



**AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT**

**COUNTRY FIELD SUBMISSION  
FY 1971**

**GHANA  
ANNEXES I - IX**

BEST AVAILABLE

**DEPARTMENT  
OF  
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COUNTRY FIELD SUBMISSION - GHANA  
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ANNEX I

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PL 480 TITLE I IN THE SERVICE  
OF GHANAIAN DEVELOPMENT

A. INTRODUCTION

The PL 480 Title I Program began in April 1966 in response to a request from the National Liberation Council for emergency assistance to meet agriculture commodity shortages following the coup. Since that time, the program has continued in support of Ghanaian development, providing (1) the foreign exchange necessary to purchase food supplies where domestic production was insufficient and (2) basic materials necessary for the fuller utilization of existing industrial capacity. The local currency generated by the program has been used to support the Development Budget of the Ghana Government, and is discussed in full detail in Annex VIII.

Agreements totalling \$55.7 million have been signed, under which commodities valued at \$29.8 million have been delivered. A major part of the pipeline is composed of the \$7.1 million worth of commodities included in the December 10, 1968, Agreement, and the \$17.9 million included in the June 9, 1969, Agreement. The rest of the difference is made up of budgeted funds which were not utilized due to drops in commodity prices. The following table summarizes all Title I Agreements by quantity and value of commodities actually purchased under the first three agreements and the amounts programmed for the December 10, 1968, and the June 9, 1969, Agreements.

P.L. 480 TITLE I ASSISTANCE TO GHANA BY SALES AGREEMENT

Commodity	April 1, 1966*		Mar. 5, 1967*		Oct. 27, 1967		Jan. 5, 1968*		Dec. 10, 1968		June 9, 1969	
	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Wheat Flour	19.4	1,954	10.0	972	-	-	9.85	1,056	-	-	-	-
Wheat	-	-	-	-	-	-	-	-	-	-	2.0	1,570
Rice (milled)	19.3	2,700	20.0	3,727	-	-	-	-	-	-	-	-
Corn	4.4	280	-	-	-	-	-	-	-	-	-	-
Sorghum	4.4	240	-	-	-	-	-	-	-	-	-	-
Veg. Oil	.5	140	-	-	-	-	-	-	-	-	-	-
Tallow	-	-	5.6	715	7.4	880	15.1	1,984	-	-	13.0	1,535
Tobacco	.5	900	.7	874	.4	528	1.0	1,920	-	-	-	-
Raw Cotton	8.4	1,200	7.5	1,020	3.8	1,003	17.7	2,100	4.5	600	50.0	5,275
Grey Cloth	-	-	-	-	-	-	20.0	5,160	24.4	6,500	12.0	5,600
NFDM	-	-	-	-	-	-	-	-	.25	53	-	-
Yarn	-	-	-	-	-	-	-	-	-	-	12.0	8,400
<b>Tot. Value</b>		<b>7,414</b>		<b>7,508</b>		<b>2,411</b>		<b>12,250</b>		<b>7,153</b>		<b>17,980</b>

\* Includes amendments to agreements.

1/ (A) All quantities (Q) in thousands of M. T., except raw cotton, which is measured in thousands of bales; grey cloth, which is measured in millions of linear yards; and yarn, which is measured in millions of pounds.

(B) All values (V) in thousands of U. S. dollars.

2/ Includes \$250,000 in ocean transportation. 3/ Includes \$88,000, which is estimated amount for ocean transportation. 4/ Includes ocean transportation budget of \$630,000.

**B. PROPOSED PL 480 TITLE I PROGRAMS FOR FY 1971  
AND FY 1972**

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**1. Estimated Requirements**

The following table sets forth the Mission's estimates of Ghana's PL 480 requirements in FY 1971 and FY 1972, which is a shift from the past practice of programming PL 480 on a calendar year basis. Section C - 1 describes the Mission's reasons for recommending this shift. Amounts shown for FY 1971 take the requirements for 18 months into account.

(In '000 of Units Q and V)<sup>/a</sup>

Commodity	FY 1971		FY 1972	
	Q	V	Q	V
Wheat	60	3,900	44.5	2,800
Tallow	27.8	<u>3,800</u>	25	<u>3,500</u>
Subtotal		(7,700)		(6,500)
Cotton <sup>/b</sup>	79	<u>10,500</u>	83	<u>10,700</u>
Total Value		<u>18,000</u>		<u>17,000</u>

<sup>/a</sup> - (1) Quantity (Q) in M. T. excepting raw cotton, which is measured in bales.

(2) Value (V) in \$ U.S.

<sup>/b</sup> - If no relaxation of export limitations on cotton textiles is permitted, the Ghana Government may choose to drop cotton from the PL 480 Program.

**2. Explanation and Justification**

**a. Wheat**

Estimated wheat requirements take into account existing milling capacity and probable demand for wheat flour. Ghanaian

flour mills presently have the capacity to produce 95,000 M. T. of flour annually and are expected to be operating at near-capacity by the end of CY 1969. The anticipated supply of wheat flour in Ghana in CY 1969 is 75,000 M. T. The Mission has, therefore, estimated that demand will increase to 85,000 M. T. in CY 1970 and 95,000 M. T. in CY 1971 and thereafter. Wheat has been programmed accordingly. In preparing the estimates, a UMR of 42,000 M. T. was assumed. In addition, it is expected that the United States will provide about half of the non-commercial wheat and that the balance will come from other aid donors. If other donors provide less wheat, the PL 480 program should be increased to make up the difference. If all other donor assistance and sufficient commercial imports are delivered in the first six months of CY 1970, there should be no requirement for advance procurement.

b. Tallow

Ghana has two soap-making factories and a constantly increasing demand for soap. Projections of tallow requirements are based upon the expectation that existing capacity in the factories will increase by approximately 10 percent per year over the next years, and that storage capacity will be substantially increased. In making the projections for FY 1971, it was assumed that 4,000 M. T. from the CY 1969 Program would be delivered in CY 1970. This is required if Ghana is to fulfill her CY 1969 UMR plus a CY 1968 shortfall in UMR compliance since the utilization rate and existing storage capacity are not sufficient to accept the full volume of tallow available.

c. Cotton

Cotton requirements in Ghana are steadily increasing as the spindle capacity of the textile industry continues to expand. In CY 1968, State Textile Manufacturing and Ghana Textile Manufacturing were the only plants with a spinning department. GTMC is adding more spindles to its factory, which are expected to be fully operative by the end of CY 1969. In addition, Akosombo Textiles will have 15,200 spindles in full operation by November 1969, and an additional 15,200 will be added to start operation in July 1971. Juapong Textiles, which is presently only a weaving mill, will have its spinning section operating by January 1971. It is expected that 13,000 bales of the CY 1969 will be carried over into CY 1970, and that amount has been taken into account in making the projections for

FY 1971. When the conversion is made to a fiscal year program in FY 1971, it will be necessary to allow advance procurement of 9,000 bales of cotton for the period January - June 1970. The projected amounts are based on the assumption that the cotton UMR will remain at 1,000 bales per year.

### 3. Other Possibilities

#### a. Yarn

In preparing the proposals for FY 1971 and FY 1972, the Mission has considered all commodities which are available for Title I sales. Yarn is the major item which might be included in the program but is not included in the Mission's recommendations. Inclusion of yarn in the program would depend upon the GOG's requesting it, (after considering the factors set forth in Section C - 3) and the outcome of the USAID's evaluation of the textile industry. If the UMR for yarn remains at the level of 6 million pounds, possible requirements for yarn would be in the range of 3 to 5 million pounds. However, this projection is made on the basis of an incomplete knowledge of a very dynamic industry (new factories and plans for changes in existing factories are brought to our attention every day) particularly with regards to the knitting mills. The level of required assistance would also depend upon the phasing of arrivals of yarn from the CY 1969 program and the accuracy of present schedules for the start of full operations in the spindle sections of the major textile mills.

#### b. Vegetable Oil

Consideration was also given to the inclusion of vegetable oil in the recommended programs. Vegetable oil was dropped from the CY 1969 Program as the result of a high UMR. Since only a small amount of oil was included in the program (450 metric tons), the GOG did not want to commit itself to the commercial importation of 3,000 metric tons. However, vegetable oil might be considered for inclusion in the FY 1971 program or later programs if a margarine factory is developed. Factories which are being studied would require about 4,000 M. T. of vegetable oil per year. It is expected that domestic production would fill that requirement within a few years, but for the interim, the requirement might be met by PL 480. Inclusion of this commodity would also depend upon the GOG's request.

c. Rice and Hides

Rice was,dropped, also, from the program in CY 1969 as expanding domestic production and a high UMR left no room for any additional rice, and there seems to be no possibility that it will be included in the program again. Hides are an item which could be used in Ghana, but the amount required is still too small to justify inclusion in the program.

C. POLICY ISSUES

1. Calendar Year Versus Fiscal Year Programming

Since its inception in 1966, the PL 480 Title I Program in Ghana has been running on a calendar year basis. Calendar year programming had a number of advantages which stemmed from the fact that import licenses were issued on a calendar year basis. Ideally, the PL 480 agreement would have been negotiated in the fall of the year preceding the CY of the agreement so the Ghana Government could plan with a full knowledge of the kinds and amount of commodities which would be available. In addition, the USAID would have had the information necessary to insure that commercial licenses were issued in sufficient amounts for Ghana to meet the Usual Marketing Requirements.

However, for a number of reasons, it has never been possible to negotiate the calendar year program in the fall of the year, and the CY 1969 Program was approved so late that the agreement was not concluded until June. The program is already a de facto fiscal year program.

The lateness of the CY 1969 program has created serious difficulties with the delivery period for the commodities included in the agreement. Earlier projections of requirements were based upon a steady supply of commodities throughout the entire year. The slack period caused factories to operate at lower levels than anticipated during the first six months of the year. In addition, the American dock strike kept nearly five million yards of grey cloth and 4,000 bales of cotton from arriving in 1968. These commodities were delivered in the period January through May so some of the factories presently have a favorable stock position. In addition, commodities from the December 10, 1968 Agreement are beginning to arrive and will be coming in over the next few months. Yarn is a particular problem since most of the

factories were issued commercial licenses for the bulk of their CY 1969 requirements, and they prefer not to use PL 480 since American yarn prices are significantly higher than those of other suppliers (see discussion C - 3). Requests for issuance of PA's for all the yarn in the program will probably have to wait until importers request supplemental licenses in the fall of 1969.

Tallow will also create problems in this regard since the major soap producer was operating well below capacity in the first six months of the year. They have just received 3,200 tons of tallow from the residual in the January 3, 1968 Agreement and will be receiving a large amount of commercial tallow in 1969 since the GOG must meet a 12,000 M. T. UMR plus a CY 1968 shortfall of 5,000 M. T. The soap manufacturers have indicated that they will be willing to accept the bulk of the tallow in CY 1969 to insure a steady supply, but they will be forced to store a portion of the tallow in drums. If the UMR is met, 3,000 M. T. would still have to come in the CY 1970.

Aside from the requirement to put commodity arrivals on a rational basis, is the question of receiving the GOG's request, approving, and negotiating a CY 1970 program in six months' time. This would be a near impossibility. Most importantly, the Ghana Government has also decided to begin issuing import licenses on a fiscal year basis beginning in July 1970, so the former advantages of the calendar year program no longer apply. The move to fiscal year programming would bring the PL 480 program in line with the overall budget cycle of the United States Government and should facilitate the approval process. The Mission, therefore, requests that the supply period on the June 9, 1969, Agreement be extended to June 30, 1970, and all future year programming be placed on a fiscal year basis.

## 2. Effect of Proposed Program and Domestic Production

Careful consideration has been given to the effects of the PL 480 Program on domestic production of agricultural products. The Mission has avoided programming commodities in amounts which would be a disincentive to increased local production. The proposed programs for FY 1971 and 1972 should not create any difficulties in this area. The situation with regard to individual commodities is as follows:

### a. Tallow

At present, no tallow is produced by the Ghanaian

livestock industry. There are no rendering plants, and as a general rule, the fatty parts of the beef are not removed before the meat is sold. Should a rendering plant be developed in the next few years, the amount of tallow provided could be correspondingly scaled down. However, it is unlikely that Ghana will ever produce sufficient tallow to meet its domestic needs.

The soap-making factories would begin to use greater amounts of palm oil if domestic production increases. This would reduce the requirement for tallow imports. However, palm oil is twice as expensive as tallow at the present time so is not practical for use in making the low-cost soap which makes up the bulk of the Ghanaian soap requirement. The USAID will continue to study the total supply situation with regard to fats and oils when making recommendations for future year programs.

b. Cotton

Ghana's production of cotton is very small, amounting to perhaps 1,000 bales of cotton per year but is increasing. In the past, this production has not been used by the textile mills who are the beneficiaries of the Title I Program. However, cotton is a priority target of the import substitution program in line with Ghana's goal of near sufficiency in food, feed, and fiber.

As a result, a Cotton Development Board was established in 1968 which is presently chaired by the Commissioner for Agriculture, has a cotton agronomist from the FAO as Executive Director, and includes four members representing banking, textile, farming and business interests. The Chief Crop Production Officer of the Ministry of Agriculture also sits on the Board. The Cotton Development Board is supervising small pilot schemes for commercial cotton production in five areas, totalling 450 acres. They are attempting to implement a five-year plan which is designed to increase cotton acreage to 32,000 acres by 1973. They will be assisted by French technical experts and a UNDP/SF project which includes technical experts, participant training, and a small commodity component. The raw cotton requirement of the textile industry will be expanding so rapidly over the next two years that it will probably be at least four - five years before local production is sufficient to meet the needs of the industry. The Mission will follow the cotton supply situation closely and program PL 480 cotton accordingly.

### c. Wheat

As it is still not possible to grow wheat under tropical conditions, PL 480 imports will not be a disincentive to local production of that commodity. However, consideration must be given to the possible impact of wheat on locally produced foods which it is replacing, for example, maize and yams. Wheat flour and wheat bread are rapidly becoming very popular in Ghana and can already be easily purchased even in very remote villages.

In addition, wheat represents a foreign exchange cost which could amount to \$8.5 million annually within a very few years, if all wheat used by the flour mills was imported commercially. Therefore, the USAID is recommending that, as a Self-Help Measure, the Ghana Government study the rate of growth in utilization of wheat flour, and prepare a program to deal with it. This program should include changes in the excise tax and tariff structure to make domestically produced grains more appealing on a cost basis.

### 3. The Textile Industry

Ghana became the first country to receive cotton textiles under the PL 480 Program when grey cloth was included in the January 3, 1968, Agreement. To date, the United States has agreed to provide 56.4 million linear yards of cloth to the rapidly expanding Ghanaian textile industry, 40 million of which will arrive in CY 1969. Grey cloth imports were required because the bleaching, dyeing, and printing capacity of the textile mills greatly exceeded the capacity for spinning and weaving. Eighty-five million yards of grey cloth were required in CY 1968 as compared with a domestic production of 38 million yards. In 1969, the grey cloth requirements have jumped to 115 million linear yards while domestic production will reach 60.4 million yards. The balance of the requirement will be made up by commercial imports in fulfillment of the UMR and PL 480 commodities. Domestic production of grey cloth is expected to reach 100 million yards in CY 1970 so there will be no further requirement for PL 480 grey cloth as the UMR will provide the additional amount.

The spinning capacity is presently behind the weaving capacity of the industry. In recognition of this factor, 12 million pounds of cotton yarn were included in the CY 1969 Agreement. The

spindle capacity is phasing up very rapidly, however, so the requirement for PL 480 yarn will drop, particularly when a UMR of 6 million pounds is taken into account. The upper limit for the FY 1971 Program would be 5 million pounds, and there will be no requirement for PL 480 yarn in FY 1972.

Throughout the course of the program, serious questions have been raised concerning the wisdom of providing textiles to Ghana under PL 480. United States difficulties have centered around the value added component of the commodities, and questions of the economic validity of the textile industry in Ghana, while the Ghanaians have been concerned primarily with the high cost of procuring textiles from the United States. To answer the former problem, the USAID will prepare a study of the textile industry to determine if textile import substitution is economically beneficial to Ghana, and further, to determine realistic supply requirements for the industry. This study, which is more completely described in the Research Section of Annex IX, will be made before any further inputs into the industry are approved.

The high cost of procuring cotton grey cloth and yarn from the U. S. has made it difficult for the Ghana Government to "sell" the program to the major importers. For example, grey cloth from the U. S. is currently priced at 28 to 30¢/linear yard, while it can be imported from the Far East (Hong Kong, China and Japan) for about 20 to 21¢, and from the Eastern Block countries for 23.5 to 24¢. (all prices c.i.f. Ghana). Likewise, for cotton yarn, the U. S. price averages about 65¢/lb. while the price from Japan is about 52¢ per pound.

Ghana, therefore, is losing money if it buys these materials from the U. S. commercially but is gaining if they are financed under concessional assistance. The question is: How far can these prices be out of line before the losses due to high prices offset the gains of concessional assistance?

#### a. Present Value Calculations

Assuming development loan terms of 40-year loans, 10-year grace, 2 percent interest during the grace period and 3 percent interest during the payment period, one dollar of aid will eventually cost the recipient country \$1.6653. Since these repayments are spread over a 40-year period, however, they have a present value of only \$.5443 (assuming a discount rate of 6 percent). For every dollar of yarn the

U. S. finances, we are really providing, in terms of world prices, only \$.8000 of real commodities (.52/.65). For every yard of grey cloth, assuming a U. S. price of 30¢ versus a world price of 21¢, we are providing only \$.7000 of real commodities (.21/.30).

If one dollar of our aid was really worth a dollar on the world market, Ghana would be receiving \$.4557 of real assistance on a grant basis (1.0000 - .5443). With a dollar of yarn, this grant component of our concessional loan assistance declines to \$.2557 and with grey cloth to \$.1557. Hence, although current PL 480 agreements in these commodities are still favorable to Ghana, the amount of real foreign aid has been considerably reduced by the fact that American prices exceed world prices. In general, world prices can be no lower than 54 percent of U. S. prices, or U. S. prices can not be more than 85 percent higher than world prices, in order for our assistance to be concessional.

#### b. Other Factors

One issue overlooked in the above analysis is the fact that during CY 1969 and CY 1970, a portion of the PL 480 program will be non-convertible local currency. The eventual resource transfer back to the U. S. takes place only when the funds are used for U. S. expenditures. The timing of this transfer depends on the amount of local currency available from past and present agreements, as well as the rate of U. S. utilization. It would be safe to assume, however, that the present value of the local currency portion of an agreement for Ghana is somewhat lower than the present value of the hard currency (CLC) repayable portion.

Despite the fact that Ghana can import textiles cheaper from other sources and from Trade Pact Countries with which it has credit balances, the Ghana Government has determined that the assistance is sufficiently concessional to be beneficial to them. They have signed the June 9, 1969, Agreement despite protests from importers. The above analysis is provided to assist other Missions in making a decision to recommend aid programs where U. S. assistance includes high cost items.

#### 4. Ghana Export Promotion

Ghanaian industry is involved primarily in producing commodities for the domestic market which formerly had to be imported

from foreign suppliers. Import substitution is necessary, but it is also clear that Ghana must encourage exports of industrial products if it desires to move from being solely an exporter of primary products, where it must compete in an unstable market. Textiles is one area in which Ghana has an advantage in increasing export sales. The industry produces African prints, which are patterned textiles that are becoming increasingly popular in fashions around the world. If Ghana is able to offer the fabrics at a quality and price comparable to that of other producers, the choice of purchasing African prints made in Africa would be more appealing to the customer.

Beginning with the negotiations for the January 3, 1968, Agreement, the Government of Ghana asked if it would be possible to remove the export limitation on cotton textiles since it would jeopardize the export potential of the cotton textile industry. They expressed their concern again during the negotiations for the December 10, 1968, Agreement and when the June 9, 1969, Agreement was negotiated, specifically requested that the United States team look for possible avenues of relief. The Ghana Government is being placed under increased pressure from the textile industry as the industry is being forced to turn down requests from potential foreign purchasers.

PL 480 regulations allow a country which has been exporting textiles to continue with exports at the same level after they begin receiving cotton on concessional terms. However, no relief is possible from that avenue as Ghana had no textile exports prior to the start of the PL 480 program.

Three possible ways of approaching this problem have been discussed by the Mission and are set forth below. Washington's reaction to these proposals and suggestions on other ways of approaching the problem are requested.

(1) Promotion of West African Regional Trade

Under this solution, the export limitation would be continued with the exception of the West African countries. Ghana would be allowed to start market development programs in Ivory Coast, Togo, Dahomey, Upper Volta, Nigeria, and other West African nations where opportunities existed for such trade. This would have the effect of furthering the United States policy of promoting regional ties in Africa.

In addition, it would make it possible to regularize the trade that already exists through smuggled goods. In a part of the world where borders have very little meaning to the inhabitants and are difficult to police completely, it is impossible for the customs officials to control this trade. If it were possible to trade in textiles through normal commercial channels, one of the incentives for smuggling would be eliminated.

(2) Use of a De Minimus Rule

This rule would allow a limited amount of exports, say to a value of \$1,000,000. Ghana could carry out a market development program, and it would also solve the problem of persons taking cloth out among their personal possessions. Presently, if this type of export appears in the government's statistics, they must make a formal investigation and provide an explanation to the U. S. Government. Since more tourists are visiting Ghana all the time, such a requirement is not only a nuisance but is involving an increasing amount of staff time.

(3) Cash Payment

Under this system, the Ghana Government would agree to make payments in foreign exchange to the United States Government to the value of textile exports. These payments would be made either quarterly or annually and would be applied against Ghana's long-term debt for the PL 480 commodities provided on CLC terms.

This would be a business-like arrangement, and textile exports by the GOG would not be considered violations of the export limitations. Ghana would benefit through market development, and the United States would gain through early repayment on concessional assistance.

If no relief is possible, Ghana may be forced to make other arrangements for cotton supplies, and the United States would lose its present advantage as a potential commercial supplier of Ghana. When the textile industry is earning the foreign exchange necessary to cover a portion of its raw material import requirements, it will be much easier to move from concessional assistance to regular commercial trade.

**D. PROPOSED SELF-HELP MEASURES**

The Government of Ghana has been very cooperative in

complying with the Self-Help Measures included in the Agriculture Commodity Agreements, both in terms of implementation of the activities and in reporting. In addition, when the Mission was preparing its recommendations on measures to be included in the June 9, 1969, Agreement, the suggested measures were discussed and cleared with the Ghana Government before they were submitted to Washington. In future, the Mission intends to involve the Ghanaians in the drafting of the recommendations. Therefore, the self-help measures set forth below are merely the Mission's recommendations on the kinds of activities which should be supported by the Agreements.

1. The GOG should prepare the price support program for implementation.

Even though present market prices do not require price supports, it is possible that price declines could occur in the near future. If this occurred, the GOG would have to engage in marketing activities or renege on the whole program. In its present condition, the GOG vehicle for implementation, the Food Marketing Corporation, is incapable of implementing the scheme. To do so, funds for the acquisition of storage and transport facilities must be made available.

2. Every year huge quantities of agriculture production are lost because of an inadequate network of roads. At the present time, the deterioration of Ghana's roads is proceeding at a faster rate than is the maintenance of existing roads. The GOG must commit itself to a long-range program of road improvement if Ghana is to expand exports of cocoa and timber and be self-sufficient in food production.

3. The Ghana Government should study the rate of growth in utilization of flour and changes in the excise tax and tariff structure to make domestically produced grains more appealing on a cost basis.

4. Reform of the tax and tariff structure to provide a more rational pattern of incentives for agricultural and industrial development.

The existing tax and tariff structure tends to be a conglomeration of levies designed to raise government revenue with little regard for their effects on promoting or discouraging economic development. For instance, high tariffs on consumer goods without offsetting domestic sale taxes tends to encourage the development of consumer goods industries, while low tariffs on agricultural imports tends to

discourage domestic production of such staples as rice. At the same time, the progressive nature of the export tariff on cocoa results in the government collecting as much as 50 percent of total cocoa earnings in taxes, and results in low producer prices to the cocoa farmer and a disincentive to further production.

5. Gradually move toward an import regime based on sight payments and open general licenses.

The present allocation of foreign exchange does not produce the most efficient utilization of this scarce resource. A movement toward open general licenses (OGL) can be accomplished if the surcharge on OGL's is raised sufficiently and not applied to commodities imported under foreign assistance programs. This would enable far greater utilization of foreign assistance and provide the necessary extra resources to make the OGL system work. Further resources will be available when the government moves from 180-day credit to sight payments since this system increases the cost of imports by 15 to 20 percent.

6. Restructure the domestic credit system so that it is able to provide the necessary capital for new enterprises in manufacturing and agriculture.

The existing credit system does not provide the necessary finance for development purposes but is concentrated on channelling funds into safe investments. The current policy of keeping interest rates at low levels means that only relatively risk-free enterprises will obtain financing while low deposit rates tend to discourage saving. A reform of interest rate policy by the central bank, as well as a greater emphasis on high interest rate loans for riskier enterprises on the part of the development banks particularly, will not only increase the rate of economic growth but also enable budding Ghanaian entrepreneurs to move into commercial and industrial fields now dominated by expatriates.

7. Explore the feasibility of placing fertilizer and gammalin distribution in private hands.

The existing rate of utilization of these inputs, especially fertilizer, is much lower than would be the case if they were readily available to the farmer. At present, little or no effort is made to use the private sector as a mechanism for distribution, despite the widespread presence of the Ghana National Trading Corporation, Shell, and other commercial firms capable of effecting an efficient distribution.

8. Raise the prices paid to producers of exportable agricultural cash crops, other than cocoa, to reflect the benefits of the 1967 devaluation.

There are certain minor export crops, such as palm kernels, copra, coffee, shea nuts, and kola nuts which are purchased by the Cocoa Marketing Board for export. The producer prices for these crops has never been increased since the devaluation, and the potential effect of the devaluation in increasing exports has been lost.

## E. NEGOTIATIONS

### 1. Terms of Commodity Sales

In compliance with PL 480 Legislation, the present policy of progressively increasing the convertible local currency (CLC) portion of the sales agreement by 20 percent tranches should be continued. On this basis, 20 percent of the commodities contained in the FY 1971 Agreement would be provided on local currency terms, and 80 percent on CLC terms. The FY 1972 Agreement would be on 100 percent CLC terms except that provision should be made for generating local currencies required for specific purposes, particularly 104(h) and 104(e). The exact percentage to be provided on local currency terms would depend on local currency availabilities and requirements at the time the agreement is under consideration; however, the Mission is using 10 percent for the purpose of making projections. The 104(h) percentage of the FY 1971 Agreement should be significantly increased in light of the positive Ghana Government attitude toward family planning and planned increases in maternal and child health and nutrition projects. The Mission recommends that the 65 percent portion of the local currency sale which has been available in the past for 104(f) purposes be made available interchangeably for 104(f) and 104(h). In other words, 104(h) would be allowed to use as much of the local currencies available to the Ghana Government as there were suitable projects to finance.

Repayment terms should continue to take into account Ghana's extremely serious balance of payments outlook, which ideally would include dropping the requirement for a 3 percent initial payment introduced with the June 9, 1969, Agreement. Certainly no increase in such payments would be contemplated. Other terms should remain the same as in the last agreement, i. e., (1) Number of installment payments - 31; (2) Amount of each installment payment - approximately equal annual

amounts; (3) Due date of first installment payment - 10 years after date of last delivery in each calendar year; (4) Initial interest rate - 2 percent; (5) Continuing interest rate - 3 percent.

2. Timing of Negotiations

Since the program is shifting to fiscal year basis in FY 1971, negotiations should be held no later than March of FY 1970. This would allow for commodity arrivals beginning at the first of the fiscal year and would be particularly important in the year of transition from CY to FY programming.

ANNEX I I

THE COMMODITY IMPORT PROGRAM IN GHANA

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## ANNEX II

### THE COMMODITY IMPORT PROGRAM IN GHANA

In relation to U.S. program objectives, the Commodity Import Program has not, to date, been an entirely satisfactory means of transferring resources. Clearly, if assistance is to be effective, it must be utilized; and Ghanaian importers, for a variety of reasons, have been reluctant until recently to procure from the U.S. under the program. Resolution of the problems creating a need for external assistance is equally as important as absorption, and the value of specific resources is enhanced to the degree that they can contribute to the long range solution. The present administrative structure of the Commodity Import Program lessens its effectiveness as a policy tool by restricting the Mission's ability to use it in support of those policies aimed at resolving some of the underlying economic problems.

Both of these criteria of "effectiveness" were applied to the existing Commodity Import Program, i. e. (a) level of utilization and (b) as a catalyst for improvement in the import regime. An attempt has been made to indicate ways in which the rate of utilization can be improved and ways in which the program can be restructured to provide more direct support for certain self-help policies. Utilization is discussed first although some of the procedural changes recommended also have a direct relationship to the policy-oriented, restructuring suggestions presented in the second section. A brief discussion of the history of the Commodity Import Program precedes the sections containing specific recommendations for the future.

#### A. History of the Commodity Import Program

Program assistance as opposed to project assistance was identified in the FY 1970 Program Memorandum as the most appropriate means of providing additional resources to Ghana. In relation to Ghana's development needs and in relation to U.S. program objectives, the Mission still believes that program assistance is the preferred method of transferring resources to Ghana.

During the three-year period since the coup, Ghana has attempted to cope with a severe disequilibrium in its balance of payments. Through a tight import-licensing system and through fiscal discipline, Ghana has significantly improved its position. The deficit on current account was cut back from \$220 million in 1965 to \$60 million in 1968. Exports in 1968 had recovered to the 1965 level while imports dropped by more than one-third. Scarce foreign exchange resources were allocated according to strict policy

priorities. These priorities were designed (1) to restrain consumption; (2) to encourage import substitution activities; (3) to utilize existing excess capacity; (4) to provide the necessary inputs for the export sectors (cocoa, mining and timber are the primary "foreign exchange earning" areas); and (5) to allow for a modest investment program. As a result of these policies not only the volume but the composition of imports shifted dramatically. It is evident (Table A) that investment goods took the brunt of the shift due to the higher priority given to the need to utilize existing excess capacity, especially in the manufacturing sector. Thus, the scarcity of foreign exchange remains a serious barrier to self-generating economic development.

TABLE A

Composition of Imports (c. i. f.)

	1965		1968	
	<u>N¢ Million</u>	<u>%</u>	<u>N¢ Million (est)</u>	<u>%</u>
Non-durable consumer goods				
Food, Beverage, Tobacco	39.3	9	35.4	11
Other	92.2	20	38.8	12
Durable consumer goods	25.5	6	13.9	5
Fuels and lubricants	18.4	4	18.4	6
Raw materials	73.3	16	99.0	32
Capital equipment	<u>208.4</u>	<u>45</u>	<u>106.1</u>	<u>34</u>
TOTALS	457.1	100	311.6	100

In addition to the program assistance provided through the PL 480 program, the U.S. has provided balance of payments assistance through the Commodity Import Program. The Commodity Import Program (CIP) consists of two program loans, totaling \$35 million, to cover the foreign exchange cost of eligible commodities and commodity-related services. The Mission believes that the loan funds utilized have contributed to the economic growth of Ghana. All applications for CIP financing have been reviewed by the Mission and approved only after discussion of such factors as eligibility, suitability, likelihood of prompt utilization upon arrival, relation to PL 480 assistance (in respect

to the usual marketing requirements), relation to normal commercial imports and long-range development of American market prospects (additionality), and other related factors. Commodities imported under the CIP have been properly and effectively used, and there have been no instances of importer impropriety. Not a single refund claim has been made during the active life of the Commodity Import Program.

Through the CIP, A.I.D. has financed raw materials, semi-finished goods, industrial machinery, capital equipment, and spare parts. There are 32 basic commodity groups listed as eligible under the CIP. Fifteen of these groups, using the basic commerce Schedule "B" two-digit code, have been involved in transactions under the loan. Forty commodities, by the specific seven-digit code, have actually been imported. Those commodity codes for which letters of credit totaling over \$500,000 have been opened are:

TABLE B

Commodity Composition of the CIP

<u>Code</u>	<u>Commodity</u>	<u>L/C Value</u>
1. 629.1090	Rubber Tires and Tubes	\$ 3,678,248
2. 718.5145	Excavating, Mining, Construction and Maintenance Equipment	2,342,400
3. 712.5068	Track-laying Tractors	1,782,676
4. 719.3260	Lifting, loading, and other Industrial Moving Machinery	1,159,056
652.3000	Woven Fabrics of Cotton	905,554
5. 653.8021	Fabrics wholly or in chief weight of Man-made Fibers	681,546
655.4620	Textile Fabrics, coated or rubberized	78,384
6. 732.0256	Gasoline and Diesel Trucks, all sizes	976,663
7. 719.1975	Heating and Cooling Equipment and Spares	952,480
8. 641.8045	Kraft Paper - Corrugating Material	<u>615,147</u>
	TOTAL	\$13,172,154

Nearly 80 percent of the total commodity import program on a letter of credit value basis is accounted for by these ten codes.

Although that portion of the loan funds which has been used has been used in a highly effective manner, the Mission is concerned that the rate of utilization has been slow. The first program loan to Ghana, Loan 641-H-005 for \$20 million, was signed June 19, 1967. The FY 1967 loan follows the Standard Financing Procedure under A.I.D. Regulation I and uses the Letter of Commitment method of payment. The first six months after the loan was signed were devoted to establishing the administrative machinery required for its implementation. The first letters of credit under the loan were opened in January 1968; the first disbursements were made in May 1968; and the first commodities arrived in Ghana in May 1968.

The loan utilization rate based on the average value of letters of credit opened per month has shown signs of steady improvement. From January 1968 through June 1968, the average rate was approximately \$730,000. From July 1968 through December 1968, the average rate was approximately \$880,000. From January 1969 through June 1969, the average rate was approximately \$1,400,000. The actual disbursement rate has lagged considerably behind the letter of credit rate. By May 31, 1969 the last month for which complete figures have been received, the total value of letters of credit was \$16,703,752 and the total value of disbursements was \$7,433,794. The problem is therefore determining whether letters of credit opened will eventually--regardless of the lag--be reflected in disbursements or whether some letters of credit are allowed to expire without full utilization. The Bank of Ghana has been requested to obtain information on the non-utilization of letters of credit from the three commercial banks participating in the program. If less than full utilization appears to be a common occurrence, the letter of credit monthly increase may not be an entirely reliable index to actual utilization of the loan.

TABLE C

Loan Drawdowns - As of May 31, 1969

<u>Loan</u>	<u>Commitment</u>	<u>L/C</u>	<u>Disbursements</u>
641-H-005 (June 15, 1967)	\$20,000,000	\$16,703,752	\$7,433,794
641-H-009 (July 18, 1968)	15,000,000	-0-	-0-

## B. Recommended Procedural Changes

As is evident from the pipeline, the actual amount of additional resources provided to Ghana has been substantially reduced from what the U.S. made available and Ghana very much needed. This striking anomaly means that we have not yet been able to design a fully satisfactory means of linking the Ghanaian requirement to the U.S. resource. The basic problem is that the level of eligible imports from the U.S. is lower than the level of assistance the U.S. is willing to provide. That the lowness of the level of imports is related to factors other than Ghana's need for such imports seems clear. In CY 1968, for example, under a controlled import licensing system and with severe restrictions on the allocation of foreign exchange, the GOG estimated that imports were 20 percent lower than what had been projected as the minimum level of imports commensurate with Ghana's economic growth needs. This short-fall occurred primarily in imports of raw material and capital equipment. During the same period, disbursements under the CIP amounted to a little more than \$4 million out of the available \$35 million.

Ghanaian importers in the face of <sup>a</sup>strict licensing system have still been reluctant to procure from the U.S. under the program. To create a link between the U.S. resources and the Ghanaian economic requirement means that (1) as many of the reasons for the Ghanaian reluctance to use the program as is possible must be identified and eliminated and (2) incentives strong enough to overcome those reasons which cannot be eliminated must be developed.

The general reasons given for the unattractiveness of the A.I.D. loan funds include (1) Commodity eligibility restrictions; (2) the procedural methods involved; and (3) the high price of U.S. commodities. In analyzing these general areas of dissatisfaction, it has become clear to the Mission that some procedural changes should be made.

### 1. Commodity Eligibility

Commodity eligibility requirements, for instance, are initially fairly clear. A.I.D. will finance the foreign exchange cost of "eligible" commodities procured in the U.S. "Eligible" is defined by a "positive" list which consists of the Commerce Schedule "B" Code and description of each item authorized as eligible under the loan. Obviously, since there are 32 major codes approved for the Ghana loan and only 15 of these major code groups have been utilized, eligibility per se is not the problem. When the fact is kept in mind that out of the hundreds of seven-digit specified commodities, only 40

have been imported and that ten of these codes account for 80 percent of the loan, it is clear that the problem is not in the number of eligible commodities but in the nature of the eligibility ruling. The restrictions on eligibility are automatic for only a few items. These include (1) luxury goods; (2) commodities not suited to AID financing due to their possible damage to the AID image; (3) commodities of which the U.S. is a net importer; and (4) special categories such as used equipment or "less-than-primary" quality goods. Many importers who have complained because of eligibility restrictions are doubtlessly referring to items in these categories. The Mission does not feel that these categories should be included as eligible for AID financing.

The Mission does agree that as many commodities as possible should be eligible and would like to make most of the eligible codes automatically eligible. This would apply to the large number of codes which are in the "prior approval" category. These codes currently require case-by-case approval by the USAID or by AID/W for each transaction. The Mission proposes that an attempt be made to link the codes currently on the Ghana Open General License (OGL) to an automatically eligible list of AID Schedule "B" codes. This would involve obtaining a list of these codes from the Ghana Government and establishing a correlation with specific Schedule "B" codes. Any code which fell into the "prior approval" category would be flagged. The entire list, subject to AID/W concurrence, would be investigated and ruled either eligible or ineligible. Hopefully, we would be able to substantiate the case for making the flagged codes totally eligible as is provided for in M.O. 1454.3.1. If not, for the sake of having an automatic list, the Mission would rule the code ineligible.

The Mission believes that this effort, limited to OGL codes at first and expanded as feasible, would have a favorable impact upon importer attitudes toward the loan. The extent of this impact is, of course, difficult to measure, but the cumulative effect of several similar moves would, in our opinion, have a significant impact upon the rate of utilization.

## 2. Procedural Constraints

The second reason offered for the reluctance of many Ghanaian importers to use the CIP is that the procedural requirements are both confusing and time consuming. Smaller importers are especially discouraged because they find the CIP administrative requirements too complex. The basic procedural difficulty seems to be in obtaining permission to use the loan funds rather than in subsequent actual utilization. Permission to use the AID loan

involves (1) application, (2) issuance of a Negotiating Authority, (3) OSB advertising, (4) submission of OSB-obtained pro forma invoice or SAW pro forma invoice, (5) issuance of Specific Import License; (6) review of the final invoice and validation of the license and (7) opening the letter of credit.

The multiplicity of procedural steps is necessitated by two requirements. The first is the OSB notification procedure required by AID Regulation I. The USAID must monitor applications in order to ascertain whether the company is importing an item under a valid Sole Agency Waiver or, if not, if the importer has advertised properly in the OSB Bulletin. The whole series of issuing first a Negotiating Authority, then a license and then validating the license is related to the OSB requirement. The Ghanaian importer using commercial imports obtains one license, under the AID loan he, in effect, obtains three. In addition to the procurement procedures outlined above, the USAID has undertaken to check each importer's application. A determination is made whether the importer is importing for resale or end-use and, if for his own use, whether he or his firm has the capacity to utilize the equipment or commodities being imported.

The extent of the impact of these procedural requirements can be seen when the pattern of participation in the CIP is analyzed. Of the 1,400 registered importers in Ghana, 80 firms have participated in the CIP. Approximately 84 percent of these are expatriate owned or managed. Approximately 50 percent of the imports under the CIP (on a letter of credit value basis) are from only four expatriate firms. Twenty-five firms, operating under a Sole Agency Waiver which exempts them from the OSB advertisement, account for over 70 percent of the CIP transactions by value. Over 80 percent of the value of transactions under the loan have been carried out under some form of a waiver of the OSB requirement. This includes:

<u>Type of Waiver</u>	<u>Value of L/C</u>
Sole Agency Waiver	\$12,357,907
Proprietary Procurement	438,580
Emergency Procurement	<u>499,000</u>
TOTAL	\$13,295,487

There is considerable indication in these statistics that utilization of the loan would have been minimal indeed if all companies had been required to observe the solicitation of quotation requirement. The Mission is therefore proposing that the Ghana program loan be exempted from the requirement in AID Regulation I, Section 201, 24, that all companies advertise in the OSB publication. This proposal is related to our desire to increase utilization of

the loan; however, it is also related to several policy objectives which we feel are even more important than increased utilization.

The OSB notification procedure, based on the Mission's review of the past seventeen months, has not achieved its purpose of affording smaller U.S. companies a greater opportunity of participating in AID-financed transactions nor can any correlation between the written public advertisement and the price obtained by the importer be established. U.S. companies, regardless of their size, will participate in direct relationship to their willingness to (1) offer competitive prices and (2) provide continuing dealer support. The attempt to make sure that the Ghanaian importer obtains "the most for his money" depends in the long run upon the normal market machinery and the importers' own need to maximize his profits. The OSB notification procedure does not necessarily achieve its own objectives, and, in fact, is counter-productive in terms of some of the other U.S. export promotion objectives.

The long term prospect for development of new U.S. markets is related to the gradual development of continuing commercial relationships, not to one-time mail order transactions. Those agencies concerned with U.S. export promotion have recognized this and have encouraged U.S. companies to establish local agents abroad. Local agency representation in Ghana, for example, for American companies and products has doubled since 1966. According to Embassy estimates, there are currently 430 U.S. firms and products being represented by local companies as opposed to 212 represented in 1966. The Sole Agency Waivers granted under the Commodity Import Program and the availability of the AID loan have encouraged U.S. companies either to establish or to re-activate commercial ties with local companies. One example is Ghana Consolidated Machinery and Trading Company (GCMT), one of the four firms accounting for 50 percent of CIP transactions. GCMT is the local Caterpillar representative. While in the past sales were directed to Caterpillar affiliate plants in Belgium, now the company is ordering almost entirely from the U.S. The CIP has also been used to encourage U.S. procurement by Ghanaian companies with U.S. equity investment such as Firestone (Ghana) Ltd., and Union Carbide Ghana, Ltd. These companies are procuring some of their needed raw materials under the CIP. Without the availability of AID funds these companies would have used affiliated sources in other countries. The CIP has therefore provided an initial entry into a traditionally European-oriented market for those U.S. companies willing to make the effort and capable of meeting market demands in competition with foreign enterprise.

### 3. Price Constraints

The third reason most frequently offered in explanation of the reluctance of Ghanaian importers to utilize the loan funds is that U.S. goods

are not competitively priced. In some instances, although U.S. goods are more expensive, the price differential can be related to better quality, more aggressive servicing and dealer back-up or other factors. In such cases, the Ghanaians are willing to pay higher prices. However, when the same product can be obtained from other sources, U.S. procurement will be minimal. The fact that a considerable number of companies in a position to participate with a minimum of difficulty from a procedural point of view have refrained from using the CIP, gives some substantive hint that procedural requirements, while a disincentive, are not the only problem. Since 46 companies have received 114 Sole Agency Waivers and only 25 of these companies have participated in the CIP, other factors are relevant.

Of the companies participating in the program, 51 have advertised in the Office of Small Business Circular. Of these, 35 have advertised for textiles, 5 for tires and tubes, 7 for raw materials (plastic, paper, etc.) and 4 for miscellaneous industrial items (sheet glass, motor parts, wires, etc.). Basically only two industries (textiles and tires and tubes) have switched their procurement to a new source with its unfamiliar procurement procedures and higher prices.

In order to compensate for this price differential and encourage U.S. procurement by other industries, we have initiated discussions with the appropriate Ghanaian officials to explore some means of providing importers using long term aid funds with appropriate incentives.

One such incentive would be the imposition of differential import surcharges. The GOG has indicated a willingness to adopt a differential surcharge favoring concessionally-financed commodities; however, this would apply only to commodities imported under the OGL. Adoption of this incentive mechanism would therefore be dependent upon merging the CIP-administrative machinery with the OGL procedures.

Additional or possibly alternative incentive schemes on the credit side are also being explored since the shortage of internal domestic credit is directly related to the CIP. Credit ceilings imposed by the Government on the commercial banks (the Agricultural Development Bank and the NIB are exempt from these ceilings) limit the amount of credit available. For 1969 the Bank has agreed to an expansion of credit ceilings; 15 percent for loans to manufacturing agriculture and mining and ten percent for trade credits. Credit, however, even when available, is generally reserved for those customers having good credit ratings. (see Research Memorandum No. 5, the Role of Credit in Ghana's Economic Development.)

The alternatives being explored for credit incentives include a differential advance deposit requirement coupled with a re-insurance program whereby the Bank of Ghana would assume part of the risk carried by the commercial banks and special trade credit ceilings for concessionally financed goods.

The advance deposit required by the commercial banks when opening a letter of credit varies depending upon the credit rating of the importer. The advance deposit requirement (ADR) is a means of protecting the commercial bank if, for any reason, the importer defaults, and the bank is left with the commercial goods. Since importers using the CIP or other donor loan programs would jeopardize their standing with the Ministry of Trade and seriously imperil their ability to obtain any import license in the future if they defaulted, the risk would be small. The ADR could therefore be reduced or eliminated entirely for concessional loans.

The present ADR system results in limiting participation to those importers who (1) can afford to make the deposit and (2) can afford to have their funds tied up for the time between opening the letter of credit and arrival of goods. This time period which may run from 6 to 16 months under the CIP places it at a significant disadvantage, especially for importers who must borrow funds in order to make the advance deposit. By comparison, the Mission estimates that normal commercial transactions take 3 to 6 months. The Bank of Ghana could offer some form of re-insurance to the commercial banks, thus enabling them to reduce or eliminate the ADR at least with respect to aided imports.

The extension of special trade credit ceilings for importers using the loan funds is another possibility for encouraging broader participation. This would involve the provision of domestic credit to pay the local currency cost of obtaining release of the commodities or the provision for releasing the commodities to the importers before full payment. Payment could then be made in 60 to 90 days or whatever period could be arranged depending upon the nature of the commodity involved. Commodities with a high turnover such as textiles would receive shorter periods of credit than capital equipment. This system may also require some form of re-insurance from the Bank of Ghana to encourage the commercial banks. The Bank of Ghana has discussed this system with the Bank of India, which will be providing advice for the implementation of such a system in FY 1970.

The combination of these incentives with the other procedural changes suggested (i. e. automatic eligibility for OGL items and waiver of the OSB notification requirement) will encourage increased utilization rates. We cannot estimate at this time the anticipated magnitude of the increased rate of transfer. However, given the fact that in CY 1968 the CIP accounted for less than 2 percent of Ghana's total imports, we feel that an increase is definitely possible.

C. Suggested Restructuring of the CIP

Program loan balance of payments assistance is based on the concept that one of Ghana's most urgent development needs is for additional foreign exchange. The additional resources made available can make the most significant development impact, however, only when used to achieve long-lasting and far-reaching reforms. In this regard, the review of the Commodity Import Program indicates several areas in which the Mission can provide positive encouragement, particularly in regard to the liberalization of import licensing and foreign exchange administration. The area which we feel provides the best means of achieving our objectives is to administer the CIP in such a way that it will provide direct support to the Ghanaian Open General Licensing (OGL) system.

In 1966, when the National Liberation Council assumed control of the Government, one of its announced goals was the liberalization of import controls. These controls, originally imposed in 1961, had gradually become more restrictive due to the more and more precarious balance of payments situation. Immediate liberalization by the NLC was considered impossible, however, due to the severe shortages of foreign exchange. Instead, the NLC decided to use the import licensing system to restructure both the volume and the composition of imports.

The present system of import regulation operates through the prohibition and restriction of all imports unless covered by licenses. For rationing purposes, there are three types of import licenses available: (a) Special Unnumbered Licenses; (b) Specific Licenses; and (c) Open General Licenses.

Although some commodities have been placed under Open General License, it at present is not really an automatic system since the Ministry of Trade still monitors the usage of such licenses very closely and may cut them back whenever an apparent shortage of foreign exchange seems near.

There are nine categories of Open General Licenses. In theory, an importer may order and import any item covered by the OGL issued to him; however, in practice, importers must obtain an Open General License Commitment Form from the Ministry of Trade before placing an order. The Ministry of Trade reviews all OGL imports in order to ascertain if any of the transactions may be financed under Commodity Assistance Loans. Eligible transactions are financed under the various loans whenever possible. Thus, while our policy has been to support the adoption of a real OGL, our own administrative machinery has in fact afforded additional grounds for the Ministry of Trade to "review" all OGL requests.

Direct governmental controls which undervalue scarce resources are at best an artificial means of directing economic growth, moreover they accentuate the problem of unemployment which is now looming larger on the horizon. Although such rationing was initially unavoidable in view of the scarce foreign exchange, these restraints have provided a less-than-optimal allocation of imported goods to the economy and have limited economic growth. Indirect controls such as tariffs or import surcharges could also be used to ration resources among competitive claimants, and liberalization of trade usually implies the adoption of indirect controls.

The GOG and the USAID have explored various ways in which import liberalization can be undertaken. The initial moves in 1967 toward an Open General License triggered a rush by importers, and the NLC restricted its OGL commitments. It is apparent that once the automaticity of the initial OGL was brought into question importers reacted by attempting to overstock.

There is, however, a realization that the existing system is not a real OGL and that the benefits of liberalization, therefore, have not been realized to date. There seems to be a general agreement that the first objective must be to make whatever limited, or expanded, OGL decided upon, a fully automatic system since the success of any real liberalization move is dependent upon obtaining the importers' confidence that the liberalization will in effect be maintained. Uncertainty, on the other hand, would result as it did in 1967 - 1968 in an artificial inflated inventory demand for any item placed on OGL, placing an excessive burden on foreign exchange resources. The GOG may be reluctant to experiment with resumption of a real OGL in the near future before obtaining a larger cushion of foreign exchange. A modest buffer can be very helpful in terms of its psychological as well as real impact. Expected good cocoa receipts over the next couple of years will help to encourage the resumption of a real OGL. U.S. and other donor assistance could be another important factor in assuring the expansion of a real OGL system.

One way in which the U.S. can positively support a liberalization move would be to structure our commodity assistance to provide foreign exchange to cover expanded OGL imports. Currently, when importers with an OGL seek foreign exchange from the Bank of Ghana, the Bank may refer the importer to the existing loans. The major loans from the U.S., U.K., Italy and West Germany are restricted to specific commodities to donor country procurement. The additional procurement regulations imposed under the U.S. loan, primarily the solicitation of quotations requirement, result in all imports of AID commodities being done under a Specific License even though the commodity itself may be listed under OGL.

A true OGL should be automatic with an importer being able to utilize foreign exchange to whatever extent he desires. Any limitation or check upon this system is self-defeating. The Mission supports the movement toward a real and expanded OGL system. Since the AID loan procedures (and the slow rate of utilization which the GOG views as a reason to review OGL requests) create a discrepancy between the intent of our assistance and its administration, the Mission has considered various ways of eliminating this conflict. One method would be to delete all OGL commodities from the AID list of eligible commodities. While this is administratively the most efficient solution, it would be counter productive in terms of our ability to discuss the need of increased liberalization. In effect we would be urging the Ghanaians to reduce their restrictions while admitting that we could not modify our own procedures. It would also make it impossible, for example, to encourage the increased utilization of our loan through the incentive of differential import surcharges. The GOG is willing to extend a differential surcharge on imports financed by long-term aid givers; however, this would apply only to OGL items. Another possibility would be to limit participation in the program entirely to those importers possessing a Sole Agency Waiver. This would permit the adoption of an automatic AID system, but it is an unsatisfactory solution for several reasons. First, a Sole Agency Waiver cannot be granted on all commodities. Usually the SAW is granted for capital equipment items. Since the OGL would initially be composed of raw materials and spare parts, this procedure would not permit us to provide effective support of an OGL system. In addition, past participation in the CIP has been limited to a small group of importers anyway, and the Mission would be reluctant to create additional barriers.

The solution which permits the U.S. to support a true OGL would be to waive the OSB requirement in line with our program objectives. This would allow importers meeting the commodity eligibility standards free access to the loan and free access to the OGL. Specific procedures for this waiver, along the lines adopted by several Latin American countries, are being worked out. The Mission strongly recommends that these procedures be adopted.

Waiver of the OSB notification requirement in addition to providing tangible and direct support to our policy goals would also have several secondary benefits. These are benefits which the Mission feels are important enough by themselves to give serious consideration to some form of exemption. Currently the loan is being utilized by a limited number of importers for a severely restricted group of commodities. The administrative procedures provide a built-in bias supporting this pattern of utilization even though in theory the loan funds are freely available. Ghanaian importers who are unfamiliar with the U.S. market are inhibited from even exploring various U.S. sources, in order to establish continuing commercial relationships or find competitive items, by the requirement to write detailed specifications in advance and go through the notification procedure for each transaction. The Mission feels that the best means of encouraging increased participation in the program is through waiving certain administrative requirement, specifically the OSB notification procedure.

To summarize, the Mission is proposing several administrative reforms and exploring several incentive procedures. The criteria used in this effort were related to the two ways in which we seek to make the CIP an "effective" means of transferring resources. We think that the restructuring of the administration of the CIP to make it more automatic (i.e. through undertaking a careful analysis of all commodities currently listed under the OGL and obtaining a life-of-the-loan approval and through removing the disincentive of the OSB notification requirement) and the development of effective credit incentives, (i.e. differential import surcharge under the OGL, and reduction or elimination of the ADR with a re-insurance scheme) could significantly increase the rate of utilization.

Additionally, restructuring the loan to permit positive support of a real OGL (again by waiving the OSB notification requirement) would enable the Mission to use the CIP in a more positive and direct manner in support of program objectives.

#### D. Continuation of the Present Program

The central thrust of this annex is that the U.S. CIP can be better structured to support GOG efforts toward a real OGL system. Even so, there still will be a major need for the CIP far beyond the OGL categories.

A review of the major commodities groups currently being financed under the CIP indicates that there will be a projected decrease in one category, tires and tubes. This category, which has accounted for \$3.7 million of the letters of credit, is expected to decrease dramatically once the Firestone (Ghana) Ltd. factory goes into production. The GOG has estimated that only approximately N¢800,000 of tires and tubes will be imported from all sources in CY 1969. This, however, appears to be at least N¢1 million under the amount which will be required according to other market estimates.

Imports in the next three categories in Table B are expected to maintain their present level. Most of this equipment is being used in the timber and mining sectors. Local import firms had expected the demand for this equipment to level off once immediate equipment needs, unmet for several years, had been filled; however, increased emphasis upon these sectors as "export sectors" has led to increased activity, and no lessening of demand has been felt or is projected for the next year. The emphasis in textiles is expected to shift from finished goods to raw materials so that there may be some decrease in textile imports under these codes. The demand for heating and cooling equipment and trucks is expected to increase. The demand for paper, used for making cardboard boxes, is expected to increase slightly.

Taking the top ten commodity categories as a whole, the Mission expects a major reduction in one area which will be partially compensated for by slight increases in the level of other categories. A major effort to expand the types of commodities being imported under the CIP should therefore be undertaken. Previous attempts to identify commodities for which the U.S. is competitive through the Department of Commerce have been unsuccessful. The Department of Commerce can obtain representative prices on specific U.S. products on an F.A.S. basis, but it has been unable to identify broad competitive commodity groups. The Mission is proposing that an examination be undertaken therefore from the Ghanaian viewpoint. An attempt would be made to discover the existing price schedules on goods purchased in traditional markets. This information could then be provided to various U.S. commercial groups. U.S. companies interested in entering the Ghanaian market would then know the nature of the present competition. An attempt would also be made to identify competitive areas by requesting the Department of Commerce to obtain comparable U.S. prices on specified commodities.

The Mission would expect companies with a SAW to continue to account for the major portion of loan utilization. An effort would be made to encourage those companies presently possessing a SAW who have not utilized it to participate in the CIP. Adoption of various credit incentives not tied to OGL participation such as differential ADRs could be expected to achieve some success.

In addition the Mission expects an improved performance from the public sector in procuring under the CIP. To date three agencies have participated in the CIP for a total value of letter of credit participation of \$661,052. Public sector procurement has lagged due to internal budgetary constraints and due to institutional difficulties in the present procedural arrangements between the Ghana Supply Commission and the Afro-American Purchasing Center. The Mission is exploring means of increased utilization with the GOG, primarily for procurement for areas of the infrastructure. Procurement in these areas would be closely tied to the recommendations of the Sector Study teams.

This annex supports the case that program assistance in the form of a general commodity import program be continued in Ghana. Our original evaluation of Ghana's development need is, we believe, still correct. And, although administrative barriers might prevent the transfer of resources to the extent justified by a true balance of payments gap analysis, we believe that a Commodity Import Program supplementing the sizeable Title I PL 480 program remains a suitable form of resource transfer.

This annex further suggests that the CIP program in Ghana may be more fully utilized in FY 1970 than in either of the two previous years. Nevertheless, the Mission strongly recommends after thorough analysis of present performance that early, high level consideration be given to waiving OSB advertising requirements for the Ghana CIP program. If for some reason a blanket waiver is not possible in early FY 1970, then it is recommended that at least the waiver of advertising for Ghana's OGL categories be promptly granted.

APPENDIX TO ANNEX IIGhana's Fulfillment of the Additionality Requirement in CY1968

Since 1968 was the first year during which Ghana received commodities under the Commodity Import Program, the Mission has attempted to monitor the level of U.S. exports to Ghana to assure that AID-financed imports are "additional" to those which would have normally been purchased by Ghanaian importers in the absence of an aid program from the U.S. Table A, page II - 18, shows that the level of commercially financed (non-aid assisted) imports during 1968 rose to \$33 million from a 1967 level of \$31 million, in spite of \$5 million of CIP imports. This would seem to suggest that the U.S. aid-assisted imports are not substituting for normal imports.

This above analysis may present a somewhat overly optimistic picture because it does not consider the fact that there has been a massive increase in imports from the U.S. due to the start-up, in 1966, of the VALCO aluminum smelter, which draws its supplies of alumina, coke, pitch and flourides from U.S. sources. Likewise, a large portion of U.S. exports to Ghana constitute goods financed by VALCO equity contributions to build the plant itself. Table B, page II - 19, illustrates a second "model" of additionality which subtracts out the impact of VALCO equity and raw material imports, derived from data obtained from the company by the Mission.

This stricter analysis shows that U.S. commercial imports, adjusted, declined from \$18 million in 1967, to \$14 million in 1968. From this, it might be concluded that CIP imports were not being as additional to normal commercial imports as the more lenient model would suggest. However, a glance at the years 1963 to 1966 indicates that there has been marked fluctuation in commercial imports from the U.S. with an average for the 1963 to 1967 period of about \$13 million. The 1968 level of \$14 million consequently appears to be in line with this average.

Yet another "model" for possible analysis of additionality is to measure U.S. commercial exports, both adjusted and non-adjusted, as a percentage share of total Ghanaian imports from all sources. This analysis is shown in Table C, page II - 19.

From Table C it can be seen that while the level of U.S. exports to Ghana fell from 6.4 percent of total imports in 1967 to 5.2 percent in 1968 (on an adjusted basis), the 1968 level is significantly higher than the level of the 1963 - 1967 period, which averages only 4.1 percent.

Table A

Additionality: U.S. Exports to Ghana  
(U.S. \$ millions)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Total Ghana Imports ( c.i.f.) <sup>1/</sup>	365	540	448	552	508	298
Total Ghana Imports from U.S. (c.i.f.) <sup>2/</sup>	23	50	59	59	52	62*
Total U.S. Exports to Ghana (f.o.b.) <sup>3/</sup>	21	25	36	53	43	56
U.S.G. Financed Exports						
P.L. 480 Title I	-	-	-	7	6	13
P.L. 480 Title II	1	1	1	1	1	1
V.R.A. Loan	2	1	2	2	-	-
C.I.P.	-	-	-	-	-	5
VALCO Loan	-	10	19	22	5	1
Ex-im						
Total U.S.G. Financed (f.o.b)	3	12	22	52	12	23

<sup>1/</sup> International Finance Statistics

<sup>2/</sup> External Trade Statistics

<sup>3/</sup> OECD Series C for 1967, U.S.  
Department of Commerce 1968

\* Estimate

VALCO IMPORTS

Table B

Adjusted U.S. Exports to Ghana  
(non-aid financed)  
(millions U.S. \$ )

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Commercial Imports from U.S.	18	15	14	21	31	33
Less: VALCO Equity Investment		- 5	- 7	- 7	- 2	- 1
VALCO Raw Material Imports				- 3	-11	-18
Equals: Adjusted U.S. Exports	18	10	7	11	18	14

Table C

U.S. Commercial Exports to Ghana  
Percent of total exports to  
Ghana

Total Exports to Ghana (f.o.b)	325	306	403	317	277	268
Total U.S. Commercial Exports	18	15	14	21	31	33
Percent	5.5	4.2	3.5	6.6	11.1	12.3
Adjusted U.S. Exports	18	10	7	11	18	14
Percent	5.5	3.3	1.7	3.5	6.4	5.2

ANNEX I I I

THE FOOD, NUTRITION AND POPULATION  
EQUATION IN GHANA

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### ANNEX III

#### THE FOOD, NUTRITION AND POPULATION EQUATION IN GHANA

Food production, nutrition and population are three areas that are unique in their close relationship to one another and as areas wherein economic development priorities coincide with basic human needs and aspirations to a remarkable degree. Without significant progress in food and other agricultural production, there can be little hope either for a better life for the bulk of Ghana's people or the development of the country. The majority of the population engaged in agriculture must produce and realize more income from their labor. Unless this occurs, the rest of the population will fail to enjoy improved supplies of food and raw materials or imports of these items will occur unnecessarily. In the presence of progress in reducing death rates, uncontrolled high fertility defeats progress in agriculture as well as other sectors, condemns families to needless hardship, contracts the health and educational horizons of the young, and drains the energy of women away from child rearing and other creative roles into a long cycle of too frequent pregnancy and suckling, which is often self-defeating. It is self-defeating in that close spacing of births can be an important factor in high infant and child mortality rates. The nutritional patterns that characterize a nation are primarily an expression of the balance between population on the one side and of food production and income levels on the other. If population increases at the same rate as food production and real income, there is no net progress in nutrition. This relationship is symbolic of the relationship between population growth and progress in other fields besides agriculture. In Ghana, poor nutrition is a problem which severely affects certain age groups and certain localities. The costs to individuals in terms of lost health, energy and even mental capacity are also incurred by the society which is effectively robbed of a full return on its investment in the sufferers. While the overall level of nutrition in Ghana will be improved with progress in agriculture and industry, there is a need to focus attention and resources more sharply on Ghana's special nutritional problems which are partially addressed through the CRS and CWS PL 480 Title II food programs. Hence, we treat nutrition as a special subject this year for the first time.

## A. PLANS FOR GHANA'S GREEN REVOLUTION

### 1. PROGRESS OF THE AGRICULTURE SECTOR IN THE PAST YEAR

#### a. Policy

The whole range of Government of Ghana agriculture policies is biased towards promoting the interests of the urban consumer. The effect on farmers' incentives of the continued practice of attempting to reduce urban food prices to artificially low levels is inconsistent with programs aimed at encouraging farmers to increase production. This policy, or lack of policy, encourages urban migration, the flow of which Ghana is ostensibly attempting to mitigate by the creation of rural industries and training of middle school leavers in agriculture. It also places constraints on the cocoa industry, which is heavily dependent on the availability of hired rural labor.

On the surface, policy changes might appear to be moving in the favor of the farmer. Fertilizer is subsidized by about 50 percent. But even though it is cheap, fertilizer is largely unavailable in rural Ghana due to the very inefficient distribution system operated by the Ministry of Agriculture's Crops Production Division. Mechanized services also remain a highly subsidized operation but which, in fact, is of little benefit to most farmers because of the general lack of management. The cocoa price has been increased to N¢8.00 per 60 pounds, but this is only 32.5 percent of the present world market price of U.S. \$.41 per pound. Nor has the Cocoa Marketing Board ever passed on the benefits of the July 1967 devaluation to the producers of minor export crops, such as coffee, copra, palm kernels, sheanuts, and kola nuts. The GOG has raised the support price of corn from N¢4.50/220 pounds to N¢7.00/220 pounds and that of rice from N¢6.20/180 pounds to N¢7.50/180 pounds. But absolutely no measures have been taken to secure the storage, processing and transport facilities which the envisioned large-scale price support program requires.

#### b. Decentralization

To overcome the lack of communication and the general unresponsiveness on the part of the bureaucracy, the National Liberation Council has decided that de facto decentralization shall exist from June 1, 1969. Since the establishment last year of the position in each region of Regional Agriculture Coordinator, these positions have been largely ineffectual due to the fact that the Regional Officer for each

agriculture division continued to report to Accra. This is to be changed with the new NLC decentralization decree.

From June 1, 1969, the division chiefs in each region will report to their respective Regional Agriculture Coordinator, who, in turn, will report to the Regional Chief Executive and the Regional Management Committee of which he is a member. Within the framework of the national policies, programs are to be built up from the regions rather than developed in Accra. This should make the agriculture programs and projects more responsive to local needs and orient the Regional Agriculture Coordinator's staff to the achievement of more specific and relevant goals. The Regional Agriculture Coordinator's primary task is to develop a team approach to the problem of increased agriculture production.

c. Agriculture Production

(1) Food

Table 1 - Comparative National Average Wholesale Prices

<u>Crop</u>	<u>Unit</u>	<u>Oct-March 1967-1968</u>	<u>Oct-March 1968-1969</u>	<u>Percent Change</u>
Corn	220 lbs.	N¢ 6.81	N¢ 12.78	+87
Millet	204 lbs.	10.53	12.42	+18
Sorghum	204 lbs.	10.46	12.18	+17
Rice	240 lbs.	19.50	23.42	+20
Yam	100 Tubers	26.96	31.62	+17
Cassava	200 lbs.	2.75	3.58	+30
Cocoyam	120 lbs.	4.59	5.95	+30
Ground- nuts	180 lbs.	16.97	20.27	+20
Plantain	Per average bunch	.37	1.47	+27

Source: Ministry of Agriculture; computations by Mission

As Table 1 illustrates, the national average wholesale prices for these nine commodities increased significantly from the period October 1967 - March 1968 to the period October 1968 - March 1969. The prices tend to indicate that production declined for each of these commodities, an indication which is not consistent with Ministry of Agriculture production data. (See Table 3, Annex B). Ostensibly, the heavy rains were the cause of the production decline, but at least a modest decline would probably have occurred due to the poor state of roads even before the rains and the cyclical nature of corn production. Judging from past experience, the current high market prices will be the most influential factor behind increased production in 1969. Historically, in the season following high prices the acreage allocation to a crop like corn will increase dramatically so that the effects of a rapidly deteriorating transport sector and lack of production inputs are not as evident. Production is volatile and tends to disguise with short-run bursts the long-run stagnation of the agriculture sector.

## (2) Cocoa

It is impossible to overemphasize the role of cocoa in the economic development of Ghana. Faced with tremendous foreign exchange requirements for debt servicing averaging about U.S. \$90 million through the 1970's, Ghana must take dramatic steps within the next few years to increase production and make more efficient the domestic marketing system. In the past year, the greatest accomplishment of the Ministry of Agriculture was in facing up to the plight of Ghana's cocoa industry. The capsid has flourished due to the lack of a spray program. Swollen shoot has almost completely infected the Eastern Region, and the westward flow of the virus has spread to areas which were disease free a few years ago.

To counter the capsid problem, the Cocoa Division of the Ministry of Agriculture and the Cocoa Marketing Board are attempting to intensify the distribution of Gammalin "20" with 400,000 gallons to be distributed in FY 69. The price has been cut to N¢4.00 per gallon, and a revolving fund for the purchase of Gammalin has been established from the Cocoa Division's development budget. Although these measures have been taken, a large-scale capsid control program has yet to be mounted. For example, foreign exchange required for vehicles, although listed in the development budget, has been largely unavailable. Nor has the Cocoa Division taken advantage of the experience gained from the Ivory Coast capsid control program in such areas as gearing for the logistic support of a large-scale program. And after all capsid control is a regional problem.

Swollen shoot is also a serious threat to the long-run viability of Ghana's cocoa industry. Because the method of cutting out diseased areas has not been practiced in the past few years, the virus has spread dramatically. The Cocoa Division is about to embark on a program of training survey officers in the detection of diseased areas. This survey will define the boundaries between infected and uninfected areas where cutting of diseased trees should be initiated to stem the spread of the disease. The short-run effects of this program will be a decline in production because even though the trees are diseased they still produce a crop, but in the long run an effective program will go a long way towards increased cocoa production in Ghana.

## 2. THE AGRICULTURAL SECTOR STUDY

### a. Critique

#### (1) Foreign Exchange Considerations

Export promotion and import substitution are the key phases of this section of the reconnaissance report. Given the huge burden of debt which Ghana will be forced to begin servicing in the next few years, the Phase I report seemingly skims over the difficulties and avoids the primary problem. That is, it was decided that cocoa production should not be given major attention in Phase II. The authors state that relative to other agricultural products, cocoa is already receiving major attention from numerous qualified specialists. In an absolute framework, this statement is true. However, it is questionable whether cocoa receives attention proportionate to its importance or to the difficulties Ghana faces in this area.

Ghana's cocoa industry is beset with problems. The incidence of disease and infestation have been increasingly prevalent because the former Government ignored the cocoa industry for many years. The new hybrids, although they will begin bearing at an earlier age, require a type of care different from the traditional variety. Possibly the agriculture sector study should examine alternative systems of cocoa farmer education for maintaining the new varieties. The hybrid might also lessen the quality of the traditional premium Ghanaian cocoa product. If this is the case, what type of policy decisions should be made? Is Ghana willing to sacrifice quality for quantity when in the early 1970's world cocoa price projections are trending downward?

Another area of concern is the apparent lack of coordination between the Cocoa Marketing Board and the Cocoa Division of the Ministry of Agriculture. Rigid spheres of operation between production and marketing do not lead to overall efficiency. What is the relationship between the Cocoa Marketing Board and the Cocoa Division and what should be done to streamline the total management system of these two organizations? For example, the Cocoa Marketing Board lends its profits back to the Government, and yet the Cocoa Division has not been allocated enough funds to operate on a scale the situation demands. Fortunately, the Cocoa Division development budget shows a significant increase for FY 70 over FY 69.

Import substitution is the second area treated under foreign exchange considerations. For the years 1965 - 1967, Ghana imported an average of N¢39,000,000 in food items alone. Added to the non-food yet agriculture products such as cotton, other vegetable fibers, and tobacco, soundly concerned import substitution is almost as important as export promotion. The agriculture sector study is vague in its treatment of cotton and tobacco. What is the role of the Cotton Board in an effective import substitution program? What is the role of the State Tobacco Corporation? Is this Corporation effectively communicating the consumer preference for tobacco to the farmer? The Ghanaian tobacco farmer's product is not one of high quality. Is there a set of alternative recommendations which the sector study could develop to improve the local product so as to reduce the requirement for tobacco imports?

The sector study is to devote special attention to the opportunities and problems of corn and rice production. Unfortunately, the method of treatment is not discussed in the reconnaissance report. But it is imperative that these two crops be examined from production to the consumer. It is useless to examine the production of corn unless storage and animal feed are treated simultaneously. Similarly, it is useless to treat rice production unless rice processing facilities and the effect of rice imports on the incentives for local production are treated in conjunction with the production problems.

## (2) The Organization and Expansion of Agriculture Production

For the fiscal year 1968-69, the GOG budgeted almost N¢3,700,000 of development expenditure for the State Farms. The

GOG also budgeted N¢582,000 of recurrent expenditure and N¢495,850 of development expenditure to the Agriculture Settlements Division. The Government commitment and the economic viability of these organizations should be addressed if the agriculture sector study is to give adequate coverage to the organizational facets of agriculture development. These organizations compete with private farmer program for government expenditure and should be analyzed in this framework.

The reconnaissance report indicates greatest attention will be given to the problems of the potential innovator among the private farmers. The agriculture sector study intends to make sample surveys so as to be able to judge what kinds of government assistance will have the greatest effects. The analysis of this data will be such that the government may more accurately predict farmers' response to price changes, credit programs, and the increased availability of fertilizers. As the reconnaissance report states, this type of survey work must begin as soon as possible so that the results may be fed into the decision-making process concerned with what type of services the Ministry of Agriculture should include and which would be more successfully operated by commercial firms or individuals. The problem, however, is not as simple as deciding where the Ministry of Agriculture should involve itself. Since the Ministry is already involved in a broad range of services, how does it go about extricating itself from the financial and managerial problems of these service functions in such a way that small entrepreneurs, cooperatives, or the commercial houses are encouraged to enter into agro-business?

### (3) Marketing

The reconnaissance report makes a few general statements about the marketing of agriculture products in Ghana. The report states that it is too early to judge to what extent inadequate information and the lack of transport, storage, processing facilities and credit facilities actually affect the marketing system. The reconnaissance report indicates that more adequate studies are needed to generate sound recommendations to improve the marketing system, but no indication is given as to the type of study or a proposed methodology. As in the case of the proposed socio-economic studies of production units, the sector staff will be attempting to perform under an extremely severe time constraint. This type of study should have been initiated during Phase I.

An examination of the problem of market information should include a comprehensive review of the workings of the

Economics and Statistics Division of the Ministry of Agriculture. The problem is that of gearing this Division to the informational and statistical needs of Ghana. The primary function at the present time is supplying market prices to the Central Bureau of Statistics from which even simple economic analysis is impossible because of the absence of quantity data. The Economic and Statistics Division also gathers production data, but as the reconnaissance report states, in passing, it is of questionable reliability. Are these problems soluble? If not, then is the product of this Division worth its recurrent budget in FY 69 of N¢440,000? The lack of storage, transport and processing facilities is also posed as a possible cause of an inefficient marketing system. Many observers are of the opinion that losses of corn due to poor storage techniques run as high as 30 percent. It may be that it is more economical to cut storage losses than produce enough to recover the losses. The lack of storage facilities and modern techniques is also the primary cause of extremely volatile prices. It is not unusual for the corn price to double in the six months following a major season harvest.

Inadequate transport facilities appear to be another primary cause of what has been termed an inefficient marketing system. The cost of bulk grain shipment from Tamale to Accra exceeds that of shipping from the U.S.A. to Tema. Feeder roads are not discussed as an area of interest in either the transport sector study or the agriculture sector study. An analysis should be made of government expenditures for feeder roads as part of either the agriculture or transport sector study.

The lack of processing facilities is also mentioned as an area of concern for the sector study. The dearth of rice processing facilities in Ghana could doom the import substitution program for rice. Hopefully, the sector study will develop a framework for investment decisions in the area of rice processing.

#### (4) Manpower and Agriculture Education

As the reconnaissance report points out, the problem of staff development is crucial to the careful identification of the Government functions in the agriculture sector. What type of staff training is required to implement Ministry of Agriculture production and marketing programs? Outwardly the problems of the Training and Manpower Division appear to center around the lack of direction of its programs toward sector and Ministry priorities. The Division is

training people, but there is doubt as to whether the students' training is meaningful to the type of jobs they will fill. This Division must be geared to supply personnel to fill the real manpower needs of Ministry programs and of private sector agriculture.

A similar problem exists in the two faculties of agriculture. There is considerable doubt as to the extent to which these faculties are responsive to the needs of Ghana's agriculture sector. The faculty student ratio is very high, and yet there presently exist well over 100 vacancies in the Ministry establishment for positions requiring a university degree. Agriculture is a low status occupation, and there appears to be little interest on the part of university graduates to pursue careers in agriculture. The solution to this problem requires policy decisions and programs aimed at the subtle problem of improving the economic status of the agriculture sector.

#### (5) Agriculture Research and Extension

The reconnaissance report states that the lack of coordination in agriculture research is the first hurdle which must be overcome to render research activities responsive to the needs of the Ghanaian farmer. Little is stated about the Ministry of Agriculture's extension program. In this area, there are some basic questions. First, does agriculture extension work under the conditions that prevail in Ghana? Secondly, what has been the history of performance, in what technical areas are shortfalls in performance most prevalent, and what is being done to rectify these shortfalls? Thirdly, what benefits did the agriculture sector derive from the FY 69 budgeted recurrent expenditure of N¢990,000 and budgeted development expenditure of N¢336,730 for the Extension Division?

#### (6) Agriculture Credit

The reconnaissance report states that it is essential that agriculture credit continue to focus upon the problem of increasing productivity. The sector staff continues with the statement that it is fortunate that the objectives of the bank are properly focused upon the problem of increased production. The difficulty with this objective is that it seemingly ignores the burden of what has been termed an inefficient marketing system. The sector study will examine the framework of the Agricultural Development Bank's planned credit operations in the perspective of the role of agriculture credit as part of a package approach to agriculture development. The primary inconsistency of treatment of agriculture credit is that the scope of work for Phase II does not allow any time for the examination of agriculture credit in Ghana.

### 3. AGRICULTURE SECTOR STUDY SCOPE OF WORK

Table 2 - Scope of Work Schedule

<u>Topic</u>	<u>Man Months</u>
<b>Demand for Farm Products</b>	
Domestic Food (including Fish)	2
Processing Plants	3
Exports	3
Marketing, Storage and Transport	7
<b>Crop Production</b>	
Research Extension	6
Production Supplies	3
Machinery and Equipment	5
Irrigation	13
Farm Organization and Management	5
Crop Variety and Seed Improvement	2.5
Fruit and Vegetable Production	2.5
Livestock Production	8.5
Manpower and Training	2
Development Finance	1
<b>Plans and Plan Implementation</b>	
Procedures	2
Administrative Organization	3

Table 2 - Continued

<u>Topic</u>	<u>Man Months</u>
Study Coordination	11
Final Report Completion	4
Home Office	1.5
	<hr/>
Total	85.0

Other things being equal, the work schedule for Phase II of the Agriculture Sector Study should be proportionate to the degree of constraint a problem poses to the sector. However, this schedule does not appear to be consistent with Ghana's needs. Exports -- including cocoa, marketing, storage and transport; plans and plan implementation; and development finance -- are to receive a total of 16 man months of attention while irrigation is to receive 13 man months. This is the most obvious discrepancy in the allocation of time. Relative to other problems, irrigation is not that important.

Possibly cooperatives, especially marketing types, should be a point of focus. Agriculture credit is discussed in the reconnaissance report, but no time is devoted to this problem in the work schedule. Feeder roads have not been determined as a point of focus even under the marketing, transport and storage heading.

#### 4. THE DEVELOPMENT COORDINATION UNIT AND IMPLEMENTATION OF PHASE II SECTOR STUDY RECOMMENDATIONS

The success or failure of the agriculture sector study ultimately rests in large part with the Development Coordination Unit (DCU) of the Ministry of Agriculture. If the DCU translates the sector study's recommendations into policies and programs, the whole exercise will be judged a success. If the DCU for one reason or another fails in this, doubtless the agriculture sector study will be judged a failure.

As a member of the Agriculture Sector Study Advisory Committee, the head of the DCU should be in the position of being able to

guide the study in the direction of producing a set of recommendations possible of implementation. Due to unfortunate manpower limitations, the DCU has not been able to participate in the guidance of the sector study. If the DCU had an established staff of trained personnel, especially agriculture economists, the situation would not be as it appears at the present time. However, staff for the DCU is secured largely on the basis of secondments from other Divisions in Ministry because the Public Service Commission has failed to establish a permanent staff for the DCU. Until this situation is rectified, career-minded civil servants will shy away because of the DCU's outwardly uncertain status. Securing a competent staff is the most important immediate step towards effective implementation of agriculture sector study recommendations.

The original scope of work states that conclusions reached and opinions formed before completion of the whole review would be presented to the Ministry for early implementation. The present situation would suggest that it is extremely doubtful whether even the beginnings of implementation will take place before FY 71. First, the sector study staff does not appear to be geared to the idea of presenting an interim stream of recommendations. Secondly, securing a trained staff for the DCU who can work together as a team is most likely one year away. Thirdly, the FY 70 Ministry of Agriculture budget has already been submitted, and this builds a certain amount of inflexibility into the managerial systems. Therefore, it is becoming generally, but tacitly, conceded that implementation will begin with the onset of FY 71.

One of the primary functions of the DCU is that of assisting in the presentation of the Ministry of Agriculture budget to the Ministries of Economic Affairs and Finance. Over the past few years, the relations of Economic Affairs and Finance with Agriculture have been strained in the course of budget presentations. This has led to a considerable communication barrier between these Ministries. The primary reason for this situation is that the DCU has not thoroughly examined the individual division's presentation and has abdicated the role of an in-house 'devil's advocate' in favor of the Ministries of Economic Affairs and Finance. The DCU must strive to get the Ministry of Agriculture's budgetary process in order if it expects funding for implementation of policy and managerial changes and agriculture projects identified by the sector study.

Because of the ongoing nature of the planning function, the set of recommendations by the sector study will not lessen the DCU

planning responsibility towards the problems in the agriculture sector. The DCU should have final responsibility for coordinating review of sector study recommendations. Possible contingencies will have to be examined to assure that unforeseen and yet possibly simple problems do not thwart implementation efforts.

The dearth of well thought out programs has opened the Ministry of Agriculture to extensive criticism. Clearly the planning function must be strengthened if the Ministry is going to implement programs that will increase the efficiency of both agriculture marketing and production in Ghana. To do this, the role of the DCU within the Ministry of Agriculture will have to be markedly strengthened.

The DCU also has a mandate for monitoring implementation, appraising performance, and feeding this information back through the implementation process. Critical appraisal of Ministry functions and performance in the past has been left to persons outside the Ministry of Agriculture. The monitoring of implementation has been neglected or thwarted, and communications have been so poor that the Ministry often fails to learn from its past errors. The major reason for these problems is that lines of responsibility and control have been snarled within by the bureaucratic framework. Because the DCU now has a clearly defined mandate to monitor implementation, appraise performance and generate feedback, responsibility and control will also have to be built into the managerial change. If not, the DCU will be unable to efficiently allocate funds.

##### 5. USAID STRATEGY

USAID/Ghana has concluded that the best strategy for the present and near term is that of fostering improved implementation of Ministry of Agriculture production programs. This is a way of laying the groundwork for more effective implementation of the forthcoming agriculture sector study recommendations. The Ministry of Agriculture has long had an overall policy of fostering increased agricultural production and an assortment of secondary policies in support of the primary objective. At the present, the Ministry and related public institutions have policies for supporting the price of corn and rice, for fertilizer distribution at a subsidized price, for the distribution of improved seeds and for improving the availability of agriculture credit. USAID/Ghana's primary objective in the agriculture sector is to improve the implementation of these policies in order to achieve increased production of grain, peanuts, and other lesser crops.

USAID/Ghana's strategy of improved implementation of agriculture production support programs is to be accomplished by improving the linkages in the Ministry of Agriculture's management system. USAID advisors and OPEX personnel are being placed at critical points in the decision-making and program-implementation processes.

The Development Coordination Unit will receive from the AID loan-financed agriculture sector study many recommendations for the near- and long-term expansion of the agriculture sector. To assist in the implementation of these findings, USAID/Ghana will support the Development Coordination Unit under the National Agricultural Planning project by providing two OPEX experts. These experts, due to arrive early in FY 70, are specialists in agro-administration and agriculture economics. They are expected to form the core of the planning and programming capacity of the agriculture sector. In addition to providing the experts for four years, USAID is strengthening the DCU by training present and potential staff members in planning, program management, and related areas.

Below the Development Coordination Unit level, the main vehicle of U.S. technical advisory and staff support will continue to be the Agriculture Extension and Production project. This project is headed by USAID/Ghana's National Agricultural Production Advisor, who is working closely with the Chief of the Crops Division in framing, coordinating and backstopping the production support measures to be carried out under the joint implementation effort. At the regional level, the four U.S. agricultural production advisors are attached to the Ghanaian Regional Agriculture Coordinators. In this capacity, they provide agro-administrative support to the Regional Coordinators' efforts to give field direction to the various production support programs while continuing to work on the Focus and Concentrate Areas program as required. The other USAID thrust at this level is the import substitution program for rice. Two of the four regional advisors are actively engaged in the second stage of the rice seed multiplication scheme. This stage, encompassing 1,000 acres, should produce about 1,000 tons of improved seed for Ghanaian farmers.

Working both at the national and regional levels will be three U.S. advisors in functional areas. These include an agronomist engaged in reorganizing seed multiplication and operations, an agricultural economics advisor working on the farm management and planning aspects of the Focus and Concentrate program, and an agricultural equipment specialist working with the Farm Mechanization Unit. Also under this project, USAID/Ghana will provide short-term participant training for seed

multiplication personnel, for the Regional Agricultural Coordinators and other staff of the Ministry with key line responsibilities. If this new approach proves successful, USAID/Ghana may recommend adding additional agriculture production advisors in the regions not presently covered.

In addition to those working directly on Ministry programs, other project and Mission staff are in positions to make important contributions to the success of production support programs. USAID/Ghana provides OPEX assistance to the Agricultural Development Bank in the person of the Bank's loan division manager. The manager is working on a method of streamlining the loan approval process and attempting to upgrade the supervisory role of the ADB.

Apart from improving the efficiency of dealing with implementation problems, USAID/Ghana assistance to agriculture will have other important features. The need to define the specific content of the implementation effort has already led to closer consultation between USAID/Ghana and Ghanaian agriculture officials on a broad array of matters that were previously completely out of reach. This is expected to afford new opportunities for the degree of coordination required for maximum integration of CIP dollar loan, local currency and counterpart resources with USAID/Ghana's efforts to promote increased agricultural production.

Aside from the production support effort, USAID/Ghana also has an institutional development phase of its assistance to the agriculture sector. USAID is currently providing two OPEX professors to the Faculty of Agriculture, University of Ghana. These persons are the heads of the Departments of Animal Husbandry and Agriculture Engineering. This project is soon to be augmented with the arrival of a professor of Agriculture Extension and a commodity specialist for research in the cocoa industry. The failure to supply the professors as a unit to the Faculty of Agriculture has considerably lessened the contributions of the professors already on board. The probability of needed changes in the Faculty of Agriculture occurring would have been much greater with four professors presenting the case rather than one or two.

USAID/Ghana is also expected to remain involved in vocational agriculture through a new project that will replace the present one. The problem in the past was the lack of management within the Training and Manpower Division and the failure to develop programs

responsive to the needs of the agriculture sector. USAID intends to supply an advisor to the Chief of the Manpower and Training Division, as well as an extension education advisor and an agronomist to work with the Division's schools in the development of responsive programs. Their mission will be to assist in designing and implementing measures to rationalize the operation of the schools in terms of internal efficiency and of achieving maximum alignment with the needs of the agriculture sector and the agencies responsible for developing it. The work of these technicians will be guided by the recent evaluation and the findings of the agriculture sector study.

#### 6. THE IMPORT SUBSTITUTION PROGRAM FOR RICE

Table 3 - Rice Supply 1958-1968 in 1,000 M. T.

<u>Year</u>	<u>Imports</u>	<u>Domestic Milled Equivalent</u>	<u>Total Supply</u>
1958	14	12	26
1959	33	14	47
1960	32	19	51
1961	46	18	64
1962	71	19	90
1963	26	19	45
1964	38	25	63
1965	30	19	49
1966	46	17	63
1967	39	25	65
1968	30	28	58

Source: Ministry of Agriculture; Ministry of Trade

In 1968, rice imports cost Ghana in excess of N¢6 million. This occurred even though domestic rice can be produced economically. The problem, therefore, is the development of an effective import substitution program for rice. What follows is USAID's opinion as to what should be done over the next few years so that Ghana can become self-sufficient in rice production. The target is 100,000 M. T. paddy, which milled at a 65 percent extraction rate should yield 65,000 M. T. clean rice by 1973. This represents 5,000 M. T. in excess of Ghana's 1964-68 average supply.

#### a. Production Inputs

##### (1) Improved Seed

An improved seed multiplication encompassing 1,000 acres is currently under way in northern Ghana. This should produce enough seed to plant 40,000 acres of an improved Philippines variety in 1970. Ghana could become virtually self-sufficient in two years if the required fertilizer, credit, and marketing services are available in proportion to the seed.

##### (2) Fertilizer

Even though the GOG has a fertilizer subsidy program, fertilizer remains one of the weakest linkages in the rice production system. The application of two cwt. (1 cwt = 112 pounds) mixed fertilizer and one cwt. ammonium sulfate per acre for 40,000 acres in 1970 will require 6,000 M. T. of fertilizer. Ghana's FY 70 budget indicates fertilizer imports will be about 4,500 M. T. Clearly, this is inadequate for the rice program, let alone fertilizer requirements for other commodities. Unless the quantities to be imported are greatly increased in 1970, the import substitution program for rice will fall short of its target.

The other obvious constraint on the availability of fertilizer is the distribution system. The Ministry of Agriculture simply does not possess the physical assets of a fertilizer sales organization. For example, distribution outlets at the sub-district level are few and large numbers of vehicles cannot be allocated to fertilizer distribution. The Ministry of Agriculture should be attempting to involve either cooperatives or commercial houses in fertilizer

distribution. While the subsidy is an important step in the right direction, it will have little effect unless supplies are ordered in a timely fashion and the distribution system is greatly improved.

### (3) Credit

Credit is not a problem to the subsistence farmer. The lack of credit will not keep the Ghanaian farmer from producing enough food for his family. However, the unavailability of credit is a severe problem to overcome in moving from traditional to transitional or commercial farming. The import substitution program for rice implies commercial farming as opposed to subsistence agriculture. Therefore, credit must be available in order to achieve widespread commercial rice farming.

To facilitate the import substitution program, the Agriculture Development Bank expects to have a total of N¢1 million in rice production loans by 1970, mainly in the Northern and Upper Regions. To achieve this objective, the ADB has recently opened its Tamale branch and has secured a man with vast experience in the agriculture of these regions as branch manager.

### b. Marketing

Probably the most obvious constraint to an effective import substitution program for rice is the marketing sub-system. The lack of processing facilities, the lack of storage, the lack of transportation and limited knowledge of market conditions combine in a system of inefficient marketing for rice. The result is relatively low farm prices, and at the same time small profits for the middleman.

The solution to the rice marketing problem should begin with a serious appraisal of rice processing facilities in Ghana. What is the status of present facilities? What should be done to have enough milling equipment to process 100,000 M. T. of paddy so that the product will be accepted as a substitute for the imported product?

### (1) Regional Marketing Committees

Recently, the GOG has established regional marketing committees in the regions. This is encouraging because it points to a growing recognition that inefficient marketing is a serious problem. However, it does not appear that a part-time organization can

be an effective substitute for the middleman. The ideal role for the committees lies in identifying the problems of both the farmers and the middlemen and arousing the attention of the government to these problems. If the regional marketing committees do nothing more than provide an effective flow of information between the regions and from the regions to Accra, they would be well worth their cost.

(2) The Food Marketing Corporation

The Food Marketing Corporation has arranged for a West German engineer to come to Ghana to assess the feasibility of running the Tamale mill without par boiling and to sort out the equipment of the other 13 mills so that they can be sited. It appears that little consideration has been given to the idea of importing more up-to-date equipment. The decision makers appear to have concluded that the present equipment must be utilized.

The Food Marketing Corporation remains in the throes of reorganization. The continuing lack of a policy on the FMC means nothing is presently being done to set up the additional rice mills or even to take a decision on whether these mills are economical. Nothing is being done to re-equip the transport fleet. And nothing is being done to upgrade the caliber of personnel. In other words, the instrument for carrying out the government price support program has been virtually stagnant since it was announced early 1968.

As stated above, the FMC is an under-capitalized, under-equipped organization without the capability of carrying out the originally envisioned large-scale price support program. Recently, the government announced a support price of N¢7.50/180 pounds of paddy for the coming season. But as was stated before, no actions have been taken to improve the FMC's capacity to implement the scheme. If production shows dramatic increases or if rice imports increase, the farmer in northern Ghana will likely sell large quantities at the support price. The present resources of the FMC are incapable of intensive activity.

In setting the price at N¢7.50/180 pounds paddy, the government has not disclosed the method of derivation. If it is the average cost of production, this figure has changed significantly from last year when N¢6.20/180 pounds was the average cost of production. To lead to a solution as to what is the cost of production for rice, the USAID Food and Agriculture Division and the Economics and Statistics Division of the Ministry of Agriculture have set up a cost-of-production study in six

rice growing districts. By actually observing and questioning the Ghanaian farmer, the intention is to derive an accurate cost-of-production estimate.

### (3) Cooperatives

Presently, the cooperative movement is constrained by the failure of the Moore Commission to complete its inquiries and issue a final report. What is required is a new government policy to give momentum to the cooperative movement. There is little doubt improved storage, transport and processing could best be facilitated through revitalized cooperatives. Efficient rice processing machinery could best be operated on a cooperative basis because the machinery is too expensive for the individual farmer to be economical. On the other hand, the quasi-government organization appears too unwieldy to make timely management decisions. The obvious recourse is through cooperatives, provided they can secure the managerial personnel to operate efficiently.

### (4) Interaction of These Marketing Forces

Cooperatives, the regional marketing committees and the Food Marketing Corporation must have the simultaneous goal of increased marketing efficiency. The role of the cooperative at the primary level is to transport, store, and process. The cooperative must also have constant communication links with its respective regional marketing committee and the Food Marketing Corporation. The regional committee should function as the eyes and ears of the regional and national government so that decisions can be made to bring a local problem into equilibrium. In addition to the role the Food Marketing Corporation has in the price support scheme, they could also function as paramount cooperative. The Food Marketing Corporation could provide advice on storage and processing techniques, as well as short-term managerial assistance to fledgling cooperatives. If the cooperatives become an effective force in agricultural marketing, it is possible to foresee the role of the Food Marketing Corporation as solely that of a paramount cooperative. With the improved storage and processing of effective cooperatives, there may not be a need for the guaranteed minimum price scheme.

#### c. Rice Imports

Rice imports have declined since 1966. In 1968, an estimated 30,000 M. T. was imported, compared to 39,000 M. T. in 1967

and 46,000 M. T. in 1966. Because of low levels of imports, the supply is tight, and therefore prices have risen. This situation has afforded the purveyors of locally produced rice an opportunity to break into the rice consumers' consumption pattern. Clean, raw milled, locally produced rice is much more evident in the urban market today than it was one year ago. The problem is that there is no mechanism to assure that imports do not go up to the 1966 level.

If the import substitution program is to be successful, imports should be restricted in such a way as to give reasonable protection to the domestic rice industry. Rice imports have declined over the past two years because of limited foreign exchange reserves and high U. S. export prices. The intention has not been to protect local producers. In other words, if U. S. export prices decline and Ghana's foreign exchange position improves, imports could go up to the 1966 level. This means that communication links must be established between the coordinating body for the import substitution program and the Ministry of Trade. The level of rice imports should either vary inversely with projected levels of domestic production by instituting import quotas or a sliding tariff should be placed on rice so that the C. I. F. price, plus the tariff, will always equal a fixed price at which domestic production will not be inhibited.

#### d. The System

Only the beginnings of a system of combined action towards the common goal are evident. The past year has been characterized by many independent actions aimed at solving particular bottlenecks. With the establishment of the Grain Development Board, the coordinating body of the system should come into play. It has the task of pulling together a package of production inputs for the farmers. It must give impetus to the formation of rice marketing cooperatives whose service is to be processing, storage and/or transport. It must develop the links between the cooperatives, the Regional Marketing Committees, and the Food Marketing Corporation to develop the marketing sub-system. And the Grain Development Board must also establish communications with the Ministry of Trade so that in future rice imports will not be a disincentive for local production.

## B. NEW DIRECTIONS IN NUTRITION

Improved nutrition has not been a specific target of the USAID Program in Ghana although the emphasis on agriculture should result in an improved diet for Ghanaians. However, the Mission has now recognized that there is a need for undertaking activities in the field of nutrition. Under consideration are (a) a re-direction of the Title II program which will bring it in line with the nutrition activities of the Ghana Government and (b) a request for a short-term team of experts to assist the USAID prepare a nutrition program. A description of the nutrition situation in Ghana and the USAID program are provided below.

### 1. INTRODUCTION

A nation facing the problems of development requires all the human resources its population can provide. It is generally recognized that a healthy, alert and energetic person is a better worker than a sickly, lethargic, or retarded person. The difference between the two may not be the food they eat, the lethargic person could be suffering from bilharzia, for example, but food is an important factor. Proper nutrition is particularly crucial to the young child for it has not only been established that protein and vitamin deficiencies are a major cause of infant mortality but it is now generally accepted that improper nutrition in the first few years of life can result in mental retardation. A nation which is not attending to the nutrition of its young could be insuring a sub-standard population with the attendant costs in terms of human life and lost productivity.

### 2. THE SETTING

As no detailed nutritional survey has yet been conducted in Ghana, comments on the nutritional level are largely based upon illustrative data. However, it is known that except for a few parts of the country and especially at the end of the dry season, there are few hungry or starving persons in Ghana. There is sufficient food to maintain caloric intake at acceptable levels; however, the nutritional quality of the diet is known to be low. The basic foods are starchy - cassava, millet, sorghum, corn, and rice - and the proteins included in the diet are largely vegetable proteins. Indications of a poor nutritional level are provided by high infant mortality rates (160 per 1,000 live births), iron deficiencies, and widespread anemia. The prevalence of kwashiorkor is dramatized by the fact that the word for the disease itself is taken from Ga, the language of one of the tribes in Ghana. Lactating mothers and children are the most vulnerable groups since the highest quality foods are reserved for the men.

Much of the thinking about improved nutrition in countries like Ghana is handicapped by the fact that writing about nutrition has been done largely in

terms of the food situation in the developed world. There, proper nutrition has been insured by variety in the foods eaten; "Eat one each of the seven basic foods a day" is drummed into the head of every school child, and the foods are readily available in the market place. In a country with a largely subsistence agriculture where meat, fish and milk are at a premium, providing the variety of foods necessary is impossible. Cheap, simple methods must be found to improve the quality of the foods already available.

### 3. POSSIBILITIES FOR IMPROVEMENT IN NUTRITION

While an improved standard of living is the ultimate solution to the problems of nutrition, the short-term answers in this area lie in improved technology and education: Technology to improve the quality as well as the quantity of crops grown, technology to provide a wide range of cheap methods to enrich and fortify foods, technology to improve food processing practices, while education teaches the cook to improve her methods of preparation, and to make the most of the choices of foods available to her. Modern research has greatly increased the number of ways in which the problem of improved nutrition can be attacked. Improving foods in a subsistence economy is primarily possible only through improved varieties of crops. In the past, the plant breeder aimed primarily for production and sometimes for the avoidance of disease. Now, it has been discovered that it is possible to alter the protein content in plants, and breeders think it is practical to grow such crops as a corn which is high in lysine, an essential amino acid. Secondly, new and much more useful products for fortifying foods have been developed. Fortification is using a food as a carrier of a nutrient which is not native to it but is required in the diet. Lysine can now be produced synthetically, which has resulted in a sharp drop in prices, new methods of extraction have resulted in protein concentrates made from soy beans, including soybean 70, which is 70 percent protein and soy isolate which is 95-98 percent protein, and new methods are being found to produce fish protein concentrate more cheaply. However, it is necessary to find a food that people buy in order to add fortifying elements and this is difficult in subsistence agriculture.

Education to improve food habits and an availability of the proper foods at a low price are the long-term solution to the problems of nutrition. Housewives can be taught to prepare food so as to conserve the nutrients already in it, or to blend foods with different nutrient properties together to create a whole protein which the body can utilize. Education is also needed to train adults in proper methods of child feeding, and to convince them of the importance of children's diets. This type of education is a slow process since it involves changing basic cultural habits. A vast infrastructure would be required to reach the housewives in rural villages.

#### 4. AREAS OF OPPORTUNITY IN GHANA

##### a. Coordination of Family Planning and Nutrition Programs

The resources of a developing country are strained, and few resources can be found for activities such as improved nutrition. At the same time, the resources of countries providing aid are usually directed into capital projects or into areas where there is an easily apparent return, preferably in the short run. If nutrition projects are to receive any support at all they must be pragmatically developed to take advantage of every opportunity for support. Consideration should therefore be given to the integration of family planning and nutrition programs since the fertile woman is the principal target of both. Family planning is the more important of the two activities; however, nutrition programs can be used to contribute to their success. Efforts are not being made to reduce populations purely to reduce them, but as the GOG policy paper on Population Planning for National Prosperity points out, to insure that there are sufficient resources in the country to provide an acceptable standard of living for all. Nutrition programs are likely to be more appealing to the mothers, and population planning programs could benefit from coordination with them. In addition, the infrastructure of maternal and child welfare clinics which has already been developed (see discussion under Title II section below) could provide points of departure for the family planning program in the rural areas.

##### b. General Targets

There are other areas of opportunity for improving nutrition in Ghana; for example, the two newly opened flour mills in Ghana could be used to fortify the bread available in the markets. Since Ghanaians already demand a high protein flour which has been provided by using superior grades of wheat, consideration should be given to the possibilities for increasing the protein content of the flour through fortification. Part of the cost might be absorbed by the ability to use lower grades of wheat to achieve the same results. One of the flour mills is part of a food processing complex which is to open in the near future. Included in the complex are a canning and a margarine factory which might also be used for fortification purposes. However, all these suggestions would primarily benefit the urban populations since processed commodities are not widely used in the rural areas. There, the small local mills used for grinding corn or millet might be used as the source of fortification. In addition, the possibilities provided by fortified salt or high protein soft drinks should be explored, since these two items are generally available in all parts of Ghana.

## 5. THE USAID PROGRAM

### a. Redirection of the Title II Program

To date, the principal nutrition activity of the USAID Mission in Ghana has been support of the Title II program. This program which reaches 180,000 persons annually, is administered by Catholic Relief Services and Church World Service. Child feeding and maternal and child welfare clinics make up the bulk of the program and account for 82 percent of the recipients. Although the program is well conceived and directed, concern has been developing over institutionalization of the program within the Ghanaian system. If plans for the 'green revolution' are a success, it will be impossible to justify the provision of food aid after five years. It is expected that the program will remain at the present level through FY 72 and then scale down to phase-out at the end of FY 74. However, the institutions presently receiving support will probably not have sufficient resources to purchase the commodities required in the local market place. Domestic resources, both private and public, will have to be found if their activities are to continue. One possibility which the Mission is seriously considering would be to integrate the CWS and CRS programs with the activities of the Nutrition Advisory Board. This Board was created by the GOG to coordinate the activities of the various governmental agencies involved in nutrition programs. Under this plan, CWS and CRS would begin as full members of the board but would gradually move into an advisory position as the Ghanaians assumed more responsibility for the program.

The other area of concern is with the commodities provided. They consist of bulgar wheat, the blended food CSM, non-fat dry milk, and vegetable oil. Except for vegetable oil, none of these commodities are likely to be produced locally within the near future. One of the reasons these commodities were chosen was to insure that the commodities provided would be as little a disincentive to local production as possible. No problem is presented in terms of institutional feeding programs, but the fact that bulgar wheat and CSM are not available in the market place tends to negate the educational element of the maternal and child welfare clinics. Little is gained by teaching a mother that bulgar wheat will provide her child with needed nutrients and how to prepare it, if she is unable to buy the commodity once the program is withdrawn.

The Mission is presently preparing a PROP for the Title II program which will deal with these problems, and adjustments will probably be made at the time the FY 71 AER is prepared. It is also hoped that incentive grants to voluntary agencies to expand nutrition activities will become available for use in Africa as well as the other regional areas. They could be quite useful in expanding the excellent system of maternal and child welfare clinics which the voluntary agencies have developed.

b. Planning for the Future

At present, the Mission has no technical ability to carry out a broader nutrition program. Therefore, in order to take advantage of the possibilities for improved nutrition in Ghana, the Mission may request that a short-term team of experts be sent from Washington to review the nutrition situation and prepare proposals for GOG and USAID activities in the area over the next three years. Consideration will be given to possibilities for use of 104(h) funds and for the development of a small nutrition project to begin in FY 1971.

## C. POPULATION AND FAMILY PLANNING DEVELOPMENT IN GHANA

The past two years have been a period of rapid development in the population field, bringing Ghana to the threshold of a practical action program to curb population growth. This is a radical change from the position of a few years ago when the need for such measures could be frankly and comfortably discussed with only a handful of officials. What follows is a rundown of the more salient recent developments plus a discussion of the possible shape of population-related activities over the next five years with particular emphasis on their implications for AID.

### 1. RECENT DEVELOPMENTS AND FUTURE OUTLOOK

#### a. Government Policy and Program

After more than a year of preparation, the Ministry of Economic Affairs completed the Government policy paper entitled Population Planning for National Progress and Prosperity (reported in Accra A-117) and published it this past April. The paper announces a Government policy of emphasis on quality rather than quantity in its approach to population matters. More specifically, the paper promises an action program "to provide information, advice, and assistance for couples wishing to space or limit their reproduction, which will be educational and persuasive, and not coercive." However, the seriousness of the Government's intent is underlined by the paper's announcement of the Government's decision to modify employment policies: (a) by restricting maternity leave to employees of a year or more, (b) by limiting the number of paid maternity leaves per employee to three, and (c) by paying children's allowances to Government officers for only the first three offspring and by (d) limiting to three the Government's responsibility for the travel expenses of officers' children. Somewhat surprisingly there has been very little adverse reaction to these provisions and almost no public opposition to the wider population policy paper. This may be related to the fact that the new government policy is exhaustively justified on economic, social and health grounds.

The last section of the paper, headed A Population Policy for Ghana, provides a preview of the Government's approach to developing a full blown policy and program. It advises that the Government plans to formulate "specific and quantitative population goals." Most interesting is the Government's wide perspective on the problem. In the context of population policy, the Government plans to increase the participation of women in education and in the economic and social life of the country in order to provide alternatives to child-bearing and mothering as a means of self-expression. The paper also expresses concern about

internal migration from rural to urban areas and about large scale of immigration of unskilled labor into Ghana with the result that immigrants from other African countries may now represent seven percent of the population. The Government intends to address the first problem by the already announced decentralization of Government-administration policy and by stressing the location of new industrial and other development projects in smaller cities and towns. Regarding the second problem, it announces its intention that immigration "will be used primarily as a means of obtaining needed skills and stimulating social and economic development."

Even before the policy paper was published the Government had plunged into the task of translating the policy into an action program. This work is being carried out by a sub-committee of the Manpower Board which has co-opted members from a wide spectrum of fields within the Government and from private life. Now chaired by the secretary to the Manpower Board, the committee has on it representatives of the Ministry of Health, the Department of Social Welfare and Community Development, the Ghana Medical School, and the Demographic Unit of the University of Ghana, and the Planned Parenthood Association of Ghana. One member, a lady officer of the Department of Social Welfare and Community Development, attends in her capacity as a woman while the Department is represented by its Director. This body has not yet finished its work. However, informal discussions with some of its members indicate that a consensus is emerging concerning the kind of program that is required.

It appears that the organization and structure of the program will be founded on two stark realities of the Ghana scene. First, field work will have to be carried out by the existing staff of a variety of public and private agencies due to manpower stringencies. Secondly, the leadership and coordination of program, if it is to have the necessary purposiveness and force, must be independent of the special interests and conflicting priorities of the command structures of the ministries responsible for the services which will form components of the action program. Thus the GOG is moving toward the establishment of a high level interministerial board which will have responsibility for refining population policy, developing a program, directing its implementation and evaluating the results. Under the board would be a relatively small central staff responsible for coordinating the activities of many agencies in the overall program. This staff will probably have senior officers in charge of such major components of the program as family planning services, supplies and equipment, staff training, evaluation, publicity, education, and motivation. As presently envisaged, family planning services featuring a variety of contraceptives, but emphasizing the pill, would be provided through Ministry of Health hospitals, health centers and clinics, private (Mission) hospitals, the Planned Parenthood Association of

Ghana (PPAG), private medical and paramedical practitioners and commercial channels (for condoms and, through a coupon system, the pills). Other services and activities would be similarly delegated to appropriate public and private agencies. For instance, Ministry of Health, Department of Social Welfare and Community Development and Ministry of Agriculture field workers would all have a role in educational-motivational work. However, supplies and equipment would have to be stocked and distributed centrally.

Given the apparent zeal and industry of those associated with the new policy, it is probably not over-optimistic to expect the new program to be announced within the next month or two (a family planning week is being planned for early August) and, despite some uncertainties arising from this Fall's elections and the return to civilian government, to be operational by early CY 1970. During the intervening period the main tasks will be to recruit the members of the central program staff, organize the specific working relationships between the many concerned agencies, to establish in-Ghana orientation and training programs, obtain and distribute initial stocks of contraceptives and other supplies and equipment, and begin publicity, education and motivation operations. The policy paper cites as the probable annual cost of population program as between N¢250,000 - 500,000. Despite lumpy start-up costs, it is probable that the budgetary requirement of the first year of activity will be closer to the low end of this range. However, it is difficult to conceive how a truly national program, once it is developed, could be operated for as little as N¢500,000 annually even assuming that many costs are avoided by incorporation of family planning into other ongoing programs. For several years to come it would seem likely that there will be heavy costs associated with training. For instance, it is obvious that it will not be possible to operate a large volume national program, unless nurse-midwives, and possibly other para-medical personnel, are trained to insert IUD's. Also, it is tentatively planned that about one-third of the program budget will be spent on publicity, education and motivation in recognition of the strong pro-natalist bias of Ghanaian culture and of most Ghanaians. Assuming that the Government will have to purchase most of the supplies of contraceptives and other supplies and equipment, subsidize commercial distribution of contraceptives and offer incentive payments to program workers, it is not difficult to envision the annual cost of the program going well over N¢500,000 and possibly approaching the N¢1,000,000 mark as the program gains momentum.

b. Post-Partum Program at Korle Bu

Professor Bentsi-Enchill of the Obstetrics-Gynecology Department of the Ghana Medical School will be operating a post-partum family planning services and research project at Korle Bu Hospital in Accra under a N¢16,000

grant from the Population Council. Korle Bu, which doubles as the teaching hospital for the Ghana Medical School in addition to being the central Ministry of Health hospital for the country, handled an estimated 10,000 deliveries during the past year. The grant will permit the hiring of a full-time clerk for records keeping and a part-time staff of three public health nurses and five to six nurse-midwives. This staff will offer family planning advice and assistance to each woman after her delivery and will maintain contact with those who accept or indicate interest after they leave the hospital. Like other post-partum programs, family planning services will be provided to referral cases as well as the post-partum cases. The remainder and largest part of the grant is in the form of contraceptives for the program. This promises to become the first family planning activity of significant volume in Ghana. It will offer a training ground for virtually the whole gamut of field workers required for the new Government program and could also be used to a limited extent as a laboratory for education-motivation techniques. It can easily be spread to each of the large hospitals serving Kumasi and Sekondi-Takoradi. Supplementing PPAG clinics, these hospitals might then double as the initial service centers for the early phases of the Government program concentrated in the major urban areas.

c. The Planned Parenthood Association of Ghana (PPAG)

During the past year, the PPAG has formed a new chapter in Cape Coast so that there are now active chapters in Accra-Tema, Kumasi, Sekondi-Takoradi, and Cape Coast - the four largest urban areas in Ghana. To the secretary of the national association, they have recently added a second full-time professional staff member who will coordinate PPAG family planning activities in the Accra-Tema area. More significant perhaps is the fact that the PPAG has recruited 12 field workers whose job will be to recruit acceptors in each of the four urban centers. Since the six field workers in the Accra-Tema area entered on duty, there has been a marked increase in the number of new cases cared for at the headquarters clinic. Compared to levels of between 40 and 50 new cases per month between October 1968 and February 1969, this clinic handled 129 new cases in March, 97 in April, and 141 in May. PPAG is also preparing to open two clinics in convenient locations in the two most densely settled working class sections of the city.

PPAG has played a very constructive role in the development of the new government policy and program. Several of its members made important contributions to the design of the action program. As an organization, PPAG's policy is to cooperate fully with the Government as a coordinate arm of forthcoming action program, and it has agreed to help provide the initial supplies

of contraceptives that will be needed. It seems likely that those in charge of the Government program will occasionally have reason to rejoice that they can call upon even a small organization whose activities do not fall under the jurisdiction of a government ministry.

The PPAG has received a second grant from the International Planned Parenthood Federation (IPPF) in the amount of \$119,227. Part of this amount is financed from the two AID grants to IPPF. \$81,000 (\$40,000 from AID) will finance the PPAG budget during the coming year. The remaining \$38,227, all from the AID commodity grant, will provide contraceptives and other needed supplies and equipment.

The PPAG presently has or will have within the near future the following supplies of contraceptives: 23,000 IUD's, 60,000 cycles of pills, and 127,000 single condoms together with more modest supplies of diaphragms, jellies and foams.

The PPAG has reduced its charge per loop insertion from NC4 to NC2. Both in the matter of charges for services and of marital qualifications for family planning assistance, the PPAG can probably be expected to conform to whatever guide lines, hopefully liberal ones, are laid down for the Government program.

d. Demographic Developments

The AID financed demographic sample survey is progressing most satisfactorily despite last fall's heavy rains which played havoc with the initial field enumeration of the sample areas and the late arrival of the three vehicles that were financed by the GOG through the CIP. These problems were overcome with improvisation that often bordered on ingenious. Also, it can be said that the field enumeration and the year-long complete registration of vital events now in progress in the sample areas have enjoyed a closeness of supervision that would probably be a credit to any group of demographic field researchers in the world. At present the staff of the Demographic Unit is engaged in editing and coding the results of the first enumeration. This must be completed during the summer so that the questionnaires can be returned to the field enumerators in time for this fall's enumeration. A random sample of 20 households for each region was selected for early editing and coding. These data are now being tabulated and will give a preview of the results of the first enumeration within a few weeks.

Turning to the longer term prospects for the Demographic Unit, several possible roles and directions of development are possible. These are



has recently published a monograph entitled Dynamics of Population Growth in Ghana. Based largely on previously unpublished data from the post enumeration survey (PES) carried out on a five percent sample of the population following the 1960 Census, it presents some sobering findings. His analysis of the 1948 and 1960 census data together with the PES suggests that Ghana's average natural rate of population increase was probably 2.7 percent during the intercensal period. However, if one assumes that mortality in Ghana falls off consistent with the pattern employed in UN models, i. e., an annual increase of average life expectancy at birth by 0.5 years, then it may be that the crude death rate has fallen from the estimated 23 per thousand in 1960 to 20 per thousand in 1969. If in addition it is assumed that the crude birth rate has remained at 50 per thousand since 1960, the national rate of population increase would be 3.0 percent, and, taking migration into account, the total population growth rate might approximate 3.5 percent. Assuming that fertility declines by 1 percent per annum and mortality declines in accordance with the UN models, Mr. Gaisie calculates that the average national rate of population growth between 1970 and 1975 will be about 3.2 percent and would begin to decline after 1975. Assuming that only mortality declines, the average rate of natural increase from 1970 to 1975 is still about 3.2 percent, but the rate continues to rise through 2000 at which time it would be about 3.9 percent. Obviously, something would have to give under this assumption, and it might be that fertility would begin to decline due to attitudinal changes growing out of population pressure on family and national resources and social services. It could also happen that unchecked population growth could cause mortality to go back up as general conditions and health and social services deteriorated.

During the early and middle 1960's several KAP studies were conducted on small samples of rural and urban populations in Ghana. The studies were carried out by two Population Council researchers associated with the Demographic Unit. In 1963 Mr. John C. Caldwell conducted one survey of 709 rural households and another of about 600 husbands and wives among the urban elite in Ghana's four largest urban centers. During 1965 Mr. D. I. Pool conducted a KAP study of a sample of 2700 urban females and 300 males drawn from a cross section of socio-economic classes. The Caldwell urban elite study was recently published in a book entitled Population Growth and Family Change in Africa. Until recently the results of these studies have been only fragmentarily reported. These studies and others in other african countries indicate that ideal family size is very large compared to other areas of the world and knowledge and practice of contraception comparatively low. Taken from a soon to be published paper by Mr. Caldwell entitled The Control of Family Size in Tropical Africa which

summarizes and compares the results of the Ghana studies with similar ones in Nigeria and Kenya, the following table provides a comparison of attitudes in Ghana with an international range for Asia, Latin America and North Africa:

	International	Ghana		
	Range	Rural	Urban	Urban Elite
Ideal Family Size	3.2 - 5.0	7.5	-	4.3 - 6.1
Percentage wanting 4+ children	25 - 80	98	94	88 - 89
Percentage wanting 5+ children	10 - 53	82 - 83	68	56 - 67
Percentage who have never practiced contraception	1 - 24	3	8	33
Interest in learning about family planning	66 - 73	23	40	54 - 65

These figures suggest that significant fertility reduction in Ghana, when it occurs, will owe a great deal to measures aimed at changing prevailing attitudes regarding ideal family size. The tentative intention of those preparing Ghana's family planning program to allocate roughly one-third of the budget to publicity and education-motivation activities would seem to be vindicated to the extent that this is considered a high proportion of such expenditure in comparison with other national programs. However, it may well develop that the impact of the program on the bulk of the non-elite urban and rural populations will depend on the development of appropriate methods and the allocation of even higher proportions of budget expenditures for effecting attitude changes.

e. The Ghana Medical School's Danfa Rural Health-Family Planning Pilot Project

This project will, during the next four - five years, demonstrate and test techniques for the integration of family planning into rural basic health services and provide field training to Ghana Medical School students. In addition, it would supplement Ministry of Health training facilities for para-medical personnel concerned with rural health and family planning services.

The project would be carried out by the Medical School in cooperation with the Ministry of Health. Under an AID-financed university contract, a technical advisory services would be provided by a team consisting of a physician with a family medicine orientation, an epidemiologist, a statistician, a health educator, and a laboratory technician with cytology training. Based on evaluation of the results achieved by various approaches in Danfa and other pilot and control areas, the techniques developed at Danfa will be recommended for gradual extension throughout Ghana. Assistance will be provided by the health educator in incorporating the wider methodology and specific techniques developed and proven at Danfa into the curricula of the training programs for para-medical rural health personnel. The U. S. project technicians and Ghana medical school personnel would cooperate with the Ministry of Health in incorporating the lessons of the Danfa experience into rural health services policies and programs.

One of the more interesting and useful features of the Danfa project is that it can be expected to yield some concrete knowledge regarding whether, and by how much and what kinds of effort and expense, the strong pro-natalist attitudes and practices prevalent among rural Ghanaians can be significantly changed. It is apparent that unless the means can be found to produce significant changes in the fertility attitudes and practices of most groups in Ghana, family planning activities in Ghana will not have significant influence on the natural rate of population growth for the country as a whole.

## 2. AID ASSISTANCE TO FAMILY PLANNING AND POPULATION ACTIVITIES IN GHANA

### a. Participant Training

Training seems likely to continue to be a very useful tool for fostering the success of the broader aspects of the new family planning program and attendant activities in Ghana. Over the next two to three years, it will be necessary to provide training outside of Ghana for cadre needed to operate the large in-Ghana staff training programs associated with the new program. During the past year, USAID/Ghana has made a beginning by financing several training programs that promise to contribute directly to the success of the new action program. Two such programs are the training of two members of the Social Welfare and Community Development staff college and of a nurse-midwife who will be associated with the post-partum program at Korle Bu Hospital. In addition, one staff member of the PPAG and a health education officer of the Ministry of Health were sent to the Family Planning Mass Communications Conference in Bangkok. USAID/Ghana is also sending

one member of the Demographic Unit staff to the Population Program Evaluation course at the University of Chicago. Now that the Government's family planning policy has been announced, and once the details of the action program are worked out, the volume of such requests can be expected to increase sharply. Some of the fields in which cadre training will be required are population program evaluation, family planning services and clinical skills for nurse-midwives, education-motivation and mass-media and publicity techniques in relation to family. At the same time, it can be expected that level of participant training requirements associated with ongoing activities such as the census and developing the Demographic Unit will continue at the present level. Bearing in mind that UNDP and the Ford Foundation will also finance a large share of these training programs, USAID/Ghana will request about \$100,000 for population training in addition to the requirements of the Danfa project during FY 1970 and about \$150,000 in FY 1971. After 1971 the importance of training to the success of the national program should diminish.

b. Technical Personnel

Technical advisory or OPEX personnel will probably be needed in connection with some of the top specialized jobs in the national program. However, it is hoped that the Government will attach sufficient priority and incentives to these jobs to attract the best Ghanaian administrative and technical talent. In this area it will be important to follow the lead of the Ford Foundation which has provided important assistance in the development of the Government policy and program and is expected to continue to play the leading technical advisory role in this area. On a contingency basis, AID will request funds under Project 051 - Family Planning and Demographic Data Development -- for one two-year OPEX contract to be funded in FY 1970. USAID/Ghana has already requested FY 1969 funds to finance a technical assistance contract with a top U. S. school of public health to assist in the execution of the Danfa Project. In addition, a regional AID population officer for Africa has been assigned. He will be stationed in Accra.

c. Procurement of Contraceptives and Other Supplies

Turning to the subject of commodities, AID can play an extremely useful role in safeguarding the present momentum of the Government action program by providing the contraceptives and clinical supplies needed for the first year's operations of the Government program. Use of the CIP or commercial channels appear likely to introduce very undesirable delays in mounting this action program. However, the first year's supplies could

probably be delivered quite expeditiously through one of the existing grants to the Pathfinder and/or the IPPF. The tentative requirements for contraceptives are 200,000 cycles of pills and 50,000 loops and inserters. These, together with the amounts available from PPAG stocks, would probably be enough to provide an initial inventory and fill the distribution pipelines to the point that time would permit subsequent procurement of supplies to be carried out through commercial channels, the U.S. Commodity Import Program (CIP) and other donor program loans. The codes necessary to the procurement of contraceptives are incorporated in the CIP loan agreement and the commodity procurement instructions.

d. Financing Local Costs

AID is already financing local costs of family planning and population activities through a variety of means. Through AID grants to the Population Council and the IPPF, AID is financing significant portions of the local costs associated with the new post-partum program at Korle Bu and with the whole range of PPAG activities. It may be that succeeding years' costs of the Korle Bu post-partum program and of its extension to other hospitals could be borne by the GOG budget. However, it will be a long time before PPAG can rely significantly on local sources of finance without sacrificing its independence as a private organization. In both cases, AID should be prepared to continue indirectly financing these costs until family planning activities in Ghana have a secure place in the national system of priorities. This is particularly true of the PPAG whose private nature may permit it to use methods that differ from those of the Government program. The existence of the PPAG as a private operational agency could prove very beneficial should the new government have or develop significant weaknesses, for example in the area of publicity and educational-international activities. Under such circumstances AID should be prepared to provide the resources needed by PPAG to compensate for any possible weaknesses of the government program or to pioneer in the development of new, possibly controversial methods (e.g., payment of incentive fees to field and service workers) which would have to be proven before they could be incorporated into a government program. Special PPAG projects could be funded with bilateral dollar appropriated funds similar to the financing of the demographic sample survey while normal operating expenses should continue to be financed under the AID grant to IPPF. Even if the Government program were perfect, the continued independent existence of the PPAG will serve to expand the volume of family planning activity beyond what can be accommodated within the frame work of government programs and managerial capacity. It also provides an additional vehicle for international support and the mobilization of local private energies and resources.

Looking at the family planning-population expenditures that will occur within the framework of the GOG budget, the main resource the Mission and the GOG have at their joint disposal is the U. S. -owned local currency and the GOG-owned counterpart local currency generated by the PL480 Title I and Commodity Import Programs. The GOG authorities are preparing the 1969-70 budget on the assumption that about N¢30 million local currency and counterpart will be available.

In the fall of 1969, PL 480 Title I Section 104(h) grant funds will become available to finance population-related activities in Ghana. The present formula is that up to 5 percent of the local currency generated by Title I sales can be made available on a grant basis for qualifying activities. Otherwise these funds are available on a loan basis. Given this incentive factor and the fact that the availability of 104(h) funds will not begin to match the needs of qualifying activities even during 1969-70, USAID/Ghana will give first priority in allocating these funds to budgetary items associated with population activities in which AID has a special interest rather than to the development budget expenses of the core population program. Activities of special interest to AID would include biennial demographic sample survey enumerations and other work associated with the evaluation of the GOG action program and the Danfa Project, equipping the Danfa Project and completing its construction and extending the post-partum program to other important hospitals in Ghana. The next PL 480 Title I sales agreement should provide between N¢500,000 and N¢750,000 for use during 1971-72.

ANNEX IV

INFRASTRUCTURE

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## ANNEX IV

### INFRASTRUCTURE

#### A. Introduction

The FY 1969 Program Memorandum presented a detailed description of the various segments of Ghana's infrastructure as well as an outline of the major problem areas and suggested steps for overall improvement. Annex IV of the FY 1970 Program Memorandum traced the major problem areas. It identified inadequacies in planning techniques, managerial capacity, and technical and professional manpower as the major obstacles to the efficient operation and development of the infrastructure sectors. As far as they go, these presentations continue to present a valid picture of the present status of Ghana's infrastructure.

However, things have not stood still. The three sector studies of water resources, transportation and telecommunications were launched in January 1969 and are now fully underway. The Phase I reconnaissance reports for water resources and transportation were submitted on May 13, 1969 and are now being reviewed by the GOG, AID/Washington and USAID/Ghana. A reconnaissance report had earlier been prepared for the telecommunications sector; hence, the study of this sector has been fully underway since January 1969. In order to cope with the tight schedule which has them submitting their reports by mid-1970, the sector consultants are proceeding with the non-controversial aspects of their work even though the precise scopes of work are still negotiable pending the completion of the review of the reconnaissance reports and final contract arrangements.

USAID/Ghana's strategy remains essentially the same as that outlined last year. The sector studies remain the chief element of that strategy. Once the sector studies are complete, USAID/Ghana proposes on a selective basis to assist the appropriate agencies and the GOG in implementing its key recommendations. In this connection, the main tools we have at our disposal are: (a) grant financing for OPEX personnel, participant training and feasibility and management studies; (b) the Commodity Import Program (CIP) loan which can be used to finance imports of supplies and equipment from the U. S. and (c) PL 480 Title I local currency loan funds and PL 480 and CIP counterpart funds which can be used through the GOG budget in support of development expenditures.

However, the lynch-pin and presently the only truly operational element of the U.S. strategy for the infrastructure sectors are the sector studies. All the other elements depend on the timely completion of the studies, the usefulness of their findings, and GOG decisions to implement their recommendations. Therefore, this year's Infrastructure Annex will be devoted to evaluating the recently completed reconnaissance reports for the transport and water resources sector studies as well as the experience thus far with all three sector studies. The discussion which follows will be geared to some of the key issues and problems affecting these sectors as seen from USAID/Ghana's perspective.

The dominant facts of life affecting Ghana's infrastructure are the outlook for only intermittently relieved shortages of external and domestic financial resources over the next five to ten years and the primacy of agriculture and industry's claims to whatever resources will be available for development. As a result, we believe, most major development investments will take place in agriculture or industry, and any significant additions to the present infrastructure system will have to be justified in terms of breaking bottlenecks for the directly productive sectors. Moreover, it would appear that most reconstruction and development projects in these sectors will have to be self-financing or promise to yield early returns.

With few exceptions the major input to infrastructure over the next five years should be in the general area of building viable organizations and improving the calibre and capacity of top level people to manage these organizations. Related development expenditures will involve principally reconstruction and rehabilitation of existing facilities and the minor inputs necessary to properly utilize, consolidate and maintain the present systems and networks. In addition to the Golden Triangle Highway Program, major infrastructure development projects will most likely be restricted to water supply and telecommunications where, in addition, heavy expenditures will be required to improve management of existing resources and facilities. It is also possible that a beginning will be made on rural electrification.

The next five years hopefully will see a reconstructed and only slightly expanded infrastructure system almost in balance with the actual requirements and with stable institutions poised to take on the job of the development and management of a more efficient modern infrastructure system. Hence the most immediate task of the sector studies is to lay the policy base for rationalized management and organization of infrastructure development. This and the related need to remove significant barriers to the development of agriculture and industry should form the main criteria for formulating projects and

programs in the infrastructure sectors.

## B. Critique of Sector Study Reconnaissance Reports

### 1. Water Resources Sector Study

a. General. The Water Resources Sector Reconnaissance Report prepared by the Nathan-Harza Group meets the contractual and the actual requirements of the initial phase of the study in every major respect. With minor exceptions every field of development was investigated in a depth and detail sufficient to evaluate the problems and make comprehensive recommendations. Where additional study is necessary prior to formulating concrete recommendations, the report sets out what is required and how the team proposes to complete the work. In general the study is further along than we originally hoped at this point and we are confident that the ultimate purpose of the study will be realized.

This is not to say, however, that there have been no difficulties in the conduct of the study thus far. The most significant shortcomings are the following: (1) the failure to reach useful judgments early enough to influence the FY 1969/70 development budget, and (2) the failure to make an appraisal of the operating agencies. Both of these seem to be primarily a function of the team's late arrival in the midst of the Ghanaian fiscal year and the tight time frame. However, they do point to the necessity of focusing attention during Phase II on the key policy questions which either are or should be faced by Ghanaian decision makers. The consultants' findings in these areas should be submitted in the form of interim reports. It is also in Ghana's interest that the consultants focus on the staff training and technical assistance that various elements of the water resources system will need. These steps will help to hasten implementation of the water study's recommendations.

b. Water Policy, Management and Control. The complete separation of policy and control functions from actual planning, data gathering, research, and development is a major recommendation of the reconnaissance phase of the study. The reconnaissance report recommends establishment of a slightly revised Water Resources Commission having purely policy and regulatory responsibilities, while the Ministry of Lands and Mineral Resources would remain responsible for overall river basin planning and coordination of specific multi-purpose development schemes. Actual design and implementation of projects would be the sole responsibility of the various agencies charged with the field operations in water supply, hydroelectric power and irrigation.

An effort has been made during the reconnaissance study to review in a very short time the present conflicting and overlapping organizations operating in the water resources field in Ghana. The recommendations are sound and might usefully be more fully developed in a special interim report. Once they are accepted, the GOG should move to implement them as soon as possible. Early implementation will permit appointees at all levels to work with the Sector Team during Phase II and allow USAID and other donors to plan long-range training for members of the various organizations.

The reconnaissance report also recommends adoption of a standard economic evaluation procedure for water resources development. Such a procedure would be developed during Phase II and issued as an Interim Report. This work should be coordinated with similar work being undertaken by the Harvard Group in the Ministry of Economic Affairs. This report should be prepared and issued by the Nathan Consortium in the form of general policy recommendation, since its relevance is not limited to the water resources sector. The recommended procedure, of course, should be developed and approved within the consortium as soon as possible to permit its use in detailed evaluation of the large number of existing reports.

c. Ghana's Water Resources. Through an exhaustive study of existing data, the reconnaissance report reaches the conclusion that Ghana most likely has adequate ground water resources for its rural inhabitants. However, present knowledge of Ghana's groundwater resources is completely outdated. In the past a combination of expensive and mismanaged drilling operation, unscientific site selection, unreliable testing practices and results, unnecessarily high target yields and an apparent preference for surface water schemes have combined to virtually eliminate ground water from consideration. This elimination was made in many cases without adequate justification. Current surface water plans for Greater Kumasi, for instance, would result in supplies to outlying towns at a cost of NØ 56 per capita. A more complete evaluation of groundwater potential in some of these areas based on current American practice using modern equipment and reasonable costs might yield a different economic solution to meeting these needs.

As noted earlier, major water resources development over the next few years will be concentrated in the field of household water supply. Recent high level Government policy pronouncements indicate that high priority will be given to meeting rural water requirements. The consultants will work out a comprehensive program for an initial groundwater study and rural water development as early in Phase II as possible. The consultants' main tasks will be to define clearly the operational and economic magnitude of the problem, outline a financial approach and recommend a rate of development that is realistic in terms of the shortage of Government financial resources. As a

minimum it will probably be necessary to keep the Government subsidy for development of groundwater supplies to a minimum and insure where feasible that operation and maintenance are paid for by the users. The program must then be organized into technically and financially manageable units. Most likely a new organization will have to be created to handle the program. The suggestion that the organization should be a semi-autonomous body located within the Ghana Water and Sewerage Corporation is receiving favorable consideration; however, some thought should also be given to establishing it as a separate operation, possibly under the Ministry of Rural Development. In order to be successful, the program will require (1) new and rehabilitated equipment, (2) sophisticated geophysical well siting methodology, (3) revised, modernized and costly logistic support, (4) extensive technical training and (5) a large input of foreign technical and managerial staff. All of these elements are somewhat alien to current and past GWSC groundwater operations. The GOG at all levels must review and approve the program with the understanding that it is a 20- to 30-year program. Once organized, staffed and launched, it will stand little chance of success unless it is protected from the usual vagaries of the annual development budget.

USAID would be prepared in principle to support a rural groundwater development program to the extent it is realistically conceived, gives promise of being soundly managed and is partially financed in fact or principle by savings earned from more efficient development and operation of municipal and industrial water supplies. The UNDP has been the primary source of technical assistance to the GWSC, the West Germans have financed some of the equipment requirements of the Corporation's rural water supply efforts to date and the World Bank is currently considering a loan for Phase II of the Accra-Tema water system. Due account will be taken of these relationships in considering how the various AID programs can assist a realistically phased and efficiently managed rural groundwater development program.

d. Water Resources Data Collection. In general the major hydrological problem encountered during Phase I was one of sorting out more data than the consultants thought existed in Ghana. Recommendations for the most part center on improving the quality of the data collected, revisions to the type of data compiled and an increased effort to develop and publish the data in a final official usable form. Unfortunately, all recommended improvements will require a greatly expanded technical and engineering staff as well as increased budgets. Details of each are to be worked out in Phase II. Considering the overall shortages of engineers and technicians, low GOG salaries for

professional employees, and overall GOG budget constraints, it would seem appropriate if the consultants could make their final recommendations in a preliminary interim report within the next three months. This should give the GOG time to react to the proposal while the team is still in Ghana. Rejection or postponement of the ultimate proposal would then give the consultants the opportunity to work out improvement programs which although less than ideal could be implemented by the existing staff in the coming years.

As noted earlier, groundwater data and in fact reliable knowledge of groundwater resources in Ghana are almost completely lacking. However, the need for a geophysical unit to collect data in this area would primarily depend on a decision to embark on a systematic program of groundwater development. The costs of establishing and operating one should be weighed in the consultants' recommendations concerning a rural groundwater development effort. Moreover, it would seem that a geophysical unit should be operated by the agency responsible for rural water supplies. Present plans call for such a unit within the Water Research Unit of the Council for Scientific and Industrial Research. Considering the normal time frames for establishing such a unit and getting results, it is again extremely necessary that the consultants solidify their thinking on this matter and provide, through the Interim Report, concrete recommendations for the establishment of this unit and its early operations. Once approved by the GOG it should be possible to obtain funding for equipment purchases, training programs and advisors from various donor agencies.

e. Municipal and Industrial Water Supply. In addressing this subject the consultants first considered the outline of a water supply program and offered the judgment that annual expenditures by GWSC over the next ten years must be increased 15 times, i. e., to the neighborhood of N¢ 130 million. This is not a very useful judgment since it is utterly infeasible within the foreseeable future, given the financial position of the GOG and of the corporation. A realistic appraisal of the future availability of domestic and external financing, must be the main point of departure in framing recommendations for future water supply programs. It would also seem more useful to focus attention on how the GWSC can best organize itself to meet these needs within the framework of realistic expectations regarding the availability of manpower and finances. These realities require that the GWSC change its existing approach to one which will allow orderly, rational and continuing progress toward meeting Ghana's municipal and industrial water supply requirements. In addition to detailed analysis of water potentials and requirements the work in Phase II must be directed to evaluating the GWSC itself and making concrete policy and management recommendations designed to insure development of an efficient organization governed by sound operating policies.

As noted earlier the consultants must find a vehicle to make their recommendations as early in Phase II as possible. It is not enough for the consultants to comment that GWSC should explore the opportunities "in which private industry has shown interest" for profitable manufacture of water treatment and allied chemicals. The GOG must be presented with a concrete statement that this concept has or hasn't value for Ghana at this time and a recommendation as to the next step. If further feasibility study is warranted, it is necessary that a scope of work be prepared, objectives be established and the likely costs be defined. Local institutions, foreign lending agencies or private investment firms will then have something on which to base their reactions.

Similarly the recommendations on the formation of an organization and nationwide policy for water quality and flood control now tucked away in the last paragraph of a subsection should be incorporated in an Interim Report as soon as possible.

f. Irrigated Agriculture. The Water Resources Sector Team has been reviewing existing irrigation feasibility studies for four months and plans to spend 21.5 man-months, 18% of its total effort on irrigation in Phase II. The Agricultural Sector Team will add 11.5 man-months or 14% of their total effort. The major shortcoming of all existing irrigation feasibility studies is the weakness of the agricultural input data concerning the costs and likely success of extension services, crop yields, fertilizers, GOG pricing policies, marketing, and other requirements. Avoidance of this problem in the present effort will require early and close liaison between the water resources and agriculture sector personnel whose work will have to dovetail into recommendations concerning the place of irrigation in Ghana's agriculture during the 1970's. Since the initial question is the matter of costs and benefits, it would seem a good idea to select this subject as a target for an interim report. This will probably indicate that irrigated agriculture should have very little place in the development of Ghana's agriculture during the next ten years and it will be useful to confirm or modify this tentative conclusion early on.

g. River Basin Planning. Although no preliminary plans were developed, a firm base for river basin planning in Ghana has been established during the reconnaissance phase. Here, as in other areas, the ultimate value and use of the plans may depend on the GOG's moving quickly to define the responsibilities of various agencies. This would permit the participation of Ghanaian counterparts in the basin plan development during Phase II. An interim report based on recommendations contained in the reconnaissance report is now being prepared.

## 2. Transportation Sector Study

The transport sector reconnaissance report notes that the major problems in the existing transport system include inadequate maintenance programs, critical shortages of qualified personnel in all segments of the transport sector, and outdated management policies. All of these have contributed to the inefficiency of the transport industry. The sector team has successfully developed a base of operations for launching the Phase II study.

a. Highway Reconstruction. As a result of neglect over the past several years, many of Ghana's primary and secondary highways have deteriorated to a point where they no longer effectively handle the traffic for which they were designed; thus the sector team has strongly recommended that rehabilitation of the existing system must take precedence over any new large scale capital projects. In response to this recommendation, a "Roads Rehabilitation Committee" has been formed consisting of personnel from the Public Works Department, Ministry of Economic Affairs, and the Building and Roads Research Institute. The purpose of this committee is to develop and implement a long-range plan to salvage Ghana's existing highway system. Realizing that such a program cannot be effectively supervised with the present staff, the committee has brought attention to the fact that technically qualified persons are not attracted to the PWD under its present salary scale and that increases are urgently required. The committee and the sector team have already considered PWD's 69/70 budget and have secured large increases in both the development and recurrent budgets. In addition, using the information in the reconnaissance report, the scope of work for the road inventory, and the budget submission, the PWD has approached the IBRD concerning a possible loan for reconstruction and maintenance of existing roads.

To assist in developing priorities for this reconstruction program, the sector team has recommended that the detailed road inventory and traffic survey be undertaken immediately. The road inventory will be handled by local consulting firms under the supervision of the PWD while the traffic survey will be the responsibility of the BRRI. Information gathered from these studies will form a vital part of the Phase II report and will serve as basis for developing the long-range highway transport plan. The consultants have reviewed and approved the scope of work for the road inventory and have established zones and survey points and developed questionnaires for the O-D survey, but their main concern will be analyzing the data once it is obtained.

b. Road Maintenance. The sector report also states that a realistic budget for highway maintenance is imperative once the system is restored. Although not endorsing the use of toll roads, they have recommended that

tolls be considered as a potential source of revenue particularly after completion of the Golden Triangle. In addition, during Phase II, the report notes that the team will investigate taxation of commercial and private vehicles and will attempt to determine what proportion of revenue required could be made available from this source. Since the problem of obtaining adequate funds is of paramount importance and since road user taxes are the normal source of revenue for highway construction and maintenance, recommendations from this investigation should prove valuable.

The sector team will further focus on improving the maintenance capabilities of the PWD by providing two consultants in this area, one to investigate road maintenance policies and one to study the road plant and equipment situation. Since the absence of an effective maintenance program has contributed heavily to the present condition of the system, this appears to be a wise decision. The equipment specialist has begun a review of a detailed inventory prepared by the PWD. Foreign exchange to purchase new equipment and spare parts for the existing stock is and will continue to be in short supply. For this reason, it is imperative that a realistic plan for replacing heavy equipment at regular intervals be developed as quickly as possible. An interim report identifying deficiencies in this area should be issued when this examination is completed.

c. PWD Organization and Operating Policy. The sector report also states that the PWD organization must be strengthened to enable it to cope with the expanded highway program. As noted above, this recommendation has already resulted in an increased recurrent budget which will enable PWD to hire additional personnel. In addition, PWD is in the process of instituting a revised salary scale which should enable them to recruit qualified engineers, from abroad if necessary. New policies must be adopted whereby major reconstruction and maintenance projects are done on a contract basis with PWD providing design and supervision services only. The present organization is not equipped to satisfactorily perform these functions and must reorient its approach to these basic responsibilities. The possibility of establishing a highway department as a separate entity is not discussed. In view of the overall importance of highways to Ghana's transport system, it would appear that such a possibility should be considered. The work plan which has been developed does include a detailed study of the present organization, and hopefully recommendations will be forthcoming early in Phase II in an interim report.

d. Road Vehicles. A brief reconnaissance of the private and state vehicle fleets presently serving the transport needs of Ghana was made during

Phase I. The sector team has recognized that the present condition of these fleets presents another critical problem. Adequate time to examine the causes of and recommend solutions to this problem have been provided in Phase II. In addition, the consultants will study the relationship between the state and private sectors and the degree of governmental control over the industry to determine if there are policy changes which, if implemented, might increase the efficiency of road transport.

e. Non-Road Transportation. The Ghana Railway is in the process of being converted from a government function to a public corporation. The reconnaissance report states that definite changes in policy and operating procedures will be required if the Railway is to provide efficient service. Management executives must be made aware of the necessity of change and must be willing to alter present policies to meet future demands. The sector report notes that tariff rates have not been changed in the past ten years and that the rates for handling different commodities vary more widely than seems justified. This is partially due to the lack of proper cost accounting procedures. In addition, the present management has depended on large capital outlays for purchasing new equipment instead of seeking ways of improving operations through better utilization of existing plant. The imminent changes in the Railway make it necessary for recommendations on policy decisions to be made as early as possible. For this reason the consultants will provide an interim report on the Railway operation and have requested that the issuance of the corporate decree be timed so as to incorporate these findings. The work plan for Phase II envisages a detailed study of every facet of Ghana Railways and its relationship with the two ports of Tema and Takoradi. The desirability of a common management to direct activities of the railway plus either or both ports will receive special attention.

The Phase I report makes only brief mention of Black Star Lines and Ghana Airways. The only general conclusion reached was that the shipping and air transport industries are plagued by the same inefficient operations as the railway. Specialists in these areas have not yet arrived.

f. General Considerations. The execution of the detailed Phase II work plan should provide a report which will serve as a valuable planning guide for the transport industry in Ghana. The reconnaissance report itself indicates areas in which USAID and other donor assistance should prove most beneficial. Local currency funds now being funneled into maintenance and improvement of trunk roads and reconstruction of feeder roads will continue to be required, and PWD's increased use of the commodity import program

to supplement its heavy equipment stock would be one method of improving its maintenance capabilities. OPEX management personnel, particularly in the railway and highway transport fields, and additional training for selected Ghanaian personnel will be required to increase the efficiency of the present transport organizations. Training requirements should be noted in interim reports issued as needs are identified.

### 3. Telecommunications Sector Study

The objective of the Page Communications Engineers Sector Study is to evaluate the plant, staffing and policies of the existing telecommunications system in Ghana and to recommend improvements. If major improvement is to be achieved, it will most likely have to be accomplished through creation of a semi-autonomous GOG organization capable of financing its operations from improved revenues. Outlining the dimensions of the organization required and the external advisory effort necessary to insure its viable initial operation will be the major task of the second half of the sector study.

So far the study has consisted primarily of data gathering. This work will continue to occupy the bulk of the consultants' time over the next four or five months. As this phase is completed for each area of Posts and Telegraphs operations, the consultants will prepare recommendations for the area concerned. These recommendations will feed into the next stage of the studies and hopefully be approved for early implementation action.

Ultimately an ideal plan will be formulated and the related management and revenue/cost picture developed. From this ideal situation more limited schemes will be developed which, once they have been compared to revenues and other constraints, will permit final recommendations to be made. It is felt that the study, although a little behind schedule, is progressing very well through this stage, and that the contract requirements with regard to time, areas covered and final objectives will be met. A more thorough evaluation of the study to date will be possible after the presentation of the Interim Report which is due in early July following completion of the first six months' work.

The consultant team members have not shied away from everyday operating problems. Although this conflicts somewhat with their research and analysis responsibilities, it presents a very good opportunity for detailed investigation of the present operation of Posts and Telecommunications. The consultants have achieved a good working knowledge of the problems in each area of P&T's operations. In total, these shortcomings have a major bearing on the present poor quality of service, limited revenues, misused resources

and low morale. Each problem has been addressed in bi-monthly reports and specific recommendations have been presented for consideration. So far these recommendations seem to have received little attention, possibly because they are incorporated somewhat off-handedly in the text. The consultants' recommendations in the six months' Interim Report should identify each recommendation separately and spell it out in detail sufficient to guide implementation action. It would also be in order to request a point-by-point response to these recommendations in writing since the views of the GOG and P&T on these matters would presumably guide the consultants' work during the subsequent months of the study.

### C. Review of USAID Strategy

As stated in the introduction, the broad outline of USAID strategy in the infrastructure area will continue to emphasize assistance in implementing the recommendations of the sector studies and institutionalizing sector planning as a continuing process. Given the premium that will be placed on creating efficient organizations and realistic policies and on improving rather than expanding existing facilities, it appears that USAID/Ghana's most significant contribution over the next two years will consist of financing OPEX technicians and the training of Ghanaians to work in jobs which bear importantly on implementing the sector studies. It can now be seen that there will be needs for both kinds of assistance in PWD, the telecommunications body, a rural groundwater program (should the GOG so decide) and in the programming units responsible for all three sectors. USAID/Ghana will attach first priority to insuring that programming units are established and that their requirements for OPEX staff assistance will be met by AID or other donors. AID will also consider providing OPEX staff to assist in implementing new policies and programs of operating agencies. However, in most cases this will be contingent on USAID/Ghana's judgment that satisfactory arrangements have been made for improved planning and programming. Should there be areas where the sector studies recommendations require further elaboration, we may wish to have management studies carried out before we finance OPEX staff to work in jobs that are affected. These considerations serve to underline the importance of the consultants' preparing interim recommendations as soon as possible.

Sorting out exactly what OPEX assistance is required and which donor can best provide it, will take several months. USAID/Ghana expects to request funding for two or three OPEX technicians during the second quarter of FY 1970. Programming participant training in these areas is further advanced. However, it would be helpful if the consultants for all three sectors

would issue an interim report on training requirements. USAID/Ghana may request funds for one or two detailed management or feasibility studies by mid-FY 1970. OPEX and training assistance will be provided through project 054 - Infrastructure Advisory Studies and Staff Support. Detailed studies are budgeted under project 056 - Feasibility Studies.

USAID will continue to program local currency loan and counterpart funds in support of various infrastructure items, especially for feeder roads, in the GOG development budget. Use of the Commodity Import Program (CIP) is now limited by a variety of factors generally affecting public sector procurement in Ghana. However, USAID/Ghana and the GOG will be seeking ways in which the CIP and public sector procurement practices can be better meshed. This should help to clear the way for increased use of the CIP by the infrastructure agencies to finance the US import requirements of programs recommended by the sector studies.

ANNEX V

THE SETTING FOR PRIVATE ENTERPRISE AND  
INVESTMENT IN GHANA

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## ANNEX V

### THE SETTING FOR PRIVATE ENTERPRISE AND INVESTMENT IN GHANA

Ghana is a country where the underlying basis of the private enterprise system, namely the profit motive, or the idea of the private individual using money and resources to make more money, is as deeply inbedded an aspect of the personality of the populace in general, as will be found anywhere.

One of the most striking things about Ghana, in fact, is the omnipresence of the market place, both as a concept, and as physically manifested. Ghanaians at a very early age discover that things can be bought at one price and sold at a higher one. Sub-teenage youths, for example, besiege potential customers at gasoline stations, entrances to restaurants and theaters, and the like, to buy their chewing gum, razor blades, magazines, etc. Similarly the actual market place itself is a marvel of human activity with its generally laissez faire or "let the buyer beware" way of doing business, and its willingness to accommodate participants of all kinds.

The framework for conducting commercial affairs in Ghana, therefore, and the one which most Ghanaians undoubtedly hope will continue, is that represented by the private business world. Although orthodox socialism can be imposed by an authoritarian government on any economy and society, and Nkrumah tried his version of it in Ghana, it is a concept and formula which, generally speaking, may be considered alien to Ghanaian concepts and desires.

#### A . THE PRIVATE ENTERPRISE SETTING

The basic setting in Ghana, therefore, for harnessing the energies of the people for the development of the country through encouragement of private individual initiative is excellent. What then are the dimensions of the problems and facets of the situation which are limitative, and/or which are considerations in the formulation of policies and programs for maximizing the private input across the whole spectrum of its possibilities?

The so-called investment climate in Ghana is fairly good. It, however, could be much better. Since the February 1966 Coup, a positive announced Government policy of "encouragement" to private investors of all varieties, extending to Ghanaians, expatriates and expatriate firms in Ghana, and new foreign investors has, in fact, not succeeded in moving far from the traditional paternalistic and control-oriented attitudes of the earlier period. In other words, the climate for private investment has really not changed very markedly since the euphoric period following the coup. That is to say, that

although the Government is still definitely pledged to encouraging private investors, it has felt itself increasingly constrained by the need for close consideration of (1) the domestic political aspects of direct private foreign participation in Ghana's economic development, and (2) its notion of what constitute really desirable private investments.

The initial policy of the NLC toward private investors, particularly new foreign ones, was one of seemingly unfettered encouragement. The new government, for instance, found itself heir to a large number of state-owned facilities. Its fairly rapid decision was to encourage private investors to participate in the ownership and operation of a considerable number of these plants.

This policy was generally pursued for about a year and a half. During this period also several very significant new foreign investment projects matured to the point where their subsequent realization became possible. Among these were the Firestone investment in a rubber plantation and a tire plant, an investment by Republic Steel and Ex-Fin Trading Corporation in Ejura Farms (Ghana) Ltd., a 15,000 acre farming and grain storage operation, a French investment in the state-owned match factory, and an investment by Union Carbide in a dry-cell battery plant.

Following the Abbott crisis in the fall of 1967, however, when a joint venture between the GOG and the Abbott Pharmaceutical Company became the subject of a negatively critical local newspaper campaign and was consequently cancelled, there was a discernable pause in GOG decision-making on private investment projects followed by a critical examination and review of GOG policies for encouraging foreign investors. There was nothing dramatic that came out of this review except one had the impression that the Government had adopted more realistic guidelines, both in a political and an economic sense, concerning the kinds of investments it wanted to encourage and the areas in which they should occur. An example of this new approach to such decision-making was the way the Calbiochem (CBC) proposal in the spring 1968 for a joint venture investment in the State Pharmaceutical Plant was handled. The GOG obtained a consensus of a very broad spectrum of individuals and interests before it decided to accept the proposal.

As to the likely permanence of this general policy of relative encouragement, the leaders of the significant political parties who are vying to form a new civilian government, seem to be basically oriented towards private enterprise concepts. Either of them, therefore, should be expected to continue and hopefully improve upon the present encouragement of foreign private investment when a new government emerges.

## **B. INVESTMENT PROCEDURE**

The Government machinery for processing foreign private investment projects as in most underdeveloped countries, remains very cumbersome. The Capital Investment Act of 1963 should have resulted in a more efficient system, since practically all interested departments of the Government are represented on and participate in the decisions of the Capital Investment Board. Unfortunately, this fact has not resulted in any of these organizations relinquishing in any significant degree its own second review function when its specific approval is sought for aspects of investments which they may and often have already approved as members of the Capital Investment Board. In terms of time, this fact makes the Government approval process here very tedious and drawn-out.

The Capital Investment Board has, however, been rejuvenated and placed under new and more aggressive leadership during the past year. Its new director has been working to give practical reality to the Board's potential for a greater centralization of the approval function. The degree of success he may ultimately achieve in this effort remains, however, to be established.

Generally speaking, therefore, the U. S. investor coming to Ghana should be prepared to accept a rather extended period, at least six months or more, particularly if his investment is to involve a foreign loan repayable in hard currency (See the discussion below of the balance of payments problem), before obtaining all the approvals and satisfying all the procedures necessary to start a business here.

## **C. CONSTRAINTS ON INVESTMENT AND SOME COMPENSATING FACTORS**

Undoubtedly the most significant negative aspect of the investment climate evolves from the uncertainties created by the deep-seated balance of payments problems of the Ghanaian economy. These are the result of the many extravagant and by and large uneconomic investments made by the former regime. How to meet the consequential heavy debt repayment obligations poses the GOG with a dilemma, the solution of which is not yet in sight, and the side effects of which impinge on almost all economic activities in the country.

As they effect the investment climate, the most important of these is the difficulty the Bank of Ghana has with the question of convertibility. Every foreign investor wants to be assured of being able to convert profits and to repatriate eventually his original capital. In addition, foreign investments

often involve foreign loans that must be repaid through local currency conversions by the central bank. There is also the matter of repatriation of expatriate personal salaries, which, if not assured, creates difficulties in getting such people to come to Ghana.

This latter matter has become particularly acute in the past few months. The Bank of Ghana for several years, through its personal remittance quota (PRQ) system, has assured individual expatriate employees of local firms, the conversion and repatriation of a reasonable amount of their earnings. In February 1969, however, because of some abuses and of its ever difficult foreign exchange situation, the Bank significantly reduced the amount of the PRQ. The negative impact on the investment climate has been marked.

Offsetting the uncertainties of convertibility for the U. S. investor, so far as business profits and repatriation of capital are concerned, is the U. S. Government Investment Guaranty Program. This, for specific risk insurance, has been in effect since 1958. For extended risks it exists since 1967.

An additional offsetting factor in this area, and one which contains important other incentives to private investments, is the Capital Investment Act noted above. This law provides that qualifying projects may be accorded, among other things, up to 10 years' tax holidays, duty free import of capital equipment and raw materials, unrestricted repatriation of capital and profits, and reasonable facilities for personal remittances. The latter items concerning convertibility, however, have the caveat that they are subject to temporary restrictions to safeguard the country's external payments position.

Another area in which the balance of payments situation makes the conduct of business difficult in Ghana, and which thus has a further negative impact on the investment climate, is that of the shortage of hard currency to finance essential imports of machinery, spare parts, and raw materials. All imports into Ghana have to be licensed, and this is cumbersome enough. Where shortage of foreign exchange causes delays and inadequate responses to importer needs, the situation becomes very burdensome and can cause enterprises to suffer extensively.

This situation has been alleviated in some degree by the two AID Program Loans, as well as similar loans from a number of other donors. The U. S. Commodity Import Program (CIP) provides virtually complete access for importer needs where U. S. products can satisfy the requirement. The pipeline of funding in the two existing U. S. loans should extend through mid-1970, with further replenishment likely within the next nine months.

Concerning U. S. Government private investment incentive programs for less developed countries, the existence of these, particularly Specific Risk Guaranties, has been a prerequisite to almost all of the U. S. investments that have been or which are presently under consideration in Ghana. The Investment Survey Program has been used in a number of cases and has resulted in one significant investment, Ejura Farms (Ghana) Ltd. The Extended Risk Program is looked to by most potential investors who have evidenced an interest in this country. Experience to date, particularly with extended risks and Cooley Loans, however, clearly suggests that improvements in and streamlining of the administration of these programs could significantly increase their efficacy. The proposed creation of an Overseas Investment Corporation to assume this responsibility is considered to be a desirable step towards putting these programs in a more appropriate businesslike framework.

#### D. GHANAIANIZATION OF ENTERPRISES

An area where it is difficult to assess either the pattern of evolution or the short or long-term effect on the business environment and investment climate in Ghana is the Government's commitment to give satisfaction to the generalized desire to Ghanaians for a greater direct participation in the private commercial sector of the economy. The Ghanaian Enterprises Decree, which the GOG issued on December 30, 1968, established, on the one hand, a reserved area of trade and manufacturing in which only Ghanaian-owned enterprises would be permitted to operate, and, on the other, created the Ghanaian Enterprises Committee to advise the GOG on policies for promoting Ghanaian enterprises and for the implementation of the Decree.

With respect to existing firms in the reserved area, the Decree established a time-table and program for the conversion of the ownership of such firms to Ghanaians. The most significant of the reserved businesses are (1) retail operations of N¢500,000 or less annual gross sales, (2) wholesale operations of N¢1,000,000 or less annual gross sales, (3) any "small scale" enterprise employing 30 persons or less, or (4) any enterprise in the extractive, processing, manufacturing, or transportation business with a capital of N¢100,000 or less. The time framework for Ghanaianizing these businesses is 5 years maximum with the process occurring by steps over this period.

In considering and assessing the Ghanaianization Decree, it is probably useful first to examine briefly the history and structure of Ghana's contemporary business community. Business in the modern, more complex sense is a



assistance, of a Special Revolving Loan Fund (SRLF) for making loans to private borrowers, especially in the medium and small-scale categories. The National Investment Bank has been reluctant to make loans to small Ghanaian businessmen up to now because (a) these people are considered generally poor businessmen and consequently very risky clients, and (b) the absolute overhead cost of making small loans is usually greater than that for making large ones, while the revenue returned is less.

The new SRLF would establish an incentive framework designed to offset in degree these inhibiting factors. The Bank, for instance, would be provided a greater proportionate return on small loans relative to large ones, and would also receive a subsidy for handling the SRLF.

This is a brand new undertaking and its eventual effectiveness and impact cannot now be measured. Should it prove to be a useful tool in channeling needed resources to the small businessman, AID will encourage the GOG to provide further funds for it when an initial amount of N¢1.7 million has been loaned out. Other reforms of the credit structure, e.g., interest rate reforms, are necessary, if the full weight of private resources is to be harnessed.

In addition to the need for financial assistance, the small Ghanaian also needs instruction and counseling for the efficient operation of a business. It is possible that the NIB, other local banks, or other local institutions may decide eventually to take initiatives to provide assistance of this kind. It might also be that a GOG-subsidized organization whose functions would be to provide advisory and financial management services to promising small Ghanaian businessmen might be appropriate and could evolve. AID should be willing to consider responding to requests for technical assistance in connection with any such initiatives.

The Ghanaian Enterprises Decree is the first GOG act in response to the requirement for an expanded Ghanaian role in business. It is not self-operative, however, nor is it as now developed more than the crude beginning of a solution. It does, however, pose the problem and provide a time framework. If it is to be effectively implemented, the basic and difficult human dimensions of the issue must be addressed. There, fairly obviously, do not exist now, Ghanaians in anything like the numbers necessary, who have the management ability and (the availability of or access to) the financing needed to acquire and operate the hundreds of expatriate establishments which the Decree says are to be Ghanaianized.

The Government itself has yet to come forth with any substantive programs addressing these centrally important aspects of Ghanaianizing the country's small businesses. There has been some talk and suggestions for training programs and easier credit to be provided by the commercial banks. Similarly, the National Investment Bank has been suggested as having a special responsibility in assisting in realizing the intent of the Decree. Whether and from what direction specific initiatives will eventually be forthcoming are not at this time apparent.

As an address generally to the desirability of broadening the base of private business and enterprise, USAID/Ghana has continuously encouraged local institutions to adopt action programs of financial and management counseling assistance to small Ghanaian businessmen. While no dramatic break-throughs have been made as a consequence of these efforts, several of these organizations are thought to be moving slowly in the direction of doing more in this area. In general, USAID/Ghana will continue to assist and advise in the search for meaningful solutions to problems connected with Ghanaianization to the extent our participation appears welcome.

#### E. PRIVATE ENTERPRISE - IN SUMMARY

As a general conclusion to this Annex, the foreign private investor, particularly the American, can reasonably conclude that Ghana is a country in which normal commercial operations on an acceptable basis are possible. Admittedly, there are some aspects of economic and political realities here that are less than ideal. But, as time goes on, these negative overtones should diminish if liberalization policies, to which the Government remains committed, are pursued. The balance of payments difficulties, for instance, can be expected to lessen during the next two years, which will provide a real opportunity in this direction. The problems of Ghanaization, if reasonably handled, should not prove impossible to solve. Further, and perhaps most important, Ghana offers many attractive business opportunities as such. With its nearly nine million inhabitants, Ghana's domestic market alone has numerous requirements for goods and services which could be produced or provided locally on a viable basis, and which now are either imported or not available. Perhaps more importantly, the creative investor could surely develop ideas and projects to produce in Ghana for export, and thus make his own specific contribution to improving the balance of payments situation.

As for the emergence of Ghanaians into an expanded business role, this will not happen overnight. Such emergence, however, is basic to real development, and, therefore, merits being nursed and encouraged. If

appropriate support is provided, and so long as pressures to bring about this evolution at too great a rate of speed do not get out of hand, the Ghanaian should be able to come to participate more fully and make a greater contribution to the economy.

ANNEX VI

**TRENDS OF EXTERNAL AID TO GHANA  
AND IMPROVED DONOR PROGRAMS**

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TRENDS OF EXTERNAL AID TO GHANA  
AND IMPROVED DONOR PROGRAMS

ANNEX VI - 1.

A. SURVEY OF ASSISTANCE TO GHANA

The disparate systems of cost computation, program scheduling and joint financing raise considerable obstacles to any attempt at presenting a systematic table of all foreign assistance. Total figures for major capital assistance are presented here. Each donor's program is then treated separately. Each presentation separates capital from technical assistance, and a distinction between balance of payments supporting commodity loans and project loans is made wherever applicable. The survey thus has at least the formal value of pointing out the progress to be made in standardizing assistance information. The most recent compilation of U.N. projects constitutes a step in the right direction. Hopefully this progress will serve as an example to other donors.

Major Capital Assistance

<u>Donor</u>	<u>Type of Assistance</u>	<u>Amount Committed (\$ millions)</u>		
		<u>FY 1967</u>	<u>FY 1968</u>	<u>FY 1969</u>
U.S.	Program Loan	20.0	15.0	-
	PL 480	7.0	15.2	25.0
U.K.	Commodity Loan	11.2	9.6	9.6
Canada	Project Loan	-	0.2	7.0
	Wheat Flour Grant	2.0	2.0	2.0
Italy	Commodity Loan	-	10.0*	**
IDA/IBRD	Project Loan	-	10.0	6.0
West Germany	Project/Commodity Loan	3.2	6.3	-
Denmark	Project/Commodity Loan	<u>2.7</u>	<u>-</u>	<u>2.0**</u>
<b>TOTALS</b>		46.1	68.3	51.6

\* Only \$.5 million utilized.

\*\* Presently being negotiated.

UNITED NATIONS

The U.N. continues to support an extensive program in Ghana. The greatest part of the program is administered by the UNDP. The remainder falls under the direction of either the World Food Program (WFP), the Regular Technical Assistance Program (UNTA) or the UNESCO Regular Program. Table 1 gives the financial breakdown of each of these programs together with the Ghana Government contribution associated with them. Figures refer to complete costs of the project to completion. Table 2 gives a sectoral breakdown of each project now in progress. Table 3 gives an agency breakdown for all U.N. personnel resident in Ghana for both 1968 and 1969.

TABLE 1

Revised Financial Summary of Active Programme  
(May 1969)

	<u>U.N.</u> <u>U.S. \$</u>	<u>Government *</u> <u>U.S. \$</u>	<u>Total</u> <u>U.S. \$</u>
Special Fund	11,941,264	24,750,829	36,692,093
Technical Assistance	1,441,222	183,036	1,624,258
Special Industrial Services	95,000	20,500	115,500
World Food Programme	5,523,600	3,732,500	9,256,100
U.N. Technical Assistance Regular Programme	50,500	7,250	57,750
U.N. Children's Fund	<u>971,000</u>	<u>9,180,000</u>	<u>10,515,000</u>
TOTAL	20,022,586	37,874,115	57,896,701

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\* In local currency (buildings, services and cash).

TABLE 2  
Sectoral Summary of Active Programme  
 (May 1969)

(A) UN Development Programme

<u>PROJECT</u>	<u>EXECUTING UN AGENCY</u>	<u>UNDP FUNDS US \$</u>
<u>1. Agriculture and Fisheries</u>		
<u>(A) Special Fund Projects</u>		
1) Food Research and Development Unit	FAO	794,900
2) Pilot Irrigation Development Scheme	FAO	1,098,400
3) Increased Farm Production through Fertilizer Use	FAO	1,095,800
4) Cotton Production, Development and Training	FAO	361,600
5) Fishery Research Unit	FAO	1,442,800
6) Volta Lake Research Unit	FAO	1,207,500
<u>(B) Technical Assistance Projects</u>		
1) Agricultural Application of Radio-isotopes	IAEA	76,250
2) Woodworking Technology	FAO	75,732
3) Agricultural Marketing Adviser	FAO	49,087
4) Chief Agricultural Development Officer	FAO	20,200
5) Fisheries Stocking Fellowships	FAO	3,400
6) Agricultural Adviser	FAO	58,636
7) Agricultural Mechanization	FAO	40,400
Total UNDP allocation for Agriculture:		<u>6,324,705</u>

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<u>PROJECT</u>	<u>EXECUTING UN AGENCY</u>	<u>UNDP FUNDS US \$</u>
<b>II. <u>Education</u></b>		
<b>(A) <u>Special Fund Projects</u></b>		
1) Training of Secondary School Science Teachers (U.C.C.C.)	UNESCO	870,364
2) National Vocational Training Programme	ILO	632,800
<b>(B) <u>Technical Assistance Projects</u></b>		
1) Teacher Training (Educational Psychology)	UNESCO	36,100
2) Teacher Training (Physics Teacher)	UNESCO	76,100
3) Assistance to Institute of Statistics	UNTA	158,712
4) Agricultural Education	UNESCO	19,730
5) Educational Officers Training	UNESCO	11,600
6) Seminar on Techniques and Procedures of Technical Assistance	UNTA	<u>1,000</u>
Total UNDP allocation for Education		: <u><u>1,806,406</u></u>

**III. Health****(A) Special Fund Projects**

- -

**(B) Technical Assistance Projects**

1) Bilharziasis Control	WHO	181,689
2) Tuberculosis Control	WHO	160,200
3) Health Education Adviser	WHO	<u>50,025</u>

Total UNDP allocation for Health : 391,914

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<u>PROJECT</u>	<u>EXECUTING UN AGENCY</u>	<u>UNDP FUNDS US \$</u>
IV. <u>Public Services</u>		
(A) <u>Special Fund Projects</u>		
1) Telecommunication Training Center	ITU	994,600
2) Preparation of a Master Plan for Water Supply and Sewerage (Accra-Tema) Phase II	WHO	1,474,500
3) Studies of Two Trunk Roads	IBRD	426,000
(B) <u>Technical Assistance Projects</u>		
1) Meteorology	WHO	54,550
2) Social Security Expert	ILO	20,200
3) Radio Engineer (OPEX) *	ICAO	118,725
4) Senior Electrical Engineer (OPEX)	UNTA	39,287
5) Chief Accountant (OPEX) Electricity Corporation	UNTA	38,887
6) Economist (National Accounts)	UNTA	60,112
7) Agricultural Statistician	FAO	20,200
8) Air Conditioner Maintenance Engineer (OPEX)	ITU	53,000
9) Traffic and Tariff Training	ITU	17,400
Total UNDP allocation for Public Services		: <u>3,317,461</u>

\* Operational Executive

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<u>PROJECT</u>	<u>EXECUTING UN AGENCY</u>	<u>UNDP FUNDS US \$</u>
<b>V. <u>Industry</u></b>		
<b>(A) <u>Special Fund Projects</u></b>		
1) Assistance to the Ghana Industrial Holding Corporation (GIHOC)	UNIDO	753,600
2) Management Development and Productivity Institute	ILO	788,400
<b>(B) <u>UN Special Industrial Services (SIS)</u></b>		
1) Group Executive - Food Industries (OPEX)	UNIDO	19,000
2) Group Executive - Metal Industries (OPEX)	UNIDO	19,000
3) Directors (OPEX) for Production, Marketing and Investment	UNIDO	<u>57,000</u>
Total UNDP allocation for Industry :		<u><u>1,637,000</u></u>

**B. World Food Programme**

<u>PROJECT</u>	<u>WFP FUNDS US\$</u>
1) Price Stabilization Scheme for Maize	936,000
2) Livestock Feeding	355,600
3) Volta River Land Clearance and Settlement	<u>4,232,600</u>
Total WFP Funds allocated : <u><u>5,524,200</u></u>	

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C. UNTA Regular Programme

<u>PROJECT</u>	<u>UNTA FUNDS US\$</u>
1) Physical Planning Adviser	30,300
2) Senior Electrical Engineer (OPEX)	<u>20,200</u>
Total UNTA Funds allocated	: <u><u>50,500</u></u>

D. UNICEF REGULAR PROGRAMME

<u>PROJECT</u>	<u>UNICEF FUNDS US\$</u>
1) Home Science/Agricultural Extension	105,000
2) Community Development - Women's Training Programme	89,000
3) Science Teaching	277,000
4) Maternal and Child Health Services	320,000
5) Day Care Nurseries	<u>180,000</u>
Total UNICEF funds allocated:	<u><u>971,000</u></u>

TABLE 3  
UN Personnel Resident in Ghana

	<u>68</u>	<u>69</u>		<u>68</u>	<u>69</u>
Resident Representative	7	9	UNTA	5	5
Information	0	1	ICAO	2	1
WHO	27	25	ECA	1	0
FAO	26	41	IAEA	1	1
UNESCO	11	8	WFO	1	0
UNIDO	8	10	WMO	1	1
ILO	6	8	IBRD	11	0
ITU	9	6	IMF	1	1
WEP	0	1			
			TOTAL :	<u>117</u>	<u>118</u>

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<u>Regional</u>	<u>68</u>	<u>69</u>		<u>68</u>	<u>69</u>
Joint Food Nutrition Commission	2	4	Ghanaian	117	118
FAO	21	19	Regional	<u>29</u>	<u>23</u>
UNESCO	6		GRAND TOTAL	<u>146</u>	<u>141</u>
TOTAL :	<u>29</u>	<u>23</u>			

THE INTERNATIONAL MONETARY FUND

Although technically not a foreign assistance donor, the fund has, through stand-by arrangements and compensatory financing, been the source of a substantial flow of foreign resources. Figures for Ghanaian drawings and repurchases are given below.

<u>Ghana's Position with the IMF</u>				
(\$ Millions)				
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969(est)</u>
Drawings:	\$52.15 million (including \$17.25 million compensatory finance).	25.00	10.00	6.00
Repurchases:	2.00	6.65	0	12.75
Net Transfer to Ghana:	50.15	18.35	10.00	- 6.75

At present Ghana has outstanding drawings equivalent to 182% of its quota. Although with compensatory financing a member may draw up to 250% of its quota, the recent high prices for cocoa prevent Ghana from receiving additional compensatory finance. It is thus limited to drawings equivalent to 200% of its quota. As cocoa prices are likely to fall and the debt burden increase by 1971, Ghana plans to make substantial repurchases during 1969 and 1970 so that additional stand-by arrangements can be made through the 1970's. To this end, Ghana has agreed to make net repurchases of \$8.5 million by the end of 1969 and \$16.9 million during 1970. Thus, in spite of the fact that the IBRD has taken over the chairmanship of the Ghana Aid Group, the IMF will be intimately involved in any Ghanaian assistance program for some time.

THE INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

The World Bank has made two loans to Ghana since the advent of the stabilization program. The first, signed in 1968, is an IDA loan of \$10 million for completion of the Accra-Tema electricity distribution network. Its terms are 50 years maturity with a 10 year grace period and an interest rate of 3/4 %.

A second loan was signed on June 23, 1969. It will provide \$6 million for procurement and installation of the fifth and sixth Volta Dam generators. The terms are 25 years maturity, a 10 year grace period and a 6 1/2 % interest rate.

WEST GERMANY

Total West German assistance through 1968 amounts to approximately DM 101 million (\$25 million), and has involved about 50 German experts. Approximately half of these experts have come under the German Volunteer Service set up in 1965. In addition several hundred Ghanaian students have received professional training in Germany under fellowship grants, and others have received scholarships to complete their studies in Ghana. A more detailed breakdown on these programs is given below.

A. Capital Assistance

1. Lower Volta Bridge: Begun in January 1965 and dedicated 24 months later, the bridge was constructed by the two German firms of AHI-Bau Duesseldorf and Held and Franke Muenchen. The German Government provided a long-term loan in the amount of DM 20 million (about \$5 million) to be repaid over 20 years, including a 5-year grace period, at an interest rate of 3%. Located between Tefle and Sogakofe, the bridge was designed to promote economic development of the Volta region and to create a connection for the Lagos-Accra-Abidjan road link.

2. Consumer Commodity Goods: In April 1966 a loan of DM 20 million was provided to finance imports of urgently needed commodity goods. Maturity was 20 years with a 7-year grace period, and interest was 3%.

3. Electricity Network Extension: An expanded system for distributing Volta Dam power is currently under construction in Accra. Germany has made available another long-term loan of DM 20 million at 3% interest, with repayment scheduled over a 25-year period, including 7 years' grace. Project agreements were concluded in April and September 1966.

4. 1967 Multipurpose Loan: This loan of DM 13 million (\$3.25 million) carried terms of 25 years maturity, a seven years' grace period and a 3% interest rate. DM 7 million are intended to finance four Volta Lake ferries which will be located at Adawso, Kwadjokrom and Dumbai. These four ferries will be of the same type and the same dimensions as those two already working at Ada and Yeji. They are intended to ease some of the traffic problems which have been caused by the rising water of the Volta Lake. DM 5.2 million are intended to finance the water supply of 33 areas chosen in cooperation with the Ghana Water and Sewage Corporation. The remaining DM 1.3 million are intended to finance the extension of the Tema telephone exchange. The telephone connection exchange equipment now is capable of 1,000 telephone connections. The considered extension will produce 2,000 more connections.

5. 1968 Multipurpose Loan

VI - 6.

A DM 25 million (\$8.1 million) loan was signed in 1968, on the same terms. DM 14.5 million was provided for commodity imports; DM 10 million went to the National Investment Bank and the remainder financed rural water supply equipment for the Ghana Water Supply and Sewerage Corporation.

B. Technical Assistance

1. Completed Technical Assistance Projects: The following assistance projects, completed by March of 1968, provide some indication of other aspects of German aid:

Mobile dental clinic	DM	150,000
Advisory mission on economic development planning		240,000
Financial advisor to Ghana Government		155,000
X-Ray equipment for Agogo Hospital		75,000
Expert on railways		150,000
Four telecommunications advisors		303,000
Accra-Tema Traffic Feasibility Study		11,000
Block-making machines for Volta River Resettlement		120,000
Central and Southern Ghana electrification studies		1,665,000
Diamond industry study		30,000
Cinder-track construction		50,000
Ghana Housing Corporation workshop		<u>135,000</u>
<b>TOTAL</b>	<b>DM</b>	<b>3,084,000</b>

2. Ongoing Technical Assistance Projects:

a. Biriwa Fishing Village Project: During 1968 - 69 an outboard motor repair facility, a woodworking shop, three modern fish-smoking stores and a number of sanitary installations were completed. In addition, fishing equipment valued at DM 80,000 (\$20,000) was provided. Total expenditure was about DM 853,000 (\$213,000). The project was initiated by a German doctor, resident in Biriwa and is under his honorary direction. It is operated by German volunteers and their Ghanaian counterparts.

b. Bolgantanga Slaughterhouse and Meatpacking Plant: During 1968 - 69 the factory's German managing director was replaced by a Ghanaian and four additional German experts were provided--one advisor to the director, one butcher, one ranching expert, and one volunteer. Another butcher and a cold storage technician remained from 1968. Total German contribution to the project was DM 1.6 million (\$.4 million).

c. Kaneshi Training Centre for Auto Mechanics: Under a December 1966 agreement, six German Technical training personnel were made available, together with building materials, equipment and machinery for the establishment of a training center for auto mechanics at Kaneshi. The Centre is attached to the Omnibus Technical Service Department and trains apprentices as mechanics and electricians. German expenditure will total about DM 4,361,500.

d. National Investment Bank: Under an allocation of DM 1,300,000, two German economic experts were attached to the Bank to conduct feasibility studies on financing of industrial projects. By June 30, 1968, two German engineering firms had completed studies of metalworking and office equipment industries. In 1969, the agreement was extended, and two German experts were provided for the Electricity Corporation, and six for the Ministry of Industries. Of the latter six, only three have actually arrived in Ghana.

e. Peki Agricultural Project: In June 1968, the terms of an agreement were being negotiated under which Germany would provide technical aid to a cooperative farming project involving large-scale production of cotton, tobacco, cassava and vegetables. The scheme may ultimately cover 9,424 acres of land in the Peki district of the Volta Region. Approximately DM 3.9 million is tentatively allocated. Germany is to supply machinery, fertilizers, and four technical experts to oversee the first three years of operation. The first phase of the project will involve 80 farms of 31 acres each, and future expansion is provided for up to a total of 304 farms although the German government is not obligated to any future expenditures.

f. Friedrich Ebert Foundation: From the beginning of 1966 through June 1968, the Foundation was engaged in producing educational films for Ghana National Television Service, assisting in founding a West African Mass Media College, and training Ghanaian counterparts as television producers and technicians. The German contribution totalled some DM 2 million. During 1968-69, the number of German experts from the Foundation resident in Ghana fell from 18 to 3.

g. Germany has also made available funds to equip and provide teachers for Lettthouse School, a Woman's Vocational Training Centre in Accra. However, the project has not begun because of the failure of the Ghana Government to provide the necessary counterpart funds.

h. Commodity Grants: Construction materials and equipment for YMCA Training Centre in Accra for masons and carpenters;

Radio sets and meteorological instruments for Gliding School; Musical instruments for Workers Brigade and the School of Music and Drama at the University of Ghana; Typewriters and sewing machines for artisans trained in Germany; Pharmaceuticals for Ministry of Health; Medical research instruments for the National Institute of Health and Medical Research; School equipment for the Social Advance Institute.

i. In addition, Germany has provided assistance of over DM 3 million (\$.7 million) for Missionary Schools and Hospitals.

j. Training in Germany: A total of more than fifty Ghanaians were recipients of German Governmental Scholarships providing for study in Germany in 1967, and well over 200 Ghanaian students have received professional training in Germany. Past participant instruction has included policy training and public administration courses for Ghanaian administrators. Germany contributes all costs for most participant training, including international travel expenses. Under another program, several dozen Ghanaian students have been awarded German scholarships to continue their studies in Ghana.

### 3. Personnel in Ghana

In addition to the three man Friedrich Ebert television team, it appears that about 15 German experts served in Ghana in 1968-69.

Additional personnel are provided under auspices of the German Volunteer Service (Deutsch Entwicklungs-Dienst). Twenty-four volunteers were dispatched for service in Ghana during 1965 and 1966. The 16 volunteers in Ghana in 1969 were assigned as follows:

Biriwa Fishing Village Project	6
Damongo Agricultural Training Center	3
Damongo Hospital	3
Catholic Press, Accra	2
Bolgatanga Meatpacking Plant	1
Municipal Council, Cape Coast	1
	<hr/>
	16

The German Government computes that the cost to it per year for each volunteer is DM 30,000 (about \$7,500). By this reckoning, German volunteer assistance in 1968 represents assistance in the amount of some DM 480,000 (about \$120,000).

UNITED KINGDOM

In the past, British capital assistance has been largely in the form of commodity loans. Present policy, however, is to switch gradually to project loans. This change is evidenced by the decreased commodity loan commitment for 1969-70 and the increase in technical assistance resulting from a greater number of feasibility studies. The traditional forms of British assistance - salary supplementation, resident experts, a volunteer service and scholarship grants - remain much the same. Total British aid in 1968-69 was approximately £ 4.8 million (\$10 million). A £ 5.1 million (\$12 million) expenditure is anticipated for 1969-70.

A. Capital Assistance

Thus far, all British capital assistance has been in the form of commodity loans. They are given on what is called the shopping list system. Rather than tie loans to specific commodities, the British provide a list of products from which Ghana may choose those it feels are most essential. The shopping list contains products for export and import substituting industries, transportation and public services, health and agriculture. Recent commitments are listed below:

1. 1967-68 : £ 4.0 million (\$9.6 million)
2. 1968-69 : £ 4.0 million (\$9.6 million)
3. 1969-70 : £ 2.0 million (\$4.8 million)

Maturity is 25 years, including five years of grace. No interest is charged during the first seven years, and thereafter interest determination will be dependent on the exchequer rate. The loan committed for 1969-70 will be totally interest free, and another loan of £ 2 million on the previous terms is being negotiated.

B. Technical Assistance

As stated above, the British hope to increase project assistance in the future. Teams of personnel are being dispatched to identify needs and investigate possible projects for future assistance, primarily in response to Ghanaian requests submitted at the Ghana Aid Meetings. Major ongoing surveys are listed below:

1. Three British engineers, two technical officers and a design planning chief are attached to the Ghana Water and Sewerage Corporation.

The Ghanaian government has requested British assistance for a Kumasi water supply project, but no expenditure is expected before 1970.

2. A topographical survey of the whole of northern Ghana (above 7° 30') has been in progress for about seven years, and aerial survey work has been almost completed. Ground control work is now being undertaken by the Directorate of Overseas Surveys with a team consisting of three British surveyors provided under technical assistance terms. Originally, £80,000 (\$192,000) was budgeted for the survey, but processing is now not expected to be completed before 1971-72 at a cost of over £277,600 (\$726,000). A possibility also exists that the survey may be extended to areas in southern Ghana outside the scope of the present project. Advice on land use will be provided as maps are produced.

3. A number of consultancies have been undertaken under technical assistance in 1968. These include an investigation into the sugar industry by Booker Brothers/Tate & Lyle, a report on legislation affecting oil concessions, a survey of the Railway telecommunications system, the appointment of a Financial Consultant for the Black Star Line, and the establishment of a Stock Exchange. A research project involving the appointment of six research workers for the Cocoa Research Institute of Ghana has also been approved, and three specialists are already at post.

#### C. Non-Project Technical Assistance

Most British non-project technical assistance is administered under the Special Commonwealth African Assistance Plan (SCAAP), Commonwealth Education Cooperation (CEC), various salary supplementation schemes, the Voluntary Service Overseas, and a number of consultancies. SCAAP has been in operation for eight years as a cooperative effort with Australia, Canada, and New Zealand to provide assistance on a continuing basis to dependent and independent Commonwealth countries in Africa. British technical assistance to Ghana under SCAAP is governed by the Mutual Technical Cooperation Agreement between Britain and Ghana, signed in 1957 and revised in 1963 and 1968. Assistance provided under SCAAP includes:

1. Training in Britain : Grants are given generally for post graduate courses of a practical, technical or scientific kind likely to promote economic development. The British Government meets the costs of air fare, educational fees and provides a yearly living allowance of

**£ 816 (\$1,960).** The number of Ghanaians who began courses in Britain in recent years is as follows:

1964	-	80
1965	-	74
1966	-	76
1967	-	89
1968	-	119

2. Experts appointed to Ghana: Each expert is assigned for a period of at least six months and has a Ghanaian counterpart. Their distribution as of March 31, 1969, is as follows:

Research Institutions	7
Ghana Water & Sewerage Corporation	4
Ghana Railway & Ports	3
Ghana Police	3
Education	2
Posts & Telecommunications	1
Management Development and Productivity Institute	1
Electricity Corporation	2
Ghana Nautical College	2
Ministry of Labour	1
Surveys	3
Other Ministries	2
Other Corporations	<u>3</u>
<b>TOTAL</b>	<b>34</b>

3. **Material Grants:** Books and equipment are provided when necessary for the work of an expert or of the institution to which he is attached. The value of equipment presented in 1968-69 was about £38,000 (\$90,000). Other British educational assistance is provided through Commonwealth Education Cooperation (CEC). This program includes:

a. Commonwealth Scholarships and Medical Fellowships:

1965	-	6
1966	-	9
1967	-	3
1968	-	6

b. Commonwealth Teacher Training:

1965	-	13
1966	-	5
1967	-	14
1968	-	37
1969	-	40

c. Vacation courses for primary school teachers.

d. The Study and Serve Program through which young British University graduates teach and undertake research for two years. Expenses are met in equal proportions by the Ministry of Overseas Development and the Ghanaian University. In 1968-69, there were five fellows in Ghana working under this scheme.

Another major source of British assistance is salary supplementation. It is provided under one of two schemes. The first is the Public Services Supplementation Scheme. Established in March 1968 by an agreement between Britain and Ghana, it provides for salary supplements for citizens of the U.K. ordinarily resident in Ghana and employed by the Ghana Government. The scheme is limited to 80 employees, and at present 34 are receiving supplements.

The second program is the British Expatriates Supplementation Scheme. It was established in October 1966 and has been extended to March 1971. Under the scheme, citizens of the U.K. ordinarily resident in Ghana who are serving in the Ghana teaching services received a salary supplement from the British Government. The British also agreed to recruit up to 100 more teachers to serve under this scheme. At present, about 250 teachers are included in the plan. In addition, similar supplementation agreements have been reached with the Universities, the Council for Scientific and Industrial Research, the Ghana Water and Sewerage Corporation, the Ghana Electricity Corporation, the Ghana Housing Corporation, and the State Construction Corporation. At present, 117 officers are covered by the scheme, 112 in the Universities.

The final program of British assistance is the Voluntary Service Overseas. Figures for the number of volunteers in Ghana in recent years are given below:

1965	-	52
1966	-	109
1967	-	102
1968	-	78

The vast majority of volunteers are engaged in teaching. The large increase in 1966 occurred as a result of the departure of Russian teachers. The decline in 1968 indicates that an increasing number of Ghanaian teachers are becoming available.

The cost of the total British program of technical assistance for recent years is given below:

1965-66	-	£ 404,000	(\$1.0 million)
1966-67	-	£ 419,000	(\$1.05 million)
1967-68	-	£ 569,000	(\$1.40 million)
1968-69	-	£ 865,000	(\$2.15 million)
1969-70	-	£1,123,000	(\$2.80 million)

## CANADA

Because of its high absorptive capacity and improved infrastructure, Ghana is an area of Canadian assistance concentration.

### A. Capital Assistance

1. In 1966, 1967, and 1968 in response to Ghana's requests for emergency balance of payments support, Canada provided Canadian \$2 million worth of Canadian flour to Ghana as gifts. In 1969, with the development of Ghanaian flour milling facilities, wheat grain worth Canadian \$2 million will be given to Ghana. Counterpart development funds generated by the sale of the wheat have not been fully utilized.

2. Ghana-Togo-Dahomey Transmission Line: The first phase of this project consisting of routing and survey work and the preparation of final plans for construction has now been completed. This phase was financed by a Canadian grant of Canadian \$250,000. The construction phase is expected to begin during 1969 after loan arrangements have been signed with the three countries concerned. Ghana's loan allocation will be approximately Canadian \$7 million. The loan will be for 50 years with a 10-year grace period and will be interest-free. Approximately Canadian \$5 million of the loan to Ghana will be used to finance the installation of two additional generators at Akosombo.

3. Accra Technical Training Centre: Canada granted a total of Canadian \$1,300,000 to finance the design, construction, and equipping of the Centre, which opened in 1966. Thirteen instructors have also been provided, including the school's principal. The Canadian staff is now being phased out. Participant training is continuing for Ghanaian counterparts, and one trainee is in Canada this year for instruction at the Center for Technical Education in the Province of Saskatchewan. The Centre is operating at near-capacity enrollment, with 232 day students and 85 registered for night classes. The Centre provides theoretical and practical instruction for workers in the trades and business industry. Course offerings include upgrading schemes for promotion and apprenticeship schemes in which the trainee takes four annual courses of eleven weeks' duration, spending the rest of each year on the job. Additional Canadian equipment was supplied during 1968.

4. Upper Region Irrigation Project: Canada has extended a grant of Canadian \$650,000 for utilization during 1966-68 for engineering surveys on medium and small-size irrigation projects. Eleven Canadian experts are now engaged in training Ghanaians as surveyors, drilling technicians, draftsmen, irrigation technicians and engineers. This project is presently under review preparatory to negotiation of a new project agreement with Ghana.

#### B. Technical Assistance

Canada's technical assistance program to Ghana during 1969-70 continues to be largely concentrated in the field of education. In addition to the advisors and instructors mentioned above, 94 other experts and teachers will be assigned. Under the terms of the Canada-Ghana technical assistance program, the Canadian Government provides their total salary, allowances to defray overseas living cost, transportation to Ghana and leave travel. Ghana is responsible for accommodation. Allocation of Canadian personnel is as follows:

Teachers in training colleges and secondary schools	65
Accra Technical Training Centre	10
Upper Region irrigation advisors	11
Curriculum Development Unit	5
University professors	19
Ministry of Education advisors	3
Ministry of Agriculture veterinarian (Director of campaign against brucellos and rinderpest)	1
Central Chemical Laboratory manager	<u>1</u>
TOTAL	123

Secondary school teachers all have university degrees in education. To complement the efforts of the Canadian advisors in the Curriculum Development Unit, six officers from the Ministry of Education are being trained in Canada, and upon their return to Ghana in the autumn of

1969, they will assume direction of the new Unit. Three Canadian advisors assigned directly to the Ministry of Education are dealing respectively with business education, English and Biology. In 1969-70 a "Twinning arrangement" between the University of Ghana and the University of Western Ontario will be implemented. Under this arrangement, at least three Canadian professors will teach in the Faculty of Economics at the University of Ghana, and at least 20 Ghanaians will do post-graduate studies in economics in Canada. There are a number of other aspects to this arrangement which, over five years, will cost Canadian \$1,250,000. This will be financed with Canadian technical assistance grant funds. Following a visit to the University of Ghana in February, 1969, by representatives of the University of Guelph, a similar program in agriculture is now being considered. Other Canadian university personnel are assigned to the Department of Biochemistry, Nutrition and Food Science at the University of Ghana, to the Ghana Medical School, to the University College of Cape Coast, and to the University of Science and Technology in Kumasi.

In 1969-70 allocation for teachers and experts in Ghana is Canadian \$1,940,000. Policy now calls for a gradual phasing out of line-teaching (except by the 120 CUSO volunteers not included in the above totals) in favor of university-level and project-associated instruction. The teacher training commitment will, however, be maintained.

Since 1950, 292 Ghanaians have been awarded scholarships for study in Canada, the majority during the past seven years. Presently, there are about 83 Ghanaians studying in Canada under the Special Commonwealth African Assistance Plan and the Commonwealth Scholarship and Fellowship Plan, although an additional increment will be added to this figure with the beginning of the new academic year in September. Some 56 scholarships are allocated to Ghana for the coming year, but a few of these will be awarded to students already in Canada for continuation of their studies. Scholarships provide round-trip transportation, tuition, books, clothing allowance, and a monthly living allowance. Under-graduate, post-graduate, and technical training programs are available in such fields as dentistry, nursing, engineering, agricultural and soil sciences. 1969-70 expenses will approach Canadian \$600,000.

## FORD FOUNDATION

The Ford Foundation operates as a residual donor. Its policy is to support projects of an exploratory nature which are beyond the scope of most national assistance programs but which Ford feels will prove particularly seminal for promoting development. Past efforts of the Foundation in Ghana have been directed primarily toward improving economic planning, strengthening the public services and supporting development of the University of Ghana. It has also supported a number of regional projects affecting Ghana.

### A. Economic Affairs

Under a 1967 grant of \$875,000, the Foundation agreed to provide economic advisory services to the Government of Ghana. The grant has financed the provision of a team of eight experts from the Harvard Development Advisory Service. The advisors give on-the-job training to the staff of the Ministry of Economic Affairs, some of whom will be sent abroad for additional instruction. The experts are also involved with budget preparation and the broad problems of agricultural development, industry and transportation, and foreign trade. An additional Ford Foundation manpower planning consultant is currently attached to the Ministry of Economic Affairs. The initial grant is intended to cover a period of three years. A further grant of \$600,000 may be forthcoming to finance extension of the project to five years' duration, but Ford is under no obligation to meet this extension. In addition \$161,724 remaining from a 1963 grant was, in 1968, reallocated to provide a manpower analysis consultant to the National Productivity Center until 1970.

### B. Public Services

The Foundation has been engaged to fill many of the needs cited in the Report of the Commission on the Public Services (Mills-Odoi Commission), which proposed sweeping administrative decentralization and strengthening of Ghanaian public services. The sum of \$200,000 was recently provided for a two-year plan of assistance to the Office of Government Machinery, which was established on the basis of the Commission's recommendations. This office will supervise the devolution of authority and responsibility to regional and district-level authorities. Four Ford experts, as well as short-term consultants for management and personnel, are provided

for under this grant. An additional \$200,000 has been allocated for the establishment of an Administrative Staff College at the Institute of Public Administration, Greenhill. The Staff College is responsible for retraining of public services management personnel in connection with the administrative reorganization. Under the Ford grant, teams of senior officials have been visiting similar institutions abroad. Ghanaian staff members will undergo training overseas. One official was sent to the Administrative Staff College in Lahore, West Pakistan. In that case, Ford financed passage, and the Government of Pakistan provided scholarship assistance in the country. Also included in the Foundation grant is a project advisor and provision of assistance for physical plant expansion. In addition, Ford has received a request from the Bank of Ghana to provide consultants for the Ghanaianization of small industry management. Ford is now processing the request, but no commitment has been made.

#### C. Education

A grant of \$300,000 is being utilized to finance staff development and senior staff housing at the University of Ghana. Funds will be provided for fellowships for advanced study abroad and, as an interim measure, assistance in the provision of expatriate staff by salary "topping" arrangements. An educational planner provided by Ford is preparing an objective assessment of present needs, to provide a basis for extension of future assistance in the field of education. An additional amount of \$40,000 was granted and disbursed in 1967 for a joint summer research program between the University of Ghana and Northwestern University. A report was submitted, but the program will not continue in 1969.

Ford is also negotiating with the University of Ghana in hopes of establishing an Institute of Statistical, Social and Economic Research, similar to that at Ibadan, Nigeria. A professor has tentatively been selected to head the Institute.

#### D. Regional Projects

In 1968, a \$270,000 grant was made for a two-year exploration of the possibilities for family planning in West Africa. Thus far, the grant has been used to finance study tours and short-term expert services. Another grant of \$200,000 was made to study West African agriculture. Finally, the regional Ford office has a certain amount of money available for discretionary grants. These are generally given to Africans for study tours. If a non-African does receive such a grant, he is always accompanied by an African counterpart. In FY 1969, these grants for the West African region amounted to \$140,000.

NETHERLANDS

Official Dutch policy favors channelling aid through multilateral agencies. This approach is reflected in a general preference for "donor clubs" organized under the IBRD. Dutch assistance is geared not to commodity or balance of payments support but to specific development projects. In addition, the Dutch Government follows a policy of aid concentration. In 1968 five African countries were chosen to receive Dutch assistance - Tunisia, Sudan, Nigeria, Tanzania, and Kenya. For three years these countries will be the only African recipients of new official Dutch assistance. Assistance to Ghana in 1968-69 will, therefore, be almost entirely the continuation of projects begun earlier.

A. Technical Assistance

The Dutch continued project assistance through support of social sciences development at the University College of Cape Coast and through co-financing of projects sponsored by private organizations, generally churches.

1. University College of Cape Coast: Agreement was reached in December 1967 for a four-year program of collaboration in teaching and research between the Institute of Social Studies at The Hague and the University College. Total Netherlands capital expenditure will be H fl. 1,300,000 (about \$360,000), financing the provision of experts, equipment, and fellowships for Ghanaian students to study such subjects as development economics, statistics, and local government at The Hague. Three experts associated with the project have been working at Cape Coast since September 1967, and the agreement provides for exchanges of Dutch university professors. The Dutch experts are still resident in Ghana, but as yet no Ghanaian professors have gone to Holland.

2. Co-financing Schemes: Project agreements were signed in 1966 as follows:

Agricultural Centre of the Christian Service Committee, Garu/Bawku	H fl. 144,997 (\$40,054)
St. Mary's Secondary School, Accra	130,125 ( 35,946)
St. Louis Secondary School, Takoradi	507,500 (140,193)
Bishop Herman College, Kpandu	540,000 (146,629)
Ola Secondary School, Ho	516,000 (142,540)

Projects completed in 1968 were:

Outpatient and Maternity Clinic	H fl. 200,000	(\$ 60,000)
Secondary School, Nandom	1,339,467	( 380,000)
	<hr/>	
TOTAL	H fl. 3,378,089	(\$835,762)

In addition, requests for support of a hospital and a women's secondary school at Bolgatanga are still being negotiated. Dutch establishment of a Water Research Institute for the Ghana Academy of Science has been cancelled due to unavailability of Ghanaian counterpart funds. In lieu of this proposal, consideration is now being given to the possibility of providing assistance in connection with the Volta Lake Irrigation Scheme. The Danish government provided a loan for this project, and the Dutch are now negotiating with a Danish firm to see if cooperation is possible.

3. Personnel in Ghana: In addition to personnel associated with the programs described above, two experts are in Ghana under sponsorship of the Netherlands government, assigned to the Palm Oil Research Centre of the Ghana Academy of Sciences. Periodic visits to the Centre by Dutch palm oil consultants are also arranged.

Housing service consultants from the Bouwcentrum, Rotterdam, have been provided to conduct an advisory program on reorganization of the Ghana Housing Corporation and on low-cost housing construction. Organized in conjunction with the Economic Commission for Africa (ECA), the mission submitted its report to the Ghana Government in November 1967, but no action has been taken since then.

Since late 1967, the possibility has been under discussion of supplying Netherlands Young Volunteers. No Volunteers have as yet been provided but discussions continue.

4. Training in the Netherlands: Between 1961 and 1967, Ghanaians received 61 fellowships for post-graduate study in the Netherlands. Since 1965 awards have averaged 15 per year, and it is anticipated that 1968 and 1969 grants will continue at least at this level. The numbers of students beginning studies in each year are set forth below:

<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
4	4	4	5	15	12	17	21

Courses are available in numerous fields, including tropical agriculture, hydraulic engineering, small-scale industry, economic planning, and public administration. Classes are offered in English, French, and Spanish at such institutions as the Bouwcentrum and the Institute of Social Studies.

The previous procedure of offering scholarships through the Ministry of External Affairs was found to be unsatisfactory, as the majority of available places were being left unutilized. They are now offered through the Ministry of Economic Affairs and have been fully utilized.

### FRANCE

French assistance in Ghana is given predominantly in the field of education, including scholarships for study abroad, French language teachers in Ghana and material grants of books and audio-visual educational equipment. Other assistance is limited to an advisor to the Volta River Resettlement Scheme and four advisors to the Cotton Development Scheme.

A. Educational Assistance: French teachers in Ghana have been limited to the University level. Although no actual commitment has been made, the French hope to expand this program to the secondary level. This anticipated change and the creation of a French Department of Cape Coast intended to produce Ghanaian French teachers illustrate the French policy of encouraging Ghanaian self-help measures. French instructors at Cape Coast and Kumasi are paid in full by France while those at Legon receive a normal local salary from the University supplemented by an additional amount from the French government sufficient to raise salary levels to the equivalent of those in France. About 40 university scholarships are provided each year, half of which are for post-graduate studies in France and half for undergraduate study at the French universities in Dakar and Abidjan. It is estimated that about 35 Ghanaians are currently enrolled in universities in France under this arrangement, with seven at Abidjan and 10 in Dakar. Some uncertainty exists as to the allocation of awards for the coming year due to the closing of the University of Dakar. The French anticipate no change in policy but will have to wait for the reopening of the University before making new grants. Complete round-trip travel expenses are paid only for those attending universities in Africa. Return passage alone is paid for recipients of awards for study in France although this year five round-trip stipends have been allocated for selected Ghanaian students. For all others, the Government of Ghana will bear the cost of travel to France.

In addition to the scholarships discussed above, 10 technical cooperation scholarships were allocated to Ghana during 1968 and 13 during 1969. These grants permit experienced Ghanaians to pursue studies in industrial and chemical engineering, public works, and related fields. About 20 Ghanaian engineers have been trained in France since 1960 under similar awards. The duration of most courses is six to eight months, preceded by four months' instruction in the French language if necessary. It is probable that more places could be made available if qualified candidates were forthcoming, but there has been some difficulty in the past in filling even these allocated positions. Again, round-trip travel expenses are divided between the two governments.

Periodic grants of books are provided for libraries in Ghana, and a basic French library of some 200 volumes has been given to an estimated half of the secondary schools in the country. Approximately \$3,000 per annum is spent for library books donated to Ghana. An additional \$4,000 is allocated for the supply of textbooks, and \$2,000 is provided in the form of teaching materials for use with French language instruction. French experts have also been obtained to conduct conferences and experimental classes, such as a series held during April 1968 and again in 1969 in conjunction with the Ghana Association of French Teachers (GAFT).

Personnel reported above do not include four French instructors comprising the staff of the Alliance Francaise in Accra. The Alliance has scheduled two courses to teach French to high-level officials of the Ghana Government, using intensive audio-visual techniques. During 1968-69, 36 officials participated. A second Alliance in Kumasi conducts three courses in introductory French to 80 students. Finally, the French Government provided two experts for a meeting of all British volunteers teaching French in Ghana.

#### B. Non-Educational Assistance

In June 1968, a French Agricultural expert came to Ghana as advisor to a Volta River resettlement village. In association with this advisor, France is providing hand tools for use by 1,500 workers in clearing land for tillage. The advisor's contract has been renewed for another year.

In May 1968, a French expert came to assist the Ghana Government develop local intensive farming in cotton on a project of about 500 acres near

Tamale. The French Government also financed the missions to Ghana of three experts from the Compagnie Financaise de Development de Textile (CFDT). They submitted a preliminary survey of Ghanaian cotton prospects, which served as the basis for renewal of the project. In 1969 the single expert was replaced by four others. Each is to assist Ghanaians in establishing new pilot farms in the North.

C. Personnel in Ghana

	<u>1968</u>	<u>1969</u>
University College of Cape Coast Department of French Head of Department and Lecturers	10	10
University of Ghana, Legon Department of Modern Languages Lecturers	4	4
University of Science and Technology, Kumasi Department of Modern Languages Lecturer	1	1
Specialists in elementary French education and audiovisual in- struction methods	5	5
Advisor-technicians:		
Cotton development agricul- tural officers	1	4
Volta River Resettlement Scheme Officer	1	1
<b>TOTAL</b>	<b>22</b>	<b>25</b>

## DENMARK

In 1967 Denmark initiated project assistance to Ghana with a loan of Dk 20 million (\$2.7 million). A new loan of Dk 15 million (\$2 million) is presently being negotiated. In addition, Denmark has numerous advisors in Ghana and a wide variety of courses and scholarships available for Ghanaian students. According to present plans, Ghana will officially be designated a country for Danish aid concentration sometime during 1969.

### A. Capital Assistance

The 1967 loan of Dk 20 million is interest free and has maturity of 25 years, including a seven-year grace period. The loan was intended to finance imports of Danish capital equipment and services, including pre-investment studies, construction services, consultants and technical assistance activities, particularly those associated with Volta River Development. The loan was fully obligated by the end of 1968, and a loan of Dk 15 million, with similar terms, is now being negotiated. In addition, the Danish Government is now financing a pre-investment survey of the road system between Ghana and Upper Volta. This assistance is indicative of Denmark's interest in regional projects.

### B. Personnel in Ghana

Numerous Danish experts have served in Ghana in a wide variety of fields. Except for those cases in which a shortage of experts existed in Denmark, nearly all Ghanaian requests for Danish technical advisors have been met. Except for housing provided by the Government of Ghana, these experts have been financed completely on Danish funds. Presently, however, there are no Danish experts in Ghana.

### C. Trainees in Denmark

Several hundred Ghanaians have benefitted from training in Denmark in recent years. The Danish Government offers 34 multilateral courses (conducted in various languages) and six bilateral courses (conducted in English). These courses offer training in a wide variety of fields. Traditionally, scholarships have been offered on a simple quota basis. However in recent years, an effort has been made to tailor the program to individual country requests so that scholarships will be available for the training of a specific individual for a specific position.

### ITALY

In 1968, the Italian Government signed an agreement with the Ghana Government to provide a \$10 million loan at 6 percent interest, with a repayment period of 12 years, including four years of grace. The loan was to be utilized for the import of Italian capital goods. Through June 1969, however, the only Ghanaian requests had been for raw materials and consumer goods, and only \$.5 million of the loan was utilized. As a result, a new agreement is now being negotiated in order to increase the variety of goods available. The amount and terms of the loan are also subject to change.

Although there are now no Italian experts in Ghana, negotiations have recently begun to consider various Ghanaian requests. In addition, the Italian Government has offered scholarships for study in Italy, but as yet none has been accepted.

### JAPAN

Japanese aid to Ghana includes project assistance, provision of advisors and survey teams, and scholarship awards for study in Japan.

#### A. Project Assistance

Under a 1963 agreement with the Government of Ghana, Japan has expended over \$300,000 (through calendar year 1968) in grants of equipment and education materials and the provision of nine experts for the Textile Training Centre at Tema. Eight experts remain in Ghana, having been assigned to the Centre for nearly four years. After three years' service, seven of the eight experts were replaced by new ones in 1968. Of the 30 students who entered the Centre's first junior class in 1967, 22 completed the course and have entered the senior class for their final year of instruction. Forty-eight students were selected to begin the junior year of training in 1968. Individual financial difficulties accounted for most of the attrition encountered during the first year of operation. Theoretically, each student is sponsored by a state or private textile firm, providing for such amenities as free lunches, but sponsorship is not complete as yet, and lodging accommodations are each individual's own responsibility. The Government of Japan is to extend in 1969 roughly \$100,000 worth of medical equipment, including an electron-microscope to the Ghana Medical School under the medical cooperation program with the Government

of Ghana. The first project is in the field of virology, and two professors and two electron-microscope technicians are expected to come to Ghana in the middle of 1969.

#### B. Personnel in Ghana

A total of 17 Japanese experts had been dispatched to Ghana by the end of 1968 at a cost which the Embassy of Japan computes to be \$20,000. This figure has included specialists in such varied fields as the silk-worm industry, telecommunications and judo. As of July 1968, only one of the 17 remained in the country. Silk-worm specialists are involved in a project to adapt mulberry seedlings to Ghanaian conditions, with experimental plantings undertaken in Accra, Kumasi, and at other locations.

At an expense of \$21,000 Japan's Overseas Technical Cooperation Agency (OTCA) has completed a survey of small- and medium-scale industry in Ghana. The survey was concerned with availability of raw materials, their distribution, the present status of each industry, and estimated future demand and labor requirements. Undertaken in 1964, the survey involved experts in each of the following industries: plywood, porcelain and earthenware, paper and pulp, vegetable fiber utilization, nails and wire, and the toy industry.

#### C. Training In Japan

Through the end of 1968, 75 Ghanaians have received instruction in Japan, at a total cost officially estimated to be only \$103,000. Courses have varied in length from seminars as brief as 20 days to comprehensive training requiring from one to two years. Almost all courses are conducted in English. Individuals have received instruction in the following fields:

Postal services and telecommunications	18
Heavy industry	12
Light industry	13
Public administration	10
Agriculture and fisheries	9
Construction	6
Education	3
Management	1
Welfare	1
<b>TOTAL</b>	<b>75</b>

Fellowships include round-trip travel expenses and a living allowance while in Japan. The Ghana Government Ministry of External Affairs is advised of course offerings for which Ghanaians are eligible to be nominated. In 1968 courses were offered in over a dozen fields, including port and harbor engineering, agricultural cooperatives, and economic planning. Yet only five Ghanaians are participating in training -- one in a 20-day postal executive seminar, two Ghana Broadcasting Corporation (GBC) personnel in television engineering and educational television courses, one in textiles and one in agriculture. Insufficient numbers of candidates are recommended to utilize spaces which would otherwise be available.

### AUSTRALIA

Australian assistance is concentrated exclusively in education. The level of assistance to Ghana has not changed appreciably since the February 1966 coup, and Africa in general remains low among Australian priorities, as compared with areas of more immediate geographical proximity.

#### A. Training in Australia

One hundred thirty-nine Ghanaians have been trained in Australia under three assistance programs: the Special Commonwealth African Assistance Plan (SCAAP), Commonwealth Cooperation in Education (CCE), and the Commonwealth Scholarship and Fellowship Plan (CSFP). The following figures indicate the distribution of those trained under these arrangements:

<u>Scheme</u>	<u>Total from Ghana since 1958</u>	<u>In Training</u>		<u>Length of Training</u>
		<u>67-68</u>	<u>68-69</u>	
SCAAP	72	18	10	3 mo to 2 years
CCE	57	12	12	1 year
CSFP	<u>10</u>	<u>2</u>	<u>0</u>	2 years
<b>TOTALS</b>	139	32	22	

SCAAP training emphasizes the field of agriculture and architecture and normally does not lead to an academic degree. Under the program, eight

Ghana Broadcasting Corporation (GBC) employees have attended a four-month rural broadcasting course. Instruction provided under CCE includes courses in primary education and in teaching English as a second language. CSFP awards have in every case been for post-graduate university study in various fields. Until December 1968, one teacher was provided for the teacher training college at Winneba. Negotiations are now proceeding for two replacements, but no commitment has been made.

During 1968-69, Australia also provided Ghana with \$7,500 worth of emergency flood relief assistance.

### EASTERN BLOC

Current assistance from Communist countries is virtually non-existent, with the exception of students in training abroad, most of whom began their studies during the period 1961-64. There are, however, a number of Eastern European technicians on individual contracts with the Ghana Government.

#### A. Project Assistance

Concurrent with the June 1968 signing of a new Ghana-Russia trade protocol providing for the exchange of goods up to a value of N¢35-40 million, a 12-man team of Soviet industrial experts arrived in Ghana to discuss the resumption of three major projects suspended in 1966. The projects are a fish canning factory at Tema, a prefabricated concrete panel factory in Accra, and a gold refinery at Tarkwa. The team submitted its report in December 1968. The only result is the possibility that the Ghana Government will purchase the gold refinery. In addition, 16 Czechs at the State Shoe Factory, eight Poles at the State Sugar Factory, and a number of Eastern European doctors throughout the country are on individual contract with the Ghana Government.

#### B. Training in Communist Countries

The Soviet Government remains committed to offering scholarships to Ghanaians, but no information was available on Ghanaian students' studying in Communist countries during 1968-69. The figures below are therefore somewhat dated, but offer some indication of previous numbers of scholarships. As of June 20, 1968, 355 Ghanaians were pursuing courses in the USSR, with an estimated 250 studying in Hungary, Poland,

Czechoslovakia, Rumania, and East Germany. Of those students enrolled in the Soviet Union, five are currently under repatriation orders, and seven are postgraduates studying in Moscow and Leningrad without Government approval. All 355 are recipients of Soviet awards, nine of which were granted between 1966 and 1968. Trainees in the Soviet Union are enrolled in the following fields of study:

Medicine, pediatrics, estomology, dentistry	170
Engineering	71
Agriculture and agronomy	19
International law	10
Veterinary medicine	9
Architecture	9
Economics and economic planning	8
Geology	7
Other	<u>52</u>
TOTAL	355

The Embassy of Ghana in Moscow reports that students are expected to complete studies according to the following schedule:

<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
67	104	75	58	36	2

The current tendency in Ghana is to view the qualifications of students trained in Communist nations with some lack of confidence. Few additional Ghanaians have been designated for study in Eastern Bloc countries, except in the case of specialized instruction as was undertaken by a few Ghanaian students in Poland in 1967. However, the initial ruling that Soviet-trained physicians would not be allowed to practice in Ghana has been modified to the extent that all Ghanaian physicians trained abroad are to be examined before their degree will be recognized.

## ISRAEL

Israeli assistance falls into three categories: Provision of experts, training in Israel, and exchange of technical know-how. Arrangements are negotiated separately and differ from case to case, not being bound by any specific policy prescriptions. Current plans call for an increase in assistance to the Ghana State Farm Program.

### A. Personnel in Ghana

Thus far in 1969, two Israeli experts have arrived, bringing the total to six: Two researchers on bilharziasis control, one laboratory technician at the Ghana Medical School, a lecturer in agriculture at the University of Ghana at Legon, and two experts at the State Farm at Tadzero in the Volta Region. In addition, preparations are being made for two experts for the Standards Board and one to advise on export promotion. The Government of Ghana normally has agreed to provide round-trip passage, salary residential accommodations and local transportation expenses for each expert obtained.

### B. Training in Israel

Many Ghanaian students have been trained in Israel in the following subjects: Agricultural engineering, medicine, nursing, community development, adult education, and youth leadership. In addition, special training courses of varying lengths have provided special preparation for middle- and upper-level Ghanaian civil servants in such fields as water planning, computer technology and diamond marketing. At present, an additional course is being prepared for the training of bankers. Although institutional facilities have been made available by Israel, salaries, some professors, laboratory equipment and student fellowships have been largely financed through WHO. Transportation costs were paid by Ghana.

### C. Exchange of Know-how

Israel is attempting to make available pertinent technical knowledge generated in the course of its own developmental effort. Examples include the provision of plans for school buildings developed in Israel to meet low cost, rapid construction, and all-weather requirements. Instruction materials are currently being utilized in Ghana on the operation of small-scale "backyard" poultry farms. Thirty-five Ghanaians are now being trained in this program.

PAKISTAN

Assistance from Pakistan during FY 1969 consisted entirely of technical training. Five Ghanaian officials from the Railways and Ports Authority participated in courses at the Pakistan Regional Railways Training Centre, and one official received training in Central Banking. Costs were met by the Ghanaian Government. Another Ghanaian took part in a two-month training course at the Pakistan Administrative Staff College, Lahore. His expenses in Pakistan were met by the Pakistan Government, and his travel costs were met by the Ford Foundation.

REPUBLIC OF CHINA  
(TAIWAN)

In 1968, 12 Chinese rice experts were sent to Ghana to assist in the development of rice and vegetable production. Ghana provided living quarters for the experts, as well as tools, fertilizers, pesticides, labor and machinery for clearing selected sites. Travel expenses and salary are paid by the Chinese. The project will continue for another year.

## B. ESTABLISHMENT AND EFFECTIVE USE OF THE CONSULTATIVE GROUP

### 1. Introduction

Ghana's economic policy from 1966 to 1969 was directed toward stabilization. The most critical constraint throughout the period was the shortage of foreign exchange needed to import food and those goods essential to current production. The solution to Ghana's problems nevertheless required coordinated action on the part of a sizeable group of creditors and donors in rearranging Ghana's heavy medium term debt servicing schedule and in providing substantial new aid. Because of the magnitude of the effort required and the numbers of donors involved, it was necessary to come together from time to time to discuss problems of coordination and to review Ghana's performance. However, the fact that a stabilization program, rather than a development plan, was being supported effectively ruled out the usual device of an World Bank (IBRD)-led and chaired consultative group (CG). After consideration of several alternative approaches, the International Monetary Fund was prevailed upon to organize and chair a Ghana Aid Donors' Group. The IMF accepted its role of the understanding that the IBRD would cooperate closely in the work of analyzing the Ghanaian economy and reviewing policies and performance. It was agreed that when the emphasis shifted from stabilization to resumed development the IBRD would assume the chair and the body would become a Consultative Group.

In the summer of 1968 the Ghana Government published a Two-Year Development Plan for FY 1969-70. It is conceived as covering the period of transition from stabilization to development. At the May 1969 Paris formal meeting of the Ghana Aid Group it was agreed that the time had come to shift the chairmanship of the Group, and the next meeting of the Ghana Aid Donors will be organized and chaired by the IBRD with the close collaboration of the IMF. The body will then become a Consultative Group.

This changeover provides an occasion for assessment of what has gone before in the area of donor coordination and of what changes in approach and methodology seem called for to insure the most productive relationships among the donors, and between them and the GOG.

## 2. Consultations between the GOG and the Ghana Aid Group

Looking back, the cycle of research and consultation regarding the stabilization program followed a fairly regular cycle. The IBRD sent a team to Ghana in the fall of each year and produced a report early in the following year. Together with the IMF's report of Article XIV consultations, the IBRD report and the materials prepared by the GOG that formed the primary basis for the donor meeting. The latter two documents largely paralleled one another in assessing Ghana's performance during the current year and aid requirements for the coming year. Both documents analyzed in some depth issues connected with the GOG budget import requirements and import licensing. The Bank's report, though it justifiably took issue on some matters, generally served to confirm the GOG's analysis and endorse its approach.

Article XIV consultations are based on the provision in the IMF Charter which requires that countries maintaining restrictions on trade and payments must justify them or lose access to the facilities of the Fund. Each year an IMF team has visited Ghana early in the calendar year to prepare a report which serves as the analytical basis for the Article XIV consultations. The consultations were usually held prior to the spring donor meeting. The IMF's report of the issues discussed and the conclusions reached in these talks was a very valuable contribution to the packet of background materials distributed prior to the donors coming together. However, the IMF's most substantial consultative contribution to the success of the stabilization program has been accomplished through the continuous assignment of an IMF Resident Representative to Ghana since shortly after the February 1966 coup. The continued presence of an experienced IMF Representative has helped to strengthen GOG and Bank of Ghana policies. More importantly, it has served to insure continued consensus and coordination on broad economic policy matters between the GOG and, through the IMF, the donor community.

Following distribution of the IBRD, IMF and GOG reports by several weeks, the formal Ghana aid meeting has usually been convened in the spring in Paris. The major exception is a second formal meeting that was held in September 1967. These meetings were generally devoted to review and approval of Ghanaian economic policy performance and discussions of the aid plans of the donors. Probing discussions of substantive issues were rare and the few exceptions involved suspected reversals of economic policy. The main topics at the donor meetings were the maintenance of discipline in terms of: a) seeking balance between aggregate demand and supply through monetary and fiscal policy, (b) avoidance of additional medium term debt obligations,

(c) encouragement of an increased role for the private sector of the economy, and (d) by improving import licensing, achievement of higher levels of current production in Ghana's industrial sectors. Rather than questioning GOG policies, the donor group was mainly concerned that the GOG not waver in the course it had chosen. This was largely true also of the multi-lateral rescheduling negotiations concluded in December 1966 and October 1968. Whether correctly or not, there seems to have been a widespread assumption that there were few, if any, meaningful alternatives to the goals and policies adopted by the GOG and endorsed by the IMF and IBRD. Another and possibly more influential consideration was the view that the stabilization program was by its very nature a temporary holding operation and that the period would be used for the development of policies and programs aimed at fundamental and long-run problems to be implemented subsequently.

### 3. Need for Reappraisal

The need for reappraisal of the organization of communications among donors and between them and the GOG arises primarily from the shift of GOG policy emphasis from stabilization to development. This change will be manifested in the framing of policies and programs to promote progress along an optional course of economic development in Ghana. Alternative courses of action will be more plentiful. More than previously, donors will feel entitled to reasonable assurances that they are promoting real progress toward Ghanaian development aspirations and toward the eventual elimination of Ghanaian dependence on concessional external financing. Satisfaction on both scores will depend on mutual assessments of donor and GOG performance and the further development of a real sense of common purpose among all concerned. Also, it can be said that the problems of mounting and maintaining an adequate and continuous flow of assistance will increase with the increased importance of project aid relative to program assistance. It is these changes that stimulated the following thoughts on the future organization of consultations between Ghana and the aid donors. They are offered more in the hope of stimulating others' thinking on the subject than the intent to spell out definitive solutions to the problems discussed. The focus of the discussion will be on the changes that will occur or seem to be called for in light of the changing orientation of GOG and donor policies and interests.

### 4. GOG-Donor Coordination in the Consultative Group Context

One important key to developing a consensus between Ghana

and the donors will be common information. The development plan produced by the new civilian government will form the point of departure for consultations and joint action between the GOG and the donors. One of the earliest concerns of the donors will be evaluation of the policies and programs it envisions, as well as the statistical framework on which it is based. In its role as secretariat and research-and-analysis arm of the CG, this is one of the first tasks the IBRD should perform on behalf of the group. The Bank's evaluation of the new development plan should be comprehensive in scope, extending to sector programs and proposed projects for aid financing. Thereafter, as each year of the plan is completed, the IBRD would carry out the research and analysis requisite to leading the CG in appraising GOG and donor performance during the elapsed year and in evaluating the implementation plans for the next year or two years.

At the May 1969 Paris meeting, it was agreed that the next Ghana aid meeting would take place during the first half of 1970 after, if completed, promulgation of the new five-year development plan. Because complete review of the development plan will be too time consuming, the format of the spring 1970 meeting will probably have to be very similar to previous ones. Hopefully, it will be possible for the Bank to present in its usual spring report a preview and tentative evaluation of the plan.

It would seem very desirable to have an IBRD Resident Representative stationed in Ghana as soon as the new civilian government's approval can be obtained. It would be helpful to the GOG to have continuing consultations on planning and policy matters from one who is intimately familiar with the donor government and agency policies. An important operational item on his agenda would be to assist the GOG planners in the selection and preparation of projects for external financing and in developing strategy for obtaining the required amounts and kinds of aid. Like his IMF counterpart, the IBRD Resident Representative could serve as an informal communications link between the GOG and the donors, helping to maintain a "rolling consensus" on development issues and policies. Where differences arise, it would presumably be possible to resolve them prior to the annual formal meeting.

Because stabilization as well as development goals will continue to be reflected for some time in GOG policies, the IMF will continue to cooperate closely with the Bank in organizing consultations between the donors and the GOG. In addition to participation in preparing the agenda

and background material for the formal meetings, the IMF should continue to assign a Resident Representative to Accra for the next year at least. Whereas the IBRD Representative would concern himself primarily with the emerging development policies, the IMF Representative would continue to focus most of his attention on monetary, fiscal, and balance of payments problems.

There is no apparent need to consider important changes in the established timing of GOG donor consultations. The scheduling of the formal meeting in late spring seems to meet the needs of most of the donors and of the GOG. This arrangement will serve GOG needs the better once present plans to place import licensing on a fiscal year basis are effected. It seems, however, that it would be desirable to shift somewhat the timing of the annual IBRD field review. In the past, the field work has generally been carried out in the fall. In the future, it would be desirable that this work be carried out early in each calendar year. During this period, it should be possible to make a fair appraisal on progress in implementing the current year program. Also at this time, work on the GOG budget for the forthcoming year should have progressed to a point that it would bear analysis. This shift in the timing of IBRD field consultations will require that the time spent subsequently in preparing the annual report will have to be compressed for it to be available for the formal CG meeting in late spring. Having an IBRD Resident Representative in Accra should help to make this possible. Also, thought should be given to scheduling the visits of the IMF and IBRD field teams simultaneously. Conceivably they might write a joint report, but as a minimum they could economize on their own and GOG officials' time by dividing their labor and pooling their data.

Once the GOG has completed a five-year development plan, it can be expected that the type of Ghanaian document submitted to the spring formal meeting will change. Because of the perspective supplied by the five-year development plan, it should be possible for the GOG to firm up the coming year's development budget earlier on than heretofore. Specifically it would be very desirable for the GOG to submit in advance of each formal CG meeting an implementation plan for the two succeeding fiscal years. This document would provide firm estimates of planned development expenditure plus domestic and external financing for the approaching year, together with notional estimates for the succeeding year. This would do a great deal to place the deliberations of the CG on more realistic footing in that aid decisions taken in the wake of the spring meeting are most likely to result in resource transfers in the second succeeding

fiscal year rather than the first. It is to the substance of this GOG presentation that the IBRD spring report would address itself in the donors' collective behalf.

It may be useful to innovate further and introduce a new step between the completion of the annual GOG, IBRD and IMF reports and the formal CG meeting. Serious thought should be given to the utility and feasibility of including IBRD staff and discussion of basic development issues in expanded Article XIV consultations with the GOG. Reports of the conclusions reached and any issues left outstanding in these discussions would then be considered in the annual CG formal meeting. One purpose of the CG formal meeting would then be to examine and ratify the results of the expanded Article XIV style consultations. Hopefully full, frank and sharply focussed, these discussions might disclose issues which the earlier, tripartite consultations had not disposed of to the satisfaction of all the donors. These issues would hopefully be resolved in the ensuing discussion at the CG formal meeting, but otherwise would be pursued in subsequent meetings as discussed below.

The background documents and the CG discussion should continue to focus on donor performance in relation to the amounts, types, terms and timing of aid commitments. Particular attention should be paid to terms. It may be desirable to formulate guidelines which would limit GOG recourse to assistance which is insufficiently concessional.

One of the more difficult problems that the CG and the GOG will face together is that of maintaining the continuity of assistance required for the orderly implementation of development programs. Difficult in any case, this problem will be complicated during the next two to three years by the expected shift from program to project aid. In order to establish the minimum necessary one to two years' lead time between the identification of a loan project and its approval, the IBRD's preliminary spring 1967 report on the plan and the GOG's companion piece should discuss a list of projects suggested for external aid financing. Hopefully, the donors would immediately make tentative selection of projects for detailed feasibility studies. Typically, the lead time required to bring loan projects to the disbursements stage is underestimated. It is highly desirable that the GOG development plan and annual presentation together with the Bank report be based upon

reasonable assessments of the lead time required to prepare and study each project. This will help certain donors to avoid premature scale down of program loans.

The chances of unintentionally interrupted aid flows will be further diminished if two principles can be firmly established. First, donors will probably be more forthcoming in initiating project studies if there is a consensus among the donors and the GOG that by financing a feasibility study a donor in no way becomes committed to finance the project itself. Further, it would be helpful to establish the practice of clearing scopes of work for feasibility studies with other potentially interested donors. This will be a must where it is likely that a project might eventually go to international tender. As a minimum all scopes of work should be submitted to the IBRD for review and appraisal. Secondly, those donors who can be most flexible in this regard should agree to maintain the level of their program assistance until it is mutually agreed that the volume of project aid disbursements will be sufficient to permit phased reductions.

While timing, the setting and representation for the formal spring meeting will remain essentially unchanged, the transition from stabilization to development promises to give rise to a variety of occasions for special meetings between CG and Ghanaian representatives. Some meetings will be geared to pursuing project aid possibilities in the aftermath of the spring meeting. One type of subject for such meetings would be larger, potentially multi-donor projects. The most recent multi-donor project involving Ghana was for the sale of Volta Dam power to Togo and Dahomey and the partially related expansion of generating capacity. The next may also be a regional project involving multiple donors, i. e., a Volta Lake water and road transport link. The fact that this and possibly other projects emerging from the new GOG plan are also regional projects should not deter the CG from pursuing them aggressively.

A second type of GOG-CG meeting would arise from the need to develop GOG-donor consensuses regarding matters that are too technical or cumbersome for in-depth consideration at the spring meetings. These meetings would concern such special topics as sector development programs and such functional problems as Government budget management or tax structure. Certainly it would be helpful to schedule a meeting of experts who would form a working party to define a CG-GOG consensus regarding the timing, design, method of implementation and aid implications of measures to liberalize foreign trade and credit

in Ghana. These meetings would usually be attended by experts and might most appropriately take place in Accra in order to minimize the expense to the GOG.

### C. STRENGTHENING THE EXTERNAL AID DIVISION

In early 1967, in an effort to facilitate the transfer of resources from foreign donors to the recipients in Ghana, the Ministry of Economic Affairs established a Division for External Aid. Since that time, the Division has been primarily occupied in monitoring and coordinating the implementation of balance of payments assistance programs and processing new assistance programs and projects. In terms of total expenditure, the majority of aid to Ghana in recent years has been in the form of commodity loans. Members of the Division have, therefore, had to familiarize themselves with each donor's particular transfer mechanism. They have to know what goods are available, who may purchase them and what conditions, such as self-help and additionality requirements, must be met by importers and by the Ghana Government. Then, in order to promote the utilization of these loans, they have to transmit this information to the Ministry of Trade and Industry, the Bank of Ghana, the commercial bank and, ultimately, to private importers, many of whom, for historical and commercial reasons, are largely unfamiliar with the products of some donors. In addition, the Division has to enlist the assistance of recipients and other GOG agencies in preparing compliance and progress reports on all types of assistance. This means that a great deal of the Division's time is spent gathering information and, all too often, actually preparing reports. Finally, the Division is supposed to process all Ghanaian requests for foreign assistance.

Although there is wide agreement among the donors that the small but able and conscientious External Aid Division staff do the best that their numbers and position in the scheme of things allow, it is apparent that donors' programs and GOG interests would be enhanced if there were more sifting and winnowing of project assistance requests and better ways could be found to allocate and utilize project as well as balance of payments in accordance with Ghana's highest national development priorities. With the development of programming units in each of the Ministries, it is hoped that assistance requests will begin to reflect a greater awareness of and concentration on overall national priorities. At present, however, the Division seems to have neither the authority nor the manpower to make the contribution that is desirable.

The improvements that may be necessary to fulfill the Division's broad purpose of facilitating the transfer and maximizing the impact of foreign assistance are three:

1. A clear, functional division of labor within the Division,
2. A clear mandate to enlist other agencies' cooperation in the work of making the most of available foreign assistance,
3. More and higher level personnel.

A first step toward meeting these requirements might be to establish three sections in the Division - one for planning, one for implementation, and one for evaluation.

The purpose of the Planning Section should be to identify and channel assistance to those areas where it is most needed and will most productively be used. Officers in this section, four would be a minimum, would work with the Ministry of Economic Affairs central planning staff and the programming units of the Ministries, each responsible for two or three sectors that are closely related. In this role, they would coordinate the development of requests for foreign assistance. They would review rather passively technical assistance project requests developed by operating agencies to ensure that the objectives of the proposed activity are of sufficient priority to justify allocation of foreign technical assistance which is after all a scarce resource. In exercising this function, however, the Planning Section would bear in mind that some technical assistance is available for certain purposes only. However, the Planning Section's most important task would be the development of GOG aid requests which are expressive of the priorities and bottlenecks identified in the development planning and annual budgeting exercise. Here the Planning Section would work closely with those engaged in central and sector planning to determine which obstacles to Ghana's priority development goals can be best overcome with capital or technical assistance project aid. The liaison officers from the Planning Section would also be able to advise on which donors are best able to provide which type of assistance, who has the goods, lending facilities or personnel most likely to meet the identified needs at least cost and how best to prepare projects for the donor's approval.

Going beyond sector and project priorities, the Planning Section would also work closely with those concerned primarily with overall financing of the plan. The object would be to prepare a structure of aid requirements that is realistic in relation to projected domestic and balance of payments financial gaps and to the lead times associated with project and

program assistance. An important question would concern the required proportion of program versus project capital assistance. Most donors will be somewhat reluctant to continue program assistance, but, if the project component is too high a proportion total aid, domestic financial gaps could remain after the balance of payments gap has been financed.

The implementation section would be established: (1) to improve further the machinery for the four or five continuing programs of balance of payments assistance, (2) to establish liaison with each Ministry and operating department now or soon-to-be responsible for donor assisted capital projects, and (3) to develop broad associations with all major agencies in Ghana's providing substantial programs of technical assistance. There would be advantages in having a senior officer responsible for all balance of payments assistance, one for all capital projects and one for technical assistance. In connection with balance of payments and, to a lesser extent, project assistance to Implementation Section would shoulder the task of coordinating the considerable variety of responses to donor requirements required of the Ghana Government, including attention to self-help measures and conditions precedent, the preparation of reports and collection of data as well as import management and banking measures. By functional concentration, the implementation section could assist the GOG in utilizing the balance of payments programs to achieve certain overriding objectives, e.g., liberalizing imports through linking assistance to support for a real open general license, ensuring that procedures for all available assistance are uniform and comparable in purpose to the fullest extent possible and informing all key GOG departments on a continuing basis of the need for their support and full comprehension of the liberalization objectives. Similar coordinating roles would be required for the capital projects officer and the technical assistance officer. They would serve as a catalyst government wide and work closely with the other sections of External Aid Division as well as the Planning Division of the Ministry of Economic Affairs.

A third section of the Division ought to be concerned with evaluation. In order to evaluate assistance, one needs to know what has been done. This section demands three or four highly competent and imaginative officials who will decide which projects are suitable targets for evaluation, what kinds of evaluation are called for and what information will be required for each. The Evaluation Section might also develop a short form to be used in routine annual evaluation of all assistance projects.

By choosing judiciously the kinds of information to be requested and by keeping the whole process simple, this system would provide the GOG with an appreciation of the strengths and weaknesses of the various types of aid. The returns would also provide a continuing record of projects that could be used for reference and for initiating more detailed evaluations and followup studies. Every effort should be made to obtain the donors' cooperation in developing evaluation plans and in carrying them out. It might be useful for External Aid to chair a monthly donor meeting at which evaluation plans and results as well as implementation problems would be discussed. The Evaluation Section would attempt to circulate the results of evaluation studies, organize review of them and coordinate follow-up action on recommendations. They should also attempt to keep abreast of reports of other countries' experience with foreign assistance. Finally, the evaluation section should periodically review completed foreign aid projects to determine the extent earlier achievements have been maintained and improved upon. All of this information should then be fed back into the planning and implementation sections.

Because of the distinct nature of commodity loans, this form of assistance would best be evaluated separately and in conjunction with the officers of the Implementation Section who oversee its operations. It will also be helpful to involve officers of the Planning Section whose action will often be required to remedy difficulties that are uncovered. These officers should meet, perhaps quarterly, with a counterpart from the evaluation section to review progress in using program assistance in a manner responsive to Ghana's needs and donor requirements. Problems relating to the amounts and structure of aid commitments may indicate a need for the Planning Section either to adjust plans for future negotiations with donors or, through liaison with economic planners and programmers, to initiate measures to adjust GOG implementation plans in a manner least injurious to Ghanaian priorities. Near-term solutions to such problems as those relating to rates of utilization or compliance with donor requirements would be sought by the Implementation Staff in its dealings with the donors and by coordinating appropriate actions by Ghana Government agencies. The main value of this kind of evaluation of program assistance would be to pool the judgments and perspectives of the combined External Aid Division to insure that Ghana's near- and long-term interests are being optimally served and protected in the operation of available program assistance facilities.

ANNEX V I I

OPPORTUNITIES FOR REGIONAL COOPERATION  
AND IMPROVED USE OF AID RESOURCES

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## ANNEX VII

### OPPORTUNITIES FOR REGIONAL COOPERATION AND IMPROVED USE OF AID RESOURCES

#### A. The Setting

In light of the recent establishment of an AID regional office (CWAORA) in Dakar and as a response to its request for country mission comments on regional program development, USAID/Ghana has considered how country missions can best cooperate in developing a rational pattern of regional cooperation in West Africa. The ideas offered here are tentative and intended to stimulate further thought on the subject of how regional and country priorities can best be identified and meshed in preparing AID-assisted regional programs and projects. The discussion first focuses on the question of the bilateral mission's role in the development and administration of regional projects. It goes on to discuss some of the prospects for regional cooperation that would seem fruitful from a Ghana-centered perspective.

#### B. The Bilateral Mission's Role in Developing and Administering Regional Activities

In order to prevent undue disruption or distortion of country efforts and to facilitate a smooth initiation of regional efforts, common guidelines for project selection ought to be established as quickly as possible. The essential problem, from the country mission's point of view, is the potential conflict of priorities. Any given project may very well promote numerous multinational benefits. From a regional perspective, it would therefore seem desirable to finance the project. From an individual country perspective, however, the particular benefits resulting from that project may not be considered of highest priority. To finance its contribution to that project while passing over others considered more crucial would be a misallocation of the country's resources, as well as AID bilateral resources. The total net benefits, however, may justify this project for regional AID financing (see Appendix, page VII - 8.).

Another, more basic, approach applies to the development of projects and is really the heart of the issue of regional-country cooperation. The regional office and the bilateral missions should maintain close communication so that projects are developed in conformity with the views of all concerned. Ideally, regional projects should place sufficiently high in the priorities of the individual countries concerned that they are identified in their development plans.

The first step toward establishing this kind of cooperation is to recognize the basic responsibility of each mission. The responsibility of the country mission is to supplement the country's efforts toward development and therefore toward priorities established by the host country. To sacrifice this effort for the promotion of regional projects would alienate the host country and defeat the purpose of the country mission. This, of course, would be primarily for development emphasis countries.

The basic responsibility of the regional office, on the other hand, lies with no one country. By focusing on regional problems and regional solutions, it has a perspective far beyond the range of most present economic organizations. Its task is therefore twofold. First it must promote innovative thinking. Second it must promote breakthroughs in cooperation by circulating its ideas as widely as possible and assisting in their implementation.

The implication of this dichotomy is not that there is a conflict between real regional and real national priorities or between the roles of the regional office and bilateral missions's responsibilities. It does suggest, however, that the priorities and perspectives of national governments and bilateral aid missions have a greater role to play in the development of a dynamic pattern of regional cooperation. For unless regional activities are addressed to significant problems from the standpoint of national perspectives and provide solutions that are economical in comparison to the national alternatives, they will have little life of their own. The best way to promote lasting regionalism is to finance projects in areas where real national interests coincide and where implementation involves meaningful common effort. Because of its intimacy with national interest, the country mission's primary contribution to regionalism should be in the identification of these vital areas.

What then should be the role of the bilateral aid mission in the development of the regional program? The main contribution that the bilateral missions can make is in the area of identifying high priority needs which can be met through regional efforts. Its role in this area is of critical importance because it ought to be capable of taking a more detached and objective view of these matters than the national government.

The first step the country mission should take in this direction is to assist in building a regional library of vital country information. At least once a year, the country mission should send to the regional office copies of Ghana's development budget and planning priorities, a description of other assistance programs in Ghana and any major suggestions for regional research or regional projects. In this way the regional office would develop an appreciation of the problems that are considered to be of major importance in the individual countries. This will be more useful than the undigested data requested by CWAORA because these materials will shed light on country priorities. However, unanalyzed data may be useful in cases where there is no country development plan. Conversely, the regional office should send to Ghana a report of all its proposed undertakings which would affect Ghana. It should also inform the country mission of any major changes in a project affecting Ghana as the need arises. There has been some problem in this regard in the past when USAID/Ghana learned of regional projects in Ghana only after they entered the last stages of approval. Every effort should be made to avoid such occurrences in the future.

A second contribution the country mission can make in promoting regionalism is to encourage the Ghana Government to see the value of and give high priority to beneficial regional projects. Such projects fall into two broad types. The first is country specialization and involves a separation of tasks or projects. The second might simply be called country cooperation to indicate that countries work together on the same task or project.

### C. The Current Status of Regional Cooperation in Ghana

#### 1. Country Specialization

In the first category, Ghana is presently involved in three major projects intended to avoid infrastructure duplication. These are the Accra-Abidjan Highway, the Accra-Lome Telecommunications Project and the transmission of electricity from the Volta complex to Togo and Dahomey. The Mission feels that ADB financed studies of the feasibility of extending these projects would be the most important Ghanaian contribution to regionalism in this area. In addition, Ghana has shown a strong, increasing interest in involving itself with both the Entente States and the West African Economic Union. The recent establishment of a Ghana-Ivory Coast Joint Economic Commission is a prime example. The country mission is now encouraging the government to liberalize its import licensing system and

to remove its 180-day credit requirement for external finance. These steps will help to increase the scope for intra-African trade. Further trade liberalization can best be pursued reciprocally, so the mission feels that negotiations should be continued, even if they are only bilateral, under the auspices of the West African Economic Commission and of the Entente. This method would enhance not only the prospects for increased regional trade but also the stature of the regional organization. Such negotiations might also initiate valuable studies in comparative tax structure and investment legislation. On the whole, however, the mission favors greater use of studies already completed, especially those done by the ECA on regional trade (See AIDTO CIR A-1241, Jane Martin, A Bibliography on African Regionalism, Boston: AfricanStudies Center, Boston University, 1969, P. 88-89) and the study recently completed by the Economist Intelligence Unit for the ADB. There is need for fewer conferences and more action. In this regard, the mission is considering methods for using PL 480 self-help requirements as an incentive for increasing trade. One idea is to allow the export of textiles containing grey cloth brought in under the PL 480 program.

## 2. Country Cooperation

Ghana has also been involved in numerous regional projects involving inter-country cooperation. Ghanaians have participated in both AFGRAD and INTERAF. AFGRAD gives scholarships for African students at American universities; INTERAF gives scholarships for students attending African universities. The Mission feels that the area in education where regional efforts ought to be focused is in French and English language training. Such training is a prerequisite for progress in nearly all areas of regional concern. Greater provision ought to be made for student exchange programs, and university scholarships for Ghanaians should encourage study in French-speaking countries. It would also be useful to extend efforts for developing a common regional curriculum beyond strictly science courses to include history and government courses describing common backgrounds and regional institutions. Though it would be considered strictly a science course, it should be noted that the mission has requested that the Entebbe Math project be expanded into a regional project.

The Mission has also suggested that programs at the University of Ghana at Legon and at the University of Science and Technology at Kumasi offer possibilities for regional institutes. An Overseas Liaison Committee

(OLC) follow-up study promises soon to be conducted at the School of Architecture at Kumasi. In the field of health, Ghana has participated in regional projects concerning nutrition, measles-smallpox and onchocerciasis. In agriculture, the major Ghanaian involvement has been in the West African Rice Production and Marketing Project.

While these projects have all operated with minimum participation by the country mission, it should be emphasized that regional projects need not necessarily demand a major contribution from all countries in the region. Unless solution of the problem is dependent upon total participation, the mission feels that countries should not be pressured into contributing resources to marginally useful projects simply to remain a member in good standing of the supporters of regionalism. Regionalism should not be an end in itself but the result of a specifically defined common effort. If one nation need not contribute to insure the success of a project, it should not be considered a lesser member of the region.

One agricultural project the Mission feels worthy of regional consideration is the eradication of cocoa diseases. Both capsid and swollen shoot spread across national borders. Without a common effort the diseases will occur in spite of national programs. As a Cocoa Association already exists, this project should not involve extensive institution building. It could also serve as a first step toward further cooperation in production, storage and marketing.

Another area which the Mission feels is particularly ripe for regional cooperation is demographic research and analysis. All West African countries are probably preparing for a 1970 census. Efforts to standardize data collection would be of great value in preparing for any number of future projects, especially those regarding immigration, family planning and overall economic planning. In particular a regional institute could be set up under the auspices of the various national bureaus of statistics to research topics of common concern. Such an agency could make use of the Demographic Unit of the University of Ghana. Beyond its direct benefits, it would facilitate the intra-regional flow of African personnel and strengthen the tendency to consider regional solutions to common problems.

In addition to encouraging cooperation among the countries of the region, the country mission ought to encourage cooperation among the donors of the region. Five donors participated in the Volta River

Project. Some have indicated that they would look favorably upon extending this project to the regional level. This tendency should be encouraged and transmitted to other areas as well. French-English cooperation would be particularly benefitted in promoting regional education and language projects of all types. Donors should also consider means for increasing regional trade, giving particular emphasis to the effect of their own trade on present regional flows. Mutual examination of the ramifications of the Commonwealth preference, the franc zone and the association of some West African countries with the EEC could uncover donor policies which would increase incentives for regional trade. Again, use should be made of the extensive research that has been done in this field.

#### D. Conclusion

The Mission feels that regionalism can best be promoted in three ways:

##### 1. By Solving Specific Problems

AID should begin not by trying to convince Africans of the existence of a new problem but by helping them solve problems they already agree exist. Consequently, AID should not create an a priori regional program and attempt to sell it. It should not define one type of assistance as best for regionalism. Rather it should identify a problem and adapt its assistance to solve it.

##### 2. By Building from Country Priorities

That a country benefits from a regional project is not a sufficient criterion for approval. Without some well defined overriding consideration, the benefits should be worth the allocation of scarce money and manpower from the perspective of country priorities. AID should enhance national development. It should not promote unwanted, premature or operationally irrelevant integration, merely for the sake of integration. The goal of regionalism should be the cooperation of two parties, not the creation of a third. Just because a problem is regional does not mean that it needs a regional organization. In fact a problem may in many cases be better solved, cooperation better enhanced, and manpower saved simply by initiating dealings between relevant country ministries.

3. By a Full Exchange of Information

Maximizing AID's regional impact whenever the project demands full information exchange between regional and country offices. The country mission should each year send to the regional office a copy of its host country's development plan and its own proposed program. Later the regional office should return a copy of its proposed program. In addition, there should be regular exchange of reports and correspondence concerning ongoing projects, including research topics. This task need only be a matter of distributing copies of seminal documents and those which reflect various stages of progress, but it is most essential for maintaining maximum efficiency in AID's overall program.

APPENDIX TO ANNEX VIIOn the Pure Theory of Regional Budgeting

As the body of Annex VII points out that in a region having both bilateral and regional programs, there is a natural tendency toward bias in project selection because bilateral and regional offices have somewhat conflicting goals. Without a regional organization, each bilateral mission will tend to concentrate on those projects which have the highest net benefits (total benefits minus total costs) per dollar spent in the host country. The regional program would tend to allocate its funds among those regional programs having the highest net benefits. The problem arises in defining the appropriate level of funding for regional and bilateral programs which represents the most efficient allocation of total funds available.

For instance, a transportation link between Upper Volta and Ghana's port at Tema would have extremely high benefits to Upper Volta and relatively low costs for the portion in Upper Volta. Ghana, on the other hand, would entail relatively high costs for relatively small net benefits. The link would rank very low in Ghanaian priorities and probably never be funded without external assistance. Yet, its overall net benefits to the region may make it a viable project. On the other hand, there may be bilateral projects available, such as an Accra-Kumasi road, which have higher net benefits.

In order to outline a proper allocation policy, consider the following example: There are two emphasis countries, A and B, as well as a regional program which covers the balance of the non-emphasis countries as well as A and B. Bilateral projects are not considered in non-emphasis countries. Each country and the regional missions submit a list of projects for possible funding ranked according to their net benefits, as shown in Table I.

Table I - Comparative Project Analysis - Hypothetical Example  
(millions \$)

Country A			Regional			Country B		
#	Cost	Net Benefits	#	Cost	Net Benefits	#	Cost	Net Benefits
A-1	5	10	R-1	25	30	B-1	20	45
A-2	10	20	R-2	30	25	B-2	15	25
A-3	15	15	R-3	15	10	B-3	10	10
A-4	25	20	R-4	20	10	B-4	15	10

Included in the country project lists may be some regional projects. In this example, Country A's project No. 2 (A-2) is also B's No. 4 and Regional's No. 1.

If the total funds available for all projects is \$90 million, it can be divided various ways. If allocated \$55 million to regional programs, and \$20 million to each of the country programs, Country B could not fund projects B-2 and B-3, but B-4 would be financed on a regional basis. Yet if project R-1 was dropped and B-2 and B-3 were added, a gain in net benefits of \$5 million could be achieved.

On the other hand, if allocations are made on a country basis only, giving \$45 million to both A and B, there would also be a misallocation. In this case, B would want to fund B-1, B-2 and B-3, but not B-4, which is part of a regional project. Country A would like to fund A-2, but since B is not going to fund B-4, it must divide its funds among A-1, A-3 and A-4. Clearly, if \$25 million was withdrawn from project A-4 and given over to R-1, there would be a net gain of \$10 million in benefits. Country A receives less aid but can now fund project A-2, which is an integral part of R-1. This, in fact, turns out to be the most efficient allocation of the budgeted resources and illustrates the gains from regional cooperation.

The other interesting conclusion from this is that in Country B the most efficient allocation of funds finances project B-4 but not B-3, since B-4 is part of a regional program having benefits outside of Country B. In this case Country B has to put up with the funding of a project it considers to be less crucial than others because of its greater returns in a regional context.

The rational approach to end needless competition between country and regional programs is the compilation of a master list of all projects within the region, ranked by their net benefits per dollar expended, benefit/cost ratios or internal rate of return. This would then be used to set up the most efficient mix of regional and country projects according to the overall level of available funds. For instance, in the example above, the following master list could be derived:

Table 2 - Master List of Projects - Hypothetical Example

Project Number	Project Cost	Cumulative Cost	Net Benefits	Net Benefits/ Cost
B-1	20	20	45	2.25
A-1	5	25	10	2.00
B-2	15	40	25	1.67
R-1	25	65	30	1.20
A-3	15	80	15	1.00
B-3	10	90	10	1.00
R-2	30	120	25	.83
R-3	15	135	10	.67
R-4	20	155	10	.50

A glance at this list shows that projects A-2 and B-4 are not listed, since they are parts of R-1. The cumulative cost column shows the possible budget levels at any point. For instance, if the budget were cut from \$90 million to \$65 million, projects A-3 and B-3 would be the ones to drop from the total program.

#### Conclusion

This analysis is "pure" or abstract in that it assumes all projects can be measured in terms of benefits and costs. Realistically, social and political benefits can never be adequately measured to make such an abstract approach function in the real world. This is probably less true of infrastructure projects than of technical assistance and other types of cooperative efforts.

There are lessons to be learned, however, even if the above analysis proves to be too abstract for actual applications. There lessons are, basically, that:

1. Regional programming must consider both projects involving bilateral as well as multilateral assistance if an efficient mix of the two types can be achieved.

2. Individual country priorities may have to give way to regional priorities even though an inefficient allocation appears to result for that particular country.

ANNEX VIII

USAID/GHANA SYSTEM OF LOCAL CURRENCY  
PROGRAMMING AND MANAGEMENT

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**USAID/GHANA SYSTEM OF LOCAL CURRENCY  
PROGRAMMING AND MANAGEMENT**

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**A. INTRODUCTION**

In FY 1969, USAID/Ghana contributed N¢22 million to the Ghana Government Development Budget from U. S. -owned and controlled local currencies. This tenfold increase in obligations over the amounts allocated in FY 67 and FY 68 was made possible by a large expansion in the PL 480 Sales Program, and implementation of the Commodity Import Program Loan (CIP). It was considered vital to use the Development Budget as a vehicle for transferring the currencies due to the desire to work within the budgetary process and to have more influence on it, especially with regard to the development side. The draft budget was reviewed, and the projects the United States Mission agreed could be supported with U. S. funds were set forth in a Master Local Currency Agreement. This agreement also indicated how the funds were to be transferred. A complete discussion of this process with particular reference to plans for FY 1970 is provided in Part E.

**B. IMPLEMENTATION PROBLEMS**

During the course of FY 1969, a number of delays occurred in the implementation of the program. Most often these delays were the result of a breakdown in communications between the relatively large number of agencies involved or a lack of understanding on the part of various agencies of their responsibilities and role in the total process. These delays interrupted the smooth flow of funds into the Development Budget and tended to stall a number of projects the Mission desired most to encourage since in the majority of cases there was no alternate source of funding.

PL 480 104 funds created the most difficulties in this regard since the number of U. S. and GOG agencies involved greatly exceeded the number involved with counterpart funds. In addition, there is no one document available on the policy and administrative requirements of the program. Financial Procedures under Public Law 480, (foreign Agriculture Economic Report No. 17) is the best single manual available; however, it has not been updated since 1964. Requirements have to be sorted out from PL 480 negotiating instructions, AID airgrams and manual orders, and Department of Treasury circulars.

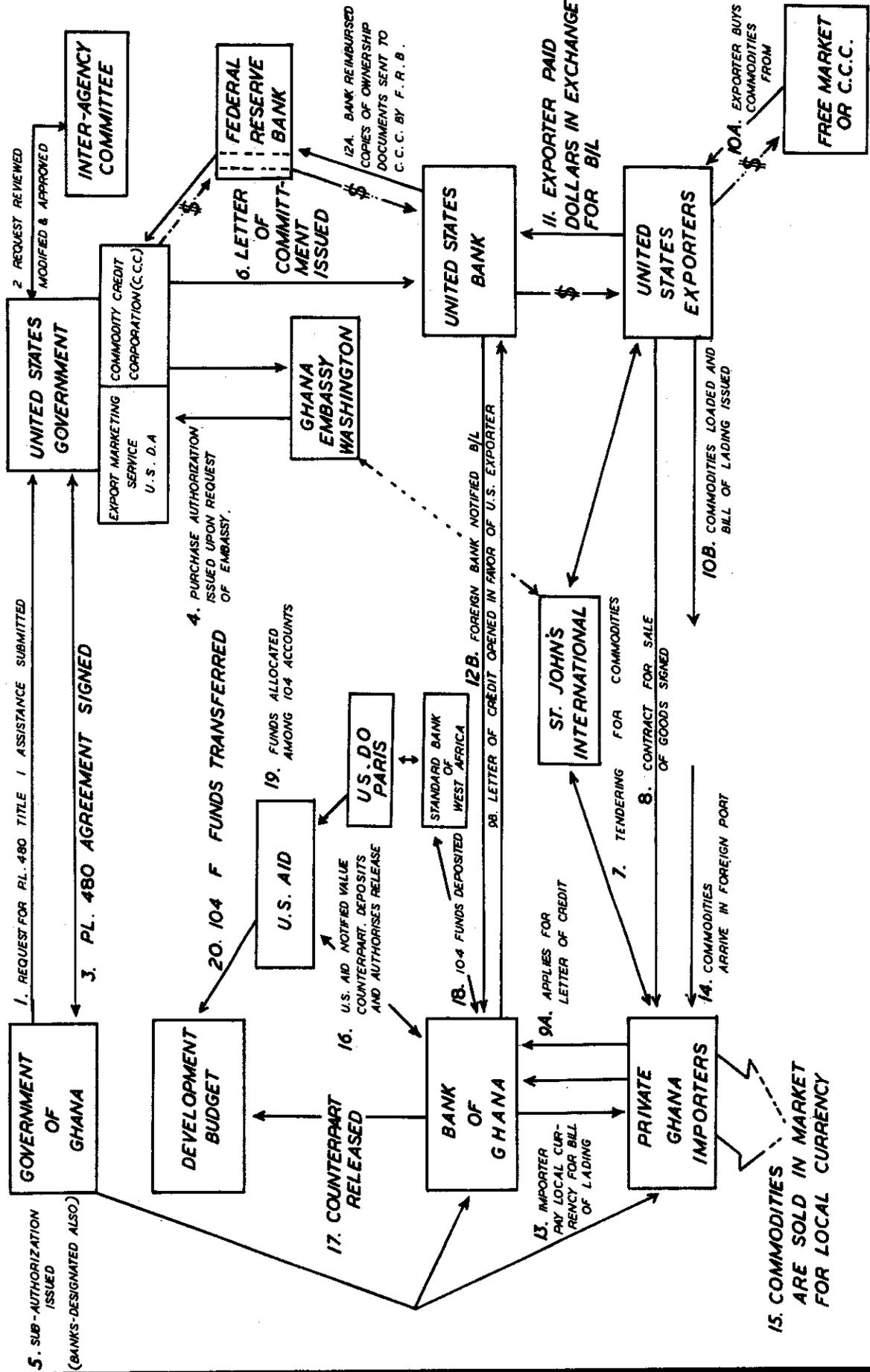
An example of the difficulties involved were problems with regard to deposits. The issuance of Purchase Authorizations for PL 480 commodities were held up at one point because USDA records showed that Ghana was delinquent on deposits amounting to several million cedis. The Bank of Ghana had deposited the funds; however, CCC had not received all the papers required and had placed the funds in suspension until more information was received. The Mission attempted to coordinate the actions of the agencies involved and worked closely with the Bank of Ghana in an attempt to solve the operational problems. However, a number of weeks was required to straighten out the matter.

The greatest difficulty with deposits, however, was the amount of time required for the U. S. Government to complete its paperwork on 104 deposits and allocate the funds for use among the various accounts (U. S. uses, Cooley Funds, or 104(f).) The lag time amounted to three months on the average and reached as long as five months in certain cases. It has been discovered that it is possible to shorten the time substantially by changing from a CCC pre-audit to a CCC post-audit, and the Mission has requested that this administrative change be made (TOAID A-184). As more and more of these bottlenecks to the smooth operation of the program are eliminated, more staff time can be spent on substantive issues of programming and implementation rather than on monitoring routine procedures.

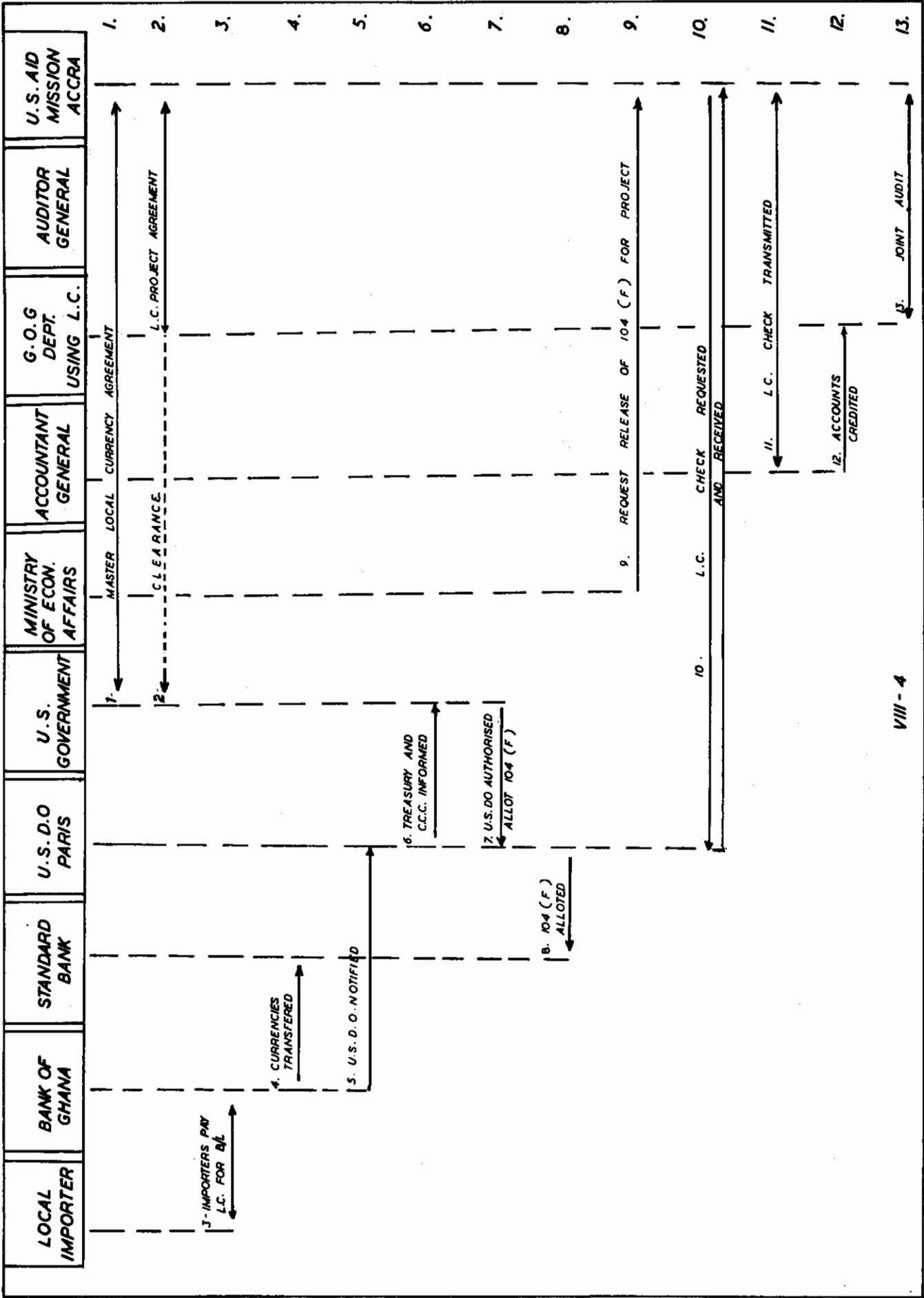
#### C. DIAGRAM OF PL 480 FINANCIAL OPERATIONS - 104(f) FUNDS

The diagrams on the two following pages were prepared by the Mission in an attempt to visualize the processes involved in the generation, programming and utilization of 104(f) funds. The first (P. VIII - 3) is an amplification of the diagram in Financial Procedures under Public Law 480, with special reference to Ghana. The second diagram (P. VIII - 4) further breaks down steps 18, 19, and 20 of diagram I, and shows the process involved in managing 104(f) funds once they have been generated.

# PL. 480 TITLE I FINANCIAL OPERATIONS



# GENERATION AND UTILIZATION OF 104 (F) FUNDS



#### D. ORGANIZATIONAL STRUCTURE FOR MANAGING PROGRAM

The organizational structure for programming and implementation of the local currency program is still in the embryonic stage. A system is visualized which involves coordination between the AID technical divisions -- Food and Agriculture, Public Works, and Industry -- and the relevant institutions in the Government of Ghana beginning with the budgetary planning process and continuing through the implementation of projects. The technical sections feed information on the projects they have been operationally involved with, as well as intra-sectoral priorities as a whole into a policy planning and budgeting group. This group consists of the USAID Mission Director, Program Officer, and Local Currency Coordinator working in liaison with the relevant sections of the Ministry of Economic Affairs. The group makes the final decision on projects to be financed and drafts and negotiates the Master Local Currency Agreement. In FY1970 this group will coordinate development budgeting and surveillance much more closely with the Ministry of Finance due to the rapid growth in recurrent expenditures. In respect to 104(f) funds, the AID technical divisions, in cooperation with their counterparts, draft the individual project agreements, and the Local Currency Coordinator working with the External Aid Division of the Ministry of Economic Affairs has the responsibility of arranging for their signing and distribution.

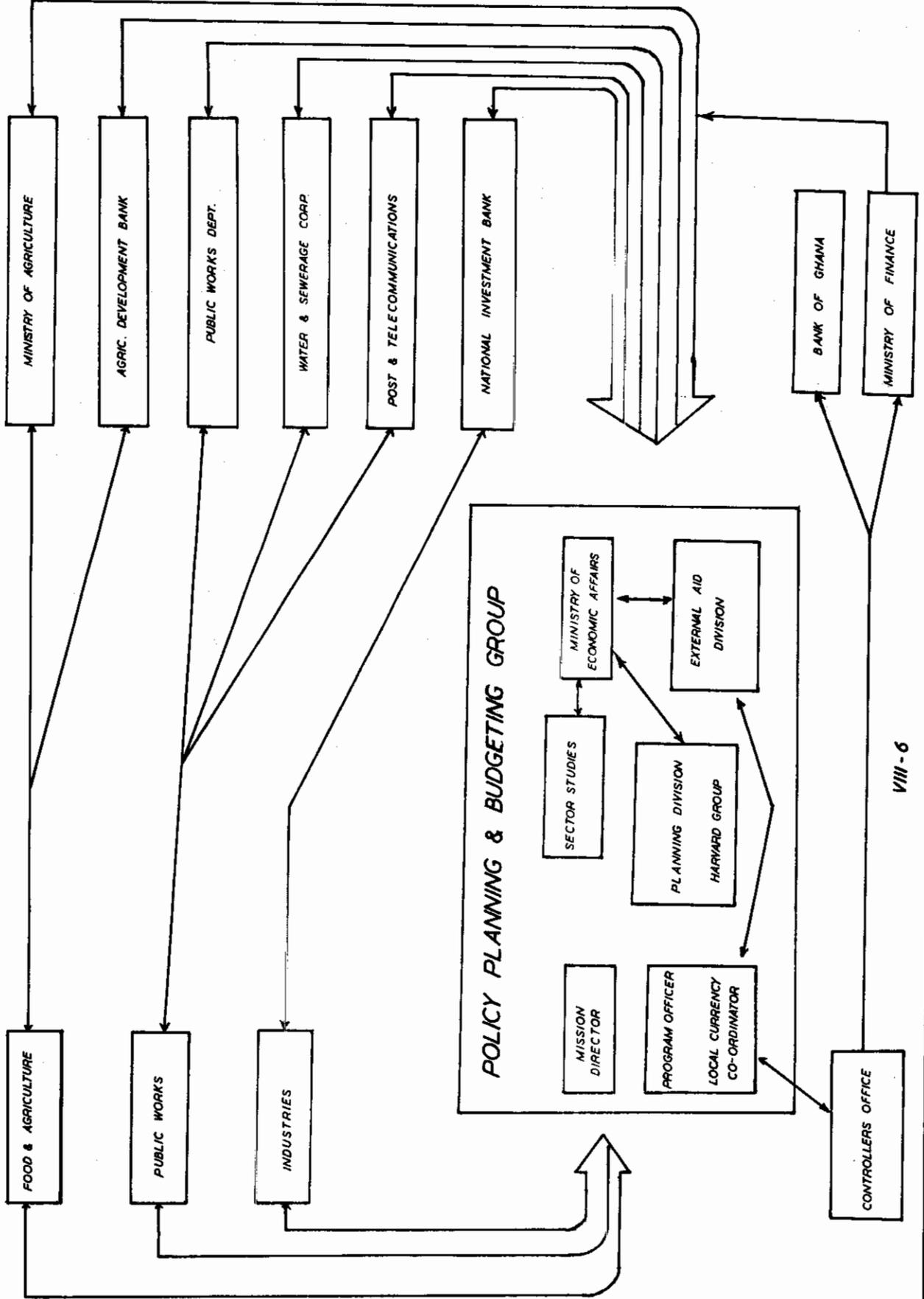
The Local Currency Coordinator (LCC) is the officer responsible for the smooth operation of the program. His work includes preparing the estimates on levels and timing of local currency availabilities which are incorporated in the Master Local Currency Agreement. These estimates are updated quarterly in a Local Currency Status Report which also contains historical information.

The Controller's office maintains liaison with the Bank of Ghana and the Ministry of Finance to insure proper fiscal management of the program from the deposit of cedis by the local buyers through the release of funds to the GOG department using the local currency and ending with an audit of the program.

Diagram 3, reproduced on the next page (VIII - 6) provides a conceptualization of this system, which will no doubt be modified as it is put into practice.

U.S. AID MISSION

GHANA GOVERNMENT



### E. THE LOCAL CURRENCY BUDGET FOR FY 1970

Actual expenditures in FY 1969 for the Development Budget are estimated to have reached only N¢62 million as compared with the original estimate of N¢104 million. This resulted mainly from a short-fall in expected revenues, the reasons for which are explained in other parts of this CFS. The Two-Year Development Plan for FY 69 and FY 70, projected expenditures in FY 70 at N¢117 million. However, it is now expected that revenue availabilities will amount to less than N¢80 million so these plans are being modified. In this situation, USAID contributions of N¢22 million in FY 1969 and expected contributions of more than N¢30 million in FY 1970 assume an added importance.

The FY 1970 Development Budget, which the GOG began preparing in January 1969, is now in final form. USAID and the Sector Studies teams reviewed the budget and indicated those projects which were acceptable for financing with U.S. owned and controlled currencies. U.S. local currency contributions will concentrate on projects in the agriculture, transportation, water resources and telecommunications sectors, since these are the areas where American expertise is already participating both through technical assistance projects and the sector studies teams. In addition, the USAID will continue its 104(f) projects with the National Investment Bank, the Tema Development Corporation, and the Ministry of Economic Affairs. Some additional 104(f) projects with the Ministry of Economic Affairs, the Ministry of Labour and Social Welfare, and the Ministry of Local Government will be added. Also, for the first time, → PL 480 104 (h) funds will be contributed to support Development Budget projects in population planning and nutrition.

When approval of the FY 1970 local currency program is received from Washington, a Master Local Currency Agreement, including refinements growing out of FY 1969 experience, will be negotiated. This Agreement obligates the counterpart funds by setting forth the projects to which they may be attributed and establishes the method of releasing and certifying to insure the funds are being expended on the agreed-upon projects. The USAID will be making monthly releases of counterpart funds based upon a bank statement provided by the Bank of Ghana. However, due to the difficulties experienced by the controller in FY 1969 in obtaining quarterly certification of counterpart utilization, a stipulation will be added to the Agreement that certification must be provided within 45 days after the end of each quarter or no further release will be made until it is received.

The Master Local Currency Agreement will also identify the projects which 104(f) funds can be used to support. Actual obligation of 104(f) funds will be by individual project agreements with the relevant government ministry. These funds will be used for projects which the USAID desires to follow especially closely and which have a high rate of return, since the funds must be repaid with interest.

It is expected that between N¢30 and N¢34 million will be available for use in FY 1969 - 70. In order to give the Ghana Government some flexibility in the utilization of the local currency and to provide for traditional shortfalls in expenditure, acceptable projects in the amount of N¢37 million will be identified in the Agreement. Plans with regard to the individual sectors are set forth below:

#### 1. Agriculture

The agriculture sector is emphasized in the local currency program since it is USAID/Ghana's sector of highest priority and receives the bulk of USAID technical-assistance funds. In addition, the PL 480 Sales Agreements require that a significant portion of the local currencies generated by the program be used for agricultural development. USAID attributions of local currency in the agriculture area are concentrated on feeder roads, the production of import substitutes such as rice and promotion of agriculture exports, especially cocoa.

Monitoring and assistance in the implementation of Ministry of Agriculture/USAID TC projects have always been a major responsibility of the USAID Food and Agriculture Officer. However, up to the present, they have not been directly involved in the budgeting process, mainly because the USAID did not feel it had the detailed information necessary to make a substantive input into the planning process. The agriculture sector team has assisted in the final stages of FY 1970 budget review, and their findings, recommendations and suggested programs will have even greater relevance for the FY 1971 and future years' agricultural development budgets.

Much of the agriculture budget is built up from submissions of requirements from Ghana's nine regions. In four regions, USAID has advisors attached to the regional agriculture coordinator. This coordinator assists the various divisions in budget preparation and has overall authority in project implementation. Through these counterparts, the USAID advisors have an unusual opportunity to influence the regional budgeting process. In FY 1970, the field technicians will be

provided copies of the Master Local Currency Agreement and asked to follow the progress of the projects relevant to their region, and even more particularly, projects within the focus and concentrate districts.

The other level of USAID implementation assistance and surveillance will come from two OPEX consultants who are to be assigned to the Agriculture Coordination Unit of the Ministry of Agriculture. These two USAID-sponsored consultants will focus on the overall preparation of short-term and long-term agriculture sector programs and budget for projects to carry them out. They will also assist in monitoring implementation and thus be able to assess not only the utilization of counterpart releases but the total development program of the Ministry of Agriculture.

The Agriculture sector will receive approximately 43 percent of local currency attributions in FY 1969 - 70 when the Feeder Roads Program (which is shown under the transportation sector) is included. Projects to be supported are:

<u>DIVISION</u>		<u>PLANNED CONTRIBUTION</u>
<u>MINISTRY OF AGRICULTURE</u>		
Central Administration	N¢	68,100
Training and Manpower Division		123,730
Irrigation, Reclamation and Drainage Division		1,089,500
Cocoa Division		2,933,003
Fisheries Division		43,200
Animal Health Division		427,000
Agricultural Settlements Division		500,100
Mechanization and Transport Division		554,200
Farm Supplies Units		52,600
Animal Husbandry		389,000
Crop Production Division		447,760

Central Region	9,900
Volta Region	20,000
Upper Region	5,700
Western Region	66,000
Brong Ahafo Region	16,000
Ashanti Region	13,100
Eastern Region	94,200
Forestry	225,140
Sub-Total	<u>NC 7,078,233</u>

MINISTRY OF FINANCE

Agricultural Development Bank	<u>1,500,000</u>
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SCIENTIFIC AND RESEARCH INSTITUTE

Problem Soil Research	<u>19,620</u>
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MINISTRY OF EDUCATIONUniversity of Ghana, Faculty of Agriculture

Agriculture Adaptive Research Program	<u>80,000</u>
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TOTAL	<u>NC8,677,853</u>
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2. Transportation, Water Resources, and Telecommunications

The Public Works Division of the USAID Mission has continuing responsibility for the local currency program in the transportation, water resources, and telecommunications sectors. During the coming year, the Chief Engineer will follow the water resources and telecommunications sectors, and his deputy will concentrate on transportation. PWD inputs into

the program include discussing proposed development budget requests with the responsible GOG agency, and making recommendations on those to be included in the program.

With respect to projects financed with 104(f) funds, PWD provides technical advice on design standards, construction specifications, and maintenance procedures, and assists in the preparation of the Project Agreements. Once the projects are underway, periodic inspections are made to identify problem areas and advise contractors and supervisory personnel on methods of improving operations. Recommendations are then made to the agency involved in an attempt to further strengthen management of the program. Review of monthly project reports supplements on-site inspections.

During FY 1969, PWD also examined the progress on projects financed with counterpart funds and provided technical assistance where required. They are also continually reviewing the information and recommendations emanating from the sector study teams and will utilize this information in the implementation of the FY 70 program. It will also provide a basis for a more substantive input into the preparation of the FY 71 budget.

Projects which USAID plans to support in the three sectors are as follows:

<u>DIVISION</u>	<u>PLANNED CONTRIBUTION</u>
<u>Transportation Sector</u>	
<u>MINISTRY OF WORKS AND HOUSING -</u>	
Public Works Department	
Trunk and Feeder Roads Program	<u>NØ 11, 820, 000</u>
<u>REGIONAL ADMINISTRATION</u>	
Feeder Roads	<u>613, 000</u>
<u>SCIENTIFIC AND RESEARCH INSTITUTE</u>	
Road Research	<u>27, 140</u>
TOTAL	NØ12, 460, 140

Water Resources SectorGHANA WATER AND SEWERAGE CORPORATION

Well Sinking	N¢ 398,400
Bore Holes	222,675
Rural Surface Water Scheme	1,140,636
Extension to Rural Supplies	39,800
Extension to Urban and Industrial Supplies	282,276
Extension to City Supplies	880,620
Buildings and Equipment	250,000
<b>TOTAL</b>	<b><u>N¢3,214,407</u></b>

Telecommunications SectorMINISTRY OF COMMUNICATION

Post and Telecommunication	<u>585,000</u>
<b>TOTAL</b>	<b><u>N¢ 585,000</u></b>

**3. Housing and Industry**

The USAID will continue its contributions to the expansion of low-cost housing by supporting the Tema Development Corporation through the current phase of building only. This project receives the same attention from the USAID Public Works Division as the projects described in Part 2. The Industry Division will continue to monitor the 104(f) project agreements with the National Investment Bank (NIB). USAID contributions to the NIB are to allow it to make medium- and long-term loans for commercial and industrial investment projects. During FY 1970, every effort will be made to establish a special revolving loan fund to assist small- and medium-size entrepreneurs. The NIB represents the major source of credit for long-term projects which have a significant impact on promoting economic development.

Amounts tentatively planned for these two projects are:

<u>DIVISION</u>	<u>PLANNED CONTRIBUTION</u>
<u>MINISTRY OF WORKS AND HOUSING</u>	
Tema Development Corporation	<u>N¢2, 844, 000</u>
<u>MINISTRY OF FINANCE</u>	
National Investment Bank	<u>1, 735, 000</u>

→ 4. 104(h) Projects and Other Special Activities

In FY 1970, the PL 480 Sales Agreements will generate approximately N¢550,000, which could be used for 104(h) activities, and the Mission will attempt to program the full amount available. The first candidate for these funds will be the development budget requirements of the Danfa Rural Health-family Planning Pilot Project. The other main item which will receive these funds is the GOG family planning program, which we expect will be announced in the next month or two. It seems probable that start-up equipment and supplies costs could amount to more than N¢100,000. Other activities which may be financed are maternal and child health, nutrition and demographic programs of the Government. All projects in the family planning area will be monitored by the Program Officer for Operations with general surveillance from the Regional Population Officer. If any projects in the nutrition area are supported, they will be backstopped by the Food for Development Officer.

Other special activities include projects with the Ministry of Labour and Social Welfare, the Ministry of Local Government, and the Ministry of Economic Affairs. The Assistant Director for Program is generally responsible for projects with the last ministry, and the projects supported in the other two ministries will be divided among the various action officers, depending upon the specific nature of the activities ultimately agreed upon.

Projects in these areas which have been tentatively agreed upon are:

<u>DIVISION</u>	<u>PLANNED CONTRIBUTION</u>
<u>MINISTRY OF EDUCATION</u>	
<u>University of Ghana</u>	
Demographic Sample Survey	<u>N¢ 25,000</u>
<u>MINISTRY OF LABOUR AND SOCIAL WELFARE</u>	
Self-Help Projects	<u>170,000</u>
<u>MINISTRY OF LOCAL GOVERNMENT</u>	
Grant to Local Authorities	<u>400,000</u>
<u>MINISTRY OF ECONOMIC AFFAIRS</u>	
Special Studies	235,000
Sector Studies	250,000
Grants to Regional Planning Committees	1,500,000
Unallocated	<u>2,000,000</u>
TOTAL	N¢3,985,000

#### 5. USAID Request for AA/AFR Approval

The Mission requests AA/AFR approval (per M.O. 1151.1) of a FY 1970 Local Currency Program in the range of N¢30 to N¢34 million based upon the information provided above and cabled authority to negotiate and sign the Master Local Currency Agreement. Some changes will be made in the final negotiations, particularly additions of projects to be supported with 104(h) funds. When the Agreement is signed, hopefully in August 1969 at the latest, 10 copies will be forwarded to Washington.

ANNEX IX

PROGRAM RESEARCH EVALUATION  
AND AUDIT PLANS FOR FY 1970

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## ANNEX IX

### PROGRAM RESEARCH EVALUATION, AND AUDIT PLANS FOR FY 1970

#### A. Introduction

This year we again present USAID/Ghana's evaluation program together with our plans for research and audit activities during the coming year. Though each is primarily the responsibility of a different part of the Mission, these three activities are all directed toward the goal of improving the quality of present and future USAID programs in Ghana. In preparing this year's plan we have increased the coordination between evaluation and audit activities so that in many instances project audits will be scheduled just prior to the preparation of Project Appraisal Reports (PAR's). In one instance all three tools will come together to analyse the USAID/Ghana's programming of local currency loan and counterpart funds in support of the GOG development budget. The concerned GOG financial accounts will be audited while research will be undertaken into both the revenue and expenditures sides of the budget process. Based on the draft research and audit reports, an evaluation of Mission's approach to programming local currency loan and counterpart funds will attempt to determine how successful it has been from both the GOG and USAID/Ghana points of view and how it can operate better in the future.

The bulk of planned research activities will continue to be carried out primarily by the Mission Program Economist. However, the Agriculture Program Assistant will also be contributing in this area as he has in the past. The coordination of Mission evaluation activities will continue to be a part-time responsibility of the Program Officer for Operations. The expanded audit program will be carried out by the audit staff of the Mission Controller's Office, and, in some instances, by cooperating GOG and voluntary agency auditors. This staff has been increased in the past year by the addition of a second American auditor. This raises the total audit force to three including a local hire employee.

#### B. Research

##### 1. Research During FY 1969

The major output of the Mission's research effort has been the publication and dissemination through its Research Memorandum series, papers on various aspects of Ghana's economic development and its relationship to foreign assistance. During FY 1969 the following memoranda were published:

- No. 4 The U.S. Commodity Import Program in Ghana:  
Problems and Possibilities,
- No. 5 The Role of Credit in Ghana's Economic Development,
- No. 6 The Accra Slaughter House,
- No. 7 Recent Developments in Ghanaian Rice Production,
- No. 8 Debt Rescheduling and Economic Growth in Ghana.

All memoranda receive wide dissemination to key people throughout Ghana, especially in appropriate government circles. Research Memorandum No. 4 was aimed at finding ways for improving U.S. Commodity Import Program utilization by suggesting alternative approaches and describing the existing import regime. Its major impact has been in drawing both USAID and GOG attention to the nature of the problem. Memorandum No. 5 on the role of credit suggested a possible liberalization of the existing structure of credit and interest rates to increase private sector involvement in the development process. It led to the development of a Project History and Analysis report of the National Investment Bank, Ghana's foremost development banking institution, and enabled the Mission to make a timely contribution to the AID Spring Review on Intermediate Credit Institutions, including participation by the USAID/Ghana staff.

Memorandum No. 6, "The Accra Slaughter House" pointed out the potential for expanded fresh meat handling in Ghana's capital city, as opposed to an uneconomic investment in a frozen meat packing plant. A decision by the Accra-Tema City Council to modernize the slaughter house appears to have been influenced, in part, by this report. The purpose of Memorandum No. 7 was to acquaint both USAID and members of the GOG, with the current state of Ghana's rice production and distribution capacity. This report updated an earlier Memorandum on the Ghanaian rice marketing system.

Memorandum No. 8, "Debt Rescheduling and Economic Growth in Ghana" analyzed the debt structure of Ghana as affected by two debt reschedulings. Using a simple econometric model, projections were made of GDP based on probable levels of available imports. This paper has drawn attention to the need for positive economic policies, rather than a "business as usual" approach by the GOG, as well as long range assistance from foreign donors if the GNP is to grow significantly faster than population.

## 2. Proposed Research for FY 1970

The following represent areas that will be explored in research efforts during FY 1970:

### (a) Textile Industry

The Mission will undertake an in-depth study of Ghana's textile industry in order to ascertain the future requirements for PL 480 inputs and the viability of the industry. An examination will be made to see if continued import substitution in this industry makes sense from the viewpoint of comparative costs and world prices. The prospects for eventual export of Ghanaian textiles will also be examined.

### (b) Wheat

The import of wheat grain for Ghana's flour mills will continue to be an important part of the PL 480 program. The growth trends in wheat consumption will be examined and the possibility of wheat substituting for local production of rice and other staples will be considered. Some thought will be given to policy recommendations that might be necessary in order to restrain the growth in wheat consumption in the future.

### (c) Budget

An examination will be made of the trends in government spending, the nature of the budgetary process and the structure of taxation. One of the critical problems of the future will be the need for the Government to generate sufficient revenues for its development budget on an equitable basis. The incentive and disincentive effects of existing taxes will also be examined, with a view toward making the tax structure both more equitable and more efficient.

### (d) Price Controls

The nature and effectiveness of the existing system of price controls on certain essential commodities without actual rationing of goods will be examined. The possible distortions in resource allocation will be studied, as well as the impact of price controls on the formulation of the consumer price index. One essential question is whether importers tend to import non-price controlled items because of greater profit margins.

(e) Agriculture and the Private Sector

At present there is little involvement by the private commercial sector of the economy in the distribution of agricultural inputs, even though it is a self-help measure of the June 9, 1969, PL 480 Title I Sales Agreement. A study of the constraints on commercial distribution will be undertaken, and recommendations made for increasing private sector involvement in combination with government policies.

(f) Export Promotion

The possible ways Ghana can increase exports will be examined, with particular emphasis on promotion of new commodities not now exported. Significant possibilities seem to exist for certain agricultural goods other than cocoa, and for such items as canned foods, textiles and plastic goods. Some judgment will be attempted as to Ghana's competitiveness in these areas with world prices, and possible policy changes that could significantly increase exports.

(g) Agricultural Costs of Production

The Mission will conclude its study of the costs of production for rice and maize started in FY 1969. The nature of variable inputs such as labor, fertilizer and mechanization on increasing profits will be analyzed, and costs of production will be compared with prices set by the Government's price support program. The profitability of increases in variable inputs will be estimated.

### C. Program Evaluation

This section will discuss the progress made in program evaluation over the past twelve months and the Mission's plans in this area over the next 18 months ending December 31, 1970. The discussion will focus separately on special or in-depth evaluation activities, on routine evaluation in the context of the new program documentation system and on general observations.

#### 1. Special and In-depth Evaluation

The emphasis in this year's report will be on reporting progress and current plans for implementing the multi-year program for in-depth evaluation submitted last year. However, there have been important and useful changes in the plans regarding each of the three continuing evaluation activities. The only in-depth evaluation scheduled to be completed last year was accomplished on schedule. There are two additions to the roster of planned in-depth evaluations.

##### a. Status of Continuing and Completed Evaluation Activities

(1) Project 007 - Agricultural Extension and Production. Last year plans for eventual in-depth evaluation of this project were discussed under headings describing the two major components of the project: "Focus and Concentrate Areas" and "Implementation of Production Support Programs". Considerable progress has been achieved in both areas. A monthly reporting system has been set up for the sake of monitoring implementation and building the records needed to evaluate activities under this project. It features a standard format which requires the advisor to report achievements during the preceding month, problems requiring solution and project priorities for the coming month. Once submitted, these reports are distributed to the Ministry of Agriculture, to each advisor, the agriculture sector study consultants and other interested parties, under cover of a memorandum which collates and summarizes the major accomplishments, problems and recommendations. This memorandum also reports on the actions taken in response to the field reports by USAID and Ministry of Agriculture officers in Accra. This system of reporting and records-building will be continued during the coming year.

Progress has been made over the past year in designing the evaluation of the Focus and Concentrate (F and C) Program, but there is still work to be done in the collection of the data necessary for the evaluation of program impact in the F&C districts. It may be necessary to shift away from the emphasis placed on obtaining crop production figures for comparison with statistics from control areas. It has developed that the existing pattern

of Ministry of Agriculture enumeration areas was designed to provide statistically valid sample bases for estimating regional production. They are not adequate for estimating district production. USAID/Ghana will be discussing the feasibility of establishing additional enumeration areas in F and C areas with Ministry of Agriculture officials so that production trends in these areas can be used in evaluating the impact of the F and C program in these areas. If it is not possible to establish the requisite enumeration areas, additional means of measuring the spread of F and C methods beyond the cooperators to the district community at large will have to be found.

The development of data on the impact of the F and C program on individual cooperators is well under way. Farm plans have been prepared for each participant. There will be mid-season and post-harvest interviews aimed at determining the extent to which farm plans were implemented and the factors that affected performance.

While a PROP, work plans and PIP's were prepared for the major operational aspects of this project during the past year, a full evaluation plan has yet to be prepared. The preparation of such a plan will be one of the topics discussed at a conference of USAID/Ghana agriculture technicians during the week of July 7-11.

(2) Project 008 - Vocational Agricultural Production. This project was the subject of an in-depth evaluation carried out during the late fall of 1968 by a contract consultant. The predominant focus of his report was on needed improvements in Ghana's agricultural education programs and on the shape of USAID/Ghana assistance to vocational agriculture education in the immediate future. However, the report also provides extremely valuable insights into the nature of the contribution made by project 008. These are proving useful in the preparation of the PAR for project 008 (now in draft form) which we expect to submit shortly. Also based on the consultant's report, we will soon be submitting a PROP for a new project that will fund three advisors. The new project will have a much stronger institutional development thrust aimed at overcoming shortcomings in the existing system that were identified in the evaluation report.

(3) Sector Studies. The sector studies are now in progress and are being closely monitored by USAID/Ghana officers. Regular meetings are held periodically to discuss progress and findings in each sector and for all four sectors. However, the main device for spinning off recommendations for early implementation will be interim reports. The evaluation of the sector

studies will now be carried out in two phases. A PAR (or, perhaps, four PAR's) will be prepared in the spring of 1970 after conclusion of the field work and preparation of the final reports. However, the broader evaluation of the extent to which the sector studies are translated into policies, projects and programs and of the efforts made to maximize implementation will have to await the completion of the five year plan and accordingly will be carried out during late CY 1970 or early 1971. The close monitoring and reporting of the studies' progress by USAID/Ghana officers is resulting in the development of good records on which the evaluation will be based.

(4) Self-Help Measures. Progress in developing records for the evaluation of self-help measures as a tool for achieving the goals of USAID sector and macro-economic strategy has lagged importantly due to the delay in signing the PL 480 Title I agreement for CY 1969. Although the GOG's request was submitted in fall of 1968, the agreement was not signed until June 9, 1969.

Last year's plan was to evaluate the success of an improved approach to formulating and monitoring the implementation of self-help measures specified in PL 480 Title I sales agreements. Now, however, it has been decided to broaden the scope of the evaluation to include scrutiny of a broader definition of GOG self-help which would include the overall quality of performance in the economic policy field as well as the GOG's response to self-help conditions formulated by other agencies such as the IMF. Also, the timing of the evaluation will be moved up to take place in the early fall of 1969 so that the report will be available to the new government while its economic policies are still in a formative stage. The timing is also selected with a view to possible beneficial psychological benefits from completing such an evaluation just prior to a period during which the U. S. and other donors are likely to be strongly advocating steps toward progressive liberalizing of foreign trade and domestic credit.

b. New Plans for Special and In-depth Evaluations

(1) The Programming of U. S. -owned and Counterpart Local Currency. For the past three fiscal years USAID/Ghana has expended considerable staff time on allocating Section 104(f) local currency loan funds, on preparing project agreements governing the use of these funds and on monitoring implementation of the agreements. Counterpart generated by the CIP and PL 480 Title I convertible local currency sales have been less vigorously programmed since FY 1968. While USAID/Ghana has succeeded in establishing a workable system for programming and transferring these funds, its operation is sometimes a

source of frustration to both the GOG and USAID/Ghana. USAID/Ghana's efforts to use its involvement in Section 104(f) loan agreements to affect improvements in GOG programs have often been fruitless. The anomalies in the GOG budgeting system are sometimes a factor in delaying implementation of local currency supported activities.

As a result of these considerations has been decided to combine an evaluation of the programming of U. S. -owned and counterpart local currency with combined USAID-GOG audits of the accounts and expenditures in question and with research into the workings of the GOG budgeting process. The audits will be carried out during the first quarter of FY 1970. The budget research will be carried out during the early part of the second quarter based in part on information growing out of the audit. This will feed into the evaluation of local currency programming which will consider how successful the presently employed methods have been and whether there are changes on either the GOG or USAID/Ghana sides that should be made in order to facilitate transfer, to support desirable changes in the GOG budgeting process and to give the U. S. a voice that is more commensurate with its contribution, to the development budgeting process.

(2) The USAID/Ghana Agriculture Sector and Program. The draft report of the agriculture sector study should be completed by April 1970. This will be an opportune time to evaluate USAID/Ghana's agriculture sector program and strategy in light of the study's recommendations. Emerging new priorities will be built into the FY 1972 CFS and the GOG's review and implementation of the recommendations may be aided by indication of areas in which USAID/Ghana would be prepared to offer assistance.

c. General

USAID/Ghana made a very respectable contribution to the AID/W world wide spring review on Intermediate Credit Institutions. This grew out of the Program Economists research into the Ghanaian credit system and a Project History and Analysis Report which he prepared together with the Industry Officer.

## 2. Routine Evaluation

The accomplishments of the past year in this area have been largely limited to preparing the basis for future evaluation by sharpening the focus of existing projects. Table I shows the actual results achieved in implementing the last year's schedule of routine evaluation for July 1968 through December 1969. As can be seen, three PAR's were pushed to the draft stage, but none has been completed to date. The one bright spot is that the Project History and Analysis Report on Project 030 - The National Investment Bank (NIB) was completed. It recommended no further new AID TC/DG assistance to the Bank except for small amounts of participant training and suggested some alterations in the approach to providing short-term advisory services to the Bank from existing obligations.

The delays experienced during the past 12 months in preparing PAR's have several causes. Among them are the fact that the part-time Program Evaluation Officer, the Food and Agriculture Officer, and the head of the Crops Production Branch of the Food and Agriculture Division were all scheduled for home leave during FY 1969. Another difficulty is the fact that the restructuring of Project 007 - Agricultural Extension and Production and the evaluation of Project 008 - Vocational Agriculture Education took up a very sizeable proportion of the available time of the Food and Agriculture Division staff. Despite AID/W's suggestion to concentrate on PAR's over PIP's and PROP's, we were compelled to proceed against this advice due to the need to develop agreement with the GOG on new or restructured activities, e.g., Projects 007, 028, 051, and 055.

There are two further problems connected with the failure to complete the three PAR's, which have so far reached the draft stage. One is the difficulty of using the new PAR form. Another is the problem of preparing a PAR which provides the detailed knowledge that can best be provided by the project technician himself but which also reflects objectivity appropriate to its purpose of representing a Mission consensus.

As can be seen from Table II, USAID/Ghana expects to make up rather quickly for lost time once the requisite staff return in late July. By fall 1969, PAR's will have been prepared on all projects in operation for a period of time sufficient to merit evaluation. As a means to overcoming the problem of obtaining both factually complete and objective PAR's, USAID/Ghana will schedule project review meetings preceding

Table I

ACTUAL ROUTINE EVALUATION SCHEDULE AUGUST 1968-JULY 1969

Year : 1968  
 Month: 7

1969  
 1

8 9 10 11 12 2 3 4 5 6 7

PROJECTS:

Agriculture

007 - Agr. Extension  
 and Production

PROP

PIP  
 and Work Plan

008 - Vocational Agr.  
 Education

In depth  
 evaluation

Draft  
 PAR

028 - Volta Lake Tech.  
 Assistance

Informal review  
 yields Mission  
 decision extend  
 project

AID/W Con- curs  
 Partial Draft PAR  
 PROP PIP

040 - Agr. Development  
 Bank

Technician  
 Arrives

041 - Faculty of  
 Agriculture

Draft  
 PROP  
 PAR

048 - National Agr.  
 Planning

Technicians  
 not yet arrived

053 - Agr. Advisory  
 Services and  
 Staff Support

PROP Inappropriate for PIP-PAR

Infrastructure:

022 - Rural Public  
 Works

Terminated

Table I (cont.)

Year : 1968  
 Month: 7

1969  
 I

2 3 4 5 6 7

PROJECTS:

045 - Feeder Road Improvement									Terminated
036 - Special Self-Help Development									Inappropriate for PROP-PIP-PAR
054 - Infrastructure Advisory Services & Staff Support									PROP Inappropriate for PIP and PAR
<u>Industry:</u>									
030 - National Invest. Bank									Draft PHAR* PHAR* Submitted
<u>Miscellaneous:</u>									
035 - Human Res. Development									Inappropriate for PROP-PIP-PAR
051 - Family Planning & Demographic Data Development									PROP Draft PIP
055 - Danfa Rural Health-Family Planning (Ghana Medical School)									PROP New PROP
000 - Technical Support									Inappropriate for PROP-PIP-PAR

\* Project History and Analysis Report



Table II (cont.)

CONTD.

Calendar Year: 1969 7 8 9 10 11 12 1970 1 2 3 4 5 6 7 8 9 10 11 12

PROJECTS:

Family Planning and Population:

051 - Family Planning & Demographic Data Development \*\* PAR

055 - Danfa Rural Health-Family Planning \* PROP(revision) PIP

Nutrition

XXX - CRS-CWS Title II Audit During 2nd & 3rd Qtrs PROP-PIP PAR

Loan Technical Assistance

050 - Sector Studies PAR

Footnotes:

- \* PROP completed
- \*\* PROP and FIP completed

the preparation of PAR's. The Program Evaluation Officer will prepare an agenda of aspects of the concerned project that will be discussed at the meeting. Afterward he will report on the results of the meeting in a form which will facilitate the work of the person preparing the PAR.

D. Audit Activities Planned for FY 1970

The theme of the Controller's Office in planning our FY 1970 Audit Plan is to focus on principal problems and principal programs of FY 1970 and previous years. Audit activities have been scheduled to coincide with research and evaluation efforts where possible.

<u>Activity</u>	<u>FY 1970 Quarter No.</u>
1. <u>Program Assistance</u>	
Commodity Import Program Loans 641-H-005 and 641-H-009	1
End-use and Arrival Accounting	
<u>Note:</u> The Government of Ghana will cooperate and assist in our evaluation and audit of the program loans.	
2. <u>Capital Assistance</u>	
Sector Studies Loan 641-H-006 (Project No. 641-22-995-050)	4
3. <u>Technical Assistance</u>	
* Agriculture Extension and Production 641-11-110-007	1
Faculty of Agriculture University of Ghana 641-11-110-041	1
* Livestock and Poultry Development 641-11-130-038	3
Volta Lake Technical Assistance 641-11-190-028	4
Health and Sanitation 641-11-540-023	4
* National Investment Bank 641-15-920-030	3
Human Resources Development 641-15-995-035	4

Note: Asterisks indicate activities with related Section 104(f) local currency loans which will also be audited during the year.

ActivityFY 70 Quarter No.4. Local Currencya. U.S. Owned Local Currency, PL 480 Title I

1

Section 104(f) Loans

Agriculture Extension and Production  
641-22-110-007

Vocational Agriculture Education  
641-22-620-008

National Water Supply Development  
641-22-590-037

Livestock and Poultry Development  
641-22-130-038

Public Works Development  
641-22-899-022

Feeder Road Improvements  
641-22-310-045

Low Cost Housing  
641-22-890-046

National Investment Bank  
641-26-920-030

Agriculture Development Bank

Feasibility and Sector Studies

Grants to Regional Planning Committees

Note: Project numbers associated with the above items date from FY 1967, i. e. before these loans were programmed as development budget support.

b. PL 480, Title I and Commodity Import Program - Generated Counterpart Funds

1

Note: The GOG Auditor-General has agreed to participate in a joint audit to verify the expenditure of local currency on approved projects.

ActivityFY 70 Quarter No.5. PL 480 Title II - Food Donation Program

a. Catholic Relief Services (CRS) - As required by current Manual Order, CRS conducts an annual comprehensive internal audit and submits reports of audits to the Controller's Office for evaluation and review. 2 & 3

b. Church World Services (CWS) - Has not established an internal audit program. We will, therefore, continue to conduct comprehensive internal audits to evaluate the administration and operation of this voluntary agency.

6. Self-AuditsFY 70 Quarter No.

Employees Grants and Allowances	2
Review of Leave Practices	3
Imprest Funds	4

7. Other - Other audits will be carried out as requested by AID/W.