

AN ASSESSMENT OF THE EUROPEAN  
UNION'S DEVELOPMENT AID POLICY  
FOR THE AFRICAN, CARIBBEAN AND  
PACIFIC (ACP) COUNTRIES:  
THE CASE OF GHANA

BY

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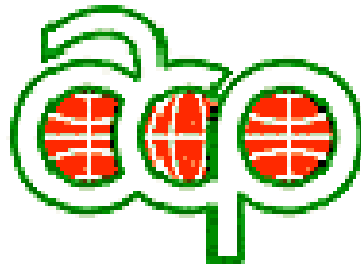
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## Abstract

The aim of this study has been three fold; to ascertain the extent to which the implementation of EU development aid in Ghana is in line with the 2005 Paris Declaration which has been adopted as the international benchmark to make aid more effective in poverty reduction, evaluate the role played by Ghana as an aid-dependent country participating in the Declaration as well as evaluate the appropriateness of the Declaration itself as new ways are sought to improve aid effectiveness.

The study finds that; the European Union is not fully complying with the principles of the Paris Declaration even though it has made advancement on some of its indicators. EU aid in Ghana promotes the country's ownership, fulfils the mutual accountability and partly satisfies the alignment principles. However, EU has decreased its uses of Ghana's Public Financial Management (PFM) systems and Ghana procurement systems as required by the Declaration. EU co-ordination of technical co-operation in Ghana is also poor and not in line with its commitment to the Declaration. The Union has increased its Parallel Implementation Units (PIUs) in Ghana although it is to reduce them and has failed to increase its use of Programme Based Approach and joint donor field missions and analytical works in Ghana as required by the Declaration.

On Ghana, on the positive side has institutionalised ownership and alignment of aid financing programmes with the implementation of GPRS II and other policy initiatives in agreement with the Declaration. However, it is found that Ghana's compliance with the "managing for result" principles is weak because of inefficient use of data on development strategies.

Regarding the appropriateness of the Paris Declaration for aid effectiveness, this study finds that, the Declaration has become a necessary and global catalyst for improving aid effectiveness with its benchmarks. However, international development stakeholders need to properly consider the realities and the politics of implementing international agreements such as the Paris Declaration and give enough time for countries to reform their systems. The fact that the Declaration is not binding also makes its full compliance doubtful.

Based on its findings, this study makes recommendation to the European Union, the Government of Ghana and all international development stakeholders to actually implement policies that will lead to the full achievement of the Paris Declaration because it has proven to be an important step to improving aid effectiveness in Ghana and elsewhere.

## Acknowledgement

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## Dedication

*I have the singular honour and privilege to dedicate this piece of work to all friends and love ones whose supports and encouragements have been instrumental in my life, particularly; Apostle and Mama Kyei Mensah (COP, Ghana), Mr Emmanuel Kyei-Mensah, Mr and Mrs Boakye (Adom Super Block Ltd, Kumasi), Mr Frederick Asare (Accra), Elder Emmanuel Boate (C.O.P, Ghana), Mr Joseph Dadzie, The Nimako-Boateng family (Accra), Uncle Jude Hamah (General Director, SU-Ghana), and all the first batch students of Mundus MAPP Programme for the confidence reposed in me as their student and EMA General Assembly Representative which made life most memorable in the past two years.*

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## Acronyms

|         |                                                       |
|---------|-------------------------------------------------------|
| ACP     | Africa, Caribbean and Pacific countries               |
| BPEMS   | Budget and Public Expenditure Management System       |
| CG      | Consultative Group                                    |
| CEE     | Central and Eastern European                          |
| CDF     | Comprehensive Development Framework                   |
| CPIA    | Country Policy and Institutional Analysis             |
| CSS     | Country Support Strategy                              |
| EC      | European Commission/Community                         |
| ECD     | European Consensus on Development                     |
| ECHA    | European Communities Humanitarian Aid                 |
| ECHO    | European Communities Humanitarian Office              |
| EDF     | European Development Fund                             |
| EPA     | Economic Partnership Agreements                       |
| EU      | European Union                                        |
| HLF     | High Level Forum                                      |
| DAC     | Development Assistance Committee (OECD)               |
| GAS     | Ghana Audit Service                                   |
| G-HAP   | Ghana Harmonisation and Aid Effectiveness Action Plan |
| G-JAS   | Ghana Joint Assistance Strategy                       |
| GNI     | Gross National Income                                 |
| GPRS II | Growth and Poverty Reduction Strategy                 |
| GPRS I  | Ghana Poverty Reduction Strategy                      |
| IMF     | International Monetary Fund                           |
| MDA     | Ministries, Agencies and Departments                  |
| MDGs    | Millennium Development Goals                          |
| MOFEP   | Ministry of Finance and Economic Planning             |
| MS      | Member States (of EU)                                 |

|       |                                                          |
|-------|----------------------------------------------------------|
| MTEF  | Medium Term Expenditure Framework                        |
| NDPC  | National Development Planning Commission                 |
| NIP   | National Indicative Programme                            |
| NGO   | Non-Governmental Organisations                           |
| ODA   | Official Development Assistance                          |
| ODF   | Official Development Finance                             |
| OCT   | Overseas Countries and Territories                       |
| OECD  | Organisation for Economic Co-operation and Development   |
| PBA   | Programme Based Approach                                 |
| PD    | Paris Declaration                                        |
| PFM   | Public Financial Management                              |
| PHARE | Poland - Hungary Aid for Reconstruction of the Economies |
| PIU   | Parallel Project implementation Units                    |
| PRBS  | Poverty Reduction Budgetary Support                      |
| PRSP  | Poverty Reduction Strategy Paper                         |
| SWAp  | Sector-Wide Approach                                     |
| UN    | United Nations                                           |
| WB    | World Bank                                               |

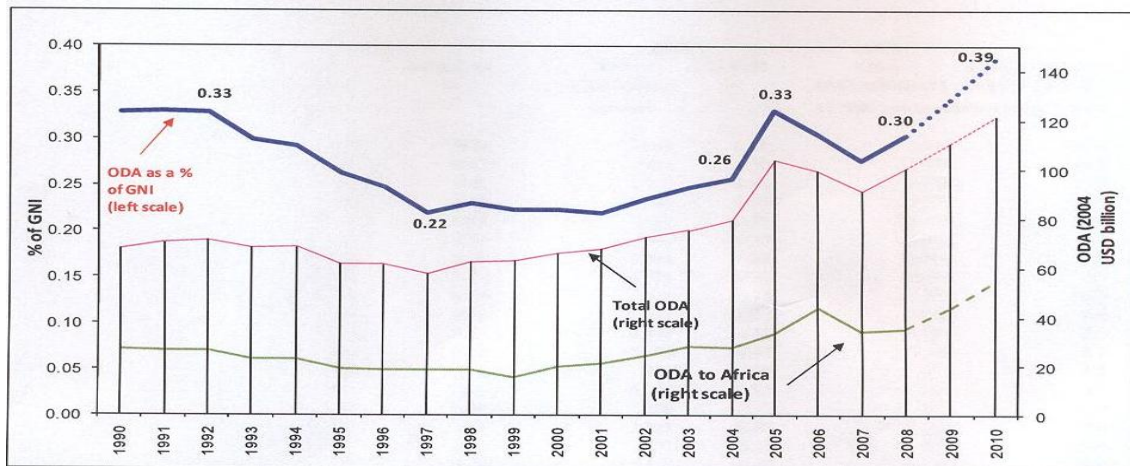
## Introduction: Aid and Development in the World

*“Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos” George Marshall, US Secretary of State, 5<sup>th</sup> June 1947.*

The history of aid goes back to the middle of 19<sup>th</sup> century with the United States’ ‘Marshall Plan’ which was initiated to rebuild Western Europe. Subsequently, the operations of the United Nations Organisation and its agencies and programmes by the European Union in dispensing financial and technical assistance to poor nations in world became a practice (see Hjertholm and White, 2004:6, Hunt, 2008:75, Lancaster, 2007). Currently, development aid includes the European Union (EU) and its Member States’ (MS) aid to Africa, the Caribbean and the Pacific (ACP), international support to rebuilt Afghanistan, and the UN’s Millennium Development Goals (MDGs) programme for poor countries. There has thus become a conventional wisdom that development assistance to poor nations helps them to develop (see for instance Carbone, 2007; Cassen *et al*, 1994; Collier, 2007).

The 2008 OECD preliminary data for Gross Official Development Assistance of the DAC indicates a general percentage increase of 9.1 while the net Official Development Assistance (ODA) since 2002 has been increasing and according to preliminarily aid projection by the DAC for 2010, will continue to see increment as shown in figure 1 below. In effect, contrary to opposing views, aid is widely believed to be helpful and has come to stay as it has become an international norm for rich nations to help poor nations.

**Figure 1. DAC Members net ODA from 1990 to 2007 and OECD Simulation on net ODA for 2008 -2010 (based on public announcements of DAC countries and net multilateral disbursements)**



**Source: OECD, 30 March 2009**

## 1. The Paris Declaration on the Management and Delivery of Development Aid

The wide consensus on the need to improve aid effectiveness even as aid volume increase led to the adoption of five main principles of aid management in Paris in 2005 by Development Assistance Committee (DAC) of the OECD, the European Commission and other international development stakeholders.<sup>1</sup> It is believed that the five principles (ownership, alignment, harmonisation, managing for result and mutual accountability) will improve the impact of aid.<sup>2</sup>

<sup>1</sup> See Appendix B of the Paris Declaration (page 12) for the full list of participating countries and institutions at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

<sup>2</sup> See full statement of the Paris Declaration at: [www.oecd.org/dac/effectiveness/parisdeclaration](http://www.oecd.org/dac/effectiveness/parisdeclaration)

## **2. The European Union's Development Aid for African, Caribbean and the Pacific Countries**

The EU has adopted the Paris Declaration (PD) to improve its aid to developing nations including Ghana. Countries in Africa, the Caribbean and the Pacific regions are the major recipients of development aid from the European Community because they constitute the majority of aid-dependent nations. EU is therefore one of the multilateral donors that has (based on its commitment to the MDGs) increased its aid through the European Development Fund (EDF) to ACP countries - currently consisting of 79 countries<sup>3</sup> (See Matthews, 2007:504-511 for details).

Ghana as one of the ACP countries has been a beneficiary of EU aid since the 1960s (See Figure 2 below). It could be seen that the European Commission provided 90 Million USD to Ghana between 2005 and 2007 to be one of the greatest providers of development assistance to the country. Currently the Commission is financing several programmes in Ghana especially in macro-economic budget support, rural development, and transport and infrastructure development.

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<sup>3</sup> The ACP group of states are the EU categorisation of Africa, the Caribbean and the Pacific countries which share common economic and developmental needs. For the list of the ACP countries visit [http://www.acpsec.org/en/about\\_us.htm](http://www.acpsec.org/en/about_us.htm)

**Figure 2. Ghana's ODA Receipts from 2006-2007**

**Ghana**

| Receipts                        | 2005  | 2006  | 2007  |
|---------------------------------|-------|-------|-------|
| Net ODA (USD million)           | 1 147 | 1 176 | 1 151 |
| Bilateral share (gross ODA)     | 54%   | 51%   | 62%   |
| Net ODA / GNI                   | 10.9% | 9.3%  | 7.6%  |
| Net Private flows (USD million) | 967   | 555   | 499   |

| For reference              | 2005 | 2006 | 2007 |
|----------------------------|------|------|------|
| Population (million)       | 22.5 | 23.0 | 23.5 |
| GNI per capita (Atlas USD) | 440  | 510  | 590  |

| Top Ten Donors of gross ODA (2006-07 average) | (USD m) |
|-----------------------------------------------|---------|
| 1 IDA                                         | 2 154   |
| 2 IMF (SAF,ESAF,PRGF)                         | 253     |
| 3 AfDF                                        | 218     |
| 4 United Kingdom                              | 161     |
| 5 Netherlands                                 | 120     |
| 6 EC                                          | 90      |
| 7 United States                               | 70      |
| 8 Denmark                                     | 69      |
| 9 Canada                                      | 66      |
| 10 Germany                                    | 56      |

**Source: OECD, World Bank: [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)**

### 3. Research Problem

A consensus on the need to improve the effectiveness of aid led to the groundbreaking adoption of Paris Declaration - a common measure in a global effort to improve aid effectiveness in 2005. But what difference has the adoption and implementation of the Paris Declaration made? Little attention has been paid to this in the academia, leaving the evaluation of the improvement of aid and the application of the principles to individual development partners and OECD.<sup>4</sup> Since 2005, all leading development partners and agencies have been reforming their aid policies and procedures to achieve the targets set in the PD. This study therefore provides an independent assessment of the post Paris Declaration development aid management

<sup>4</sup> The OECD has set a committee that is in charge of global monitoring of the implementation of aid since 2006

using the biggest multilateral donor (the EU) and one of the highest recipients of aid (Ghana)<sup>5</sup> as a case.

#### **4. The Objectives of the Study**

It is therefore the aim of this study to undertake an assessment of the European Union's development aid policy for the ACP countries in the context of the Paris Declaration using Ghana as a case and to make recommendations to the European Commission, the Government of Ghana and generally to the stakeholders of international development aid for practice.

#### **5. Research Questions**

To achieve the above aim, the main research questions for this study will be; to what extent is the dispensation of EU development aid to ACP countries and specifically to Ghana in consonance with the 2005 Paris Declaration? And how has Ghana as an aid recipient nation been a 'good' partner for its own development in line with the principles? Finally, the study looks into the extent to which the Paris Declaration has improved aid effectiveness in Ghana.

#### **6. Methodology**

The study is mainly qualitative in methodology. Primary and secondary EU aid policy and related policy documents are obtained online and from printed journals and books for analysis. Interviews of EU officials (in Brussels and the Commission

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<sup>5</sup> According to OECD/DAC 2008 statistics on aid, Ghana is one of the top ten ODA recipients out of the 53 countries in Africa.

Delegation to Ghana) and officials from the Ministry of Finance and Economic Planning (MOFEP) of Ghana are conducted to ascertain additional information on the practice of EU Development aid in Ghana. The primary and secondary data obtained are then analysed within the five main principles adopted in the Declaration to arrive at recommendations for EU, Ghana and other development aid stakeholders.

## **7. Framework of Analysis**

With the adoption of the five criteria in the Paris Declaration as the benchmark for evaluating how effective international aid is to poor nations, this study uses it as the framework for analysing how EU aid has been dispensed in the past four year in Ghana. Several reasons make the use of the PD imperative in this study. Firstly, major development partners – donor countries, aid recipient countries and multilateral aid agencies and organisations - have endorsed the Declaration as the framework by which aid could achieve its needed impact on poverty reduction. Secondly, the Declaration incorporates 2010 targets to be met by all development stakeholders for monitoring purposes. Thirdly, the Declaration contains clear cut, common and globally accepted methodology for measuring aid effectiveness with 2006 as the base year.<sup>6</sup> Finally, annual country reports on donors and recipients on the implementation of the Declaration by OECD makes data readily available for independent analysis such as what this study does.

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<sup>6</sup> See Apendix A of the Paris Declaration for the details of the common methodology for monitoring the Paris Declaration.



## **8. Importance of the Study**

This study contributes to literature on the effectiveness of development aid and its impact on the development of developing nations. Its findings will underlie the importance of the PD on effectiveness of aid to developing nations. This study will specifically be useful to the European Union's and Ghanaian policy makers on development aid. Academics and professionals in sub-disciplinary study of public policy, development administration and international development actors will find this study useful.

## **9. Organisation of the Study**

This introductory chapter has highlighted the need for a study on aid effectiveness. Chapter one offers literature review of the study while chapter two focuses on explaining EU Development Aid Policies. Chapter three then applies the framework of analysis for the assessment of EU Aid dispensation in Ghana. Chapter four concludes the study.

# **Chapter 1: International Development Assistance in Perspective**

In this chapter the relevant discourses on aid are reviewed to determine the niche for this study. It begins with clarification of some terminologies of aid according to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), proceeds with debates on the effectiveness of aid and EU aid to the ACP countries. The chapter argues that, there is the need for an assessment of EU Aid delivery in Ghana since its adoption of the Paris Declaration.

## **1.1. The Characteristics of Development Assistance**

Various terms are used to describe the money, goods and services (technical assistance) transferred from rich countries to the developing nations as aid. One of such terms of concern to this study is Official Development Assistance (ODA), which is described by the OECD as grants or loans from the Development Assistance Committee (DAC) members<sup>7</sup> to developing countries and multilateral agencies undertaken by official sector mainly for the promotion of economic development and the welfare of the developing nations at concessional financial terms with a grant element of 25% (See OECD online Glossary). A related term, which is not the focal point of this study, is humanitarian aid. Its concerns the humanitarian interventions delivered to save lives during crises such as hunger and natural disasters to alleviate

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<sup>7</sup> See the 23 current members of the DAC at:  
[http://www.oecd.org/document/38/0,3343,en\\_2649\\_34603\\_1893350\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/38/0,3343,en_2649_34603_1893350_1_1_1_1,00.html),  
accessed on 3 August 2009.

suffering and safeguard human dignity.<sup>8</sup> In this study, development assistance and aid are used interchangeably and both refers to the ODAs Ghana receives from the EU.

## **1.2. The Effectiveness of Aid as Instrument for Economic Growth**

Since the beginning of international aid (See Cassen *et al.*, 1994; Hjertholm and White, 2004; Hunt, 2008:74-75; Lancaster, 2007: 25-40), different reasons have been given as the motivations for donors, for which reason aid effectiveness for development is subjected to huge debate. But the overriding purpose of aid currently is for the contribution of development that might be impossible without aid (See Collier, 2007 and Sachs, 2005). Nonetheless, diverse opinions abound on aid but mainly it is between abolishing it totally or continuing and improving its effectiveness to poverty reduction in the recipient countries. With the increases in aid in the past decade as a result of global efforts made to mobilise more aid for the world's poorest nations (See Collier, 2007 and Sachs, 2005), it is rather the making of aid as a development instrument more effective, that has received huge academic interest.

Believers in aid benefits argue for its continuation. For instance, the OECD, World Bank and the International Monetary Fund (IMF) funded studies find that “the majority of aid is successful in terms of its own objectives’ (Cassen *et al.*, 1994)<sup>9</sup>

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<sup>8</sup>See OECD discussion on Humanitarian aid:

[http://www.oecd.org/document/10/0,2340,en\\_2649\\_33721\\_34983626\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/10/0,2340,en_2649_33721_34983626_1_1_1_1,00.html), accessed on 3 September, 2009

<sup>9</sup> Several contributing studies were accumulated in this report which was headed by Robert Cassen.

although there is room for improvement. From this perspective, it is argued that over a wide range of sectors and countries, development assistances have had positive and invaluable contributions (See Cassen *et al.*, 1994:225, Carl-Johan *et al.*, 2001, 2003 and Dollar and Burnside, 2000).

Contrarily, others argue that aid does not lead to the needed development because it does not create the needed incentives that ensure accountable and transparent aid officials (See Easterly, 2003; 2006, and 2007a; Moyo, 2008, and Weissman *et al.*, 1975). However, while opponents of aid make logical arguments, since other reasons rather than aid could equally account for the underdevelopment of poor countries, it should not be abandoned. For instance, Moyo's call for aid to be phased out and be replaced with trade is contestable. Aid only needs to be improved as has been recognised by development partners since 2005 with the adoption and implementation of the Paris Declaration – whose viability, this study will ascertain.

### **1.3. The European Union as a Multilateral Donor**

Apart from general studies on aid above, some scholarly works have focussed specifically on the EU as a multilateral donor. Some have traced how the European Union became a global leader of aid through a chequered history (See Mathews, 2007, Hoebink and Olav, 2006 for details), the budgetisation of the European Development Fund (Fernanda Faria and Koulaïmah-Gabriel, 1998), assessing the impact of EU development aid (Lestrade *et al.*, 2007), and how the European

Commission is effectively handling aid on behalf of its member states (Dearden, 2008 and Carbone, 2007). The gap this study comes to fill on EU aid literature is on the extent to which the European Commission has implemented the Paris Declaration since its adoption in 2005 as one of its proponents and how the Declaration has made aid effective in delivering development to poor nations.

#### **1.4. Africa, Caribbean and the Pacific Countries and Aid-Dependence**

At the regional level, the literature on aid to Africa, the Caribbean and the Pacific countries since the late 1950s have been on explaining why the ACP countries are dependent on numerous bilateral and multilateral assistances.<sup>10</sup> Jerker Carlsson *et al.*, (1997) have done country studies of the determinants of aid effectiveness in Africa while other studies have focussed on the justification for continuous aid to Africa (See McCord *et al.*, 2005). Some studies are on predictability of budget aid (Oya Celasun and Jan Walliser, 2005), and the financing of Africa's future growth and development (Aryeetey, 2004). These studies border on increasing and making aid more effective to the ACP countries thereby enhancing the achievement of development that has so far eluded them. This current study focuses on how the adoption of a global measure to make aid effective have worked since 2005 using the EU and Ghana as reflection points.

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<sup>10</sup> ACP countries receive 52% of total development financing from the EU (See Europstep, 2007:5).

### **1.5. Ghana: A Recipient of International Development Assistance**

At the national level, Ghana continuous to be known as favourite destination for aid mainly from the EU and its Member States, Japan and the United States, the Scandinavian countries as well United Nations agencies - "Ghana by African standards is heavily aided..." (Hammond, cited in Orla Ryan, 2006:1). So, Ghana is aid-dependent but the expected benefits of aid have been elusive in some cases due to problems such as tied aid (See Aryeetey *et al.*, 2003). Quartey (2005) has looked at innovative ways to make aid effective in Ghana. Currently, there is little knowledge on the practice of the Paris Declaration in Ghana. Four years of its implementation, how the Paris Declaration on Aid Effectiveness has been applied by the EU and Ghana, needs to be assessed. That is what this study brings to the literature - an assessment of how the PD has contributed to EU aid effectiveness in Ghana since 2005.

### **Conclusion**

This chapter has reviewed a representative of the essential literature on development assistance in which to situate the policy study on EU aid policy for the ACP countries- using Ghana as a case. Despite the debates on aid, recent years have seen it increasing. The chapter thus reveals that, the making of aid effective is paramount to all development partners and that is why this study contributes to the literature with the assessment of EU aid and the application of the Paris Declaration. The next chapter introduces the specificities of the EU Aid Policy to make way for assessing its alignment with the Paris Declaration in Ghana.

## Chapter 2: Development Assistance Policies of European Union

This chapter focuses on EU development policy regarding the ACP countries and demonstrates how the EU has become the highest multilateral donor to them for which reason the effectiveness of its development aid is crucial to study. It begins with current state of EU global aid, traces the evolution of EU development co-operation policies, and discusses the EDF as well as regional and thematic strategies EU has initiated in its development co-operation with the ACP countries.

The 2008 annual report on the European Union's development and external assistance policies and their implementation published in 2009 shows that the European Union continues to be the world's leading development aid donor, accounting for 60% of world aid in 2008 by committing 12 billion Euros to development assistance.<sup>11</sup> This is confirmed with the latest aid data from the OECD/DAC for 2008 as shown in Table 1 below. It can be seen that that the Commission contributed 39% of total net ODA to be the number one multilateral donor in continuation of what it has been doing since 1970s - increasing its development aid as also demonstrated in Figure 3 below.

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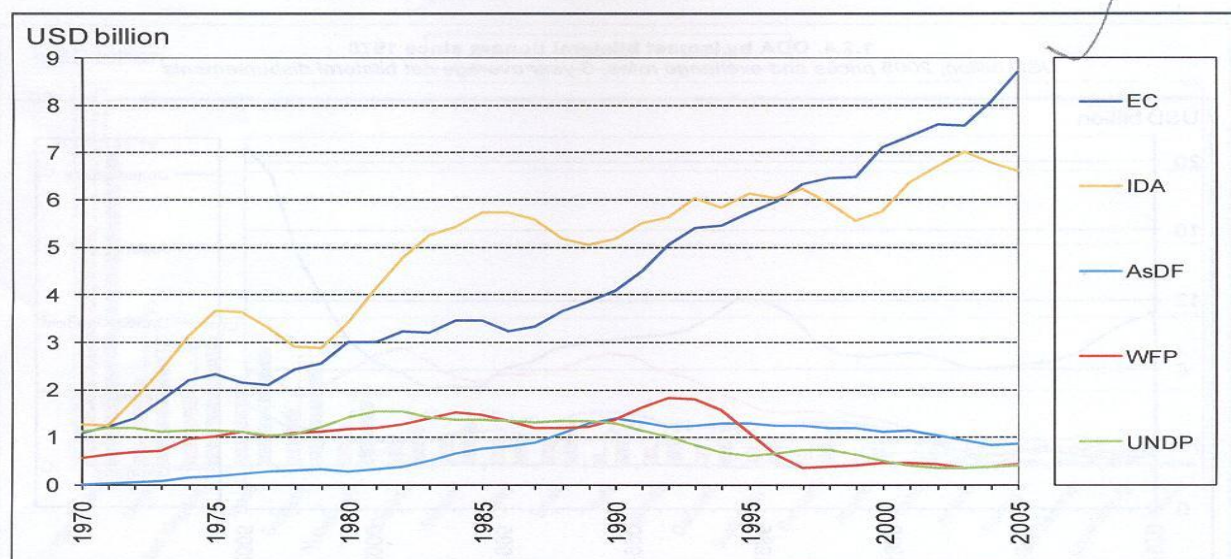
<sup>11</sup> See the report at: [http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid\\_annual\\_report\\_2009\\_en.pdf](http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2009_en.pdf), accessed on 20 August, 2009

**Table 1: OECD/DAC 2008 Top Ten Multilateral Donors (USD Million, Net disbursements)**

|                            | 2004          | 2005          | 2006          | 3-year average | % of all multilaterals |
|----------------------------|---------------|---------------|---------------|----------------|------------------------|
| 1 EC                       | 8 068         | 8 687         | 9 489         | <b>8 748</b>   | 39%                    |
| 2 IDA                      | 7 283         | 6 611         | 5 996         | <b>6 630</b>   | 30%                    |
| 3 AfDF                     | 919           | 852           | 1 541         | <b>1 104</b>   | 5%                     |
| 4 GFATM                    | 586           | 995           | 1 252         | <b>944</b>     | 4%                     |
| 5 AsDF                     | 694           | 859           | 1 020         | <b>858</b>     | 4%                     |
| 6 UNICEF                   | 650           | 711           | 740           | <b>700</b>     | 3%                     |
| 7 UNRWA                    | 449           | 508           | 600           | <b>519</b>     | 2%                     |
| 8 UNTA                     | 434           | 580           | 371           | <b>461</b>     | 2%                     |
| 9 WFP                      | 253           | 555           | 473           | <b>427</b>     | 2%                     |
| 10 UNDP                    | 374           | 399           | 437           | <b>403</b>     | 2%                     |
| Other multilaterals        | 1 547         | 1 082         | 1 929         | <b>1 519</b>   | 7%                     |
| <b>Total multilaterals</b> | <b>21 257</b> | <b>21 838</b> | <b>23 847</b> | <b>22 314</b>  | <b>100%</b>            |

**Source: OECD DAC 2008 Preliminary Data**

**Figure 3: ODA by largest multilateral donors since 1970 (USD Billion at 2005 Prices and Exchange Rates, 3-year average net disbursements)**



**Source: OECD/DAC 2008**



## **2.1. The Evolution of EU Development Aid Policy**

The European Commission now shares competence on development assistance with its Member States (Matthews, 2007:504) but this has been through a long and chequered history. The policy began with Yaoundé Convention in 1965 and expanded under Lome Convention in 1975 by establishing the European Development Fund (EDF) as the instrument of assisting the ACP countries – most of whom were ex-colonial countries (For details see Carbone, 2007:30-40 and Matthews, 2007:504). The EU however extended its development assistance to other developing countries in 1976, then to the Mediterranean countries, Latin America and Asia, as well as Eastern Europe and Central Asia. This part of evolution of EU development co-operation is described as the first phase out of three (For details see Carbone, 2007:40-55, Matthews, 2007:505).

### ***2.1.1. The Maastricht Treaty in 1992***

EU development co-operation continued to evolve due to shortcomings in what the European Commission did in contrast to that of Member States from the middle of 1980s until 1990. This is the second phase of EU development cooperation which culminated with the adoption of the Maastricht Treaty in 1992 with which the EU tried

to resolve differences between what the Commission did from that of Member States.<sup>12</sup>

### **2.1.2. EU Council Statement on Development Co-operation**

Eight years after Maastricht Treaty, the challenges of development co-operation persisted<sup>13</sup> leading to the adoption of a Statement on EU Development Co-operation by EU Council in 2000, marking the third phase of EU development policy. This new EU Council Statement on Development Co-operation identified six priorities, including; macroeconomic policies and the promotion of equitable access to social services; food security and sustainable rural development; transport; trade and development; regional integration and cooperation; and institutional capacity-building (see Matthews 2007:507, Carbone, 2007:34 for more details).

### **2.1.3. EU Consensus on Development Aid**

In 2005, the European Union again revised its development cooperation policy and adopted the 'European Consensus on Development' (ECD)<sup>14</sup> to further harmonise development cooperation by the Commission and Member States. It is the ECD that marks the first time the European Commission and all the Member States agreed on a common development co-operation objectives – such as trade and regional integration; governance, democracy, human rights and support for

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<sup>12</sup> See Carbone, 2007: 32, Matthews 2007:506-507 for details in the Maastricht Treaty on EU Development Aid Policy

<sup>13</sup> EU aid was criticised as less effective and less efficient in its quality and speed of implementation (See Carbone, 2007:34)

<sup>14</sup>For details of the ECD see [http://ec.europa.eu/development/policiesgen\\_en.cfm](http://ec.europa.eu/development/policiesgen_en.cfm)

economic and institutional reforms; infrastructure, communications and transport; rural development among others (For details, see Matthews, 2007:507-508).<sup>15</sup>

#### **2.1.4. Code of Conduct on Complementarity and Division of Labour**

The very latest development of EU development cooperation which is very relevant for this study is the adoption of the Code of Conduct on Complementarity and Division of Labour by the European Council in May 2007. Following an action plan adopted in 2006 on making EU aid effective,<sup>16</sup> the voluntary code of conduct has also been adopted by the EU to ensure ownership of aid programmes by recipient countries and improve how EU member states and the European Commission will plan and implement aid (See Carbone, 2007:56-58 for details).

### **2.2. The Tenth European Development Fund**

In order to achieve the development policy goals of the EU outlined above in the ACP countries and in the Overseas Countries Territories (OCT), the European Development Fund (EDF) has been the main instrument for the EU.<sup>17</sup> The EDF is in the form of grants, loans and risk capital to private sector mobilised on ad-hoc basis from member states which is also augmented by funding from the European Commission itself. The current one in operation is the 10<sup>th</sup> EDF covering 2008 -

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<sup>15</sup> For more details See:

[http://ec.europa.eu/development/policies/9interventionareas\\_en.cfm](http://ec.europa.eu/development/policies/9interventionareas_en.cfm), accessed on 4<sup>th</sup> August 2009.

<sup>16</sup> For details of the action plan on EU aid effectiveness See Carbone, 2007:56-57.

<sup>17</sup> The OCT consist of 21 countries constitutionally associated with Denmark, France, the Netherlands, and the United Kingdom

2013 with the total amount of EUR 22, 682 million of which EUR 21, 966 million is allocated to the ACP countries, EUR 286 million to the OCT and EUR 430 million to the European Commission as EDF operational budget.<sup>18</sup> It could be seen that since 1959 to 1964 when the first EDF came into place, it has continuously increase to reflect current needs for aid (See Table 2 below with the list of all 10 EDF and their respective amounts).

**Table 2: The Sequence of EU EDF since Inception in 1959**

| European Development Fund (EDF) | Period in Operation                                                    | Amount approved                                              |
|---------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------|
| First EDF                       | 1959-1964                                                              | *                                                            |
| Second EDF                      | 1964-1970 (Yaoundé I Convention)                                       | *                                                            |
| Third EDF                       | 1970-1975 (Yaoundé II Convention)                                      | *                                                            |
| Fourth EDF                      | 1975-1980 (Lomé I Convention)                                          | ECU 3, 450 million                                           |
| Fifth EDF                       | 1980-1985 (Lomé II Convention)                                         | ECU 5, 700 million                                           |
| Six EDF                         | 1985-1990 (Lomé III Convention)                                        | ECU 8, 500 million                                           |
| Seventh EDF                     | 1990-1995 (Lomé IV Convention, 1990-2000)                              | ECU 12, 000 million                                          |
| Eight EDF                       | Eighth EDF: 1995-2000 (Lomé IV Convention, revised in Mauritius, 1995) | Covered by the 7 <sup>th</sup> EDF budget                    |
| Nine EDF                        | Ninth EDF: 2000-2007 (Cotonou Agreement, 2000-2020)                    | EUR 15.2 billion+ EUR 9.9 billion arrears from previous EDFs |
| Tenth EDF                       | Tenth EDF: 2008-2013 (Cotonou Agreement, revised in Luxembourg, 2005)  | EUR 22.7 billion                                             |

**Source: European Commission 2009.**<sup>19</sup>

\* The specific allocations made under the first three EDFs could not be traced but it is documented that since 1958 until the end of the Lomé IV (7<sup>th</sup> EDF), the total fund dispensed through the EDF was ECU 28.6 billion over 35 years.<sup>20</sup>

<sup>18</sup>For details on the 10<sup>th</sup> EDF, see [http://ec.europa.eu/europeaid/how/finance/edf\\_en.htm](http://ec.europa.eu/europeaid/how/finance/edf_en.htm), accessed on 20 August, 2009.

<sup>19</sup> See the detail at:

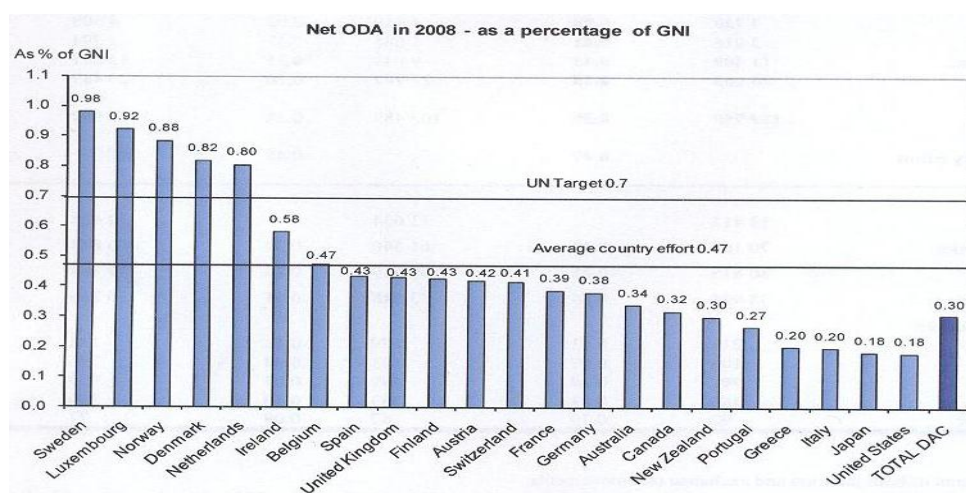
([http://europa.eu/legislation\\_summaries/development/overseas\\_countries\\_territories/r12102\\_en.htm](http://europa.eu/legislation_summaries/development/overseas_countries_territories/r12102_en.htm), accessed on 20 August, 2009.

<sup>20</sup> (See

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/95/10&format=HTML&aged=0&language=EN&guiLanguage=en>), accessed on 20 August, 2009.

The EDF has seen increment overtime because the EU is working on meeting United Nation's target for rich nations to allocate 0.7% of their Gross National Income (GNI) as development aid to developing nations (see the 2008 data below in Figure 6). Currently, the EU has targeted allocating 0.56% of its GNI for development aid by 2010 and hopes to achieve the UN target of 0.7% by 2015.<sup>21</sup> As part of efforts to increase aid, the EU has been undertaking geographical and thematic initiatives to address specific needs in developing nations.

**Figure 4: Net ODA in 2008 as a Percentage of Gross National Income**



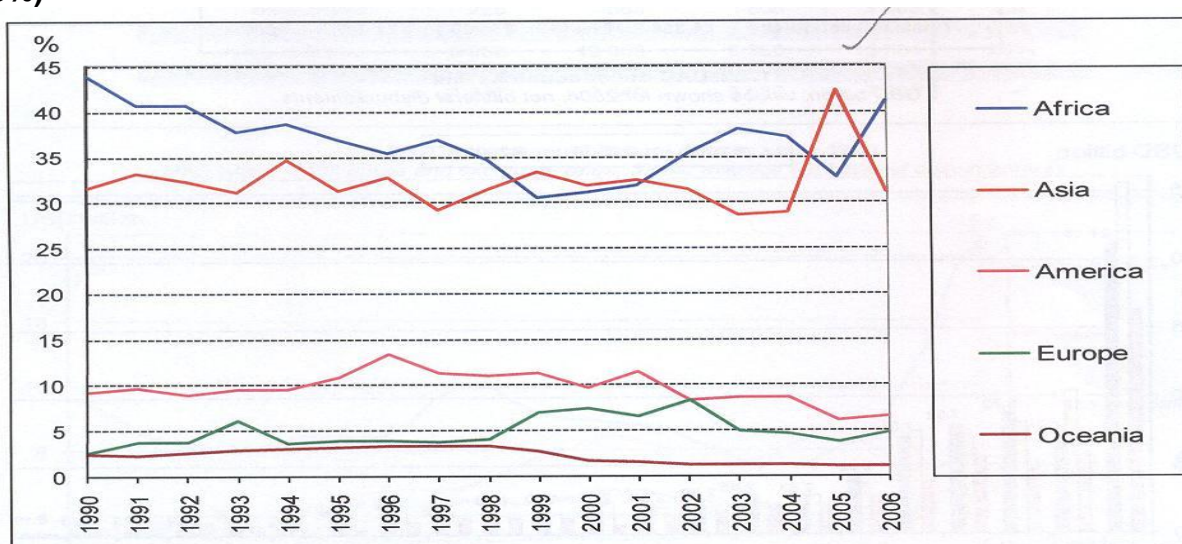
**Source: OECD 30 March, 2009**

<sup>21</sup> See the European Commission site:  
[http://ec.europa.eu/development/policies/consensus\\_en.cfm](http://ec.europa.eu/development/policies/consensus_en.cfm), accessed on 4<sup>th</sup> August 2009

## 2.3. EU Development Co-operation: Geographical and Thematic Strategies

The EU has been increasing its aid to Africa since 2000 based on a number of initiatives under the EDF. These include EU Strategy for Africa adopted in 2005, EU Strategic Partnership with Africa (2000, revised in 2007), Economic Partnership Agreements (2007), a Regional Partnership for the Horn of Africa (2006), and Cooperation and Dialogue between EU, Africa and China (2008).<sup>22</sup> These policies and instruments have resulted in Africa obtaining the highest ODA on regional basis since 2006 (See Figure 7 below).

**Figure 5: DAC 2006 Regional share of total net ODA (As percentage of total ODA of which the EC contributed 9%)**



**Source: OECD 30 March, 2009**

Regarding the development co-operation between the European Union and the Caribbean countries of the ACP group, for the first time the EU has adopted a

<sup>22</sup> For details see:

[http://europa.eu/legislation\\_summaries/development/african\\_caribbean\\_pacific\\_states/index\\_en.htm](http://europa.eu/legislation_summaries/development/african_caribbean_pacific_states/index_en.htm), accessed on 20 August, 2009.

specific EU-Caribbean Partnership for Growth, Stability and Development from 2006 for the promotion of development, democracy, poverty reduction, human rights, and security and stability.<sup>23</sup> The Commission has also adopted EU-Pacific Strategy since 2006 for its development assistance to the Pacific region.<sup>24</sup> All these strategies and instruments have put the development of the ACP countries on the high agenda of the EU.

Apart from specific strategies for particular regions in the ACP group of states, the EU also has thematic instruments by which it addresses cross cutting issues such as trade, gender, human right, conflict resolutions and terrorism. The EU for instance since 2001, has allocated over EUR 850 Million to help improve trade and to integrate the ACP countries into the world economy<sup>25</sup> and is currently in negotiations with the ACP countries for regional Economic Partnership Agreements (EPAs)<sup>26</sup> as well as having in place the European Consensus on Humanitarian Aid (ECHA).<sup>27</sup> The ECHA approved in 2007 is purely for humanitarian interventions such as natural disasters, and man-made crises like wars and conflicts.

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<sup>23</sup> For details see [http://europa.eu/legislation\\_summaries/development/african\\_caribbean\\_pacific\\_states/r125\\_48\\_en.htm](http://europa.eu/legislation_summaries/development/african_caribbean_pacific_states/r125_48_en.htm), accessed on 3 August, 2009.

<sup>24</sup> The EU-Pacific Strategy is detailed at: [http://europa.eu/legislation\\_summaries/development/african\\_caribbean\\_pacific\\_states/r125\\_56\\_en.htm](http://europa.eu/legislation_summaries/development/african_caribbean_pacific_states/r125_56_en.htm), accessed on 3 August, 2009

<sup>25</sup> See [http://ec.europa.eu/europeaid/where/acp/index\\_en.htm](http://ec.europa.eu/europeaid/where/acp/index_en.htm) for details.

<sup>26</sup> For more information on ACP-EU EPAs see, [http://ec.europa.eu/europeaid/infopoint/conferences/2008/02-05\\_epas\\_en.htm](http://ec.europa.eu/europeaid/infopoint/conferences/2008/02-05_epas_en.htm), accessed on 2 August, 2009

<sup>27</sup> For more information of EU documents on Humanitarian aid see: [http://europa.eu/legislation\\_summaries/humanitarian\\_aid/r13008\\_en.htm](http://europa.eu/legislation_summaries/humanitarian_aid/r13008_en.htm), accessed on 5 August, 2009.

## **Conclusion**

In this chapter, the focus has been to summarise the core EU development policies in its relationship with the ACP countries that have shaped its agenda for the ACP group of states. The Chapter has revealed how the ACP group of states have come to occupy the central stage of EU development policy. The next chapter analyzes the practice of EU development assistance in Ghana in the framework of the Paris Declaration.



## Chapter 3: Assessing the Delivery of the European Union's Development Assistance in Ghana

The current European Commission's programmes in Ghana focus on Rural Development, Transport & Infrastructure and Macro-Economic Budget Support<sup>28</sup> with various sums of money allocated for them. In addition to these three main areas of aid, the EC also provides support to Ghana in the areas of empowering civil societies, elections reform support, culture, and environment. Additionally, through its Country Support Strategy (CSS) and National Indicative Programme (NIP), the EU is supporting decentralisation in Ghana with EUR 3 million. Overall, the government of Ghana is allocated about EUR 373.6 Million under 10<sup>th</sup> EDF as development assistance for the period 2008 to 2013.<sup>29</sup>

This chapter uses the five main principles in the Paris Declaration - namely: ownership, alignment, managing for result, harmonisation and mutual accountability,<sup>30</sup> as the framework to analysing EU-Ghana development co-operation. It uses the twelve indicators adopted under the five principles above as sign posts to assess both the EU and Ghana on how their co-operation is in line with the Declaration using 2006 as the baseline year. It begins with the principle of ownership and ends with mutual accountability principle.

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<sup>28</sup> See the website of the EU Delegation to Ghana for details on:  
[http://www.delgha.ec.europa.eu/en/eu\\_and\\_ghana/programme\\_priorities.htm](http://www.delgha.ec.europa.eu/en/eu_and_ghana/programme_priorities.htm), accessed on 18 August, 2009.

<sup>29</sup> See EU's NIP/CSP for Ghana  
at: [http://ec.europa.eu/development/icenter/repository/scanned\\_gh\\_csp10\\_en.pdf](http://ec.europa.eu/development/icenter/repository/scanned_gh_csp10_en.pdf), accessed on 20 August, 2009.

<sup>30</sup> See the full text of the Paris Declaration at:  
<http://www.oecd.org/dataoecd/11/41/34428351.pdf> accessed on 6 August, 2009.

### 3.1. Ownership

Ownership is the first principle of the Declaration and its purpose is for developing countries to provide “effective leadership over their development policies, and strategies and co-ordinate development actions” that is supported by donors (OECD, 2005:3). This principle has the first indicator – which identifies whether aided countries have operational development strategy and whether donors have refrained from development policy ‘prescription’ for the aid recipient nations.

Ghana has met the ownership criterion with the use of Growth and Poverty Reduction Strategy (GPRS II) as the national development strategy for medium to long term development of the country until 2009 under the auspices of the National Development Planning Commission (NPDC) of Ghana. This is because the GPRS II has become the framework for all government’s Ministries, Agencies and Departments (MDAs) to design their programmes. This practice has improved government’s ownership and leadership of programmes and policies that are funded with aid money as long as they are channelled through the national budget. The GPRS II has three main thematic areas including private sector growth, good governance, and human resource development and those have become the main instrument guiding EU funded programmes. Specifically, the EU has been a major supporter of the implementation of Ghana’s GPRS with Poverty Reduction Budgetary Support (PRBS) programmes from 2001 until date.<sup>31</sup>

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<sup>31</sup> See the EC Delegation to Ghana’s programme at: [http://www.delgha.ec.europa.eu/en/eu\\_and\\_ghana/ec\\_and\\_gov.htm](http://www.delgha.ec.europa.eu/en/eu_and_ghana/ec_and_gov.htm), accessed on 25 August, 2009.

The implementation of the Paris Declaration has helped Ghana to improve its ownership of aided programmes. This is because the country's ownership of the aid programmes and policies in the 2006 Paris Declaration Baseline Survey rated Ghana a **C**. The reason is that Ghana had yet to put the GPRS II into effective use as the basis for spending aid funds. However, in the 2008 rating, Ghana has scored a **B**, signifying increased in country ownership of aid programmes (See OECD, 2008f:3). Ghana therefore is one of the countries on the way to achieving the 2010 Declaration target on the Ownership indicator.

In addition to the GPRS II, the Ghanaian Government has put in place some other strategies to improve country ownership of aid funded programmes. There is now a Medium Term Expenditure Framework (MTEF) designed to improve Ghana's resource mobilisation and expenditure plan geared towards enhancing the use of resources according to existing plan. All MDAs now have to follow a three to five year MTEF which guides annual budget. This process has improved effective use of funding obtained from development partners such as the European Union because aid is used by government for its own programmes identified in the GPRS II.

Another practice in Ghana that lends country ownership to EU funded programmes is the effective participatory budget process which started with the implementation of the MTEF and the GPRS II as well as improved Parliamentary oversight over national development plan and annual budgets. Ghana's budgetary process begins with local government structures holding consultations with their constituents to identify and develop consensus on public problems that need to be

addressed. This process results in the formulation of annual Districts, Municipal and Metropolitan Budgetary Plans which are used to develop regional budgetary and development plans and eventually national budgets. Although this process is not perfect, it still offers opportunities for active citizens and civil society groups to make input into what becomes the national budget. The Minister of Finance after consulting major stakeholders such as all MDAs at the national levels, who also develop their spending priorities through MTEF processes, formulates national budget that is presented to Parliament for scrutiny and eventual approval before it is implemented. So, to the extent that aid funds go into funding programmes in the national budget, as preferred by the EU,<sup>32</sup> Ghana's ownership of aid programmes is achieved. It is however important to note that, not all EU aid is given in the form of budgetary support and sector-wide support. Some of EU funding in Ghana is in the form of specific project support which the commission identify by itself. To a larger extent individual project financing reduces national ownership although it may be advantageous to the beneficiary communities in Ghana.

Ghana's ownership of aid programmes is equally enhanced with the implementation of Ghana Harmonisation and Aid Effectiveness Action Plan (G-HAP) since 2005 and Ghana Joint Assistance Strategy (G-JAS) since 2007. These government's initiatives have ensured Ghana's leadership and ownership of what donors such as EU should fund with their aid. Ghana, on the whole, is therefore performing creditably on the ownership criteria of the Paris Declaration.

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<sup>32</sup> See page 9 of the 10<sup>th</sup> EDF Programming Orientations available at: [http://www.delgha.ec.europa.eu/en/eu\\_and\\_ghana/EDF10.pdf](http://www.delgha.ec.europa.eu/en/eu_and_ghana/EDF10.pdf), accessed on 1 September, 2009.

### 3.2. Alignment

Alignment is the second principle enshrined in the Paris Declaration. Here, seven indicators are identified for the monitoring of the Declaration (indicators 2a and 2b, 3, 4, 5a and 5b, 6, 7 and then 8) - these are identified below. Generally, under the principle, donors are to base their overall support, in the form of their country strategies, policy dialogues and development co-operation programmes, on partner countries' national development strategies, institutions and procedures (See OECD, 2005: 4).

Indicator 2a under this principle is to assess the extent to which developing nations have existing Public Financial Management (PFM) system or have credible PFM systems. The PFM systems in Ghana cover all the processes of revenue mobilisation, the expenditure of the national revenue generated and all processes of budget preparation and implementation. It also includes all accounting and reporting procedures in all MDAs, the intergovernmental units money transfers, public procurement process as well as all mechanism for proper auditing. The country assessment of all these is based on a World Bank analysis of Country Policy and Institutional Analysis (CPIA) (See OECD, 2008f:4). Ghana, by this assessment is now in compliance with the Declaration. The 2006 OECD Baseline assessment gave Ghana an average rating of 3.5 out of 6 points, meaning the country's PFM system was performing just above average and needed to undertake further reforms to improve the reliability of the financial sector. The government has since then undertaken a number of reforms including; a computer-based Budget and Public

Expenditure Management System (BPEMS), accounting and reporting systems in the Ministry of Finance and Economic Planning, integrated financial management information systems, internal audit and public procurement system, and financial administration in Ghana, which have all contributed to improving Ghana's Public Financial Management Systems (See OECD, 2008f:5). Consequently, the latest World Bank's CPIA rating gives Ghana 4.0, a "moderately strong" rating reinforcing Ghana's readiness to meet the 2010 target ahead of time (OECD, 2008f: 5). Ghana's improved PFM systems is thus in line with its commitment under the Declaration.

The feat in meeting the use of efficient and reliable PFM systems in Ghana has had a major support of the European Commission which has made it one of its core programmes to ensure that Ghana develops an efficient PFM system. For instance, the Commission's Country Strategy Paper and the National Indicative Programme for Ghana both identified and support reforms of Ghana's PFM systems (See Ghana-European Community, 2007:49).

Indicator 2b under the alignment principle measures donors' use of procurement systems in the aid recipient country. This could not be measured in Ghana in the 2006 baseline year because the country had yet to implement an efficient procurement system (see OECD, 2008f:5). However, after the adoption of national PFM system which includes improved procurement system, the latest World Bank study gives Ghana a **C** rating (where **A** represents the highest efficient and reliable public procurement system). Ghana's procurement system is therefore

performing 'above average' now (OECD, 2008f:5). Ghana's commitment to the implementation of the Declaration has thus helped it to improve its procurement system which is important for effective aid delivery in the country. The EU on its part has totally untied its aid to Ghana which means, the efficient procurement systems in Ghana allows reduction in cost of programmes funded by its aid.

The next indicator under the alignment principle (Indicator 3) measures how aid flows are aligned with national priorities. For aid to fund national priorities, the best way is for it to go into national budget. The indicator therefore traces the amount of aid pledged in a given year by donors that goes into the national budgets of that same year. According to the 2006 Baseline Survey, 22% of EU aid went into Ghana's budget in 2005 while the latest monitoring of the Declaration in Ghana indicates that the EU pledged to give government 50 million United States Dollars (USD) in 2007 but eventually disbursed 88 million USD in the same year (see OECD, 2008f:6). Meanwhile the 2010 target is to halve the donor support that does not go into the report of country's current budget. This means the EU has even gone beyond the 2010 target. This is good for Ghana as it enables the government to prioritise the use of resources provided by EU - thus achieving the needed ownership and effectiveness of development aid. Notwithstanding this effort by the EU in budgetary support, a significant amount of money is used in financing projects outside government's budget. Why would the EU not give all funds for all projects and programmes in the form of budgetary support? Although this goes beyond the commitment under the Paris Declaration, it may mean that budgetary support is not seen as fully efficient way to provided all the needed support in Ghana.

The 4<sup>th</sup> indicator of the Declaration (which is still under alignment principle) demands that, donors commit themselves to co-ordinate their technical co-operations with the developing countries. Technical co-operation in development assistance is the process by which donors give policy suggestions or advice and the provision of technical know-how through training of personnel, research and all related cost of such services to the aided countries. By requiring the co-ordination of technical co-operation, this indicator requires EU as a donor to Ghana, to align its technical co-operation to the country's identified skill and capacity development needs.

In this light, as at 2006, the EU had no co-ordination of technical co-operation with Ghana and still has not any, even though the Commission has allocated USD 20 Million for its technical co-operation with Ghana (See OECD, 2008f:8). This co-ordination of technical co-operation is important because it leads to improving aid effectiveness in ways that reduce cost as a result of the future reduction of consultants and foreign experts and leads to capacity building. But it seems the EU needs a lot of improvement on aligning its technical co-operation to develop capacity constraints identified by Ghana. What may be a relief for this abysmal performance of EU on co-ordination of technical cooperation is that, the OECD report in 2006 found some "methodological difficulties" regarding identifying co-ordination in technical co-operation among donors and the Ghanaian government (See OCED, 2008f:8). It is assumed that a number of co-ordinations in technical co-operation take place in the framework of Sector-Wide Approach (SWAP) and in Programme Based Approach (PBA) of aid financing, which go unnoticed. If this is the case, then EU would be an indirect supporter of co-ordination in technical co-operation as SWAp and PBA are



two main approaches it uses to disburse aid in addition to General Budget Support.<sup>33</sup> Notwithstanding the perceived poor performance of EU by this criteria, the general outlook for co-ordination in technical cooperation among donors in Ghana has seen “impressive improvement” with 75% of donors’ technical co-operation in co-ordination with Ghana’s programmes (See OECD, 2008f:8).

The next indicator of the Declaration is on donor’s use of country’s PFM system (5a) and public procurement system (5b) to provide aid to the government sector. Indicator 5a traces the volume of aid that goes through the country’s PFM into the public sector in terms of budget implementation, financial reporting and budget auditing as a percentage over total aid to the government sector. Regarding EU aid to Ghana, the 2006 baseline survey indicates that 100% of the 88 Million USD of EU aid disbursed to public sector went through Ghana’s PFM to government. This means it went through government’s financing and budgetary procedures and programmes and the public financial reporting as well as auditing procedures. However, the latest OECD survey shows that EU aid volume for government sector that went through Ghana’s PFM system has declined to 32%. This reveals that a whopping 68% of EU aid to public sector is disbursed through other means rather than through government’s PFM.

EU’s decrease in use of government PFM reflects a general decline in donors’ use of Ghana’s PFM in aid delivery – it has dropped from 62% in 2006 to 51% in 2007. This result is “somewhat surprising, given that the rating for the country PFM

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<sup>33</sup>See how the European Commission deliver aid through EuropeAid Office [http://ec.europa.eu/europeaid/how/delivering-aid/index\\_en.htm](http://ec.europa.eu/europeaid/how/delivering-aid/index_en.htm), accessed on 25 August 2009

(indicator 2a) has improved from 3.5 to 4.0" (OECD, 2008f:9). The irony of this finding is that the EU is one donor in Ghana that has vigorously supported the improvement of Ghana's PFM and yet it is not channelling its aid through it. But this seems more of a deliberate programme of the EU than by mistake. The Commission plans to allocate 44% of the 10<sup>th</sup> EDF funds in the form of General Budget and Sector-Wide Support,<sup>34</sup> which automatically goes through the country's public financial systems. According to plan, it means about 56% of the 10<sup>th</sup> EDF will be disbursed in the form of project financing which could circumvent countries' public financial systems.

However, should that be the case, it would mean that the Commission would be showing double standing on aid effectiveness, which is deemed properly achievable through the alignment principle outlined in the Paris Declaration, of which the Commission is one of the chief proponents. Additionally, although project financing orientation of EU development financing could be well targeted to specific community needs in countries like Ghana, the sense of national ownership is limited.

On indicator 5b, which measures the volume of aid, as a percent of total aid disbursed to the government sector that is based on the country's public procurement systems, the compliance of EU is not encouraging. Just like the decline in use of Ghana's PFM systems above, the latest report shows a decline to 32% even though the OECD 2006 Baseline Survey stated that 100% of EU aid to Ghana's government sector used the country's procurement system (See OECD, 2008f:9). This decreases

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<sup>34</sup>This is according to the Commission's plan viewed at: [http://ec.europa.eu/development/how/aid/budget\\_en.cfm](http://ec.europa.eu/development/how/aid/budget_en.cfm), accessed on 1 September, 2009.

the effectiveness of EU aid in Ghana because by not using Ghana's procurement systems for implementing aid programmes, there is no competitive bidding for the implementation of aid programmes. This leads to higher cost of programmes and thus hinders the achievement of a better aid impact. It was to be expected that Ghana's implementation of efficient PFM system and the procurement system, will automatically make donors such as the EU to use the country's PFMs but this logic is defeated with the current survey result.

Another measure which was agreed upon as necessary for making aid effective in the Declaration is a reduction of Parallel Project implementation Units (PIUs). There is a parallel implementation unit of aid when donors establish a management unit or project implementation unit for aid project that is outside the bureaucracy of the aid recipient government. In that case, the staffs, their remunerations, supervision, terms of reference among others are directly managed by the donor without recourse to the aided country's government. Under the Declaration, these Parallel Implementation Units must be reduced and be aligned with countries' aid management procedures and institutions. This is the sixth (6<sup>th</sup>) indicator for the monitoring of the Declaration, which is still under the alignment principle.

The European Commission again breaches this condition under the Paris Declaration. According to the OECD 2006 baseline report on Ghana, EU operated four PIUs in the country. However, the latest report shows that PIUs being implemented by the EU in Ghana has increased to eight (8) (see OECD, 2008f:10). EU is thus not fulfilling the Declaration because donors are supposed to reduce their

stock of PIUs by two-thirds in order to achieve the 2010 target. This increment of EU's PIUs in Ghana defeats the capacity building efforts it has been supporting in the Ghana's public sector, because it is shying away from harmonising its aid management units in Ghana – even though that is seen as necessary to improve the skills and knowledge of local officials.

Part of the reforms to ensure that donors completely align their aid programmes to countries' PFM systems is for them to make aid predictable to the recipient countries. This constitutes the seventh (7<sup>th</sup>) indicator of the Declaration – measuring the percentage of aid disbursed according to agreed schedules. This indicator calls for the EU to provide indicative and reliable aid commitment to Ghana to enable proper planning of programmes and policies. The Ghanaian government has established a number of initiatives that are geared towards the achievement of planned revenue mobilisation including aid. There is a Medium Term Expenditure Framework (MTEF) by which all MDAs have to plan their expenditures for three to five years to ensure continuity of development programme financing. Government also has in place a Multi-Donor Budget Support (MDBS) programme, which seeks to gather aid from multiple donors in a reliable and consistent manner. Ghana aid Harmonisation Action Plan (G-HAP) and Ghana Joint Assistance Strategy (G-JAS) are equally initiatives which government has put in place to harmonise and align aid programmes in the country to achieve Ghana's GPRS II targets. These initiatives have created room for the achievement of the goal of making aid predictable to Ghana because donors are engaged in the process for them to make their aid plans known to government in advance. The EU has been participating in all these initiatives of Ghanaian government for since they were started by making its aid to

the country known in advance, especially with the European Development Fund instrument. Currently, the 10<sup>th</sup> EDF predicts about 373.6 million Euros to Ghana in the period 2008-2013.<sup>35</sup> This assures Ghana of annual aid flows from the EU within the period for the 10<sup>th</sup> EDF, thus making aid even more predictable to government. In 2005, the EU aid predictability to Ghana was 22% and increased to 95% in 2007 (See OECD, 2008f:11). So by this criterion, the EU is beyond the 2010 PD target. EU aid predictability allows its planning and uses by government of Ghana in its annual budgets - thereby improving its effectiveness in the country.

Tying aid is identified as contributing to the ineffectiveness of aid to Ghana as well as all other developing nations (See Aryeetey, 2003). Aid is tied when donors insist that part of or all goods and services to be procured with their aid are from their (donors) countries. This normally results in exorbitant cost of those goods and services bought from the donor countries because they are done in an uncompetitive manner. It is found that when aid is untied – thus when it is given without procurement conditions, the recipient countries are mostly able to minimise cost to get better result of aid (Aryeetey, 2003). The Declaration has its eighth (8<sup>th</sup>) indicator measuring donors' progress on reducing and ultimately stopping tied aid. In 2006 Baseline survey of Ghana, about 90% of all aid from the DAC members to Ghana were already untied. In the recent report, the percentage of untied aid to Ghana has increased to 92%. Since the aid provided by the European Commission on behalf of the EU member states are part of the OECD/DAC data, it is assumed that EU aid in

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<sup>35</sup> For reference, see EU's Country Strategy Paper/National Indicative Programme for Ghana at: [http://ec.europa.eu/development/icenter/repository/scanned\\_gh\\_csp10\\_en.pdf](http://ec.europa.eu/development/icenter/repository/scanned_gh_csp10_en.pdf), accessed on 1 September, 2009.

Ghana is equally untied to a higher degree. Aid in Ghana thus will become effective, given that there is an efficient public financial system and procurement system now that allows transparent and competitive selection of service providers to implement aid programmes in a cost-efficient manner.

### **3.3. Harmonisation**

The next principle under the Declaration is the harmonisation of procedures to ensure transparency and collective effectiveness in aid management. Here, both donors and recipient nations are to synchronise their activities and procedures – including procedures like planning, financial arrangements, disbursements, monitoring, and evaluation and reporting on aid (OECD, 2005: 6). Two indicators are identified under this principle (the 9<sup>th</sup> and 10a and 10b). The 9<sup>th</sup> indicator measures aid that is provided on the basis of Programme-Based Approach. The global 2010 target is for 66% of aid flows to be provided in the form of programme-based approach (PBA). The 10<sup>th</sup> indicator measures how donor field missions (10a) and analytical missions (10b) are done jointly with aid recipient countries. By 2010, 40% of donor missions to the field and 66% of country analytic work and diagnostic reviews must be jointly done with partners.

Regarding the 9<sup>th</sup> indicator, Ghana as the aid recipient country, has implemented programmes and policies such as public financial management and budgetary systems as well as defined its policy priorities in the GPRS II. Hence, the EU as a donor, has to use the systems so designed in Ghana for the dispensation of

its aid in order to fulfil this criterion. It is seen that the EU in the disbursement of its aid to Ghana has utilised programme-based approach when its aid in Ghana went to funding programmes so identified in Ghana's GPRS, which has holistic programmes designed to ensure national development and poverty reduction – thus making aid effective in dealing with Ghana's needs.

The 2006 Baseline Survey notes that 41% of EU aid to Ghana was PBA but declines to 32% in 2008 (see OECD, 2008f:14). This means the Commission's aid financing is drifting away from fulfilling the Declaration - thereby bringing the effectiveness of EU aid in Ghana into question. While Ghana has fully implemented its programmes and policies in the GPRS II, initiated MDBS and MTEF as well as improved efficiency of the country's PFM systems, the use of those by the EU as the basis for its aid has declined since the implementation of the Declaration.

As regards indicator ten (10a), where donors and aid recipient countries are to merge their field missions at the countries' levels, EU still deviates from its own commitment. Donors' field missions are periodical trips by donors' officials from their headquarters to the aid recipient nations to inspect aid projects and programmes. Though this is important, it does put enormous pressure on developing countries especially where there are scores of donors. So in the Declaration, donors in their efforts to harmonise aid practices, agreed to undertake joint field missions among themselves and together with the recipient nations.

However, EU's joint field mission to Ghana has worsened since the commencement of the Declaration. In the 2006 OECD baseline survey, the European Commission had joint field donor missions covering 90% out of its total missions to Ghana. Conversely, the Commission's joint donor missions to Ghana have declined to 75% of its total field missions in the country (see OECD, 2008f:15). While the rationale for this performance is not immediately known, it sends a negative signal of the performance of the European Commission in implementing the Declaration, which it has been instrumental in designing.

Concerning joint country analytical work (indicator 10b), the European Commission as a donor to Ghana, is to undertake its assessment of policies and strategies in Ghana such as an evaluation of GPRS II, or a study of Ghana's PFM systems, sector or thematic studies, jointly with Ghanaian officials. But the Commission has not yet undertaken any joint country analysis with the government of Ghana since the implementation of the Declaration, although the EU in the past did 30% of its aid analysis in conjunction with Ghana (See OECD, 2008f:16). What this could mean is that, the Commission has yet to commission any of such studies which will warrant the need to comply with this indicator of the Declaration. For now, the fact remains that EU has yet to undertake a joint analytic work with Ghana.

### **3.4. Managing for Results**

The fourth (4<sup>th</sup>) out of the five main principles of the Paris Declaration is on managing resources and improving decision-making for results. This is monitored



with indicator 11 of the Declaration. Recipient countries are to strengthen the linkages between national development plans and annual budget process to ensure result-oriented decision making on resources. Again, donors and countries are to jointly develop transparent and monitorable performance assessment frameworks for easy evaluation of progress being made on national development strategies. Indicator 11 is therefore monitored by using data produced by the World Bank through its Results-Based National Development Strategies analysis (See OECD, 2005: 7-8). This country analysis focuses on information quality, its access and the degree of utilisation of the information so obtained.

Ghana's performance by this indicator has not changed since the 2006 OECD Baseline Survey. The country's reporting and recording of data to informed performance assessment of public policies is still not in good shape. During the 2006 baseline, Ghana was rated a **C** on this criterion (where **A** marks a more efficient transparent result-based monitoring of policy performance). The follow-up survey in 2008 still rates Ghana a **C** – depicting the country's stagnated performance. But what account for this lack of improvement in Ghana's data management capabilities? It is due to the poorer utilisation of Annual Progress Report of Ghana's GPRS II produced by the National Development Planning Commission. There is delay in data collection and reporting before the promulgation of the national budgets (see OECD, 2008f: 17). So in order for Ghana to meet this criterion, there is the need to beef-up data collection procedures to gather data on time and make them useful for subsequent policy decisions – especially on aid programmes.

### **3.5. Mutual Accountability**

The fifth and final principle adopted under the Declaration is “Mutual Accountability” (OECD, 2005: 8). Here, donors and country partners are to be accountable for development results. Indicator 12 monitors the implementation of this principle by tracing the existence of a country-level mechanism for mutual evaluation of the donors and countries’ commitment to improve aid as agreed upon. To achieve this principle, recipient countries need to improve parliamentary and citizenry oversight responsibility over national development plans and budgets while donors undertake to provide timely, comprehensive and transparent information on aid flows. This will bring about the needed legitimization of aid programmes by legislators and the general public in the countries. The 2010 target is for all partner countries to have a mutual assessment framework in operation.

Ghana and the EU, by their endorsement of the Declaration in 2005, promised to be accountable to their tax payers and to themselves by ensuring that resources dispensed are properly managed and accounted for. The 2006 baseline survey vindicated Ghana as already having in place a mutual assessment mechanism as a result of the annual Consultative Group (CG) meeting organised by the Ministry of Finance and Economic Planning for all major stakeholders of aid in Ghana (See OECD, 2008f:18). This CG meeting also provides annual opportunity for Ghana and EU to assess their commitment to the implementation of aid harmonisation and alignment as enshrined in the Declaration.

Ghana also has other policy initiatives such as participatory budgeting and the active involvement of civil society groups that contribute to the achievement of the mutual accountability principle. In addition, Ghana Aid Effectiveness Civil Society Forum<sup>36</sup> has created a platform for the civil society to engage both donors and government to utilise resource well for the benefit of development for all in the country. On the part of European Commission, its support of effective and transparent public financial system as well as effective decentralisation in the country and empowerment of civil society groups have a bearing on mutual accountability of aid programmes.

## Conclusion

In conclusion, this chapter has discussed the practice of the European Commission development assistance to Ghana with the lenses of the principles and indicators adopted in the Paris Declaration. This is done in tandem with the part played by Ghana as the aid recipient country. The chapter has revealed that both parties – The EU and Ghana – have been undertaking a series of reforms to make aid effective as required by the Paris Declaration although there is still room for improvement for the two parties. Four years after the adoption of the Declaration, the EU has not been able to improve the alignment and harmonisation of its aid to Ghana as expected. In fact, in some cases EU has put up contradictory practices in Ghana by for instance supporting Ghana's PFM systems reform and yet not using it in its aid

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<sup>36</sup> For detail on members of the Ghana Aid Effectiveness Forum, see [http://www.aefgh.org/index.php?option=com\\_content&task=section&id=10&Itemid=36](http://www.aefgh.org/index.php?option=com_content&task=section&id=10&Itemid=36), accessed on 20 August, 2009.

disbursements. Ghana, on its part still has issues on data collection and usage to inform evidence based decision-making. Both EU and Ghana still have work to do regarding managing for result in order to fully comply with the Declaration. The next chapter concludes the study with recommendations for the EU, Ghana as well as all international development stakeholders.

## **Chapter 4: Conclusion and Recommendations**

The main objective of this study has been to ascertain the extent to which the implementation of EU development aid in Ghana is in line with the 2005 Paris Declaration and evaluate the part played by Ghana as an aid-dependent participating country of the Declaration. It has also meant to see the extent to which the Paris Declaration has become a catalyst for improving development aid, four years of being implemented. The next section presents the main findings.

### **4.1. Main Findings**

Regarding the extent to which the EU development co-operation in Ghana is in consonance with the Paris Declaration since its adoption, the study finds that EU aid in Ghana is largely based on the country's Growth and Poverty Reduction Strategy (GPRS II). It is based on the GPRS II that the EU has prepared its National Indicative Programme (NIP) as well as Country Strategy Paper (CSP) for Ghana currently in place. Therefore, Ghana owns most of the EU aid-funded programmes in the country. EU aid is also partly aligned with Ghana public administration systems. It fulfils some of the alignment indicators such as fulfilling its aid pledges to government budget in the same year it is pledged. Additionally, EU aid is predictable and largely untied in line with the Paris Declaration. Furthermore, EU participates in the Ghana's Consultative Group meetings and in the Multi-Donor Budget Support initiative – which are fora that facilitate mutual accountability principle of the Paris Declaration.

Despite the above complimentary performance of EU aid practice in Ghana, there are several practices of EU that are contradictory with the Paris Declaration. Although EU has supported Ghana's public financial management (PFM) systems, its use of Ghana PFM and procurement systems have seen decline in the post Paris Declaration years even though Ghana's PFM and procurement system is rated by the World Bank as efficient above average. EU co-ordination of technical co-operation in Ghana is also poor and not in line with its commitment to the Declaration. By its commitment to the Declaration, EU is also supposed to harmonise and reduce its Parallel Implementation Units (PIUs) with Ghana's government structure in order to reduce cost of managing aid but EU has rather increased its PIUs in Ghana since 2006. Besides, EU aid is not in consonance with the commitment to increase its use of Programme Based Approach and joint donor field missions and analytical works, which are Paris Declaration principles meant to harmonise aid management procedures and arrangements.

Ghana on her part as an aid-dependent nation on the positive side, has institutionalised ownership of aid financing programmes with the implementation of the GPRS II, MDBS initiative, participatory budgeting, MTEF and the annual Consultative Group Meetings with a number of development partners. On the alignment principle, Ghana has played her part with the reform of public financial management system. With EU support, Ghana Audit Service (GAS) empowerment programme has been achieved. Ghana has also implemented an efficient public procurement reforms and a computer-based Budget and Public Expenditure

Management (BEPM) system. All these reforms are to facilitate donor alignment of aid payment procedures with the country's PFM system as the Declaration demands.

However, Ghana's transparent and efficient use of data is weak and needs improvement. Although Ghana is implementing GPRS II, the reports produced annually by National Development Planning Commission (NDPC) on the implementation comes late so its findings are not used to inform subsequent year's national development programmes and instrument such as national budget. This makes Ghana's compliance with the "managing for result" principles of the Declaration an illusion.

On a more general note, Ghana and EU have been putting some policy reforms in place to meet the Paris Declaration, which have led to relative improvement of EU aid effectiveness in Ghana. However, there are a lot of contradictions in the practices of the European Commission that would need to be addressed if EU would continue to be seen as global leader committed to aid effectiveness. Nonetheless, the Paris Declaration has become a catalyst for aid management reforms that would ensure high effectiveness of aid when fully implemented.

#### **4.2. Policy Recommendations**

Based on the findings above, this study makes a number of policy recommendations first for EU, Ghana and then the international development

community for aid management improvement. In order to improve the effectiveness of aid in Ghana in accordance to the Paris Declaration, it is recommended to the Commission of the European Communities to:

1. Use Ghana's PFM systems once they are in place and are judged to be efficient. 2. Put in place a mechanism to ensure effective co-ordination of technical co-operation.

3. The Commission should also work on reducing its PIUs and undertake joint donor missions and analytical works and joint missions.

4. The Commission also needs to implements it commitment to use PBA which is necessary to ensure harmonisation of aid programmes in Ghana.

To the government of Ghana, it is recommended that;

1. The composition of the annual Consultative Group meetings be expanded to include representatives of all Districts and Metropolitan Assemblies in the country to ensure broader grass root participation.

2. Ghana should continue to improve its Public Financial Management systems and encourage development partners to utilise them for aid management, and develop a mechanism that ensures synchronization of technical co-operations with and among donors.

3. Additionally, Ghana needs to hold EU accountable by inviting the Commission to conduct joint evaluation of what it is doing in the country.



4. The country needs to improve its data collection and reporting on the implementation of the GPRS II on time in order for its findings to be useful for subsequent years.

5. In order to fully achieve ownership, the harmonisation and mutual accountability of aid, Ghana needs to speed up the formulation and implementation of its proposed “Ghana Aid Policy” and also review GPRS II as it ends this year. The next GPRS must reflect current and emerging realities such as the impact of the global financial crisis.

6. Finally, it is not enough that Ghana meets target of the Paris Declaration and makes aid effective with the formulation and implementation of Ghana Aid Policy - Ghana needs a strategy to get out of the aid-dependency syndrome. It is thus proposed that Ghana formulates – Free Aid Ghana Plan or Aid-Free Ghana Strategy by the year 2020. Aid-free Ghana could be achieved with increased and efficient resource mobilisation in Ghana and by coming out with innovative ways of mobilising resources from Ghanaians in the Diaspora to finance developmental policies.

For the international development community, the Paris Declaration has proven to be a necessary and working mechanism to improving aid – by providing global benchmarks to measuring aid management. However, it needs to take into consideration the realities and the ‘politics’ of development co-operation. Countries need time to change existing laws, policies and procedures to reflect their commitment in the Declaration. The fact that the Declaration is not binding also makes its full implementation improbable.

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