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DEVELOPMENT**



**GHANA**

**COUNTRY DEVELOPMENT  
STRATEGY STATEMENT**

**FY 83**

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## FY 1983 GHANA CDSS

### INTRODUCTION

The Country Development Strategy Statement for Ghana covering the period FY 1983 through 1987 is a modification of the FY 1982 CDSS. That document was further elaborated in the Mission's FY 1982 ABS and Congressional Presentation, which emphasized:

- (1) Concentrating development activities in the Brong-Ahafo Region at the request of the GOG.
- (2) Reducing project proliferation by developing sector support projects of larger than average size.
- (3) Replicating or expanding successful projects.
- (4) Enhancing use of intermediaries such as PVOs and expanding cooperation with Peace Corps.
- (5) Using selectively AID centrally funded resources particularly in Health and Population.
- (6) Co-financing with other donors.

This basic strategy remains valid.

Much more needs to be said, however, particularly in terms of detailing the high and low options which will be applied, respectively, under the two following sets of economic circumstances which may exist in Ghana at the outset of the planning period:

- An economic stabilization plan is adopted, implemented, and shows promise of returning Ghana to some degree of economic growth; or
- The present economic situation continues to exist and no effective or adequate measures are being taken to improve the situation.

This CDSS modification somewhat exceeds the ideal length for such a document. However, we are, in fact, dealing with two distinct strategies and this requires somewhat greater elaboration than a single-track strategy.

## I. MACRO-ECONOMIC ANALYSIS

### A. SUMMARY

Poverty in Ghana is more prevalent in rural areas than in the urban centers. Health, educational and other facilities are generally less available outside the cities. Part of the blame must lie with successive governments, which have neglected small farmers who are the backbone of the agricultural and cocoa sectors. Agricultural policies have favored larger farmers with subsidized inputs, such as fertilizer and credit. There has been a substantial migration to the cities, which are growing rapidly (over five percent per year) and which face severe unemployment/underemployment problems. Nevertheless, Ghana has considerable potential in the form of arable land, minerals, timber, hydroelectric power, and human resources.

The constitutional, democratically-elected government headed by Dr. Hilla Limann has been in power since September 1979. It faces a formidable set of interrelated economic problems: declining per capita Gross Domestic Product (GDP), a greatly overvalued cedi, rapid inflation, flourishing illegal economic activities such as smuggling, large public sector deficits, a deteriorating transportation network, severe underutilization of productive capacity due to lack of imported raw materials and imported spare parts, a brain drain of skilled professionals, and a difficult balance of payments situation because of declining cocoa export earnings and the rising cost of oil imports.

The key issue is whether and when the Government of Ghana will proceed with the necessary economic reforms to lay the foundation for future growth. The involvement of the IMF in the stabilization effort is essential; only the Fund is in a position to make available the substantial balance of payments assistance that Ghana requires. If an agreement with the Fund on a medium-term stabilization program is not forthcoming, Ghana's economy will probably continue to deteriorate. Under these circumstances, we should, given our interest that democratic rule be successful here, maintain a modest aid program -- the "low track" option. On the other hand, if the GOG undertakes a stabilization program, we should be prepared to increase our assistance activities -- the "high track" option.

Much of the new Government's first seventeen months has been spent in meeting constitutional requirements for institutions (e.g., establishing the Supreme Court) and in firmly establishing itself. With the submission of its new development plan to Parliament in March 1981, we expect the Government will have completed the transition of organizing itself and be able to turn its primary attention to Ghana's persistent economic problems.

## B. POVERTY ANALYSIS

### 1. Poverty Profile

Reliable economic and social data on Ghana in recent years are often not available. Therefore, the statistical data need to be treated with caution, although the overall dimension of the problems of poverty and economic growth is clear.

About one-half of Ghana's population lives at or near the subsistence level and suffers from preventable parasitic and water-borne diseases. Over 70 percent of Ghanaians have no access to modern medical care. According to the IBRD, the poverty income threshold for a Ghanaian urban family of five was approximately \$100 per month in 1979; about one-quarter of urban households actually fell under this income level.

The problem of poverty is more severe in Ghana's rural areas, where about two-thirds of Ghanaians live. Life expectancy for the country is 48 years, but only 42 in rural areas compared to 56 in urban centers. Rural inhabitants have only 29 percent of the nation's health facilities. Nutritional deficiencies are particularly widespread. In 1975 only 6.5 percent of the rural population had pipe-borne water, compared to 91 percent in urban centers. Reported weights of rural adults are about 20 percent less than their urban counterparts. The percentage of children whose weight is below

80 percent of established norms ranges from 29 percent in the rural areas of the Greater Accra Region to 35 and 40 percent, respectively, in the Northern and Upper Regions. Ghana's literacy rate is 22 percent in rural areas and 50 percent in urban. It is likely that the per capita purchasing power of rural Ghanaians is considerably lower than their urban counterparts. However, farmers with surplus food crops that can be marketed have probably improved their relative income position in the past decade.

## 2. Reasons for Poverty

Ghana's rural poverty is due to many factors, such as poor health and nutritional deficiencies, rapid population growth, a low level of agricultural technology, lack of sufficient farm inputs, including credit, and an inadequate feeder road system that limits market accessibility. Agricultural productivity of small-scale farmers is low, even though they account for approximately 80 percent of Ghana's food production.

Over the years Government of Ghana policies have probably contributed to poverty in rural areas. In the 1960s the Government neglected small farmers, concentrated on state enterprises in the agricultural sector, and "milked" the cocoa industry. Despite Government rhetoric, farm inputs continue to be in short supply. According to the IBRD, less than 10 percent of Ghana's estimated

850,000 farmers receive institutionalized credit, of which only 20 percent goes to the approximately 700,000 farmers who cultivate 10 acres or less. Commercial banks prefer to make loans to the larger farmers. Fertilizer is distributed at relatively few points. Tools and improved seeds are often scarce and/or expensive. The transportation network in rural areas has deteriorated badly since the mid-1970s because of lack of maintenance.

Poverty throughout the country has been the result of both a maldistribution of assets, opportunities and lack of general economic development. In recent years, however, the latter factor has probably predominated as per capita income has gone down substantially (see Section ID). To take one example: development expenditures have been declining as a percentage share of the total budget. We estimate that capital spending for development projects will amount to less than 14 percent of total government expenditures in fiscal year ending June 30, 1981.

## C. STRUCTURE OF THE ECONOMY

### 1. Resource Endowment

Despite the existing poverty, Ghana has considerable natural and human resources. The country has diverse and valuable mineral deposits, particularly gold, but also diamond, bauxite and manganese. The Limann Government recently embarked on a program to increase gold production by encouraging foreign private investment in that sector. Although only one small producing oil field has been discovered so far, offshore oil exploration is underway. Ghana has sufficient arable land to make it easily self-sufficient in food and possesses considerable fishing and electric power resources.

In comparison with many African countries, Ghana has a large pool of talented and educated individuals. Nevertheless, in recent years there has been a tremendous brain drain of teachers, doctors and civil servants to other countries where salaries and living conditions are better. Approximately one-third of all secondary school teachers have gone to Nigeria and other Anglophone countries in the past two years.

Considerable social mobility exists in Ghana through participation in political parties and self-employment in profitable economic activities (e.g., trading). Women play a major role in trading.

agriculture and some of the professions, but their position generally could still be improved. What has often been lacking has been effective political leadership and administrative capability to manage Ghana's resources efficiently and for the public good.

## 2. Gross Domestic Product

Although firm data are not available, we estimate per capita GDP in 1980 at around \$340.<sup>1</sup> Since 1975 GDP has declined by about 15 percent, resulting in a decrease in per capita income by over 30 percent. According to preliminary estimates of the Central Bureau of Statistics, GDP was down eight percent in 1979, but showed a modest growth of two percent in 1980.

The composition of GDP does not appear to have changed markedly in the 1970s, although services have increased relative to industry. According to the latest data available, GDP in 1978 was divided as follows: agriculture, forestry and fishing, 51 percent; industrial production including mining, 17 percent; transport, storage and communication, three percent; and trade and services including government, 29 percent.

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<sup>1</sup>Based on IBRD per capita GNP figure of \$390 in 1978, and an estimated decline of per capita GDP of about 12 percent in 1979 and 1980. Population is forecast to be approximately 12 million in mid-1981, growing at a rate of at least 3 percent per year.

### 3. Agriculture

Agriculture is the most important sector in the Ghanaian economy. In 1978 agriculture and livestock accounted for almost 32 percent of GDP; cocoa was another 12 percent. About 55 percent of the labor force engages in farming, often using very traditional, low productivity techniques, and nearly 70 percent of the population derives an income from agricultural or related activities. However, only about 11 percent of the total land area was cultivated (in 1970) divided equally between food crops and cocoa. In the past ten years there has probably been a shift from cocoa to food crops because farmers have been able to realize a greater and faster return on the latter.

Corn, rice, millet, plantain, cassava, yam and peanuts comprise the basic foodstuffs. Although data are lacking, it appears unlikely that production of these crops increased substantially, if at all, during the 1970s with the exception of rice which is increasingly grown in the northern part of the country. Yields on these crops have been stagnant (at least between 1970 and 1975), with the major exception of cassava. Other agricultural products include palm oil, coconut, cotton, rubber, and sugar cane.

For many years the cocoa industry has been the backbone of the country's development efforts, accounting for about 70 percent of Ghana's foreign exchange earnings and approximately 35 percent of

government revenues. Nevertheless, cocoa production in 1980-81 will probably be only around 270,000 MT, less than one-half of the peak output in 1964-65. Cocoa production has been declining for a variety of reasons: inadequate producer price to cocoa farmers, high cost of scarce agricultural labor, aging trees, lack of sufficient tree replanting, and an inadequate supply of inputs. Additionally, smuggling of cocoa out of the country may be 10 to 15 percent of total production.

According to the FAO, Ghana's production of cereal grain amounted to 540,000 MT in 1980. It is estimated that 1981 import requirements will amount to 360,000 MT, of which 66,000 MT will be met by commercial imports and 77,000 MT by food aid, leaving an import shortfall of about 217,000 MT this year.

#### 4. Industry

The industrial sector accounts for about 17 percent of GDP and employs almost 20 percent of the work force. Over one-half of the industrial establishments are concentrated in four urban centers. Ghana's manufacturing base is relatively advanced, compared with many other African countries; industries include textiles, steel, tires, oil refining and simple consumer goods. However, the industrial sector depends on imports for most raw materials and spare parts. Many plants are high-cost, inefficient and over-staffed.

At present most industrial operations are operating at low capacity (perhaps an average of 20 percent) because the lack of foreign exchange prohibits the importation of needed inputs in adequate quantities.

Consequently, supplies of many locally-produced as well as imported goods are scarce on the domestic market, or can be obtained only at black market prices. The shortage of consumer goods in rural areas is a further disincentive to agricultural production or an incentive to smuggling foodstuffs to neighboring countries where desired goods are available.

## 5. Inflation

Inflation has been a serious problem in Ghana since the mid-1970s. The increase in the Consumer Price Index reached triple digit level in 1977, but has "moderated" since then to 54 percent in 1979 and an estimated 45-50 percent in 1980. The inflation has been caused by large public sector deficits, (see below) excess liquidity, shortages of goods, rising import prices (particularly crude oil), and an inflationary psychology that expects and attempts to compensate for future price increases. Successive governments have tried, with little success, to limit the adverse effects of price rises by imposing price controls on essential (and not so essential) commodities. Perhaps 80 percent of the sales of controlled

commodities take place at black market prices. Inflation has hurt lower and fixed income groups, particularly in urban areas. Successive price increases, combined with a substantially overvalued official exchange rate, have considerably bloated local costs for foreign investors and assistance agencies. Foreign investors have been reluctant to consider new investments in Ghana.

#### 6. Overvalued Cedi

For most of the 1970s the Ghanaian cedi exchange rate was fixed despite substantial price inflation. Since the last devaluation of the cedi in August 1978 domestic prices have gone up by more than 150 percent. As a result, the cedi today is one of the most overvalued currencies in the world. The official exchange rate is  $\text{¢}2.75 = \$1$ ; the black market rate is now about  $\text{¢}20\text{-}\text{¢}25 = \$1$ . The shadow exchange rate, which attempts to measure a realistic rate on the basis of a comparison of increases in domestic and import prices, is now estimated by the IMF at around  $\text{¢}13\text{-}\text{¢}15 = \$1$ .

The substantial price/cost distortions in the economy have discouraged exports, encouraged imports, and resulted in a wide variety of illegal and unproductive economic activities. Because foreign exchange is so valuable, domestically-produced and imported goods are smuggled into the three neighboring countries to obtain it. Goods bought locally at controlled prices can be sold for huge profits

at black market prices. Material gains come from trading and selling rather than from productive enterprises, and corruption becomes too strong a temptation to resist. In return the Government recovers little or no tax revenue from black market activities.

### 7. Public Sector Deficits

During the past decade the Government has incurred substantial budget deficits. In 1979-80 the deficit amounted to almost 1.8 billion cedis, out of total expenditures of 4.8 billion cedis. The 1980-81 deficit is presently estimated at around 2 billion cedis, about 30 percent of total estimated expenditures of 6.6 billion cedis.

The deficits have been caused by the inexorable rise in expenditures, particularly current spending on wages and interest payments on internal debt. The 1980-81 wage bill of the Government will probably amount to approximately 40 to 45 percent of current expenditures. Furthermore, many overstuffed and poorly-managed public sector enterprises operate at a loss. The Government's revenue efforts have been disappointing because of tax evasion and inadequate tax administration. Revenue collections in 1980 are estimated to be only about 10 percent of GDP, a modest recovery from 1977-78.

Development spending has become relatively less prominent in the Government's budget. For example, in 1974-75 expenditures on education were 21.7 percent of total spending; health, 8.8 percent. In 1980-81 education may constitute less than 14 percent of expenditures and health, just over six percent. Also, the health budget is skewed toward providing hospital care in the urban centers.

Official internal debt continues to climb; it amounted to 7.9 billion cedis at the end of August, 1980. The Ministry of Finance and Economic Planning estimates that internal debt service payments will be about 1.9 billion cedis in 1980-81.

#### 8. Savings and Investment

Ghana has become essentially a society of consumers. In the late 1970s consumption averaged close to 95 percent of GDP, while savings have been little more than five percent. Likewise, total investment has been only about five percent of GDP. Most investment tends to be channeled into inventory accumulation, rather than into productive enterprises. The result has been little new addition to Ghana's infrastructure and a general deterioration in the country's existing capital stock. The poor savings record has been partly caused by real interest rates that are negative by 30 percent or more. Savings deposit rates of 12 to 13 percent do not provide adequate incentive to major savers with inflation rates at over

50 percent. The basic commercial interest rate is 18.5 percent; other interest rates to such favored sectors as farmers and exporters are lower. Under these circumstances, decapitalization of lending institutions has taken place (see below).

### 9. Balance of Payments

Ghana's balance of payments position has been unsatisfactory for almost twenty years. Essentially the country does not earn sufficient foreign exchange from its exports to import enough goods to maintain its infrastructure, to meet its development needs or to satisfy the consumption requirements of the population. In the past few years Ghana's major exports -- cocoa, gold, bauxite, diamonds and timber -- have generally declined in quantity. (The only exception has been aluminum manufactured from imported alumina in an enclave investment.) The situation has recently been exacerbated by the present low international price of cocoa. Export earnings from cocoa in 1981 may be only around \$600 million, about \$200 million less than in 1980. Gold has become Ghana's second largest export because of its high value on the world market.

Although most of Ghana's present economic troubles can be attributed to domestic policy and management deficiencies, the international oil crisis has hit Ghana hard. Imports of crude and petroleum products are now over \$300 million annually and will probably be more

than 40 percent of total imports in 1981. The non-oil imports needs of the country are far greater than the foreign exchange available.

Capital in-flows from donors have not been a major factor in the balance of payments in recent years.

#### 10. Foreign Debt and Foreign Exchange Reserves

Ghana's major external debt problem in recent years has been short-term arrears, which amounted to \$340 million at the end of August 1980. The short-term debt includes payment owed on trade account, profits and dividends, equity participation and services (i.e., royalties, Ghanaian students abroad and Ghanaian diplomatic representation). The Bank of Ghana has been slowly reducing short-term trade arrears. Debt servicing on medium and long-term external debt is largely manageable, now averaging about \$55 million a year. This servicing will rise somewhat in 1982 and 1983.

At the end of 1980, Ghana's gross foreign exchange reserves amounted to an estimated \$240 million, compared to \$293 million at end 1979. They will probably decline further in 1981 because of lower cocoa export earnings. Net foreign exchange reserves are now equivalent to a little less than three months of imports.

#### D. DEVELOPMENT PERFORMANCE

##### 1. Impact on Poor

Since 1974 the economy has performed poorly and per capita income has declined by more than 30 percent. The standard of living of Ghanaians, not only the poor but many others as well, has gone down. Although recent data are not available, it is likely that per capita food availability has declined, perhaps as much as 20 index points from the 1969-71 base. Despite an admirable policy statement on population, family planning programs of successive governments have been ineffective, and the annual population growth rate probably now exceeds three percent. There has been a sizeable migration from rural to urban areas. The annual growth rate of urban centers has been more than five percent. Consequently, many of the urban poor lack adequate health, housing and educational facilities. The problem of unemployment/underemployment in the cities is a growing one. On the other hand, a shortage of male agricultural and rural laborers exists, while the average age of the rural population is increasing.

The disparity between rural and urban dwellers in Ghana was briefly described in the poverty profile. We do not know whether that disparity has been growing in recent years. In any case, the governmental policies have contributed to the problem, which makes people want to leave a rural environment that does not promise an

improvement in the quality of life. In general, government spending on schools, housing, health facilities and infrastructure has been concentrated in urban centers, particularly the Greater Accra Region, Kumasi and Takoradi. This pattern of expenditures has been due mostly to the political clout of the elite and also such groups as organized workers who are primarily urban dwellers.

The rapid inflation in the late 1970s has caused some redistribution of income, thereby affecting both rich and poor. Farmers with marketable cash food crops have generally benefited because prices of these items have gone up faster than the average of the Consumer Price Index. Traders, import license holders, and those individuals who have access to foreign exchange also benefited in the context of an inflationary seller's market with black market prices. On the other hand, fixed wage and salary earners, cocoa farmers, and the urban poor in general have experienced a deterioration in both their absolute and relative income positions.

In recent years the extensive system of agricultural input subsidies, covering seeds, fertilizer, insecticides and credit, has been expensive for the Government without apparently increasing agricultural production. Subsidized inputs within the context of an ineffective distribution system have mostly benefited a small number of wealthier farmers and have not encouraged small traditional farmers to adopt improved technologies. The Government has provided substantial

resources to large mechanized farming operations, which, due to lack of spare parts and general management deficiencies, have not realized the anticipated production increases.

Credit in rural areas has often gone to the larger farmers, while poorer farmers have not been able to obtain the necessary funds from official institutions to increase production and productivity. The inflationary conditions have meant that financial institutions tend to become decapitalized. This is particularly true of the Agricultural Development Bank, whose primary purpose is to provide credit to small farmers. The total value of ADB loans (in constant 1973 prices) to small farmers in 1978 was less than one-half the level in 1973.

The deteriorating road system, particularly feeder roads, has made it more difficult for farmers to evacuate their produce to market. Also, the difficulty in transporting goods has caused foodstuffs (and other goods) to be more costly and in shorter supply in cities, resulting in additional hardships for the urban poor.

## 2. Constraints

We have discussed major economic factors adversely affecting Ghana's development performance: declining per capita income, low productivity, inflation, price distortions because of an overvalued cedi, public sector deficits and inefficiencies, low rates of resource

mobilization, savings and investment, and shortage of foreign exchange. In addition, droughts have hindered development, particularly in agriculture. The most recent drought occurred in 1975-77 and the threat of drought is always present.

Although Ghana's human resource potential is still considerable, the outflow of professional, managerial and technical personnel from the public sector to better opportunities elsewhere has become an increasing problem. The already thin veneer of managerial/administrative talent at the top of the civil service has become thinner. Mid-level technical/managerial personnel, increasingly unable to meet their basic needs, have left for other countries while the lower echelons of the bureaucracy are overstaffed. The result is a serious lack of planning and implementation capacity.

Institutional weakness derives from several other factors. The multiplicity and overlapping of public sector organizations cause delay and confusion. Communication/coordination between government ministries is poor. Insufficient publications, inadequate forums for public discussion and a relatively weak -- although generally free and lively -- press contribute to a significant "information gap". Institutional memory is either poor or non-existent.

Centralization of decision-making in Accra continues to be the norm. This, coupled with poor transportation/communications, means that local officials devote much time and effort in coming to the capital to get things done. The Ministry of Agriculture is a prime example of this centralizing tendency. What is needed for more effective assistance to farmers is a decentralization of Ministry operations, coupled with better planning, budgeting and policy preparation in Accra. The Limann Administration is planning a decentralization of government functions to the district and local levels, but it is too early to predict whether this policy will succeed. In general, the poor continue to be minor players in the development process; they do not have a major participatory role in drawing up and implementing projects.

Ghana's absorptive capacity is not high, despite substantial human, agricultural and mineral resources, the basic components of a potentially good infrastructure, and underutilized industrial capacity. One manifestation of the capital problem is the slow utilization of foreign assistance. For example, in 1980 Ghana had the lowest utilization rate of any country receiving aid under the Lome I Convention. The Ministry of Finance and Economic Planning has become less effective in coordinating foreign assistance programs and in helping to design and carry out effective development projects.

## E. POLICIES OF THE LIMANN GOVERNMENT

### 1. Priorities and Plans

The Limann Administration has put highest priority on increasing food production and exports in an attempt to lay the foundation for future economic progress. The Government says it is committed to more equitable development, but its emphasis is first on growth. Distributional concerns will have to wait.

The Government has taken some steps to make economic policies more rational. The import licensing system introduced in late 1979 has been successful in providing for sufficient foreign exchange cover to back the import licenses that are issued. Businessmen have benefited from greater certainty in import procedures. The Bank of Ghana has been paying back short-term external trade arrears, thereby increasing the confidence of the international financial community in Ghana. The Government, under the direction of the Vice-President, is completing a new foreign investment code that should encourage businessmen to develop Ghana's gold and other resources.

The Government has taken steps to liberalize price controls, although it is not yet clear how far the control system will be dismantled. Many commodities are still subject to controls, which are easily evaded by traders, given the limited managerial competence of the monitoring agencies. The Government is, however, actively

considering further dismantling of controls to a level commensurate with its managerial capacity. Price controls on a very limited number (perhaps 10 or 15) of essential commodities and rigorous enforcement should provide better equity in the distribution process. A major improvement, in terms of price rationalization, has been the series of increases in the domestic prices of petroleum products; the Ministry of Fuel and Power now has legislative authority to raise them in line with increases in the international price of crude. The Volta River Authority (VRA) is negotiating with VALCO (the aluminum company owned by Kaiser and Reynolds) an increase in power rates. The VRA wants a rationalization of the rate structure to make it more financially secure as the Government prepares for international financing of the Bui dam on the Black Volta river. The dam should be completed in the late 1980s in order to meet Ghana's projected electricity requirements.

These initial economic steps have been encouraging, but the cumulative effect of cautious Government's policy changes have not been translated into effective results. The Government still neither has the confidence nor finds the consensus in the public to make the hard political decisions needed to bring about an effective medium term Stabilization Program that is the necessary basis for future economic progress.

## 2. Economic Reforms and the IMF

In its discussions with the IMF the Government must address a number of economic policy issues, including fiscal/credit restraint, prices, interest rates and the exchange rate. The low producer price to cocoa farmers acts as a disincentive to cocoa production. A higher producer price (in the absence of a change in the exchange rate) would, however, decrease government revenues. Other policy issues include more realistic interest rates and charges for goods and services supplied by public sector enterprises.

It is likely that the IMF will require a curb on government spending and credit expansion, but how this is to be accomplished in the face of rising wage costs is uncertain. The Government has undertaken a very modest retraining program for some of its messenger employees, but any attempt to cut the civil service (numbering almost 300,000) in any effective way will meet strong political resistance. Within the past year the Government has taken some positive measures, including the relaxation of price controls at the retail level, though not at the ex-factory level, reduction of debt arrearages, increased producer prices and some attempts at containing its budget deficits.

The need to restrain government expenditures has some implications for assistance programs of foreign donors. If the Government decides on austerity measures, it will be increasingly difficult to meet

Ghanaian counterpart support requirements in particular projects. Also, the GOG may find it more difficult to take over "completed" aid projects and their recurrent costs in a time of budgetary restraint.

The major policy change required by the IMF would be movement toward an adequate exchange rate, and therein lies the major political and economic dilemma of the Limann Administration. Without such a change in the exchange rate, the economy will not be able to break the formidable price/cost distortions hindering its development. Yet, while Government policymakers in the past year increasingly recognize the need for a change in the exchange rate, they are wary of the domestic political reaction, remembering from past Ghanaian experience, rightly or wrongly, that previous devaluations have been closely followed by coups. There is also some skepticism of any economic benefits from a devaluation, which some officials feel would cause an immediate rise in the prices of imports but have only limited and delayed beneficial effects on exports. (The prices of Ghana's two major exports, cocoa and gold, are determined on the international market.) Further, many Ghanaians at high levels benefit from the present exchange rate which rewards those who have access to foreign exchange.

Under a three-year stabilization program, the IMF could provide up to \$950 million from its extended fund facilities. Such a program

constitutes the real hope for Ghana's future economic development because only the Fund is in a position to make available the substantial balance of payments assistance Ghana requires. If such an agreement were signed and successfully implemented, the international financial community should be more forthcoming toward Ghana. Bilateral western donors, including the U.S., would increase financial support to a friendly country that has shown itself to be economically responsible. The IBRD would probably increase its lending to Ghana, including large amounts under its new structural adjustment loan program, under an acceptable medium-term investment strategy as part of the five-year development plan that is due to be presented to Parliament in March 1981.

If an agreement is not reached with the IMF, or if Ghana fails to adopt stringent measures on its own, the Ghanaian economy will probably continue to deteriorate. Under these circumstances, our aid program in Ghana should be minimal -- enough to demonstrate our concern for Ghanaian democracy. This is the "low track" option described below. On the other hand, if the Government has the determination to make the necessary economic reforms, AID should be prepared to increase its assistance and make a more meaningful contribution to Ghana's economic development -- the "high track" option.

## II. STRATEGY STATEMENT

### A. The Options In Brief

The GOG has several options in responding to the problems outlined in the previous section. It can do nothing, in which case the deterioration may be expected to continue. Such a course will increase hardships for the average Ghanaian; it will make efforts by AID and other donors less effective in alleviating those hardships; and indeed, it will bring into question the ability of the Government to survive.

A second option would be for the GOG to address only some of the problems, and then only on a short-term and ad hoc basis without effecting any major policy changes. The GOG could carry out on its own such measures as restraint in government spending and credit expansion, increase the producer price to cocoa farmers, rise in interest rates and partial decontrol of prices. However, without an integrated package of economic reforms, the IMF would probably not be prepared to provide support to Ghana. The result of all of this may be, at least, a temporary check on the downward trend of some areas in the country. It is doubtful that the economy would be in any stronger condition than it is now by the beginning of this CDSS planning period, particularly because of the expected decline in the world cocoa prices and in the terms of trade.

The third option is for the GOG to deal substantively with as many as possible of the major problems on a multi-year basis. This could be accomplished by a multi-year stabilization agreement with the IMF. This would deal effectively with many of the principal problems afflicting the economy, and in such a way and sequences as to give promise of a reversal of the current downward trend of the economy. In this case, there may not be a significant improvement in the economy by the beginning of the CDSS planning period, but there could presumably be substantial improvements in all sectors by the time the planning period was fairly well advanced.

Anticipating what corrective actions the GOG will take is a high risk exercise. However, since the AID programs will be profoundly affected by whatever decisions the GOG makes, the Mission must be prepared to respond once the GOG course of action becomes apparent. For this reason, the CDSS has been structured to consider plans for various levels of assistance which correspond to the possible levels of stabilization effort outlined above.

The low option described below would be applicable if there were no meaningful stabilization program or implementation of economic reforms. Should this prove to be the case, the economy will probably be in no better condition by FY 1983 than it is at present. The capacity of the GOG to provide its share of financial and other

resources for the successful implementation of a development program would be severely constrained. In addition, its ability to carry the recurring costs of development projects upon the termination of donor support would be questionable.

At the other extreme is the high option, which assumes that implementation of a medium-term stabilization program will produce positive results after the beginning of the CDSS period.

A third possibility exists. The GOG may undertake certain elements of a stabilization program and avoid others, probably without the participation of the IMF. In this event, it would be difficult to anticipate the effects on the economy, and the Mission would be required to reappraise its situation periodically and fine-tune the strategy accordingly. Presumably, this middle-track option would warrant assistance levels somewhere between the high and low options. The stabilization measures actually undertaken or avoided will determine the types of assistance activities which would best fit the situation of that time.

## B. The Overview of AID Strategy

### The Low Option

In this situation the question remains as to what AID should do and what it can do. There are two possibilities: AID could terminate its assistance program, or it could maintain a minimal presence in Ghana with a modest development assistance program.

The following arguments are advanced to support the continuation of an AID presence:

- a. The Government is western-oriented, is friendly to the U.S., and is generally supportive of our positions in international fora.
- b. The present Government is a democratic one, which assumed office through open and fair elections under a constitution modeled on that of the U.S. It is the kind of government and political transformation which the U.S. encourages throughout the third world.
- c. The survival of this Government, which represents an alternative to rule by military junta, will not go unnoticed in Nigeria, Liberia and other West African countries in which the U.S. has a substantial national interest. Conversely, withdrawal of all U.S. assistance support for the GOG, whether or not this was followed by a collapse of the present Government, would transmit signals detrimental to our national interests.
- d. Even if the GOG does not enter into an agreement with the IMF, such a decision may not be permanent or irreversible. We could continue to influence the GOG to reverse its position, enlisting other donors to join in this effort. If we terminate the AID program, our influence on the GOG and other donors will be minimal.
- e. With careful and limited selection and tight focus, it is possible to carry out successfully some development activities even with modest funding.

If AID is to maintain its presence in Ghana (in spite of a lack of improvement in the economic situation) with a modest level of about \$6.0 million per year, the objectives and scope of program

assistance must be carefully selected and narrowly defined. In making such a selection, attention must be given to the development priorities of the GOG and the capacity of the various public and private entities involved to provide the financial and human resources which will be required of them. The capacity of the GOG to carry out the recurring cost burden after termination of AID project support must also be considered.

At this minimal level of assistance, the Mission concludes that the most important objective of AID assistance is to increase food crop production by small farmers, particularly in selected districts of the Brong-Ahafo Region. This conclusion is based on the following considerations:

- a. Reversing the decline in food production is the first development priority of the GOG.
- b. The potential for significant production increases is greatest with the small farmer target group, given adequate production inputs.
- c. The Mission has an established relationship with the Ministry of Agriculture and the MIDAS Project Executive Committee.
- d. We are already involved in food crop production activities and should protect our investment by following through on what has been started.
- e. As opposed to initiatives in other sectors such as health, a successful crop production program should become self-supporting in the sense that increased revenues ought to balance out recurring government costs.

The Mission recognizes that crop production increases can be stimulated through an integrated approach with greater attention to health, education and feeder roads. However, given the limited GOG and AID resources, it is proposed that project activity be focused on increasing food crop production by making available to the small farmer the necessary services and inputs.

With respect to P.L. 480, it is proposed to maintain the Title II program at its present level of about 250,000 to 275,000 recipients. If there is no improvement in the economy, the need to maintain these feeding programs will certainly not diminish. However, continued deterioration of the transportation infrastructure may make it increasingly difficult for Catholic Relief Service (CRS), the implementing agency, to maintain the program at its present levels, even if AID were prepared to provide the commodities.

The Title I program is an important aspect of our overall assistance effort in Ghana. Title I commodities are a tangible demonstration of our support to a democratic government and, as such, provide some leverage in attempting to persuade the GOG of the necessity for economic reforms. Nevertheless, under the circumstances envisaged in the low option scenario, it is anticipated that Title I would be reduced, though not eliminated entirely, during the CDSS period. We would wish to maintain a minimal Title I program with the hope that circumstances will change.

### Summary: Low Option Strategy

Assuming a continuation of the current condition of the economy or a further deterioration, the AID strategy is to:

- a. Continue to exert as much influence as possible on the GOG through our efforts, those of other USG agencies and the donor community, to reverse its policy of economic neglect.
- b. Maintain an AID presence through a small development assistance programs.
- c. Set, as the objective of the program, the increase in small farmer food crop production in the Brong-Ahafo Region.
- d. Maintain the Title II program at its present level while gradually decreasing the Title I program.

### The High Option

If the GOG moves into a multi-year stabilization agreement, the effects of the measures taken may not be apparent by FY 1983. The impact should, however, be seen by FY 1984-85. This would permit more optimistic assumptions by the GOG and AID in allocating resources for development programs. With greater foreign exchange available for imports, an increase in revenues, a relative decrease in government expenditures in non-development-related activities, a decline in the rate of inflation, a more realistic exchange rate, increases in exports and a general improvement in the investment climate, the GOG would have more financial resources available for

development projects and reasonably good prospects for carrying moderate recurring costs upon termination of donor support.

As for AID resource assistance, it is assumed that if a stabilization agreement is signed in FY 1981, the development assistance level for FY 1982 would be \$20.0 million. The high track set out in the FY 1982 CDSS would prevail during the period covered by this CDSS through FY 1986 and the proposed level for FY 1987 would be \$35.0 million.

The primary objective of this expanded program would be basically the same as that of the reduced program -- increased food crop production by small farmer support in the Brong-Ahafo Region. This decision is based on the assumption that even though decisive and far reaching policy changes would have been implemented by the GOG with the signing of a stabilization agreement, and even though prospects for the economy would brighten immediately, concrete benefits from these policy changes would accrue only gradually. It also assumes that during the FY 1983-87 period, food production would continue to be the first priority of the Government and, would continue to represent the greatest basic need facing the country.

However, although the basic objective of the expanded program would be the same as that proposed for the low option program, increased resource availability would permit a more flexible and

diversified strategy. Additional project and non-project resources would meet broader sectoral requirements and give attention to constraints such as agricultural resource management, crop storage facilities and market accessibility. Activities directed to improving the health status of the people, which would also enhance the productivity of the farmer, could also be undertaken in this integrated approach.

With regard to P.L. 480, the Title II improved commodities would begin to be offset by local foodstuffs and U.S. inputs could be phased down over the planning period. The Title I programs would be maintained at approximately the levels indicated in the FY 1982 CDSS, with increasing emphasis on industrial raw materials such as cotton to encourage the GOG to continue to implement necessary economic reforms. Since it is likely that Ghana will be closer to meeting basic food requirements by the end of the CDSS period, Title I food requirements will be lessened. A Title III program, emphasizing longer-range GOG policy commitments in the agricultural sector, could be initiated in the CDSS period.

**Summary: High Option Strategy**

In the event circumstances warrant an expanded program, the AID strategy would be to:

- a. Provide maximum support to the GOG to reinforce its decision and intention to reverse the declining trend of the economy and to encourage other donors to do likewise.
- b. Support the objective of increasing small farmer food production in the Brong-Ahafo Region with a level of development assistance rising from \$20.0 million to \$35.0 million a year during the planning period.
- c. Provide substantial amounts of non-project assistance to stimulate agricultural production, storage and marketing activities.
- d. Support not only direct crop production activities but also to help alleviate related constraints such as resource management, transportation and storage capabilities.
- e. Expand health programs designed to deliver basic primary health care services to the same population groups.
- f. Phase down the Title II programs during the planning period.
- g. Maintain Title I program with gradual phase over from food to industrial raw materials.
- h. Initiate a Title III program.

C. The Functional Areas

1. Agriculture, Rural Development and Nutrition

a. Overview

The Mission's approach to the Agriculture, Rural Development and Nutrition (ARDN) sector focuses on an integrated approach to improving the living, working and income situation of the small holder. The GOG has requested that aid donors regionalize their activities; the U.S. assistance program is, therefore, directed primarily at the Brong-Ahafo Region, which cuts across the mid-section of the country from the Ivorian border to Lake Volta. There are, however, elements of the program which predate the regional focus and which, in support of the effort in the Brong-Region, also provide nation-wide agricultural benefits.

As previously stated, the Mission's basic strategy is to increase crop production by small farmers in the Brong-Ahafo Region. This general strategy, therefore, dictates that the ARDN sector be the very core of the Mission's strategy. The other sectors (Health and Population and Education and Human Resources Development) are linked to the core sector in that they are designed to play integrative roles.

The Mission's ARDN activities concentrate on developing the institutional mechanisms necessary to deliver the production inputs and services needed by small farmers to increase their production.

The MIDAS I project, in particular, has focused on the establishment of institutional capabilities in small farm credit, seed multiplication, extension/demonstration, small farm research, marketing and fertilizer distribution. The MIDAS II follow-on project, was initiated in FY 1980 and will continue well into the CDSS period, shifting emphasis from institutional development to institutional performance and actual delivery of inputs and services to the targeted beneficiaries.

b. Constraints

As is implied by the very nature of the past and present focus of the Mission's ARDN core activities, basic constraints to food crop production by small farmers are the lack of production inputs (seed, fertilizer, tools and labor) and the required concomitant services (credit, extension, transport and marketing facilities and research/feedback). Other equally fundamental constraints include:

- (1) Overcentralized decision-making responsibility in the Ministry of Agriculture in Accra. Poor communication with the field causes long delays in problem-solving. Lack of operational flexibility causes extremely inefficient use of resources.
- (2) Lack of current reliable agricultural production figures for medium and long-range planning.
- (3) Government continues to promote use of inefficient public sector agencies to engage in production, marketing and distribution activities.

- (4) Controlled prices established by the Government act as disincentives to increased production and development of both food and non-food crops.
- (5) Lack of skilled senior administrators and managers particularly at field posts.

There are also inter-sectoral constraints which affect small holder productivity. These include debilitating diseases, lack of educational and health (including family planning) services, ineffective or inefficient administrative performance by local, district and regional-level officials in all sectors, a deteriorating transportation system and the generally depressed state of the national economy.

c. Sectoral Goal

The ARDN sectoral goal has two implications. In addition to the improvement of the living, working and income situations of the small farmers, the program will contribute in a broader sense to the alleviation of some of Ghana's most basic problems. These include the lack of an adequate domestic food supply, the resulting need for Ghana to utilize its already critically short foreign exchange reserves to import food, and the fact that Ghana's population growth rate will exacerbate the food shortage even further in the years ahead.

d. Sectoral Strategy

The Mission's strategy of focusing its ARDN resources primarily on food production by small farmers in the Brong-Ahafo Region is consistent with the GOG's planning priorities and with its preference for donor regionalization.

As mentioned earlier, the general Mission strategy as well as sectoral strategies are based on the premise that Ghana's actions in committing itself to and performing under an economic stabilization effort will dictate the direction and dimensions of U.S. assistance resources.

Additionally, it should be noted that the MIDAS II project will be given an intensive evaluation in FY 1982. The evaluation will determine the future course of the project and, what modifications, if any, should be made based on both project performance and Ghana's economic stabilization performance during the FY 1980-83 period.

The low option strategy which follows is predicated on the assumption that project performance will be of an acceptable level to warrant continuation of MIDAS II as designed, but that economic stabilization is either not being seriously pursued by the GOG or is producing no positive effects.

The high option strategy assumes that MIDAS II performance is meeting expectations and that the GOG has adopted an economic stabilization program which has either proven effective or for which a reasonably optimistic prognosis can be made.

Between these two options are an almost infinite number of possible variations which could be adopted, depending on: (1) the extent to which Ghana adopts and complies with a stabilization program; (2) the performance of the country between now and FY 1983 in the implementation of MIDAS II; and (3) other factors (climate, political, international) which might have a bearing on Ghana's development.

#### The Low Option

Under the low option the Mission would continue to provide assistance in increasing food production by small farmers in the Brong-Ahafo Region. It is assumed that the conditions expected to exist under the low option would preclude any possibility of progress in the fertilizer distribution component. The majority of ARDN (and the Mission's) resources would go into the further development of the seed multiplication, small farm research, credit, extension/demonstration, and marketing activities for which satisfactory progress has already been made and can be reasonably assured during the CDSS planning period.

Benefiting from the low option activities will be some 43,000 small farmers who will receive credit for the purchase of production inputs and approximately 62,000 small farm families (about 80 percent of the small farm families in the targeted region) will be provided with extension services to improve their production practices and in farm/home management. Additionally, the Ghana Seed Company will be providing approximately 80 percent of the country's foundation and certified seed requirements.

In addition, the Mission will continue to assist private and voluntary organizations in their efforts to develop association of small farmers and promote various types of rural enterprises, giving primary emphasis to the Brong-Ahafo Region. The Farmers Associations and Agribusiness Development (FAAD I) project which will be completed early in FY 1982 is expected to be followed by a FAAD II project that will carry forward into the mid-to-later years of this CDSS planning period.

A recent evaluation of the FAAD I project described it as a successful effort worthy of expansion in Ghana and replication elsewhere. Even in a limited resources situation such as would exist under the low option, private and voluntary organizations (PVOs) can produce significant results, particularly at the grass-roots level. Since the Government is not expected to be capable of a significant

level of development activity in the low option climate, PVOs can help fill the void left by GOG inaction. PVOs, hence, will form a substantial part of our low option strategy.

### The High Option

The high option will include all of the elements of the low option approach. Additionally, the economic conditions which need exist in order to trigger the high option strategy will make fertilizer distribution component a realistic alternative.

With positive actions on economic stabilization and resumption of economic growth, the Mission should be prepared to take concrete steps and encourage other donors to do likewise. Substantial amounts of fast disbursing non-project assistance would help to accelerate Ghana's economic recovery. Food crop production activities would be extended to new crop areas, such as edible legumes, small scale irrigation, market-town development and agro-industry, particularly in the food processing area, could also be undertaken on the high option. Additionally, greater geographic coverage could be extended in the Brong-Ahafo Region and possibly beyond.

Finally, an important agro-development area which should be addressed under the high option strategy is post-harvest crop losses and the establishment of a strategic grain reserve. This activity has a high priority with the GOG but is currently, and under

conditions envisaged by the low option strategy, not considered financially feasible. With improved economic conditions and even modest success in raising food crop production, storage will be of even greater concern than at present.

## 2. Health and Nutrition

### a. Overview

Over the past 10 years the general theme for bilateral project development in the health sector has been to prepare the institutional capability within the Ministry of Health (MOH) to be able to plan, implement, manage and monitor country-wide health services delivery. Towards this end, key positions have: (1) dealt with operations research, training and development of technical staff at all levels of skills, and service delivery research; (2) built new institutional capabilities such as the Health Planning Unit within the MOH; (3) developed management training at all service levels; (4) created a medical facility and curriculum for institutionalizing the development and training of future leaders of the administering health services; and (5) supported Ministry of Health efforts to expand communicable disease control.

Collectively, these efforts were to lay the groundwork for a new bilateral GOG/USAID project intended to revamp the present non-system for health care delivery into a country-wide health delivery system, which would extend basic primary health care services

universally and make them accessible and equitable. Following upon this approach, the proposal to proceed with a Primary Health Care Support project was approved by AID in FY 1980.

b. Constraints

If the economy continues at a depressed level, it is doubtful that the GOG health budget will be increased to the extent necessary to make new program commitments such as a PHC project possible. Even if the health budget remains constant, inflation limits its ability to affect overall health care. The GOG strategy for PHC redirects its present operating budget so that funds could be shifted from the urban-based hospital network towards greater emphasis on primary health care services delivery in the rural areas. This move would probably be vigorously resisted by entrenched proponents in the Ministry of Health advocating the continuance of high cost medical training colleges and the establishment of new hospitals.

c. Sectoral Goal

The Mission's goal during the CDSS period will be to assist the GOG to implement a Primary Health Care delivery program which will eventually provide an effective, sustained and widely distributed form of primary health care services delivery to the 80 percent of Ghanaians who are currently without such services, and to prevent and

treat common communicable disease problems, currently contributing to 80 percent of the unnecessary sickness, disability and death afflicting the Ghanaian people.

d. Sectoral Strategy

The Mission's general health strategy is to assist the GOG:

(1) to improve the accessibility to health services by establishing a village-based system of health care with basic essential preventive and curative services to all; (2) to improve the quality of primary health services by retraining and redeployment of health personnel; and (3) to improve and strengthen a management and logistic capability to support a primary health program at all levels. Such health services would be based on a total community involvement at the local level.

The Low Option

If a realistic stabilization effort is not forthcoming, the GOG will not be able to devote the human or financial resources needed to carry out a nationwide PHC program. Instead, USAID would seek to promote improved health services where possible through small scale health projects limited to specific districts. Such an approach would establish initiatives that might be widely replicated if the economic climate improves, and also would help keep lines of communication open with the MOH.

Under the low option strategy the Mission also proposes to use established PVOs to implement small, grass-roots type health activities in various parts of the country. PVOs have a good record and are acceptable in Ghana. Such activities would demonstrate continued USAID interest in primary health care services delivery for the rural poor, and would bring primary health care assistance to at least some of the rural poor in a relatively short span of time.

#### The High Option

If the GOG undertakes an economic stabilization program which produces positive results during the CDSS period and the MOH budget were to be increased, USAID proposes to undertake a high option strategy which will assist the MOH to develop the primary health care system. Special emphasis will be given to the Brong-Ahafo Region to complement other Mission efforts. Such a program would (1) expand primary health care including family planning services at all levels; (2) create greater community involvement in support of disease prevention and control; (3) increase emphasis on care for infants and children under five, including immunizations and increased nutrition education programs; (4) produce more trained personnel at all levels for pre- and post-natal care to mothers, including expanded family planning services; (5) conduct district training courses for health workers; and (6) strengthen the logistical support system to ensure the reliable supply of needed drugs.

U.S. assistance under the high option would include:

- a. training and retraining of personnel;
- b. upgrading maternal/child health and family planning services;
- c. strengthening integrated disease control activity;
- d. improving the nutritional status of the target population;
- e. upgrading logistical and communications support of the program;
- f. supporting research into plant and traditional medicine; and
- g. strengthening management planning and evaluation capacity.

### 3. Population

#### a. Overview

USAID has supported varied population/family planning activities in Ghana in a limited way since the mid-1960s. However, bilateral project activities did not begin to accelerate until the early 1970s after the GOG issued its official policy statement on population in 1960: "Population Planning for National Progress and Prosperity".

Over the past 10 years USAID has intermittently supported 19 centrally funded projects and two bilateral projects. USAID bilateral investments concentrated on institution building, education, technical staff development, and providing technical assistance and expendable commodities. At this time family planning services are not available on a country-wide basis. The centrally funded population projects

generally supported the development of specialized technical skills, seminars and educational conferences, research and development of training materials.

An evaluation of the total AID effort was undertaken in mid-1980. The draft report is expected shortly. Once received it should provide the basis for future year programming.

b. Constraints

The basic constraint to the establishment of an effective family planning delivery system in Ghana is bureaucratic. The GNFPF controls the flow of resources for training, commodities and services, while the Ministry of Health has the institutional capability to reach the target population. Developing an effectively functional delivery for family planning services will require direct linkage to the total health delivery system. This further emphasizes the need for creating a functioning country-wide primary health care (PHC) delivery system.

c. Sectoral Goals

The primary goal for the CDSS period should be to emphasize expanded family planning services delivery, outreach, information, education and communication on a much broader scale than before. The primary and logical administrative channel to implement this new emphasis is the MOH, within the context of total, comprehensive

preventative maternal/child health services. It is expected that increasing family planning services availability through the overall MOH delivery system on a country-wide basis will increase user acceptance particularly in rural areas, leading to a reduction in Ghana's population growth rate.

d. Sectoral Strategy

Within the past year the MOH has shown increasing interest in including family planning services along with other maternal/child health (MCH) services delivery. The MOH appears to be ready at this time to take a more active role in family planning services delivery.

The Low Option

A population program on the low option would continue to be administered primarily through the GNFPF and its various local family planning agencies. As a result, impact and coverage would be limited, especially as regards the rural areas. Commodity support would be maintained at whatever levels can be absorbed, and the retail contraceptive sales program would continue. In addition, USAID would continue to support and enlarge its working relationships with PVOs currently involved in family planning and would solicit the participation of new PVOs on a selective basis. Overseas training would be curtailed and the resources redirected towards greater in-country training by Ghanaian experts, supplemented by AID/W technical assistance and funding support.

Utilization of centrally funded projects will be limited to those which complement the overall Mission strategy. Efforts in contraceptive distribution through the successful commercial retail sales program will be continued.

### The High Option

Under the high option family planning services would be integrated with maternal and child health care within the primary health care project. The MOH believes that family planning would be more acceptable when presented in conjunction with other maternal/child health services. The many health professionals who have been trained by AID in family planning in the past 10 years would be made available for services delivery. Health stations, health posts, clinics and hospitals are already identified with dispensing health advice and services. Therefore, this approach seems to be the natural path to take after the previous decade of investment and preparation.

## 4. Education and Human Resources Development

### a. Overview

Ghana emerged from its colonial period as one of the stronger newly-independent nations in terms of its human resources. Both in terms of its general level of education and its quantitative/qualitative level of technical and professional manpower, Ghana had a definite advantage over its neighboring African countries. However, during the past decade there has been a continuing deterioration in Ghana's human resources base as the "brain drain" took many of the

best qualified people from the country. Moreover, the bureaucracy has become bloated and morale has dropped, further exacerbating the sense of lethargy existing in both the public and private sectors.

A bright spot in the human resources picture has been the progress made by a number of U.S.-sponsored projects in the field of management training in the agriculture, health and economic planning areas. These efforts have successfully trained and motivated middle and upper-level managers in the Ministries of Agriculture, Health and Finance and Economic Planning, and at the national, regional and district levels.

b. Constraints

Many of the basic constraints to the development and effective utilization of Ghana's human resources emanate from the economic situation of the country. Without the capital and resources needed to complement human resources, people who have been trained to do a job but are unable to function effectively because of lack of resources suffer from a deterioration of morale and frustration.

Because of the shortage of commodities on the market, the search for food and clothing for their families has become a primary concern to most workers, whether they be top level managers, lower level bureaucrats or even production line workers. The high degree

of job security, particularly in the civil service makes job performance a definite secondary consideration to family and personal welfare. Under these circumstances, it is not surprising that a laissez faire attitude exists within the bureaucracy. The thought of change is disturbing and there is suspicion of those who advocate change.

c. Sectoral Goal

The goal of the Mission's education and human resources development sector is to improve the effectiveness of Ghana's human resources in managing its other physical and capital resources. Development and growth can theoretically occur in the face of a shortage of one or even two of the three building blocks of development -- human, physical and capital resources -- albeit at a slower rate, if management capability is high. Thus, the Mission's objective in this area is to concentrate on administrative and management ability in both the planning and implementing agencies of the GOG.

d. Sectoral Strategy

The Low Option

If the economic situation of the country does not show definite signs of improvement or hold promise for optimism by the beginning of this CDSS Planning period, the Mission sees no point in continuing EHR assistance. The three current projects will all have been completed by FY 1983 and further inputs, with one exception, would not be considered.

The final phase of the vocational training program being conducted by Opportunities Industrialization Center, International (OICI), a U.S.-based PVO, would be continued on to completion in FY 1986. OICI has been successful in training underprivileged youth for gainful employment and is now also being utilized by the GOG to retrain surplus government employees for reassignment to productive positions.

### The High Option

If an economic stabilization program is adopted which gives the prospect for a resumption of economic growth, AID assistance in the EHR sector may be appropriate. To cover this eventuality, a comprehensive HRD "shelf project" is being developed to include general advanced training in management and administration, economics and development planning, as well as other HRD components.

Additionally, administrative and management training, similar to the present ERDM and Agriculture Management Development programs, would be concentrated on the Brong-Ahafo Region complementing activities in the ARDN center. The GOG is considering the establishment of a new administrative region in the north-western area of the country. A short-term training program may be necessary in the new region, if established, to provide management and administrative capability to the new region's civil service.

## 5. Special Concerns

### a. Women In Development

It has been the Mission's objective for the past several years to integrate fully Women In Development (WID) activities into all Mission programs and projects. Past and current WID projects have focused on assisting women to improve their life situation as regards income, work and social activities. Projects in small farmer agriculture, appropriate technology and district planning provide for active participation by women. The rationale for maintaining discrete WID projects outside of regular program sectors no longer exists.

In the health and population sectors and through the P.L. 480 Title II program, maternal welfare are overriding concerns.

Similarly, in its support of PVOs the Mission is giving special attention to those PVOs which are focusing on women's activities. The focus, however, should and will continue to be on assuring that women are accorded equal -- not separate -- consideration in all of our development assistance activities.

The Mission recently expanded the role of its WID advisor to include coordinating and integrating WID concerns into the total Mission program effort rather than managing discrete WID projects.

b. Energy

The energy situation in Ghana, as in many developing countries, is both a result of and a contributor to the economic problems of the country. The increasing cost of imported crude and petroleum products is a major constraint to Ghana's economic development. However, a recently completed World Bank report on Ghana's "Energy Outlook and Options for the 1980s" points out that Ghana's situation is less vulnerable to the effects of oil price fluctuations than many of the poor and middle-income countries since Ghana's economy is based on agriculture and service activities. Also, since firewood and charcoal are the predominant fuels for home use, there is no general shortage of these fuels except in parts of the northeast savannah.

The Mission has provided some assistance in renewable energy technology. A pyrolysis demonstration pilot activity was completed recently and following a period of commercial testing may prove to be an efficient and acceptable renewable energy source.

However, the Mission is generally allowing the World Bank to take the lead in this area. It is premature to formulate any concrete energy strategy for Ghana. Activities in this area will only be considered under a high option strategy.

c. Housing

No activities are envisaged in the housing area under the low option. However, if economic recovery becomes a reality by the latter years of the CDSS planning period it might be a feasible and desirable area of assistance. Again, the World Bank is setting the pace in this area and any move on the part of the Mission will have to be in response to and in concert with the Bank's lead.

6. P.L. 480

a. Introduction

P.L. 480 Title I assistance has not been a fixture of the U.S. aid program in Ghana. In 1972, after several years of Title I assistance, the program was suspended. Since the program was resumed in 1979, Title I aid levels have ranged from \$10 to \$12.7 million and are expected to increase only slightly (in funding but not in commodity volume) by the beginning of this CDSS planning period.

Title II assistance, on the other hand, has been provided to Ghana for nearly 20 years. Since FY 1979 the dollar value of the program has ranged between \$5 and \$6 million and the beneficiary level has remained in the 250,000 - 275,000 recipient range.

b. Strategy

The Low Option

In the absence of an effective economic stabilization program the Mission would begin a gradual reduction of Title I assistance early in the planning period. A variation on this strategy might be considered in the mid-planning period years in the event that one of two situations exist. If there appears to be some possibility that the GOG will move into a stabilization program or that compelling political considerations make it advisable the Mission might maintain a Title I assistance level at present levels to the end of the planning period and beyond. This option, of course, will have to be considered on a year-to-year basis.

Under the low option Title III assistance will not be considered as the Mission does not consider it likely that Ghana would undertake policy measures to activate a Title III program if the economy remains in the doldrums.

Title II assistance will continue to be provided under the low option. In fact, with a continuation of economic stagnation or a further deterioration of the economy, it is assumed that the nutritional deficiencies to which Title II is addressed would become more widespread and an increase in Title II beneficiaries could become necessary. Highest priority would be given to meeting the nutritional

needs of children and pregnant and lactating mothers, particularly in the Northern and Upper Regions where dietary deficiencies are most acute.

Of course, CRS management and in-country transportation play important parts in Title II strategy. If the Ghanaian transportation infrastructure -- roads and vehicles -- continues to deteriorate, the movement of Title II commodities could become extremely difficult, if not impossible. In this case the Title II beneficiary level would be cut back sharply or perhaps terminated since the food supplies could not reach the target population.

#### The High Option

If the GOG adopts an acceptable economic stabilization program, the Title I program would be continued throughout the planning period. As previously noted (on page 34), we believe the Title I program is an important part of our assistance strategy in supporting a democratic government. The provision of industrial raw materials would become an extremely important element in the Title I program. This would both serve to motivate the GOG to continue and/or expand its economic stabilization efforts and to increase the supply of consumer goods needed to control inflation.

With a resumption of economic growth a Title III program should be considered early in the planning period. The establishment of a strategic grain reserve under Title III would lessen Ghana's vulnerability to the vagaries of the weather, particularly in the drought-prone areas of the country. Such a program would be complementary to the Mission's ARDN strategy and would be developed in concert with a number of other donors, including the FAO.

Under the high option it is envisaged that Title II assistance, while still necessary, would decrease. The gradual introduction of locally-produced foodstuffs into the program would be undertaken. Ghana's population growth rate is not expected to decline significantly during the planning period, and population increases will probably be greatest among the poorer Ghanaians who are the beneficiaries of Title II assistance. Moreover, even with an economic recovery it should not be anticipated that the benefits of resumed growth will reach the poor majority until later in the planning period. Again, the strategy under the high option will have to remain somewhat flexible since the degree of success in economic recovery may vary considerably, thus changing the factors determining the Mission's strategic decision-making.

III. ASSISTANCE PLANNING LEVELS

A. Proposed Assistance Planning Level (PAPL)  
(in \$ millions)

	1983		1984		1985		1986		1987		Total	
	Low	HI	Low	HI								
Agriculture, Rural Development and Nutrition	4.0	20.0	5.0	20.0	4.0	20.0	5.0	22.0	5.0	20.0	23.0	102.0
Health	.5	3.0	.5	4.0	.5	5.0	.5	5.0	.5	6.0	2.5	23.0
Population	.5	1.0	.5	1.0	.5	1.0	.5	1.0	.5	2.0	2.5	6.0
Education and Human Resources Development	1.0	2.0	--	2.0	1.0	2.0	--	2.0	--	4.0	2.0	12.0
Selected Development Activities	--	--	--	--	--	1.0	--	1.0	--	3.0	--	5.0
TOTALS	6.0	26.0	6.0	27.0	6.0	29.0	6.0	31.0	6.0	35.0	30.0	148.0
P.L. 480 (Non-add)												
Title I	10.0	20.0	8.0	20.0	6.0	20.0	5.0	20.0	5.0	15.0	34.0	95.0
Title II	7.0	7.0	8.0	7.0	7.0	6.0	6.0	5.0	5.0	2.0	33.0	27.0
Title III	--	5.0	--	10.0	--	15.0	--	20.0	--	20.0	--	70.0

In summary, Title II assistance would be extended to a slightly increased number of beneficiaries in the first few years of the planning period, drop back to current levels at mid-period, and begin declining in the latter years.

B. Narrative

The Proposed Assistance Planning Level (PAPL) for FY 1983-87 has been presented at two levels. The low level, as indicated in Part II, is an extremely limited program in which most of the resources will go into the ARDN sector with only small inputs reserved for the health and population areas and for the completion of the on-going EHR activity which will terminate in FY 1986. The low PAPL is, in fact, a declining assistance program since the effects of inflation -- both U.S. and Ghanaian -- will greatly diminish the real value of the \$6 million constant funding level proposed throughout the CDSS planning period.

The high PAPL, which assumes the adoption by the GOG of an acceptable economic stabilization package and a satisfactory level of performance in the implementation of that package, would greatly expand the ARDN sector program, but would also permit a number of complementary activities in Health, Population, Human Resources Development of Selected Development Activities such as energy.

As suggested earlier, there are a number of possible alternatives in between the high and low PAPLs. The situation will have to be reviewed annually and adjustments made as the course of Ghana's economic development becomes apparent.

P.L. 480 Title I assistance continues to be the U.S. Mission's bargaining chip to be used in encouraging and motivating the GOG toward the hard economic decisions which must be made to return the country to a growth status. Title II aid is provided for humanitarian reasons which under either option, will continue to exist for most, if not all, of the planning period.

C. Staffing Implications

Discussion of staffing implications under both PAPL options will be submitted by separate cable.

**COUNTRY DEVELOPMENT STRATEGY STATEMENT - 1985**

**GHANA**

**(UPDATE OF FY 83 CDSS)**

**February 1, 1983**

## Part I

### Revalidation of Economic Background and CDSS Goals

Two years have passed since the last complete Country Development Strategy Statement (CDSS) was prepared for Ghana. The FY 83 CDSS, covering the period FY 83-87, provided a two-track strategy which offered different courses to follow if:

1. An economic stabilization plan is adopted, implemented, and shows promise of returning Ghana to some degree of economic growth; or
2. The present economic situation continues to exist and no effective or adequate measures are being taken to improve the situation.

The two years in which this CDSS has been in existence have been marked by a continuing economic decline, failure of the Government of Ghana (GOG) to initiate any significant measures which would provide some basis for optimistic prognostications, and political instability that is symptomatic of the economic malaise of the country. The constitutional government that was elected a little over a year prior to the adoption of this CDSS was overthrown on December 31, 1981, and replaced by a Provisional National Defense Council (PNDC) that has, after over a year in power, not articulated any clear policy revisions and has thrived mainly on revolutionary platitudes' slogans and leftist idealism. An overriding state of paranoia within the current government has been characterized by extreme sensitivity about external involvement in Ghanaian affairs, frequent accusations that Western countries are planning, supporting or encouraging invasions or internal coups, and attacks on foreign business undertakings in Ghana. The temper of the

times coupled with the seeming inability of most top level government officials to initiate or even endorse policy changes has made it extremely difficult to carry on an effective policy dialogue with the GOG.

While the quality of economic data on Ghana is certainly no better today than it was two years ago, it is apparent that the economic situation has continued to worsen. It is no longer conceded that rural poverty is more acute than in the urban areas. Although the general quality of life (i.e., access to water, electricity, medical services, etc.) continues to be better for the city dweller, food shortages have become a prime concern for the urbanites. Ghana's closure of the borders between itself and neighboring Togo, Upper Volta and Ivory Coast in September 1982 has largely cut off the non-official lines of trade that had previously kept some consumer supplies on the market in Ghana, particularly in the cities.

Foreign exchange earnings have continued to decline with falling cocoa production levels and prices. For much of FY 82 Ghana was subjected to the constraints of Section 620(Q) of the FAA because it was more than six months past due in loan payments. Ghana's present foreign exchange revenues are barely sufficient to pay for its petroleum import requirements and debt service. Various obligations (including rescheduled debt service on U.S. loans and obligations to such foreign governments as the Federal Republic of Germany) which previously had required only interest payments have now reached the end of their grace periods and will require substantial new principal payments in foreign exchange. This continuing contraction of Ghana's foreign exchange resources has made it virtually impossible to import either consumer goods or raw materials with which to produce them.

The Mission's FY 84 Annual Budget Submission and Congressional Presentation (ABS and CP) narratives outlines the basic strategic changes made in the FY 83-87 CDSS and constitute an integral part of this FY 85 CDSS update. The high/low option strategy submitted two years ago emphasized the optimistic side and provided more detail on the "high track" which would be followed in response to an effective economic stabilization effort by the GOG. Events of the past two years have indicated little cause for optimism and therefore the main revision in our strategy is a greater elaboration on the "low track" option as presented in the FY 84 CP.

The analysis on why food production has fallen in the FY 84 ABS remains valid with one exception. It is increasingly clear that a significant factor in the decline has been a serious decline in the availability of agricultural labor. It had previously been held that Ghana had an ample supply of workers to meet its domestic labor force needs. The exodus of workers to neighboring African countries was taken as evidence of a surplus labor situation as well as a natural response to the economic incentives offered by neighboring countries. The situation now does not appear to be that simple. One indicator of the mal-adjustment of the labor market is the fact that farm labor in Ghana now draws a daily wage of 70 cedis, compared with the minimum daily wage of 12 cedis.

Further evidence has come to light very recently as a result of the action of Nigeria in expelling the Ghanaians and other West African elements of its labor force. Nigerian estimates are that there have been approximately one million Ghanaians working in Nigeria. While a large number of these are teachers, medical practitioners and other professionals,

it must be assumed that, if Nigerian estimates are fairly accurate (or even within 50 percent of reality) the overwhelming majority are unskilled laborers.

It should by no means be blandly assumed that the return of a large number of unskilled workers from Nigeria will provide a solution to Ghana's agricultural labor problems since the high wage enticement that already exists has obviously not attracted the large numbers of under and unemployed urban workers back to the rural areas. High wages are meaningless in the absence of consumer goods on which monetary income can be spent.

While the shortage of labor is closely related to the incentives constraint discussed in the revised strategy, it must be considered separately because of the implication for increasing production in the short run even if incentives are substantially improved. Workers once having left the land will require greater incentives to return than those who have remained. Because of the importance of this factor, the Mission is currently undertaking an analysis of labor requirements for non-mechanized agriculture. It should be completed within six months.

The revised CDSS continues to focus on Ghana's objective of achieving food self-sufficiency but narrows the range of sectoral interventions and eliminates the regional (Brong-Ahafo) targeting of the program. The first of the two main elements of this strategy is to increase food crop production through the establishment of an adequate supply of improved, high yield, disease resistant seed. This element heavily emphasizes all four of A.I.D.'s priority areas -- policy (pricing), private enterprise development (all seed production is done by private

farmers and the Ghana Seed Company (GSC) which does the processing/ distribution is a commercial enterprise), technology and institutional development (GSC has evolved from a government agency to a parastatal and is planned to eventually divest ownership, at least in part, to the private sector). Since the use of improved seed is a labor saving innovation (per unit of output), this strategy element assumes greater importance given the current shortage of labor.

The second element deals with the reduction in the rate of increase in food crop requirements by reducing the population growth rate. Family planning services will be integrated into the GOG primary health care programs to achieve a wider outreach effect and more closely couple family planning services with maternal and child health care. This effort will be further complemented by the P.L. 480 Title II program, which will continue to shift its emphasis increasingly toward MCH feeding.

The use of P.L. 480 Title I to supply industrial raw materials (such as cotton) to produce the consumer goods needed to create agricultural production incentives will be continued, at least in the short run.

Meanwhile, the GOG's economic performance and the steps it takes to modify its macro-economic policy structure will be carefully monitored and analyzed during CY 83 to prepare the Mission for the development of a new CDSS in FY 84.

Part II

Ghana CDSS Relationship to Four Priority Areas

A. Policy Dialogue

A.I.D., in collaboration with the Embassy, has been carrying on a vigorous policy dialogue with the present Government of Ghana and its predecessor civilian government for over two years. Most of the other Western aid bilateral and multi-lateral donors have carried on similar dialogues. Nonetheless, there has been little success in persuading the GOG to alter the basic policies which, we believe, are at the heart of Ghana's economic malaise.

The levels of our development assistance and P.L. 480 programs seem to have had little relationship to the degree of effectiveness we and other donors have had in influencing Ghanaian policy-makers. Certainly, we were no more effective in persuading Ghana to undertake policy and structural changes four years ago, when our assistance level was about triple the present level, than we are today. Neither have the World Bank and IMF been able to achieve any significant degree of success in negotiating an acceptable stabilization program with Ghana, despite the substantial financial resources at their disposal.

The main focal points of our policy dialogue have related to GOG pricing policies, the structure of the GOG fiscal apparatus, interest rates, exchange rates, government employment policies and the runaway rate of government deficit spending (the 1980-81 GOG budget deficit was nearly 60 percent of expenditures).

Our main forum for the policy dialogue has been through negotiations on the P.L. 480 Title I program. In negotiating the FY 82 agreement, the GOG was led to a formal recognition that macro-economic

stabilization is central to the process of Ghana's development and resumption of economic growth. We were also successful in reaching agreement with the GOG to sell Title I commodities at market prices rather than at straight official exchange rate levels. This major policy change was reflected in the PNDC government's first major economic report to the nation in December, 1982.

As a result of the GOG's lack of response to the art of "gentle persuasion", the Mission has for the past 18 months taken a much harder line in the administration of A.I.D. projects. The effects of the Ghanaian economic morass are no longer taken as an acceptable excuse for poor project implementation performance by the GOG. Instead, where delays have occurred in project implementation because of economic factors, projects have been redesigned, scaled down or terminated rather than being extended.

At the same time, we have made it clear to the GOG that if it persists in its refusal to seriously consider and adjust the policies that are at the roots of its economic decay, our ability to implement existing or planned projects will be virtually non-existent and that approval of new projects or even continuation of some existing ones will be most difficult to justify.

Unfortunately, the economic reconstruction and development planning paper which was recently prepared by the GOG moves further away from policy issues. It would appear at this point that the best we can hope for over the next few years is to continue in our policy dialogue to point out the costs of intransigence and to scale down our A.I.D. program accordingly.

B. Private Sector Involvement

Economic conditions in Ghana over the past decade have not presented an attractive environment for private sector initiatives -- indigenous or U.S. In fact, the already relatively low level of interest shown by the American business community is on the decline, due in part, to the uncertainty of the political situation, but also in pragmatic response to the stark economic realities which exist. One of the major U.S. investments in Ghana (Firestone) has sold out to the Government of Ghana in the last two years and the other, VALCO, (of which Kaiser Aluminum is a major investor) is under constant attack by Ghanaian officialdom and media while under the economic siege of a depressed world aluminum market.

The Provisional National Defense Council (PNDC), which has been the ruling political entity since December 31, 1981, has given lip service to private and free enterprise objectives. However, the PNDC's policies and actions have not been consistent with such pronouncements. Moreover, those private companies which have managed to operate profitably in spite of the economic morass are looked on with suspicion and often subjected to harassment by official or quasi-official entities. Conversely, businesses operating at a loss due to restricted productivity (whether because of lack of raw materials or a depressed world market) are prohibited from reducing their workforce to levels consistent with production requirements or to eliminate redundant labor, thus exacerbating an already glum situation.

A.I.D.'s strategy for promoting the increased utilization of the U.S. and indigenous private sectors will focus on the continuation of a policy dialogue with the Government of Ghana aimed at pointing out the deleterious effects of existing policies and encouraging appropriate policy revisions to create a climate more conducive to private enterprise development. Programmatically, the strategy will concentrate on the agriculture, health and population sectors.

In the agriculture sector the primary private sector initiative involves the continued effort to promote the "privatization" of the Ghana Seed Company (GSC) as a viable commercial enterprise. The evolution of the GSC from a unit in the Ministry of Agriculture to its present parastatal status (and with future prospects for joint government/private ownership) has been largely successful thus far. The company is operating without government subventions and with minimal government involvement in its management functions. Additionally, the GSC is dealing entirely with private farmers for the production of certified seed. We will also continue to encourage the conversion of state farms to commercially operated ventures. The Government is receptive.

Attempts made previously by A.I.D. under two bilateral projects (DIPRUD and FAAD) to stimulate small-scale development activities through farmers' associations, small rural entrepreneurs, and trade or craft associations, using U.S. or indigenous private and voluntary organizations (PVOs) as intermediaries, proved unsuccessful or had an extremely low return on investment. The fault in the scheme was not so much in the concept as in the inability of private sector organizations to obtain locally even such basic inputs as cement and nails. For these reasons,

the Mission decided not to proceed with the second generation projects until economic circumstances become more favorable.

A.I.D. has, however, made positive moves (under the DAPIT project) to involve the private sector in developing, producing and delivering intermediate technology packages and systems in the rural sector. In establishing close working relationships between the government's technology transfer units and the private entrepreneurs who produce and market the technology packages, we are establishing a direct linkage between the private sector and technology priorities. We are also collaborating with Canada's C.I.D.A. in promoting technology development through small-scale industries, particularly in Ghana's Northern Region.

Finally, the health and population sectors have shown an increasing proclivity for private sector involvement. The Retail Contraceptive Sales (RCS) program initiated in the late 1970's showed great potential for success, despite inept government management and oversight. USAID/Ghana is interested in resuming such a program if a more satisfactory working agreement could be established which gives the private sector more freedom of action to do the job. Additionally, the Ministry of Health (MOH) has made strong efforts to involve Ghanaian practitioners of traditional medicine in its primary health care program by upgrading skills and by encouraging the referrals of patients to MOH clinics and hospitals as appropriate. The traditional healers, who are entirely in the private sector, are often the only medical practitioners to whom many Ghanaians have access and with proper training and familiarization with MOH referral procedures, can make a valuable contributions to Ghana's primary health care efforts.

Ghana is a nation of people who are traditionally closely aligned with the spirit of private enterprise. Economic policies and political action have hindered the development of the private sector but by no means rendered it impotent. On the other hand, Ghana's repeated failures in its adventures with parastatals and nationalized enterprises (cocoa marketing, food distribution, state farms, et al) have provided ample empirical evidence of the folly of this approach in the Ghanaian setting. While it may not be realistic to think of increased U.S. private sector investment in Ghana under existing circumstances, A.I.D. will continue to maintain and expand its links with the Ghanaian private sector, albeit on a low-key and modest level. The political uncertainty that exists in early CY 1983 should clarify over the next two years and give us a better indication as to the outlook for private sector initiatives in Ghana.

C. Technology Transfer

A major portion of the Mission's technical assistance package is directed at increased technology transfer. The DAPIT project (641-0084) is aimed at the development and application of intermediate technology in the rural area. The development phase of technology transfer is being carried out by government and educational technology and research institutions, while the actual production and distribution of the technology packages will be pursued by private entrepreneurs -- an ideal integration of A.I.D.'s technology and private enterprise priorities.

The other major Mission ARDN project is MIDAS II (641-0102), the major element of which is the development of a financially viable seed production, processing and distribution commercial enterprise. This project involves a major transfer of technology, both in terms of production/processing equipment and in the development of modern management systems.

The economic situation in Ghana has rendered research efforts initiated under the MIDAS project much less effective than anticipated, due mainly to the inability of the Ghana Government to provide the inputs (human, financial and equipment) needed to sustain the research efforts. The same input constraints have precluded the existence of an effective agricultural extension service, which is a vital adjunct to a research program. For these reasons, the Mission has suspended its small farms research activities until such time as economic conditions make it possible for the GOG to adequately sustain the recurrent costs of such activities and provide the necessary inputs.

The Mission will continue to focus its support on the technology development efforts being carried out under DAPIT and MIDAS II. Due to the much reduced programmatic level of the Mission, new initiatives will be deferred so as to avoid dissipation of scarce U.S. and GOG resources away from the two current project efforts.

D. Helping Indigenous Institutions

All of this Mission's project assistance efforts focus to a very large extent on the development of the indigenous institutions responsible for the various sectoral activities.

In its efforts to increase Ghana's state of self-sufficiency in food production, A.I.D. is focusing on the enhanced capability of several indigenous institutions. The Ghana Seed Company (GSC) is the focal point of U.S. aid efforts in the ARDN sector. Although it is a parastatal company, the GSC is continuing to evolve toward a more independent and commercial status, having initially existed as a line unit fully integrated within the Ministry of Agriculture (MOA). MOA subventions have been eliminated and the company is operating on a profit-making, self-sustaining basis. A.I.D. has assisted GSC in its development through commodity, training and technical assistance in both the administrative and technical fields. A follow-on project is planned for FY 84-87 to fully establish GSC's institutional viability.

The DAPIT project involves the provision of technical training and commodity assistance to several Ghanaian institutions: the Technology Consultancy Center of the University of Science and Technology, Kumasi, and its Intermediate Technology Transfer Units; the Food Research Institute and the Industrial Research Institute, both branches of the Council on Scientific and Industrial Research (CSIR).

In the private sector, A.I.D. is in the third and final phase of a 10 year assistance effort through which the Opportunities Industrialization Centers, International (OICI), a U.S.-based PVO, is helping Ghana to establish an indigenous PVO (OICI/G) to carry out a community-centered

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vocational training program for school-leavers, drop-outs and employed individuals requiring retraining as a result of job redundancies. This final development phase is focused on the establishment of OICG's financial and administrative self-sufficiency.

In the health sector, the Ministry of Health (MOH) continues to be the primary focal point for institutional development. The strengthening of MOH's logistics system has been of particular concern and the results of U.S. assistance in this respect have been quite gratifying. Additionally, considerable progress has been made in integrating family planning services into the MOH's clinic program. The next phase of institutional development with the MOH will concentrate on developing its primary health care capabilities at the local level. This will incorporate the use of indigenous traditional healers whose skills will be upgraded but who will rely on the local community for income rather than becoming part of the MOH with the attendant recurrent budget implications. The success of this effort will depend largely on the GOG's resolve in implementing its planned decentralization of government services.

The five year goals will be modest, given past inability to work with indigenous organizations under the existing economic constraints. The primary emphasis will be on assisting the Ghana Seed Company to become financially independent with full management autonomy on issues such as pricing. It is also our aim to promote the integration of the traditional medical practitioners into the Ministry of Health system in at least one-third of the country.

### E. The Role of Participant Training

Since the advent of A.I.D. participant training in Ghana in 1955 (two years before independence), over 1,150 Ghanaians have received U.S. or third country training -- a 28 year average of over 41 per year. This does not include participants funded under AFGRAD, a regionally funded project, for which the Mission does not keep records.

As economic and general living conditions have deteriorated, and particularly in the past two years, there has been an increasing rate of participant delinquency (i.e., failure to return to Ghana within a month of completion of the scheduled training program). At one point in FY 82 the delinquency rate reached as high as 72 percent and even with much increased Mission effort to repatriate trainees, the rate in mid-FY 83 was still over 60 percent.

The causes for these delinquencies vary. They include, inter alia: (1) inability of the GOG to provide the hard currency required for return travel and transportation of participants' personal effects; (2) unauthorized extensions of academic training to higher degree levels than originally planned (in many cases at the initiative of the participant but all too often under the patronage of the U.S. academic advisor and/or his institution; (3) health reasons (participants remain in the U.S. for medical treatment because, they claim, they cannot get adequate treatment in Ghana); (4) personal reasons (participants marry U.S. nationals); (5) economic reasons (they manage to find employment -- legally or otherwise -- in the U.S.); or (6) political reasons (there have been four different governments in the past four years and some participants claim they cannot return to Ghana for fear of political harassment).

Due to the high rate of delinquency, USAID in FY 82 adopted a general posture of reluctance to fund any further long-term training in the U.S. until the problems associated with repatriation of participants are resolved. However, the Mission is continuing to fund short-term technical or managerial training, long-term training in other African countries and increased emphasis is being given to in-country training.

This position is consistent with A.I.D.'s development strategy since lack of qualified managerial, technical and professional human resources is not regarded as a significant constraint to economic development in Ghana. Indeed, because of the severely depressed economic situation, there has been a mass exodus of Ghanaian manpower -- primarily teachers, medical personnel, engineers and other professionals -- in the past two years, mainly to other Anglophone West African countries. What Ghana needs is manpower with more practical and managerial competence. It is already overloaded with persons holding high level degrees but with no practical experience.

F. Using Food Aid for Development

Food aid provided under P.L. 480 Title I has been used primarily as a source of leverage to encourage the Government of Ghana to undertake policy changes and macro-economic adjustments which could put the country into an economic recovery posture. However, it became increasingly apparent that the provision of food aid was not providing an adequate incentive to bring about policy reform. Moreover, the continued decline in domestic food production suggested that food aid was not achieving its intended aims, because the macro-economic constraints to stimulating production are largely immune to the impact of cedi expenditures generated by the sale of commodities.

A discussion of the integration of P.L. 480 programs into the Mission strategy is contained in the FY 84 ABS. In accord with this, in FY 1982 the Mission strongly endorsed a shift in the track of Title I to focus on the import of industrial raw materials (cotton) which could be used to bring Ghana's textile mills back into production and make available consumer goods to provide the incentives through which farmers could be induced to increase food crop production. It is too early to judge the effect of this approach. Equally important, the FY 82 agreement required commodities to be sold at much more realistic market oriented prices thus generating much larger government revenue and reducing the budget deficit.

Title II food aid, provided through Catholic Relief Services, have been narrowing its targetted recipient clientele to the most nutritionally needy, cutting down drastically on school feeding programs while increasing its attention to maternal and child health feeding activities. This aspect of P.L. 480 assistance, as might be expected

is mainly linked to the Mission's health and humanitarian assistance objectives. Since the December 31, 1981 revolution, there has appeared to be little likelihood of using Title II as a lever in the continuing policy dialogue.

### G. Interfacing with Other Donors

The posture of all of the Western donors in Ghana is basically the same as that of the U.S. That is: (1) no major new initiatives are being undertaken; (2) projects which are not performing as planned are being scaled down, revised or terminated; (3) future aid planning and budgeting levels will depend on Ghana's economic performance if/when a stabilized program is agreed upon with the IMF and implemented; and (4) limited development assistance resources are being provided as appropriate and contingent on continuing satisfactory implementation performance.

A.I.D. has had some success with multi-donor project assistance, the most notable being in the accelerated impact project for Yaws/Yellow Fever control, which involved U.S., EEC and UNICEF collaboration. We have also worked closely with the Canadians' C.I.D.A. in the development of a project aimed at combatting childhood communicable diseases (CCCU) and in coordinating U.S.-sponsored technology development efforts with the Canadians' small enterprise development project. We are also seeking Japanese assistance on a new population project initiative.

On a broader level, the U.S. is one of 12 countries (all Free World countries) and five multilateral (British Council, EEC, FAO, UNDP and World Bank) donors which constitute the informal aid donors committee that meets monthly in Accra to exchange information and discuss policy and programmatic matters of common interest. Although the agenda for the monthly meetings is laid out in three parts -- (1) the economic situation; (2) new development assistance initiatives and (3) food aid -- in the past year and a half the meetings have focused almost entirely on

the economic situation and prognostications relevant thereto. This is not only because of the magnitude of Ghana's economic crisis, but also due, simply, to the fact that there have been few new aid initiatives and food aid had been steadily declining for several years.

Coordination and cooperation between A.I.D. and other Western donors offers some definite advantages and is a realistic course to follow if/when economic conditions in Ghana make an increased development assistance program a rational choice for the donors. If a stabilization program is undertaken by the GOG and the Western bilateral and multi-lateral donors do provide the substantial aid inputs that have been, at least tentatively, proffered, careful coordination among donors will be essential to avoid inefficient or duplicative programming. The GOG does not appear capable of providing such coordination. The logical solution to this problem would be the establishment of a formal donors' consultative group headed by the IBRD.

H. Programming Implications

Since this CDSS revision is merely a reflection of the modifications already introduced in the FY 84 ABS and CDSS, there will be no substantial changes on the programmatic level as a result of this submission. Program budget levels for both development assistance and P.L. 480 Titles I and II will be slightly lower than projected in the FY 83 CDSS PAPL for the low option. This is more a reflection of the GOG's inability to effectively absorb higher levels of assistance than a strategic reduction in the budget levels.