BUDGET SUPPORT AND RELATED CAPACITY BUILDING

GENERAL BUDGET SUPPORT (EUR 244.5 MILLION)

General budget support is one of the three focal areas of the cooperation between Ghana and the European Union (EU). Contrary to a project approach, budget support involves the transfer of financial resources directly to the Government’s treasury to complement Government’s own domestically generated revenues to facilitate the implementation of the national budget and its associated expenditure plans, in line with a national development or poverty reduction strategy.
Budget support is the Government’s preferred modality in the delivery of aid. It allows government to decide on how to allocate the funds received from Development Partners (DPs) and therefore increases Government’s ownership of the process. Further, Government’s own procurement, auditing and reporting systems are used to monitor the use of the funds. This does not only reduce the burden on Government to produce numerous individual reports for projects undertaken, but also reinforces the use of country systems. Under the 10th EDF (2008-2013) more than 50% of EU assistance to Ghana is channelled through budget support.

The EU’s budget support in Ghana is implemented in close collaboration with eight other Development Partners (DPs) through the Ghana Multi-Donor Budget Support (MDBS) Framework. A framework memorandum signed in May 2008 defines the common rules for Budget Support disbursement mechanisms and the policy dialogue applied for the MDBS group and the Government of Ghana.

As part of the MDBS process, an annual review is held every year to discuss the overall implementation of the National Medium Term Development plan, macroeconomic performance as well as public financial management.

The EU’s general budget support programme in Ghana is currently the “Millennium Development Goals Contract” (MDG-Contract), committing a total of EUR 244.5 million over the period 2009-2014. This includes an amount of EUR 48.3 million stemming from a residual HIPC debt relief contribution of the European Investment Bank which has been transferred to the EU for onward disbursement to the Government of Ghana. The overall objective of the MDG-Contract is to contribute to sustainable growth and poverty reduction in Ghana so that the country can attain middle-income status and achieve the MDGs.

Out of the EUR 244.5 million available under the MDG-Contract, before December 2013, a total amount of EUR 136.85 million had been disbursed to the Government of Ghana.

Prior to the MDG-Contract, three Budget Support Programmes were signed between the EU and the Government of Ghana and implemented:

- Poverty Reduction Budget Support (PRBS) 1: 2002 - 2004 (EUR 42.8 million)
- Poverty Reduction Budget Support (PRBS) 2: 2004 - 2006 (EUR 62.0 million)
- Poverty Reduction Budget Support (PRBS) 3: 2006 - 2008 (EUR 55.02 million)

The MDGs have since been mainstreamed into Ghana’s development policies.

The EU provides this form of financial assistance to the Government of Ghana (GoG) with the ultimate aim of supporting efforts towards the implementation of the country’s National Medium-Term Development Plan, currently the Ghana Shared Growth and Development Agenda. The goals set out in this plan are expected to bring improvements in the quality of life and social well-being of all Ghanaians with a particular focus on the poorest and most vulnerable groups. Budget support thus, provides additional resources to Government in support of these investments.

The EU’s general budget support programme in Ghana is currently the “Millennium Development Goals Contract” (MDG-Contract), committing a total of EUR 244.5 million over the period 2009-2014. This includes an amount of EUR 48.3 million stemming from a residual HIPC debt relief contribution of the European Investment Bank which has been transferred to the EU for onward disbursement to the Government of Ghana. The overall objective of the MDG-Contract is to contribute to sustainable growth and poverty reduction in Ghana so that the country can attain middle-income status and achieve the MDGs.

Out of the EUR 244.5 million available under the MDG-Contract, before December 2013, a total amount of EUR 136.85 million had been disbursed to the Government of Ghana.

Prior to the MDG-Contract, three Budget Support Programmes were signed between the EU and the Government of Ghana and implemented:

- Poverty Reduction Budget Support (PRBS) 1: 2002 - 2004 (EUR 42.8 million)
- Poverty Reduction Budget Support (PRBS) 2: 2004 - 2006 (EUR 62.0 million)
- Poverty Reduction Budget Support (PRBS) 3: 2006 - 2008 (EUR 55.02 million)

The MDGs have since been mainstreamed into Ghana’s development policies.

The EU’s general budget support programme in Ghana is currently the “Millennium Development Goals Contract” (MDG-Contract), committing a total of EUR 244.5 million over the period 2009-2014. This includes an amount of EUR 48.3 million stemming from a residual HIPC debt relief contribution of the European Investment Bank which has been transferred to the EU for onward disbursement to the Government of Ghana. The overall objective of the MDG-Contract is to contribute to sustainable growth and poverty reduction in Ghana so that the country can attain middle-income status and achieve the MDGs.

Out of the EUR 244.5 million available under the MDG-Contract, before December 2013, a total amount of EUR 136.85 million had been disbursed to the Government of Ghana.

Prior to the MDG-Contract, three Budget Support Programmes were signed between the EU and the Government of Ghana and implemented:

- Poverty Reduction Budget Support (PRBS) 1: 2002 - 2004 (EUR 42.8 million)
- Poverty Reduction Budget Support (PRBS) 2: 2004 - 2006 (EUR 62.0 million)
- Poverty Reduction Budget Support (PRBS) 3: 2006 - 2008 (EUR 55.02 million)

The MDGs have since been mainstreamed into Ghana’s development policies.

The EU’s general budget support programme in Ghana is currently

1 The EU was one of the first signatories to the Memorandum of Understanding on MDBS signed in June 2003 and revised in 2008. Currently the MDBS has 9 participating donor partners: African Development Bank, Germany, France, UK, World Bank, EU, Canada, Denmark and Switzerland.

2 With the exception of the World Bank and the African Development Bank whose disbursments are given in only one (base) tranche.

3 The PAF is a set of performance benchmarks (also called “targets”) made up of poverty reduction objectives, development indicators and policy reform measures (coming from the National Medium-Term Development Plan or sector policy) that are jointly agreed upon by the Government and MDBS DPs. Triggers are a subset of the targets whose achievement is directly linked to the amount of the annual performance tranche.
To strengthen domestic revenue mobilization, the EU is providing technical assistance to the Ghana Revenue Authority under the modernization project in the following areas: change management & customer care, risk management and Intelligence & Investigation. Support is further provided to the Non-Tax Revenue Unit for the potential of increasing Internally Generated Funds.

**Sector Budget Support**

The EU provides sector budget support programmes to three sectors, where the existing policies, procedures and structures permit so. The EU is providing Sector Budget Support to:

- **Health**: To attain MDG5 – Improve Maternal Health (EUR 52 million)
- **Local Governance**: To support the Decentralisation process in Ghana (EUR 45 million); presented in detail in the chapter on Governance
- **Environment**: To support Environmental Governance (EUR 15 million); presented in detail in the chapter on Environment and Natural Resources.

The review also assesses whether the underlying principles of budget support have been observed by the Government of Ghana:

- Continuing sound macroeconomic policies and management
- Commitment to achieving the national development strategy objectives and Millennium Development Goals
- Sound budgeting and public finance management systems
- Continuing peace and respect for human rights, the rule of law, democratic principles and the independence of the judiciary
- Good governance, accountability of the Government of Ghana to the citizenry and integrity in public life, including the fight against corruption.

Under the MDBS arrangement, budget support disbursements each year consist of a base tranche and an annual performance tranche. The base tranche is disbursed on a yearly basis upon a positive assessment of the above mentioned criteria. The annual performance tranche is disbursed in full or in part upon the realisation of mutually agreed specific targets of the jointly agreed Progress Assessment Framework (PAF). 

**Complementary Support**

To complement budget support, the EU is providing additional support to strengthen Ghana’s institutions and systems with a key focus on public finance management and statistical systems. This commitment is informed by the increasing need for reliable and robust national institutions and systems in order to improve the effective management of domestic resources as well as external aid.

To this end, the EU is providing EUR 1.9 million to the Ghana Statistical Service through a World Bank Trust Fund (approximately USD 7.5 million total costs including contributions from DFID). The objective of this Trust Fund is to support the implementation of the Ghana Statistical Development Plan (GSPD); a strategic plan for the development of statistics in Ghana which aims to respond to the growing demand for statistics for planning and informed decision-making.

Furthermore, the EU is providing EUR 9 million through a pool fund with the World Bank, DFID and Denmark to finance the implementation of the Ghana Integrated Financial and Management Information System (GIFMIS) project. The GIFMIS project is aimed at producing a nationwide, state of the art budget and financial management system that will ensure effective and efficient public financial management. The GIFMIS when implemented will serve as the official system for budgeting, disbursements, financial accounting and reporting, internal control and auditing requirements for the Government of Ghana. It also includes PFM reform aspects as for example the Treasury Single Account and Programme Based Budgeting.
In order to support Ghana in its effort to obtain the MDG 5 and combat Maternal Mortality, the European Commission signed in October 2012 a Health Sector Budget Support. This support comes as additional resources to Ghana and became available under a special European Commission initiative to support those countries lagging behind in the attainment of some of the MDGs. The intervention areas identified are improving family planning, skilled attendance at delivery and emergency obstetric and new born care. The additional funds enable Ghana to enhance its efforts in implementing measures to help reducing the country’s maternal mortality ratio, with the ultimate aim of reducing rates of death in pregnancy to 185 deaths per 100,000 live births by 2015.

**Useful links:**