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DEVELOPMENT**



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**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

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FY 1982 GHANA CDSS

I. Background Summary and Key Issues

Ghana returned to constitutional, democratically elected government in September 1979 completing the restoration of civil rights and liberties begun with the overthrow of General Acheampong in July 1978. The new government, headed by Dr. Hilla Limann, is Ghana's third since July, 1978. It took office after four months of extreme political instability under the Armed Forces Revolutionary Council (AFRC), and faces an economic situation that more experienced and entrenched governments would find difficult to manage.

A greatly overvalued exchange rate, rapid inflation, mismanagement and corruption have resulted in nil or negative GNP growth for many years. As a result of population growth, per capita GNP has declined precipitously. Tax performance has declined. Smuggling and unrecorded as well as under-recorded trade and other transactions have increased. Imports of consumer goods have been severely restricted in a country that relies heavily on them to fulfill basic human wants due to foreign exchange constraints. Raw materials and spare parts imports have also been restricted, forcing Ghana's industries to operate at a fraction of installed capacity. Further, the rural sector has faced a deteriorating road transportation system and an inadequate level of inputs. While the rate of inflation has been cut from 104 percent in 1977/78 to 80 percent in 1978/79 and is continuing to decline this fiscal year, there are still few goods for sale in the markets. Ghana's foreign debt is small relative to its trade and GNP, but this is because severe import restrictions remain and the more worrisome part of the debt is short-term trade arrearages.

These short-term problems associated with increasing Ghana's import capacity must be solved to provide the basis for future economic growth. Ghana had a stabilization program with the IMF from January to June, 1979 when the AFRC allowed it to lapse. The IMF has agreed to send a team in early 1980 to discuss a possible new plan.

Issue

It is highly likely that if the IMF can work out a new stabilization program with Ghana, the IBRD and other bilateral donors will be willing to support it with assistance permitting an early resumption of imports at a more adequate level. The U.S. can join in this effort and make a high impact contribution through P.L. 480, export credits and other forms of fast-disbursing economic assistance. While a minor fraction of the aid provided, such U.S. assistance would make an effective contribution to a program essential to the early resumption of economic growth.

The question is whether the Limann government will or even can give early agreement to an IMF stabilization program. Influential Ghanaians in and out of the government dispute the political advisability and efficacy of price decontrol and devaluation, two of the key points expected to be discussed by an IMF team. If there is no early Ghana-IMF agreement, the prospects for an early resumption of growth are not favorable.

There is a legitimate question of what can be carried out under adverse short-run conditions that will make a contribution to long-run growth commensurate with the expenditure of funds and efforts. Nevertheless, there are long-term advantages to be gained in many areas. It is greatly

in our interest that a civilian constitutional government should succeed and receive our support. Integrated rural/regional development, primary health care, population and skills training activities are the core of our program effort. They are of such great long-term importance to the Ghanaian people and economy that they should be continued despite short-term economic prospects.

II. Analysis

(A) The Economy: Relatively well endowed in natural resources, Ghana at \$380 per capita GNP (1977), ranks at the lower end of middle income countries and is eligible for IDA credits. Cocoa is its dominant product - 11 percent of GDP - but timber abounds, coffee is grown and industrial diamonds, gold, bauxite and manganese dioxide are mined. Thirty-nine percent of Ghana's GDP is generated in agriculture, but industrial production, at about 20 percent of GDP, is sizeable for a country at its stage of development. Its economic potential is far better than that of most developing countries and could make it well-off in sub-Saharan Africa.

Ghana made the UN's 1974 list of countries "most seriously affected" by the oil crisis, but only because it came at a time when Ghana was already suffering a balance of payments crisis for other reasons. While Ghana exports hydro-electric power, petroleum imports represented 25 percent of total export earnings and over 30 percent of imports during 1978.

Ghana is the third largest market for U.S. goods in Africa after South Africa and Nigeria; \$214 million in exports to the U.S. and \$124.8 million in imports from the U.S. in 1978. We are Ghana's second largest trading partner. Although a small portion of U.S. exports, Ghana's imports from the U.S. increased in the mid-1970's. About two-thirds of Ghana's exports to the U.S. is cocoa, which is eliminated from GSP on the competitive need criterion. Timber, Ghana's second largest export, however, gets GSP treatment.

Unfortunately, years of mismanagement have brought the economy to a standstill. Inflation has been double digit in every year since 1972 with the exception of 1977 when it was triple digit. The exchange rate has been overvalued for two decades and increasingly so with the inflation. Devaluations have been few and have not been accompanied by necessary fiscal and monetary measures. Budget deficits, the principal cause of the inflation, reached their peak in 1977/78 when they accounted for 61 percent of total government expenditures and represented 96 percent of the (broadly defined) 1976/77 year-end money supply. Price controls have been ineffective, both in mitigating the inflation and in restraining wage demands, while having severe effects on the supply of controlled commodities. Import controls have produced severe shortages of consumer and intermediate goods. As allocations for imported raw materials and spares have met only a small part of requirements no recovery in production has occurred.

Domestic Financial Policy

Revenue collections have not kept pace with the rate of increase in government expenditure and the rate of inflation since 1972. The tax collection effort has consistently declined, as measured by the percentage of GDP collected as taxes from 15.1 percent in 1973/74 to an estimated 7.0 percent in 1977/78. The general decline in production, the upsurge in smuggling as well as under-recorded trading activities during the period underly the sharp decline.

Financing the budget deficit through the banking system, principally from the Bank of Ghana, has been the dominant factor in the increased money supply and escalation of inflation since 1974 as illustrated in the chart which follows. While the expansion of the money supply decreased in the last Government of Ghana fiscal year the inflation rate remained excessively high.

Changes in GDP, Money Supply and Inflation
(Percentages)

Period	Money Supply	GDP	Inflation
1973/74	24.4	6.3	23.3
1974/75	33.0	-12.4	19.3
1975/76	37.7	-3.7	43.1
1976/77	46.9	3.6	81.8
1977/78	69.4	3.4	104.0
1978/79	30.4	2.0	79.8

Source: Bank of Ghana, December 1979.

Balance of Payments and Debt

The balance of payments remained basically precarious in recent years. Deficits of varying levels have been recorded.

Ghana's Balance of Payments: 1978/79
(millions of U.S. dollars)

	<u>1978</u>	<u>1979</u>
	(estimates)	
<u>CURRENT ACCOUNT</u>	<u>10</u>	<u>-55</u>
Trade balance	176	110
Exports, f.o.b.	958	930
Imports, f.o.b.	782	820
Services (net)	-221	-225
Transfers	55	60
<u>CAPITAL ACCOUNT</u>	195	N/A
<u>ERRORS & OMISSIONS</u>	-120	N/A
OVERALL BALANCE	85	N/A
Gross International Reserves (excluding gold)	<u>280</u>	<u>294</u> (September)

Source: IMF.

The persistent weakness of the balance of payments stems basically from the increased demand for imported goods and services in the face of steady declines in the volumes of Ghana's major export commodities.

The reduction in volume has occurred inspite of the improvement in world prices for cocoa, timber and other minerals.

Production and exports of cocoa have declined due to aging trees, farm labor shortages, relatively low producer prices and an increasing scale of smuggling. Mineral production has declined as the result of near-exhaustion of ore reserves of some mines and the shortage of vital equipment and spare parts.

The minor improvement in reserves during 1979 is due largely to the slow rate of letters of credit being opened during the AFRC period and resources available through the IMF.

Ghana's foreign exchange reserves have been increasing gradually and stood at \$294 million (September 30, 1979) and cover nearly 4 months of import requirements but are clearly insufficient for the country's development needs. Its medium and long-term debt is relatively low - as evidenced by a total debt to GNP ratio of 5 percent and debt service to exports ratio of 3.7 percent. Ghana has, however, significant short-term arrearages on its obligations for imports and services, profits transfers and payments for expropriations, which it must work off before significant new private credits or investment can be made available.

The last devaluation of the cedi came in the summer of 1978. Although the cedi was devalued by 58.2 percent it remained overvalued, and continuing inflation has accentuated the problem. At the current rate of exchange (¢1 = US \$0.3636) the cedi remains overvalued. In order to maintain an overvalued exchange rate, successive governments have resorted to exchange controls, import licensing, import quotas, and controls over the opening of letters of credit.

With an overvalued cedi, continuing inflation and disincentive prices for its chief export crop, export receipts have been low, and would be dropping if world cocoa prices were not rising as fast as they are. A drop in cocoa prices would have a severe effect on the economy. Significant amounts of Ghana's cocoa crop and imports are smuggled across the border to its neighbors in exchange for goods that are not available in Ghana.

(B) The Government

Economic Policies: The present Government inherited fiscal, trade and price policies which have fostered corruption, burgeoning black markets (in both goods and foreign exchange), bribes for import licenses and letters of credit, and smuggling. The shortage of imported raw materials and spare parts has kept industry well below its capacity levels, exports of all kinds are declining in volume, and the distortion in substitution elasticities resulting from the shortage of needed farm inputs has particularly adversely affected agricultural sector production.

Development Plan and Budget: President Limann, in his November 30, 1979 Sessional Address to Parliament, called for reducing the budget deficit through improved tax enforcement. There was strong stress on improving overall budgetary performance and holding down expenditures. His predecessors' priority for integrated rural development was reaffirmed.

The budget proposals for the 1979-1980 fiscal year were presented to Parliament on December 20, 1979. The Government is proposing a two-year program of rehabilitation and rural development during which the effort will be made to restore balance to Government finances and channel more resources to rehabilitate existing infrastructure. The expectation is to lay the foundation for the execution of a rural development program that will improve the quality of water supply, health care, housing, etc. in rural areas and thereby encourage greater production of food, raw materials and exportable commodities.

The budget is a major attempt to bring revenues and expenditures into better balance. Improved revenue collection is an essential element in the budget. The effective rate of import duties collection which averaged at 23 percent in recent years is to rise to 35 percent. The planned budget deficit of 1 billion cedis represents about 20 percent of forecast expenditures and is a major improvement over the recent past. The pledge to limit the increase in money supply to 15 percent should further moderate the inflation rate.

Ghana's plans tend to be regarded as illustrative rather than firm guidance. The effectiveness of the Ministry of Finance and Economic Planning in overall financial management has been strengthened by the decision to establish by February 1980 Budget/Planning units in each Ministry. This is expected to improve coordination between plans and budgets. The current Five Year Plan for 1976-80 has been overtaken by events and is irrelevant in Ghana's changed circumstances. The Limann administration expects to draw up a new development plan for the latter two years of its four-year term.

Absorptive Capacity

On the positive side, a number of factors have contributed, and should continue to contribute, to Ghana's economic development. One, Ghana is generally credited with having relatively well-educated labor force and one of the better post-colonial civil services in sub-Saharan Africa. The people are socially cohesive (relative to other African countries) and the highest levels of civil service are technically well-qualified. Two, the country is endowed with a substantial natural-resource base. Ghana has a relatively well-developed but deteriorating infrastructure: 13,000 km of trunk roads, a railway system in the south covering nearly 1,000 km, a national shipping line, two deep water ports, three regional airports plus two international, the one at Accra being served by over a dozen foreign airlines, an abundance of water for (potential) irrigation, and hydro-electric power plentiful enough to export to adjacent countries.

Nor surprisingly, then, Ghana has a good degree of potential absorptive capacity as implied by the combination of several factors: under-utilized industrial capacity; a relatively rich endowment of both agricultural and mineral resource; the basics of a good infrastructure; low debt-service ratios; and the catalyst of a good human-resource base.

On the negative side due to the poor performance of the economy, Ghana has been experiencing an outflow of professional managerial and technical personnel from the public sector to better opportunities in other countries. Redressing the brain drain to assure the quality and quantity of manpower available to plan, develop and manage an expanded development effort at the national and local levels will

be a priority task of the Limann administration. Training will be an important element of AID assisted development efforts during the CDSS period.

Over the longer term the CDSS strategy translates into increased programs for the poor. The recurrent costs of the programs, assuming a successful stabilization effort, a return to economic growth and an improved fiscal mechanism should be within Ghana's means to finance. To avoid serious short-term absorptive capacity constraints we anticipate reducing project counterpart requirements to the 25 percent minimum and using PL 480 generated currencies to help finance the recurrent and investment budget costs of expanded programs for priority rural/regional development activities.

Commitment to Growth, Equity and Human Rights:

The progress and commitment of the Ghanaian Government prior to the removal of General Acheampong by his military colleagues on July 5, 1978, was low. The Acheampong government (1972-1978) grossly mismanaged the economy to such an extent that growth with equity - and, finally, growth itself - was precluded. Ghana's economy was increasingly impaired by a host of inter-related problems: severe inflation; a highly overvalued currency; severe shortages of food, industrial materials, spare parts, and other sorely needed commodities; hoarding and general lack of economic confidence; ineffectual controls coupled with uneconomic subsidies; excess liquidity; rising unemployment; acute shortages of foreign exchange; an economic structure which created an incentive to trade rather than to produce, and to smuggle both domestic and imported goods out of the country.

The consequence of all these problems was an end to economic growth.

The redistribution of income that occurred and is continuing to occur during this inflationary period is difficult to assess. Small and subsistence farmers of those food and cash crops that are not effectively price-controlled have managed to keep pace with the inflation or improve their lot somewhat. On the other hand wage and salary earners, cocoa farmers and the urban poor have seen their incomes shifted to traders, import license holders and individuals able to arbitrage between the controlled and black markets. Finally, everyone lost at the expense of each other in terms of a 3 percent growth rate in population which, together with the above prevented any real growth in per capita income.

In a no-growth environment, it was virtually impossible for the Acheampong government to show progress towards a goal such as growth with equity. Moreover, as the 1976/1980 Five-Year Development Plan frankly admits, Ghana is not advanced enough to improve income distribution through "redistributive mechanisms". Nevertheless, the Acheampong government can be credited with several initiatives in health, agriculture and skills training which will result in improvements for the rural and urban poor.

During the Akuffo period (July 1978 - June 1979) there was some reduction in the inflation rate based on a stabilization program with the IMF. Budget deficits were reduced, the cedi devalued and price enforcement relaxed. Much of this effort was destroyed by the actions of its well-intentioned but misguided successor, the Armed Forces

Revolutionary Council (which ruled from June - September 1979) whose draconian actions to enforce existing but unrealistic price controls succeeded mostly in seriously disrupting the retail trade and set back the overseas confidence that is essential for sustained economic recovery.

The current Government, like all its predecessors, has economic growth as a primary goal, but has not been in office long enough for us to draw any firm conclusions about its policy direction from its actions. It is, as stated earlier, democratically elected and firmly committed to the maintenance of civil rights and individual freedoms.

(C) Analytical Description of the Poor

Ghana's Physical Quality of Life Index (PQLI) an Overseas Development Council rating which seeks to determine to what extent basic human needs are being met, remains relatively high for Africa at 39. Ghana's index compares favorably with those of its neighbors (Ivory Coast, 29; Upper Volta, 16; and Togo, 24), Ghana's average annual growth rate in real GDP per capita, was minus 3 percent for 1972-77 and its index of per capita food availability (where 1969-71 = 100) is currently down to 85.

Approximately one half of Ghana's population lives at or near the subsistence level. Only a third of the population has access to potable water. The government estimates that at least 50 percent of the population suffer from preventable parasitic and water-borne diseases; and that, at present, some 130,000 Ghanaians, mostly women and children, die each year from preventable causes. At least

70 percent of Ghana's population have no access to modern medical care when sickness and disability strike. Infant mortalities average 115 per 1000 live-births and the average life expectancy at birth is 48 years.

Degree-of-education indicators for Ghana, although relatively high for Africa, are below the worldwide median of similarly developed countries. The adult literacy rate is 30 percent, as compared to 69 percent for other middle-income countries (as categorized by the World Bank).

The most meaningful breakdown in any analysis of Ghana's poverty is undoubtedly the rural/urban dichotomy. Sixty-eight percent of Ghana's population lives in rural areas, which account for approximately half of Ghana's GDP. However, a disproportionate share of this rural income has been siphoned off to the southern urban areas for the expansion of industries, transportation, public utilities and general social services; and the result has contributed to a marked disparity between rural and urban qualities of life. The rate of urbanization is high by sub-saharan Africa standards and projections for the year 2000 indicate that over 50 percent of the population will live in urban areas.

Although life expectancy at birth for the country as a whole is 48, this average breaks down into a life expectancy of 56 in the urban areas and only 42 in the rural areas. In addition, rural areas have only 29 percent of the nation's health facilities and the government's health budget is strongly skewed towards providing hospital-based curative care to the urban areas, at the expense of the rural sector. In particular, the Northern and Upper Regions, which are the most rural, are the least endowed with medical personnel and facilities. Infant mortality is

63 per 1000 live-births in Accra and 234 per 1000 in the Upper Region.

The disparity in meeting nutrition requirements is also marked. Nutrition in the urban areas is generally better due to the relatively greater availability of foodstuffs, including meats and fish, as well as imported food items. Rural nutrition, in addition to being generally lower than urban, varies considerably across the country. In the Northern Savannah area, nutrition is particularly poor during the March-July lean season. In the forest area, protein deficiency is widespread among children. However, the availability of fish provides some of the protein requirements for rural people in the coastal plain. Reported weights of rural adults are about 20 percent less than their urban counterparts and growth curves of children are 15-20 percent below norms after 4-6 months of age.

With respect to basic shelter, the rural populace is particularly disadvantaged. As well, in 1975 only 6.5 percent of the rural population had pipe-borne water (compared with 91 percent of the urban population) resulting in the wide prevalence of water-borne diseases in the rural areas. Similarly, with respect to education, Ghana's literacy rate in the rural areas is 22.1 percent as compared to 50.1 percent in the urban areas. Not surprisingly, Ghana's primary enrollment ratios decline precipitously in the rural areas.

Little hard data exists regarding the distribution of money incomes between Ghana's rural and urban sectors. Besides, the data would need to be heavily qualified by a variety of factors, including the relative demonetization of the rural sector, Ghana's strong extended-family

system (wherein urban wage earners supplement the incomes of their rural relatives), and by the inflation factor (which is more heavily borne by the urban sector). Nevertheless, per capita purchasing power of the rural populace is considered significantly less than that of their urban counterparts. A number of factors has contributed to this disparity.

With regard to the small farmer, there exists an acute shortage of necessary farm inputs services and social amenities. Tools, pesticides, improved seeds, fertilizer credit, water - both for crop and drinking, extension services and other necessary inputs are either not available or when available in short supply or prohibitively costly. The World Bank estimates that less than 10 percent of Ghana's estimated 850,000 farmers receive institutionalized credit and only 20 percent of that goes to the approximately 700,000 farmers who cultivate 10 acres or less. Commercial banks are minor lenders to small farmers. The Agricultural Development Bank (ADB) has only 14 branches and 8 farm loan offices so that some must travel up to 100 miles to file a loan application. Similarly fertilizer is distributed at relatively few points and under bureaucratic impediments that weigh against the small farmer. In the Northern Region, where fertilizer use is highest, there are only 12 selling points and farmers must obtain permission from the central office in order to buy any.

Another factor which limits agricultural production is the low level of technology. Manual labor is used in all aspects of subsistence farming; and this factor, especially when coupled with the general lack of farm inputs, keeps agricultural productivity low by limiting the

number of acres under production. These small-scale farmers account for approximately 80 percent of Ghana's food production yet, individually, they average only 5 acres per holding. Moreover, the lack of an adequate farm-to-market road system precludes market accessibility for them which, in turn, further reduces incentives for agricultural productivity. Despite these impediments small farmers have larger yields per acre than large farmers promising both growth and equity from adding simple tools, making inputs and credit more available to them and improving marketing.

Another indigenous (although certainly not exhaustive) factor contributing to rural poverty is a vicious-cycle generally characteristic of all LDCs: poor health is both a cause and effect of poverty. Although difficult to quantify, existing studies of Ghana's rural poor almost irrefutably conclude that the agricultural productivity of Ghana's rural worker is significantly impaired by poor health and nutritional deficiency.

With GDP growth stalled, per capita GDP declines at an accelerated pace even if the rate of population increase is steady. It is currently increasing at an estimated 3 percent a year. Ghana has a youthful population. According to the 1970 census 20 percent of the population was under five years of age and 47 percent was below 15 years. The population growth against negative economic growth has eroded health, education and social welfare programs. Family planning services, like other health services, are available to a limited number, mainly in urban areas. Closely spaced births, high parity (around 7 now) and resultant crowding cause poor nutrition, poor health and susceptibility

to disease as well as straining the government's social and educational services.

(D) Other Donor Assistance

The U.S. ranks third or fourth among bilateral donors. United Kingdom, Germany and Canada usually lend or grant more. Japan, France, the Netherlands and Australia are lesser donors. Multilateral donors include the IBRD, IDA and the EEC -- both its European Development Fund (EDF) and its European Investment Bank (EIB).

Donor Commitments, CY 1978,
(\$ millions)

<u>Bilateral Donors</u>	<u>Loans</u>	<u>Grants</u>	<u>Total</u>
United Kingdom	44.6	3.9	48.5
Federal Republic of Germany ..	22.4	12.6	35.0
United States (FY 79 includes PL 480)	10.0	11.3	21.3
Canada	1.5	4.8	6.3
Japan	3.5	-	3.5
France	-	1.9	1.9
The Netherlands	-	1.1	1.1
Australia	-	.9	.9
<u>Multilateral Donors</u>			
IBRD/IDA	-	-	-
EEC	<u>5.0</u>	<u>-</u>	<u>5.0</u>
<hr/> Total	87.0	36.5	123.5

Source: UNDP Accra Resident Representative Report.

Although the IBRD made no loans in 1978 and has only recently resumed lending, it led the consortium of three donors supporting Ghana's largest on-going project, the Kpong Hydro-Electric Project, and has stated its intention to support a new stabilization program with new loans, including program loans. (The United Kingdom's 1978 loan was a program loan in support of stabilization). The IBRD and IDA have on-going projects totalling \$91 million, including \$34 million in new loans, but only \$9 million of the total is from IDA. Both new loans - \$19 million to the National Investment Bank (joined with \$6 million from the EEC) and \$15 million for transportation spare parts and equipment - are IBRD. Ghana is eligible for IDA but it is above the income range favored for IDA lending. IBRD lending should carry the longest possible grace periods.

Total assistance from all donors is low by comparison to other countries of the region. The net inflow of public medium and long-term loans to Ghana in 1978 was \$8 per capita. This may rise when prospects for growth improve. While donor assistance reaches every economic sector to some degree, the bulk of it is concentrated in rural development, transportation, energy and industry. Donor activity is increasingly oriented to support integrated programs affecting the poor.

Donor coordination while informal, is frequent. We support reactivating a more formal donor group as a means of reviewing investment plans, coordinating aid inputs, and increasing economic assistance to Ghana. The Government of Ghana in initial contacts has shown a marked reluctance to return to a consultative group under World Bank auspices.

III. Strategy

(A) Overview: Ghana's short-term imperatives are to minimize human suffering, and to consolidate the transition to civilian government, as the basis for the restoration of economic growth. Long-term objectives are accelerated economic development and growth while reducing the rate of population growth, to ensure an improved quality of life.

While development assistance will address longer term developmental objectives, in the short run, food production, food and industrial raw materials aid through P.L. 480, spare parts, rural transportation and the establishment of service centers in the rural areas constitute important prerequisites to long-term development.

Our strategy's aim is to support Ghana's effort to achieve greater self-sufficiency in food, expand rural productivity and employment and assure progress in meeting basic human needs of the population. These proposed assistance efforts are in areas of high priority to the Limann administration and where AID has both a comparative advantage and legislative mandate.

However, stabilization is a key factor affecting our ability to deliver effective assistance, even though there is little the U.S. alone can do to help bring it about. We are hopeful that such a program will be underway by the beginning of the CDSS planning period. If a stabilization effort is undertaken we should stand ready to support it with P.L. 480, export credits, and fast disbursing local cost financing or commodity imports. The IMF and IBRD have both planned team visits in early 1980. The IBRD, as when the 1979 stabilization

package was announced, should be willing to offer some additional development assistance that would relieve pressure on the balance of payments and encourage cooperation from other donors. If a stabilization effort is undertaken, not as an IMF package, but gradually and quietly at Ghanaian Government initiative, we should also support it, at least with P.L. 480 and additional resources in conjunction with other donors. Planning the timing of such actions will, however, be more difficult.

With or without a stabilization effort there is a core of activities, including those administered by PVOs, that can have a strong impact despite chaotic economic conditions or that have long implementation periods that make it advisable to undertake at this time so that they are in place when general economic growth resumes.

If there is an effective stabilization effort we would expect a gradual expansion of the program into areas now denied us because of unfavorable economic conditions. Such activities include improving rural infrastructure and model shelter approaches. We would expect the AID program would continue its regional concentration in Brong-Ahafo. Brong-Ahafo, while a region of poor farmers, has good development potential and has not been as severely affected by adverse economic conditions as other rural areas, as is evidenced by net in-migration in recent years. By continuing a regional concentration we can integrate investments through several sectors and once the government's fiscal position improves consider replication of approaches which prove successful in other regions.

We should consider phasing down the program if there is no move toward stabilization in the next year or two, but we believe the U.S. interest in

supporting Ghana's first democratically elected administration in eight years dictates patience on our part and encouragement through maintaining a significant U.S. assistance presence.

(B) Functional Areas

1. P.L. 480

Title I

A program of about \$20 million on a year-to-year basis will give tangible support for the civilian constitutional government through vitally needed food and industrial raw materials. This level should not act as a disincentive to the Government of Ghana goal of greater self-sufficiency in basic foodstuffs. Assistance at this level will not have any discernible impact on inflation in the absence of large other donor aid or a firm stabilization effort on Ghana's part. Its local currency equivalent is only about 3 percent of the 1978/79 budget deficit.

We believe the local currency proceeds should continue to be directed to meet current expenditure requirements of projects and programs as well as investment needs supportive of rural development. Several uses are to (1) expand and improve small-scale irrigation schemes in the Northern and Upper Regions; (2) upgrade and repair grain storage facilities; and (3) expand lending operations through the Agricultural Development Bank (ADB) and related institutions to allow farmers access to credit for necessary inputs.

If Ghana undertakes a stabilization effort the program could serve as an incentive to policy changes and play a vital role in attracting additional balance of payments assistance from other donors. The program level is well within Ghana's import needs for food and industrial raw materials. In fact under an ideal stabilization program with the cocoa price set at incentive levels there could be a reversal of the shift of acreage from cocoa to food crops but at the same time there could be an increase in food production traceable to improved yields.

We hope to be in a better position in next year's CDSS to indicate the longer term Title I/III requirements and mix.

Title III

Title III is appropriate to support a stabilization effort since it can guarantee assistance during the entire period for which it would be most needed. Title III is a useful instrument for developing and supporting much needed policy shifts. There are changes that could and probably should be made early in a stabilization program, particularly adjusting price intervention levels or eliminating price controls and subsidies for crops and inputs. An example would be the Government of Ghana's raising the cocoa purchase price, indexing it to inflation for the second and third year of the Title III program. Another would be to eliminate all price controls on crops for which they are already eliminated de facto, removing the fear of sudden and arbitrary enforcement.

We propose to initiate a dialogue with the Government of Ghana over the next several months to lay the groundwork for developing a Title III program. We favor a program geared to policy shifts instead of agreements

calling for budgetary additionality for direct development purposes.

This is so because in the early years of a stabilization effort:

(1) the most difficult part of the effort would be to hold down government expenditures, and (2) the greater likelihood and gains resulting from rationalizing price and subsidy policies.

Nevertheless, we envisage a Title III program involving some budgetary additionality early in a stabilization period. We believe that establishment of a strategic grain reserve system as described in last year's CDSS merits consideration. The system would focus attention on grains management which would lessen Ghana's vulnerability to the vagaries of weather, particularly in drought-prone areas of the country. The program should help to (a) stabilize grain prices while maintaining an incentive to agriculture; (b) strengthen Ghana's efforts to achieve agricultural self-sufficiency; and (c) reduce the need for expensive emergency food aid shipments.

Title II

Combatting increasing malnutrition and widespread dietary deficiencies make supplementary Title III food an important part of our overall assistance strategy. Highest priority is assigned to meeting the nutritional needs of the maternal and child target group. Title II activities are programmed and implemented by the Catholic Relief Services (CRS), chiefly in the categories of maternal and child health and school feeding.

Significant additions to program size and increases to nutritionally vulnerable groups are barred by (a) limited CRS administrative and managerial capacity; (b) an already overburdened distribution system; and (c) local budgetary restrictions. The Mission is therefore not proposing any increase in Title II activity beyond the current nationwide level of 250,000 - 275,000 recipient level at this time.

FAO data and the findings of the AID funded Growth Surveillance System (GSS) project confirm the need to increase the recipient level in the years ahead. Food for Work activities, either through CRS and the World Food Program in the northern regions could generate significant off farm employment opportunities and make food available to nutritionally vulnerable groups during the lean season. Food for Work could also support community self-help development activities such as reforestation, earthwork, dams, environmental sanitation and small-scale irrigation projects. We will be considering the use of Title II resources for such purposes in developing sectoral activities.

The Title II program cannot solve, although it can ameliorate, deficiencies in current nutritional standards. Other Mission approaches toward resolving the pervasive malnutrition problem in Ghana, are described elsewhere in this document and rely on programs aimed at improving agricultural production, reducing population growth, putting in place a more responsive primary health care delivery system and improving incomes and equity.

The Title II program is scheduled to be evaluated in 1980.

1. Integrated Rural Development

Central to our development strategy, but especially if a successful stabilization effort is undertaken, is integrated rural development (IRD). In the long term the basis for improving both growth and equity in Ghana lies in helping the small farmer become more productive. This will involve all aspects of rural development and require resources for agriculture, health, family planning, nutrition education, sanitary facilities, roads and other rural infrastructure, off-farm employment, and market towns development. Strengthening the capacity of national and local level institutions to plan and effectively coordinate the implementation of activities will likewise be an important element in integrated rural development.

Our goal is, therefore, through support of the Ghana's IRD program to improve rural incomes, narrowing the urban-rural disparity, and in so doing provide enough growth in the rural economy to sustain a greater effort toward eliminating rural poverty.

Constraints

- (1) In the current economic setting it would be difficult to provide inputs and services and to market products even if more could be produced.
- (2) Government services in the past have gone almost entirely to large farms, large industries and urban areas. This is particularly true of health services, agricultural credit and farm inputs. The extension service is, as yet, rudimentary.
- (3) Past government policies have acted as disincentives to the growth of a private sector that could serve some of the functions the government cannot provide.

(4) Past economic planning has been centralized resulting in local populations having no institutional means of making their demands known or of learning why their demands were ignored, postponed or not acted upon.

(5) The IRR approach, and particularly the organizational matrix and network of communications for planning and implementation is new and untested in Ghana. The shortage of trained and experienced technical and managerial personnel and the poor coordination of development activities at the regional and local level will need to be addressed.

Strategy

The USAID's principal strategy for integrated rural/regional development starts with encouraging the trend toward the decentralized planning of government services, making them widely available where they are needed and can be used. Given the current need for budget austerity, the resources to finance the program on a nationwide basis do not exist. We will continue efforts in a small area, with resource potential, testing and developing approaches to integrated rural development which can be replicated with assurance of success as budgetary resources become available. This will include supporting Government of Ghana programs to develop the capacity of local governments and village committees to plan and carry out regional, district and village level programs, improving the provision of social amenities such as primary health care and family planning services, potable water, education as well as a major effort directed at agriculture development. We also plan to develop and implement one district level five-year development plan

being prepared with the active participation of both local officials and populace.

This strategy is related directly to the Government of Ghana's own effort at a coordinated Integrated Rural/Regional Development program. Recognizing that the potential for a viable rural economy depends on increasing the production levels of small farmers, the Government of Ghana's strategy is to improve institutional mechanisms to (1) provide and make accessible to small farmers the required agricultural inputs to improve production; (2) improve the social amenities in rural areas; (3) encourage the rural population to take an active part in the plans and decisions for developing their communities; (4) make available the necessary resources and consumer goods to improve their standard of living; and (5) reinforce existing regional and district level planning and coordinating mechanisms.

The strategy involves a combined effort from the various sectors - both public and private - to provide needed inputs and services in a timely manner. It also involves testing innovative strategies in a specific area. Through integrated rural/regional development the Government of Ghana will establish an overall capability to plan and implement integrated development programs with regional impact. The initial effort to measure impact will be the Atebubu District of the Brong-Ahafo Region.

The USAID's specific strategy for the agricultural, health, population and other sectors is contained in subsequent sections.

3. Agriculture

Ghana has demonstrated diseconomies of scale in agriculture -- small farmer yields are better -- therefore major gains in production appear achievable through adaptation and development of traditional farming. Ghana's goal is to increase production of both tree and food crops. Ghana has a large comparative advantage in production of tree crops for export and the optimum size unit is small. Total food self-sufficiency cannot ever be considered a realistic goal, although basic food production can be increased substantially and more nutritious foods produced to meet requirements. Wheat, a staple of the urban diet, is not presently grown in Ghana. Moreover, tree crops for export (e.g. cocoa, rubber, etc.) would be more profitable than food crops in much of Ghana if farm-gate prices reflected more nearly the international prices of Ghana's agricultural produce.

USAID's goal is to help Ghana restore its agricultural production as soon as possible to an optimal level. If there is stabilization, an increase of 25 percent by 1987 is not an unreasonable goal -- an increase, that is, of just under 3 1/2 percent per annum.

Constraints

The small farm agriculture sector faces a number of constraints which contribute to the low-level of productivity experienced by these farmers. These include (1) lack of production credit on a timely basis; (2) lack of improved, high-yielding seeds and tubers; (3) lack of extension programs which demonstrate the benefits of improved production practices; (4) lack of fertilizers which are appropriate for Ghanaian

small farmer conditions; (5) lack of research in improved methods of land use and improved production practices specifically designed for small farmers; (6) a marketing system which is unable to move produce from farm-gate to consumers in a fast and inexpensive manner; (7) lack of traditional farm tools, hoes, cutlasses, etc.; (8) inaccessibility of low-cost technologies; (9) an infrastructure which inhibits the participation of private enterprise in the development process; (10) a transport infrastructure (with a low density of local access roads, poor maintenance of existing roads in producing areas, a shortage of vehicles and spare parts to keep the existing transport fleet road-worthy) which inhibits the flow of goods and services in and out of rural areas. This has been aggravated by sharp increases in petroleum prices and discontinuities in its supply; (11) a low level of rural infrastructure including storage facilities, market town investments, farm to market roads, rural public works and small-scale irrigation; (12) low levels of social amenities particularly for health and education.

Other, more generalized constraints on agriculture are the prevalence in farm families of debilitating diseases; the lack of infrastructure required to permit expansion of the crop-producing areas of the country; the knowledge and resources with which to diversify into unexplored production areas such as aquaculture, small irrigation systems and other investment options.

Strategy

USAID's strategy in assisting the Government of Ghana to overcome these constraints includes (1) building the institutional framework within which small-scale farmers can obtain credit, market facilities, improved seeds and animals, fertilizers, research results, low-cost intermediate technology, traditional tools and other necessary inputs; (2) supporting Government of Ghana programs to develop the capability of local governments and village-level committees to plan and implement district-level and village-level committees to plan and implement district-level and village-level development programs; (3) direct support to Private and Voluntary Organizations working with small farmer groups; (4) establishing needed social programs such as primary health care and family planning services; (5) support investments in rural infrastructure.

The specific strategies to be followed by USAID and the desired goals to be obtained are the following (1) continue to provide funds, technical expertise and staff training to the Agricultural Development Bank in support of its Small Farms Credit Program. It is envisioned that, under this program, an estimated 38,500 new small farm borrowers farming approximately 97,000 hectares will be receiving loans from the ADB by 1983. This will be an approximate doubling of the number of small farm borrowers currently receiving institutional loans;

(2) develop a system of small farms research that will improve production practices on small farms and develop and test high-yielding varieties of traditional food crops for use by the small farmer. This pilot program will

be expanded from a single district to other districts and regions throughout Ghana if the approach proves successful. (3) continue to provide loan funds for the import of fertilizers and small farm inputs and implements to be sold to the small farmer. Local currency generated from the sale of these items will be used to provide funds in support of ADB's small farmer credit program. (4) assist the Ghana Seed Company (established in 1979) to expand its capability to produce sufficient foundation and certified seeds to meet 80 percent of Ghana's needs by 1986. (5) expanding the extension/demonstration capability of the Ministry of Agriculture to demonstrate to small farmers the benefits of using improved seeds; proper planting distances; fertilizers, weed, insect and disease control; and improved methods of harvesting and storage; and raising of small remnants. (6) test on a pilot basis alternative forms of market interventions that can be applied to the existing food crop marketing system to increase the efficiency of distribution of produce from farm-gate to the consumer. Alternatives found successful during this pilot program will be applied to other parts of the country. (7) develop a fertilizer distribution system to import and market on a timely basis fertilizer needed by the small farmer. (8) investments in market towns (e.g. market places, slaughterhouses, potable water facilities, housing and urban services), rural roads (e.g. farm to market roads for access to productive activity), rural public works (e.g. small development projects where PL 480 Title II food aid will play a role), small-scale irrigation. (9) assist in developing an institutional framework to identify, develop, test, demonstrate and deliver to the rural sector low-cost technologies that

will contribute to increasing production levels and incomes. Assist rural entrepreneurs in providing the raw materials, equipment, tools and plans in order to produce implements for rural areas. (10) continue support to the Government of Ghana's decentralization program towards increasing local government involvement in district level development programs and working directly with local officials and people in one district to develop a five-year development plan. Atebubu district has been selected for this activity. (11) develop rural action programs utilizing Private and Voluntary Organizations (both U.S. and Ghanaian-based) to work with small farmers and village groups and establish various rural enterprises and self-help projects. (12) as agricultural production increases explore off-farm employment possibilities in agro-industry.

4. Health/Nutrition

Overview: During the past 15 years, Ghana has shown significant upward trends in all areas of health services. The number of doctors has increased by approximately 170 percent and the number of hospital beds by 124 percent. However, those additional resources have been skewed and for the most part, distributed to the urban areas for expansion of the existing curative health system (e.g. hospitals, highly trained professionals and hospital-oriented support staff) while little improvement has occurred in rural areas. Despite the heavy infusion of resources into the health sector over the past 15 years, there have been noticeable increases in certain communicable diseases and continued high levels of infant and maternal mortality and nutritional problems among the rural and urban poor.

Drawing upon experiences of the USAID-supported Danfa Rural Health and Family Planning, other donor (e.g. WHO) supported health initiatives in Ghana and other African and Asian countries, the Government of Ghana has proposed a plan that over the next 10 years (1990) is aimed at extending health services to 80 percent of Ghanaians now without regular services and to prevent and treat the disease problems that contribute 80 percent of the unnecessary sickness, disability and cause of death for Ghanaians. The Ministry of Health National Health Planning Unit, which was developed with AID assistance, took the initiative in proposing this new strategy which calls for a more equitable distribution of health services. The strategy, in summary, includes: (a) improved accessibility of health services by setting up a village-based system of health care; (2) improved quality of primary health care at the point where it is most needed in the village and urban slum areas, in order to meet the priority health problems of more of the people; and (3) improved management capability to support the primary health care system at all levels to make more effective use of existing resources.

Priority areas of activity will be directed to programs that will:

- (a) prevent children from contacting easily preventable diseases and the most common communicable diseases and reduce malnutrition;
- (b) ensure that pregnant women have adequate antenatal, delivery and postpartum care and family planning services which are located in their village and communities;
- (c) provide adequate, affordable and accessible curative care for common ailments; and
- (d) assist in building a healthier environment through the provision of environmental sanitation facilities and improved nutrition.

Constraints

- (1) limited Government of Ghana capacity to expand funding for health services and influencing major shifts in the pattern of resource allocation away from curative health services toward rural health;
- (2) lack of understanding by policy makers and key officials; Primary Health Care is to some western-trained professionals a step backward from the sophisticated hospital setting, even though that approach has a very limited impact on the health status of the majority of the people in Ghana. The same can be said of rural leaders who want the best for their people without realizing that vast improvements are possible without expensive hospitals. Thus, the Government of Ghana will have a hard task in bringing about the rethinking necessary for a successful PHC program;
- (3) difficulties in training and retraining the large number of personnel that will be needed to implement primary health care programs;
- (4) inadequate Ministry of Health supply and transport system;
- (5) lack of meaningful incentives to encourage health workers to work and reside in rural areas;
- (6) poor nutrition;
- (7) poor health knowledge and practices;
- (8) high population growth rate;
- (9) inadequate infra-
and
structure for potable water and environmental sanitation; / (10) unsatisfactory housing.

Goal

Our goal during the CDSS period will be to assist Ghana implement a Primary Health Care program which will, considering the limited resources available, provide an effective, sustainable and widely distributed form of health care delivery system. Health service activities will be part of

a total social/economic development effort based on greater involvement of the people at the community level. Activities will need to be fully integrated not only within the health sector, but also in other development activities if the goal of reaching the majority of the people without access to regular health care is to be achieved.

Strategy

USAID's strategy in support of the Government of Ghana's Primary Health Care initiative will be directed to program activities that strengthen the institutional capacity of the Ministry of Health to expand the delivery of health services in the rural and urban slum areas.

Training programs will be a key factor during the initial stages of implementation. Since existing training courses for the most part prepare health workers for hospital-oriented work, curricula must be revised and expanded at existing training schools to bring out the importance of the preventive and promotional aspects of health care. Our emphasis at the national level is to provide training for trainers and for senior and middle-level administrators, planners and managers and supervisors such as medical doctors (through the Community Health Team Support Project (CHETS)) and public health nurses. An anticipated spin-off of the CHETS project, which is now only for physicians' training, will be the establishment of a MPH equivalent training course for all qualified health workers. We also expect to assist the Ministry of Health in establishing training courses for health workers at the regional, district and community levels to facilitate the MOH intention of conducting

extensive training particularly for rural health workers at the lowest level possible. Curricula will have to be prepared and field-tested. New construction will not be a part of our program since the MOH has indicated that they plan to use existing facilities. Centrally and regionally funded projects (e.g. Strengthening of Health Delivery Systems) will be used to the maximum extent possible in this program area.

Concurrent with the establishment and improvement of health training programs will be activities directed towards strengthening programs impacting most on the improvement of the health and nutrition status of the rural/urban poor. These are (a) expanding maternal child health and family planning activities; (b) improving the capability of the MOH to monitor the nutritional status of the target population and strengthening nutrition intervention programs. (Continued inputs into MCH activities via PL 480 Title II will be an integral part of these first two activities); (c) improving the existing disease control and surveillance programs for those diseases having major impact on the rural population (e.g. yellow fever/yaws); (d) integrating the promotional aspects of health such as health education and environmental sanitation (including safe-water supplies) into the above activities; (e) supporting research into the use of herbal medicine and traditional medical practices; (f) decentralizing the planning, management and evaluation function of the MOH; and (g) improving the management, transportation and logistical systems at all levels.

We anticipate the use of PVOs to assist in the implementation of various PHC activities. PVOs can support programs at the community

level to train traditional birth attendants, village health workers and in health knowledge and practices. We also expect to directly assist village and district groups responsible for implementing integrated rural development activities. Because of the existence of other USAID rural development projects in Atebubu district in the Brong-Ahafo Region, we plan to begin decentralized grass-roots health programs there and integrate them with those projects in that district. Subsequent expansion to other districts will depend upon MOH desires, program progress and resource availabilities.

Other Donors

Canadian International Development Agency (CIDA) recently signed a project agreement with the Government of Ghana to implement a PHC program in Lawra District (Upper Region) -- one of the nine districts chosen by the MOH in which to begin their PHC program. CIDA also supports an extensive potable water/well drilling program. WHO's support for in-country rural health worker training, and with various disease control activities is expected to continue. A full-time epidemiologist is on the WHO staff. The EEC is also assisting the Government of Ghana with the supply of vaccine and equipment for disease control (approximately \$1 million in 1979/80). UNICEF also supports disease control activities as well as MCH programs through the provision of commodities (about \$500,000 per year). Because of the mutual interest shared by these donors and the USG, we anticipate an increase in the number of multi-donor projects. An example of this is the recently USAID proposed yellow fever/yaws project which brings together WHO, UNICEF and EEC for implementation of this disease control activity.

5. Population

Overview: Although Ghana cannot be considered over-populated, its 3 percent annual population growth rate is a serious impediment to the country's efforts to improve the quality of life for the majority. Given this growth rate, population can be expected to increase by one-quarter during the CDSS period. Ghana's population policy, promulgated in 1969, warns against the threat to the welfare of Ghanaians posed by unchecked population growth. Voluntary family planning as well as a variety of broad development approaches are outlined as methods to bring population growth in better balance with economic growth. President Limann recently reaffirmed this policy as sound and still appropriate.

Goals

Our primary goal is to strengthen Ghana's commitment to and provide resources for the implementation of its national population policy. Additional goals are (a) the integration of population considerations into all appropriate areas of Ghanaian social and economic policy and programs; (b) the provision of family planning information and services to all persons seeking them, with programs targetted increasingly to the rural population; and (c) in the long run to achieve a significant reduction in Ghana's population growth rate.

Constraints

Although the Government of Ghana policy is excellent, there are major constraints standing in the way of effective implementation; (1) although many of Ghana's leaders recognize the problems associated with excessive population growth rates, the priority given to action

about population is inadequate and ineffective; (2) overlapping mandates and bureaucratic rivalries between the National Family Planning Program Secretariat (NFPPS) in the Ministry of Finance and Economic Planning and the various agencies responsible for implementing the program have hampered effective program action. This problem, combined with the still limited commitment of some Ministry of Health personnel to allocate personnel and facilities to family planning ^{programs,} means that the coverage of the service delivery system is limited. Thus, the majority of the population have no access to family planning information and services. The lack of attention by past governments to the broad relationships between population planning and development and the failure to redress bureaucratic problems have been major constraints; (3) fertility decline is often associated with socio-economic improvements such as declining infant mortality, high literacy and education levels, rising incomes, improvements in the status of women, and increasing opportunities for female employment other than in farming and marketing. The unfavorable status of these quality of life indicators in Ghana frustrates the modest Government of Ghana efforts to encourage reduced fertility; (4) Ghanaian cultural attitudes and values about family and children are strongly pro-natalist with an average desired family size of seven children.

Strategy

AID is the major donor to population and family planning activities; however, the UNFPA is assisting in the next census and in improving vital statistics registration. The ILO is prepared to undertake a major project in population, manpower and employment.

Our strategy is to continue to support the implementation of the Ghana population policy. Current Mission efforts seek to strengthen the infrastructure of family planning programs, and support training and research into the broad aspects of population dynamics and development. A centrally funded retail contraceptive sales program has been institutionalized. The results of the Ghana Fertility Survey results will be available in 1980.

We hope to collaborate with Government of Ghana agencies in developing a multi-year population assistance strategy statement hopefully with other donors. This should occur before the CDSS period. Leading up to that exercise, we plan a dialogue with Ghana's leaders to heighten awareness of the impact of rapid population growth on the country's development. A joint GOG/USAID evaluation of program efforts to date originally scheduled for July 1978 but postponed is now planned for 1980.

Principal components of future USAID population assistance should include the following components; drawing on both bilateral and central resources: (1) major assistance to the Ministry of Health to fully integrate family planning into maternal and child health and other primary health care services and to the expansion of those services. The Government of Ghana primary health care strategy calls for an intensification of MCH/FP services. Population funds are also programmed in USAID health projects to support this integration; (2) introduction and expansion of population and family life education, as well as family planning per se, into the activities of a broad spectrum of government, commercial and PVO programs. By 1987 most secondary schools should

include a course on family life education. By supplementing the resources of PVOs operating at the grass roots level, family planning information and services outreach to the rural population should be increased. The research and design of new communication techniques, both mass media and person-to-person, to respond to Ghanaian needs and perceptions should enhance programs conveying to the general population the benefits of smaller families and child spacing. Elements of population and family planning will also be added to other USAID projects as appropriate; ^{and} (3) strengthening of the capacity of the government and the universities to analyze the population dimensions of development and to design policies and programs that take population factors into consideration. The President's recent Parliamentary address spoke of the determination of the new government to tackle this matter. We expect increased attention to the population dimension in Government of Ghana development plans and programs during the CDSS period.

6. Human Resources Development

Overview: Over the past decade Ghana has raised the educational level of its labor force and built up the stock of skilled manpower. Despite these gains, the supply of skilled manpower is inadequate in the professional, managerial, administrative and skilled craftsmen groups. Skills shortages have been an important element underlying poor productivity in the economy. In agriculture extension and research, staff have been weak; the formal education/system has not been able to produce sufficient numbers of qualified teachers; health personnel are in an acute short supply. Vacancies in the labor market abound for qualified engineering technicians, mechanics, carpenters, bricklayers, etc.

The integrated rural development programs of the Government of Ghana will require considerable technical and managerial resources at both the national and local levels.

Constraints

(1) decision-making in the public sector is highly centralized. Nearly all major decisions regarding policy formulation and program management are taken in Accra; (2) coordination among Ministries at the national level and specialized officials at the local level, is poor; (3) skilled personnel to carry out development programs at all levels are in short supply; (4) a lack of relevant and effective vocational education.

Goal

USAID has not been involved in the formal education sector and has no plans for major investments in the sector during the CDSS period.

Our goal in human resource development is to improve the managerial capability of those organizations - public and PVO - that open opportunities and provide services to the rural and urban poor. In support of integrated rural development efforts, in addition to vocational and managerial skills training, our special goal will be to improve the coordination and integration between field level personnel from various Ministries.

Strategy

USAID will assist Ghana to improve and develop the managerial and planning capabilities of middle level technicians and administrators to carry out a broad gauged development effort. We will continue to address human resource constraints on a project-by-project basis. In support of the Local Government Act of 1974, we plan to provide much of this effort through in-country training. We will be receptive to initiatives from PVOs, such as OIC, to expand vocational training opportunities among school leavers and the unskilled based on demonstrated performance. We will also be receptive to PVOs involved in non-formal education which will support integrated rural development.

7. Science and Technology

Overview: The potential contributions of science and technology to Ghana's developmental process have not kept pace with national needs and requirements. For example, scientists and engineers have not been called upon to contribute to policy-decision making, to the same extent as economists, politicians and administrators. However, with the recent creation of the new Ministry of Industry, Science and Technology (MIST) and the impending transfer of the Council for Scientific and Industrial Research (CSIR) from the Ministry of Finance and Economic Planning (MFEP) to the MIST, the new civilian government has taken a major step towards better utilizing scientific and technological information to lead towards more rational and appropriate decision-making.

Additionally, Ghana's growing transport and production requirements and the rapidly escalating foreign exchange costs for energy imports, is causing great concern. At the same time, there is increased awareness that cooking fuel needs have led to severe environment degradation. Organizationally, the Government has restructured the Ministry of Fuel and Power to include Lands and Natural Resources.

In the new ministries, high level coordinating committees have been established to consider available options and particularly focus on the potential applications of science and technology to achieve self-sufficiency in the energy sector. As a consequence of these organizational changes, it is expected that the CSIR - which had been criticized for an overly academic and theoretical bias - will become more concerned about current, applied problem-solving and more involved in day-to-day decision and action programs of the new Ministry.

AID will assist in enhancing the capacity of the new ministry and other institutions to select and apply appropriate technologies to deal with these problems.

Goal

Our science and technology goal is to support integrated rural development efforts with labor-intensive, low-cost, intermediate technology, by focusing on problems which affect agriculture, energy, environment, health, natural resources utilization, and industrial development that might be alleviated by the transfer and proper application of new knowledge and suitable technology. The Government of Ghana is presently attempting to build a more effective infrastructure to conduct applied research within existing institutional arrangements to address these concerns. For example, the CSIR has recently directed its constituent institutes to give more emphasis to applied technology and the transfer of appropriate technology. Other science and technology institutes, including the Technology Consultancy Center (TCC) at the University of Science and Technology, have similarly reoriented their objectives.

Additionally, the Government of Ghana is considering a number of actions to address environmental degradation and the rural energy shortage, focusing on specific aspects of deforestation and the depletion of rural firewood supplies as well as soil erosion. The government has called for a national energy assessment for the entire country, and has requested USAID to assist in planning and conducting the exercise.

Constraints

Ghana is a classic example of a country which has imported costly and elaborate machinery for capital-intensive manufacturing industries with heavy imported raw material requirements, where labor was relatively cheap, and foreign exchange was costly and scarce. Also, Ghana neglected traditional agriculture in favor of large-scale farm mechanization whose yields were lower. The capital-intensive, labor-saving manufacturing plants were put under irresistible political pressure to overstaff. Ghana is thus saddled with a host of inordinately complex, over-capitalized, over-staffed, under-utilized productive facilities, which - if operating at all - are doing so at only a small percentage of their designed capacity. The import-substitution goal they were intended to achieve was never realized, and cost-wise they are hard put to compete efficiently.

Strategy

AID's strategy is to support the Government's current policy of redirecting the efforts of science and technological institutions away from theory to more useful practice. We are also improving information networks among institutions, governmental and private, which embrace research and development designed to reach the people who are in most need of help, primarily the rural poor. AID is financing a project designed to develop alternative energy sources, involving the pyrolytic conversion of agricultural and forestry waste to high-energy fuel (synthetic oil, charcoal and gas).

A major new undertaking is an intermediate technology project

intended to identify, develop, test, produce, demonstrate and design to the rural sector, appropriate technologies that will increase production and income.

The objective will be to establish information networks and direct resources to improve techniques and the capacity of local craftsmen and small enterprises to serve the needs of rural areas in a cost-effective manner.

Additionally, AID will explore ways and means of helping the Government of Ghana address problems of environmental deterioration and resource depletion through energy and resource assessments utilizing remote sensing and related technological innovations. In all of the above efforts, AID will focus on those technologies considered most appropriate depending upon the problem area and available indigenous resources and local considerations

8. Women in Development

Overview: Women in Ghana had until recently not been actively considered as an important human resource in the developmental process. usually Men have been the decision-makers and the action-takers with the result that advancement of women had been hindered. Women had been inadequately equipped to take part fully in national development because of lack of formal education which would have prepared them to engage in successful economic pursuits and social advancement.

Goal

AID programs in this area had sought to involve women, the neglected human resource in the development process. Facts had to be obtained in areas where women had been neglected to make participation of women possible.

Economic independence would provide the opportunity Ghanaian women need in order to fully contribute to national development. Consequently, the traditional constraints and issues on women's participation had to be addressed and an attempt made to remove them in order to use this very important and significant proportion (51 percent) of the total population to contribute to the national development.

Constraints

Traditional beliefs about the woman's role in the society, the obligations and duties expected of a woman to the family and society, have all hindered and militated against the socio-economic advancement of the Ghanaian woman.

In addition, the influence of the colonial past had made it easier for men to have an opportunity to obtain formal education and all its related advantages such as opportunities for jobs, promotions and overall advancement from which women have indirectly been excluded.

Strategy

AID programs explicitly recognize the role of women in Ghana. AID will continue to give particular consideration to increasing women's participation in all program activities. The rural development orientation of our strategy and the important role women play in farm activities make this effort particularly relevant. Constraints to women's participation will be addressed in each project. Ghanaian women play a dominant role in the rural agricultural system and will directly benefit from improved marketing/distribution systems which are being undertaken under integrated rural development projects. Projects in other sectors will take into account the benefits accrued to and their impact on women.

AID will continue to work with the National Council on Women and Development, a Government of Ghana agency, to collect a data baseline from which to make recommendations for the improvement of the socio-economic status of the Ghanaian woman.

Similarly, AID will work through the national network system provided by the Ghana Assembly of Women (an umbrella PVO) to reach the rural women in initiating self-help projects which will eventually contribute to higher quality of life in the rural sector.

IV.A. Assistance Planning Levels

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

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>TOTAL</u>
Agriculture, Rural Development & Nutrition	19	20	20	20	22	97
Physical Inputs						
Services Inputs						
Research & Planning	2	3	2	3	3	13
Health						
Physical Inputs						
Services Inputs						
Research & Planning	1	1	1	1	1	5
Population						
Physical Inputs						
Services Inputs						
Research and Planning	1	1	2	2	3	9
Education & Human Resource Development						
Physical Inputs						
Services Inputs						
Research and Planning	1	1	2	3	2	9
Selected Development Problems						
	24	26	27	29	31	131
TOTAL						
PL 480 (Non-add)						
Title I/III	30	30	25	20	15	120
Title II	6	6	7	7	8	34
HIG (Non-add)						
	5	-	-	10	-	15

B. Narrative

The Indicative Planning Allocation (IPA) proposed for FY 86 and our year-to-year costing out of the Mission strategy during the CDSS period represents in real terms no increase in resources over likely FY 80 availabilities. It is expected that, with improved GOG absorptive capacity, we will be able to effectively design and manage at the IPA level as early as in FY 84.

At lower levels of assistance, we would be constrained in contributing effectively to programs concerned with market towns development and rural infrastructure. These programs are needed to impact positively on rural development, and the possibility that other donors could fill the gap is doubtful.

PL 480 Titles I and III resources are particularly important in helping the GOG overcome absorptive capacity constraints during the stabilization period.

C. Staffing Implications

The Mission's current direct hire ceiling is 29, and its foreign national ceiling is 45. The PAPL may require some increase in direct hire staff (e.g. project managers) by FY 86. The Mission will seek to avoid the need for an increase through:

- improving Government of Ghana project management and implementation capacity and shifting responsibility to them for function, e.g. procurement/supply management now performed by the USAID;
- increase use of grants to PVO's. This will take time and require PVOs to develop collaborative relationships with the Government of Ghana. A favourable climate exists in Ghana for PVO activities supportive of GOG policies and programs. PVOs are recognized as having unique capabilities in reaching the poor at the grassroots level. However, with limited managerial and financial resources, and with some exceptions, a preference for not conducting their program through or with GOG agencies, their impact is limited. We project increased use of PVOs as complements to bilateral program activities and in undertaking pilot/demonstration efforts. The latter is particularly relevant where PVO delivery and service systems would augment the limited outreach capability of the GOG at the grassroots level.
- Contractors and consultants (U.S., local and third country) can ease our management burden especially in the monitoring and implementation of projects.

- staff resources will be augmented by increased use of technical expertise from Ghanaian individuals and institutions.

However, USAID believes it critical that we have technically competent U.S. and Ghanaian direct hire staff in the major areas of program concentration. This need is particularly important in such new initiatives as market towns and rural enterprise development, where ideally the technician should be in-country 18-24 months prior to project implementation. Administrative, program and financial staff resources complemented by specialized contracting, engineering and legal expertise through REDSO/WA will also be required.

D. Housing Investment Guarantees

In recent years migration to urban centers has been increasing, though migration from urban to rural and from rural to other rural areas, particularly to the Brong-Ahafo and Ashanti regions, has been also significant. By the year 2000 it is projected that 50% of Ghanaians will live in urban areas, i.e., settlements with over 5,000 people. Basic shelter amenities in rural and urban areas are poor. Although urban centers are better provided with amenities such as pipe-borne water, they tend to be overcrowded. The shortage of housing has been an acute problem, particularly for the low-income groups. Bad housing, sanitation and poor arrangements for disposing of refuse and human waste are increasingly giving rise to health hazards.

The GOG initiated a low cost housing program in 1972. The 1979/80 development budget calls for increased attention to a sites and services program for slum upgrading with assistance from the World Bank. As a means of improving living conditions in rural areas, a modest rural housing program has been undertaken. Future GOG programs in rural housing are to be considered as an integral part of rural development programs at the district level to ensure that related facilities are provided.

The World Bank will be considering major lending for low cost housing during the CDSS period. We expect that AID technical assistance and HIG program resource would complement World Bank activities in slum areas of major cities, and improve rural housing, particularly in market towns.