LEVERAGING PARTNERSHIP FOR
SHARED GROWTH AND
DEVELOPMENT

GOVERNMENT OF GHANA –
DEVELOPMENT PARTNERS COMPACT

2012 - 2022

21-06-2012
## Contents

Preface .................................................................................................................. 4

Chapter 1 Rationale for a Compact ..................................................................... 6

1.1. Ghana as an Emerging Middle Income Country ........................................... 6

1.2. Development Partners’ support .................................................................. 7

1.3. Objectives of the Compact ........................................................................ 9

Chapter 2 Development Priorities for Ghana ......................................................... 10

2.1. Introduction .................................................................................................. 10

2.2. Reducing disparities and inequality ............................................................ 10

2.3. Human Development .................................................................................. 11

2.4. Accelerated Agricultural Modernization .................................................. 11

2.5. Provision of strategic infrastructure ......................................................... 12

2.6. Natural Resource Management and Environmental Governance ............ 12

2.7. Deepening Democratic and Accountable Governance .............................. 13

2.8. Private Sector Development ..................................................................... 13

2.9. Strengthening Public Sector Institutions and Systems ............................. 14

2.10. Time-frame ............................................................................................... 15

Chapter 3 DPs Response to GoG Priorities .......................................................... 16

3.1. Introduction .................................................................................................. 16

3.2. Reducing Disparities and Inequality ............................................................ 16

3.3. Human Development .................................................................................. 17

3.4. Agriculture modernisation ......................................................................... 17

3.5. Provision of strategic infrastructure ......................................................... 18

3.6. Natural Resources Management and Environmental Governance ............ 18

3.7. Deepening Democratic and Accountable Governance .............................. 19

3.8. Private Sector Development ..................................................................... 20

3.9. Strengthening Public Sector Institutions and Systems ............................. 20

Chapter 4 Shared Principles for Development Partnerships ............................... 22

4.1. Introduction .................................................................................................. 22

4.2. Principles for Aid Effectiveness .................................................................. 22

4.2.1. Mutual Accountability ....................................................................... 22

4.2.2. Better Alignment .............................................................................. 22

4.2.3. Improving Harmonization .................................................................. 22

4.2.4. Greater Aid Predictability and Transparency ................................... 23
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.5. Managing for Results</td>
<td>23</td>
</tr>
<tr>
<td>4.2.6. Using Country Systems</td>
<td>23</td>
</tr>
<tr>
<td>4.2.6.1. Public Financial Management and Procurement</td>
<td>24</td>
</tr>
<tr>
<td>4.2.6.2. Monitoring and Evaluation</td>
<td>25</td>
</tr>
<tr>
<td>4.2.7. Aid Modalities and Programming</td>
<td>25</td>
</tr>
<tr>
<td>4.2.8. Division of Labour</td>
<td>26</td>
</tr>
<tr>
<td>4.2.9. Commitment to Reduce Transaction Costs in Aid Management</td>
<td>26</td>
</tr>
<tr>
<td>4.2.10. Dialogue</td>
<td>27</td>
</tr>
<tr>
<td>4.3. Operational Modalities for Compact</td>
<td>27</td>
</tr>
<tr>
<td>4.3.1. Progress of Implementation</td>
<td>27</td>
</tr>
<tr>
<td>4.3.2. Monitoring</td>
<td>27</td>
</tr>
<tr>
<td>4.3.3. Review and Evaluation</td>
<td>27</td>
</tr>
<tr>
<td>4.3.4. Duration</td>
<td>27</td>
</tr>
</tbody>
</table>
Preface

The Government of Ghana (GoG) and its Development Partners (DPs) have agreed to enter into a Compact with the objective of improving the effective and strategic use of Official Development Assistance (ODA) and other forms of development finance and cooperation, in support of Ghana’s medium to long-term development. GoG and DPs agree to respect the objectives and guiding principles of the Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013 and Ghana’s Aid Policy and Strategy (2011-2015). Both documents are considered as the basis for the cooperation relationship. Partners to the Compact also reaffirm their commitment to the aid effectiveness principles as agreed by the Paris Declaration (2005), the Accra Agenda for Action (2008) and the Busan Partnership for Effective Development Cooperation (2011).

The Compact is a partnership between GoG and DPs, managed and monitored through GoG-led processes. Based on a shared analysis of Ghana’s key development challenges, the Compact will in particular take into account the changing context in which ODA and other forms of development finance and cooperation are provided to Ghana. In 2010 Ghana became an oil producing, lower middle income country, with a high potential for sustained growth over the next decade but with important developmental and social challenges still to overcome. This changing status of Ghana has come at a time when some traditional donor countries face severe financial problems as a consequence of the International debt crisis and changing political orientations and priorities. Over the past decade, Ghana has also been exploring new partnerships, leading to a reorientation of the country’s trade and investment flows, a process driven mostly by trade and investment capital inflows from the large economies of Brazil, Russia, India, China and South Africa.

It is within this perspective of declining relative ODA shares as a percentage of Ghana’s GDP that the partners have developed this Compact. The Compact will provide guidance for the strategic choices to be made by GoG and DPs alike in the period 2012-2022. It will also foster the creation of new alliances with emerging new players in development cooperation, with the ultimate goal of transforming Ghana into an established middle income and a less aid dependent country. Although the Compact is not legally binding, it contains a synthesis of key GoG approved policies and strategies and DPs commit to align and use the document as a key element for their future programming of aid to Ghana\(^1\). It includes collective commitments to a set of focal areas as well as shared principles that will ensure that development cooperation is effectively used to help GoG achieve its growth and poverty reduction objectives.

The Compact confirms the priorities outlined in the GSGDA for which concessional flows are the preferred choice of development financing. It is understood that the Compact priorities are not static; they will evolve along the national development plans and will reflect results achieved and emergence of new challenges. DPs will work within the framework established by the

\(^1\) Several DPs (e.g. the EU and its member states and the World Bank) have indicated that the Compact could be the core document on which to base their future (joint) programming processes.
Compact and will align their support to the priorities and strategic interventions identified by GoG under the Compact.

Under this Compact, GoG expresses its commitment to reducing Ghana's aid dependency in the medium to long-term by: (i) gradually assuming full financial responsibility for investing in accelerated development to reduce poverty and inequality, (ii) developing a plan for a phased transformation of ODA and other forms of development finance and cooperation, specifying the projected volumes of development financing which the country can expect, projected time-lines, and outlining the role of ODA and other sources of financing; (iii) promoting diversified trade, investment and regional integration and (iv) rightsizing the public sector. This commitment, however, cannot be fulfilled unilaterally; they should be driven by the shared-vision of partnership with DPs, and within the context of the Ghana Aid Policy. On their part, DPs recognise Ghana's need for continued development assistance during the transition period, which need should gradually reduce to make the country less dependent on aid but with significantly reduced levels of poverty by year 2022.
Chapter 1 Rationale for a Compact

1.1. Ghana as an Emerging Middle Income Country

1. The Ghana Shared Growth and Development Agenda (GSGDA) lays the foundation for the rapid structural transformation of the economy, premised on agricultural modernization and a sustainable exploitation of mineral resources. This strategy builds on human development, growth and macroeconomic stabilization gains achieved over the last decade. The GSGDA emphasizes the need for continued macroeconomic stability and greater executive efficiency, transparency and accountability to provide the setting for the reduction of poverty and geographic disparities. The GSGDA is conceived as the first phase of the "Coordinated Program of Economic and Social Development Policies (2010-16)"), which was presented by the President of the Republic of Ghana to the Parliament in December 2010.

2. GoG estimates that US$23.9 billion of services and investment expenditure would be needed over the 4-year period (2010-2013) to implement the GSGDA. Public expenditure priorities are agriculture, infrastructure (including oil, gas and energy development), health, sanitation, water and education. Of the total, 39 percent of spending would be on infrastructure, 25 percent on human development, 15.1 percent on oil and gas, and 4.1 percent on agriculture.

3. GoG has identified a financing gap of US$12.5 billion over the 4-year period of the GSGDA. In light of (i) Ghana’s Official Development Assistance being among the highest in Sub-Saharan Africa, (ii) Ghana’s per capita income now exceeding the threshold for low-middle income countries, and (iii) some "traditional" donors facing their own fiscal challenges, GoG acknowledges that a sharp rise in concessional financing seems unlikely. In the face of all these developments, accelerated disbursements of existing ODA projects would deliver faster results, and GoG is committed to do all it can, in concert with DPs, to address barriers and bottlenecks. At the same time, greater domestic resource mobilization, the development of domestic financial markets, the coming on stream of new bilateral official partnerships, and public private partnerships could potentially offer new resources to finance GSGDA programs and projects.

4. In 2011, GoG made significant progress to improve domestic resource mobilization and to develop new partnerships. GoG revenue as a percentage of GDP increased by 3.6 percentage points, from 14.4 percent of GDP in 2010 to 18.0 percent in 2011. Strong macroeconomic stability and the clearance of a large stock of public arrears helped the financial sector to restore its credit ratings and mobilize domestic savings. The adoption of the public private partnership policy provided the regulatory framework needed to develop partnerships with the private sector in the provision of public infrastructure and services. According to GoG, the conclusion of a Master Facility Agreement (MFA) with the China Development Bank will also allow Ghana to undertake major infrastructure projects in petroleum and transport sectors notably. The fifth review of the International Monetary Fund Extended Credit Facility in December 2011 confirmed that the MFA provides a significant opportunity for Ghana to advance its Shared Growth and Development Agenda without compromising external debt sustainability.
1.2. Development Partners’ Support

5. A recent rebasing\(^2\) of the national accounts raised Ghana’s GDP by 65% and the GDP per capita to USD1,286 in 2010, making Ghana a lower middle-income country. The upwards revision of the GDP almost halved the country’s public debt ratio. At the same time, it reduced the country’s domestic revenue-GDP ratio significantly below that of comparable countries, suggesting space for increasing domestic revenue. Indeed GoG has put in serious efforts to enhance domestic revenue mobilization, which has increased the domestic revenue-GDP ratio significantly in the last two years.

6. It is important to recall that, before Ghana became a lower middle income country, the international community had embarked on a program to increase aid to the country and to improve its effectiveness. The key objective of this effort was to help the country to meet the Millennium Development Goals (MDGs) and to improve the life of millions of people living in poverty. With the attainment of a middle-income status, the prospects of large increases in ODA flows have become unlikely, even as the prospects of aid effectiveness improve.

7. Being a middle income country presupposes that Ghana has substantially moved beyond food insecurity, economic stagnation, aid dependence, and widespread poverty which tend to characterize low income countries. However, the reality of Ghana today still reflects the salient characteristics of a low-income country. Like many lower middle income countries, Ghana continues to face some structural problems affecting low income countries and needs to create opportunities to expand incomes, reduce poverty and inequality, and meet the MDGs. Progress for Ghana will require strategic interventions by GoG and DPs to fully exploit the opportunities for growth and development that the country’s advantages provide. Continued progress will depend on raising incomes and focusing attention on social and economic infrastructure that support and sustain growth and development. Given the structural imbalances of the economy, an abrupt withdrawal of development assistance is likely to undercut the country’s capacity for sustained economic growth and its ability to reduce extreme forms of poverty and promote other dimensions of the MDGs.

8. A large share of the population remains poor, and has become increasingly concentrated in the northern parts of the country – the Northern Savannah, where no significant poverty reduction has been recorded since 1992. Ghana is also lagging behind in the attainment of several important MDGs, such as child and maternal mortality, as well as sanitation. Gender disparities, which mostly manifest themselves in unequal access to economic opportunities and high maternal mortality rates, remain high, especially in the Northern Savannah. The cost of environmental degradation (water, soils, forests, fisheries) and the effect that climate-change has on exacerbating poverty in the country are also significant. Combined with the rapid depletion of mineral (gold, bauxite) resources, these could undermine Ghana’s prospects of sustainable development unless the country manages to better protect its environment and convert the remaining part of its depleted natural resources into social, human and infrastructure capital, converting adversity to opportunities for sustained growth.

9. Prices of Ghana’s major export commodities (gold, cocoa, oil) are currently high from a historical perspective. Thus, a downturn in commodity price trends would bear large consequences for GDP growth, poverty, fiscal accounts and the balance of payments, to the extent that it could threaten to reverse the very important developmental gains observed in recent years, including access to middle-income status. In order to mitigate the impact of such risks, GoG intends to amplify ongoing

\(^2\) The rebasing was done in 2010 using 2006 constant prices
efforts pursued on various fronts, including (i) economic diversification through the provision of strategic infrastructure, (ii) the expansion of safety nets through better targeting, (iii) the implementation of cost recovery mechanisms for utilities, (iv) sustained productivity gains along the agricultural value chains and (v) strengthened tax administration.

10. The coming on stream of oil revenue has provided the opportunity for Ghana to enhance the fiscal space to support higher economic growth. It is the aim of GoG to build on the combination of cocoa, gold, oil and gas to establish the base for a modern and diversified economy. Although there is a great deal of expectation about the potential benefits of oil to the country, the revenues are modest at the initial stages of production compared to the country’s investment requirements. In 2011 for example the revenue that accrued to GoG amounted to GH 666.2 million (US$444.1 million), representing 5.5 percent of total revenue or 1.2 percent of GDP. Based on current forecasts and prices, oil revenues are not expected to be sufficient to fully replace current ODA levels. Ghana will therefore require additional external resources as it goes through a transition period of relatively low oil revenues and human resource capacity and institution building to better manage higher levels of oil revenues in the future.

11. During the past three decades, ODA has constituted an important source of financing of the national budget, providing critical support for programs, projects, and the balance of payments. Despite this, ODA flows and their management in the country have been characterised with a number of challenges. In response to the challenges, Ghana has developed an Aid Policy which seeks to ensure that the country’s priorities, procedures, human resource capacity, economic management and institutional arrangements determine the optimal allocation of aid and its impact on the country.

12. Increased reliance on domestic resource mobilization calls for the strengthening of the revenue institutions. Rapid progress in public sector reform, public financial management, legislative reforms and decentralization are required to solidify the emerging social contract between citizens and GoG, whereas increased taxation can only be justified by better public service provision. Monitoring and evaluation needs to be strengthened to measure effective progress in GoG performance and policy implementation and also satisfy citizens’ demands for transparency and accountability. Increased reliance on non-concessional financing will call for better selection and implementation of projects, and more sophisticated debt management to protect debt sustainability. The sustainable development of the petroleum upstream sector will also call for a mobilization of expertise currently not available in the country.

13. Improving these core government functions is a pre-requisite to gradually reduce dependency on traditional development assistance. Ghana’s country systems and public sector capacity need to be strengthened to rise up to the peculiar challenges that natural resource-based economies and middle income countries face. Traditional development assistance also remains invaluable in its capacity to provide lessons learned elsewhere in policy implementation and harness resources and efforts towards focused and measurable objectives.

14. The Consultative Group meeting held in September 2010 concluded on the need for DPs to support Ghana’s transition to an established middle income status, focusing on geographical disparities, lagging MDGs, and the strengthening of core Government functions. At the Multi Donor Budget Support (MDBS) retreat held in January 2012, capacity building, developing monitoring and evaluation systems, financial management reforms, strengthening of governance structures and poverty reduction interventions in the Northern Savannah zone were identified by GoG as areas where continued DP support would be critical. GoG also invited DPs to provide technical assistance
and bolster initiatives that will facilitate market access to Ghanaian exporters, promote a better integration of Ghanaian exports into the global supply chains and strengthen Ghana's trade policies.

1.3. **Objectives of the Compact**

15. In line with the renewed vision, GoG and DPs commit themselves to the following objectives for the Compact:

- To contribute to accelerated and inclusive economic growth, and sustained poverty reduction, through a smooth transition of Ghana to established middle income status with a reduced dependence on ODA and with increased levels and reliance on alternative development funding and domestic resource mobilisation;

- To ensure the predictability of, and minimise the risk of abrupt reductions in, flows of ODA and other forms of development finance and cooperation to Ghana;

- To focus development assistance to issues/sectors of significant strategic importance for national development where aid is needed;

- To increase accountability, transparency and effectiveness of development assistance to Ghana so that it delivers results and value for money;
Chapter 2. Development Priorities for Ghana

2.1. Introduction

16. Taking into consideration GoG’s overall vision and the medium-term priorities, GoG proposes to direct the application of ODA and other forms of development finance and cooperation towards the implementation of programs and projects in the following eight areas:

i) Reducing disparities and inequality
ii) Human development
iii) Accelerating agricultural modernization
iv) Provision of strategic infrastructure
v) Natural resources management and environmental governance
vi) Deepening democratic and accountable governance
vii) Private sector development
viii) Strengthening public sector institutions and systems

2.2. Reducing disparities and inequality

17. Endemic poverty in the Northern Savannah has already led to the creation of a special purpose vehicle, the Savannah Accelerated Development Authority (SADA), to maximize growth opportunities and coordinate accelerated development efforts. DPs have been invited to collaborate in ensuring that SADA becomes a sustainable vehicle for growth and poverty reduction in the northern savannah zone in the medium to long-term. In addition, GoG will create other special-purpose vehicles to target development in other deprived areas of the Western corridor (covering Western and Central Regions) and the Eastern Corridor (encompassing the Volta region and the Accra and Afram Plains). These instruments will gradually be absorbed in GoG budget system and in 10 years become institutionalized in the planning and budget mechanisms.

18. As part of the priority of drastically reducing poverty in a targeted manner, social safety-nets will be expanded and better targeted to ensure efficiency. For instance, the Livelihood Empowerment Against Poverty (LEAP) and other national social protection programs such as NHIS will be better aligned.

19. In order to address other forms of inequality, more gender-disaggregated instruments will be deployed to ensure that women and children are better targeted. Persons living with disabilities will be especially targeted to enable them benefit more fully from social protection measures, and institutions representing persons with disabilities will be engaged in the processes of policy formulation and program implementation at all levels.
2.3. Human Development

20. Ghana has made significant progress on the MDG reflecting universal primary education for boys and girls, yet major gaps persist in the quality of educational attainment, in particular reflecting wide regional disparities in school structures, availability of teachers, quality of curricula, high drop-out rate for girls, especially in rural areas in the North. GoG will undertake a thorough assessment of these disparities in education and propose policies and programs to systematically redress these to ensure a smooth transition to middle-income status characterized by equal access and high educational attainment. This will lay the basis for continued progress in addressing the major human development challenges as Ghana transitions to middle income.

21. Progress on the achievement of some MDG targets has been slow in areas of health, (especially maternal and child mortality), and sanitation. Working closely with UN agencies and other DPs, GoG will develop and implement specifically-targeted MDG acceleration programs, both sectorally and spatially. Prominent among these MDG targeted investments include an accelerated plan for improved access to water supply and sanitation services, based on the water and sanitation plan being developed by the Ministry of Works, Water Resources and Housing.

22. The health sector continues to be faced with some challenges in respect of child and maternal healthcare, malaria, HIV and AIDS and general delivery of affordable healthcare to the populace, especially the poor. The inadequate healthcare infrastructure and the existence of "hidden hunger" and malnutrition are the manifestations of ineffective policy coordination and harmonisation among institutions and actors in the education, health and nutrition sectors. GoG will continue to implement policy measures aimed at improving access to quality health care. These include bridging equity gaps in access to health care and nutrition services; improving governance and strengthening efficiency in health service delivery; sustainable financing arrangements that protect the poor; intensifying prevention and control of non-communicable and communicable diseases; improving access to quality maternal, child and adolescent health services to meet the relevant MDG targets; strengthening mental health service delivery; providing support for HIV and AIDS/STI/TB patients; and improving nutrition and food security.

2.4. Accelerated Agricultural Modernization

23. A modernized agricultural sector is expected to underpin the transformation of the economy through job creation, increased export earnings, food security, and the supply of raw materials for industrial value addition. Further, agricultural modernization is expected to create the needed linkages with the emerging oil and gas sector in a manner that utilizes agro-chemical potential in accelerated agricultural growth, linking the emerging oil economy to the Northern Savannah food sector. Measures to increase productivity (especially of smallholders) will be instituted through agricultural mechanization, innovation and utilization of appropriate and affordable agricultural machinery and equipment, investments in small irrigation facilities, climate-change adaptation measures, and accelerated irrigation of large parcels of arable land in the Northern Savannah and the Accra Plains will all be at the center of the agricultural modernization agenda.

24. These policy measures will be complemented by: the promotion of good agricultural practices and the development of value chains; encouraging commercial farmers’ linkages with out-growers, especially the youth; promotion of the formation of Farmer-Based Organizations to enhance farmers’ knowledge, skills and access to resources, especially finance; and supporting the development and
provision of agricultural insurance products to protect farmers against natural and man-made disasters such as floods, drought and bush-fires as well as loss of income and livelihood. Cardinal objectives of such an agricultural modernization effort are to create employment, especially among the youth, but also to enhance the linkages between large commercial farmers and small holders in out-grower schemes, and fully engage civil society in facilitating the linkages between the two.

2.5. Provision of strategic infrastructure

25. In collaboration with the MDAs, the NDPC is preparing a National Infrastructure Plan (NIP). The plan will identify and prioritize infrastructure needs, and focus on road, rail, air, maritime and inland transport, and water resources that enhance the opening-up of markets, especially in the most deprived areas. Priorities include the Western and the Eastern corridors transport infrastructure, and the North-western link to Burkina Faso through the Northern Brong Ahafo. Additionally, a network of roads will be constructed to upgrade the rural roads that support Ghana’s production infrastructure.

26. Energy, oil and gas development are central to the provision of strategic infrastructure. GoG, as a priority, will ensure access of households and industry to reliable and adequate energy supply and diversify the national energy mix. Energy infrastructure will be rehabilitated and expanded to ensure adequate and reliable supply of energy and increased access to the modern forms of energy to the poor and vulnerable through the extension of the national electricity grid. The cost of electricity production and distribution will also be progressively reduced with the availability of cheaper natural gas for power generation. Additionally, national policy will promote energy efficient technologies that safeguard the health of domestic users especially women and children.

27. As an emerging oil and gas economy, a number of strategic investments in this sector such as gas plants and other petro-chemical applications to convert oil by-products into agricultural and industrial applications are being explored. Using oil and gas to support the development of the energy and transport sectors is expected to expand Ghana’s accelerated industrial development.

2.6. Natural Resource Management and Environmental Governance

28. Ghana’s once abundant natural resource endowment is threatened by continuous exploitation, deforestation, air and water pollution, desertification, over-grazing and the pressure of a relatively fast growing population. This situation is being aggravated by climate change, affecting the coastal, forest and Northern Savannah ecosystems in a manner that diminishes their biodiversity. GoG will implement strategies aimed at preventing further damage to the environment and natural resources. The policies will include improving farming practices and reforestation; strengthening of legislation to maintain and enhance the protected area system; improve forest management including the consideration of global issues such as reducing emission from deforestation and forest degradation plus (REDD+), Voluntary Partnership Agreement/ Forest Law Enforcement, Governance and Trade (VPA/FLEGT); investing in control structures for mitigating floods and droughts in the Northern Savannah; reversing coastal erosion; and promoting sustainable practices that avoid irreversible ecological processes and damage to critical natural capital. Government is also committed to taking appropriate measures to reduce vulnerability to climate variability and change by embarking on
awareness programs to enhance national, regional and zonal capacity to adapt to climate change. GoG will also develop effective mitigating policies to address Greenhouse Gas (GHG) emissions.

2.7. Deepening Democratic and Accountable Governance

29. In spite of the significant progress made over the last years, sustaining and deepening the practice of democratic governance in Ghana faces a number of challenges that require urgent resolution. These include rule of law and justice, managing pre and post- election processes, effective participation of women, enhancing the role of civil society and non-state institutions in governance, corruption and economic crimes and public safety. Policy measures establishing transparent, democratic and accountable governance will focus on the completion of the constitutional review process, addressing the emerging constraints to the progress of decentralization by strengthening the institutional and financial capacities of district assemblies and other local governance structures to deliver effectively on their mandates, promoting women’s participation in the development and governance processes at all levels, and strengthening the capacities of law enforcement and security agencies and the independent governance institutions to fight corruption and crime as well as taking specific measures to enhance public security, the rule of law and access to justice (especially for the poor and vulnerable).

30. NGOs, civil society organizations and other non-state actors need to be supported to enable them develop tools and mechanisms for regular consultation with Government, and to play the crucial role of involving citizens in the demand for accountability. In pursuing this objective, GoG will develop mechanisms for promoting citizen-based monitoring and evaluation of public policies and programs, as well as providing feedback and suggestions on ways of improving the targeting of social and economic development programs.

31. The role of traditional institutions, long marginalized in the development process, will be strengthened to promote accountable governance. Working with the National House of Chiefs and Ministry of Chieftaincy Affairs, the strategic plan being developed by the House of Chiefs will be enhanced and DPs engaged in the process of streamlining the role of Chiefs in the transition to middle-income status. Such a role will be prominent as issues of regularizing land acquisitions and streamlining the legal status of leases for investment purposes become more prominent.

32. Strengthening Parliament is a crucial element in managing a successful transition to middle-income status. This includes ensuring that Parliament has the capacity to play its oversight role effectively. The Parliament of the Republic of Ghana has formulated a strategic plan to reinforce its institutions and to link better with the public. These plans will be strengthened as part of GoG priorities for capacity building.

2.8. Private Sector Development

33. In partnership with the public sector, the private sector is expected to play a critical role in driving the transformation agenda. This entails the development of a private sector that creates jobs and enhances livelihoods for all Ghanaians. The capacity of the private sector to play its role will be enhanced through the implementation of the second Private Sector Development Strategy (PSDS II). Additionally, a Public-Private-Partnership (PPP) framework and policy guidelines have been prepared and launched by GoG to promote the even spread of PPP initiatives across the country to ensure
that private sector investments penetrate all spheres of the economy. The decentralization effort of the Ghana Investment Promotion Center (GIPC) will be enhanced and better linked to efforts of MMDAs to produce local economic development and private sector investment promotion plans.

34. For Ghana’s financial sector to play a stronger role in driving economic transformation, much needs to be done to increase private sector access to credit at competitive cost and to provide innovative products that are better suited to the needs of the private sector. To ensure that the financial sector responds effectively to the needs of the private sector, GoG will continue to deepen financial sector reforms and also continue to implement, monitor, evaluate and regularly update the Financial Sector Strategic Plan (FINSSP II).

35. Given Ghana’s current limited access to the global market, there is the critical and urgent need to aggressively pursue measures to expand access and share of global trade. Though a number of trade-related policy initiatives have been implemented by way of preferential trade regimes /relations, there still remain a number of pertinent challenges that need to be addressed to achieve real expansion in global market access. In the medium-term, GoG will accelerate the implementation of the National Trade Policy which is aimed at promoting the integration of Ghana into regional and global markets. The specific strategies to be implemented include: (i) Pursuing regional economic integration; (ii) promoting regional infrastructure; (iii) securing emerging market level competitiveness; and (iv) leveraging existing trade and investment partnerships and building new ones. The possibility of deriving maximum relief under all international trade arrangements and protocols to support domestic industry to grow will be explored.

2.9. Strengthening Public Sector Institutions and Systems

36. To sustain the high growth of the economy requires strong and efficient institutions, as well as highly skilled personnel to manage and create more wealth. To this end, GoG will broaden and intensify the reforms of the public sector through the following: (i) ensuring that frontline agencies are staffed by qualified personnel with the appropriate work ethos to provide efficient services; (ii) enhancing the human resource management system that is capable of planning, attracting and retaining talented employees; (iii) right-sizing of the civil and public service to enhance its performance and effectiveness; (iv) sustaining the implementation of public sector pay reforms to ensure appropriate remunerations and increase productivity (v) re-structuring of the state owned enterprises to make them more efficient and profitable; and (vi) establishing competency-based human resource management institutions to nurture a workforce with the right attitude, skills and knowledge.

37. With the implementation of the Single-Spine Salary (SSS) in an advanced stage, attention will be given to the establishment of an efficient e-Governance structure to ensure the integration of institutional networks within the public sector. It is the objective of the e-Governance Project to ensure that the operations of the key agencies of government are fully automated, networked, interfaced and interconnected.

38. The capacity to plan and coordinate development in a strategic manner is also crucial for the transition to middle-income status. The Ministry of Finance and Economic Planning (MoFEP) is already undergoing structural reform and needs substantial strengthening to lead the processes of transition. The National Development Planning Commission (NDPC) has initiated the process of preparing a 20 year long term development strategy, on the basis of which a medium term national
development policy framework and plan would be developed as a successor to the GSGDA. The NDPC is currently undergoing a functional and organizational re-structuring to re-position itself to perform its role of coordinating the implementation, monitoring, and evaluation of national development policies, programs, and projects.

39. Strong and effective country systems are indicative of maturing middle income countries. Strategic and integrated planning and budgeting systems supported by management information systems which provide decision and policy makers at all levels with timely and reliable information will be strengthened.

40. The output of an efficient Monitoring and Evaluation (M&E) and Statistical systems will inform national development planning; support sector policy and program design; inform the budget allocation process; enhance transparency and accountability in the management of public resources; encourage continuous improvement in public policy management as well as policy dialogue within Government, and with Civil Society Organisations (CSOs), the Private Sector, and DPs. GoG is therefore committed to the strengthening of the existing systems instead of creating parallel systems.

41. The Busan Partnership for Effective Development Cooperation calls for the use of country systems and results frameworks as common tools by all concerned actors and providers of development cooperation. It also emphasizes the need to accelerate and deepen efforts to collect, disseminate, harmonize and make full use of data disaggregated by sex.

42. Within the current framework of mutual accountability and managing for results, the Joint Agenda for Strengthening Monitoring and Evaluation, and Statistics (JASMES) would be adopted as the key framework for coordinating the implementation of interventions aimed at strengthening (i) GoG's leadership in ensuring well-functioning government M&E and Statistical systems; (ii) demand and utilization of M&E results to inform policy and to hold stakeholders accountable; (iii) production and dissemination of data that meet international data quality standards and user needs; and (iv) ensuring sustainable M&E and Statistics systems.

43. To effectively and efficiently manage fiscal policy, GoG will focus on improving public expenditure management; enhance revenue generation; and continue with the financial management reforms including asset management in all MDAs and MMDAs and the Ghana Integrated Financial Management Information System (GIFMIS).

2.10. **Time-frame**

44. The above priorities are central to Ghana’s long-term planning during this transition phase, expected to run for 10 years.
Chapter 3 DPs Response to GoG Priorities

3.1. Introduction

45. DPs welcome the efforts of GoG in increasing domestic resource mobilisation, including revenues coming from oil exports and the resources from new partners. This is a clear manifestation of managing the transition towards reduced dependence on development assistance and inclusive growth for all Ghanaians.

46. DPs support the efforts of GoG in addressing the challenges the country needs to overcome in its aim to become a middle level country. In particular, over the coming years, DPs will align their support to the following:

3.2. Reducing Disparities and Inequality

Special Development Areas

47. DPs recognise the country's key challenge of growing inequalities between the North and South of Ghana. DPs will support GoG's efforts to address the multiple challenges affecting the northern savannah zone as well as other deprived areas of the country. Such assistance can target special mechanisms such as SADA or be multi-sectoral in nature. DPs will cover a wide range of social and productive sectors in order to create the necessary conditions for growth, expand the quality and quantity of social services, address the special needs of smallholders, and ensure improved targeting of social protection. Special attention will be paid to strengthen the implementation of the national peace architecture and support ongoing efforts to curb perennial conflicts that have undermined peace, social cohesion, and economic progress.

48. DPs will work with GoG to mainstream and integrate development efforts in a closely coordinated manner and across all sectors. DPs are already providing support to the SADA zone and they will apply the lessons learnt from these efforts to other deprived areas.

Social Protection

49. DPs will support the implementation of key social protection policies and programmes. These can include, among others, the National Social Protection Strategy; the Livelihood Empowerment Against Poverty (LEAP); the conditional cash transfer programme targeting the extreme poor, the aged, and people with severe disabilities; people living with HIV/AIDS; the national action plan on child labour; the disability policy and action plan; the policy on the aged and action plan; the Women’s Development Fund; the Domestic Violence Act and plan of action; the national health insurance scheme; and the free maternal health scheme. DPs intend to support and strengthen M&E systems for social protection, with a view to improving targeting and efficiency of such programmes.

Gender Equality

50. DPs will work with GoG to take renewed action to address the needs of women and girls, within the overall aim of achieving gender equality.
3.3. **Human Development**

51. In the first phase of the Compact implementation, GoG and DPs will deploy a sustained effort on poverty reduction and, more specifically, in the areas covered by the MDGs, some of which are unlikely to be attained by 2015 unless investments are rapidly stepped up.

52. GoG is working with the UN and other partners to develop MDG Acceleration Frameworks (MAFs) for lagging MDGs. DPs will support the MAF and Country Action Plan for improving maternal health and reducing newborn deaths. DPs will work with GoG at the level of both community and health care facilities through the use of evidence-based, feasible and cost-effective interventions, to achieve accelerated reduction in maternal and newborn deaths. DPs’ support will focus on three key priority intervention areas identified by the MAF – extending and improving family planning services, skilled delivery and emergency obstetric and newborn care.

53. DPs will support Ghana implement the MAF on Sanitation and the Ghana Sanitation and Water for All (SWA) Compact, signed in April 2010, through which the GoG recognised sanitation and water as ‘essential services’ and made commitments for increased allocations for sanitation and water improvements and for capacity building for hygiene education including proper hand washing methods and countrywide outreach of Community Led Total Sanitation. DPs will increase alignment with GoG systems to deliver aid within the context of a Sector-Wide Approach and provide technical assistance to enable GoG and sector agencies to accelerate the achievement of the MAF for Sanitation and other sector strategic plans which address identified sector bottlenecks. DPs will endeavour to increase current levels of financial support, particularly investments in the sanitation sector.

54. Although Ghana is showing good progress in enrolling children in primary school, the quality of education is poor, reflecting a number of weaknesses (e.g. availability of teachers, quality of curricula and teaching methods, and high drop-out rates, especially for girls). DPs will work with GoG to sustain and increase efforts at all levels of education to ensure all children get a good quality education and so endow the country with well-educated citizens that can take Ghana to a higher level of development consistent with its middle income status.

3.4. **Agriculture modernization**

55. DPs will support the GoG in the implementation of the Food and Agriculture Sector Development Policy (FASDEP) and Medium Term Agriculture Sector Investment Program (METASIP). To monitor the performance of DP investments in this area, DPs will use sex-disaggregated agriculture and nutrition-related indicators aligned with the national sector M&E system. Efforts will include enhancing productivity and efficiency along all levels of the value chain, improving linkages with the private sector, improving access to credit and finance, building of service delivery and policy-related capacity at all levels, improving demand-driven research and development for better and more sustainable agriculture inputs that can be disseminated through extension services and modernising land tenure. DPs will also assist GoG to address nutrition issues and to prepare a national nutrition strategy.

56. A large part of DP efforts will focus on the northern savannah region to address the special needs of this deprived area, and will focus also on smallholder farmers, with special attention given to the needs of women smallholders.
57. DPs will coordinate closely with MoFA through the Sector Working Group and the METASIP Implementation Steering Committee, as a means to enhancing coordination for all matters relating to agriculture, nutrition and food security, as well as with the Special Development Areas Working Group for efforts in the SADA region and other designated deprived areas.

3.5. ** Provision of strategic infrastructure **

58. GoG and DPs will explore all potential sources of funding for infrastructure, compatible with debt sustainability requirements - budget funding, concessional and non concessional borrowing, and public private partnerships. Concessional funding will complement budget resources and will particularly be targeted to financing infrastructure with low anticipated commercial but high social returns. DPs will support GoG initiatives in developing Infrastructure Master Plans and building Government capacity and institutions to manage public investment and utilities operating infrastructure.

59. DPs will support the implementation of the Transport Policy and Integrated Transport Plan, will work with GoG to create a vibrant investment and performance-based management environment that maximises benefits for public and private sector investors and ensure sustainable development in the transport sector.

60. GoG aims to provide access to electricity for all its citizens by 2020. DPs support the expansion, generation, distribution and transmission of energy in the country. DPs will work with GoG to improve energy efficiency and to promote investment in and use of renewable energy sources, in line with the UN-SG’s "Sustainable Energy for All" initiative, for which DPs agree to make funding available. This funding should be used to leverage private capital for higher investment in the energy sector.

61. DPs will support the implementation of the Water Policy and Strategic Investment Plan to increase access to affordable and safe water supply; improve infrastructure and management of water supply systems; establish and strengthen partnerships in water provision; and develop capacity to manage water resources at all levels. DPs will also work with the Implementation Manual to standardise project implementation across the sector.

3.6. ** Natural Resources Management and Environmental Governance **

62. DPs envisage to support Ghana to strengthen environmental management and governance at national, regional, district and community levels. Efforts will include support for development and implementation of key policies and strategies as well as strengthening monitoring and evaluation. DPs will support the Environmental Protection Agency (EPA) in the implementation of its Five Year Strategic Plan (2011-2015), which focuses on the policy goal of ensuring that “all sections of the community value the environment and strive for environmentally sustainable development, with sound and efficient resource management, taking into account social and equity issues”. DPs will support the EPA to provide the needed leadership in environmental management and governance in the districts; they will also support the Ministry of Environment, Science and Technology (MEST) in the development and implementation of the National Environment Policy.

63. To mitigate the impact of climate change, DPs will assist GoG's implementation of a National Climate Change Policy Framework, including sector specific strategies for water and sanitation, agriculture, energy and transport. DPs will also support GoG in its implementation of the National Climate
Change Adaptation Strategy as well as in accessing climate change financing. Moreover, DPs will support GoG in its efforts to reduce deforestation and forest degradation (REDD+) and promote sustainable management of the remaining forests. DPs will support national efforts to move from disaster response to emergency preparedness through the implementation of the Ghana Action Plan on Disaster and Risk Reduction (2011 - 2015). DP support for sustainable land management interventions at the district and community levels will also help to preserve agricultural/arable lands and also recover lands lost to degradation due to climatic elements and human activities. DPs will promote coherence across Ghana’s environment interventions including identifying linkages between climate change, desertification and sustainable land management to inform the development of interventions that will make sustainable impacts on land management.

64. To stem the tide of environmental deterioration associated with mining, DPs will support GoG’s efforts at regularizing the activities of small scale miners in the sector. DPs will continue to support ongoing measures by the Minerals Commission, MEST and EPA to manage the environmental problems associated with large scale commercial mining.

65. To ensure the integration of environmental sustainability considerations in Government policies, plans and programs, DPs will support the training of personnel of MMDAs and MDAs in the conduct of strategic environmental assessments. DPs will also support the implementation of the recommendations of Strategic Environmental Assessments (SEAs) carried out in various sectors. DPs will continue to work closely with the relevant ministries and agencies through the Environment and Natural Resources Sector Working Group to promote the integration of environmental sustainability across other sectors. Linkages between the environment and agriculture and other renewable resource-related livelihoods (fisheries, forestry) will be promoted including the consideration of the gender equality dimensions and involvement of civil society organizations.

3.7. Deepening Democratic and Accountable Governance

66. DPs will assist GoG to build and maintain reliable governance systems and to strengthen key governance institutions - Parliament, Electoral Commission, Ghana Audit Service, Commission on Human Rights and Administrative Justice (CHRAJ), etc. DPs will provide support to key reform-oriented processes including decentralisation, constitutional review, National Peace Council and Legal & Judicial Sector Reform. Support will be provided for strengthening the rule of law, promoting the respect of human rights, civic registration and improving access to justice for Ghanaian citizens. All levels of Government, including districts and municipalities, but also relevant civil society organisations, will be considered for technical support, in particular in relation to enhanced domestic and social accountability and local service delivery. Support will be provided to CSOs to enhance citizens’ participation and dialogue with Government.

67. DPs will provide support to strengthen revenue mobilisation and management, tax reform and strategic resource allocation, as GoG’s own revenues gradually replace ODA and other forms of development finance and cooperation. Specific attention will be paid to the management of revenues from natural resources, including oil & gas, mining and forestry. DPs with specific experience in these areas stand ready to provide advice and technical support to GoG as needed.
3.8. Private Sector Development

Private Sector Development

68. DPs will support the implementation of the Private Sector Development Strategy (PSDS) II through the PSDS Pooled Fund and other appropriate mechanisms. DPs will also provide support directly to the private sector among others through strengthening business associations as well as through mechanisms such as Trust Funds and Challenge Funds. DPs will support GoG to improve the enabling environment for private sector investment and participation and to actively promote PPPs. DPs will provide technical assistance for developing relevant and quality human resources within the private sector, increasing access to appropriate technology and facilitating technology transfer and marketing systems to enhance fair and competitive pricing and returns to the private sector. DPs will also support labour market reforms that aim to provide greater incentives for creating formal, decent jobs. DPs will continue to provide support to the Land Administration Project to facilitate land tenure and to improve land administration.

69. DPs will work with GoG to improve the efficiency and competitiveness of Micro, Small and Medium Enterprises (MSMEs) by facilitating their access to training and business development services to improve their managerial and entrepreneurial capacity; facilitating their access to affordable credit; providing MSMEs with appropriate technology; strengthening linkages between large firms and SMEs to facilitate technology transfer and providing incentives for local SMEs to increase formalisation of the informal sector.

Financial Sector Development

70. DPs will provide support to the Financial Sector Strategic Plan (FINSSP) II with the aim of deepening financial intermediation and to enhance access to credit for the private sector. This will be done by addressing the structural issues that constrain lending; encouraging financial sector provision of innovative products that respond effectively to the needs of the private sector and continued implementation of financial sector reforms. DPs will also support GoG to increase the capacity of regulators in both micro and macro prudential regulation and supervision to help manage systemic risks.

Trade and Regional Integration

71. DPs will support GoG efforts to enhance regional economic integration; promote intra-regional trade and cross-border infrastructure; foster stronger intra-regional relationships, and to strengthen existing trade and investment partnerships and promote new ones.

3.9. Strengthening Public Sector Institutions and Systems

72. DPs recognise public sector performance and accountability as a key success factor for Ghana as a future aid independent middle-income country. DPs note and agree on the need for strategic planning and coordination capacities to be developed within Government to lead the transition. DPs also recognise the need to improve the efficiency of the public sector linked to budgets and salaries consistent with fiscal space for investment. DPs will work with GoG towards right-sizing the civil and public service and enhancing its performance and effectiveness.

73. Capacity development will be a key priority in the transition phase. Partners are willing and committed to support an accelerated and coordinated approach to capacity development. DPs are prepared to discuss, and contribute to the preparation of, a comprehensive National Capacity Development Strategy and Action Plan and will support its implementation. DPs will coordinate their
assistance in support of the plan and will provide financial and technical assistance, to include sharing and transfer of knowledge and expertise. Partnerships with private sector organisations and international and domestic institutions of higher education will be sought for funding and implementation of capacity development programs.

74. DPs collectively commit to support the strengthening of capacities and improvement of the M&E function across Government in a way that can ensure appropriate assessment of policy and program implementation and impact, building on and making the best use of the differentiated roles and responsibilities among the various players at all levels and spheres of Government. DPs are willing to provide support for the preparation and implementation of a country wide M&E and Statistics action plan, using the Joint Agenda for Strengthening Monitoring and Evaluation, and Statistics (JASMES) as the framework. Capacity-building of NDPC and GSS will be a priority in this regard.
Chapter 4 Shared Principles for Development Partnerships

4.1. Introduction

75. This chapter outlines the general principles expected to guide the delivery of development partnerships, as well as the operational principles that will guide the implementation and management of this Compact.

76. GoG and DPs share and agree that the focus of the Compact should be on a limited number of strategic interventions and principles for development partnerships. DPs recognise and accept that the ways in which the focus of development assistance and shared principles are applied will differ among them based on their unique characteristics and respective merits. DPs will therefore differentiate in their commitments to the Compact in line with the Busan Partnership for Effective Development Cooperation.

77. To enable Ghana to become less dependent on aid, it is imperative that the development challenges facing the country are dealt with in an efficient and sustainable manner. To this end, it would be most effective for GoG and DPs to commit themselves to a set of aid delivery and operational principles that will ensure that development assistance is concentrated to the priority areas identified in the Compact. Therefore GoG and DPs have pledged to adhere to the following key principles for development cooperation:

4.2. Principles for Aid Effectiveness

78. Though progress has been achieved in development cooperation, many challenges still remain. To achieve the goal of obtaining better value for money and quality and contribute towards development effectiveness, issues of alignment, fragmentation, harmonisation, mutual accountability, aid predictability and transparency should be further addressed.

4.2.1. Mutual Accountability

79. DPs and GoG will hold themselves accountable for making progress against the commitments and actions agreed in Busan, alongside those set out in the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. To this end, GoG will use the DP Performance Assessment Framework (DP-PAF) to track progress in aid effectiveness.

4.2.2. Better Alignment

80. Better alignment requires that aid allocation and decisions are fully embedded in national ownership. Ensuring better alignment of ODA and other forms of development finance and cooperation to national priorities and refraining from DP policies that are inconsistent with national policies would make great contribution to the outcomes. The alignment to national policies applies to all aid regardless of whether it is directed to the national government, local government, non-governmental entities or sectors.

4.2.3. Improving Harmonization

81. DPs confirm their commitment to the Paris Declaration principle of harmonization and will:
• Work together to reduce the number of separate, duplicative missions to the field and diagnostic reviews; and promote joint training to share lessons learnt and build a community of practice;

• Implement where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursements, monitoring evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid modalities can contribute to this effort.

4.2.4. Greater Aid Predictability and Transparency

82. Greater aid predictability and transparency requires action by GoG and DPs to meet commitments made under the Accra Agenda for Action. While progress has been made, much remains to be done if Ghana is to improve development planning and avoid bottlenecks in implementation caused by uncertain financing and slow disbursement of funds. More joint consultations about policies and priorities underlying aid allocations and delivery would go a long way to achieve greater transparency.

83. DPs reconfirm their commitment in Busan to work with GoG in ensuring that information on publicly funded development activities, their financing, terms and conditions, and contribution to development results, subject to legitimate concerns about commercially sensitive information, is made public, to promote transparency and accountability.

84. DPs will, by the year 2013, provide to the GoG regular and timely rolling three to five-year indicative forward expenditure and/or implementation plans as required by the Aid Policy and Strategy. Furthermore, DPs are committed to implementing a common, open standard for electronic publication of timely, comprehensive and forward-looking information on resources provided through development co-operation, taking into account the statistical reporting of the OECD-DAC and the complementary efforts of the International Aid Transparency Initiative and others. This standard must meet the information needs of the GoG and non-state actors. DPs will agree on this standard and publish their respective schedules to implement electronic sharing of financial information by December 2012, with the aim of implementing it fully by December 2015.

4.2.5. Managing for Results

85. Aid Effectiveness is not an end in itself. Investments and efforts must have a lasting impact on eradicating poverty and reducing inequality on a sustainable basis, and on enhancing Ghana's own capacities. In realising the GoG's vision of a full-fledged middle income country, where the benefits of development are widely shared by the Ghanaian population, it is essential that GoG takes ownership of, and responsibility for, providing the framework that will ensure that DPs' collective action will lead to development results and ensure development effectiveness.

4.2.6. Using Country Systems

86. The use and strengthening of Ghana's country systems - including financial management, procurement, auditing, monitoring and evaluation - remains one of the most important strategic elements in GoG and DPs' efforts to ensure a sustainable and irreversible transition of Ghana to MIC-status with more efficient and effective governance institutions. Ghana's commitment to strengthen its key institutions and policies will be supported through approaches that aim to manage - rather than avoid - risk, including the development of joint risk management frameworks. To this end, DPs will apply the principles for use of country systems reconfirmed in the Busan Partnership for Effective Development Cooperation, viz.
a) Use country systems as the default approach for development co-operation in support of activities managed by the public sector;

b) Assess jointly country systems, using mutually agreed diagnostic tools. Based on the results of these assessments, providers of development co-operation will decide on the extent to which they can use country systems. Where the full use of country systems is not possible, the provider of development cooperation will state the reasons for non-use and will assist the Government to improve on the weaknesses and strengthen the systems to move towards their full use.

87. The sustainability of country systems is of crucial importance in the transition to a middle income country. To that end, GoG will assume full responsibility to provide sufficient operational resources to key institutions mandated to ensure the effectiveness, efficiency, transparency and accountability of country systems, such as financial management, procurement, auditing, monitoring and evaluation

88. DPs will support capacity building efforts to strengthen country systems based on the commitment of GoG to accelerate key reforms and ensure quality, value for money, independence of oversight institutions and address corruption effectively.

89. GoG will put in place effective mechanisms to ensure intra and inter MDA coordination to facilitate the capture, management and use of credible aid information provided by DPs.

90. To ensure that all these interventions are effectively harmonized, GoG has agreed with DPs to work towards ensuring that “all aid to the government sector is on budget”. This means:

- All aid to the government sector is included in the budget planning;
- All aid to the government sector is approved by Parliament as part of the Appropriation Act.
- All donor funds to the government sector are channeled through government systems.
- Aid to the government sector is accounted for through GoG systems and in the Chart of Accounts.
- All aid to the government sector is audited by the Ghana Audit Service (GAS).
- All aid to the government sector is included in the Government’s ex-post reports

4.2.6.1. Public Financial Management and Procurement

91. With reference to the principles agreed in Paragraphs 86 and 87 here above, DPs will use country systems to review and evaluate the use of funds. In line with this, DPs will engage in dialogue with the Ghana Audit Service (GAS), Internal Audit Agency (IAA), and Public Accounts Committee (PAC) to further develop the capacity of these institutions to ensure better quality, coverage and timeliness of audits. Assistance to these institutions will include harmonising audit requirements and institutional support.

92. DPs will support GoG-led public financial management reforms (e.g. the Ghana Integrated Financial Management Information System, GIFMIS) and will align procedures to integrate with Government systems.
93. DPs will continue to support Ghana’s procurement system by strengthening the implementation of the Public Procurement Act. GoG will facilitate transparent, fair and efficient procurement system in the country.

4.2.6.2. Monitoring and Evaluation

94. M&E is essential to guide Ghana’s implementation of development policies and programmes. It is also a fundamental tool in transparent, democratic and accountable governance.

95. In accordance with the principles agreed to in Busan and in line with Ghana’s Aid Policy and Strategy, DPs collectively agree to rely on the M&E system of the GSGDA, including the Annual Progress Report for results monitoring on development. DPs also support the improvement of M&E functions across GoG i.e. through support for development of a National M&E Plan and capacity building in M&E as per requirements of the M&E Plan.

96. DPs will partner with GoG to enhance the capacity of the Ghana Statistical Service to enable it provide relevant, reliable and timely statistics and for the NDPC to monitor progress, evaluate impact, ensure sound, results-focused public sector management, and highlight strategic issues for policy decisions.

97. Special attention will be given by DPs to support M&E capacities in the Compact priority areas. DPs commit to adopt a transparent, GoG-led and country-level results framework as common tools for assessing performance. Providers of development co-operation will minimise using additional frameworks and refrain from the introduction of performance indicators that are not consistent with Ghana’s national development strategies.

4.2.7. Aid Modalities and Programming

98. While GoG preferred aid modality continues to be general budget support, within the MDBS framework, proposals for development assistance instruments that could be considered more suitable for a middle income country and better tailored at targeting geographical poverty will be welcomed by GoG. The expectation is that any such changes will of itself not affect the overall size of development financing and cooperation during the transition phase; these modifications will be aligned to GoG Budget, through the agreed instruments of “Aid on Budget”.

99. On the other hand, DPs acknowledge the important role of the Ghana Aid Policy and Strategy (2011-2015) in providing overall guidance and procedures for sourcing and managing aid to Ghana. Acknowledging that GoG’s preferred modality for aid is general budget support, DPs will endeavour to continue providing general budget support through the Multi Donor Budget Support (MDBS) instrument, as well as seek a right balance among the full spectrum of aid instruments available to them – GBS; SBS; Pooled Funds; Project Aid etc. DPs will also work with GoG to further improve the GBS instrument’s effectiveness.

100. In line with Busan commitments, DPs will by the year 2013 make greater use of country-led co-ordination arrangements, including division of labour, as well as programme-based approaches, joint programming and delegated co-operation.
101. DPs commit themselves to use this Compact as one of the core documents for (joint) programming of their future assistance to Ghana.

4.2.8. Division of Labour

102. DPs are committed to a division of labour to ensure complementarity of aid contributions and to overcome proliferation and fragmentation. GoG will initiate a division of labour process, based on a set of principles mutually agreed under the Ghana Aid Policy and Strategy. This will require a joint effort, with GoG taking a leadership role in consulting and coordinating with DPs to alleviate sector congestion and minimizing overlaps between ODA funded-initiatives.

103. DPs intend to strengthen division of labour through regular exchange of information and agree with GoG about future engagement and geographic concentrations. To this end, DPs will regularly inform GoG to enable an up to date mapping of intervention areas including a mapping of current and planned interventions within the priority areas of this Compact.

4.2.9. Commitment to Reduce Transaction Costs in Aid Management

104. The Aid Coordination Architecture is well developed in Ghana, with a number of Sector Working Groups and other mechanisms constituted to manage GoG/DPs joint planning, reviews and management processes. Each SWG or mechanism requires senior GoG personnel to be represented at meetings. In view of the amount of time, effort and resources taken up by these meetings, GoG and DPs commit themselves to review these mechanisms and make necessary adjustments to reduce the burden on Government while ensuring improved coordination and aid effectiveness, particularly in the priority areas identified in this Compact.

---

3 As an example the EU and its member states providing development assistance to Ghana are committed to strengthening Joint Multi-Annual Programming on the following principles:

- Joint Programming is led by the partner country wherever possible, is based on partner country’s national development strategy and is aligned to the partner country’s strategy and programming cycles; the present Compact will be a key document that will guide programming by the EU and its member states;

- Joint Programming is kept simple and pragmatic and conducted at partner country level in order to respond to specific needs and the situation on the ground;

- Participation by all member States who are present in Ghana strengthens the coherence of the EU’s action. All other Member States are invited to contribute for the purpose of reinforcing joint EU external action. Joint Programming will build on the comparative advantages of all EU donors;

- The EU will keep joint programming flexible and avoid parallel processes where, for example, donor-wide strategies exist or are being developed. While Joint Programming is not meant to be an exclusive EU process, the EU will act as a driving force.

---

4 The EU and its member states providing development assistance to Ghana will seek to improve in-country division of labour processes in an inclusive manner, where the EU will aim to function as a catalyst with non-EU DPs under the leadership and ownership of the GoG. EU DPs commit themselves to focus their involvement in no more than three sectors and to limit the number of active EU DPs to a maximum of three to four per sector.
4.2.10. Dialogue

105. The success of the Compact will depend on continued, high-level, high-quality dialogue on a regular basis between DPs, GoG and other domestic stakeholders. Accordingly, GoG commits to engage with DPs more frequently in order to deepen and expand the level of policy dialogue. GoG will also improve inter-ministerial dialogue in order to improve coordination and harmonization. This will help to move towards new mechanisms to better coordinate the flow of funds from all sources to ensure that they provide maximum benefits to the country. The high-level Government-Development Partner Group (GDPG) proposed in the Aid Policy will be activated in 2012 to follow up on and monitor the Compact implementation. It will also bear the responsibility to (i) ensure the proper functioning of Sector Working Groups, particularly in the priority domains above mentioned, (ii) foster dialogue between DAC (Development Assistance Committee) and non DAC partners and (iii) strengthen mutual accountability mechanisms, including the review of DPs' Performance Assessment Framework.

4.3. Operational Modalities for Compact

4.3.1. Progress of Implementation

106. The signatories to this Compact agree to discuss progress in its implementation at least twice a year in the high-level GDPG, and as many times as needed at the technical level.

107. The GDPG will produce rolling, multi-year work plans, containing the most important action points and objectives for the Compact implementation for the ensuing year.

108. GoG will prepare an annual Compact Implementation Report (CIR), and present same to the GDPG

4.3.2. Monitoring

109. The GDPG will develop a set of indicators based on the existing aid effectiveness and DP-PAF indicators, but taking into account Ghana's specificities as described in this Compact, which will measure progress and success of the Compact implementation. Reporting on this performance will be included in the annual CIR.

110. Partners may engage independent experts to assist them with the monitoring of progress and performance of the CIR, and the rolling, multi-year work plans. Civil Society may be engaged and involved in monitoring of the Compact implementation.

4.3.3. Review and Evaluation

111. Signatories to the Compact agree to regularly review the relevance (e.g. of GoG's development priorities and DPs' response) of, and Partners' adherence to, the Compact, as well as progress made in its implementation. On the basis of review conclusions, changes to the Compact may be proposed and agreed.

112. Mid-term and terminal evaluations of the Compact will be undertaken.

4.3.4. Duration

113. The Compact is concluded for a period of ten years (2012 – 2022) to reflect the GoG and DPs medium to long term aspiration.