the proposal to determine the labor content of production technologies in government projects, as the latter should reflect the relative costs of capital and labor. Government strategies could instead aim at reducing the cost of labor by tackling existing rigidities, such as labor regulations and practices, with a view to enticing the private sector to shift to more labor-intensive technologies. In parallel, more emphasis could have been placed on the role of tertiary education in the development of a more knowledge oriented economy.

C. Human Resource Development

24. **The strategy for the development of human resources and basic services appropriately focuses on removing key obstacles to access and utilization by the poor.** The emphasis is on five areas: education, health, HIV/AIDS, population control, and water and sanitation. The GPRS also addresses more fundamental factors such as the incentives to retain experts in the public service, and reform of the management of public services.

25. **Successful implementation of the GPRS objectives for the education sector will require further work so as to integrate them into a comprehensive sectoral strategy covering primary, secondary, and tertiary education.** The GPRS focuses on improving the quantity and quality of education through new and rehabilitated facilities, teacher education and deployment, and vocational and technical training. Gender and regional disparities in access are recognized but dealt with in a narrow way, mostly relying on expanding facilities with less attention devoted to demand-side factors. The GPRS could also have paid more attention to management weaknesses which plague the entire system and to financial issues, especially at the tertiary education level, the financing of which is currently unsustainable. In view of the current constraints faced by the sector (e.g. management, human and financial resources) it would be important to finalize an overall education strategy that is carefully prioritized and costed and linked to the GPRS objectives. Although the need to collaborate with civil society and private sector organizations is acknowledged in the GPRS, this issue could have benefited from more extensive treatment, given that the private sector provides 17 percent of education in Ghana—a relatively high proportion by international standards.

26. **The strategy for the health sector and to combat HIV/AIDS is comprehensive and coherent.** Equity gaps in access to health services will be reduced through improved resource allocation in the form of an expanded fee exemption policy, including lower fees in the Central and Northern regions; financial and other incentives for health workers to relocate to deprived areas; and accelerated rural water provision, with special emphasis on communities suffering from the guinea worm epidemic. An important challenge in improving the health status of the poor involves ensuring a balance between direct health care and the preventive aspects, such as the provision of safe water and sanitation. The GPRS recommendation to develop a model health facility in each district would need to be assessed in detail given the staffing and significant financial implications. The GPRS also proposes to abolish the cash and carry system. The staffs consider that a careful analysis is required of alternative mechanisms (health insurance/prepayment schemes) to finance the health system. Although the GPRS recognizes the importance of coordination with other sectors to support health improvement, this approach is not clearly defined and should receive more attention in the first progress report. Policies on HIV/AIDS aim at preventing new transmissions and providing quality care for patients through educational outreach, and direct service delivery.

27. **The planned redeployment of teachers and decentralization of health personnel poses a significant challenge.** Most recent data indicate that 15 percent of primary school teachers are to be found in the 3 northern regions, where 19 percent of primary school students live, resulting in these regions having the highest student:teacher ratio in the country; similarly, 6 percent of doctors reside in the northern regions, where 17.5 percent of the general population live and the highest concentration of poverty can be found. The successful and sustainable redeployment of teachers and decentralization of health staff, so as to rectify the currently uneven distribution of services, will likely depend not only on remuneration, but also on priority being given to raising the quality of the economic and social infrastructure in poorer areas. Moreover, the strategy to improve local service delivery will need to be closely linked with the government's policies on decentralization, a topic that could have been treated in more detail in the GPRS.

D. Protecting the Vulnerable and the Extremely Poor

28. **The GPRS emphasizes the need for targeted measures to protect and support the extremely poor and vulnerable segments of the population.** It carefully identifies the groups considered vulnerable or excluded, drawing on the results of past household surveys and poverty assessments. Proposed measures to assist these groups include expanding social security schemes, reducing child malnutrition rates by giving the most disadvantaged groups access to basic services, upgrading slums, and enforcing rights to private property and land entitlement. The GPRS also advocates budgetary support for relevant government agencies, and increased partnership with NGOs through community-based rehabilitation and education programs. Although these measures are in the right direction, the GPRS could have been more explicit as to how proposed government programs specifically reduce the exposure to shocks and reintegrate the excluded into society. The staffs consider that existing social security schemes cover only those in the formal sector, and their expansion would likely not reach the poorest and most vulnerable segments of society.

29. **The GPRS recognizes particular structural, social and cultural impediments for women but does not include a specific set of measures targeted to improving their status.** In several instances the GPRS refers to improvement of women's employment, access to land, school enrollment and retention, and their vulnerability to abuse and traditional practices. However, the staffs believe that the GPRS could have gone further in developing specific measures under the vulnerability pillar for reducing gender disparities and recommend that such measures be identified in future updates of the GPRS.

E. Governance and Public Sector Reform

30. **In line with ongoing programs supported by several development partners, public sector reform, public financial management reform, decentralization, and improving transparency and accountability of government operations are key elements of the strategy laid out in the GPRS.** The main objective of public sector reform is to create an appropriately-sized and adequately-compensated public service and develop its capacity to perform core functions. The document falls short of clearly describing the government's

vision on how the public service could be reshaped to achieve these objectives. Past resistance to the reform program from groups with vested interests could have also been raised as a significant uncertainty as to whether the streamlining of the public service can be implemented and the pay and incentive structure improved. In addition, given that enhancing private sector activity figures prominently in the production and employment pillar, divestiture policies and the government's plans for large-scale public enterprises could have been discussed in more detail.

31. **The staffs endorse the GPRS's focus on upgrading public finance management capacity.** Ultimately, the quality of public finance management will determine the government's ability to translate the GPRS priorities into government activities. The weaknesses indicated in the joint IMF-World Bank assessment in the context of the HIPC initiative, as well as the World Bank's Country Financial Accountability Assessment, should be addressed with high priority. The reform measures spelled out in the GPRS, which are being supported by several bilaterals and multilaterals including a World Bank technical assistance credit and by ongoing technical assistance from the IMF, involve modernizing the budget formulation and budget accounting system, as well as strengthening audit functions and procurement procedures. The staffs welcome the use of the medium-term expenditure framework (MTEF) as a basis for the GPRS costing, identification of programs under each of the five pillars and selection of medium-term priority programs that take into consideration the country's absorptive capacity and expected resource availability. The staffs endorse the GPRS's analysis regarding the need to simplify the MTEF and strengthen its integration into the macroeconomic framework and the budget and development planning process. Moreover, the staffs recommend that the MTEF include a comprehensive estimation of resource requirements, including not only capital but also all recurrent costs, even if not all expenditure can be linked to the programming of objectives.

32. **The staffs agree that the decentralization process has strong potential for improving participation, accountability, and transparency.** Actions envisioned include a new local government services law, building financial management capacity of the local governments, increasing resource allocations to the District Assembly Common Fund, and deepening civil society participation in local government processes. The staffs support the decentralization agenda and believe that a phased and carefully coordinated process should be followed to move selected central government functions to local communities and districts. In this respect, the government would need to ensure that expenditure tracking and control mechanisms are adequately developed at the local level to underpin the devolution of spending powers and safeguard adequate spending in the social sectors. The GPRS could also have usefully indicated the work program leading to the development of district composite budgets, and included more specific proposals on the tax powers that will be granted to local governments.

33. **The GPRS emphasizes the need to improve transparency and accountability of public institutions.** Proposed measures include strengthening the oversight capacity of Parliament, strengthening internal and external government auditing, institutionalizing public access to government-related information, including through the passing of a Freedom of

Information bill, and institutionalizing civil society participation in government processes. The GPRS also notes the importance of reform of the procurement law and procedures. World Bank analytical work in the context of a forthcoming Country Procurement Assessment Report (CPAR) could provide useful input for the public procurement reform process.

VI. CONCLUSIONS

34. **The staffs believe that the GPRS provides a sound framework for achieving the government's objective of reducing poverty in Ghana.** The five pillars of the strategy comprehensively address the issues that staffs consider important to accelerate growth, raise incomes, improve social services, and enhance transparency and accountability. These themes are consistently reflected in the identified priority actions. The main immediate challenges for GPRS implementation are the translation of objectives into actions, the strengthening of the capacity of the public service to execute the ambitious programs, the improvement of public expenditure planning and control, the continued stabilization of macroeconomic balances, and the creation of an effective monitoring system. The JSA has also identified some shortcomings of the GPRS that could be addressed over time with the annual GPRS updates to ensure the strategy is fully operational and effective.

35. The staffs of the World Bank and the IMF consider that the GPRS provides a sound basis for Bank and Fund concessional assistance and for debt relief. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.