

**Review Of Progress Toward Milestones Accomplishment and
Achievement of TIRP Results**

Year Four (July 2001 - June 2002)

October 2002



Sigma One Corporation

**Review Of Progress Toward Milestones Accomplishment
and Achievement of TIRP Results**

Year Four (July 2001 - June 2002)

Submitted to:

**U.S. Agency for International Development
Mission to Ghana**

for:

**Trade and Investment Reform Program (TIRP)
Improved Policy Reform and Financial Intermediation
USAID Contract Number: 641-C-00-98-00229**

by:

**Dale Colyer
Sigma One Corporation**

In fulfillment of the following milestones:

1.15 Evaluate progress toward milestones and results (Year 4)

October 2002

Sigma One Corporation

**Evaluation of Milestone Accomplishments and Results
for Sigma One Corporation Activities under TIRP:
Year Four (July 2001 – June 2002)**

Submitted to:

U.S. Agency for International Development
Mission to Ghana

for:

Trade and Investment Reform Program (TIRP)
Improved Policy Reform and Financial Intermediation
USAID Contract Number: 641-C-00-98-0029

by

Dale Colyer

In fulfillment of the following milestone:

1.15 Evaluate progress toward milestones and results (Year 4)

EXECUTIVE SUMMARY

This document presents the results of an internal evaluation for the fourth year of Sigma One Corporation's activities under the Improved Policy Reform and Financial Intermediation portion of the Trade and Investment Reform Program (TIRP), a set of USAID funded activities to promote more rapid economic development in Ghana. The evaluation was carried out during September and October 2002 in Ghana and consisted of a review of relevant project and other documents and interviews with stakeholders and others with knowledge of project activities. The purpose of the evaluation is to determine the extent to which the milestones scheduled for year four and results that the project activities have produced for the Ghanaian economy in relation to the expected results as outlined in the USAID country strategy were attained. These are based on two project tasks: 1) Improved Policy Participation, and 2) Improved Financial Intermediation.

The Sigma One contract is performance based with milestones to be accomplished each year of the contract. A total of 202 milestones are included in the contract including some 30 milestones added by an amendment to the contract completed in April 2002, which also extended the contract from December 31, 2002 to September 30, 2003. As of the middle of September 2002, when this evaluation was undertaken, 142 had been completed, work was being done on an additional 20, and plans were being made for completing the others (several milestones deal with project administration, are routinely met, and are not part of this evaluation). Some 39 substantive milestones were scheduled for completion in the fourth year (July 1, 2002 to June 30, 2002) and at the time of this evaluation work had been completed on all but nine (one also remains from year 3). Some year five milestones also have been completed. Four of the nine were among the 30 added by the April 2002 amendment and it was probably unrealistic to assume that they would be completed in the three months remaining in year 4. Four of the original milestones could not be completed due to a lack of interest on the part of the agency involved and were replaced with four new ones in the project revision. The Chief of Party of the project, in his end of tour report, praised the milestone (performance based) approach but recommended that a formal review process be established to periodically revise the milestones to meet unforeseen circumstances (such as a change in government with new objectives) or to enable the addition of milestones that completed or ongoing project activities reveal as essential to meeting its objectives.

Eight expected results are given by the USAID results package for task one: improved policy participation. The project's activities have been successful in attaining the expected results for this task as determined by the measures set out in Sigma One's "Monitoring Plan for Measuring Progress on the Reform Agenda." These achievements summarized in the following bullets:

- **A viable reform agenda to increase international competitiveness:** The Government of Ghana (GOG) has carried out a very significant reform agenda that appears viable, if somewhat fragile. While this was started under the previous regime, it lost momentum and was not followed during the 2000 election campaign with disastrous economic consequences. The new government has now accepted and, after a slow start, is implementing the reform agenda. However, because of the inconsistency and incompleteness, at least in part, the anticipated more rapid rate of economic growth has not materialized.
- **Ongoing participation of private sector in the policy dialogue and change process:** This is one of the more outstanding successes of the project. The process was initiated under the previous regime, but then not followed closely. The new government, however, adopted a

participatory approach and the project assisted it in carrying out the 2001 National Economic Dialogue (NED), described as an epitome of the participatory process. The second NED has been held also within a participatory framework. Sigma One has used the process as a major way of carrying out its activities and this is helping transform the way the government and others resolve policy issues.

- **Increased public knowledge of policy reforms:** Various ways have been used to increase knowledge including publications, newspapers, radio and television, and conferences, seminars and workshops sponsored by Sigma One or the GOG with project support. The NED had a large attendance and everyone interviewed for this evaluation was aware of the policy reforms that had taken place and most of those under discussion.

- **Implementation plans for agreed-upon policy reforms:** Most of the agreed upon reforms have been or are being implemented. The 2001 NED enhanced this process, as the GOG has been vigorously implementing its recommendations. Sigma One has been criticized for not following through on its analyses, but this has often revolved around the provision of computers or other resources not programmed as part of the project.

- **Streamlined procedures for importation of agricultural and industrial inputs:** Some policy reforms have been made in this area including bonded warehouses and free zones but implementation of this have been poor with slow payments to importers of drawbacks. This has been documented and some procedures have been improved. However, importers continue to report that “the clearing of goods is a nightmare.”

- **Improved procedures for the export of specific goods such as wood, cotton, yams, etc.:** Export procedures have been reformed and made easier although exporters still report problems and the government has backtracked on some issues such reintroducing export license requirements for seafood products.

- **Elimination of export bans for products such as cotton lint, natural rubber, scrap metal, yams:** this was actually done in 1999 before for the project began, but may have been done partly in response to pre-project related activities such as the North Carolina Conference in 1997 or activities of the preceding project.

- **Enforced compliance with BOG policy eliminating foreign exchange controls for exporters:** This was accomplished early in the project, but there was an attempt to revive the practice in the new government although the attempt has been reversed and now there is only an occasional complaint from exporters that some official wants them to use the old form for controlling foreign exchange.

There are five expected results from task two, improved financial market instruments. Success has been more difficult to attain in this area although some progress has been made.

- **An expansion of viable financial instruments in Ghana:** This result has seen limited success with the introduction of a three-year inflation indexed bond. A National Bond Committee also has been established and is studying the feasibility of additional new instruments.

- **A more aggressive and competitive financial sector:** This has been achieved to a limited extent as the commercial banking sector has become more competitive and is modernizing. However, this has been limited to a significant extent by the large borrowing of the GOG to cover its deficits which crowds out private lending, reducing opportunities for competition.
- **An increase in net domestic credit to the private sector:** This has not occurred. Although the current government has indicated that this is a goal, continued large government deficits and the need to borrow to cover them crowds out credit for the private sector.
- **A decrease in enterprises citing self-financing as a principle source of funds for expansion:** This is linked to the previous result and could not occur unless there was an expansion in credit or equity financing. Since membership in the Ghana Stock Exchange has been about constant the latter has not occurred either.
- **Increased linkages between the Ghanaian and Global Financial Systems:** There is little evidence that this has taken place to any significant extent. Foreign direct investment has actually declined and there are few other indications that linkages increased.

Capacity building is not a stated objective of the Sigma One portion of the TIRP, but none-the-less is one of the important outcomes of the project's activities. Capacity was built by direct training and through Ghanaian participation in project activities. Direct training during the fourth year of the project included building revenue-forecasting capacity through short courses given by Duke University in both the U.S. and Ghana. Indirectly, capacity was enhanced by the participatory process and through seminars, workshops, forums and conferences, by use of Ghanaian professionals for conducting analyses, and participation by Ghanaians in the analyses carried out by international consultants.

1.0 INTRODUCTION

This report examines Sigma One Corporation's activities under the United States Agency for International Development (USAID) funded *Improved Policy Reform and Financial Intermediation Project* portion of the *Trade and Investment Reform Program* (TIRP) during the fourth year of the project (July 1, 2001 to June 30, 2002) and the results attained by the project to date. It is conducted pursuant to Milestone 1.15, Evaluate progress toward milestones and results, which requires an annual evaluation. Yow (2002) reviewed project activities after year three, Colyer (2000) after year two, and Sigma One Corporation (1999) after year one.

The analysis was carried out September 22 to October 25, 2002 in Ghana. It was accomplished by reviewing project documents, Government of Ghana (GOG) publications and data together with information and data from newspapers and other reports and publications about the Ghanaian economy, through interviews and discussions with officials of the GOG, private sector representatives and organizations, USAID officials, and representatives of other donors, discussions with project personnel from Sigma One Corporation, and attending public and other events in Ghana that were concerned with economic, development and policy issues.

In April of 2002 the project was revised and extended, from the original completion date of December 31, 2002 to September 30, 2003 (Sigma One 2001a). The revision consisted of substituting four new milestones for four of the original milestones that could not be completed and the addition of 14 substantive new milestones, plus 7 administrative milestones. While these revisions did not materially affect the milestones to be attained in year four, they did begin to impact on the activities carried out under the project during the last 2-3 months of year four, especially on project management.

The evaluation consists of 1) determination of the results achieved by carrying out the project activities, 2) an analysis of milestone attainment and the factors that affected their completion in a timely manner, 3) a review of capacity building activities of the project, 4) an examination of response to the weaknesses reported by Yow (2002, pp. 28-29), 5) a discussion of stakeholder interviews, and 6) a conclusions section. The first two parts of the report (an analysis of the results from the project in relation to those expected as outlined in the USAID intermediate results package and an evaluation of the attainment of the project milestones as set out in the project agreement and subsequent amendments) are each subdivided into the activities under each task; Task 1 (Improved Policy Participation) and Task 2 (Improved Financial Market Instruments). Since Yow (2002) made a thorough review of the project's activities and results through year three, this report focuses primarily on additional activities and results attained during year four, although it should be realized that the results are cumulative with current achievements based on previous as well as ongoing activities and actions. The section on capacity building was added in response to USAID/Ghana's questions about how the project activities had contributed to the country's capacity to confront policy issues in the future.

2.0 RESULTS OF PROJECT ACTIVITIES

The primary objective of assistance projects is to improve the living standards of the country's people through growth and development. However, many factors affect development and it is difficult to determine the impact of an individual project on this objective. Therefore, intermediate results that can be more directly tied to project activities are utilized as a measure of project

accomplishments. The results to be attained were established in the intermediate results package for the project. In a performance-based contract, however, the project's required accomplishments are the milestones listed in the project paper; accomplishment of the milestones is to lead, in turn, to the expected results; these milestone achievements are reviewed in section 3.

2.1 Task 1: Improved Policy Participation

Task 1 is to be accomplished through two activities: 1) Promote Participatory Policy Change and 2) Adoption and Implementation of Policy and Regulatory Reform. The expected results for the task are shown in Table 1. Yow (2002, p. 29) reported that: "Sigma One Corporation appears to be meeting the majority of Task 1 Expected Results." The only exception was for "streamlined import procedures," for which she found that policies had been changed, but not fully implemented. This situation had not changed appreciably during year four although some progress had been made on issues such as drawback payments and leakages from free zones and other results have been further enhanced and strengthened.

Table 1. Expected Results for Task 1: Improved Policy Participation

1. A viable policy reform agenda to increase international competitiveness
 2. Ongoing participation of private sector in the policy dialogue and change process
 3. Increased public knowledge of policy reforms
 4. Implementation plans for agreed upon policy reforms
 5. Streamlined procedures for importation of agricultural and industrial inputs
 6. Improved policies for exportation of specific products such as wood, cotton, yams, etc.
 7. Elimination of export bans for products such as cotton lint, natural rubber, scrap metal, yams
 8. Enforced compliance with BOG policy eliminating foreign exchange controls for exporters
-

2.1.1 Promote Participatory Policy Change

Result 1: A Viable Policy Reform Agenda. The GOG has embarked on a number of reforms that should contribute to enhancing the international competitiveness of its products. This includes policies to promote macroeconomic stability, improve financial management, etc. In its poverty reduction strategy (GPRS) the government states, "to achieve macroeconomic stability, prudent fiscal, monetary, and international trade policy measures will be adopted. The fiscal measures will focus on the conversion of short-term debt into long-term instruments, reduction in fiscal deficits, and more effective revenue mobilization" (GOG 2002a, p. v). A Sigma One analysis of non-traditional exports indicates that the quantities of such exports have increased, although the total value has not due to declines in world commodity prices. However, the process is not complete and, despite the pro-business and export orientation of the current government, much remains to be done to assure long run competitiveness for most Ghanaian products. A study by the Private Enterprise Foundation (PEF 2001), for example, finds deficiencies in private sector firms as well as in the GOG tend to make it difficult to sustain the reform process. Thus, while potentially sustainable the reforms remain fragile.

To assist with making the process more sustainable Sigma One is currently working to help the GOG devise a National Export Policy to rationalize and guide their international trade agenda; this was a major purpose of the contract extension. The revised technical proposal is to further enhance the sustainability of the policy reforms (Sigma One 2001a). The interviews conducted during this

evaluation plus a review of several documents analyzing the Ghanaian economy during the last two years indicate that the GOG has pursued a reform agenda that has produced significant changes with respect to macroeconomic policy, trade and finance, but that there is still work to be done and that there have been lapses (see, e.g., CEPA 2002, EIU 2002, ISSER 2001, PEF 2002). One significant deficiency has been the failure to follow through recently on the promised divestiture program, which was to be a significant source of revenue that was to contribute to reducing the budget deficit; overall Ghana's divestiture record is good but recent activities have lagged. Some lapses in trade policy are described below. Furthermore, the World Bank and IMF have raised questions about Ghana's rising debt, the lagging divestiture program, and other issues on the reform agenda (Yevugah and Imirhe 2002). A headline in October 17 *Daily Graphic*, "NO FUEL PRICE INCREASE," is illustrative (Okine and Korsorku 2002). The GOG controls prices through a parastatal, the Tema Oil Refinery, and without increased prices when world oil prices rise the company loses money, which must then be covered by the GOG; the costs of state owned enterprises are a major factor in the country's large deficit. This situation is exacerbated by the attitudes of many in the private sector. A newspaper article on the initiation of the Citrus Growers Association, for example, quoted the secretary as saying: "citrus farmers are waiting for the government to come out with plans it has for them" (Nunoo 2002, p. 19).

Result 2: Ongoing Participation of the Private Sector. This is one of the more outstanding successes of the Sigma One efforts. The first National Economic Dialogue held in 2001 has been described as the "epitome of participatory policy change" (Goodwin 2002, p. 5). During year four, the second NED was held, on May 29, 2002 at the National Theater in Accra. President Kufuor gave the keynote address at the meeting, which was described as report to the nation on the activities carried out to implement the recommendations from the first NED (GOG 2002b). It also provided further opportunities for the private sector to participate in the policy development process. The GOG also endorsed the participatory process in its GPRS, saying that it is "instituting broad-based consensus-building among government, civil society, the private sector and development partners on key issues and programmes for accelerated and sustained poverty reduction" (GOG 2002a, p. iii). In addition there were Sigma One sponsored and other conferences, workshops and seminars that further enhanced the participatory process. These include the Financial Sector Workshop held July 4-7, 2002 at Elmina, Ghana. Its theme was on the development of new debt instruments with 10 papers on various aspects of the bond market by Ghanaian experts as well as financial experts on South Africa, Asia, Latin America and the United States. In addition to these formal approaches to increase dialogue on economic and financial issues, numerous informal lunches, dinners and other small group meetings have been utilized enhance dialogue between government officials and the private sector.

The dialogue process has resulted in further impacts as seen by the President's vision message to be submitted to the Parliament (Chartey 2002). Major portions of the vision deal with macro-economic stability, private sector development, and long-term savings and capital markets, all themes of the project and subjects of the participatory process in the NED and other dialogue activities as well as the analyses carried out under the project. Furthermore, the government held a "**National Conference** as part of the consultation process to advise the President of the Republic on our national vision." The preceding quotation occurred in the official public notice of the conference (Daily Graphic 2001, p. 1, see also, Okine 2002). The vision statement is required under the 1992 Constitution of Ghana, but the holding of a meeting to discuss the proposed vision statement represents a departure from the process used by the previous government. As such it

could be considered an outgrowth of the consultative process that began with the North Carolina conference in 1997.

An interesting development along the line of participatory activities was a series of public forums on the national budget, which were sponsored by ISODEC and held throughout the country in July 2002 (ISODEC 2002). Government officials, opposition politicians, academicians, civil servants and members of non-government organizations were used as resource persons in a process that was supposed to be non-partisan. One of the stated purposes of the forums was: "To emphasize the need for civil society to engage the authorities in policy-making at both the national and local levels." A summary of the results was published in the newspaper as an open letter to the President. While this activity was not sponsored by the project, it can be considered as reflection of the type of participatory activities the project wishes to see institutionalized and to be continued after the project terminates. Another example is a meeting on small and intermediated business financing sponsored by a radio station in Kumasi, which was characterized as "private business empowering private business" (Esch, personal interview).

One suggested improvement in this area is for utilizing the process more effectively in the regions outside of Accra. While the Sigma One project held several conferences, workshops etc outside of Accra, these did not focus on regional problems or issues. It was suggested that the activities might have been more effective with a more regional orientation.

Result 3: Increased Public Knowledge. Yow (2002, p. 25) reported that this was being achieved, that newspapers and other media are providing information about the activities. While at least one official thought that Sigma One should publicize its activities more extensively, this is considered a sensitive issue and it seems preferable for Sigma One to remain in the background; it could be counterproductive if the reforms and participatory process were viewed as the product of a specific U.S. based firm. The current government appears to be doing a good job of publicizing its economic program and to be utilizing the results of the Sigma One sponsored analyses. There is still a need for improvement in publicizing project results but this is better accomplished through the GOG or the Ghanaian private sector including associations, academic institutions, and think tanks. It should be noted that the forums, workshops, conferences, and seminars, such as those described above and in the other results, also are means to increase public knowledge of economic and policy issues, i.e., results 2 and 3 are interdependent to a significant extent, although each can be partially accomplished through separate means.

Result 4: Reform Implementation Plans. The third year evaluation and analysis indicated that implementation plans were being developed through NED activities. This has continued and, as indicated above, there has been implementation of several of the NED recommendations. Implementation, however, has lagged to some extent due to resource limitations and slowness on the part of the current government to respond, especially during the first year of its mandate. There appears to have been progress in implementation during year four and there is a substantial amount of additional implementation actions anticipated through ongoing activities (see GOG 2002b and section 2.1.2 below).

Result 5: Streamlined Import Procedures. Yow (2002) noted that this was an area where less had been achieved; although reforms had been made they were not being implemented effectively. Some GOG officials indicated that they were on target with their trade policies. Private sector traders, however, complained of a number of deficiencies. The Private Enterprise Foundation

(PEF), for example, in its mid-year review of the economy (August 2002) noted: “The clearing of goods continues to be a nightmare for importers” “ (PEF 2002, p. 29) and, further, that: “the process of clearing goods from the ports is still cumbersome, expensive and time consuming and adds to the cost of doing business in the country” (p. 25). Other private sector interviewees indicated a similar situation commenting, for example, that there still is no one stop office as promised. They find that the bureaucrats generally are not helpful and that the situation has worsened in some respects—in the past they could start the process of clearance by presenting a fax copy of the bill of lading, but now have to have the original (they understand the need of the original for final clearance but believe that the process could be hastened by use of the fax copy to start the process). Another significant problem with respect to imports is the failure of the GOG to handle the drawback program efficiently, largely due to long delays in paying the drawback to importers; they report it has improved a little due to the work of the Sigma One consultant. Sigma One has documented this latter situation and work is under way to develop procedures to remedy the problem. However, currently this can be considered a weakness in the results.

Result 6: Improved Export Policies. This is an area where the preceding government had made notable progress and where, as noted above, current GOG officials think that they are still on target. However, private sector interviews indicated that the current government had actually regressed to some degree in this area, at least in some of its early actions. Two examples of this deal with export forms and export permits. The old Customs, Excise and Protection Service (CEPS) A2 Foreign Exchange form had been eliminated by the previous government and replaced with an informational Ghana Export Form. This had been done by administrative procedures and confusion arose in the new government with one group sometimes demanding that exporters complete the old form while another insisted that the new form was appropriate. Exporters were caught in the middle. The requirements for export permits were eliminated under the previous government, but under the current regime Parliament passed a new fisheries law that required permits by the Ministry of Fisheries for exporting fish and seafood. It was reported that the Minister insisted on signing these forms and that when he was out of the country there was no one else authorized and that consequently ships with seafood for export were stranded in the country’s ports. One private sector representative indicated, however, that GOG officials were willing to listen to and discuss problems and he is hopeful that such issues will be resolved, but that in the meantime they cause serious problems for exporters. Sigma One is aware that the country’s export policies are still an issue and is working to help develop a National Trade Policy to provide a more rational basis for their trade activities.

Result 7: Eliminate Export Bans on Selected Products. This has been accomplished (Yow 2002, p. 26). As Yow notes this was in process before the project was implemented, but the dialogue and other project related activities also began before that, with the North Carolina Conference and the TIP project. It was probably an outgrowth of activities of TIP, the previous project on trade and investment policy, which also involved Sigma One (see, e.g., Levy 1994).

Result 8: Elimination of Exchange Controls for NTEs. This was accomplished early in the project’s life, but as noted above, sometimes the use of the old A2 form has created problems. However, the actions for this and the previous result have contributed to increased exports for Ghana. An analysis of non-traditional exports indicates that while the total value of such exports has not increased significantly in recent years, but due to declines in international prices since quantities exported have increased (Goodwin et al. 2002).

2.1.2 Adoption and Implementation of Policy and Regulatory Reform

A criticism of project as reported by Yow from interviews with stakeholders (2002, p. 29) was that analyses and studies had been the major thrust and these were not followed by adequate implementation of the recommendations. Year four, however, saw some significant accomplishments in the expected results, due largely to implementation of recommendations developed during the National Economic Dialogue held in May 2001. The recommendations already implemented according to Goodwin (2002) include: 1) The Ministry of Finance (MOF) has created a desk to implement the financial sector strategic plan; 2) A three year indexed bond has been introduced and other innovative financial instruments are being considered by the Bond Market Committee; 3) A special bank account for Ghanaians in the Diaspora has been created to enable them to invest in Ghana; 4) Legislation has been passed to allow tax collection agencies to retain 3 percent of their collections as an incentive to improve tax collections; 5) Actions have been taken to reduce leakages from bonded warehouses and free zones (although more needs to be done); 6) Government borrowing is more closely monitored and controlled under the Bank of Ghana Act of 2002; and 7) Independence of the Bank of Ghana also was attained under the Bank of Ghana Act of 2002. In addition Sigma One is providing assistance to the GOG to carry out several other recommendations including enforcing a national identification scheme for credit and other purposes, a tax identification number (TIN) for Corporate Bodies, more effective monitoring, evaluation and publication of public finances, more effective monitoring of external accounts, and improved coordination of the revenue collection agencies through the Revenue Agency Governing Board. Some of these changes applied to Task 2 and will be discussed in the next section of this report.

While substantial progress has been made in policy reforms, some interviewees still see implementation as a deficiency in both the design of the project and in the way it has been conducted. Some respondents have the view that the project activities have focused too narrowly on analyses and development of recommendations without adequate assistance being provided in implementing the recommendations. Some of this related to the inability of the project to provide computers or vehicles, a function that is not provided for in the Sigma One Contract. An example is the IRS, which although not critical of Sigma One indicated that it would need computers and training to be able to improve its efficiency and effectiveness in its tax collection procedures, i.e., to implement the recommendations made to the agency. Phillips and Valentine (2002), however, indicated that a lack of computers was just an excuse, that they were not essential for improving collection procedures.

2.2 Task 2: Improved Financial Market Instruments

Yow (2002, p. 29) indicated that the project had not been obtaining any of the expected results of Task 2, but that the GOG was sticking to a sensible set of policies with the support of Sigma One and that “this would pay off in the near future.” This has proven to be correct, at least to a limited extent. While Yow probably understated the accomplishments in this area through year three, the indicators as well as interviews with project clientele indicate at least some limited progress in Year Four. This task also consists of two activities: 1) Improvements in Regulation and Management of the Financial System and 2) Analysis and Development of Improved Financial Instruments. The five intermediate results expected from these tasks are given in Table 2. Progress is evident in the first two of the intermediate results, but not in the other three although linkages with global financial markets might have increased marginally. The major problem with financial markets

remains the domination of government borrowing due to the continuing large deficits that the GOG must finance.

Table 2. Expected Results from Task 2: Improved Financial Market Instruments

1. An expansion of viable financial instruments used in Ghana
 2. A more aggressive and competitive financial services sector
 3. An increase in net domestic credit provided to the private sector
 4. A decrease in enterprises citing self-financing as a principal source of funds for expansion
 5. Increased linkages between Ghanaian financial system and the global financial system
-

However, progress has been made in respect to financial sector reform, even though the majority of the expected results have not been attained. One indication of this progress is the reactivation of the Financial Sector Strategic Plan (FSSP). The Bank of Ghana (BOG) early in the TIRP project established a Financial Sector Consultative Committee and it had presented the FSSP in May 2000 (Goodwin 2002, p. 14). The previous government did not act the plan on due, at least in part, to the approaching election. The 2001 NED recommended that the plan be implemented and the Minister of Finance acted on that recommendation by establishing a Finance Office to implement the FSSP. Thus, it should have significant impacts as the recommendations are acted on during the next few years.

2.2.1 Improvements in Regulation and Management of the Financial System

Positive results for items 2-5 in Table 2 would indicate improvements in the management of the financial system. Major developments in the effectiveness of managing the financial system include the Bank of Ghana Act passed this year. This act established greater independence of the central bank and made the regulation of the money supply to be its primary function (rather than economic growth or other objectives). While it is too early to determine the effectiveness of the act (the GOG has indicated that there needs to be cooperation), it appears to be a major step forward. The BOG has been reorganized with some old departments eliminated and new ones created. A Monetary Policy Committee and Open Market Committee have been established. A significant change is that BOG is limited to financing only 10 percent of the national budget; a unit has been established to monitor this requirement. These changes should produce a more effective central bank. A new banking act also has been passed by Parliament and action on a new securities act is anticipated.

With respect to the specific expected results listed in Table 2, there was general agreement among persons interviewed that the financial system is now somewhat more aggressive, i.e., more effective in carrying out its functions. However, there also was agreement that the private sector was not receiving a greater share of the country's credit, which to a large a share was still required to finance the government's deficit, and that this crowded out funds for the private sector. Banks can earn a very good rate of return on treasury bills without the risks incurred in loaning to the private sector. Some respondents indicated that the private sector was not faultless in this situation since they often approached creditors with inadequate plans to indicate a credit worthy activity. However, they also indicated that interest rates remain very high despite the decrease in inflation and that long-term credit is just not available. The financial system has been burdened with a substantial portfolio of non-performing loans, which makes it reluctant to loan to the private sector

when assured returns are available by loaning to the government (Youngblood n.da.). The issue of self-financing is closely linked to the issue of credit for the private sector; if increased credit is not available then firms will necessarily have to be primarily self-financed. However, there is no documentation to indicate whether or not firms are citing a decrease in the need for self-financing. The Ghana Stock Exchange (GSE) has not been effective as a mechanism to significantly increase equity financing; Goodwin (2002, p. 22) indicates that contributing factors include the failure of the GSE to promote itself, high administrative costs of going public, and a lack of demand for publicly traded stocks. The Director of GSE indicated the entrepreneurs in Ghana are not willing to reveal their finances or disclose the other information that is required to go public and that they are not willing to give up any of the control that they can exercise as a privately held company, i.e., there is a need for Ghanaian corporations to be more transparent and accountable in dealing with their shareholders (see, for example, Kwateng 2002). Thus, the requirements for going public may have to be modified to increase participation the stock exchange.

Finally, it is not clear whether the country has significantly increased its linkages with the global financial system. The objectives measures set forth in Sigma One's monitoring plan, such as increased Foreign Direct Investment (FDI) have not shown progress; in fact FDI decreased from 1999 through 2001 (Goodwin 2002, p. 23). However, some interviewees thought that there are now more linkages to the global system than in the recent past, while others see little if any change in the linkages, with relatively few such linkages existing in Ghana. They indicated that the international financial linkages are largely through multi- and bilateral official sources. Growth in international trade should tend to increase the linkages; however, there is a relatively low level of foreign direct investment in Ghana. The presence of some international banks, multi-national companies, and factors such as the international financing of cocoa marketing indicate some linkages and perhaps to some increases in international financial relationships. Foreign travelers to Ghana, for example, can access funds through ATM machines at several banks in Ghana. However, this appears to be a one-way street since Ghanaians with cedi accounts in Ghanaian or international banks cannot access those funds through ATM machines outside of Ghana, although this depends on the type of account. It might be noted that the low value the largest cedi bill, 5,000 cedis (about U.S. \$0.60), makes ATM usage relatively inefficient and costly.

2.2.2 Analysis and Development of Improved Financial Instruments

Result 1 in Table 2 is to introduce new financial instruments and this has been achieved to some degree. The creation of the three-year inflation indexed bond was an important innovation, which has allowed the GOG to lengthen its debt and easing its financing problems. This action was criticized, especially in its initial form, which delayed all the impacts until it matured, making it essentially non-marketable except with large discounts, but the provisions were modified to make it more attractive. However, many considered it a tax on banks since they were required to hold a portion of their official reserves in the new bonds.

More important for this issue, perhaps, was the establishment of the National Bond Market Committee. This Committee is examining alternative instruments and issues that affect the market for bonds in Ghana. In 2002, it sponsored a workshop that examined a wide variety of issues and alternatives utilized in bond financing, including approaches in Southern Africa, Asia, Latin America, and the United States. This committee continues to operate and additional instruments might result from its activities.

3.0 MILESTONE ACCOMPLISHMENTS

There were a total of 202 milestones to be accomplished over the life of the project, including the 30 added by the April 2002 amendment; 152 had been completed and 20 were being worked on by mid-September 2002 (Goodwin 2002). A substantial number of the milestones scheduled for year four were attained in a timely manner. However, nine of the forty substantive milestones scheduled for completion had not been attained at the end of September 2002; in addition one milestone scheduled for year three also had not been attained. Some of these are the milestones added by the project extension approved in April 2002 and work could not be started on them until shortly before the end of year four on June 30, 2002. However, work is underway on most of these and should soon be completed. These will be addressed in Section 3.2. The following section discusses and analyzes those that were attained.

3.1 Year Four Milestones Completed

The substantive milestones completed during year four are listed in Table 3. Several of the completed milestones are concerned with project administration, are routinely attained and, therefore, are not listed or discussed in this section.

Milestone 1.11, The National Economic Forum, was replaced with the National Economic Dialogue (NED), the terminology preferred by the new government, with the first held in May of 2001. The second was held on May 29, 2002 at the National Theater in Accra and represented the accomplishment of Milestone 1.11 for year four (Sigma One 2002a). The NED has been a major effort and represents a high point in the participatory policy reform process. The 2001 NED and the pre-NED sessions held to prepare for the dialogue resulted in some fifteen recommendations that became an important focus of the Sigma One project activities in 2001-2002. Sigma One assisted the NED secretariat in preparing for the NED, including six pre-NED workshops where 20 commissioned papers by Ghanaian experts were presented, discussed, and used for making the recommendations. Many of these recommendations have been implemented and work is underway to carry out most of the remainder. The 2002 NED was presented as an Annual Report to the Nation, i.e., it was used to report on the progress made in implementing the recommendations of the 2001 NED, as well as presenting an opportunity for further participant input. The keynote address was given by President Kufuor, an indication of the importance of this activity to the GOG (see GOG 2002b).

Milestone 1.16, Present Budget and Legislation to Parliament for January, was completed as of February 2002 (Sigma One 2002c, Osafo-Mafoo 2002). The project assisted the Ministry of Finance (MOF) in preparing for the budget by utilizing the computer fiscal model to estimate quarterly revenues, expenditures and financing needs of alternative revenue and expenditure options. In addition the Chief of Party (COP) of the project was asked to review and make recommendations with respect to changes in exemptions, free zones and bonded warehouses, areas where Sigma One employees and consultants had made analyses in 2001.

Milestone 1.17, Town Hall Meeting in One or Two Regional Cities, was completed July 2, 2001. It was accomplished by the "Retreat to Discuss the Draft Labor Bill" held July 13-14, 2001 at the Capital View Hotel, Koforidua (Sigma One 2001b). Attendance was 17 persons from the

Table 3. Year Four Milestones Attained

Milestone Completed	Date	Documentation
1.11 Annual Economic Forum In Fall	5/02	NED, May 29, 2002, Accra, Sigma One (2002a)
1.16 Present Budget And Legislation To Parliament For January	2/02	Sigma One (2002c)
1.17 Town Hall Meeting In One Or Two Regional Cities	7/01	Sigma One (2001b)
2.27 Review Of Tripartite Compact For Increasing Flexibility Of Labor Markets	3/00	Sigma One (2000)
2.29 Increased Efficiency Of Existing Or Proposed Revenue Generation Activities	7/02	Conrad (2002)
2.31 Evaluate Revenue Increases From Pilot Areas, Testing New Collection Procedures And Make Recommendations For Program Expansion	5/02	Phillips and Valentine (2002)
3.11 Quarterly Meetings Of The Financial Sector Working Group	5/02	Sigma One (2002b)
4.6 Quarterly Meetings Of The Financial Sector Working Group	5/02	Sigma One (2002b)
4.7 Annual Meeting On Financial Innovations In The Financial Sector In Ghana	7/02	Workshop Proceedings, National Bond Market Committee (2002)
4.8 Introduction Of Innovative Instruments Into Financial Markets	7/02	Mpare (2002)
6.1 One Workshop Held In Ghana Per Year	8/02	Owusu-Afriye et al. (2002)
6.2 Hold Workshops/Seminars With Participatory Working Group	2/02	Owusu-Afruye, Goodwin, and Gockel (2002)
6.3 One Seminar Held In Ghana Per Year	11/01	Duke University (2002)
6.4 One Conference Held In Ghana Per Year	7/02	Lavados (2002)
10.1 Document Specifying Operational, Regulatory And Policy Changes To Bonded Warehouse And Free Zone Regimes	10/01	Report by Lyimo (2002)
10.2 Prepare Terms Of Reference And Operational Guidelines For A National Audit Task Force For National Revenue Agencies	6/01	Conrad (2001)
10.3 Document With Estimates Of Potential Divestiture Receipts For Three Key SOE's	12/01	Whitworth (2002)
10.4 A Brief On Private Sector Issues To Be Incorporated Into The Poverty Reduction Strategy	9/01	Franklin (2001)
10.5 Brief On Financial Sector Issues To Be Incorporated Into The Poverty Reduction Strategy	8/01	Youngblood (n.db.)

government, private sector and advisors from Sigma One and International Labor Office. It was held to discuss issues raised as a result of the withdrawal of the proposed labor bill by the newly elected government of Ghana; it had been submitted to the Cabinet by the previous government. The new administration felt that there were serious flaws in the proposal. As a result of the discussions, the bills drafter made some revisions and it was resubmitted to the Minister of Manpower Development and Employment.

Milestone 2.27, Review Draft Tripartite compact for Increasing Labor Flexibility of the Labor Markets, was completed in March of 2000, i.e., in the third year of the project (Sigma One 2000). It consists of the draft law and comments by members of the Tripartite Committee. This was done in anticipation that the new labor law would be submitted and passed in 2000, but the Presidential elections being held that year resulted in the postponement of its consideration. The draft labor law was approved by the Cabinet in May and is scheduled for consideration by Parliament this fall, although the Minister of Manpower Development and Employment has proposed changes to the law that are controversial.

Milestone 2.29, Increased Efficiency of Existing or Proposed Revenue Generation Activities, was completed in July 2002. This was accomplished by a review of the activities of the Ghana Revenue Agencies Governing Board (Conrad 2002). This was in the form of a memo to the RAGB Executive Secretary with a discussion of issues that needed to be considered to increase the effectiveness of the Board in integrating and improving the revenue agencies and their tax collections. A further result is the recommendation of including of improvements in integrating the agencies as a condition for USAID non-project assistance to Ghana.

Milestone 2.31, Evaluate Revenue Increases from Pilot Areas, Testing New Collection Procedures And Make Recommendations For Program Expansion, was completed in May 2002 (see Phillips and Valentine 2002). They found that the recommended procedures had not been fully adopted and tested but none-the-less concluded “Although not formally and completely adopted by any district the experience of the two originally proposed pilot groups points out the advantage and increased revenue that can be obtained by adoption of even parts of the procedures” (Phillips and Valentine, 2002, p. 20). They found that the decision not to proceed was based on a faulty assumption that it would be futile to proceed with implementing the recommendations until computers were obtained; these, they said, are not essential to carry out the recommended collection activities. Their report makes several recommendations for improving the system but cautions that greater commitment is needed for the procedures to be effective.

Milestones 3.11 and 4.6, Quarterly Meetings of the Financial Sector Working Group, was satisfied in year four as indicated in a report by Sigma One (2002b), which provides summaries of the meetings. One or more of the Sigma Field Team (Goodwin, Bawumia, Gockel) attended meetings. Among the more important issues discussed was the Financial Sector Strategic Plan and the Financial Sector Workshops. Included in these meetings also was the National Bond Market Committee.

Milestone 4.7, Annual Workshop on Financial Innovations in the Financial Sector in Ghana was completed July 5-6, 2002 (National Bond Market Committee 2002). This workshop, held in early July of 2002 and titled “Debt Markets for the Golden Age of Business,” focused on the development of new debt management instruments for the Ghana bond market. Ten papers that

discussed various issues in bond markets including comparison from Asia, Latin America, the United States and Southern Africa.

Milestone 4.8, Introduction of Innovative Financial Instruments in Financial Markets, was attained through the document “Using Innovative Financial Instruments in Ghana’s Current Economy” (Mpare 2002). It discusses the issuance by the GOG of a longer-term (3 year) indexed bond. The purpose was to lengthen the debt, thereby reducing the shorter-term debt burden. While the issue was criticized for the nature of the indexing which would not take place until the end of the period (this was revised later) and for the requirement that banks hold a portion of their reserve requirements in the indexed bonds, it does represent an attempt utilize innovative procedures in the country’s domestic debt market. The document also reviews other instruments that could be introduced into the Ghanaian Economy.

Milestone 6.1, One Workshop Held in Ghana per Year, was accomplished in August 2002 through the workshop “Exchange Rate Policy in the 1990s in Ghana” held at the Bank of Ghana, August 5, 2002 (Owusu-Afriyie et al. 2002). It presented concepts associated with different exchange rate measures, highlighting the differences in the nominal, real, and trade weighted exchange rates. Staff of the BOG attended the workshop with presentations being made by Sigma One economists.

Milestone 6.2, Hold Workshops/Seminars with Participatory Policy Working Group, was met y a workshop held at the Sigma One offices in Accra on February 11, 2002 (see Owusu-Afriyie, Goodwin and Gockel 2002). The workshop was based on a paper on the “Competitiveness of Rice Production in Northern Ghana.” The purpose was to present an analysis of rice production to provide inputs into the ongoing discussion of the desirability of replacing rice imports with domestic production, a discussion being carried out without the benefit of knowledge of costs and other factors that affect rice production versus imports.

Milestone 6.3, One Seminar Held in Ghana per Year, was accomplished in November 2001, through training sessions dealing with developing and implementing revenue forecasting for Ghanaian economists from the Ministry of Finance (Duke University 2002). Fifteen staff members from revenue agencies and the Ministry of Finance (and two from Sigma One) attended the training sessions. The purpose was to provide the basis for more realistic revenues forecast that would, in turn, result in better managing its revenue/expenditure gaps. At the end of the training the participants agreed that the revenue agencies and MOF would “aim at preparing the next budget based on actual forecast of revenues using these models rather than starting from the expenditure side and then making a budget.”

Milestone 6.4, One Conference Held in Ghana Per Year, was accomplished on July 8, 2002 with a conference/workshop on the Chilean pension system (Lavados 2002). This provided basic information that is being utilized in the development of a proposed private pension system in Ghana. Attendance government officials, a member of Parliament, trade union officials, employers, USAID, and Sigma One Staff.

Milestone 10.1, Document Specifying Operational, Regulatory and Policy Changes to the Bonded Warehouse and Free Trade Zones to Reduce or Eliminate Revenue Leakages, was accomplished through an analysis and report by Lyimo (2002). This report, Operational, Regulatory and Policy Changes Required to Eliminate Revenue Leakages in Free Zones and Bonded Warehousing Systems, documents the causes and extent of the problems, analyzes their causes and makes

recommendations for solving the problems. Their application should reduce the leakages significantly and appear to already be having some effect. One GOG official commented that this had resulted in changes that significantly increased revenue collections.

Milestone 10.2, Prepare Terms of Reference and Operational Guidelines for a National Audit Task Force for the National Revenue Agencies was completed in June 2001, before Year four began, with the report “Guidelines For The Operations And Structure Of The National Tax Audit Team (NTAT) And Suggestions On Other Tax Revenue Issues” (Conrad 2001). The document contains recommendations that have been incorporated into activities being carried out in years 4 and 5 of the project.

Milestone 10.3, A Document with Estimates of Potential Divestiture Receipts for Three Key SOE’s, was completed in December 2001 with the document “Divestiture Valuation Methodology Assistance Provided to the Divestiture Implementation Committee (DIC)” (Whitworth 2002). The document summarizes the content and approach used for workshops on valuation and encompassing the following five topics: 1) analyzing historical performance, 2) forecasting performance, 3) estimating cost of capital, 4) estimating continuing value, and 5) calculating and interpreting results.

Milestone 10.4, A Brief on Private Sector Issues to be Incorporated into the Poverty Reduction Strategy, was completed in September 2001 with the brief “Private Sector Issues for The Ghanaian Poverty Reduction Strategy” (Franklin 2001). He concludes that the privates sector can play a role in increasing production, employment and human resource development, with the primary role being for the first two of these through agricultural production, infrastructure, marketing and extension, agro-processing, industrial and service growth, non-traditional exports, trade support infrastructure. The poorer communities would be helped most through manpower training. Strategies are suggested for achieving these.

Milestone 10.5, A Brief on Financial Sector Issues to be Incorporated into the Poverty Reduction Strategy, was completed in August 2001 with a brief by Youngblood (n.db.). A major finding is that the sector’s ability to assist with the program is compromised due a large and growing portfolio of substandard loans, many to state owned enterprises. It is further affected by overexposure to foreign exchange liabilities. These problems need to be solved before the system can effectively mobilize domestic savings and direct to uses that will help alleviate poverty.

3.2 Year Five Milestone Completion

Milestone 2.41, Review the Operations of the Duty Drawback System and Recommend Ways to Speed Refunds and Improve Monitoring of the System. A report by Holl (2002) attained this milestone. Drawbacks of duties paid on imported inputs are allowed when the final product is re-exported. However, problems have resulted from the slowness to pay the funds owed to exporters, causing economic hardship for many plus losses that might occur due to inflation, etc. Among the recommendations for solving these problems are establishment of an escrow account to assure that CEPS has the funds to pay the drawbacks in a timely manner and payment of payment in foreign currency (dollar, pound, etc.) to guard against inflation.

3.3 Milestones Not Completed During Year Four

Several (nine) milestones scheduled for year four had not been completed at the time of this report; in addition one from year three had not yet been completed. These are listed in Table 4, along with their current status. According to project personnel, substantial progress has been made on most of the nine with relatively early completion dates expected.

Milestone 1.15, Evaluate Progress Toward Milestones and Results: Work on this milestone is underway with a consultant in Ghana during the period September 22-October 31, 2002. This report will accomplish this milestone.

Table 4. Scheduled Milestones Not Completed in Year Four

Milestone	Status
1.15 Evaluate Progress Toward Milestones and Results	Underway; this report will full the milestone
2.14 Document for Monitoring Expenditure Controls (was due in year three)	Substantial progress has been made and the final document is anticipated in near future
2.23 A Strategy Brief Circulated to Achieve Consensus on Timber and Wood Export Policy	Proposal was made but not acted on by GOG, thus no progress has been
2.30 Improved and Balanced Policies for Revenue Generation	Work is ongoing
2.34 Propose the Adoption of a Methodology to Forecast Tax Revenue	Work is ongoing; partially fulfilled by courses on revenue forecasting given by Duke Univ.
2.39 Analysis of Import Exemptions, Report on Their Impact on Revenues, and Recommend Changes in Exemptions and Their Impact	Work is ongoing
2.40 Assist the Government to Implement the Recommendations from the Report “Operational, Regulatory and Policy Changes Required to Eliminate Leakages in Free Zones and Bonded Warehousing Regions”	Work is ongoing
3.8 Brief on Financial Management for Increased Access to Credit by Micro, Small and Medium Size Businesses	Work is ongoing
3.10 A Brief on Exchange Rate Management to Spur Private Sector Growth	Work is ongoing
4.11 Review Potential Strategies to Harness SSNIT Pension Contributors for Private Sector Investment	Little progress, reportedly due largely to opposition by SSNIT officials

Milestone 2.14, Document for Monitoring Expenditure Controls: This milestone was originally scheduled for year three but was delayed due, in part, to the change in Government after the December 2000 elections. However, two Ghanaians (A. Osei and P. Mensah) have been contracted to complete the work. The activity has been divided into three phases and work on the first two was completed with the following two documents: for phase one “Ghana Poverty Reduction Strategy: Proposal for Growth and Poverty Priority Programs for the 2002 Budget” and phase two “2002

Budget Policy Statement and Directives.” These documents were given to the Ministry of Finance and National Development Planning Commission. Phase three is to define program objectives for the medium-term component of the comprehensive financial management reform program of the MOF and its joint Government-Donor Financial Management Committee established in February 2002 by the Ministry of Finance and National Development Planning Commission. It is expected that work on this milestone will soon be completed, by the end of 2002 or early in 2003.

Milestone 2.23, A Strategy Brief Circulated to Achieve Consensus on Timber and Wood Export Policy: A terms of reference to accomplish this milestone was prepared with the work scheduled to begin in July subject to approval of the Minister of Lands and Forestry. However, there was a change in Ministers and it has not been approved. Thus, no progress has been made, although Sigma One personnel indicated that they plan to resume negotiations to complete the task in the near future. Thus, Sigma One intends to reopen this issue as soon as possible.

Milestone 2.30, Improved and Balanced Policies for Revenue Generation: This is an ongoing activity with work being done by Duke University and Sigma One Staff. This involves work with the Revenue Agencies Governing Board as well as with the individual agencies. This is one of the new milestones added by the April 2002 revision of the project. The new milestones 2.29 through 2.35 are all “designed to assist the Government address the issue of enhanced revenue collection” (Sigma One 2002c, p. 4). These combined activities are a major thrust of the planned program for Years 5-6. Including this milestone as a Year 4 activity, thus, appears to have been unrealistic, given that the revision was not effected until April of 2002.

Milestone 2.34, Propose the Adoption of a Methodology to Forecast Tax Revenues Relative to a Set of Exogenously Provided Macroeconomic Assumptions: This has been partially fulfilled by the “Capacity Building in the Ministry of Finance and Revenue Agencies in the Adoption of Methods to Forecast Tax Revenues” course held at Duke University June 29-July 9 for staff members and subsequent courses given in Ghana in November 2001 and January 2002. The Duke University team will return in October-November 2002 and that work is expected to complete this milestone.

Milestone 2.39, Analysis of Import Exemptions, Report on Their Impact on Revenues, and Recommend Changes in Exemptions and Their Impact: This is related to the work for milestone 2.40 and will be accomplished together with that activity.

Milestone 2.40, Assist the Government to Implement the Report “Operational, Regulatory and Policy Changes Required to Eliminate Leakages in Free Zones and Bonded Warehousing Regions:” A consultant is scheduled to be in Ghana starting November 15, 2002 to continue and complete work on this milestone.

Milestone 3.8, Brief on Financial Management for Increased Access to Credit by Micro, Small and Medium Size Businesses: Terms of reference for this activity were being developed at the time of this evaluation.

Milestone 3.10, Brief on Exchange Rate Management to Spur Private Sector Growth: There has been activity related to this milestone, but no specific activity was reported at the time of this review.

Milestone 4.11, Review Potential Strategies to Harness SSNIT Pension Contributors for Private Sector Investment: This was on hold at the time of this evaluation due to a disagreement with SSNIT over procedures to carry out the activity. However, the issues are being worked out and work on this milestone should be renewed late this year or early next year. The work on long-term savings currently underway is also related to this milestone.

4.0 CAPACITY BUILDING ACTIVITIES

Capacity building was not one of the objectives of the project as outlined in either the expected results or milestones, except indirectly as in Year Five Milestone 4.9, Plan for transition of activities to be maintained by Ghanaians. However, it is expected that Ghanaians will take over many of the functions carried out by Sigma One, which implies capacity building. This can occur in a number of ways in addition to formal training, and the activities carried out by Sigma One have resulted in substantial amounts of capacity building. A senior advisor in the Ministry of Finance indicated that one of the major contributions of Sigma One's activities was capacity building in the agencies of the Ministry, a result that is meeting one of the Ghanaian governments most pressing needs, increased capabilities in the bureaucracy. This has resulted from several activities, many of which built capacity not in the sense of formal training but through on-the-job training types of activities. However, there also were some formal training activities such as the courses on revenue forecasting by Duke University. These consisted of training for a small group of officials on the campus in North Carolina in 2001, followed by courses given in Accra in late 2001 and early 2002, where several staff members from the revenue agencies received the training. Conducting the training in Ghana enabled the number of persons trained in revenue forecasting to be increased at more reasonable costs than by taking the trainees to the U.S.

The more informal activities that have enhanced capacity in Ghana include the utilization of Ghanaian professional in the analyses carried out through sponsorship by the project. These included the 20 papers commissioned as part of the pre-NED workshops to facilitate the participatory process. The type of experience is invaluable to enable trained professional to hone their skills through practical research combined with the give and take of the critical evaluation of their results. Many professionals have few opportunities to do such work due to a lack of resources. In addition several Ghanaian professionals have gained additional experience through working with the international experts brought to Ghana under project auspices to analyze problems and issues addressed by the project. One aspect of this is how to obtain useful data in a system that does not obtain, in a routine way, the data needed for high quality policy analysis. (It might be noted that capacity enhancement in this type of activity is a two-way street.) Furthermore, capacity has been enhanced by utilization of Ghanaian economists within the project during year four, specifically Drs. Bawumia and Gockel (but they were not the first Ghanaian professionals hired on a full-time basis by the project); the employment of Ghanaians in administrative positions in the project office also contributes at the individual level. Additionally, the carrying out of the policy dialogue activities is itself a way in which capacity is enhanced, since the give and take of such a process is always educational. The project also has sponsored the travel of Ghanaian public and private sector officials for international experiences that add to their capacity to carry out their functions. This travel exposes the individuals to new or alternative approaches to solving problems. In the interviews conducted for this report, one official commented that she had been amazed at the way things were done in the U.S., and that the experience was positively affecting the way she carried out her duties for the GOG. This was done for the labor market study early in the project and a tour

is being organized for GOG and the private sector on the African Growth Opportunities Act (AGOA) for November 2002.

5.0 RESULTS OF STAKEHOLDER INTERVIEWS

This section presents brief general conclusions from the interviews held with stakeholders; note that these comments represent the views of the individuals and do not represent conclusions or recommendations of the evaluator. The interviews were conducted basically in an opened ended approach where the respondent was asked to comment on the accomplishments and deficiencies of the Sigma One activities together with future needs, i.e., there was no formal structured questionnaire and no attempt was made to guide the respondent, although follow-up questions were asked where appropriate and to assure adequate coverage of the activities carried out by Sigma One Corporation. While the results of the interviews with GOG officials and representatives of private sector organizations are used in the preceding sections, a summary should be useful in understanding the results of the Sigma One activities under TIRP. Although interviews and/or discussions were held with others (other donors, other TIRP contractors, USAID, project personnel), this summary is limited to the primary stakeholders, GOG officials and private sector representatives. In general, nearly all the respondents were aware of Sigma One and the reform programs that were being carried out. (The head of one agency was not aware of Sigma One and although he was aware reform program and of some of the activities, but not that Sigma One had sponsored them; he was new to the agency and while his agency had benefited from an early activity of the project, it had been involved in recent activities.) Nearly universally, they expressed appreciation for the work and assistance that had been provided through project activities. There also was universal support for the participatory process and for the willingness of project personnel, especially the former COP, to listen to them with respect to their problems and issues as well as to ask for their suggestions and advice about how to resolve problems, even though the project was not always able to respond to their requests.

GOG officials indicated that the government, their agencies, they individually or members of their staffs had benefited from the training, travel, analyses, technical and/or other assistance provided through Sigma One activities. Several indicated support for the reform process undertaken with the assistance of the project and felt that many of the changes would not have occurred, at least in the form they did, without the analyses carried out through Sigma One since neither the capability nor the necessary resources existed widely within the GOG for such research and analysis. Some indicated that they appreciated the involvement and input asked of them or their agency's personnel in carrying out the analyses. Most also indicated a need for the continuation of the assistance either with implementing the recommendations or for solving additional problems. Some indicated that they needed additional assistance in implementing the recommendations made by the consultants and Sigma One personnel. While this was sometimes requested in the form of additional technical assistance or training, it often was in the form of computers or other equipment (such as vehicles) which they considered to be essential for carrying out the recommendations made for improving their services, which they considered to be a severe constraint to improving their efficiency and effectiveness. (In an analysis of the IRS, however, Phillips and Valentine (2002, pp. 1-2) concluded that computers were not essential for carrying out collection activities and that the reasoning was faulty in blaming this for the failure to adopt recommended actions to improve revenue collection.)

Representatives of the private sector organizations interviewed for this evaluation were similarly laudatory about the project and its activities, especially for the opportunity to participate in the process and make contributions to it. They also believe that the current (and previous) government wants to assist the private sector, but that its actions have not always been consistent with the rhetoric, that some of their actions were sometimes steps backward with respect to enhancing the climate for private sector activities, especially some of those related to easing the process of carrying out international trade. They do, however, find the current government generally to be open and willing to listen and try to resolve the issues brought to them. One of the major complaints expressed during the interviews was dissatisfaction with liberalization, which is believed to have put small and medium sized Ghanaian firms into a situation where they cannot compete with cheap imports, often they say because the foreign governments, especially the EU and U.S., subsidize their producers. They also recognize that Ghanaian producers tend to be inefficient, to use obsolete technologies, and to produce commodities that are either low in quality or high in cost (or both). However, they believe the sudden liberalization has put them in an untenable position since they cannot obtain the credit needed to modernize; the credit is either not available or is high-cost short-term credit, which will not permit them to invest in the new technologies needed to be internationally competitive. They frequently expressed the need for government assistance to enable them to compete or the need to maintain the type of protection that the special tariffs offered them before these were reduced due to pressure on the GOG by the multilateral agencies (World Bank and IMF).

6.0 RESPONSES TO REPORTED WEAKNESSES

Yow (2002) reported a number of areas in project activities that were weak or needed improvement. Project personnel also found a number of problems with respect to the planned activities that could not be achieved for various reasons, including milestones that could not be attained. This section reports on actions that have been taken to try to resolve some of those problems and issues.

As reported in the introduction, the project milestones were revised and extended in April of 2002. Four of the old milestones were replaced by new ones, primarily because no progress had been made on the old ones which were concerned with bank supervision activities and the BOG was not interested in having Sigma One work on those activities. This may have been due, in part, to the fact that the BOG had other assistance on bank supervision activities.

Among the activities that Yow (2002) reported as needing attention was “follow through,” where it was stated that inadequate resources were devoted to implementation of the recommendations coming out of the analytical activities. Yow (p. 29) indicated that this was due to a lack of technical assistance for implementation, but the interviews conducted for this report seemed to be that the agencies involved wanted physical inputs such as computers, vehicles, and training as well as technical assistance. The project was not designed to provide those kinds of physical inputs and, thus, it may be inappropriate to criticize the project for not doing what it was not supposed to do. None-the-less, project designers should be aware of this viewpoint and take it into consideration when designing future activities and to determine what, if any, impact such factors have on achieving policy reform implementation; in some cases this seemed to be merely an excuse for failure to carry out recommended reforms (see Phillips and Valentine 2002). With respect to “implementer attention” it was suggested that, “working with implementers to accomplish smaller projects would likely be more successful than a Sigma One representative sitting with policymakers.” However, if policy reforms are not made there will be little or nothing to

implement. Thus, this appears to be an issue of balance among the activities as well as the scope, with fewer, more intensive activities being an alternative to design a policy reform project. An advantage to the broad type of project as that being implemented by Sigma One is that when some subset of activities fail (as in the case of the bank examination milestones), alternatives exist where the resources can be utilized.

It also was recommended that Sigma One use more local personnel, as in the case of the then proposed monetary economist. The hiring of the local monetary economist was approved and was working for Sigma One. In addition, another Ghanaian economist has been employed to assist with economic analyses and to assist with implementation activities. It also should be noted that Sigma One has employed a number of Ghanaian individuals and firms to carry out or assist with the analyses for policy reform and financial market improvements. This has grown as the project matured and as more was learned about local talent that is available for use on project activities. One Sigma One employee indicated that it was sometimes difficult to utilize Ghanaian organizations since they just wanted to be given the money and allowed to do the work as they saw fit, a situation that was not conducive to the quality control and contrary to the procedures required for utilization of the project funds and documentation of the proper use of those funds.

Yow noted that it was recommended that Sigma One increase the publicity about its findings, but also noted that it might be inappropriate Sigma One to publicize the work it does for the government. This continues to be the case but it should be noted that hardly a day goes by there is not something in Ghanaian newspapers that incorporates the types of analyses and results of the reports given to GOG agencies and/or from the private sector and that contains materials developed and used in the participatory process. While it may not be possible to determine the precise impacts of project activities on this type of information dissemination, it is reasonable to assume that at least some of the information probably originated from project activities. It could be considered a success of the project to see these issues being raised by Ghanaians who have a stake in the outcome of the policy process and who now have a better opportunity to participate in such activities.

7.0 CONCLUSIONS

As in any large, multifaceted activity, the Sigma One Improved Policy Reform and Financial Intermediation Project shows mixed results, although the successes outweigh the failures. The project is generally on schedule in achieving the milestones set out in its performance-based contract and most of the expected results are being attained. A few of the expected results, especially those in Task 2 concerned with improvements in the financial system, have not been achieved and probably will not be reached by the scheduled termination of the activities (September 30, 2003). An example is the failure to achieve an increased share of credit going to the private sector since large government deficits remain and command too large a share of available credit. This lack is attributable, in part but not exclusively, to the actions of the Government of Ghana. The private sector is not blameless since firms applying for loans often do not have a good financial plan or well defined project that justifies the loan. As a result of the Presidential and Parliamentary elections in 2000, the GOG became more concerned with the election than with maintaining fiscal discipline, resulting in an increased deficit and the consequent unfavorable effects on inflation, the exchange rate, etc. The opposition was elected in spite of the increased spending, but it then took some time for the new government to get organized and establish its priorities. While there were some setbacks, the final result appears to have been favorable to the project's activities due the new

administrations strong advocacy of the private sector and the consequent adoption of the participatory process as exemplified by the National Economic Dialogue.

Policy reforms have been carried out by the GOG, although not all of those anticipated have been fully implemented and at times some of the reforms have been suspended or even reversed. There have been several significant reforms in both macroeconomic policy and financial sector that have been implemented and sustained over a period of years. However, because of incompleteness, inconsistency, and other factors the country has not achieved the growth rates needed to grow rapidly and reduce poverty significantly. While it has grown at around 4 percent per year, this is only about half of what would have been required to meet the previous government's Vision 2020 goals. The current government has announced the goal of increasing per capita income to \$1,000 by 2010, which would require a growth more than four times the average rate of recent years.

Additional reforms have been made since the new administration was elected in December of 2000. One of the notable improvements was the new governments adoption of and strong commitment to the participatory process. While the private sector has been disappointed by some of the GOGs actions, they tend to find the business friendly approach favorable and are guardedly optimistic about further improvements. Most recognize that the country faces enormous challenges in overcoming the problems of inflation, revenue generation, deficits, international trade, debt servicing, and attracting investment.

The private sector recognizes and appreciates the work that Sigma One has done and that they are part of the participatory process and listened to by the GOG. However, they also feel that many of the changes that have been made have not benefited the sector, especially the small and medium size firms that typify the Ghanaian economy. They feel that the liberalization process has harmed them by opening up the market where they are not able to compete for a number of reasons including subsidies that foreign firms receive from their governments (especially farm subsidies), continued very high interest rates, lack of long term credit that prevents investment in the modern technologies needed to become competitive, high taxes, etc. They also find that governmental processes are still burdensome, especially those dealing with trade where the promised one stop office has not become a reality. Many, however, remain overly dependent on government and tied to the view that the government should protect or assist them financially or in other ways, although some others view government and/or governmental interventions as the source of their problems.

The most successful part of the Sigma One part of the TIRP has been the evolving participatory process, which has enabled stakeholders to have a voice in developing the policies and programs that affect them. This reached high point in the 2001 National Economic Dialogue but has been continued and is becoming an accepted approach by the GOG. Due, at least in part, to the participatory efforts promoted by Sigma One, such activities are becoming an important part of the Ghanaian policy development process. It typifies the approach taken by Sigma One in assistance provided to Ghana. This approach together with related activities has also contributed significantly to capacity building within both the public and private sectors in Ghana. Despite the successes, it must be recognized that the process is far from complete and that the ambitious growth goals of the GOG have not been attained.

The least successful part of the project, from the viewpoint of the expected results package, is the reform of the financial sector sufficiently to increase the amounts of credit going to the private sector and to reduce firms dependence on self-financing for expansion. This is largely due to

continued large borrowing by the GOG to finance its large deficits, a situation that crowds out the private sector. It is also a factor in the continued relative non-competitiveness of the financial sector as banks can earn a good rate of return by investing in short-term treasury bills. The recently passed Bank of Ghana Act, which makes the central bank more independent and limits its ability to lend to the public sector, may portend the beginning of a more vigorous and effective financial sector, but such effects have not yet become apparent.

References

Centre for Policy Analysis (CEPA). 2002. *Ghana Economic Review and Outlook: 2002*. Accra.

Chartey, Naomi. 2002. "House to Look at President's Vision to Raise Per Capita Income." Accra: *Daily Graphic*, October 8, p. 20.

Colyer, Dale. 2000. *Year Two TIRP Report*. Research Triangle Park, NC: Sigma One Corporation.

Conrad, Robert. 2002. *A Review of the Ghana Revenue Board (RAGB) Program Objectives and Activities*. Research Triangle Park, NC: Sigma One Corporation.

Daily Graphic. 2002. "Public Notice: Conference on National Vision." Accra, October 10, p.1.

Duke University. 2002. *Tax Analysis and Revenue Forecasting Course: Sigma One Corporation, Accra, Ghana, November 2001 to February 2002*. Research Triangle Park, NC: Sigma One Corporation.

Economist Intelligence Unit (EIU). 2002. *Ghana: Country Report, July 2002*. London.

Franklin, Ralph. 2001. *Private Sector Issues for the Ghanaian Poverty Reduction Strategy*. Research Triangle Park, NC: Sigma One Corporation.

Goodwin, Joseph B. 2002. "End of Tour Report for Trade and Investment Reform Program Covering the Period July 30, 1998 – September 26, 2002." Accra: Sigma One Corporation.

Goodwin, Joseph B., Emmanuel Owusu-Afriyie, Emmanuel Addison, and A. Fritz Gockel. 2002. "The Non-traditional Export Sector: More Dynamic than the Aggregate Numbers Suggest. Working Paper No. 3, Accra: Sigma One Corporation.

Government of Ghana (GOG). 2002a. *Ghana Poverty Reduction Strategy: An Agenda for Growth and Prosperity*. Accra.

Government of Ghana (GOG). 2002b. *National Economic Dialogue: Action Plan 2002*. Accra: Ministry of Economic Planning and Regional Cooperation.

Holl, John R. 2002. *Operational, Regulatory, and Policy Changes Needed to Facilitate Drawback Payment and Improve Monitoring of the Drawback System*. Research Triangle Park, NC: Sigma One Corporation.

Institute of Statistical, Social and Economic Research (ISSER). 2001. *The State of the Ghanaian Economy*. Legon, Ghana: University of Ghana.

ISODEC. 2002. "An Open Letter to His Excellency, the President of the Republic of Ghana, John Agyekum Kufuor." Accra: *Daily Graphic*, pp. 17ff.

Kwateng, Mark-Anthony. 2002. "Effective Corporate Governance – How Ready is Corporate Ghana?" Accra: *Business and Financial Times*, October 21-27, p. 13.

Lavados M., Hugo. 2002. *The Chilean Pension System as a Model for Pension Reform*. Research Triangle Park, NC: Sigma One Corporation.

Levy, Philip. 1994. "Incentives, Investment and Growth in the Non-Traditional Export Sector in Ghana." Accra: Sigma One Corporation.

Lyimo, Theo N. 2002. *Operational, Regulatory and Policy Changes Required to Eliminate Revenue Leakages in Free Zones and Bonded Warehousing Systems*. Research Triangle Park, NC: Sigma One Corporation.

Mpare, Clifford. 2002. *Using Innovative Financial Instruments in Ghana's Current Economy*. Research Triangle Park, NC: Sigma One Corporation.

National Bond Market Committee. 2002. *Report on the Proceedings of a Workshop: Debt Markets for the Golden Age of Business*. Accra, Ghana: National Bond Market Committee.

Nunoo, Chris, 2002. "Citrus Growers Association Inaugurated." Accra: *Daily Graphic*. October 25, p. 19.

Okine, Charles Benomi. 2002. "National Vision Confab Opens." Accra: *Daily Graphic*, October 12, pp. 1,3.

Okine, Charles Benoni and Enyonam Korsorku. 2002. "No Fuel Price Increase." Accra: *Daily Graphic*, October 17, pp. 1,3.

Osafo-Maafa, Yaw. 2002. *The Budget Statement and Economic Policy of the Government of Ghana for the 2002 Financial Year*. Accra: Ministry of Finance.

Owusu-Afriyie, Emmanuel, Joseph Goodwin, Mahamadu Bawumia, and A. Fritz Gockel. 2002. *Exchange Rate Policy in the 1990's in Ghana: Calculating Indices of Real and Nominal Effective Exchange Rates*. Research Triangle Park, NC: Sigma One Corporation.

Owusu-Afriyie, Emmanuel, Joseph Goodwin, and A. Fritz Gockel. 2002. *Competitiveness of Rice Production in Northern Ghana: An Analysis of Nominal and Effective Protection*. Research Triangle Park, NC: Sigma One Corporation.

Phillips, Robert and James Valentine. 2002. *A Review of the Ghana Internal Revenue Service (IRS) Delinquent Account Procedures*. Research Triangle Park, NC: Sigma One Corporation.

Private Enterprise Foundation (PEF). 2001. "Impact Study of the Special Tax on Certain Imported Products." Accra.

Private Enterprise Foundation (PEF). 2002. "Mid-Year Review of the Performance of the Economy in 2002." Accra.

Sigma One Corporation. 1999. *Year One TIRP Report*. Research Triangle Park, NC.

Sigma One Corporation. 2000. *Ghana Labour Act, 2000: Draft and Tirpartite Review Comments*. Research Triangle Park, NC.

Sigma One Corporation. 2001. *Proposal to Help Sustain Economic Reforms Underway in Ghana: Revised Technical Proposal*. Research Triangle Park, NC.

Sigma One Corporation. 2001b. *Retreat to Discuss the Draft Labour Bill*. Research Triangle Park, NC.

Sigma One Corporation. 2002a. *Proceedings of the National Economic Dialogue Conference, May 29, 2002, Accra, Ghana*. Research Triangle Park, NC.

Sigma One Corporation. 2002b. *Quarterly Meetings of the Financial Sector Working Group*. Research Triangle Park, NC.

Sigma One Corporation. 2002c. *Government of Ghana Budget*. Research Triangle Park, NC.

Whitworth, William K. 2002. *Divestiture Valuation Methodology Assistance Provided to the Divestiture Implementation Committee (DIC)*. Research Triangle Park, NC: Sigma One Corporation.

Yevugah, Lord C.M. and Toma Imirhe. 2002. "World Bank, IMF Concerned About Ghana's Rising Debt." Accra: *Business and Financial Times*, October 14-20, pp. 1-2.

Youngblood, Curtis. n.da. "Current State of the Financial Sector: Overexposed to Foreign Currency and Non-Performing Loans." Research Triangle Park, NC: Sigma One Corporation.

Youngblood, Curtis. n.db. "The Role of the Financial Sector in the Poverty Reduction Strategy." Research Triangle Park, NC: Sigma One Corporation.

Yow, Leigh Anne. 2002. *Review of Progress Toward Milestone Accomplishment and Achievement of TIRP Results: Year Three (July 2000 – June 2001)*. Research Triangle Park, NC: Sigma One Corporation.

APPENDIX: LIST OF PERSONS INTERVIEWED OR CONTACTED

Sigma One Ghana: J. Goodwin, B. Whitworth, A. Sattar, A. F. Gockel, R. Franklin

USAID–Ghana, F. Sands, J. Manarolla, A. O. Yeboah,

Government of Ghana

Ministry of Finance: Tony Osie, Advisor to the Minister
Value Added Tax (VAT) Service: George Blankston
MOF--International Relations Division: Eddie Safo Kwakye
Internal Revenue Service: Janet Opuku-Akyeampong
CEPS: Boohene Osafo
RAGB: Harry Owusu

Bank of Ghana: Teresa Ntim

Ministry of Manpower Development and Employment: Bernice Welbeck

Ministry of Agriculture: Abdel-Majeed Haroun, Emmanuel Agry-Fynn

Ghana Stock Exchange: F. D. Teneboa

Private Sector Organizations:

SEM: Sam Mensah
Federation of Associations of Ghanaian Exporters (FAGE): Augustine Adongo
Centre for Policy Analysis: Joe Abbey
Private Enterprise Foundation: Jesse Clottey
Association of Ghana Industries: Andrew Lawson

Other Donor Organizations:

AMEX International: C. David Esch
Technoserve: Nicholas Ralston-Brown
World Bank: Daniel Boekeye
DFID Ghana Trade Policy Project: Mark Hellyer