

THE INTERNATIONAL DEVELOPMENT ASSOCIATION  
AND THE INTERNATIONAL MONETARY FUND

GHANA

**Joint Staff Assessment of the PRSP Preparation Status Report**

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

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1. The Ghanaian authorities completed and presented to the Executive Boards of the IMF and IDA in July 2000 the interim Poverty Reduction Strategy Paper (PRSP), and the Boards agreed that the document provided a sound basis for the formulation of a full, participatory PRSP. Subsequently, task teams composed of key stakeholders, including civil society and the private sector as well as ministries and development partners, developed policy recommendations which were discussed in a major forum called the National Economic Dialogue in May 2001. Concurrently, a participatory poverty assessment was conducted with local consultative workshops. Partly based on the development agenda agreed in the forum, the National Development Planning Commission (NDPC), under the guidance of the Ministry of Economic Planning and Regional Cooperation (MEPRC), prepared and presented the first draft of the Ghana Poverty Reduction Strategy (GPRS), as the PRSP is called in Ghana, to civil society and development partners in July 2001.
2. Since then, the NDPC has continued to revise and update the document in partnership with other ministries and through public consultations with civil society in various regions of the country. In the latter part of 2001, interministerial working group meetings were held within the government in order to integrate the GPRS into the budgetary process. The ultimate objective is for the three-year Medium-Term Expenditure Framework (MTEF), which encompasses the 2002 budget, to incorporate the policy priorities of the GPRS.
3. As the document will not be finished within one year of the interim PRSP, the authorities have prepared a Preparation Status Report for presentation to the Boards of the World Bank and IMF. The Preparation Status Report outlines the main activities that have been accomplished so far, with emphasis on the period since the National Economic Dialogue of May 2001. It is clear that major efforts have been made to undertake a broad consultative process in the formulation of policies, and to link the GPRS with the budget process. Furthermore, the Preparation Status Report identifies the key next steps: (a) monitoring and evaluation; (b) tracking of public expenditure; (c) district and subdistrict consultations; (d) district plans based on GPRS priorities; and (e) costing.

4. The staffs agree that the GPRS has been a country-driven process. The poverty diagnosis is based on a comprehensive household survey carried out in 1998/99, which led to the identification of the key sectors for poverty reduction. The staffs agree with the strategic focus on increasing agricultural productivity and the incomes of the rural poor through improved infrastructure, market access, and extension services. The creation of an enabling environment for private sector development is identified as one of the main roles of government. A key component of this strategy is the strengthening of governance through public sector reform, decentralization, public expenditure management reform, and the transparency and accountability of the public sector. The draft GPRS also improves upon the interim PRSP in its treatment of the constraints to investment in Ghana by addressing issues such as the systems for contract enforcement, the supply of credit, and land reform.

5. Social sector policies focus on providing equitable access to education and health services, particularly in the poor northern regions. Improved resource allocation and accelerated rural water provision to poor and deprived areas are key components of the health strategy, while facility improvements, combined with targeted teacher deployment, management reforms, and partnerships with nongovernmental organizations (NGOs) and community groups, form the core of the education strategy. Prevention of the transmission of HIV/AIDS receives particular attention. The overall strategy follows from both quantitative and qualitative poverty diagnoses which indicate that food subsistence farmers in the northern regions suffer the highest rate of poverty.

6. The staffs note that the Preparation Status Report, while documenting the process of consultation and drafting, provides only a limited update on the strategy itself, and how this evolved as a result of the consultation process. However, based on the draft GPRS, the staffs' assessment is that, in the course of 2001, substantial progress was made in improving the document, resulting in a sharper focus on poverty reduction. The strategy relies to a greater extent than in the interim PRSP on monitorable output-based targets and indicators, and sectoral and regional considerations are more fully integrated into the report. Overall, the poverty-monitoring mechanisms are satisfactory, and the draft GPRS has improved on the interim PRSP by including more qualitative analysis of poverty trends. In addition, three major surveys—the fifth Ghana Living Standards Survey, the Demographic and Health Survey, and the Core Welfare Indicators Questionnaire—will be carried out in 2002/03. However, more attention is still needed in setting priorities and implementation arrangements, particularly for the northern regions where implementation capacity is limited. Despite improvements, the sections on the programs and policies and the long-term growth strategy could still be linked more closely to the poverty diagnostics. The strategy would be strengthened by additional diagnosis of the poverty trends, including further disaggregation down to the district level and within the rural sector.

7. The staffs agree that the areas identified in the Preparation Status Report for further work are appropriate. The authorities are in the process of estimating the costs of the GPRS programs, and preliminary figures indicate that the overall costs exceed likely resource availability, thus suggesting the need to further prioritize for the near term. It is hoped that the costing exercises can be integrated into the revitalized MTEF process, such that the

policy objectives of the GPRS are linked to resource availability and provide a basis for seeking additional donor resources in later years, if necessary. Meanwhile, an action plan is being prepared by donors and the MEPRC to coordinate the technical and project assistance that donors, the World Bank and the IMF will provide in support of the implementation of the GPRS.

8. The GPRS includes a specific definition of those government expenditures that are considered poverty related; it indicates that 80 percent of debt relief received under the enhanced HIPC Initiative will be used to fund additional poverty-related expenditures, with the other 20 percent devoted to domestic debt reduction. Mechanisms have been developed to track HIPC Initiative-financed and other poverty-related spending, building on the existing budget coding system. The monitoring and evaluation system, which is needed to ensure that the policies and programs in the GPRS have the desired impact on the poor, is more fully developed in the latest draft GPRS, but further clarification will be needed on the allocation of responsibilities and the methodologies to be used, particularly concerning the role of civil society.

9. Finally, development partners have been encouraging the authorities to allow for further consultations with civil society, and to fully incorporate the feedback from these consultations. Some civil society groups have voiced concerns regarding the lack of depth of the consultations. The staffs have emphasized that the authorities should maintain and build on the participatory process, including by providing feedback to civil society participants on how their concerns have been taken into account.

10. Despite several areas that will need further development, rapid progress has been made in recent months, and the authorities have identified appropriate areas for future work. The costing exercise is expected to be completed in late February, and the full PRSP published in the first half of 2002. This timetable would appear to be realistic and appropriate.

11. The staffs of the World Bank and the IMF consider that progress on the development of the full PRSP, as evidenced by the PRSP Preparation Status Report, is satisfactory and provides a sound basis for continued access to IDA adjustment lending and Fund concessional assistance. The staffs recommend that the Executive Directors of the World Bank and IMF reach the same conclusion.