

**THE PARIS DECLARATION ON AID EFFECTIVENESS AND AID  
ADMINISTRATION IN GHANA: ISSUES, CHALLENGES AND  
PROSPECTS**

**BY**

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## DECLARATION

I, William Kofi Osew, declare that with the exception of quotes, ideas and analysis attributed to duly acknowledged sources, this study is the result of research dutifully conducted under the supervision of my supervisors, Dr Abdulai K. Mohammed and Dr Isaac Owusu-Mensah. I am solely conscientious for any errors which may be identified in this work.

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## ABSTRACT

The end of the Cold War caused or at least promoted progress toward an aid architecture that sought to ensure effectiveness in the delivery of aid. The Paris Declaration (PD) was thus adopted to show the resolve of leaders to take far-reaching and monitorable actions to reform the ways in which aid was delivered and managed (PD, 2005: 1). The primary aim of the Declaration was to provide a framework to manage aid more effectively.

Even though Ghana received much aid (a total of US\$ 12 billion) between 1975 and 2002, there has been only little transformation in the country's development. Meanwhile Ghana is one of the most active players in the global dialogue on aid effectiveness and has been closely involved in the Paris Agenda. This study sought to assess the impact of the Paris Declaration on the delivery of aid in Ghana. The research methodology employed involved a mix of qualitative and quantitative research techniques.

The study found that Ghana has made tremendous progress with ownership with the formulation of the GSGDA and in the Education Sector, the ESP. Also, in spite of improvements in alignment and harmonization, aid is still far from aligned to national development priorities as off-plan and off-budget expenditures persist. Progress with managing for results and mutual accountability has been a mixed one. The challenges of implementing the PD extend from the non-availability of information on the complete picture of external assistance to Ghana, through weak sector strategies and weak planning, to secret conditionalities in the form of policy advice and policy prescriptions. The PD fills a void by establishing accepted aid effectiveness standards and mutual expectations as well as providing a governance framework for dialogue among stakeholders. There, however, remain notable challenges in aid delivery in Ghana.

## DEDICATION

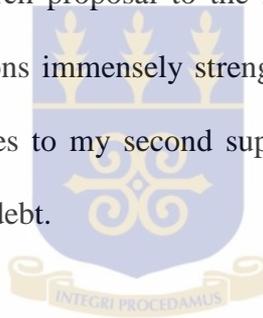
This work is dedicated to my family; my Mother Lovelace Afua Drafor, my Auntie Rev Dr (Mrs) Ivy Drafor Amenyah and her husband Mr Cudjoe Amenyah, and to my siblings Lydia, Akwele, Akorkor and Grace. It is also dedicated to my friend Emmanuel Graham and to my mentor Apostle J.F.K. Mensah.



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“I will bless the LORD at all times: His praise shall continually be in my mouth. My soul shall make her boast in the LORD: the humble shall hear thereof, and be glad. O magnify the LORD with me, and let us exalt His name together. I sought the LORD, and He heard me, and delivered me from all my fears” (KJV; Psalm 34:1-4). Beginning this journey without God would have been impossible. I owe it all to Him. To Him be Glory forever!!!

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## LIST OF ABBREVIATIONS

AAA	Accra Agenda for Action
AfDB	African Development Bank
AFRODAD	African Forum and Network on Debt and Development
AGI	Association of Ghanaian Industries
BRICS	Brazil, Russia, India, China and South Africa
CAADP	Comprehensive African Agriculture Development Programme
CDD Ghana	Ghana Centre for Democracy and Development
CDF	Comprehensive Development Framework
CHRAJ	Commission on Human Rights and Administrative Justice
CSOs	Civil Society Organizations
DAC	Development Assistance Committee
DFID	Department for International Development
DP-PAF	Development Partner's Performance Assessment Framework
ECA	Economic Commission for Africa
ERM-MD	Director, External Resource Mobilization – Multilateral Division
ERP	Economic Recovery Programme
ESP	Education Strategic Plan
EU	European Union
EURODAD	European Network on Debt and Development
GAEF	Ghana Aid Effectiveness Forum
GAPS	Ghana Aid Policy and Strategy
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product
GLSS	Ghana Living Standards Survey

GNCC	Ghana National Chamber of Commerce
GNI	Gross National Income
GoG	Government of Ghana
GPRS I	Ghana Poverty Reduction Strategy
GPRS II	Growth and Poverty Reduction Strategy
GSGDA	Ghana Shared Growth Development Agenda
HDI	Human Development Index
HIPC	Highly Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
HLF	High Level Forum
IDA	International Development Association
IDEG	Institute for Democratic Governance
IMF	International Monetary Fund
ISSER	Institute of Statistical, Social and Economic Research
JBICI	Japan Bank for International Cooperation Institute
MDAs	Ministries Departments and Agencies
MDBS	Multi-Donor Budget Support
MDGs	Millennium Development Goals
MDG-UPE	Millennium Development Goals – Universal Primary Education
MDRI	Multilateral Debt Relief Initiative
MoE	Ministry of Education
MoFEP	Ministry of Finance and Economic Planning
NDPC	National Development Planning Commission
NEPAD	New Partnership for Africa’s Development
NESAR	National Education Sector Annual Review

NRC	National Redemption Council
NSAs	Non-State Actors
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development
OECD-DAC	Organization for Economic Cooperation and Development – Development Assistance Committee
OFID	OPEC Fund for International Development
OPEC	Organization of Petroleum Exporting Countries
PBAs	Programme-Based Approaches
PBME	Planning, Budgeting, Monitoring and Evaluation
PFM	Public Financial Management
PNDC	Provisional National Defence Council
PRSPs	Poverty Reduction Strategy Papers
PRSs	Poverty Reduction Strategies
SAP	Structural Adjustment Programme
SFO	Serious Fraud Office
SSA	Sub-Saharan Africa
SWAp	Sector Wide Approach
TALIF	Teaching And Learning Innovation Fund
TUC	Trades Union Congress
UG-SRGS	University of Ghana School of Research and Graduate Studies
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

WTO      World Trade Organization

## **CHAPTER ONE**

### **INTRODUCTION AND CONCEPTUAL FRAMEWORK**

#### **1.1. INTRODUCTION**

The international aid system, as we know it today, emerged from the ruins of the Second World War and gained maturity during the Cold War. Meanwhile, the international system has now evolved to include a series of international institutions or regimes. This system is what Krasner (1982: 186) referred to as “sets of implicit or explicit principles, norms, rules, and decision making procedures around which actors’ expectations converge in a given area of international relations.” During the days of Cold War politics, foreign aid was used primarily by the Superpowers and their allies to support client states in the third world. According to the World Bank (2007: 7) foreign aid from the genesis had two potentially conflicting objectives. First, foreign aid sought to promote long-term growth and poverty reduction in developing countries. Donors were thus motivated by a combination of altruism and a more self-interested concern – donors’ economic and political security. Second, foreign aid sought to promote the short-term political and strategic interests of donors mostly defined within the framework of Cold War politics. It must be noted that, in the context of Cold War politics, this second objective played a more prominent role in the disbursement of foreign aid.

The end of the Cold War caused, or at least promoted, progress toward a new aid architecture that sought to make aid more effective. The focus of foreign aid moved from support for client states in the developing world towards the promotion of economic development following the end of the Cold War. The purpose of foreign aid was now to contribute to tangible improvements in the lives of the world’s poorest people. This declared purpose of development aid, in reality however, made very little progress in post-

Cold War developing regions including Africa. Sharon LaFraniere in a July 2005 edition of the New York Times, as cited in Sundberg and Gelb (2006: 1) argued strongly that aid has not achieved its intended purpose. According to LaFraniere, "... much of the over \$300 million in aid to Africa since 1980 vanished into a sinkhole of fraud, malfeasance and waste." Asked whether all of the aid provided to sub-Saharan African countries by the Organization for Economic Cooperation and Development – Development Assistance Committee (OECD-DAC) countries since 1960 – nearly \$650 billion – has been gainfully used to promote sustainable growth and development, Sundberg and Gelb (2006: 1) noted that the likely answer is, on the whole, "No." Sundberg and Gelb (2006: 1) further noted that the aid to Sub Saharan Africa would be even higher if contributions from emerging non-DAC donors, such as China, India, and some of the Gulf States, were added to the DAC donors (Sundberg and Gelb, 2006: 1).

Concerned about this ineffectiveness of aid, the World Bank and other international financial institutions significantly stretched their policy frontiers by endorsing a "good governance" approach as a core element of their development strategy (Santiso, 2001: 2). The United Nations was not to be left out in the efforts to ensure that foreign aid is made to achieve positive development and poverty alleviation outcomes. The United Nations Organisation adopted the Millennium Development Goals at the turn of the millennium to focus international efforts on the development of clearly defined, achievable and measurable goals. Observing these developments, Sundberg and Gelb (2006: 1) pointed out that, there was good reason to believe that substantive changes were taking place in the international aid architecture and that "more and better aid" was going to finance development programmes.

In line with trends initiated by the World Bank and the United Nations, the “ministers of developed and developing countries responsible for promoting development and heads of multilateral and bilateral development institutions” met in Paris on 2<sup>nd</sup> March, 2005 to adopt the Paris Declaration on Aid Effectiveness (Paris Declaration, 2005: 1). The Paris Declaration was said to be a demonstration of the resolve by these leaders to take far-reaching and monitorable actions to reform the ways in which aid is delivered and managed (Paris Declaration, 2005: 1). A subsequent meeting on 4<sup>th</sup> September, 2008 was held in Accra, Ghana, to endorse the Accra Agenda for Action to accelerate and deepen the implementation of the Paris Declaration on Aid Effectiveness. The belief of the countries and aid agencies that endorsed the Paris Declaration is that aid works, but it could work better.

According to Stern et al (2008: 2), the roots of the Paris Declaration can be traced as far back as 1967; to the Commission on International Development. This was followed by a series of research findings and largely donor-initiated strategic aid reforms, particularly in the 1990s and the years leading up to the Paris Declaration. The key precursory documents to the Paris Declaration will be examined more closely in chapter two of this study.

The Phase 1 Evaluation Reference Group (2007) noted that the Paris Declaration comes as an important challenge to the world of development cooperation and development evaluation. Comparing the Paris Declaration with previous joint statements on aid harmonisation and alignment, the Phase 1 Evaluation Reference Group (2007) posited that the Declaration provides a “practical, action-oriented roadmap with specific targets to be met by 2010 and definite review points in the years between.” This assertion is in line with the view of Stern et al (2008: 3). According to them, “the Paris Declaration remains the

dominant international statement on the aid relationship, including how the main actors in that relationship are expected to carry out their responsibilities to make the greatest possible contribution to development effectiveness.” In the Declaration, a 12 point ‘Statement of Resolve’ is followed by 56 commitments under a ‘Partnership Commitments’ heading, organized around five key principles: 1. Ownership by countries; 2. Alignment with countries’ strategies, systems and procedures; 3. Harmonisation of donors’ actions; 4. Managing for Results; and 5. Mutual Accountability (Stern et al, 2008). The harmonization and alignment of aid under the Declaration, as well as the trend toward policy and need-based aid allocation, provide evidence that the new aid architecture seeks to align aid with country-owned development strategies for delivering measurable results.

#### **1.1.1. The Paris Declaration**

The Paris Declaration on Aid Effectiveness was designed and negotiated by the Organisation for Economic Cooperation and Development (OECD) and presented at the High Level Forum (HLF) in Paris in 2005. The Declaration was endorsed by more than one hundred bilateral and multilateral donors and developing country governments with a promise to work together for greater aid effectiveness. The signatories to the Paris Declaration accepted to regularly monitor their success and to measure progress against 12 specific indicators that were laid out in the Declaration (OECD, 2008a). Since the adoption of the Paris Declaration, a number of additional parties have signed the Declaration bringing the numbers adhering to the Paris Declaration to 136 Countries and territories and 28 International Organisations as well as 13 Civil Society Organisations that were present at the Paris High Level Forum (OECD, 2011).

The stated purpose of the Paris Declaration contained in the ‘Statement of Resolve’ is to reform the delivery and management of aid for better aid effectiveness in order to make greater progress towards reaching the Millennium Development Goals (MDGs). The signatories recognized that aid effectiveness must increase significantly to support partner country efforts to strengthen governance and improve development performance (Paris Declaration 2005: 1). Targets were set for the year 2010 for both donors and partner countries to track and encourage progress at the global level among the countries and agencies that signed the Declaration (Paris Declaration 2005: 1). Meanwhile, the Partnership Commitments that were developed in a spirit of mutual accountability are said to be based on the lessons of experience (Paris Declaration, 2005: 3).

According to Steinle and Correll (2008: 4) the five principles of the Declaration when considered jointly send the message that ‘the current state of donor-partner country relations is ineffective and must change.’ Steinle and Correll (2008: 4) observed further that it has been common practice for donors previously to create aid programmes composed of a series of stand-alone projects that were largely donor-driven, circumventing national institutions and delegating little responsibility to developing country governments. One can argue that, such stand-alone, donor-driven projects were consequently unsustainable since developing country governments rarely made budgetary allocations necessary to maintain them. In addition, Herfkens and Bains (2007: 13) observed that donors often sought to please their own stakeholders “with the understanding that self-sustaining democracies will never emerge until greater trust and reliance enters the donor-recipient relationship.”

#### **1.1.1.1. Ownership**

According to this element of the Paris Declaration, partner countries are to “exercise effective leadership over their development policies, and strategies and co-ordinate development actions” (Paris Declaration, 2005: 3). Developing countries that depend on aid are therefore delegated the power to determine their own national policies, priorities, and strategies and these development policies, and strategies are to be respected by donors. According to Steinle and Correll (2008: 3), “Partner Countries commit to take the lead in coordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.” Partner countries again “commit to exercise leadership in developing and implementing their national development strategies through broad consultative processes” (Paris Declaration, 2005: 3).

#### **1.1.1.2. Alignment**

The element of alignment indicates that “donors base their overall support on partner countries’ national development strategies, institutions and procedures” (Paris Declaration 2005: 3). Donors here base their overall support on those policies put forth by partner countries. Also, partner countries agree to strengthen their country systems with donors’ support so as to ensure that alignment is beneficial to the effectiveness of aid. Alignment also includes the strengthening of public financial management capacity and national procurement systems, as well as, untying aid. “Donors commit to link funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy.” This however, does not mean that all donors will have identical conditions, but that each donor’s conditions should be derived from a common streamlined framework aimed at achieving lasting results (Paris Declaration, 2005: 3).

#### **1.1.1.3. Harmonisation**

Harmonisation implies that donors work to “implement common arrangements” and simplify the procedures required to receive aid (Paris Declaration 2005: 6). Ideally donors work jointly on analysing and monitoring aid, resulting in fewer country visits, fewer reports for partner countries to complete (Steinle and Correll 2008: 5). Simply put, “Donors commit to align to the maximum extent possible behind central government-led strategies” (Paris Declaration 2005: 7).

#### **1.1.1.4. Managing for Results**

“Managing for results means managing and delivering aid in a way that focuses on the desired results and uses information to improve decision-making” (Paris Declaration 2005: 8). Donors and partner countries are to implement systems to collect data that reflects whether aid is having an effect towards the desired result. “Partner countries and donors jointly commit to work together in a participatory approach to strengthen country capacities and demand for results-based management” (Paris Declaration, 2005: 8).

#### **1.1.1.5. Mutual Accountability**

Mutual accountability means that donors and partner countries are accountable for development results. A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. According to the Paris Declaration, accountability will help “strengthen public support for national policies and development assistance” (Paris Declaration 2005: 8). “Partner countries commit to reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies” (Paris Declaration, 2005: 8).

The Declaration demonstrates a clear recognition of the need to improve aid quality by reducing the number of agencies involved in disbursing aid, harmonizing aid procedures to reduce compliance costs for the recipients, eliminating tied aid, and aligning aid priorities with developing countries' own policy priorities. Given that the declaration is lauded as an historic one to improve the effectiveness of aid and that it reflects the lessons donors and their partner countries have learned about how to make aid more effective, certain questions need to be addressed.

## **1.2. STATEMENT OF THE RESEARCH PROBLEM**

The Marshall Plan was one of the most successful aid plans in the post Second World War era. Though this plan was meant to reconstruct war-ravaged Europe, the idea of aid to Africa sprung from it. Aid has since played a major role in Africa. As far back as 1995, the World Bank (1995) noted that aid flows to Sub-Saharan Africa have been rising and exceeded 11% of Gross National Product in 1994. Available statistics demonstrate that the importance of aid flows to SSA continues to rise even in recent times (see Table 1 on page 10). It is important to note, however, that the fruits of aid are very much lacking in spite of the region's high dependence on aid. Aid flows seem to be going hand-in-hand with mixed development results.

Despite the capital inflows, efforts seem to have yielded little or no results. Africa simply has little to show for these aid inflows. Moyo (2009) has noted that, Africa, in spite of her poor economic performance, presently receives development assistance worth almost 15 per cent of its Gross Domestic Product (GDP) – or more than four times the Marshall Plan at its height. Meanwhile, a study of the Human Development Index (HDI) trends over the

years clearly demonstrates that Sub-Saharan Africa (SSA) still lags behind other regions in development.

Aid to Ghana prior to the economic reforms of the 1980s has been relatively low. Aid flows however increased substantially by the end of the 1980s and Ghana was receiving more foreign aid per capita than the average for Africa and other developing countries (Quartey, 2005). The added inflows coincided with increases in growth but it is not clear whether the increase meant causation. Aryeetey and Cox (1997), however, argued that the increased inflow had a positive impact on economic growth at least during the early part of the Economic Recovery Programme (ERP). The World Bank (2007) actually cites Ghana as one of the countries that have gone from crisis to rapid development. The Bank contends strongly that foreign aid played a significant role in the country's transformation.

Available statistics indicate that Ghana received a total of US\$ 12 billion in official aid between 1975 and 2002 (Japan Bank for International Cooperation (JBIC) Institute, 2008). The average annual aid share in Gross National Income (ODA-GNI ratio) for 1993-2002 was 10%, while the average Official Development Assistance per capita for 1993-2002 was US\$ 34. In 2005, ODA per capita increased to US\$ 50. In the early 2000s, aid accounted for about 45% of government expenditure, 19% of imports, and about 45% of gross capital formation (Japan Bank for International Cooperation (JBIC Institute), 2008: 9). Similarly, Ghana saw an increase in Official Development Assistance from US\$ 578.96 million in 2001 in nominal terms to US\$1,433.23 million in 2008 and US\$1,896.8 million in 2010.

Aid as a percentage of GDP increased from 13.2 per cent in 2003 to 14.6 per cent in 2009 and was 12.8 per cent in 2010. Total grant disbursements for 2008 amounted to GH¢820.8 million while project grants were 22.0 per cent below the budget estimate of GH¢514.8 million (MoFEP, 2009: 19). Total grant disbursements for 2010 were projected at GH¢1,217.9 million, 6.5 per cent lower than the budget estimate for 2009 (MoFEP, 2010: 25). Again, grants from development partners for 2011 are estimated to increase by 11.1 per cent to GH¢1,301.6 million, equivalent to 4.2 per cent of GDP. The expected grants will contribute 12.3 per cent to the estimated resources mobilized (total revenue and grants) for 2011 (MoFEP, 2011: 58). Ghana was the tenth largest recipient of aid in Africa in 2009; receiving \$1,583 million constituting 3% of all development assistance to Africa (OECD, 2011). Table 1 provides details on ODA to Ghana from 2003 to 2010.

**Table 1: Ghana ODA Envelope in Millions US\$ (2003-2010)**

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Total</b>	<b>1003.0</b>	<b>1130.1</b>	<b>1205.8</b>	<b>1471.8</b>	<b>1656.5</b>	<b>1649.6</b>	<b>1896.8</b>
<b>IMF</b>	<b>76.6</b>	<b>38.7</b>	<b>38.2</b>	<b>116.6</b>	<b>0.0</b>	<b>0.0</b>	<b>200.0</b>
<b>Debt Relief Grants</b>	<b>154.2</b>	<b>174.1</b>	<b>196.9</b>	<b>307.3</b>	<b>342.7</b>	<b>229.5</b>	<b>235.8</b>
HIPC	154.2	174.1	196.9	209.8	246.1	158.4	168.8
MDRI	0.0	0.0	0.0	97.5	96.6	71.1	67.0
<b>Budget Support</b>	<b>277.9</b>	<b>316.7</b>	<b>313.2</b>	<b>349.3</b>	<b>386.7</b>	<b>473.1</b>	<b>619.2</b>
MDBS	277.9	309.0	281.9	312.2	316.6	368.1	451.2
SBS	0.0	7.7	31.3	37.2	70.1	104.9	167.7
Swap	0.0	0.0	0.0	0.0	12.1	15.2	81.2
Earmarked	0.0	7.7	31.3	37.2	58.0	89.8	86.5
<b>Project Aid</b>	<b>494.4</b>	<b>600.6</b>	<b>657.5</b>	<b>698.6</b>	<b>927.0</b>	<b>947.0</b>	<b>841.8</b>
<b>GDP</b>	<b>7621</b>	<b>8853</b>	<b>10726</b>	<b>12729</b>	<b>14984</b>	<b>16085</b>	<b>14870</b>
Total ODA (% of GDP)	13.2	12.8	11.2	11.6	11.1	10.3	12.8

Source: D-PAF Baseline Report 2010

These flows of aid to Ghana have not always translated into concrete development outcomes. Even though Ghana received a total of US\$ 12 billion in official aid between 1975 and 2002, Ghana's Gross National Income per capita increased only to US\$ 450 by 2005 from US\$ 300 in 1975 (Japan Bank for International Cooperation (JBIC) Institute,

2008: 9). In addition, the Human development report indicates that the Human Development Index for Ghana increased but at a marginal rate (HDI Trends, 1980-2010). The World Bank (1995: 3) notes that, it was concerns over the outcomes of aid, especially in Sub-Saharan Africa, that have motivated increased interest in aid effectiveness. Armah and Nelson (2008: 3) point out that, existing aid organizations have simply achieved very little poverty reduction despite the astronomical sums of money they have spent on Sub-Saharan Africa and Ghana for that matter.

Meanwhile, since signing the Paris Declaration, Ghana has become one of the most active players in the global dialogue on aid effectiveness and harmonization. Ghana has been closely involved in the Paris Agenda, especially by serving as a Member of the Working Party on Aid Effectiveness since 2006 and also as a co-chair of the Strategic Partnership with Africa. The Party on Aid Effectiveness is the main international forum between donor and recipient countries on aid effectiveness. The locus of the Third High Level Forum in 2008, dedicated to aid, was also decided to be Ghana.

One therefore wonders why there has been little transformation or development in Ghana despite the huge inflows of development assistance over the years. This study, therefore, seeks to critically assess the Paris Declaration on Aid Effectiveness as an international policy instrument with the potential of achieving effectiveness in the administration of aid in Ghana.

### **1.3. RESEARCH QUESTIONS**

In an attempt to understand and deal with this problem, the following questions are raised and addressed.

- What was the state of development assistance to Ghana prior to the adoption of the Paris Declaration?
- How have the principles of the Paris Declaration (PD) captured and addressed the issues that are perceived to be critical to aid effectiveness in the delivery of aid in Ghana?
- Is the administration of aid so far conforming to the Paris Declaration's five key principles?
- What has been the impact of the Paris Declaration on the management of development assistance in Ghana?
- What are the challenges that are encountered in adhering to the principles of the Paris Declaration in the delivery of aid in Ghana?

#### **1.4. RESEARCH OBJECTIVES**

The research sets out to achieve the following objectives:

- Determine the circumstances surrounding the delivery of aid in Ghana prior to the adoption of the Paris Declaration.
- Assess the extent to which the administration of aid in Ghana is conforming to the Paris Declaration's five key principles.
- Determine if the Paris Declaration has made a positive impact on the management of development assistance.
- Identify the challenges that confront Ghana and her development partners in the administration of aid under the Paris Regime.
- Offer recommendations based on the findings made.

## **1.5. LITERATURE REVIEW**

Development aid programs started during the 1960s and have generated a large literature covering every aspect of aid one can think of. There is a large body of work on the effectiveness of development aid in developing countries which argues that both aid agencies and recipients have now had about 40 years of experience, where the process of learning by doing should have improved aid effectiveness. Given standard rationality assumptions, an activity such as aid that having run for 40 years must do at least some of what it should.

### **1.5.1. The Aid Effectiveness Literature – Africa in Context**

Development assistance began in earnest in the 1960s. Soon, thereafter, it became a widely researched topic, and the evaluation of aid as a vehicle for poverty reduction continues today (Doucouliagos and Paldam, 2009: 24). The Marshall Plan was one of the most successful aid plans in the post Second World War II era and from it, the idea of aid to Africa sprung up. But one can put forth the argument that, use of the Marshall plan as a basis for aid to Africa is questionable, given that the contexts are very different. The Marshall plan was to re-build whilst aid to Africa is to develop Africa from scratch. Citing Botswana and the Republic of Korea in the 1960s, Indonesia in the 1970s, Bolivia and Ghana in the late 1980s, and Uganda and Vietnam in the 1990s, the World Bank (2007) posits that foreign aid has at times been a spectacular success. The Bank argues that, all these countries have gone from crisis to rapid development and that foreign aid played a significant role in each of these transformations. The Bank however, acknowledges that, foreign aid has also been an unmitigated failure. Foreign aid in different times and different places has thus been highly effective, totally ineffective, and everything in between (World Bank, 2007).

Moyo (2009) in her book “Dead Aid: Why Aid is Not Working and How there is a Better Way for Africa” argues that using the Marshall Plan as a blueprint for a similar outcome for Africa is simply wrong. Universal laws, or ‘blue prints’ surrounding aid, according to Moyo, have no place in Africa. Rodrik (2000) agreed with Moyo in his article “Institutions for High-Quality Growth: What they are and How to acquire them”, when he maintained that imported blueprints are useless. Institutions, to him, need to be developed locally, relying on hands-on experience, local knowledge, and experimentation (Rodrik, 2000). Moyo pointed out that Africa presently receives development assistance worth almost 15 per cent of its GDP- or more than four times the Marshall Plan at its height. Given Africa’s poor economic performance in the past fifty years, while billions of dollars of aid have poured in, it is hard to grasp how another swathe of billions will somehow turn Africa’s aid experience into one of success (Moyo, 2009).

According to Armah and Nelson (2008: 3), existing aid organizations have achieved very little poverty reduction despite the astronomical sums of money they have spent on Sub-Saharan Africa. Many scholars today believe that development aid is no longer effective, some even go as far as to state that it never has been. This line of thought is questionable, given the success stories elsewhere; and the World Bank (2007) will cite Uganda in particular.

### **1.5.2. Studies on Aid Effectiveness**

A large body of literature on the effectiveness of foreign aid has accumulated over the years. This large body of literature argues along one of three perspectives: that aid is in fact effective; that aid is effective with restrictions; and that aid is not at all effective at achieving development results. The following paragraphs examine each of these perspectives in turn.

#### **1.5.2.1. Aid is Effective**

It has been suggested that an increase in aid to Sub Saharan Africa is one way to achieve the UN's Millennium goals (UN, 2010). This sustains the argument that aid is a necessary if albeit insufficient medicine for Sub Saharan Africa's economic problems (Armah and Nelson, 2008: 2). An interesting factor perhaps to mention at this point is that all the articles maintaining that continued aid is beneficial are of an economic quantitative nature. The main argument for continued aid is that it does in fact promote growth. The challenge lies in how to optimise the growth-promoting power of aid by channelling it into the right places (Armah and Nelson, 2008; Collier and Hoeffler, 2004).

Examples of effective aid include the World Bank's \$70 million loan to the Ceara state government in the Brazilian northeast in June 2001. The loan facilitated innovative government-led initiatives in land reform, rural electrification and water supply and a fall in infant mortality. Similarly, there are countrywide success stories like Uganda, with heavy involvement by the World Bank and other aid agencies as well as the success stories of South Korea and Taiwan. There are also sectoral success stories, like the elimination of smallpox, the near elimination of river blindness, family planning and the general rise in

life expectancy and fall in infant mortality, in which foreign assistance played some role (Easterly, 2003: 14).

Another often cited factor in the pro aid argument is that aid impacts on growth via investment. This argument is made particularly clear by Loxley and Sackey (2008); as well as by Hansen and Tarp (2000). Loxley and Sackey maintain that aid increases investment, which is a major transmission mechanism in the aid growth relationship (Loxley and Sackey, 2008: 1). Hansen and Tarp make similar reports regarding the positive nature of aid effectiveness. They maintain that aid increases aggregate savings and investment which in turn promotes growth (Hansen and Tarp, 2000: 19). The main conclusions provided by Hansen and Tarp are that there is robust evidence that greater foreign aid inflows have a beneficial impact on growth (Hansen and Tarp, 2000: 13). This, however, cannot be said about Africa as this evidence may be very much lacking.

Another argument for aid is that it contributes to economic growth in recipient countries. Burnside and Dollar (2000) found that when other determinants of growth are controlled aid has no effect. Aid only makes a positive contribution to growth in those countries with high values for policy indicators; if policy is poor, aid is ineffective. This result is explained by the tendency of recipients, especially if they have poor policies, to divert aid to government consumption spending rather than using it to finance growth-promoting investment (Burnside and Dollar, 2000: 863). Hansen and Tarp (2001) beg to differ. Using essentially the same data for the same sample, but with different specifications and estimators, they find that aid does have a positive effect on growth and this result is not conditional on policy.

### **1.5.2.2. Aid is Effective with Restrictions**

Batana (2010: 1) observed that for the majority of authors, the effectiveness of aid seems to depend on a good policy and institutional environment and other potential determinants. Collier (2008: 99) accepts this view when he noted that “aid alone is really unlikely to be able to address all the problems of developing countries.” This school of thought argues that aid can be effective, if it is improved with restrictions. The statistical evidence generally suggests that aid is subject to what is called ‘diminishing returns’. That is, as you keep on increasing aid, outcomes tend to get less: the first million dollars is more productive than the second and so on (Collier, 2008: 100). Consequently, doubling or even tripling aid is clearly not going to make the significant change donors wish to see. Collier maintains that “we have broadly reached the limits to aid absorption, at least under existing modalities.” Clearly the change needs to be in the way aid is provided to make it more effective and increase the scope for absorption. The simplest option of change is what Collier calls ‘budget support’; basically donors give the government the money to be spent on whatever it chooses as if it were its own tax revenue (Collier, 2008: 101).

Aid as an incentive for policy making was initiated in the 1980’s and what became better known as ‘conditionality’ was informed by this school of thought. According to Collier (2008: 08) the usage of aid as an incentive for policy making was a hopeless failure. Incentives or conditionality is an argument brought up by many scholars who argue for continued aid but with restrictions. Easterly asks the question: How can scarce aid resources be directed away from less successful projects and toward those more likely to succeed? The response to this is twofold: imposing conditions on loans before they are granted and evaluating the effect of loans after they are completed (Easterly, 2003: 15). These conditions typically include macroeconomic stability (low-budget deficits and

inflation), non-interference with market pricing, privatization of state-owned enterprises and openness to international trade (Easterly, 2003: 15). Even a cursory look at the Economic Recovery and Structural Adjustment Programmes show how conditionalities were employed in the 1980s as a tool to promote effective aid administration.

### **1.5.2.3. Aid is not Effective**

Although there are economists that argue that aid is effective, there are of course also those who argue that aid actually retards growth or at best has an insignificant effect (Armah and Nelson, 2008). Easterly (2003: 12) goes as far as to assert that the idea that ‘aid buys growth’ is an integral part of the founding myth and on-going mission of the aid bureaucracies. Moyo is one of the strongest advocates against aid and she maintains that there is a vicious cycle surrounding the concept of aid. With aid’s help, corruption fosters corruption; nations quickly descend into a vicious cycle of aid. Foreign aid props up corrupt governments – providing them with freely usable cash. These corrupt governments interfere with the rule of law, the establishment of transparent civil institutions and the protection of civil liberties, making both domestic and foreign investments in poor countries unattractive. Greater murkiness and fewer institutions reduce economic growth, which leads to fewer job opportunities and increasing poverty levels. In response to growth and poverty, donors give more aid which continues the downward spiral of poverty (Moyo, 2009: 49).

### **1.5.3. Literature on the Paris Declaration and the Accra Agenda for Action**

Research by the Overseas Development Institute (ODI) based on in-person interviews with senior politicians and government officials in Ethiopia, Sierra Leone and Zambia suggests that the Accra Agenda for Action (AAA) and the Paris Declaration’s indicators are too

narrowly defined and lack depth (Wathne and Hedger, 2009). The principles of ‘predictability’ and ‘transparency’ are highlighted as lacking depth and important sub-dimensions that take into account local contexts. Differences between pledges and actual commitments, the need to speed up approval processes and the need to make explicit and achievable conditions to prevent withholding of funds when minor conditions are not fully achieved were also mentioned. These suggest that the principles of the Paris Declaration as they stand may not be enough for effectiveness in the administration of aid. This research will provide evidence on how this finding plays out in Ghana. The Paris Declaration identifies country ownership of development efforts as the central challenge in making aid more effective. In principle, ownership refers to the kind of political leadership, developmental vision and willingness to transform state structures to take charge of aid-financed projects. The Paris Declaration reduces these needs to the setting up of a particular kind of technocratic planning apparatus, based on lengthy texts, monitoring matrices and statistical information systems (ODI, July 2008: 2).

Paul Mosley and others have concluded that it is impossible to establish any significant correlation between foreign aid and development in developing countries. They note that the fungibility and the leakage of aid into unproductive expenditure in the public sector account for the inability of aid to promote development. Simply put, aid is ineffective because it tends to finance consumption rather than investments. Burnside and Dollar (2000) provide empirical evidence that the impact of aid on GDP growth is positive and significant in developing countries with ‘sound’ institutions and economic policies; but aid has less or no significant impact in countries with ‘poor’ institutions and policies. Burnside and Dollar therefore argue that aid should be systematically allocated to countries conditional on ‘good’ policy. But Burnside and Dollar’s findings have been placed under

heavy scrutiny and new evidence seems to suggest that their results may not be statistically robust (Roodman, 2007).

According to the World Bank (2007: 3), financial aid works in a good policy environment. Easterly (2003: 15) believes that imposing conditions such as macroeconomic stability (low-budget deficits and inflation), non-interference with market pricing, privatization of state-owned enterprises and openness to international trade are crucial to the effectiveness of aid (Easterly, 2003: 15). The stories from aid-growth literature are that aid is effective under a wide variety of circumstances. Therefore, the challenge to aid allocation is to identify and eliminate the overriding institutional and policy constraints that will reduce the impact of aid on growth. This understanding informed the institution of principles, values, norms and procedures to govern the administration of development aid. The Paris Declaration is said to be action taken to achieve results, not merely making more commitments (Herfkens and Bains, 2007: 8).

## **1.6. THEORETICAL FRAMEWORK**

The data collection, analysis and the presentation of findings by this study would be situated within the theoretical framework of new institutionalism (also referred to as neo-institutionalism). According to Olsen (2007) new institutionalism includes a set of theoretical ideas, assumptions and hypotheses concerning the relations among institutional characteristics, political agency, performance, and institutional change, and the wider social context of politics. One may think of an institution as a process or set of processes which shape behaviour. Institutions matter primarily because laws, customs and established practices in institutional and organisational settings can play a powerful role in shaping the behaviour of various actors.

### **1.6.1. New Institutionalism**

Scholars are generally interested in the conditions under which, and why, institutions make a difference (Weaver and Rockman 1993; Orren and Skowronek 2004). Institutions are imagined to organize a polity. They affect how political actors are enabled or constrained and the governing capacities of a political system. Institutions ensure that some things are taken as given. Rules, principles and practices specify what is normal, what must be expected, what can be relied upon, and what makes sense in a community; that is, what a normal, reasonable, and responsible (yet fallible) actor can be expected to do in various situations. The fundamental assertion of new institutionalism is that “actors pursue their interests by making choices within constraints” (Ingram and Clay, 2000: 527). The actors could either be individuals, organizations (national and international) or states. New institutionalists posit that actors are socialized into culturally defined purposes to be sought, as well as modes of appropriate procedures for such purposes (Merton, 1938: 676). Actors become identified with the various identities associated with different roles in the environment and because they define themselves in terms of those identities, they act to fulfil them (Simon, 1965: 115).

Within the new institutional perspective, a core assumption is that institutions create elements of order and predictability. They fashion, enable, and constrain political actors as they act within a logic of appropriate action. To act appropriately is to proceed according to the institutionalized practices of a collectivity and mutual understandings of what is true, reasonable, natural, right, and good. Rules are followed because they are perceived to be adequate for the task at hand and to have normative validity (Olsen, 2007: 3).

Another core assumption is that the translation of structures into political action and action into institutional continuity and change, are generated by comprehensible and routine processes. Constitutive rules and repertoires of standard operating procedures prescribe appropriate behaviour for specific actors in specific situations. Structures of meaning, involving standardization, homogenization and authorization of common purposes, vocabularies, ways of reasoning and accounts, give direction to, explain, justify, and legitimate behavioural rules. The basic building blocks of institutions are rules, and rules are connected and sustained through identities, through senses of membership in groups and recognition of roles. Rules and repertoires of practices embody historical experiences and stabilize norms, expectations, and resources; they provide explanations and justifications for rules and standard ways of doing things (March and Olsen, 1989).

All strands of new institutionalism share a common critique of atomistic accounts of social processes (Lowndes, 1996). Whereas behaviourism focuses on atomistic actors, new institutionalism replaces, or at least modifies, this by focusing on institutionally situated actors. Institutions, according to Shepsle (1989: 134), 'are the social glue missing from the behaviourist's more atomistic account'. Krasner (1984: 228) believes that the political universe is not atomistic. The preferences of public officials are constrained by the administrative apparatus, legal order and enduring beliefs. According to Terry Karl (1990), institutions constrain elite actors' preferences and policy choices. Institutions are the substance of which politics is constructed and the vehicle through which the practice of politics is transmitted. New institutionalism thus views institutions as social constructs, and takes into account the influence that institutions have on individual preferences and actions.

### **1.6.2. Strands of New Institutionalism**

Institutionalism comes in many forms. But the different perspectives, be they cultural or rational actor perspectives, are not mutually exclusive. However, the different perspectives are different. They focus attention on different aspects of political life, on different explanatory factors, and on different strategies for improving political systems. They either view rules and identities as mirroring environmental circumstances or as independent of environmental stability or change.

The first of the major approaches to institutional theory in political science was the “normative institutionalism” usually associated with March and Olsen (1984). The logic of the normative institutionalism is that actors within an institution have their behaviour shaped by a “logic of appropriateness”, meaning a common set of values, myths, symbols and routines. More successful institutions are those that can create and maintain the normative commitment of their members. Normative theories focus more on the normative power of rule, the persuasive power of ideas and legal obligations, and the influence of shared discourse and knowledge on actors’ interests. The formation of actors’ preferences are said to be shaped endogenously.

Normative institutionalism has its focus on norms and values in an institution (March and Olsen, 1989: 22) as they play a key role in explaining the behaviour of the actors in the institution. Institutions simply affect and shape their participant’s preferences through its rules and norms which are embedded into the institution (Hall and Taylor, 1996: 948). The influence that the institutions have on the actor’s preferences and behaviour comes from the guiding of the “logic of appropriateness” which derives from the dominant values in the institution (March and Olsen, 1989: 23). But there is room for the actors to make a

conscious choice and interpretation of the values set by the institution, “since values are never unambiguous and all-embracing” (Lynggaard, 2005: 66). From this point of view, some organizations, such as the United Nations or even a regime such as the Kyoto Protocol can shape states, individuals and organizations. In fact, states, individuals and organizations are expected to act and change in accordance with the world polity.

There is also a rational choice version of institutionalism. The underlying logic of rational choice institutionalism is that institutions are arrangements of rules and incentives, and the members of the institutions behave in response to the basic components of institutional structure. The preferences of the occupants of this institutional structure do not have their preferences modified by membership. Rather, the actors who interact with the institutions have their own well-ordered sets of preferences that remain largely unchanged by any institutional involvement they may have. Historical institutionalism argues that the policy and structural choices made at the inception of an institution will have a persistent influence over its behaviour for the remainder of its existence (Steinmo, Thelen and Longstreth, 1992). This idea of “path dependency” is the central explanatory principle for the historical institutionalists (Hall, 1986).

### **1.6.3. A Critique of New Institutionalism**

New institutionalism is not without criticism. New institutionalism, for instance, is handicapped in providing a better understanding of the processes that translate institutionalized rules into political action. Institutions do not determine political action and results in detail. They constrain and enable outcomes without being an immediate or direct cause of them. The same organizational arrangement can have different

consequences under different conditions, and different arrangements can produce the same effects (Olsen, 2007: 5).

On the flip side, however, new institutionalism recognizes the pervasive influence of institutions on human behaviour through rules, norms, and other frameworks. "Compliance occurs in many circumstances because other types of behaviour are inconceivable; routines are followed because they are taken for granted as 'the way we do these things'" (Scott, 2001: 57). Institutions empower and constrain actors, define basic rules for resolving conflicts, and impact the allocation of advantages and burdens (Olsen, 2007: 4). To the extent that institutions generate beliefs in a legitimate order, they simplify politics by ensuring that many things are taken as given. A key task that new institutionalism is yet to perform is to improve the understanding of the conditions under which actors are motivated and enabled to comply with rules of appropriateness and the processes through which rules are translated into behaviour.

New institutionalism as presented above provides the context for understanding the impact of the Paris Declaration as a set of principles that are expected to shape the actors in the business of foreign aid. According to Stern et al (2008: 3), "the Paris Declaration remains the dominant international statement on the aid relationship, including how the main actors in that relationship are expected to carry out their responsibilities to make the greatest possible contribution to development effectiveness." Given that within the new institutional perspective, a core assumption is that institutions create elements of order and predictability, this research seeks to find out the extent of impact of the Paris Declaration on the delivery of aid in Ghana.

## **1.7. RESEARCH METHODOLOGY**

This research is aimed at collecting data necessary to establish the impact of the Paris Declaration as an instrument for fashioning a more effective development assistance framework in Ghana. Relevant data for the study was gathered chiefly from Ghana's Ministry of Finance and Economic Planning (MoFEP) and Ghana's Education Sector. The methodology involved a mix of both qualitative and quantitative research techniques. Both secondary and primary data has been used in order to ensure that an effective evaluation outcome is achieved. The approach outlined below helped in gathering data on the impact of the Paris Declaration on the delivery of aid in Ghana.

### **1.7.1. Data Collection and Sources**

The collection of primary data for the study involved the use of face-to-face elite interviews with officials drawn from donor institutions as well as relevant aid-related country institutions with the help of a well-crafted interview guide. In all, eleven persons were interviewed: two (2) from academia; two (2) from civil society; one (1) from a donor organisation; three (3) from the Ministry of Finance and Economic Planning; two (2) from the Education Sector; and one (1) from the Health Sector.

A key consideration that informed the choice of institutions and persons interviewed has been the ability of an interviewee to speak to the questions that the study sought to address. The choice of an interviewee was thus purposive. It is important to note that, out of the institutions and/or persons contacted, very few individuals with relevant knowledge on the subject matter of the study were available to be interviewed. It was also realised that there are very few experts on issues surrounding the Paris Declaration and aid delivery in Ghana. Some of the institutions and/or persons that were contacted either declined to be

interviewed or simply failed to give any feedback on whether or not they were available for interview. Some postponed the date for the interview until it was unrealistic to keep pursuing them. This explains the limited number of interviewees.

The Ministry of Finance and Economic Planning plays the lead role in promoting aid effectiveness, coordinating development partners, improving aid management and ensuring compliance with the Paris Declaration. Key informants from relevant institutions including policy makers, donor agencies, academics, civil society organizations, and persons involved in previous evaluations were thus interviewed. In order to effectively address the research questions raised in the study, effort was made to ensure that responses were based on factual and reliable data as well as on valid analyses.

Data gathering also focused on the impact of the Paris Declaration on aid delivery in Ghana's Education Sector. Because, the Education Sector has been a major beneficiary of development assistance, it was thought necessary to explore the Declaration's impact in the sector. Persons involved with the administration of aid in the sector were thus interviewed and the literature on aid to the sector was also closely examined to ascertain the effect of the Declaration on aid in the sector. This helped assess the extent to which the sector embraced the tenets of aid effectiveness as spelt out by the Paris Declaration and how conformity to these tenets translated into development outcomes. The decision to interview officials has the obvious advantage that the answers obtained would be the specialist opinions of people with an intimate knowledge of the subject matter of the study.

The study originally sought to gather data on two sectors: education and health, so as to facilitate a comparative analysis of the Declaration's impact on aid delivery in the two

sectors. This, however, was not possible because the persons contacted from the Health Sector were not available for interview. The External Aid Coordinating Unit of the Ministry of Health is a newly created office with virtually no information on issues regarding the Paris Declaration. This explains the lone focus on the Education Sector.

Secondary data from books, articles and other relevant literature as well as document reviews such as operational policies, guidelines and plans, annual reports, country strategies and program reporting information were consulted to facilitate the study. Library research and review of relevant existing reports and secondary data were thus carried out. Such analyses helped assess the impact of the Declaration on policy content as well as on the administration of aid. This helped to facilitate a rigorous content analysis on a pre-Paris Declaration versus post-Paris Declaration basis.

### **1.7.2. Data Analysis and Presentation**

Data gathered was recorded, interpreted and analysed to establish the Declaration's impact on aid delivery in the country. A rigorous content analysis of relevant available documents and literature on the implementation of the Paris Declaration on Aid Effectiveness in Ghana was done on a time-frame comparative basis. Content analysis or textual analysis is a methodology in the social sciences for studying the content of communication of a message. It is a scholarly methodology in the humanities by which texts are studied as to authorship, authenticity, meaning or their relevance for a specific case. Ole Holsti (1969) offers a definition of content analysis as "any technique for making inferences by objectively and systematically identifying specified characteristics of messages." The method of content analysis enables the researcher to include large amounts of textual information and systematically identify its properties by locating the more important

structures of its communication content. Content analysis can involve any kind of analysis where communication content is categorised and classified.

Data collected was analysed against the five principles of the Declaration using the twelve indicators of the Declaration as well as their 2010 targets.

- Ownership: (Indicator: Partners have operational development strategies).
- Alignment: (Indicators: Reliable country systems; Aid flows are aligned on national priorities; Strengthen capacity by co-ordinated support; Use of country public financial management systems; Use of country procurement systems; Strengthen capacity by avoiding parallel implementation structures; Aid is more predictable; and Aid is untied).
- Harmonisation: (Indicators: Use of common arrangements or procedures; and Encourage shared analysis).
- Managing for results (Indicator: Results-oriented frameworks)
- Mutual Accountability: (Indicator: Mutual accountability).

The Monitoring Mechanism agreed as an integral part of the process of reform focused on 12 indicators. The indicators are intended for review and report on the degree to which the international community has followed through on the Paris commitments. Analysed data may be presented in tables, charts, figures among others to meet the objectives of the study.

The data collection, data analysis and the presentation of findings by this research was situated within the theoretical framework of new institutionalism. It is envisaged that this research would provide a learning tool for institutional understanding as well as a

launching pad for capacity enhancement in existing arrangements for better development outcomes.

## **1.8. DEFINITION OF TERMS AND CONCEPTS**

A major difficulty in any social science discipline is the lack of a precise and definitive catalogue of terms. Different communities and scholars use the same terms in different ways which often makes effective communication problematic. The following working sets of definitions are those used throughout this study.

### **1.8.1. Aid and all its Definitions**

It is clearly important to clarify what is meant by 'aid' when raising the question of aid effectiveness. Aid in its broadest sense consists of all resources- physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates) transferred by donors to recipients. (Riddell, 2007: 17) This broad term leaves a lot to be desired. Riddell points out that this broad view of foreign aid would include resources to address humanitarian and developmental and poverty needs in the poorest of countries. But it would also comfortably embrace those resources provided to further the political and strategic interests of either the donor or recipient, or both, and would also include resources provided to help achieve military aims and objectives (Riddell, 2007: 17).

Those engaged in the business of foreign aid follow much more narrow definitions of foreign aid. Those concerned with world poverty are particularly interested in types and forms of foreign aid from rich countries to poor countries, and to poor people, which help address acute human suffering and which contribute to human welfare, poverty reduction and development. It is these narrower types of foreign aid that are often termed

development assistance (Riddell, 2007: 17). Historically, the literature on aid and its impact has focused overwhelmingly on official development aid. Official development assistance (ODA) is defined as aid (grants and concessional loans) provided by the official sector: governments and inter-government agencies (Riddell, 2007: 8).

Theoretically, there are a number of ways in which one can define development aid. Again, in the broadest sense of the word it can be defined in two main ways: in relation to those receiving aid or in relation to those giving it. However, further refinements could be made with respect to the tangible effects it has on the beneficiaries: what its impact is, and whether it does any good (Riddell, 2007: 18). However, empirically based scholarship has largely been confined to individual case studies or has been limited to the recipient side of the aid equation, most notably in terms of examining the relationship between economic dependence and political compliance within developing states (Schraeder, Hook and Taylor, 1998: 295).

The standard approach to defining development aid is predominantly focused on the purpose for which it is given. Riddell (2007) noted that in practice, development aid can be defined as that part of foreign aid whose purpose is to contribute to human welfare and development in poor countries. This is a definition based on intentions – the intentions of those giving the aid. It is perhaps worth mentioning here that these donor-driven definitions are based on agreements made by the leading donor countries over 30 years ago and have since never really been contested. Just as it has been the donors who have always decided on how much to give, and the form in which it is to be given, it has also been the donors who have decided how development aid should be defined (Riddell, 2007: 18).

Official development finance is all financing that flows from developed country governments and multilateral agencies to the developing world. "Foreign aid" is usually associated with official development assistance and normally targeted to the poorest countries. Bilateral assistance is administered by agencies of donor governments (such as the U.S. Agency for International Development or Japan's Overseas Economic Cooperation Fund). Multilateral assistance is funded by contributions from wealthy countries and administered by agencies, such as the United Nations Development Programme and the World Bank (World Bank, 2007:7).

### **1.8.2. Aid Effectiveness**

The principles and commitments of the Paris Declaration have become the definition of aid effectiveness for many. Stern et al (2008) define aid effectiveness as an “arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction.” This study uses the phrase aid effectiveness to mean the management and deployment of aid in a manner that is efficient and achieves intended development outcomes.

### **1.8.3. Institutions**

An institution is a relatively enduring collection of rules and organized practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relatively resilient to the idiosyncratic preferences and expectations of individuals and changing external circumstances (March and Olsen, 1995). Institutions comprise constitutive rules and practices prescribing appropriate behaviour for specific actors in specific situations. Institutions empower and constrain actors differently and make them more or less capable of acting according to prescriptive rules of

appropriateness. Institutions are ‘humanly-devised constraints that structure political, economic and social interaction’ or simply as ‘the rules of the game’ (North, 1991).

Institutions matter because laws, customs and established practices in institutional and organisational settings can play a powerful role in shaping the behaviour of various actors. Institutions may consist of both informal constraints, and formal rules. Levi (1990: 409) argues that ‘the most effective institutional arrangements incorporate a normative system of informal and internalised rules’. North (1990: 36) agrees and argues that the most significant institutional factors are often informal. In daily interactions with others, the governing structure is overwhelmingly defined by codes of conduct, norms of behaviour and conventions. Underlying these informal constraints, however, are formal rules, but these are seldom the obvious and immediate source of choice in daily interactions.

Institutions are to be understood as formal and informal sets of rules, norms and convention. It is probably best to think of an institution as a process or set of processes which shape behaviour.

## **1.9. ETHICAL ISSUES**

The fact that this research demanded extensive collection of data implied that, books, articles and other relevant literature (library resources) as well as document reviews were consulted to facilitate the study. Accordingly, this demanded that, every piece of information that was not the result of the study’s own research, or common knowledge should be appropriately cited. Opinions, and arguments as well as facts, details, figures, and statistics from different authors were, therefore, duly cited. It must also be noted that, only relevant details that helped in answering the research questions raised in this study

have been included. Necessary cooperation from different institutions, and persons interviewed was also needed to complete the research; but any cooperation that carried obligations regarding the findings and conclusions of this study were rejected. Adherence to these ethical standards ensured a useful, accessible and meaningful contribution to the knowledge that already exists on the subject matter of this study.

#### **1.10. SIGNIFICANCE OF THE STUDY**

The Paris Declaration needs research that looks in a rigorous way at specific issues and reports in a manner devoid of fear or favour as well as address squarely implications of aid effectiveness for development outcomes and impacts. This would enable government and donors alike to clarify, improve and strengthen policies and practices consistent with the Paris Declaration in pursuit of aid effectiveness and development effectiveness. The study would also highlight the barriers and difficulties that may have limited the effectiveness of the Declaration and its effects and impacts – and ways that these barriers and difficulties may be overcome. It would also strengthen the knowledge-base on ways in which development partnerships can most effectively and efficiently help maximize development results through aid in different development contexts. This study adds to the existing repertoire of knowledge in Political Science and may serve as a basis for further research.

#### **1.11. LIMITATIONS OF THE STUDY**

As was envisaged, challenges were encountered in the processes of data gathering, presentation and analysis, but appropriate measures were put in place to make sure that those challenges did not affect the outcome of the research. The study was carried out within a fairly short period of time because the requirement was to do so as to follow the deadline of the academic calendar. The time to investigate this research problem was

constrained by the due date of the study. Time constraints affected the quantity of primary data that could have been collected to help address the issues raised by the study. The necessary primary data that was needed to adequately address the questions raised by this study were also very difficult to access. Reliance on available secondary data, however, largely compensated for this shortfall. It is important to note that this study has laid the groundwork for a more complete research study in the future on the subject of aid effectiveness in Ghana.

## **1.12. ORGANIZATION OF THE STUDY**

The study will be divided into five chapters.

- Chapter one will contain the introduction and background, literature review, statement of the research problem key research question(s), a theoretical framework, methodology and significance and limitations of the study.
- Chapter two will deal with the pre-Paris Declaration attempts at aid effectiveness or the antecedents of the Paris Declaration. Among the key pre-Paris Declaration documents to be considered here would include the 1996 Shaping the 21<sup>st</sup> Century: The Contribution of Development Cooperation; the 1999 Comprehensive Development Framework, the 2000 Millennium Development Goals; the 2002 Monterrey Consensus; the 2003 Rome Declaration on Harmonisation; and the 2004 Joint Marrakech Memorandum.
- Chapter three deals with the history of development aid in Ghana
- Chapter four deals with the presentation of data as well as the analysis of the impact of the declaration on aid delivery in Ghana.
- Chapter five will include findings, recommendations, summary and conclusion. This final section outlines key findings and recommendations.

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## **CHAPTER TWO**

### **PRE-PARIS DECLARATION ATTEMPTS AT AID EFFECTIVENESS**

#### **2.1. INTRODUCTION**

The aid effectiveness movement picked up steam in 2002 at the International Conference on Financing for Development in Monterrey, Mexico, which established the Monterrey Consensus. There, the international community agreed to increase its funding for development but acknowledged that more money alone was not enough. Donors and developing countries alike wanted to guarantee that aid would be used as effectively as possible. They wanted it to play its optimum role in helping poor countries achieve the Millennium Development Goals – the set of targets agreed by 192 countries in 2000 which aimed to halve world poverty by 2015. A new paradigm of aid as a partnership, rather than a one-way relationship between donor and recipient was evolving. These convictions prepared the ground for the principles that underpinned the Paris Declaration on aid effectiveness.

Stern et al (2008) pointed out that the seeds of the Paris Declaration can be traced as far back as the 1967 Commission on International Development, chaired by Lester Pearson. This was followed by a series of research findings and largely donor-initiated strategic aid reforms, particularly in the 1990s and the years leading up to the Declaration. The key precursory documents to the Paris Declaration are:

- 1996: Shaping the 21<sup>st</sup> Century: The Contribution of Development Cooperation (OECD Development Assistance Committee (DAC))
- 1999: Comprehensive Development Framework (CDF); initiated by the World Bank

- 2000: Millennium Development Goals (MDGs), jointly initiated by the UN, OECD, World Bank, and the IMF
- 2002: Monterrey Consensus on financing for development in 2002
- 2003: Rome Declaration on Harmonisation in 2003
- 2004: Joint Marrakech Memorandum on managing for development results.

## **2.2. SHAPING THE 21<sup>ST</sup> CENTURY: THE CONTRIBUTION OF DEVELOPMENT COOPERATION**

A key precursory document that has influenced the Paris Declaration is the 1996: Shaping the 21<sup>st</sup> Century: The Contribution of Development Cooperation (OECD Development Assistance Committee (DAC)). The OECD - Development Assistance Committee (1996: 1) noted that the record of the last 50 years, from Marshall Plan aid to the network of development partnerships now evolving, shows that the efforts of countries and societies to help themselves have been the main ingredients in their success. The record also shows, however, that development assistance has been an essential complementary factor in many achievements: the green revolution, the fall in birth rates, improved basic infrastructure, a diminished prevalence of disease and dramatically reduced poverty. The proposition that is strongly put forward is that aid works when it is properly applied in propitious environments.

Effective international support can make a real difference in achieving developmental goals. This is far from saying that they can be achieved by aid alone. The most important contributions for development will be made by the people and governments of developing countries themselves. Recognizing the need for strong support for deserving developing countries by industrialised countries, OECD-DAC members in the 1996: Shaping the

21<sup>st</sup> Century: The Contribution of Development Cooperation committed themselves to make mutual commitments with their development partners, supported by adequate resources; improve the co-ordination of assistance in support of locally-owned development strategies; and to achieve coherence between aid policies and other policies which impact on developing countries (OECD-DAC, 1996).

### **2.3. THE COMPREHENSIVE DEVELOPMENT FRAMEWORK (CDF)**

Building on the aid community's recognition that the full potential of international aid was not being realized, World Bank President, James D. Wolfensohn launched the Comprehensive Development Framework (CDF) in early 1999. The Comprehensive Development Framework (CDF) was proposed by the World Bank as a means by which countries can manage knowledge and resources to design and implement effective strategies for economic development and poverty reduction (World Bank, 2003). The ideas that the way aid is delivered, not just its content, has an important influence on its effectiveness, and that poverty reduction is the fundamental goal of international aid informed the adoption of the CDF. Long-Term, Holistic Development; Results Orientation; Country Ownership; and Country-Led Partnership are the four principles that were at the foundation of the CDF. While these principles were not new, bringing them together as a unified concept and championing the package as important to the global development community is an important innovation (World Bank Operations Evaluation Department, 2003).

Building on the lessons of development experience, the CDF is a holistic approach to development that balances macroeconomic with structural, human, and physical development needs. The Comprehensive Development Framework represented an attempt

to devise a new and better structure for the integration of development policy and development co-operation. According to Maxwell et al (1999: 5), it proposed a new approach to development co-operation, one which is designed to:

- Situate donor and partner efforts within a long-term, holistic and strategic framework;
- Balance macro-economic imperatives against human development, cultural integrity and sustainability; and
- In so doing, integrate efforts by different donors.

The Comprehensive Development Framework is a classic example of multi-sectoral planning. The emphasis on a “holistic approach” to the long-term transformation of complex integrated structures (social, economic and political); the stress placed by the CDF on partnership; and the orientation towards results, implying investment in developing suitable indicators and linking these indicators to learning and accountability are of particular relevance to development planning.

The Comprehensive Development Framework arrived against the backdrop of an emerging normative consensus in development that poverty reduction is achieved through partnership and participation. The term ‘CDF’ was gradually becoming eponymous with this new paradigm. While the CDF is widely recognized as the philosophical basis underpinning the Poverty Reduction Strategy Papers (PRSPs) as well as the brainchild of James Wolfensohn, its role as an impetus for internal organizational change for mid-level staff inside the World Bank is less widely known. A new department – the CDF Secretariat – was created to monitor ten countries (and World Bank country offices) that volunteered to “pilot” the new framework, including Bolivia, Cote d’Ivoire, the Dominican Republic, Eritrea, Ethiopia, Ghana, Jordan, Kyrgyz Republic, Morocco, Romania, Uganda and

Vietnam. The CDF involved the creation of a “management matrix” that would visually set out “who was doing or planning what” in order to create “real chances of achieving longer term targets in a more effective and accountable manner” (Nilima, 2006).

The CDF, however, is not a blueprint. It is voluntary, and each country was to decide on, and own, its priorities and programs. In order to ensure the most effective use of human and financial resources, the CDF emphasized partnerships between government (at the national and local levels), civil society, the private sector, and external assistance agencies. It encouraged coordination to improve efficiency and coherence in the use of financial flows and services, and to take advantage of synergies among development partners. The Comprehensive Development Framework (CDF) became an important influence on the global development agenda. It helped shape initiatives such as the Millennium Development Goals (MDGs), the Monterrey Consensus, and the Poverty Reduction Strategy Papers (PRSPs) which in turn influenced the Paris Declaration. Its core principles have gained the support of most donors and recipient countries (World Bank Operations Evaluation Department, 2003: 1).

The Poverty Reduction Strategy Paper (PRSP) is based on principles of the CDF. It integrates poverty reducing policies into a coherent, growth-oriented macroeconomic framework. As with the CDF, national governments are responsible for the preparation of PRSPs with the participation of domestic and external partners. External partners are encouraged to assist governments in preparing PRSPs, and to link their development efforts to them. A PRSP must be broadly endorsed by the World Bank and the International Monetary Fund Boards to provide a basis for both institutions’ programs in low income countries, and for countries to obtain debt relief under the Highly Indebted

Poor Country (HIPC) Initiative. Thus, the PRSP is an operational vehicle – which can be a specific output of the CDF or of processes based on CDF principles – that is intended to translate a country's poverty reduction strategy into a focused action plan. Indeed, countries using the CDF (such as Ghana, Uganda and Bolivia) have been at the forefront of those who successfully prepared PRSPs.

A Comprehensive Development Framework Progress Report for the Development Committee, Prague (2000: 1) noted that since March 1999, implementation of the CDF has been tracked in the West Bank and Gaza and eleven other countries including Ghana. Overall, all the pilot countries made progress, with more than half of them taking action or having largely developed a majority of the CDF elements. Individual country performance varied from Bolivia and Ghana which have made the most overall progress, to Ethiopia, Morocco, West Bank and Gaza, and Kyrgyz Republic which have made the least.

The legacy of the CDF is certainly a mixed one. While Wolfensohn successfully generated field-wide support for his framework and bequeathed it a lasting legacy in the PRSP, his ability to translate its socio-political norms into concrete and lasting organizational practices within World Bank offices proved more challenging (Nilima, 2006). Although the CDF proposal was certainly an ambitious project of organizational reform that did present itself as a way to reconcile conflicts between technocratic and socio-political logics, its institutionalization had always been a fine balancing act between the institutional logics embedded in the new poverty alleviation paradigm. By paying lip service to the 'reality of trade-offs,' the CDF permitted strategic actors to challenge entrenched bureaucratic interests and practices and discover the relative costs and benefits of trade-offs themselves as they pushed the boundaries of acceptable organizational reform

(Nilima, 2006). While the CDF failed to transform technocracy in any sustainable or systematic way, that a strategic challenge could, and indeed was, temporarily mounted against technocracy bodes well for future efforts to take socio-political logics forward within the World Bank and other like-minded institutions (Nilima, 2006).

#### **2.4. THE MILLENNIUM DEVELOPMENT GOALS (MDGS)**

In September 2000, under the aegis of the United Nations, 170 heads of State and Government unanimously adopted a comprehensive Millennium Declaration committing their nations to a partnership for a 'peaceful, prosperous and just world'. World leaders at the United Nations Millennium Summit pledged to work together to free their fellow human beings from the abject and dehumanizing conditions of extreme poverty and to make 'the right to development' a reality for everyone. Their wide-ranging commitments include efforts to address environmental degradation, gender inequality and HIV/AIDS as well as improve access to education, health care and clean water for the world's poorest. Audinet and Haralambous (2005) observed that, the driving force of the partnership lies in combating the causes and effects of poverty.

The Declaration generated the Millennium Development Goals (MDGs), a set of concrete, quantitative and time-bound targets to be reached by the year 2015 through coherent, coordinated and mutually supportive actions. The MDGs address the problem of the people 'left behind'. They are the international response to the recognition that the 'central challenge' facing the world is 'to ensure that globalization becomes a positive force for all the world's peoples' (Audinet and Haralambous, 2005). This global consensus is the culmination of a long history of international efforts to promote sustainable and equitable development. As the expression of a renewed appreciation of interdependence and

multilateralism, it represents a unique opportunity to forge a global partnership to address poverty in all its dimensions – not only in terms of income but also in terms of hunger, disease, illiteracy, poor housing, discrimination and vulnerability.

Since the Millennium Development Goals (MDGs) were adopted in 2000 by the UN General Assembly, increasing attention has been devoted to calculating and defining the level of resources needed to allow all countries to reach them by 2015, and to mustering the necessary support from the international community. The emphasis on ‘scaling-up’ development efforts has focused on both issues of quantity and quality of development assistance, and is based on the premise that adequate, predictable and more effective aid flows are critical to reaching the MDGs (ODI, 2005). When countries agreed that the Millennium Development Goals should be achieved by 2015, a bargain was struck: while developing countries would have primary responsibility for achieving the Goals, donor countries would have a particularly important role to play in supporting a global partnership for development. This includes commitments to increase both the quantity of aid to developing countries, and to improve its quality; i.e. to increase aid effectiveness.

Increasing the effectiveness of aid means ensuring that aid helps developing countries to improve the welfare of their poorest populations. For this reason, aid must be genuinely focused on development priorities set by these countries. At the heart of this commitment is the conviction that donors do not develop developing countries – developing countries must develop themselves. This conviction has been most visible in the Paris Declaration. To enable this to happen, donors and developing countries must establish genuine partnerships, in which they are jointly and mutually responsible for development results.

The Millennium Declaration formulates the future challenges facing the international community in four fields of action for international cooperation: (1.) peace, security and disarmament, (2.) development and poverty eradication, (3.) protecting our common environment, and (4.) human rights, democracy and good governance. The MDGs define, on a global scale, development results to be achieved by 2015 in the areas of poverty reduction and environmental protection.

The Millennium Development Goals (MDGs) express the commitment of the International Community to universal development and poverty eradication, captured in the UN Millennium Declaration in September 2000. Their wide coverage includes halving world poverty and hunger by 2015, as well as reaching universal primary education, reducing under-five mortality by two-thirds and maternal mortality by three-quarters, and halving the number of people without access to safe drinking water. The Declaration called for a new partnership between developed and developing countries under which developed countries were to ease market access, reduce the debt burden, and channel development assistance to the developing world, which would, in turn, improve its governance and its development policies.

Measured against the levels of global economic expansion and integration, the MDGs might appear modest, in particular the first goal of halving, by 2015 (from 1990 levels), the proportion of people living in extreme poverty and suffering from hunger. Yet according to Audinet and Haralambous (2005), the MDGs are far-reaching in a number of ways. For the first time, they call for a compact between developed and developing country governments, the United Nations system, civil society actors, the Bretton Woods Institutions and the World Trade Organization (MDG 8). Their interlinking nature requires

that each goal be pursued not independently but as part of a unified whole. The MDGs draw on complementarities and establish synergies between growth and poverty reduction and, in so doing, promote inclusive and broad-based growth. The goals are time-bound and offer a minimum threshold of transparent and measurable outcomes, targets and indicators. In this way, the MDGs are open to independent monitoring, and all actors can be held accountable for results. Most importantly, while they focus on ends and unite efforts in their pursuit, they allow for a diversity of paths to get there.

Today, the MDGs have become the common point of reference not only for governments and international development organizations but also for civil society and social movements. They are on the agendas of the most important forums, calling for the forging of a global partnership for development.

## **2.5. THE MONTERREY CONSENSUS ON FINANCING FOR DEVELOPMENT**

“The Monterrey Consensus represents a compact among member States of the United Nations on actions to address the challenges of financing development around the world especially in developing countries’ and forms the core of any holistic development financing strategy” (Kim Hak-Su, 2005: iii).

In March 2002, the United Nations hosted the International Conference on Financing for Development at Monterrey, Mexico. The outcome – known as the Monterrey Consensus – identifies the means for ensuring the availability of sufficient development financial resources to reach the goals set by the major United Nations conferences and summits. The International Conference on ‘Financing for Development’ established a compact between developed and developing countries: the former would increase the quantity and quality of aid; the latter would use aid more effectively and would take full ownership of their own development strategies.

These commitments have been restated many times since 2002, but progress has been slow. In March 2005, senior officials from over one hundred aid-receiving countries and donor agencies met in Paris to take concrete steps to increase the effectiveness of aid. The concrete steps they agreed on are set out in the Paris Declaration on Aid Effectiveness. This agreement reflects an unprecedented consensus among donor and aid recipient countries about what needs to be done to substantially improve the impact of development cooperation. Mobilizing and increasing the effective use of financial resources and achieving the national and international economic conditions needed to fulfil internationally agreed development goals, including those contained in the Millennium Declaration, to eliminate poverty, improve social conditions and raise living standards, and protect our environment, was to be the first step to ensuring that the twenty-first century becomes the century of development for all (United Nations Report, 2002).

The heads of State and Government that gathered in Monterrey to endorse the Monterrey Consensus on Financing for Development, resolved to address the challenges of financing for development around the world, particularly in developing countries. The goal was to eradicate poverty, achieve sustained economic growth and promote sustainable development as they advanced to a fully inclusive and equitable global economic system (United Nations Department of Economic and Social Affairs, 2003).

The 2002 Monterrey Consensus identifies international financial and technical cooperation for development as one of six “leading actions” or pillars in support of Financing for Development (FfD). The Consensus sets out a number of commitments on issues ranging from improving development strategies to promoting the use of official development assistance (ODA) to leverage additional financing for development. These commitments

acknowledge that actions by recipient and donor countries, as well as international institutions, are critical in making official development assistance (ODA) more effective.

In line with the spirit and commitments of the Monterrey Conference on Financing for Development, managing for development results aims at improving the performance of countries and development agencies to achieve sustainable improvements in country outcomes for long-term impact on poverty reduction and increased standards of living. It promotes a partnership approach and organizational change through organizational learning and accountability. Managing for development results combines a coherent framework for development effectiveness with practical tools for strategic planning, risk management, progress monitoring, and outcome evaluation. For maximum effect, it requires objectives that are clearly stated in terms of expected outcomes and beneficiaries, as well as intermediate and higher-order outcome indicators and targets, systematic monitoring and reporting, demand for results by partner countries and development agencies alike, an effective and continuous dialogue on results, and strengthening of country capacity to manage for results.

Managing for development results builds on the principles set by the development community in the domains of country ownership, donor harmonization, and alignment. These principles, endorsed in the Rome Declaration on Harmonization in February 2003 and further developed in the DAC Good Practice Paper “Harmonizing Donor Practices for Effective Aid Delivery,” provide that development agencies should:

- Rely on and support partner countries’ own priorities, objectives, and results. This implies alignment with the national strategy and use of reliable national systems and

procedures (including the government's budget, reporting cycle, and monitoring timetable).

- Coordinate with other development agencies under partner country leadership and promote joint action whenever possible (including through delegated cooperation – that is, one donor acting on behalf of another).
- Strengthen partner countries' own institutions, systems, and capabilities to plan and implement projects and programs, report on results, and evaluate their development processes and outcomes, avoiding parallel donor-driven mechanisms. (United Nations Department of Economic and Social Affairs, 2003).

These principles recognize the importance of ownership by partner countries and support an approach by development agencies that strengthens partner countries' accountability to their citizens. Further, they recognize the partnership between partner countries, development agencies and other stakeholders and the critical importance of strengthening local capacity. They also recognize that development agencies should provide support for sound national management systems and for reforms and institutions to enhance the business environment and foster the development of the private sector as the main engine of growth. In this context, although partner countries and development agencies have different roles and responsibilities in development, managing for development results means that they each have accountabilities – to their own constituencies and to each other – for achieving development results. It also means that leadership in both partner countries and development agencies is especially critical for strategic vision, honest assessment of progress, and institutional flexibility to adapt to new information. One may be right in saying that the Paris Declaration only presents these principles in a more coherent and organized fashion.

On increasing international financial and technical cooperation for Development the Monterrey Consensus acknowledged that, effective partnerships among donors and recipients based on the recognition of national leadership and ownership of development plans and, within that framework, sound policies and good governance at all levels were necessary to ensure the effectiveness of aid. A major priority is to build those development partnerships, particularly in support of the neediest, and to maximize the poverty reduction impact of aid. The Consensus recognized that a substantial increase in ODA and other resources will be required if developing countries are to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration. Cooperating to further improve policies and development strategies, both nationally and internationally, to enhance aid effectiveness were considered to be important in building support for official development assistance.

Paragraph 43 of the Monterrey Consensus noted that recipient and donor countries, as well as international institutions, should strive to make official development assistance more effective. In particular, there was a need for multilateral and bilateral financial and development institutions to intensify efforts to:

- Harmonize their operational procedures at the highest standard so as to reduce transaction costs and make official development assistance disbursement and delivery more flexible, taking into account national development needs and objectives under the ownership of the recipient country;
- Support and enhance recent efforts and initiatives, such as untying aid, including the implementation of the Organisation for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) recommendation on untying aid to the least developed countries, as agreed by the Organisation for

Economic Cooperation and Development in May 2001. Further efforts were to be made to address burdensome restrictions;

- Enhance the absorptive capacity and financial management of the recipient countries to utilize aid in order to promote the use of the most suitable aid delivery instruments that are responsive to the needs of developing countries and to the need for resource predictability, including budget support mechanisms, where appropriate, and in a fully consultative manner;
- Use development frameworks that are owned and driven by developing countries and that embody poverty reduction strategies, including poverty reduction strategy papers, as vehicles for aid delivery, upon request;
- Enhance recipient countries' input into and ownership of the design, including procurement, of technical assistance programmes; and increase the effective use of local technical assistance resources;
- Promote the use of ODA to leverage additional financing for development, such as foreign investment, trade and domestic resources;
- Strengthen triangular cooperation, including countries with economies in transition, and South-South cooperation, as delivery tools for assistance;

Improve ODA targeting to the poor, coordination of aid and measurement of results (United Nations Department of Economic and Social Affairs, 2003).

Donors were invited to take steps to apply the above measures in support of all developing countries, including immediately in support of the comprehensive strategy that is embodied in the New Partnership for Africa's Development and similar efforts in other regions, as well as in support of least developed countries, Small Island developing States and landlocked developing countries.

The International Conference on Finance for Development came after nearly two decades of contention between the North and the South on macroeconomic issues in the UN and elsewhere. The Monterrey Consensus is essentially a North-South compact that rests on an extensive enunciation of what good domestic policies should be in a variety of areas, including in the way political processes run. Good governance is supposed to be one side of a bargain where the other side is the promise of resources.

## **2.6. THE ROME DECLARATION ON HARMONIZATION**

Ministers, Heads of Aid Agencies and other Senior Officials representing 28 aid recipient countries and more than 40 multilateral and bilateral development institutions endorsed the Rome Declaration on Harmonisation on February 25, 2003 in Rome, Italy.

The Rome Declaration reaffirmed commitment to eradicating poverty, achieving sustained economic growth, and promoting sustainable development in an inclusive and equitable global economic system. The declaration was an important international effort to harmonize the operational policies, procedures, and practices of donor institutions with those of partner country systems to improve the effectiveness of development assistance, and thereby contribute to meeting the Millennium Development Goals (MDGs) (Rome Declaration, 2003).

The declaration pointed out that the donor community has been concerned with growing evidence that, over time, the totality and wide variety of donor requirements and processes for preparing, delivering, and monitoring development assistance were generating unproductive transaction costs for, and drawing down the limited capacity of, partner countries. Partner country concerns that donors' practices do not always fit well with

national development priorities and systems, including their budget, program, and project planning cycles and public expenditure and financial management systems was also acknowledged.

Much emphasis was placed on partner countries' assuming a stronger leadership role in the coordination of development assistance. A country-based approach that emphasizes country ownership and government leadership, includes capacity building, recognizes diverse aid modalities (projects, sector approaches, and budget or balance of payments support), and engages civil society including the private sector was thought to be a necessary guide in harmonizing aid.

Also, concrete progress made on the ground in programs and projects, for both donors and partner countries, was to be the measure of success. Such progress would be facilitated and enhanced by harmonization efforts at the international and regional levels. The following activities were recommended as a means to enhance harmonization (Rome Declaration, 2003):

- Ensuring that development assistance is delivered in accordance with partner country priorities, including poverty reduction strategies and similar approaches, and that harmonization efforts are adapted to country context.
- Reviewing and identifying ways to amend, as appropriate, individual institutions' and countries' policies, procedures, and practices to facilitate harmonization. In addition, work will be done to reduce donor missions, reviews, and reporting, streamline conditionalities, and simplify and harmonize documentation.
- Implementing progressively the good practice standards or principles in development assistance delivery and management, taking into account specific country

circumstances. Disseminating the good practices to managers and staff at headquarters and in-country offices and to other in-country development partners were also to be undertaken.

- Intensifying donor efforts to work through delegated cooperation at the country level and increasing the flexibility of country-based staff to manage country programs and projects more effectively and efficiently.
- Developing, at all levels within donor organizations, incentives that foster management and staff recognition of the benefits of harmonization in the interest of increased aid effectiveness.
- Providing support for country analytic work in ways that will strengthen governments' ability to assume a greater leadership role and take ownership of development results. In particular, donor organizations were to work with partner governments to forge stronger partnerships as well as improve the policy relevance, quality, delivery, and efficiency of country analytic work.
- Expanding or mainstreaming country-led efforts to streamline donor procedures and practices, including enhancing demand-driven technical cooperation.
- Providing budget, sector, or balance of payments support where it is consistent with the mandate of the donor, and when appropriate policy and fiduciary arrangements are in place. Good practice principles or standards – including alignment with national budget cycles and national poverty reduction strategy reviews – would be used in delivering such assistance.
- Promoting harmonized approaches in global and regional programs.

According to the Rome Declaration (2003), a positive by-product of collaboration on harmonization has been increased information sharing and improved understanding of

commonalities and differences during the preparation or revision of donors' respective operational policies, procedures, and practices. The global work on monitoring and assessing the contribution of donor support to the achievement of the MDGs was recognized and the potential contribution of modern information and communication technologies to promoting and facilitating harmonization was also acknowledged.

Partner countries were encouraged to design country-based action plans for harmonization, agreed with the donor community that will set out clear and monitorable proposals to harmonize development assistance. In turn, the bilateral and multilateral agencies were to take actions to support harmonization at the country level. As part of their self-evaluation processes, bilateral and multilateral agencies and partner countries would assess and report on progress in applying good practices, and on the impact of such practices.

Existing mechanisms, including partner country participation, to maintain peer pressure for implementing our agreements on harmonization were to be utilized and strengthened. In this regard, regional initiatives, such as work by the Economic Commission for Africa, for a joint annual aid effectiveness review in a framework of mutual accountability that would also address harmonization issues were welcomed. Also stock-taking meetings were planned to assess progress in and sustain the momentum for fundamental changes that enhance aid delivery.

The considerable scope for simplified and harmonized approaches to financial reporting and auditing, including the form and content of financial reports, the financial reporting period, auditing standards, the qualifications of auditors and quality of audit firms, the selection and contracting of audit firms, the terms of reference for auditors, the due date

for submission of audit reports, the coverage of management letters, and the follow-up to audit findings was acknowledged as a good practice standard or principle for harmonizing donor assistance.

## **2.7. THE JOINT MARRAKECH MEMORANDUM**

In 2004, the heads of the African Development Bank (AfDB), Asian Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, and World Bank, and the chairman of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, in Marrakech, Morocco, affirmed their commitment to fostering a global partnership on managing for development results by coming up with the Joint Marrakech Memorandum. The Memorandum accorded the highest importance to supporting countries in strengthening their capacity to better manage for development results. Since the International Conference on Financing for Development in Monterrey, Mexico, in 2002, the development community has embraced a new partnership – one that calls for developing and transition countries to strengthen their commitment to policies and actions that reduce poverty and stimulate economic growth, and for developed countries to provide increased and more effective aid coupled with more coherent trade and other relevant policies (OECD, 2004).

The Joint Marrakech Memorandum recognized that development agencies need to enhance their organizational focus on results. This means that there is the need to align cooperation programs with desired country results, define the expected contribution of donors' support to country outcomes, and rely on – and strengthen – countries' monitoring and evaluation systems to track progress and assess outcomes. Those who endorsed the Joint Marrakech Memorandum committed themselves to fostering a global partnership that has emerged

since the first Roundtable on Managing for Results in 2002. They acknowledged that a global effort is needed to support countries in generating reliable and timely data to assess progress toward the Millennium Development Goals and other country goals, and to strengthen international reporting mechanisms (OECD, 2004). It was also recognized that a global partnership was essential to reduce the burden on countries of multiple, agency-driven reporting requirements and monitoring and evaluation systems.

## **2.8. CONCLUSION**

One need not look far to see the influence of the above discussed pre-Paris Declaration documents on the Paris Declaration on Aid Effectiveness... To paraphrase Stern et al (2008:3), the Paris Declaration has become the dominant international statement on the aid relationship, including how the main actors in that relationship are expected to carry out their responsibilities to make the greatest possible contribution to development effectiveness. In the Declaration, a 12 point 'Statement of Resolve' is followed by 56 commitments under a 'Partnership Commitments' heading, organized around five key principles: 1. Ownership by countries; 2. Alignment with countries' strategies, systems and procedures; 3. Harmonisation of donors' actions; 4. Managing for Results; and 5. Mutual Accountability (Stern et al, 2008). The harmonization and alignment of aid under the Declaration, as well as the trend toward policy and need-based aid allocation, provide evidence that the foundation for the new aid architecture has been laid over time in the key precursory documents discussed in this chapter.

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## **CHAPTER THREE**

### **THE HISTORY OF DEVELOPMENT AID IN GHANA**

#### **3.1. INTRODUCTION**

Foreign aid has a long historical pattern, even since nations and societies were formed, the economic collaboration between nations had been known. In the 20th century, this phenomenon was given a name, foreign aid. The Marshall plan saw to it that all major European countries scarred by the Second World War, were given a percentage of the GDP of the US budget. These countries that received aid from the United States were countries that were ravaged by Allied Forces during the World War. The beginning of foreign aid was therefore a Cold War phenomenon. At the height of the Cold War, aid was given to third-world countries, from the two superpowers to stabilize these countries and to secure them from switching their political allegiance from or to either of the two superpowers or their ideologies. Following the end of the Cold War and the collapse of the Soviet Union, the purpose of foreign aid assumed a new direction: aid was geared, though arguably, towards helping less developed countries. Today foreign aid is aimed towards the developing world. It is mainly used to support development and economic growth within the recipient country. But before moving to the discussion on the history of aid in Ghana, I would like to briefly explain the two main modes of aid delivery.

#### **3.2. THE TWO MAJOR CATEGORIES OF AID**

Project aid involves the direct participation of the donors in the design and the implementation of a developmental project. Its origins dates back to the 1950's following the belief that the main constraint to development was a lack of investment, a problem which could be overcome by channelling capital investment to developing countries. Critics of project aid have, however, raised several concerns ranging from a lack of

coherence (between the individual projects of each donors and also with the national policies of the recipient country), no building of institutional capacities (because the donors do not use the national procedures), lack of transparency, risk of double use of resources (e.g. two schools are built in the same village) to high transaction costs (World Bank, 1998; Tarp, 2002). Project aid was the major mode of aid delivery in Ghana prior to the adoption of the Paris Declaration. A report prepared by Mettle-Nunoo and Hilditch (2000) for Action Aid on “Donor Participation in the Education Sector in Ghana” showed how the challenges identified above plagued the delivery of aid in Ghana before and in the early 2000s prior to the adoption of the Paris Declaration.

A programme-based approach to aid delivery has five underlying principles: ‘ownership, alignment, harmonisation, managing for results, and mutual accountability’ (OECD, 2005). An example of aid delivery that reflects the programme-based approach is budget support. Budget support can take different forms: general budget support (funds mixed with recipient’s general budget), sector budget support (e.g. funds transferred to health ministry) and conditional budget support (the aid is still injected in the recipient budget but the donors specify how the funds should be allocated). With budget support, the donors provide support through the recipient government budget. “The general characteristics of budget support are that it is channelled directly to partner governments using their own allocation, procurement and accounting systems, and that it is not linked to specific project activities” (OECD, 2007). ‘Budget support avoids many of the problems that accompany other forms of aid (e.g. uncoordinated projects that undermine government systems, high transaction costs and lack of sustainability in projects and programmes). It tends to enhance country quality level of aid as a whole’ (OECD, 2007).

### **3.3. GHANA COUNTRY OVERVIEW**

Formerly known as the Gold Coast, Ghana attained independence from the British in 1957, after nearly eight years of struggle, under the leadership of Kwame Nkrumah who also became the country's first president. Instituting a variety of wide-spread industrial reforms under a socialist framework, including the dramatic seven-year development plan spanning 1964 to 1970, Nkrumah sought pervasive industrialization through a Big Push strategy, concentrating high rates of capital formation through domestic production of import-substitutes in state-owned enterprises (Meng, 2004). Apart from being the first African country south of the Sahara to achieve independence, Ghana experienced a relatively stable transition into the post-colonial era. Since the overwhelmingly popular Nkrumah quickly established the legitimacy of the new regime, Ghana evaded many of the ensuing bloody battles for power that plagued other countries such as the Congo (Meng, 2004). As a former British Governor of Ghana stated, "Nkrumah and his party had the mass of the people behind him. Without Nkrumah, the constitution would be stillborn, and ... the Gold Coast would be plunged into disorder, violence, and bloodshed" (Osei, 1999). In addition, according to the US State Department, at the time of independence, Ghana had substantial physical and social infrastructure and \$481 million in foreign reserves (US Department of State, 2011). Despite the numerous regime changes following Nkrumah's decline, as a whole, Ghana developed a united commitment to reform.

Although Ghana enjoyed a privileged position in the post-colonial era due to a relatively stable regime with a charismatic leader committed to soliciting international financial support, profitable natural endowments, and a comparatively high stock of human capital, short-term growth belied the atrophy of long-term sustainable development. A military coup ousted Nkrumah's administration on February 24, 1966, ushering the country into a

twenty-year period of constant regime changes and economic decline as well as chaos. Finally, on December 31, 1981, Jerry John Rawlings seized control of Ghana through a military coup and established the Provisional National Defence Council (PNDC) regime amid severe economic decline. Following the failure of the new PNDC government to secure adequate financial assistance from Libya, Cuba, and Eastern Europe during a critical period of the Cold War, the Rawlings led government quickly reviewed its populist pro-eastern policies and successfully obtained International Monetary Fund's loans and popularized the Economic Recovery Program (ERP) – a neoliberal agenda based on the Structural Adjustment Programs of the World Bank and the IMF.

Ghana became famous as a 'star pupil' of structural adjustment reforms in the 1980s, but then the country went off the radar as its economic success stalled by the mid-1990s (Whitfield and Jones, 2007). In the mid-1980s, Ghana experienced unprecedented growth. Praised by the IMF and World Bank as a model country, investors worldwide regarded Ghana as the 'Asian tiger' of Africa – the exception to a seemingly bleak and hopeless economic sphere (Meng, 2004). Yet, by the end of the 1990s, Ghana staggered on the verge of economic collapse, with her initial post-colonial assets squandered. With the emergence of significant macroeconomic distortions, export earnings dropped as market prices fell, triggering a crisis of currency and balance of payments that skyrocketed inflation and rapidly degraded living standards (Hutchful, 2002). Bewildered by the sudden economic plummet after an ostensibly golden period of prosperity, Ghanaian citizens and economists and political scientists worldwide began to question existing policies, hoping to determine the structural reasons that prevented Ghana from escaping the debilitating 'West Africa syndrome' despite its initial successes.

The effective mobilization of resources by the Rawlings regime in the 1980s and 1990s attests to the institutional advantages that were available to Ghana (Meng, 2004). The introduction of the PNDC in 1981, and later, the peaceable transfer of power to the National Democratic Congress (NDC) in 1992, increased Ghana's international presence. In August 1983, the Economic Recovery Program (ERP) initiated by the PNDC generated support from the IMF and World Bank, which gave \$611 million and \$1.1 billion respectively (US Department of State, 2011). In addition, Rawlings himself actively solicited at least five billion dollars from Western donors who approved of his economic reforms. Moreover, Rawlings carried out his long-term commitment to democracy by passing a new constitution in 1992 that freed political prisoners, allowed the formation of political parties, and articulated an obligation to human rights and free expression. Although governmental transparency remains an issue, Ghana is considered one of the more politically stable countries in comparison to other developing nations, especially those of Africa. This political stability is thus inherently attractive to foreign investors and critical to sustained economic policy.

Ghana is now in the limelight as a shining example of democracy and as a place for international investment opportunities. A country that has been a focus of donors and their agendas, Ghana provides an interesting case for exploring the impact of the Paris Declaration on Aid Effectiveness on the administration of aid.

### **3.4. BRIEF ECONOMIC HISTORY OF GHANA**

Ghana at independence was better off than most African countries, and very much comparable to some Asian countries such as South Korea, Malaysia and Singapore (Herbst, 1993). Four decades later, the situation reversed because successive governments

adopted policies that engendered economic destruction. “It may seem harsh to say so, but, just as Ghana pioneered political independence from the colonial masters in Africa, so also has she pioneered a set of self-destructive economic policies which many more recently decolonized African countries have also followed” (Toye, 1991: 151). From being a relatively affluent African country in the early 1960s, and still ranking as middle-income by the late 1960s, Ghana made the undesirable transition to a low-income country in the 1970s. Corruption, macroeconomic mismanagement, chronic overvaluation of the Cedi and an anti-agricultural bias were all at the root of poor economic performance. Things were even worse in the 1970s. Between 1970 and 1983 real GDP at market prices fell by some 11% (per capita incomes fell by even more), and did not recover to the 1970 level until 1985 (Toye, 1991: 166). Ghana was a chronic case of economic failure.

The two common hindrances to effective aid in Ghana as identified by ‘development partners’ has been ‘bad’ economic policies that preceded the implementation of the Structural Adjustment Programmes, and ‘bad’ governance (which includes corruption, lack of accountability, as well as ineffective attempts to deal with the problem of poverty). Consequently, the first wave of the Structural Adjustment Programmes (1983-1988) began. By the mid-1990s “the old fetishism of protectionism has yielded to an even stronger free-market enterprise...with terms such as privatization, divestiture, deregulation and liberalization dominating the continent’s development discourse” (Mensah, 2006). Through what became known as the Economic Recovery Program (ERP), the Rawlings government pursued macro-economic stability, anticorruption and financial transparency policies from 1987 through 1990 (Rothchild, 1991), followed by democracy and governance reforms. Essentially, the first wave managed to stabilize the economy,

compress government expenditure, and secure a stable macroeconomic environment that supports a private-sector-led growth (Konadu-Agyemang and Takyi, 2001).

Then came the second wave (1988 - present), which sought to promote 'good governance' and address the issue of poverty. This resulted in the Poverty Reduction Strategy Papers (PRSPs). This initiative, meant to give developing countries 'easy' access to concessionary loans and grants, was announced at the IMF Annual meetings in September 1999 as a new commitment towards poverty reduction (Abugre, 2000). Ghana therefore adopted the Poverty Reduction Strategy (GPRS I) from 2003 to 2005 and then GPRS II (2006-2009). The plan in the second wave was to make Ghana 'own' its development as good governance ensues. But there are still questions about mantras such as 'ownership', 'participation', 'partnership', 'consultation', and 'dialogue' that have littered Ghana's PRSPs (Abugre, 2000; Whitfield, 2005).

Under the auspices of a World Bank adjustment programme in 1983, Ghana reversed its economic decline of the 1970s. Ghana, by the mid-1980s had established macroeconomic stability and by the late 1980s was one of the best economically performing countries in sub-Saharan Africa. Between 1983 and 1987 real per capita income rose by some 12% (Toye, 1991: 166). Ghana has been described as a frontrunner in adjustment. During the adjustment period, Ghana prospered, despite a massive decline in the international prices of gold and cocoa. Moreover, structural reform was expected to enable Ghana to respond more buoyantly to the external and policy shocks that the country will inevitably experience (Leechor, 1994: 169). One aspect of Ghana's improved performance in the late 1980s was due to agricultural policy reform. Although, as indicated above, world cocoa prices declined, real producer prices for cocoa exports more than doubled between 1983

and 1986 (Toye, 1991: 168). Aid also played an important role, both by injecting funds and ‘encouraging’ policy reform. “Donors have played a major role in both shaping the adjustment program and financing the attendant costs” (Leechor, 1994: 172).

Private consumption in Ghana after 1983 seems to have increased steadily. Economic recovery started after 1983 – a year that marks the inception of the World Bank supervised Economic Recovery Programme/Structural Adjustment Programme (ERP/SAP). In the post-1983 period there has been a liberalisation of the foreign exchange, trade, and agricultural marketing regimes; the government made a conscious effort to improve the ‘pass-through’ of export proceeds to producers, primarily farmers. This may have explained the seemingly steady increases in private consumption (Lloyd et al, 2001: 7).

Private investment in Ghana over the decades shows no particular pattern although there seems to be a general upward trend after the early 1980s. The somewhat erratic movement in private investment in Ghana is not too surprising given the absence of any consistent or coherent policy to encourage private sector participation in capital formation, especially over the 1970s. Even after 1983, although the adjustment programme was intended to promote the private sector, confidence in the sector was never fully restored and this is reflected in the lacklustre response of private investment. Government investment was volatile prior to 1983 but there has been a general upward trend since then, notably in 1983-1986. Aid flows follow a similar, albeit less pronounced, pattern (to be expected as aid is the major source of funds for public investment). The trough around 1973 corresponds to the unilateral repudiation of external debt in 1972 that resulted in a decline in aid flows and consequently government investment. Both these variables increased after negotiations were re-opened after 1973. With the inception of the ERP/SAP the

government implemented policies agreed with the World Bank and aid flows to the country rose steadily (Lloyd et al, 2001: 9).

Government consumption was in decline until 1990, suggesting that Ghana did adhere to IMF/World Bank directives throughout the adjustment period. The break from trend observed in 1990 may reflect the need to build institutions for a successful transition to democratic rule in 1992. Funded by government borrowing, it exacerbated growing debt repayments which by 1997 constituted over 30% of total government expenditure (Lloyd et al, 2001: 10).

Ghana entered democratic rule in 1992 with the institution of a new constitution which is still in force today. Beyond this period, Ghana has been relatively stable and has adopted many IMF/World Bank poverty reduction strategies and debt relief programs. Although the politico-economic history is quite chequered, the Ghana Living Standards Survey V (GLSS V) report that the number of people living under extreme poverty has dropped over the past fifteen years. The Human Development Index also reveals Ghana is making ample progress. Yet about 53% of Ghanaians report shortages of cash income (CDD Ghana Afrobarometer, 2008), and surveys in 1992 and 1999 found that only 14% of Ghana's population (about 1 million workers) were wage earners (Global Policy Network, 2004). The Trades Union Congress (TUC) on many occasions has also called attention to the low levels of income and its implications for productivity, economic growth and poverty reduction (Global Policy Network, 2004).

Although it is perceived good governance is being promoted in this era, "patronage, corruption, neo-patrimonialism, and other 'unprogressive' aspects of African politics

persist” (Gyimah-Boadi, 2004). And reform in most cases is mitigated by a combination of inadequate strategies, political resistance, poor participation and inability to construct the requisite tools needed for systemic change (Kpundeh, 2004). Many codes of conduct have been established: the Commission on Human Rights and Administrative Justice (CHRAJ) and the Serious Fraud Office (SFO) have both been established as autonomous anticorruption agencies in Ghana but due to both internal and external constraints, their work is yet to draw home effective results (Aryee, 2000). The picture of Ghana’s socio-economic development is complex. While poverty rates have reduced, unemployment remains fairly high, and per capita incomes are also not favourable. Given this history, it is appropriate that this study of the administration of aid in Ghana concentrates on the specific impact of an international regime such as the Paris Declaration on aid, as aid has played a major role in the interplay of factors that affect growth and development in Ghana.

Aid flows to Ghana remained at a low level in the seventies. This was a period of mostly chronic domestic economic mismanagement. The National Redemption Council under Colonel Acheampong had earlier (in 1972) got Ghana blacklisted in international financial circles when they unilaterally repudiated some of the country’s external debts. With the emergence of a democratically elected government in September 1979, aid flows rose for two consecutive years. This trend reversed after 1981 following the military coup d’état that overthrew the Dr Limann government. Starting in 1985, however, a clear and sustained increase in aid flows occurred as donors perceived greater commitment by government to better economic management and economic reform. Indeed, between 1985 and 1995, available statistics indicates that total aid flows to Ghana increased threefold from US\$150.7 million to US\$450.8 million (Tsikata, 1999). In the 1990s, aid flows to

Ghana have provided an average of \$570 million in project and programme support. Meanwhile, in the same decade there had been a marked decline in programme aid, while project aid has increased.

Foreign aid became an integral part of Ghana's economic growth and development in the 1970s and 1980s. Critical commentators on aid such as Picard et al. (2008), describe aid to Ghana prior to 1983 as almost welfare. This was illustrated with the inception of Structural Adjustment Programmes in 1983 when foreign Official Development Assistance increasingly flowed to Ghana under the PNDC government. Aid flows during this period responded very well to the political atmosphere in Ghana. The levels Official Development Assistance the Ghana rose with the emergence of a democratically elected government in 1979 but declined again after the 1981 coup by Rawlings's PNDC government. Aid inflow to Ghana within the Structural Adjustment period was enormous and came from many sources as most donors sought to support 'successful reformers'. These demonstrate that domestic politics seemed to have some influence on inflows of development assistance into the country.

The charts below show Ghana's net ODA receipts, the top ten donors of gross ODA, population and GNI per capita and bilateral ODA by sector for the years 2007-2009.

**Chart 1: Aid Statistics, Recipient Aid Charts**

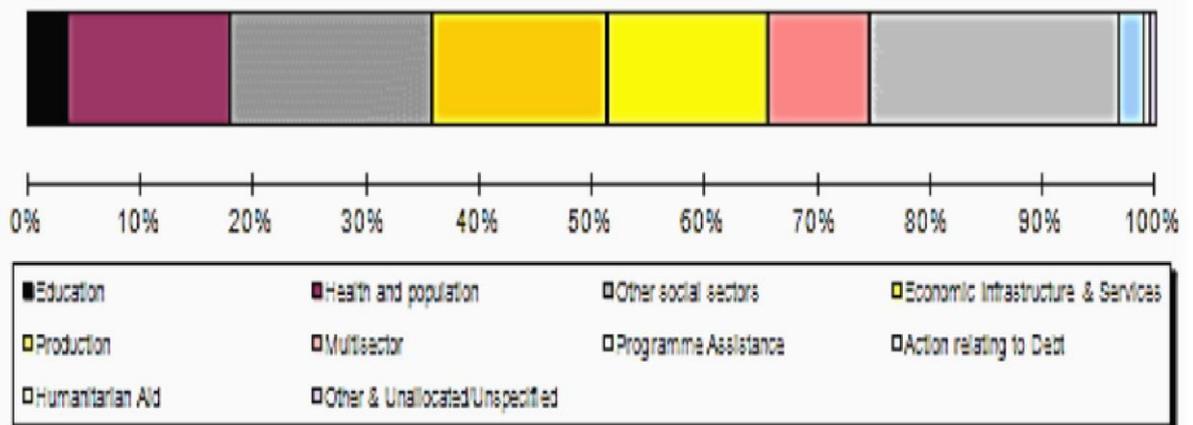
**Ghana**

Receipts	2007	2008	2009
Net ODA (USD million)	1 164	1 305	1 586
Bilateral share (gross ODA)	61%	56%	54%
Net ODA / GNI	7.9%	8.0%	10.4%
Net Private flows (USD million)	600	209	254

For reference	2007	2008	2009
Population (million)	22.9	23.4	23.8
GNI per capita (Atlas USD)	600	680	700

Top Ten Donors of gross ODA (2008-09 average) (USD m)	
1	IDA 261
2	United Kingdom 154
3	EU Institutions 143
4	United States 115
5	Netherlands 109
6	AfDF 95
7	Canada 87
8	Denmark 87
9	Germany 66
10	France 59

**Bilateral ODA by Sector (2008-09)**



Sources: OECD, World Bank.

### **3.5. THE PLACE OF FOREIGN AID IN GHANA**

Presently, Official Development Assistance flows to Ghana assume various forms, including general budget support, sector budget support (mainly health and education), and project aid. Harrigan and Younger (2000) pointed out that aid flows into Ghana were relatively unimportant until the mid-1960s. This has been attributed mostly to the fact that the Nkrumah government was highly suspicious of the major donors, i.e., Britain and the USA, which did not help the already poor state of affairs. A factor that is, however, of particular importance was that Ghana's economy, as it emerged from colonial rule had inherited substantial foreign exchange reserves, little debt, and a small public sector (Killick 1978; Quartey 2002). As a result of this, Nkrumah's Convention People's Party (CPP) government needed very little foreign exchange and budgetary support until the balance-of-payments crisis of 1961 (Killick 1978; Quartey 2005).

In spite of the fact that after 1961 there was a keen interest in attracting aid into Ghana, Nkrumah's criticism of the West in general, and the two major western donors, namely: Britain and the USA in particular, made them less attractive sources of assistance. Killick (1978) observes that Nkrumah did eventually succeed in attracting support from the Eastern bloc. This however was short-lived because the relationship between Ghana and the East deteriorated early in the course of the aid-financed programmes and this severely limited disbursement (Killick, 1978).

The "Evaluation of the Implementation of the Paris Declaration on Aid Effectiveness: Phase II, Ghana Country Report; Final Report" conducted by Quartey et al. (2010) pointed out that Official Development Assistance to Ghana has been provided by both bilateral and multilateral development partners. A further 'informal' classification of these donors

however exist, that is; traditional donors and non-traditional donors. According to their findings the former currently comprise of 23 multilateral and 24 bilateral donors. The multilateral donors according to the report are as follows:

- The World Bank
- African Development Bank (AfDB)
- European Union (EU)
- Nordic Development Fund
- Arab Bank for Economic Development in Africa
- European Investment Bank
- OPEC Fund for International Development (OFID)
- Global Fund to Fight Aids
- Tuberculosis and Malaria (Global Fund)
- Global Alliance for Vaccines and Immunization (GAVI)
- And 12 organs/agencies of the United Nations

The World Bank remains the largest multilateral donor, providing over 45% of the multilateral annual average (Quartey et al, 2010).

The Phase II, Ghana Country Report on the Implementation of the Paris Declaration on Aid Effectiveness (Quartey et al, 2010) further indicated that Ghana's bilateral donors are made up of traditional donors including the following:

Australia; Austria; Austria; Canada; Denmark;  
Finland; France; Germany; Italy; Japan;  
Netherlands; Norway; Spain; Sweden; Switzerland;  
The United Kingdom; and The United States of America.

Brazil, Russia, India, China and South Africa (the BRICS), the Saudi Fund, and the Abu Dhabi Fund are non-traditional bilateral donors that are increasingly becoming important in Ghana's aid architecture (Quartey et al, 2010). But the fact that these non-traditional donors do not participate actively in current aid coordination efforts with the traditional donors means that any assessment of the effectiveness of aid that uses Paris Declaration principles would encounter some challenges. Meanwhile, the Ghana Aid Policy and Strategy (2011-2015) seeks to address the issue of the non-traditional donors' non- active participation in current aid coordination efforts (Quartey et al, 2010).

### **3.6. A BREAKDOWN OF AID FLOWS INTO GHANA**

Official Development Assistance to Ghana, as stated earlier, has been low and very volatile and moved largely in the direction of the political business cycle prior to the structural and economic reforms of the 1980s under the PNDC government. Quartey (2005) observed that aid flows to Ghana increased substantially by the end of the 1980s and Ghana was receiving more foreign aid per capita than the average for Africa and other developing countries.

Even though the added inflows of aid coincided with increases in economic growth, it is not clear whether the increases in growth were caused by the increased aid. Aryeetey and Cox (1997) however observed that the increased aid inflow had a positive impact on growth at least during the early part of the Economic Recovery Programme. According to Harrigan and Younger (2000) during this period (1980s), public spending in Ghana dropped to extremely low levels and capital spending had almost disappeared – this made it possible for government to reduce its investment spending in order to finance public consumption in response to aid inflows. Also, the aid inflow filled the gaps in foreign

exchange and capital availability, thus providing support for reconstruction of basic infrastructure, and the imports of spare parts and capital equipment.

The Phase II, Ghana Country Report on the Implementation of the Paris Declaration on Aid Effectiveness (Quartey et al, 2010) noted that the late 1980s and early 1990s marked a new phase in Ghana's economic situation. According to the report, even though the government took advantage of the high return on public investments during the period; infrastructure rehabilitation and markets were functioning at a level comparable to the pre-Economic Recovery Programme period. As a result of the liberalization of the foreign exchange market during the economic reform period subsequent inflows induced a foreign exchange appreciation. This served as a disincentive to export goods and services from Ghana. Also, government's attempt to neutralize the monetary effects of the increased inflows severely limited credit to the private sector. The Country Report observed that the continued inflows led eventually to the Dutch disease situation – where exports and private investment were crowded-out due to tight monetary policy (Quartey et al, 2010).

One constitutional requirement that was followed after the 1996 general elections was the drawing up of a development plan. Article 36, clause 5 of the constitution of the Republic of Ghana (1992) state that “ ... within two years after assuming office, the president shall present to parliament a coordinated programme of economic and social development policies, including agricultural and industrial programmes at all levels and in all the regions of Ghana” (Constitution of the Republic of Ghana, 1993). In accordance with this provision, the Rawlings-National Democratic Congress government after winning the 1996 elections for a second term presented to Parliament a document they referred to as the “Ghana – vision 2020: THE FIRST STEP”. It was a medium-term development

framework that was prepared for the period 1997-2000 to provide a plan for the poverty reduction strategies of the country. It was said to be a product of consultations and collaborative efforts, that do not only build upon existing programmes and policies, but also amends or adds to them where necessary, to provide a framework within which Ghana could realize the long-term vision of becoming a middle income country.

After the 2000 presidential and parliamentary elections, the National Democratic Congress lost to the New Patriotic Party under the leadership of President Kuffuor. The Phase II, Ghana Country Report on the Implementation of the Paris Declaration on Aid Effectiveness (Quartey et al, 2010) pointed out that an analysis of Official Development Assistance inflows to Ghana after the New Patriotic Party came to power indicate that aid inflows increased from US\$ 578.96 million in 2001 in nominal terms to US\$1,433.23 million in 2008 and US\$1,896.8 million in 2010. Aid as a percentage of GDP increased from 13.2 per cent in 2003 to 14.6 per cent and 12.8 per cent respectively in 2009 and 2010. The second half of 2008 and the first half of 2009 was, however, a difficult period for the country when partly as a result of the global economic and financial crisis, aid flows into the country were less forthcoming.

The Official Development Assistance that comes into Ghana can be broken down into four main categories (Quartey et al, 2010). These include:

- 1.1. Debt Relief funds from the MDRI and the HIPC Initiative (including exceptional financing from the rescheduling of bilateral debt on more favourable terms);
- 2.1. Project support comprising project loans and grants for supporting specific projects and activities;

3.1. Programme aid in the form of loans and grants for general and sector budget support; and

4.1. Balance of payments support from the International Monetary Fund (IMF) which stopped after 2006 but was re-activated in 2009-2012.

**Table 2: Ghana ODA Envelope in Millions US\$ (2003-2010)**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total</b>	<b>1003.0</b>	<b>1130.1</b>	<b>1205.8</b>	<b>1471.8</b>	<b>1656.5</b>	<b>1649.6</b>	<b>2102.5</b>	<b>1896.8</b>
<b>IMF</b>	<b>76.6</b>	<b>38.7</b>	<b>38.2</b>	<b>116.6</b>	<b>0.0</b>	<b>0.0</b>	<b>200.0</b>	<b>200.0</b>
<b>Debt Relief Grants</b>	<b>154.2</b>	<b>174.1</b>	<b>196.9</b>	<b>307.3</b>	<b>342.7</b>	<b>229.5</b>	<b>289.6</b>	<b>235.8</b>
HIPC	154.2	174.1	196.9	209.8	246.1	158.4	191.9	168.8
MDRI	0.0	0.0	0.0	97.5	96.6	71.1	97.7	67.0
<b>Budget Support</b>	<b>277.9</b>	<b>316.7</b>	<b>313.2</b>	<b>349.3</b>	<b>386.7</b>	<b>473.1</b>	<b>700.4</b>	<b>619.2</b>
MDBS	277.9	309.0	281.9	312.2	316.6	368.1	525.2	451.2
SBS	0.0	7.7	31.3	37.2	70.1	104.9	175.2	167.7
Swap	0.0	0.0	0.0	0.0	12.1	15.2	86.9	81.2
Earmarked	0.0	7.7	31.3	37.2	58.0	89.8	88.2	86.5
<b>Project Aid</b>	<b>494.4</b>	<b>600.6</b>	<b>657.5</b>	<b>698.6</b>	<b>927.0</b>	<b>947.0</b>	<b>912.5</b>	<b>841.8</b>
<b>GDP</b>	<b>7621</b>	<b>8853</b>	<b>10726</b>	<b>12729</b>	<b>14984</b>	<b>16085</b>	<b>14385</b>	<b>14870</b>
Total ODA (% of GDP)	13.2	12.8	11.2	11.6	11.1	10.3	14.6	12.8

Source: D-PAF Baseline Report 2010

The bulk (56% in 2008 and 57.4% in 2009) of Official Development Assistance portfolios in Ghana is made up of project aid – Project aid refers to development assistance that supports stand-alone projects that normally fall outside government programmes. Project aid has been increasing steadily in recent times, whereas programme aid has virtually stagnated over the period 2004 and 2007. There has also been an increase in general budget support from 27.7% in 2003 to 32.6% in 2010. It must be noted, however, that the relative levels of both types of aid (that is; programme aid and budget support) have remained relatively higher than the levels recorded in the mid-1990s (Quartey et al, 2010).

It has also been pointed out that the increase in Budget Support from US\$277.9 in 2003 to US\$700.4 in 2009 has been the result of the introduction of the Multi-Donor Budget

Support (MDBS) mechanism in 2003 (Quartey et al, 2010). The Multi-Donor Budget Support (MDBS) mechanism allows donors to contribute to a common basket to support the national budget. The MDBS mechanism has helped in ensuring improved commitment and predictability in the inflow of aid from donors into the country.

After increasing from 30% in 1999 to 58% in 2002 programme aid as a percentage of total Official Development Assistance has remained below 50% between 2003 and 2008,. The average annual programme aid as a percentage of total Official Development Assistance was estimated at 38% between 2003 and 2008 but for the period 1999 – 2002 it stood at 42% (Quartey et al, 2010). One can deduce from the discussion and from the figures above that the Official Development Assistance portfolios in Ghana continues to be dominated by project aid which is usually off-budget and therefore subject to non-use of country systems. The fact that project aid is subject to the non-use of country systems suggests the creation of a parallel system for its management and the associated excessive rigidity in its administration.

### **3.7. THE MULTI-DONOR BUDGET SUPPORT (MDBS)**

In order to overcome the problems associated with significant off-budget spending and isolated projects, Development Partners and the Government of Ghana agreed on an aid package known as the multi-donor budgetary support (Quartey et al., 2010). Budget support, which is a form of programme aid, is defined by Svensson (2000) as funds channelled through local accounting systems directly to beneficiary governments; it is not linked to a specific project activity and disbursement is expedited. Its main goal is to ensure a continuous flow of aid to enable the government to finance its poverty related expenditures. Unlike direct budget support, however, the multi-donor budgetary support

aims to harmonize policies and procedures of development partners so as to minimize transaction costs for the recipient country. The largest donors to the Ghanaian multi-donor budget support programme, according to Hayes (2011) were (in order of amount of development assistance; from highest): World Bank, DFID, African Development Bank, EU, Netherlands, Canada and Germany.

The framework memorandum for the multi-donor budgetary support was signed in March 2003 between the government of Ghana and the development partners (MoFEP, 2005). According to the agreement, the framework memorandum will be supplemented with individual arrangements between each development partner and the government of Ghana. Meanwhile, the contents of each individual funding arrangement were expected to be compatible with the spirit and provisions of the framework memorandum without the individual agreements constituting an international treaty (MoFEP, 2005).

The main goal of the multi-donor budgetary support was to harmonize the policies and procedures of development partners in order to minimize transaction costs for the government (MoFEP, 2005). This is to be achieved by:

- Agreeing on a common benchmark against which performance is assessed,
- Improving dialogue between government and the development partners,
- Conditioning funding commitments and disbursements on the achievements of the agreed targets (MoFEP, 2005).

The operational framework of the multi-donor budgetary support is to be in two stages: first, the Ghana Poverty Reduction Strategy (GPRS I) was to spell out the poverty reduction strategy of the Government of Ghana. Second, the medium-term expenditure

budget process provides the instrument for allocating resources according to the Poverty Reduction Strategy priorities and the resource envelope.

Progress assessment of the multi-donor budgetary support was to be based on the goals set by the government within the Ghana Poverty Reduction Strategy (AFRODAD, 2007). Under the multi-donor budgetary support, the Government of Ghana, subject to the availability of funds, was to ensure the following (Quartey et al, 2010):

- Implementation of the Ghana Poverty Reduction Strategy (GPRS),
- That total expenditure and sector allocations effectively reflect the government's poverty reduction commitment and that the budget was comprehensive;
- Provision of agreed reports to development partners;
- Semi-annual coordination and organization of the multi-donor budgetary support meetings, in conjunction with a mini-Consultative Group;
- Coordination and organization of joint assessment meetings.

Development Partners, on the other hand, would be committed to working in partnership with the Government of Ghana to facilitate the implementation of the Ghana Poverty Reduction Strategy (GPRS), both through direct budgetary support and complementary support provided through the development partners' wider development cooperation programmes (Quartey et al, 2010). The development partners would:

- Support the implementation of the Poverty Reduction Strategies by advising the government of planned budget support with indicative commitments for the following years. However, actual commitments will be identified in individual bilateral arrangements between Development Partners and the Government of Ghana;

- Work towards achieving the goal of a programmatic approach within a common framework; and
- Endeavour to coordinate the timing of disbursements to government's budgetary requirements. (Quartey et al, 2010).

The framework memorandum outlines provisions for settling disputes, and differences arising with regard to the MDBS are to be settled through dialogue and consultation between the Government of Ghana and development partners (Quartey et al, 2010). The government and each development partner are to consult with other framework memorandum participants whenever there is discussion to suspend or terminate all or partial support to the GPRS. If a development partner takes action to invoke remedial measures or withdraw support, the Government of Ghana would, in consultation with other development partners, make necessary revisions to the programme to ensure that the expenditure framework matches available resources.

Another key feature of the MDBS is the provision of technical assistance (Quartey et al, 2010). The development partners have proposed a flexible and responsive technical assistance programme, which allows the Government of Ghana to identify, budget, monitor and evaluate technical assistance. The unique feature is that all technical assistance would be programmed and budgeted for in a manner similar to any other resource, regardless of the source of funds.

In July 2008, a new framework memorandum was signed between the Government of Ghana and eleven (11) development partners (including Japan) in support of the Growth and Poverty Reduction Strategy (GPRS-II). According to the 2009 DP-PAF Report

(Ashong, and Gerster, 2010), the guiding principles of the Multi-Donor Budgetary Support process include:

- Maintenance of sound macroeconomic policies;
- Commitment to achieving the Growth and Poverty Reduction Strategy (GPRS-II) objectives and the Millennium Development Goals;
- Continuing peace and respect for human rights;
- Adherence to the rule of law;
- Democratic principles and the independence of the judiciary;
- Sound budgeting and public financial management (PFM) systems; and
- The promotion of good governance, accountability of the Government to the citizenry, including an active fight against corruption.

In an attempt to encourage reforms and the predictability of aid flows, the multi-donor budgetary support agreement with bilateral Development Partners agreed on a yearly budget support that will be disbursed in two equal tranches based on a satisfactory annual review of the Government of Ghana's performance. The annual review entails a holistic assessment of progress in the implementation of the national strategy and sound macroeconomic management by the IMF; and an in-depth evaluation of performance against specific targets. These targets have been jointly agreed on and specified within the Government of Ghana's Progress Assessment Framework. The second tranche sometimes referred to as Performance Payment, depends on the outcome of a joint progress assessment of key areas of reform including decentralization, public sector reform, public financial management, the budget process, governance, and poverty related expenditures to the social sectors (Ashong, and Gerster, 2010).

Since the signing of the framework memorandum, the Development Partners have provided support towards the implementation of the Ghana Poverty Reduction Strategy. In June 2003, as part of its contribution under the multi-donor budgetary support to Ghana, the World Bank made US\$125 million available for disbursement in one tranche in July to support the implementation of agreed poverty reduction reform programmes stipulated in GPRS I and the 2003 budget. Development assistance to Ghana under the multi-donor budgetary support was 32.6% of total aid disbursed in 2003 but declined gradually to 21.22% in 2008. It is important to mention, however, that nearly 100% of funds pledged in support of the budget in 2003, 2005 and 2007 were fully disbursed while disbursements exceeded pledges in 2004 and 2008 due partly to exchange rate differences between the US dollar and the original currencies of disbursements (Ashong, and Gerster, 2010).

According to the Phase II, Ghana Country Report (Quartey et al, 2010) the most important national event that has affected and continues to affect the implementation of the Paris Declaration and the Accra Agenda for Action priorities can be categorized into pre- Paris Declaration events (2000-2004) and post- Paris Declaration events (2005-2010) and both have had a positive disposition to aid management in Ghana. The former include the HIPC Initiative, the preparation and operationalization of the GPRS I, the MDRI initial process, the multi-donor budgetary support and Consultative Group Meetings.

Another key event includes the drafting of the Ghana Aid Policy and Strategy 2011 to 2015 (Quartey et al, 2010). This policy outlines the roles of the various stakeholders in ensuring that aid is delivered in line with the Paris Declaration principles to achieve better results. The holding of the Accra High Level Forum on Aid Effectiveness in Ghana in 2008 has also affected the implementation of the Paris Declaration in the country. Also,

the setting up of the Multi-Donor Budget Support Secretariat/Sector Working Group and the operationalization of the MDBS - an aid system which ensures predictable, accountable and more harmonized processes for aid disbursement has affected the implementation of the Paris Declaration principles in ensuring aid effectiveness. It has led to a common reporting system and reduced the transactions costs of aid.

Finally, the preparation and use of the Ghana Shared Growth Development Agenda (GSGDA), a policy document which ensures that Development Partners align their support to national priorities have affected the implementation of the Paris Declaration (Quartey et al, 2010). Under the Paris regime, partner countries are to have operational development strategies that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets (Paris Declaration, 2005). In Ghana, the GSGDA provides the necessary framework to enable donors effectively support country leadership, policies, institutions and systems.

### **3.7.1. A Brief Critique of the Multi-Donor Budget Support**

Budget support is considered an ideal form of assistance, automatically aligned with country plans and systems. In many countries, including Ghana, multi-donor budget support operations have become the principal forum for high-level policy dialogue. Each year, government and donors negotiate an annual Performance Assessment Framework (PAF), setting out a programme of urgent policy actions and expected results; predictability of aid and donor harmonisation – budget support now accounts for about 40% of all aid to Ghana. Alongside debt relief, budget support has been central in supporting the first sustained period of macro- economic stability creating the conditions for economic growth (The National Archives, 2007). In turn macroeconomic stability has

supported one of the fastest and linear rates of headcount poverty reduction in Africa. Budget support has complemented the Government's own resource allocation for poverty reduction. According to MoFEP (2005), the harmonised manner in which eleven Development Partners work together under the umbrella of the Multi-Donor Budget Support significantly reduces transaction costs associated with the management of a large amount of aid, both for Government and Development Partners. MDBS has also directly increased financial resources available to the Government, encouraged improvements in how the Government manages its finances as result of increased scrutiny, as well as increased the predictability of donor funds (MoFEP, 2005).

Other donors are, however, wary of budget support, preferring to direct their funds to specific development activities – project aid. Budget support sometimes involves risks such as lack of transparency of funding flows due to weak budget reporting, and a common concern that government-donor dialogue may crowd out domestic accountability. The design of a budget support operation can help to mitigate these risks. Effective monitoring of the timeliness and transparency of government financial reporting and auditing by MDBS donors can help mitigate these risks (The National Archives, 2007).

### **3.8. CONCLUSION**

This chapter explored the history of development assistance to Ghana. It would be observed from the discussion that developments in Ghana's political setting seem to have some influence on how aid flows into the country. Also, Official Development Assistance to Ghana had taken various forms, including general budget support in the form of the MDBS, or sector budget support (mainly in the Health and Education Sectors), and project aid – support for stand-alone projects that are normally identified by donors themselves.

The formulation of operational development strategies that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets provided the necessary framework that ensures that, donors effectively support country leadership, policies, institutions and systems.

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## CHAPTER FOUR

### AID DELIVERY IN GHANA'S EDUCATION SECTOR UNDER THE PARIS REGIME

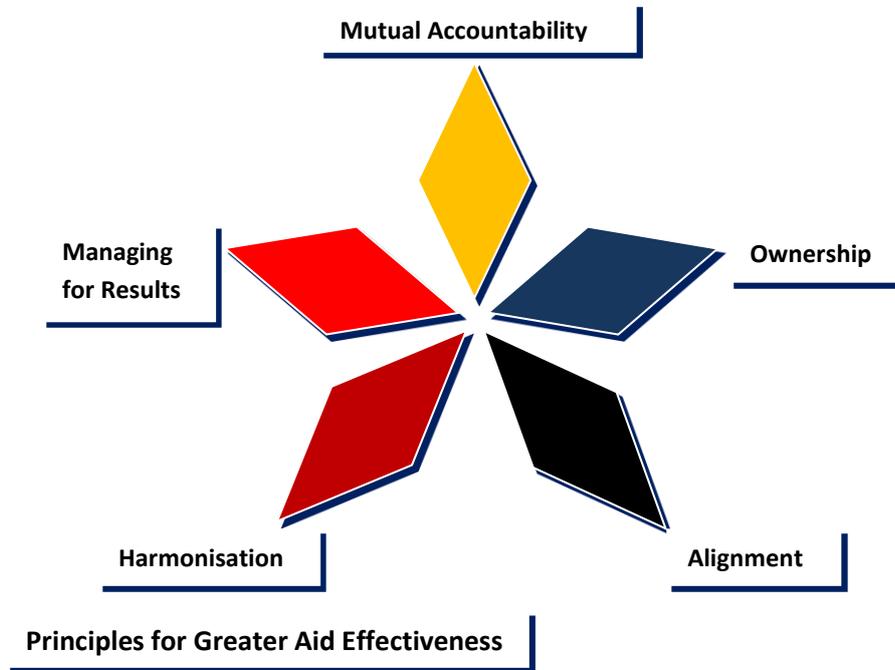
#### 4.1. INTRODUCTION

The challenge to effectively implement aid projects and budgetary support programmes to reduce poverty levels and achieve better development results necessitated the adoption of the Paris Declaration. The Paris Declaration puts in place a series of specific measures for implementation and establishes performance indicators for assessing progress. A feature that is unique to the declaration is its call for an international monitoring system to ensure that Development Partners and Partner Countries are mutually accountable. Beyond its statement of general principles, the Paris Declaration outlines a practical, action-oriented roadmap to improve the quality of aid and its impact on development. The fifty six (56) partnership commitments of the declaration are organised around five fundamental principles for making aid more effective.

Under **ownership**, developing countries are to set their own strategies for development, improve their institutions and tackle corruption. Donors are also expected to bring their support in **alignment** with these developing country objectives and use the systems established by them. **Harmonization**: Here, donors are to co-ordinate their action, simplify procedures and share information to avoid duplication. Developing countries and donors are also expected to focus on ensuring that aid is **managed for results**. Under **mutual accountability**, donors and developing country partners are accountable to each other and their peoples for development results. The argument put forward is that, by fully implementing the principles of the declaration, the countries and organisations that

endorsed the Paris Declaration would make major breakthroughs in improving aid effectiveness, tackling issues that have hampered development over the years.

**Figure 1: The Principles of the Paris Declaration**



Source: Drawn by the Author, 2012

Mwega (2009), pointed out that, several developing country governments and civil societies have been putting the principles of the Paris Declaration into practice and are reaping the rewards in the form of better quality, better aligned and more predictable donor support. As part of this new agenda for aid effectiveness, donors have also been working to harmonise procedures and align aid by using developing country systems. Meanwhile, the architecture of aid seems to have rapidly changed. New, but very significant, sources of funding are emerging (rapidly growing aid programmes from Brazil, Russia, India, China and South Africa – the BRICS) and new types of donors (including private foundations and local authorities from industrialised countries) are becoming important actors on the aid scene. The lessons embodied in the Paris Declaration and the principles it sets forth are

intended to help find better ways of administering the delivery of aid so as to overcome the development challenges that face countries across the globe. This chapter presents a discussion of the findings on how the Paris declaration on Aid Effectiveness has impacted on the delivery of aid in Ghana following the adoption of the Paris regime. The discussion focuses primarily on aid delivery in the Ghana's Education Sector.

#### **4.2. GHANA'S EDUCATION SECTOR AND AID EFFECTIVENESS**

The importance of aid effectiveness in education lies in the fact that it strongly influences prospects for achieving national and global objectives that are set out in the MDGs and other commitments. At independence, many countries looked forward to reform education to accelerate economic and social development. Ghana was no exception, and the newly independent government saw in education the keys to social and economic development. Akyeampong (2008) pointed out that the development of education in Ghana following independence was to achieve three goals:

- Firstly, it was to be used as a tool for producing a scientifically literate population.
- Secondly, for tackling mainly the environmental causes of low productivity; and
- Thirdly, for producing knowledge to harness Ghana's economic potential.

When Nkrumah addressed the Legislative Assembly two days before the declaration of independence he made it clear what the development agenda and challenge were.

“We must seek an African view to the problems of Africa. ... Our whole educational system must be geared to producing a scientifically-technically minded people. Because of the limitations placed on us, we have to produce, of necessity, a higher standard of technical education than is necessary in many of the most advanced countries of the Western world ... I believe that one of the most important services which Ghana can perform for Africa is to devise a system of education based at its university level on concrete studies of the problems of the tropical world. ... Only with a population so educated can we hope to face the tremendous problems which confront any country attempting to raise the standard of life in a tropical zone” (McWilliam and Kwamena-Poh, 1975:94).

Investments were therefore channelled into the whole system of education, from primary to tertiary, to fulfil these aspirations and goals. It must be noted here that Development Partners have for decades played a key role in the economic growth and development of Ghana. The Institute for Democratic Governance (IDEG) (2011) pointed out that economic growth and development in Ghana since 1984 have been assisted significantly by foreign development partners through the transfer of relatively large amounts of official development assistance to the country. The International Monetary Fund and the World Bank guided structural adjustment programmes of the 1980s accounted for much of the aid inflows into Ghana. In 2010, for example, Ghana received official development assistance (ODA) from 20 development partners totalling 1,489.4 million US dollars with 96.4% of ODA being disbursed to the government sector, representing 17.8% of the Government of Ghana's expenditures of GHS 11,532.209 million (IDEG, 2011).

As the dominant sector in the nation's strategy for poverty reduction and development, the education sector has benefited from support from a range of various Development Partners, both bilateral and multilateral. There are therefore various Development Partners operating in the Education Sector in Ghana. Table 4, below, provides a breakdown of donor funding to the Education Sector in 2007 by source. The table shows the list of donors to the sector in 2007 as well as their contributions to the sector. From the table, US\$ 33.6 million, approximately 44% of donor contributions, went into recurrent expenditure, while US\$ 43.3 million or 56% of donor contributions went into capital expenditure. The DFID was the biggest donor with 38%, followed by the World Bank (IDA) with 14% and the European Commission with 10%. It was explained that the reason the DFID expenditure was so large for 2007 was because their off-budget support for both 2006 and 2007 were spent in 2007 (MoE, 2007).

**Table 3: Donor Funding to Education Sector by Source (2007)**

<b>Donor</b>	<b>Recurrent (US\$)</b>	<b>Capital (US\$)</b>	<b>Total (US\$)</b>	<b>% of Total Donor Funding</b>
Netherlands	7,129,465.00	-	7,129,465.00	9.3%
European Commission	-	7,724,197.00	7,724,197.00	10.0%
UNICEF	899,566.57	1,126,940.91	2,026,507.48	2.6%
USAID	6,596,594.29	-	6,596,594.29	8.6%
DFID	14,257,466.51	15,014,864.00	29,272,330.51	38.0%
JICA	1,864,250.72	4,206,922.67	6,071,173.40	7.9%
IDA	1,227,969.04	9,227,641.74	10,455,610.78	13.6%
BADEA	-	1,421,173.38	1,421,173.38	1.8%
ADB	198,306.37	4,224,717.83	4,423,024.20	5.7%
French Embassy	306,662.91	396,731.02	703,393.93	0.9%
WFP	1,176,626.46	-	1,176,626.46	1.5%
<b>Total</b>	<b>33,656,907.87</b>	<b>43,343,188.55</b>	<b>77,000,096.43</b>	<b>100%</b>

Source: Ministry of Education Sector Performance Report 2007.

From Table 4 above, there were eleven donors to the Education Sector in the 2007. The number of donors alone creates the need for a framework that can effectively harmonize and align donor activities in the sector with the aim of ensuring greater aid effectiveness whilst reducing transaction costs. Meanwhile, it was gathered from respondents in the sector that these figures may not represent the full support of donors to the sector, as there may be donor activities that are difficult if not impossible to capture in the sector's budgets or reports (Field Interview, 22<sup>nd</sup> May, 2012). It is these issues that the Paris Declaration seeks to address using its principles.

**Table 4: Trend in Donor Contribution to Education Sector Expenditure (2003-2011)**

Year	Allocation GH¢	% <sup>1</sup>	Actual GH¢	% <sup>1</sup>	Total Education Expenditure GH¢ (Allocation)	Total Education Expenditure GH¢ (Actual)
2003	17,704,199	6%	18,392,700	4.5%	277,588,599	407,424,300
2004	13,416,300	4%	42,009,203	7%	342,335,124	568,920,139
2005	37,513,900	7%	65,360,100	9%	539,475,400	727,533,700
2006	87,392,700	10%	25,271,400	2.7%	861,596,600	939,024,200
2007	56,244,100	5.1%	86,948,363	6.8%	1,101,741,600	1,273,539,485
2008	66,527,668	5.7%	100,652,087	5.8%	1,172,694,948	1,743,571,718.37
2009	69,418,281	4.1%	95,067,892.56	4.9%	1,693,732,831	1,949,768,414.22
2010	89,238,185	4.3%	64,742,440	2.5%	2,056,092,025	2,564,363,357
2011	n/a <sup>2</sup>	n/a	127,255,813	3.6%	n/a	3,565,710,570

Source: Compiled by the author from Ministry of Education Sector Performance Reports.

<sup>1</sup> – Percentage of Total Education Sector Expenditure

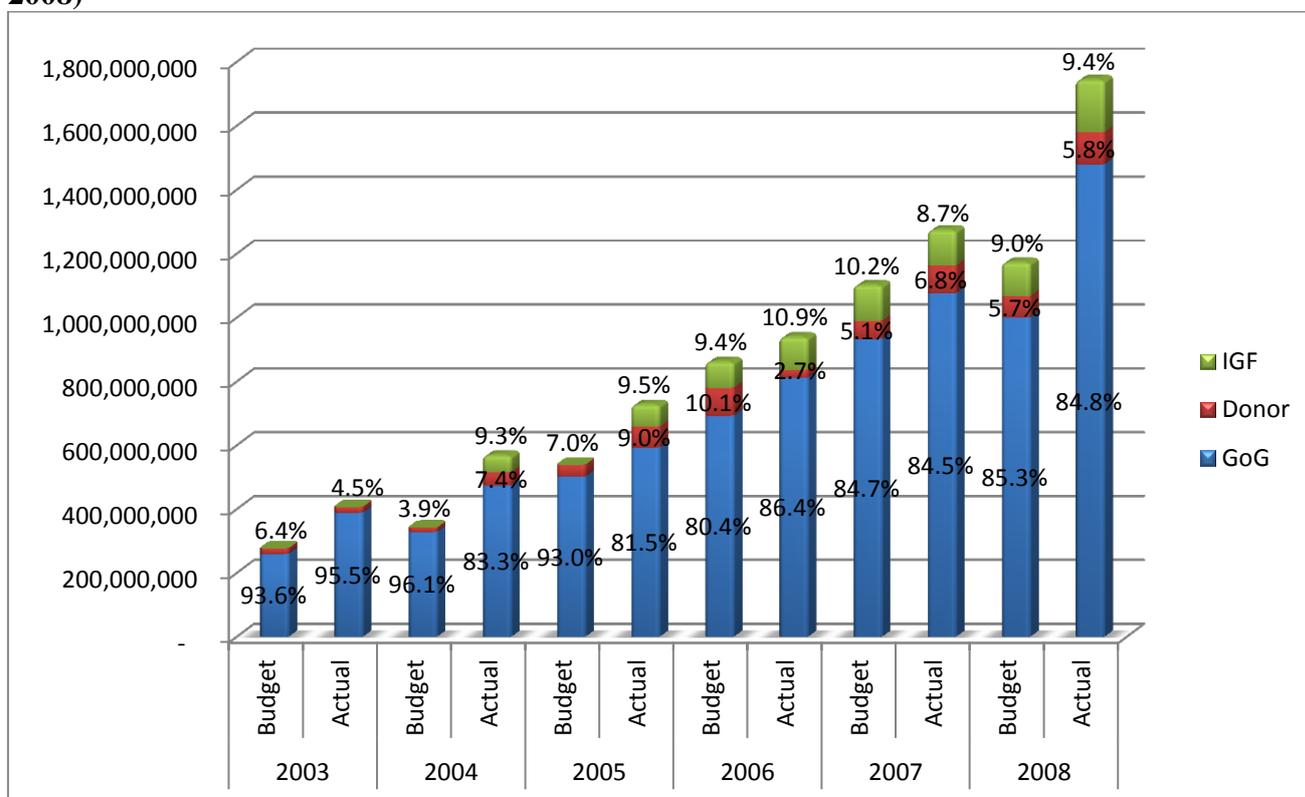
<sup>2</sup> – Not available

The table above shows the trends in Development Partner Contribution to Ghana's Education Sector from 2003 to 2011. Given that Ghana's average predictability ratio for 2010 was only 67.0 per cent on an aggregate basis (IDEG, 2011); one can conclude based on the above table that the rate of predictability of aid to the education sector is better than at the national level. From the table, it was only in 2006 and 2010 that predictability was lower than 100% in the Education Sector. The average predictability ratio in the sector was lowest in 2006 at 28.9 per cent and highest in 2004 at 313.1 per cent. The average predictability ratio was 72.5 per cent for 2010. This is better than the national average of 67.0 per cent for 2010. It was explained that the high predictability ratio in the sector was partly accounted for by the high interest of donors in the sector and partly by donors generally keeping to their commitments to the sector (Field Interview, 22<sup>nd</sup> May, 2012).

Predictability is estimated as aid that is actually disbursed through country's accounting systems as against total aid scheduled to be disbursed by donors. It has been agreed upon in the Paris Declaration, that greater predictability in the provision of aid flows was needed

to enable developing countries to effectively plan and manage their development programmes over the short and medium term (Paris Declaration, 2005). The seventh indicator of the Declaration deals with the predictability of aid. This indicator stipulates that the percentage of aid disbursements released should be in accordance with agreed schedules in annual or multi-year frameworks.

**Chart 2: Trends in Three Contributors to Education Sector Expenditure (2003 to 2008)**



Source: Ministry of Education Sector Performance Report 2009.

The above chart illustrates the percentage share of Internally Generated Funds (IGF), Donor and GoG contributions to the expenditure of the Education Sector. Meanwhile, Education Sector expenditure as a percentage of GDP has been 5.8%, 5.3%, 5.5%, and 6.3% for 2008, 2009, 2010, and 2011 respectively (MoE, 2012). Also, Education Sector expenditure as a percentage of total GoG expenditure has been 18.3%, 22.3%, 22.2%, 25.8% for 2008, 2009, 2010, and 2011 respectively (MoE, 2012).

The effectiveness of aid, however, has always been a challenge for the administrators of aid. A report prepared by Mettle-Nunoo and Hilditch (2000) for Action Aid on “Donor Participation in the Education Sector in Ghana” indicated that for both GoG and donors the lack of co-ordination was the biggest barrier to more effective support to education in Ghana in spite of a few instances of successful co-ordination. The report noted that, in spite of greater co-operation and a willingness on the part of donors to buy into a Government-led programme, international and foreign policy concerns as well as aid conditions, continued to direct donor assistance. Government of Ghana action plans did not always satisfy the various donors’ internal project identification requirements resulting in further studies, follow up appraisals and project assessment missions due to nagging differences in project formulation requirements. This clearly increased the transaction costs in the delivery of aid. The report, though failing to identify specific consultants, noted that there were several consultants rendering services to the Ministry of Education and its Agencies with little or no coordination of their work resulting in the waste of precious resources and duplication of activities. It noted further that, the absence of a distinct and comprehensive framework for Government/Bilateral/Multilateral and NGO collaboration leaves a serious problem for partners wanting to work through other agencies (Mettle-Nunoo and Hilditch, 2000).

The French Government’s foreign policy objective of fostering closer cultural and educational relations as well as promoting the French culture and language has for example heavily influenced French support to Ghana. Mettle-Nunoo and Hilditch (2000) noted that French aid to education in Ghana has mainly been in the field of supporting French language teaching through the Resource Centres for the Study of French (CREF)

project. DFID's policy also changed after the 1997 General Elections in the UK when the new Government moved dramatically to restructure its foreign policy on aid in terms of the distinction between trade relations, international assistance and foreign aid (Mettle-Nunoo and Hilditch, 2000).

The above report by Mettle-Nunoo and Hilditch (2000) accurately captures the state of aid delivery in the Education Sector particularly and Ghana generally prior to the adoption of the Paris Declaration. “It was common practice for development partners to create aid programmes composed of a series of stand-alone projects that were largely donor-driven, circumventing national institutions and delegating relatively little responsibility to developing country governments” (IDEG, 2011: 8). The Paris Declaration on Aid Effectiveness was thus adopted to address such challenges in the administration of aid globally and in Ghana for that matter. The eleven persons that were interviewed in the course of data collection for this study unanimously agreed that the principles of the Paris Declaration (Country Ownership; Alignment; Harmonisation; Managing for Results; Mutual Accountability) were relevant as far as issues of aid effectiveness in Ghana are concerned. The declaration, the interviewees noted, addresses fairly well the issues of aid effectiveness in the country. It was noted that, Ghana’s close involvement in the processes leading to the adoption of the Paris Declaration in 2005 as well as the hosting of the 4<sup>th</sup> September, 2008 High Level Forum on Aid Effectiveness in Accra were indicative of how relevant Ghana considers the Paris Declaration (Field Interview, 26<sup>th</sup> April, 2012). There was therefore a consensus among respondents on the relevance of the declaration to Ghana.

The recognition of the relevance of the Paris Declaration has also been demonstrated in several policy documents one of which is the Ghana Aid Policy and Strategy. The Ghana Aid Policy and Strategy is a policy document that tries to bring on board all the tenets of the Paris Declaration and actualize them in the Ghanaian situation. The foreword to the Ghana Aid Policy and Strategy notes that the document was developed in response to available evidence showing that recipient country policies and procedures, human capacity, economic management and institutional arrangements determine to a large extent the optimal allocation of aid and its impact on growth and poverty reduction (MoFEP, 2010). The document's main premise was that aid programmes should be geared towards supporting Ghana's objective of attaining the Millennium Development Goals and middle income status by 2015 and 2020 respectively. To this end, the Ghana Aid Policy and Strategy aims to ensure aid effectiveness by aligning aid to Ghana's national development priorities; and to serve as a guide to Government, Development Partners, Civil Society Organizations and other stakeholders in the management and coordination of external aid in Ghana (MoFEP, 2010).

#### **4.3. OWNERSHIP**

Country ownership, a central principle of the Paris Declaration, is seen to be crucial for ensuring the development effectiveness of aid in all aid recipient countries. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies (Paris Declaration, 2005). Partner countries were to have operational development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets. The target for 2010 was that 75% of aid recipient countries that have endorsed the Paris Declaration should have operational development strategies in place (Paris Declaration, 2005).

For donors, to effectively support country leadership, policies, institutions and systems, governments must set out clear priorities and operational strategies. Accordingly, the Government of Ghana formulated the Ghana Shared Growth and Development Agenda (GSGDA) – a new medium term development strategy framework under the auspices of the National Development Planning Commission (NDPC) in 2010. This framework was formulated through extensive consultations among stakeholders including Members of Parliament, civil society organizations and private sector bodies such as the Association of Ghanaian Industries and the Ghana National Chamber of Commerce (IDEG, 2011). The Ghana Shared Growth and Development Agenda is expected to run from 2010 to 2013. Provision has also been made for annual progress reporting on the framework during the period under the guidance of the NDPC. Precursors to the GSGDA are the GPRS I and GPRS II.

A charge that was levelled against Ghana in the 2006 Paris Declaration Survey was that Ghana's policy framework (GPRS II at the time) was strong on vision and medium-term objective setting; it was, however, weak on the operationalization and the provision of resources needed for implementation by means of functioning linkages to the national budget process (OECD, 2007). The GSGDA framework has tried to respond to this charge, to some extent, by costing the various activities outlined in it. The costs of the four-year activities at the sector level presented in the various sector medium-term development plans were used as a proxy for the cost of the framework (IDEG, 2011). In addition, all MDAs are to prepare annual development budgets which are based on and aligned to the national development framework. These annual budgets are submitted to the Ministry of Finance and Economic Planning for incorporation into the national government budget to

be sent for review and subsequent approval by Parliament through the passage of the Appropriations Bill (IDEG, 2011).

The first indicator (Indicator 1) of the Paris Declaration measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development (Paris Declaration, 2005). Even before the adoption of the Paris Declaration, there was an operational development strategy incorporated into a medium term development framework in Ghana. Ghana had the GPRS I before 2005; the GPRS II then came to replace the GPRS I and by 2011, the GSGDA had been formulated. As indicated earlier, the GPRS II has been criticized in the 2006 Paris Declaration Survey, Ghana Country Chapter as weak on the operationalization and the provision of resources needed for implementation by means of functioning linkages to the national budget process (OECD, 2007). The GSGDA, however, made incremental progress on the degree of integration with regard to the linkage to the national budget process. The Paris Declaration's first indicator has thus been implemented in Ghana.

In May 2003, the Ministry of Education published the Education Strategic Plan (ESP) 2003-2015. The ESP is a long-term strategic plan containing costed activities and related indicators up to the year 2015, consistent with the planning horizon for the realisation of the Millennium Development Goals (MDGs) (MoE, 2007). The document is based on a thorough review of the education sector. It also builds on previous plans and policies including the Free Compulsory Universal Basic Education. The Education Strategic Plan (ESP) has the active support of development partners who needed to institutionalize the Sector Wide Approach (SWAp) into the education sector to feed into the national level funding mechanisms established under the auspices of the Paris Declaration. It was

designed to fulfil the mission of the Ministry of Education, which is to provide relevant education to all Ghanaians at all levels to enable them to acquire skills that will assist them to develop their potential, to be productive, to facilitate poverty reduction and to promote socio-economic growth and national development (MoE, 2007).

The Education Strategic Plan adopts a Sector Wide Approach (SWAp) to education sector management, financing and policy implementation. The sector-wide programme involves the coordination of all stakeholder inputs through a Ministry – led process. It also includes the implementation of sectoral strategy through a work programming and operational planning process, which promotes increased participation of all stakeholders across all levels of the education sector (MoE, 2007).

Under the country ownership principle, partner countries are expected to exercise effective leadership over their development policies, strategies and coordinate development actions within the sector (Paris Declaration 2005). It was gathered from an interview with the Planning Officer and Development Partner's Coordinator, and head of Donor Funds and Resource Mobilization, Planning, Budgeting, Monitoring and Evaluation (PBME) Division of the Ministry of Education that in the education sector, government owns its agenda for education in the form of the Ghana Education Strategic Plan and all donors are expected to support this plan (Field Interview, 22<sup>nd</sup> May, 2012). It was pointed out that prior to the formulation of the plan, the sector did not have an actual policy direction and donors came with areas they had identified and would like to support (Field Interview, 2012). In 2003, the education sector developed the Ghana Education Strategic Plan and donors were consequently expected to identify with the plan and situate their interventions

in the education sector within the plan. Donors henceforth were to help government and the sector to achieve its development goals.

It must be noted here that the design of the entire GSGDA and the newly revised Education Strategic Plan are anchored on the principles of the Paris Declaration. First, both documents were aimed at creating the platform for the effective ownership of donor-funded programmes and projects. Second, both strategies outline policy priorities to facilitate the harmonisation as well as the alignment of aid. The policy targets outlined by the two development strategies are also derived mostly from the MDGs. This creates the platform for directing aid at measurable and clearly defined development goals – managing for results. Having said this, it must be noted that the extent of involvement of the locals and the masses in the formulation of these development strategies is still limited (Field Interview, 2012). Also, the Paris Declaration's indicator for measuring ownership seems to be quite narrow. The indicator limits ownership to the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development (Paris Declaration, 2005). An expansion of this indicator might be necessary to ensure that aid-recipient developing countries and their peoples fully own the programmes and projects that Development Partners support.

The advantage of having an operational development strategy to guide the aid co-ordination effort and the country's overall development is that it seems to position a country to effectively implement at least the first three principles of the Paris Declaration. All eleven persons interviewed in the conduct of this research indicated that, apart from some hitches, Ghana and her Development Partners have done quite well in the implementation of the Paris Declaration Commitment to country ownership in the

administration of aid in Ghana. It was noted that progress in country ownership has been above average in the administration of aid in Ghana (Field Interview, 2012). To the extent that dialogue and consultative discussions on aid effectiveness has increased and donors now align their support to the GSGDA, all interviewees believed that progress has been made in the area of country ownership (Field Interview, 2012).

This view was corroborated by interviewees from the Ghana Aid Effectiveness Forum. They pointed out that the “progress made by the GPRS II over GPRS I and the progress by the GSGDA over both the GPRS II and GPRS I demonstrate progress as far as ownership was concerned.” Persons interviewed from the Ministry of Finance and Economic Planning also indicated that Ghana has made “great strides in the implementation of the Paris Declaration principle of country ownership” (Field Interview, 16<sup>th</sup> May, 2012).

Almost all interviewees either strongly agreed or agreed that all the relevant stakeholders have been adequately involved in consultation processes regarding national development cooperation strategies. Multilateral and Bilateral donors, international organisations, policy-makers and other relevant stakeholders have been involved in development cooperation processes. With respect to the involvement of civil society, for example, it was indicated that there was very little involvement of CSOs when the Paris agenda was being formulated. Along the way, however, “space was created for the involvement of Civil Society Organizations and civil society has since been involved in all the processes regarding national development cooperation” (Field Interview, 22<sup>nd</sup> May, 2012). Civil Society is now, for example, part of every Sector Working Group meeting on the Multi Donor Budget Support. These demonstrate progress in the area of country ownership.

Some interviewees, however, identified certain key challenges with regard to the implementation of the Paris Declaration commitment to ownership. These challenges included limited consultations and coordination with Development Partners and a lack of adequate internally generated resources, that is, an over-dependence on aid as barriers to country ownership in Ghana (Field Interview, 2012). Subtle manoeuvring by Development Partners in the setting of policy targets and triggers and offering ‘policy advice’ and ‘policy recommendations’ were also identified as issues that may severely undermine country ownership (Field Interview, 2012). These challenges, according to interviewees, are present both in the Education Sector as well as at the aggregate level. Based on the available evidence however, one can conclude that the Paris Declaration commitment to country ownership has been, to a large extent, followed in the delivery of aid in Ghana.

The 2003 to 2015 Ghana Education Strategic Plan has been evaluated after seven years of implementation and a more forward-looking version from 2010 to 2020 has been put in place. This new version was to galvanize donors to augment their support for government efforts at improving education (Field Interview, 2012).

#### **4.4. ALIGNMENT AND HARMONIZATION**

The element of alignment indicates that “donors base their overall support on partner countries’ national development strategies, institutions and procedures” (Paris Declaration, 2005: 3). Donors here base their overall support on those policies put forth by partner countries. Also, partner countries agree to strengthen their country systems with donors’ support so as to ensure that alignment is beneficial to the effectiveness of aid. Alignment also includes the strengthening of public financial management capacity and national procurement systems, as well as, untying aid. “Donors commit to link funding to a single

framework of conditions and/or a manageable set of indicators derived from the national development strategy.” (Paris Declaration, 2005: 3).

Ghana and its Development Partners have put in place a number of the structures necessary to align aid with country policies and systems. Ghana’s Public Procurement Act was for example promulgated in December 2003. This was followed by a comprehensive assessment in 2006 including 213 entities. The objective of the 2006 assessment was to obtain a country-wide overview of public procurement in terms of performance and compliance with the provisions of the Public Procurement Act. A Joint Assessment by the World Bank and the Ghanaian Public Procurement Authority (2007) of the public procurement system concluded that the Ghanaian public procurement system is performing at an “above average” level. The 2007 assessment exercise involved validation workshops and a wide variety of national stakeholders including national and local procurement entities, oversight authorities (for example: audit authorities, anti-corruption agencies), national ministries, procurement training institutions, civil society organizations, representatives of the private sector and Development Partners.

Laws and statutes such as the Public Procurement Act play a vital role in organizing, and prescribing processes. They do not only affect how actors involved in procurement are enabled or constrained, they also specify what is normal or acceptable, what must be expected, what can be relied upon, and what makes sense as far as procurement is concerned. Ingram and Clay (2000: 527) believe that “actors pursue their interests by making choices within constraints.” In spite of the continued prevalence of corrupt practices in procurement processes, Ghana’s Public Procurement Act has boosted confidence in the country’s procurement system. Interviewees therefore noted that

Development Partners now make more use of the country's procurement system than was the case prior to passage of the Act (Field Interview, 2012). The interviewees from the Ministry of Education confirmed this view. The country's procurement processes, however, need to be improved further and corrupt practices weeded out to guarantee full confidence and use of the system.

In all, there are seven indicators (with some indicators having sub-indicators) for measuring the Paris Declaration Principle of Alignment: a) Reliable country systems in the twin areas of procurement and public financial management systems; b) Aid flows are aligned with national priorities (i.e. is reported on recipient government's national budget); c) Strengthen capacity by coordinating support consistent with partner's national development strategies; d) Use of Country Systems (both PFM and procurement); e) Strengthen capacity by avoiding parallel implementation structures or units; f) Aid is more predictable (i.e. disbursed to agreed schedules); and g) Aid is Untied.

Education was one of the sectors within the overall GPRS II development framework that had received commitments from Development Partners (DPs) on alignment and harmonization of sector strategies and procedures. In this respect the education sector's Development Partners base their overall support on the sector's strategies and procedures, with the ministry providing the needed leadership. In the process, the Ministry of Education and its development partners have established a well-coordinated platform for collaboration for the implementation of sector programmes. There is a monthly review of sector performance by the Ministry and its DPs on policy initiatives and direction and these regular and productive consultations are aimed at ensuring programme effectiveness and coherence. During these meetings, government officials and DPs get the opportunity

to exchange ideas on sector policy direction and procedures. At the same time, it has been a platform for the negotiation of policy conditions, including benchmarks, triggers and performance based allocations at the sector level. Within these arrangements, there continue to exist institutional constraints, policy gaps and more seriously the unequal relationship between the ‘partners’ around the table (MoE, 2007).

Data gathered from interviews for this study point to mixed results regarding the alignment of aid to country systems. It was discovered that the GSGDA as well as the Ghana Aid Policy and Strategy document have indicated to all Development Partners the sort of aid government wants and where it expects such aid to be channelled (Field Interview, 2012). Also Development Partners now use NDPC reports, and statistics from the Ghana Statistical Service. At the same time, an interviewee from the Ghana Aid Effectiveness Forum noted that, “most ODA is still provided through means other than direct budget support” (Field Interview, 2012).

IDEG (2011) made the following findings regarding alignment in the 2011 Paris Declaration Survey, Ghana Country Report: It was noted that 61.7% of ODA disbursed in 2010 went through the public financial management systems and about 56.0% of ODA going to the government sector was disbursed through national procurement systems. Also, the average predictability ratio for aid in 2010 was 67.0 per cent. An average of 59.5% (9.5% above the 2010 Paris Declaration target) of all technical co-operation flows had been met through co-ordinated programmes to support capacity development. Only three donors (a reduction from seventeen) reported the use of parallel project implementation units (PIUs). In all, there were a total of five parallel PIUs (a reduction

from 45 in 2006) used for 2010. These indicators show progress in aligning aid to country systems.

The Teaching And Learning Innovation Fund (TALIF) is an example of a programme in the Education Sector. It was set up under the Education Sector Project to Support Innovation, Research and Learning in tertiary institutions. TALIF was established to support, among other things, post graduate studies in HIV and AIDS education, leadership and management and long distance education (Multimedia Group, 2011). It is a development tool designed to enhance the ability of the country's Tertiary institutions to fulfil their primary responsibilities and to tie them more closely to processes of national development (UG-SRGS, 2004). Since the adoption of the Paris Declaration, Development Partners who wish to support aspects of Tertiary Education that fall under the areas of concern to TALIF have since aligned their support to the programme. The International Development Association (IDA) of the World Bank Group is one such Development Partner (Field Interview, 22<sup>nd</sup> May, 2012).

The Ghana School Feeding Programme (GSFP) is another programme in operation in the Education Sector through within which Development Partners situate their support to the sector. The GSFP began in late 2005. The basic concept of the programme is to “provide children in public primary schools and kindergartens in the poorest areas with one hot, nutritious meal per day, using locally-grown foodstuffs” (GoG, 2006: 1). According to the Government of Ghana, (2006) the long term goal of the GSFP is to contribute to poverty reduction and food security in Ghana.

The GSFP, which is set within the wider framework of the Comprehensive African Agriculture Development Programme (CAADP) Pillar 3, the MDGs on hunger, poverty and primary education, and the GPRS, is wholly consistent with the Growth and Poverty Reduction Strategy and the Education Sector Plan (2003-2015). As an initiative of the Comprehensive African Agriculture Development Programme (CAADP) Pillar 3 of the New Partnership for Africa's Development (NEPAD), the GSFP is part of Ghana's efforts towards the United Nations Millennium Development Goals on hunger, poverty and primary education (GoG, 2006). The Royal Kingdom of Netherlands and the World Food Programme are the two Development Partners that support the GSFP. Other programmes in the Education Sector that donors align their support with are, among others, the Education Sector Capacity Building, and the Capitation Grant programmes (Field Interview, 22<sup>nd</sup> May, 2012).

It must be noted that, it is common practice to align programmes aid behind government priorities because they are in the form of big interventions or budget support to government, the sector or to a district assembly. Project aid, however deals with direct outputs and results – for example, a donor building ten schools. The Education Sector has tried to align these projects to the sector's agenda. The Education Sector encourages Development Partners to situate their projects in specific areas such that they align with broad sector priorities. This is to ensure that outputs are geared towards the achievement of the priorities outlined in the Ghana Education Strategic Plan. Project aid, however is not the best form of aid delivery (Field Interview, 2012).

In the education sector donor organizations have demonstrated their commitment to implementing Paris Declaration commitments by basically aligning their support to the

Education Strategic Plan (Field Interview, 2012). Donor interventions in the sector are now aligned to the strategies and priorities of the ESP. The Sector Capacity Building and Teaching and Learning Innovative Fund are Ministry-led programmes that are being funded by donors. A point that must be made is that these programmes are all situated within the broad priorities of the ESP. It was noted however that some donors operating in the sector such as the USAID still undertake projects outside government structures (Field Interview, 2012). The USAID's explanation has been that they are expected to account to Congress. It was discovered that there is currently no direct Chinese (a non-traditional donor that is not a party to the Paris Declaration) intervention in the Education Sector (Field Interview, 2012).

It was observed from the responses gathered by this study that the performance of the Paris Declaration commitment to 'alignment' has been moderate. All the persons interviewed indicated that Development Partners base their overall support to Ghana on the country's national development strategies, institutions and procedures. In response to the question whether Ghana's public financial management capacity and national procurement systems have been adequately strengthened, only one person agreed, two remained neutral and the rest disagreed (Field Interview, 2012). It was explained that even though country systems exist, there is a general unwillingness on the part of Development Partners to use them citing weaknesses in these systems. The OECD (2007) noted in the 2007 Paris Declaration Country Survey, Ghana Country Chapter that Ghana's country systems still fall short of providing a robust framework into which aid can be easily integrated. The story has not really changed since. Development Partners must demonstrate real commitment by stepping up their efforts if the Paris Declaration commitments on alignment are to be fully realised in Ghana.

The 2011 Paris Declaration Survey, Ghana Country Report also made some interesting revelations: Even though predictability (estimated as aid disbursed through the country's accounting systems divided by total aid scheduled by donors) is an important measure of alignment of aid flows, the average predictability ratio for 2010 was only 67.0 per cent. Development partners explained that the Ministry of Finance and Economic Planning (MoFEP) was not capturing aid flows from donors that were not directly passing through government financial and procurement systems even though these funds were aligned to national priorities. Government, on the other hand, explained that the relatively low predictability ratio was due to the high degree of donor assistance going to projects and programmes that could not be factored into the national government budget, as MoFEP had no control over the various disbursement conditions. Also, though there were a total of five parallel PIUs in 2010, it was reported that while parallel PIUs had declined in number, embedded PIUs were common in various line Ministries and Departments (IDEG, 2011).

Harmonisation implies that donors work to "implement common arrangements" and simplify the procedures required to receive aid (Paris Declaration 2005: 6). Here, Development Partners commit to align to the maximum extent possible behind central government-led strategies. There are two indicators (Indicator 9 and Indicator 10) for measuring harmonisation of aid flows by Development Partners: a) Use of common arrangements or procedures with 66% of aid provided in the context of programme-based approaches by 2010; and b) Encourage joint missions and shared analysis for 40% of donor field missions and 66% of country analytic work by 2010.

On average, for 2010, only 23.4% of missions to the field were joint and only 55.8% of country analytic work was joint (IDEG, 2011). Both indicators clearly miss the 2010 Paris Declaration targets. Regarding the use of programme-based approaches (PBAs) the 2011 survey established that the proportion of ODA that used PBAs dropped to 56.0% - below the 2010 target of 66% (IDEG, 2011).

Data gathered from interviews for the study confirm the low performance with regard to the harmonization of aid flows by Development Partners. Though agreeing that Development Partners operating in Ghana implement their aid policies using simplified and common arrangements, an interviewee from The Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, (whose views this study regards highly due to his role in the 2008 Ghana Country Paris Declaration evaluation), disagreed that the Paris Declaration's commitment to 'aid harmonisation' has been adequately implemented in the administration of aid in Ghana (Field Interview, 2012). To him, the implementation of the Paris Declaration commitment to 'harmonisation' has at best been moderate. Under the MDDBS programme, however, all donors are guided by the framework memorandum hence all their dealings are catered for under one umbrella headed by what is referred to as the MDDBS Co-Chairs (Field Interview, 22<sup>nd</sup> May, 2012).

It was pointed out that a major reason why donors were less interested in harmonizing and engaging in joint missions stems from the craving of donors to be recognized and acknowledged (Field Interview, 2012). Donors simply want to be everywhere in order to spread their visibility. This leads to a lot of stand-alone projects as well as high transaction and reporting costs as a result of contracting and agreements. It was gathered from the interviews that there have been discussions regarding a 'Division of Labour' arrangement

where Development Partners with a track record and experience in a particular sector would focus on that sector with other donors with a similar track record (Field Interview, 2012). If a ‘Division of Labour’ arrangement is adhered to, it can help overcome harmonisation challenges to an extent. This is because a focus on a sector or an issue area by a set of donors will more easily create the necessary conditions for these donors to use common arrangements or procedures as well as engage in joint missions and shared analysis.

#### **4.5. MANAGING FOR RESULTS AND MUTUAL ACCOUNTABILITY**

One of the principles that the Paris Declaration on Aid Effectiveness puts forward for both Development Partners and Partner Countries to commit themselves to is periodic checks on aid programmes to monitor the achievement of desired results. Managing for results involves “managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making. Partner countries and donors jointly commit to work together in a participatory approach to strengthen country capacities and demand for results-based management” (Paris Declaration, 2005: 8).

There is a climate of high expectation for demonstrating the results of both aid and aid effectiveness efforts. How realistically aggregated scores reflect complex issues such as aid effectiveness in different countries, by different donors and over time is, however, a difficult question to conclusively answer. The Paris Declaration indicator for measuring ‘managing for results’ simply states that countries should have transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes in place. It is intrinsically difficult to demonstrate the impact over time of particular concepts and processes that are central to

improving aid management. Furthermore, results in the form of development outcomes are determined by many factors within and beyond a country, making attribution very difficult. Simply put, it is difficult to single out the influence of the Paris Declaration's principles from development processes which have been already underway for some years. It is also difficult to separate the impact of having, for example, more aligned aid, from the impact of national development strategies and policies followed, or the adequacy of financing and implementation capacity.

This aside, outcomes-oriented development assistance funding can be accomplished through outcomes-oriented planning and assessed through results-based evaluations of project effectiveness. One sees this concept at work through the initiation of the Millennium Development Goals (MDGs). In September 2000, 149 Heads of State and Government endorsed the Millennium Development Goals (MDGs). With this endorsement they set themselves eight goals to be reached by 2015, foremost of which is to halve the proportion of the world's people who were absolutely poor. The MDGs provide a departure from past approaches in addressing poverty. By focusing attention on a core set of interrelated goals and measurable targets, it is now easier to track progress and measure the impact of development interventions (Mwega, 2009).

In Ghana, the GSGDA has prioritized targets that are linked to the eight Millennium Development Goals (MDGs). Eighteen (18) targets are included in the GSGDA. The MDG targets have been localized to suit the conditions pertaining in Ghana. The national development strategy also addresses cross-cutting issues concerning gender, environment and governance. Apart from the global partnership agenda of the MDGs, the other MDGs are similar to the goals enshrined in the GSGDA and previous medium term development

strategy frameworks such as GPRS I and GPRS II (IDEG, 2011). Under this commitment, the Government of Ghana is expected to strengthen linkages between strategies and budgets and endeavour to establish results-oriented reporting and assessment frameworks with the NDPC having the institutional responsibility of data collection, analysis, and dissemination of information on performance and outcomes of the medium term development strategy (IDEG, 2011).

Education is a key catalyst for economic growth and if delivered effectively supports institutions to build capacity across all sectors in an economy. In relation to the MDGs, education represents one of the largest improvements (see Box 1). Ghana is edging closer to universal primary education enshrined in MDG 2 that every child should complete at least a primary school education by 2015 (see Box 1).

The National Education Sector Annual Review (NESAR), instituted with the launch of the Education Strategic Plan (ESP) 2003-2015, provides the opportunity for all sector stakeholders to participate in the review of sector performance annually (Field Interview, 2012). The process, from its inception, has taken place at the national level with representatives from Regional and District Offices participating (MoE, 2007). The Education Sector Annual Review is the main platform for assessing the outputs and impact of the collective efforts of various stakeholders in the education sector (Field Interview, 2012). Development partners, CSOs, government among others are represented at these annual reviews. There is also a working arrangement called the Sector Working Group, made up of Government and Donors, that meets on a monthly basis to dialogue on how both parties are performing their roles. At these meetings, how best the support of various donors fit into government priorities are also discussed.

A major challenge that tends to undermine managing for results is the issue of attribution. How do you know whether a specific impact is as a result of the support of a particular Development Partner(s)? Attribution becomes an issue where donors want to specifically identify the contributions and impacts of their support to a particular programme or project. Donors sometimes would like to know, for example, the contributions of their support to teaching and learning outcomes. It was indicated that attribution is a major source of high transaction costs in the delivery of aid even under the Paris regime (Field Interview, 2012). Interviewees unanimously noted that the way to overcome many of these challenges is continuous dialogue with Development Partners on ways to improve the administration of aid in the country as a whole and, in this case, the Education Sector.

Also, the narrowness of the Education MDG targets and indicators and consequent lack of opportunities for skill development and “decent work” after graduations in Ghana throws a big challenge to the achievement of the MDG-UPE in the country (MoE, 2007). Expanded access to post-basic education is necessary because the achievement of MDG2 (universalizing primary access and completion) and MDG3 (eliminating gender disparities in primary and secondary schools) are both unattainable without expanded secondary enrolment (MoE, 2007). The policy of targeting just one sub-sector, such as primary education or girls’ education, in order to reach the Education MDG targets and indicators in Ghana may, therefore, be inadvisable given the crucial synergies among all levels of the education and training system.

Given that Ghana has had considerable experience with the Millennium Development Goals (MDGs); and that the MDGs are anchored and mainstreamed into successive

Medium Term national development Plans starting with the Ghana Poverty Reduction Strategy (GPRS I) 2003-2005 then the Growth and Poverty Reduction Strategy (GPRS II) 2006-2009, and recently the Ghana Shared Growth and Development 2010-2013 Ghana's performance on the MDGs may provide some insight regarding the effectiveness of aid in the country. The progress towards achieving the MDGs in Ghana is mixed (UNDP Ghana, 2012). Box 1 shows progress with regard to MDGs 1 to 3 and 8. It is important to note that MDGs 1 and 2 have made significant progress and Ghana is likely to attain them by the target year 2015 (UNDP Ghana, 2012).

### **Box 1: Millennium Development Goals Progress in Ghana (Goals 1 to 3 and 8)**

#### **Goal 1: Eradicate Extreme Poverty and Hunger**

Ghana is largely on track in achieving the MDG 1 target of reducing by half the proportion of the population living in extreme poverty. The overall poverty rate has declined substantially over the past two decades from 51.7% in 1991/92 to 28.5% in 2005/2006, indicating that the target could be achieved well ahead of the 2015 target of 26%. Similarly, the proportion of the population living below the extreme poverty line declined from 36.5% to 18.2% over the same period against the 2015 target of 19%. On child malnutrition Ghana has similarly made progress with respect to the prevalence of children suffering from wasting and stunting.

#### **Goal 2: Achieve Universal Primary Education**

Ghana has made significant improvements particularly in the areas of basic school enrolment and the country is on track to achieving both the gross and net enrolment targets of 100% by 2015. At the kindergarten (KG) level, gross enrolment ratio (GER) has increased from 55.6% in 1991 to 89.9% in 2008, while at the Primary level GER has increased from 74% in 1991 to 95.20% in 2008. At the Junior High School level however, there has been marginal increase in GER from 70.2% in 1991 to 78.80% in 2008. Similar to the GER, the Net Enrolment Ratio (NER) recorded increases in the NER at the primary level and also across the country from 69.2% in 2005/06 and further to 83.7% in 2007/08. The case was, however, different at the Junior High School level with NER increasing from 52.4% in 2006/07 to only 53.4% in 2007/08 indicating a slow progress in relation to the 2015 target of 58.4%. Despite the increasing GER and NER, survival/completion rate at the primary level declined from 83.2% in 2003/04 to 75.6% in 2005/06, even though it recovered to 88.0% in 2007/08.

#### **Goal 3: Promote Gender Equality and Empower Women**

Efforts have been made with respect to promoting gender equality and women empowerment. Trends show that Ghana is on track in achieving the targets of gender parity especially at the Primary and Junior High school (JHS) levels although primary level parity has stagnated at 0.96 since 2006/07, while the parity at the JHS increased slightly from 0.91 in 2006/07 to 0.92 in 2007/08. The progress towards increasing the number of women in public life suffered a setback with the reduction of the number of women elected into Parliament during the 2008 elections. The proportion of seats held by women in Parliament in 2009 was 8.7% (20). This was a drop from 10.9% (25) in 2006.

#### **Goal 8: Develop Global Partnerships**

In terms of Global Partnerships for development, many developed countries have not met the 0.7% GNP target for aid, but aid inflows to Ghana appear to have increased in nominal terms from US\$578.96 million in 2001 to US\$1,433.23 million in 2008. However, the current concerns, is the level of increases in real terms and the quality of the aid the country receives. In real terms, ODA inflows to Ghana has stagnated at about 8.7% of GDP between 2002 and 2008, after initial rise from 6% of GDP in 1999 to 15% of GDP in 2001. The portfolio of aid inflows continued to be dominated by project aid which constitutes more than 60% of ODA inflows.

Source: UNDP Ghana, (2012). Accessed, 10<sup>th</sup> June, 2012

Available from <http://www.undp-gha.org/site/mainpages.php?page=MDG%20Progress>

Given that the objectives and policy targets of the country's national development strategy (the GSGDA) and the ESP as well as several sector programmes are aimed at achieving the MDGs and that donors situate their support within these frameworks, performance on the MDGs can shed some light on how well aid is being managed for the achievement of development results. Some challenges arise with the attempt to link the country's performance on the education-related MDGs with donor support for the Education Sector. This is because a country's performance on the MDGs or any policy objectives for that matter is influenced by several variables – donor support being just one such variable. The extent of the effect of donor support is thus usually very difficult to establish. This challenge is closely related to the issue regarding attribution discussed earlier. Meanwhile, if Ghana's performance on the MDGs is taken as the key indicator of partnering for development with a focus on results, then one can say that the Paris Declaration principle of 'Managing Aid for Development Results' has at best achieved mixed outcomes in the administration of aid in Ghana.

Mutual accountability means that donors and partner countries are accountable for development results. A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. According to the Paris Declaration, accountability will help "strengthen public support for national policies and development assistance" (Paris Declaration, 2005: 8). "Partner countries commit to reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies" (Paris Declaration 2005: 8). Achieving mutual accountability is dependent on joint assessments by Development Partners and Partner Countries through established procedures concerning mutual progress in implementing agreed commitments

on the effectiveness of aid. Under the MDDBS, a Policy Matrix – a tool that has policy and outcome indications that are tied to resources which are usually accessed in June of each year – has been put in place (Field Interview, 2012).

Regarding mutual accountability, the Government of Ghana and development partners have agreed on an Aid Policy and Strategy to guide arrangements for the sourcing and utilization of aid. Under the MDDBS mechanism, Government is accountable to Donors through the assessment of a Policy Matrix and other monitoring and evaluation reports. Donors on the other hand account to government through what is referred to as Development Partners – Performance Assessment Framework (DP-PAF) (Field Interview, 2012). This tool assesses inter alia level of disbursements, alignment to national priorities and harmonization. An assessment is undertaken by both Government of Ghana and development partners which is discussed in a broad-based dialogue forum at the Consultative Group (CG) Meeting each year (IDEG, 2011).

In spite of these arrangements there has not been much progress with regard to managing for results and mutual accountability. An interviewee from The Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, disagreed with the statement that ‘The Paris Declaration commitment to ‘mutual accountability’ has been adequately implemented in the administration of aid in Ghana’ (Field Interview, 2012). He explained that Development Partners are still less accountable to aid recipient countries of which Ghana is one. Three interviewees decided to remain neutral regarding the above statement. Even though the rest of the interviewees agreed that there has been progress in managing aid for development results, and mutual accountability they were quick to point out that, weak accountability systems, corruption, the high cost of managing aid and

leakages in the implementation of aid programmes and projects are major barriers to managing for results and mutual accountability (Field Interview, 2012). It was also pointed out that accountability becomes more problematic as one moves away from the centre to the District Assemblies (Field Interview, 2012). The presence of leakages in the administration of aid was confirmed by a study on the Capitation Grant in Public Primary Schools in Ghana that appeared in a June 2010 Ghana Centre for Democratic Development briefing paper. This study therefore concludes that, progress in the areas of managing for results and mutual accountability has been only marginal.

#### **4.6. CIVIL SOCIETY ENGAGEMENTS**

It is worth noting that the aid effectiveness agenda has made a significant contribution to the work of civil society in Ghana by opening up dialogue spaces and providing the much needed recognition and legitimacy for engaging with government and donors. The space for civil society participation in high level national policy-making processes has increased. Government and donors now send hard copy invitation letters, emails and sometimes even make follow-up phone calls for civil society to attend meetings (OECD, 2010). This has been confirmed by interviewees from the Ghana Aid Effectiveness Forum.

The situation in the education sector is not different from the scenario at the national level. Civil society is, for example, invited to MDDBS Sector Working Group consultative meetings in the sector. The two interviewees from the Ghana Aid Effectiveness Forum were, however, quick to point out that the involvement of civil society both in the Education Sector and at the national level can be greatly improved (Field Interview, 2012). They noted that a better understanding of the aid effectiveness processes and openness on

the parts of both Development Partners and Government would prove very helpful for civil society engagements.

#### **4.7. CHALLENGES**

Implementing the Paris Declaration in Ghana's Education Sector and in the country as a whole is not without challenges as one would observe from the above discussions. Information on aid disbursements in the country is for example very difficult to come by. It was not an easy task gathering data for this study. The Ghana Aid Policy and Strategy (MoFEP, 2010) acknowledges that even the Ministry of Finance Economic Planning is not able to obtain a complete picture of external assistance to Ghana as some donors are unwilling or unable to meet the Government's requests for information. Complicating issues further, there are no laws or specific guidelines governing the contracting of grants and as a result, full disclosure from contracting bodies cannot be enforced and many grants are not reflected in the government's accounts (MoFEP, 2010).

Again, in spite of improvement in aid coordination and dialogue on the part of government and donors, aid is still far from aligned to national development priorities due chiefly to off-plan and off-budget expenditures, weak sector strategies and weak planning (MoFEP, 2010). There has been improvement in the use of country systems, especially in the area of statistics, auditing, aligning to national development agenda, monitoring and evaluation. Some examples include reliance on statistics from the Statistical Service and Annual Progress Reports from the National Development Planning Commission. Meanwhile, improvement in the quality of country systems in Ghana has not necessarily translated into increased use of such country systems.

A study by the OECD (2009) showed that an increase from 3.5 to 4.0 in the quality of PFM systems in Ghana has been accompanied by an 11% decrease in the use of country's PFM systems. It was noted that it is still very difficult getting development partners to commit to pledges made under the MDBS agreement (Field Interview, 2012). There still remains the subject of donors' lack of confidence and low usage of public financial management and procurement systems. A manifestation of this lack of confidence in country systems is the establishment of parallel Project Implementation Units (Field Interview, 2012).

All interviewees for this study agreed that transaction costs continue to remain a challenge due to the fragmentation in sourcing and managing aid. For example, it is estimated that over 60% of the total aid envelope is delivered outside the multi-donor budget support (MoFEP, 2010). In addition, donors continue to place significant demands on government in terms of time, reporting needs, number and coordination of missions and meetings and lack of delegation of authority to local offices by donor agencies (MoFEP, 2010).

Conditionality also remains a challenge in aid delivery in Ghana even under the Paris regime. Though some improvements have been recorded compared to previous years; notably the subtle influence of donors in the setting of targets and triggers. According to the Ghana Aid Policy (MoFEP 2010), donors' continual use of policy and process conditionalities has undermined the delivery of aid in considerable ways, especially when conditionality is subjected to donor interpretation. EURODAD (2010) in a study on 'Conditionality in World Bank Crisis-Lending to Ghana' observed that, "the number of conditions attached to loans has dropped from over 40 conditions per loan in the 1990s to an average of 15 per loan in 2009. However, the report indicates that a number of

conditions are not clearly stated in the loan agreement, but referenced in other side documents like the Letter of Development Policy.”

Aside the fact that the above challenges are prevalent in the Education Sector in varying degrees, a major challenge for aid delivery in the Education Sector identified by the Planning Officer and Development Partner’s Coordinator, and head of Donor Funds and Resource Mobilization, Planning, Budgeting, Monitoring and Evaluation (PBME) Division of the Ministry of Education is the issue of attribution. It was indicated that attribution is a major source of high transaction costs in the delivery of aid even under the Paris regime in the sector (Field Interview, 2012).

#### **4.8. CONCLUSION**

On the whole, the Paris Declaration has brought some sanity to the field of aid delivery. The Declaration has also helped to move the debate from a donor-recipient kind of relationship to Partner Country – Development Partner relationship, at least in theoretically. Development Partners can now be held accountable by Partner Countries based on agreed commitments. The Declaration has also provided a governance framework for dialogue among the different stakeholders (government, DPs and other NSAs) in the country. The PD has brought about a mechanism whereby the strategies and policies that Ghana puts in place are linked to a global agenda. It has provided an entry point for civil society into the aid effectiveness dialogue.

These outcomes are gradually leading to the establishment of a platform for dialogue rather on development effectiveness in general and not just aid effectiveness. The Paris Declaration has made it necessary for Ghana to develop Medium Term Development

Frameworks as well as harmonization action plans. It has also made it necessary for Ghana to dialogue and set targets and triggers on an annual basis to be assessed on a monthly basis. The Paris Declaration has actually helped Ghana to better account for development results by making it possible for the country to have a better hold on the whole issue of managing aid in a manner that achieves results. In spite of these achievements in implementing the Paris Declaration in Ghana, there remain notable challenges and the key to overcoming these challenges is continuous dialogue with development partners. At the same time, Ghana must begin to develop a plan that would ensure the increased and efficient use of domestic revenue.

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## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1. INTRODUCTION**

The Paris Declaration on Aid Effectiveness has been lauded as a consensus-oriented political document that would significantly improve the effectiveness of aid. The Declaration was seen as an historic one that reflects the lessons donors and partner countries have learned about improving the effectiveness of aid at achieving total development. This study sought to critically assess the effectiveness of the tenets of the Paris Declaration in respect of aid delivery in Ghana. The central question that the study sought to answer was: How has the Paris Declaration on Aid Effectiveness impacted on the administration of aid in Ghana? This chapter looks at the key findings, conclusion and recommendations of the study.

The study set out to address the following questions:

- What was the state of development assistance to Ghana prior to the adoption of the Paris Declaration?
- How have the principles of the Paris Declaration (PD) captured and addressed the issues that are perceived to be critical to aid effectiveness in the delivery of aid Ghana?
- Is the administration of aid so far conforming to the Declaration's five key principles?
- What has been the impact of the Paris Declaration on the management of development assistance in Ghana?
- What challenges are encountered in adhering to the principles of the Paris Declaration in the delivery of aid Ghana?

These issues informed the study objectives.

## 5.2. SUMMARY OF KEY FINDINGS

With regard to what the state of development assistance to Ghana was, prior to the adoption of the Paris Declaration the study found that a framework for ensuring the effectiveness of aid was virtually non-existent. Among others, a report by Mettle-Nunoo and Hilditch (2000) accurately captures the state of aid to Ghana prior to the adoption of the Paris Declaration. According to this report, there was a general lack of co-ordination in the delivery of aid in the country. The report noted that, Government of Ghana action plans did not always satisfy the various donors' internal project identification requirements and this resulted in further studies, follow up appraisals and project assessment missions due to nagging differences in project formulation requirements resulting in huge transaction costs in the administration of aid. There were several consultants rendering services to the Ministry of Education and its agencies but little or no coordination of their work which resulted in the waste of precious resources and duplication of activities (Mettle-Nunoo and Hilditch, 2000).

Information gathered from interviewees (from, MoFEP, MoE, GAEF, and Academia) and several publications as well as the Ghana Aid Policy and Strategy document all confirm this view on the administration of aid in Ghana prior to the adoption of the Paris agenda. 'It was common practice for development partners to create aid programmes composed of a series of stand-alone projects that were largely donor-driven, circumventing national institutions and delegating relatively little responsibility to developing country governments' (IDEG, 2011: 8). The Paris Declaration on Aid Effectiveness was adopted to address these challenges facing the administration of aid globally and in Ghana for that matter.

On level of conformity to the tenets of the Paris Declaration and the extent of impact of the Declaration on the management of development assistance in Ghana, it was discovered that the impact has been a mixed one.

From the discussions, having an operational development strategy in place seems to not only promote the ownership of donor-funded programmes and projects, it also a framework for donor to effectively align their support to country and/or sector strategies and procedures. Ghana has therefore made tremendous progress with ownership. It must be noted that Ghana made more progress in the area of country ownership than in any other area of the Paris Declaration. The Government of Ghana formulated the Ghana Shared Growth and Development Agenda (GSGDA) – a new medium term development strategy framework under the auspices of the National Development Planning Commission (NDPC) in 2010. This created the platform for donors to effectively support country leadership, policies, institutions and systems. The GSGDA has set out clear priorities and operational strategies within which donors must situate their interventions. The ESP in the Education Sector takes adequate care of the issues that the GSGDA takes care of at the national level.

It is worth noting that the aid effectiveness agenda has also improved the involvement of civil society in aid delivery processes in Ghana by opening up dialogue spaces and providing the much needed recognition and legitimacy for engaging with government and donors. Civil society had virtually no role in the delivery of aid prior to the adoption of the Paris Declaration. In fact the Declaration itself gave civil society little recognition but follow-up fora created the needed space for civil society participation in high level national

policy-making processes has increased as one would observe from the discussion in chapter four.

Data gathered from interviews for this study point to mixed results regarding the alignment of aid to country systems and aid harmonisation. This was corroborated by the Report of the 2011 Survey on Monitoring the Paris Declaration on Aid Effectiveness for Ghana (IDEG, 2011). It was noted that 61.7% of ODA disbursed in 2010 went through the public financial management systems and about 56.0% of ODA going to the government sector was disbursed through national procurement systems. Also, the average predictability ratio for aid in 2010 was 67.0 per cent. An average of 59.5% (9.5% above the 2010 Paris Declaration target) of all technical co-operation flows had been met through co-ordinated programmes to support capacity development and only three donors (a reduction from seventeen) reported the use of parallel project implementation units (PIUs). Also, there has been improvement in the use of country systems, especially in the area of statistics, auditing, aligning to national development agenda, monitoring and evaluation. Some examples include reliance on statistics from the Statistical Service and Annual Progress Reports from the National Development Planning Commission.

In the education Sector also, there were challenges that have been identified. It was emphasised, however, that the main challenge to aid delivery in the sector has been the issue of attribution. Interviewees from the sector indicated that attribution is a major source of transaction costs in the delivery of aid even under the Paris regime in the sector.

The study, however, found that, in spite of improvements in alignment and harmonization, aid is still far from aligned to national development priorities. Off-plan and off-budget

expenditures, weak sector strategies and weak planning are still very prevalent (MoFEP, 2010). Meanwhile, improvement in the quality of country systems in Ghana has not necessarily translated into increased use of such country systems. An OECD (2009) study showed that an increase from 3.5 to 4.0 in the quality of PFM systems in Ghana has been accompanied by an 11% decrease in the use of country's PFM systems.

It was also discovered that progress with managing for results and mutual accountability has also been a mixed one. A major challenge with measuring results stems from the difficulty that arises with any attempt to demonstrate the impact over time of particular concepts and processes that are central to improving aid management. Results in the form of development outcomes are usually determined by many factors within and beyond a country, making attribution very difficult. This aside, Ghana has made some progress in these two areas also. Ghana's performance on the MDGs, somehow demonstrate the extent to which the Development Partner – Partner Country partnership has ensured the execution of agreed commitments.

Implementing the Paris Declaration in Ghana's Education Sector and in the country as a whole is not without challenges. These challenges extend from the non-availability of information on the complete picture of external assistance to Ghana, through off-plan and off-budget expenditures, weak sector strategies and weak planning, to secret conditionalities in the form of policy advice and policy prescriptions or what one may call subtle manoeuvring on the part of Development Partners.

The situation in Ghana's Education Sector is not very different from what is the case at an aggregate level. Interviewees actually noted that aid effectiveness is a national-led agenda

and the effectiveness of aid in a sector is just as good as it is at the aggregate level. With the Education Strategic Plan in place, however, aid in the Education Sector, is becoming increasingly effective and from the data gathered, it seems aid is marginally more effective in the education sector especially in the areas of ownership, alignment and the predictability of aid.

### **5.3. CONCLUSIONS**

Prior to the adoption of the Paris Declaration, judgments about aid effectiveness were complex because of the multiple goals and needs that development assistance funds were often intended simultaneously to address. The parties in the aid delivery process differed in their criteria for judging a project's success, the indicators they found credible for measuring progress, and the standards they used to determine how much progress represented success. The various partner countries in the implementation process, sometimes, did not move at similar pace or share enthusiasm for the same outcomes that donor agencies wanted to emphasize in evaluating aid effectiveness. These posed conceptual and technical dilemmas for the meaningful evaluation of development assistance activities. A central challenge, then, was to develop consensus on what constituted successful development assistance. The Paris Declaration, this study believes has come to fill this void and to a large extent removed these dilemmas by establishing accepted aid effectiveness standards and mutual expectations. The situation now, however, is not a perfect one, but it is a much better situation than it used to be.

One can also observe from the study that even though the Paris Declaration is a fairly new document created in May, 2005, its foundations have been laid over time in the key pre-Paris Declaration documents. The harmonization and alignment of aid under the

Declaration, as well as the trend toward policy and need-based aid allocation, provide evidence in this regard. Simply put, one need not look far to see the influence of pre-Paris Declaration attempts to improve the quality of aid on the principles of the Declaration. It would be observed particularly from the discussions in the chapter three of this study that developments in Ghana's political setting seem to have some influence on how aid flows into the country. Also, ODA to Ghana had taken various forms, including general budget support in the form of the MDBS, or sector budget support and Sector Wide Approaches and project aid. The adoption of the Paris Declaration and its insistence on the development of operational development strategies with clear strategic priorities to provide the necessary framework that ensures that, donors effectively support country leadership, policies, institutions and systems is however promoting a Programme-Based Approach to aid delivery over other aid modalities.

Similarly, one can conclude from this study on the impact of the Paris Declaration on aid delivery in Ghana that, subject to available resources and capabilities, rules regulate organizational action. That regulation, however, is shaped by constructive interpretations embedded in a history of language, experience, memory, and trust. The openness of interpretation means that while institutions structure politics and governance and create a certain 'bias', they ordinarily do not determine political behaviour or outcomes in detail. There, however, may be competing interpretations of rules and situations.

On the whole, the Paris Declaration has brought some sanity to the field of aid delivery by providing a governance framework for dialogue among the different stakeholders (government, DPs and other NSAs) in the country and the Education Sector for that matter. The PD has actually helped Ghana to better account for development results by

making it possible for the country to have a better hold on the whole issue of managing aid in a manner that achieves results. In spite of these achievements, however, notable challenges remain with regard to the delivery of aid.

#### **5.4. RECOMMENDATIONS**

Based on the findings above, the study makes the following recommendations:

This study revealed the fundamental importance of improved systems for managing for results and performance information in order to achieve results and accountability. There can be little meaningful accountability if there is no transparent results information. There is therefore the need for improving accountability by strengthening access to, and quality of, data. Timely and comprehensive information is needed on recipient governments' use of development resources and achieved results as well as on donors' funding decisions and aid flows, which are vital for increased transparency of the recipient country's budget. The study recommends that as much of this information as possible should be made available for persons who may be interested.

Despite the problems with current country systems, it is important to state that it is through the effective use of country systems that their inherent weaknesses can be identified and improved. Donors should reinforce their use of country systems by strengthening government's capacity and promoting the transfer of skills. This will reduce the work load on government officials, decrease the number of Project Implementation Units and eventually increase aid's value for money.

The Paris Declaration is a political agenda for action, not just a technical agreement. Real issues of power and political economy come into play, in many cases requiring political

solutions. More direct government and civil society engagement in these fora has the potential to build the trust and mutual accountability required for full implementation of Paris Declaration.

There are also now significant inflows of resources from the BRICS (Brazil, Russia, India China and South Africa); but because these are non-traditional donors, they are not party to the Paris Declaration. Follow-up High Level Fora to the Paris High Level Forum (e.g. the High Level Forum in Busan, South Korea) have tried to bring these countries on board. They all need to be brought on board and the processes for doing so need to be hastened given the huge amounts of aid that flows into Ghana from them. Successes in an aspect of aid effectiveness should also be replicated in other aspects.

Finally further research to fully explore the implementation of the Paris Declaration on Aid Effectiveness in the administration of aid in Ghana may prove very relevant. Researchers could look at the implementation of specific principles of the declaration – country ownership, alignment, harmonisation, managing for results and mutual accountability – on aid administration in Ghana so as to fully establish in-depth impact.

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## **APPENDICES**

### **APPENDIX I**

#### **List of Persons/Institutions who helped during Data Gathering for the Study**

1. Ms. Mary-Anne Addo: Director, ERM-Multilateral Division, Ministry of Finance and Economic Planning
2. Mr Collins Suntaa Kabuga: Multi Donor Budget Support Secretariat, Ministry of Finance and Economic Planning
3. Mr Atta Dabone: Ministry of Finance and Economic Planning
4. Mr Ernest Wesley Otoo (Economist): Policy Planning and Inter-sectoral Collaboration Planning, Budgeting, Monitoring and Evaluation (PBME) Division. Ministry of Education
5. Mr Kwame Agyepong Apiadu-Agyen: Planning Officer and Development Partner's Coordinator, Donor Funds and Resource Mobilization, Planning, Budgeting, Monitoring and Evaluation (PBME) Division. Ministry of Education
6. Prof. Peter Quartey: Institute of Statistical Social and Economic Research and Head of the 2008 Ghana Country Paris Declaration evaluation team
7. Dr Charles Ackah: Institute of Statistical Social and Economic Research and member of the 2008 Ghana Country Paris Declaration evaluation team
8. Mr Bashiru Jumah: Ghana Aid Effectiveness Forum
9. Ms Veronica Dzeagu: Ghana Aid Effectiveness Forum
10. Mr Daniel Degbotse: Deputy Director for Monitoring and Evaluation, Department of Policy Planning, Monitoring and Evaluation. Ministry of Health
11. DFID

## APPENDIX II

### Interview Guide

#### Department of Political Science, University of Ghana, Legon

#### Assessing the Impact of the Paris Declaration on Aid Effectiveness on Aid

#### Delivery in Ghana

My name is William Kofi Osew. I am an M. Phil Part II student in the Department of Political Science, University of Ghana, Legon. The topic of my research is “The Paris Declaration on Aid Effectiveness and Aid Administration in Ghana: Issues, Challenges, and Prospects”. This interview guide is designed to enable me collect data to carry out my research on the above topic. I would like to inform you that I respect your privacy and would like to assure you that your responses would be used for the intended purpose only.

Name and Institution of Respondent

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1. Given your knowledge on the issues of aid effectiveness in Ghana, how would you rate the relevance of the principles of the Paris Declaration to the country's situation?
2. What, in your view, was the state of development assistance to Ghana/your sector prior to the adoption of the Paris Declaration?
3. How would you assess the implementation of the following Paris Declaration principles in terms of achievements, challenges and prospects in your sector/Ghana?
  - Country Ownership

- Alignment
  - Harmonisation
  - Managing for Results
  - Mutual Accountability
4. From 1996 to date:
    - How much have you (your sector) received in aid?
    - How many donors have you (your sector) worked with?
  5. What, in your view, have been the effects of the aid effectiveness initiatives set against the five principles of the Paris Declaration in your sector/Ghana? – The impact of the Paris Declaration.
  6. How have donor organizations, in practice, demonstrated their commitment to implementing all Paris Declaration commitments in your sector/Ghana?
  7. What challenges have you generally encountered in adhering to the Paris Declaration principles?
  8. What would you suggest to overcome these challenges and to improve the effectiveness of aid in your sector/Ghana?

**Thank You!!!**