SUMMARY

Annual Action Programme 2018 in favour of the Republic of Ghana

1. Identification

EDF allocation	11th European Development Fund
Total cost	EUR 53.4 million of EU contribution
Basic act	Council Regulation (EU) 2015/322 of March 2015 on the implementation of the 11th European Development Fund

2. Country background

Through the 11th EDF National Indicative Programme (NIP), the EU focusses on addressing some of the key challenges that Ghana is facing to consolidate its status as a middle-income country. It also aims at pursuing a strong, long-term partnership with Ghana and promoting its role as a beacon of stability in the West African region. The EU is channelling its development assistance to sectors of significant strategic importance for national development in order to contribute to inclusive economic growth, sustain poverty reduction whilst also reducing Ghana's dependence on official development assistance (ODA).

In order to maximise the impact of EU actions in Ghana, the Jobs and Growth Compacts will ensure our headline commitment of fostering decent job creation and transition towards inclusive and competitive value-adding low-emission, climate-resilient economies and societies. Specifically tailored to Ghana, this compact is in full coherence with the regional West Africa Competitiveness Programme as well as with the on-going work in the framework of the G20 Investment Compact with Africa.

In coordination with other development partners and EU Member States involved in Joint Programming in Ghana, the EU's interventions aim to achieve the following:

- **Improve public sector management**, the rule of law and accountability to strengthen Ghana's democratic system, while at the same time increasing the ability of the public, civil society organisations and the media to hold government accountable.
- **Promote productive investments in Savannah Ecological zones in the north of the country,** where poverty rates are declining at a slower pace than in the south of the country, -in order to help rural households move from subsistence to income-generating agriculture and create decent employment opportunities along value-chains.
- **Contribute to more inclusive growth by strengthening social protection and employment systems in the country**, particularly for vulnerable groups and youth.
- Given the economic issues Ghana has been facing in recent years, the EU also aims to assist Ghana to progress in addressing macroeconomic instability and issues of public finance management so as to improve delivery of basic services and **promote investment and growth**.

In line with the EU's priorities, by **creating employment opportunities and enhancing social protection services** and by targeting growth, employment and increased wealth through agriculture, the EU's interventions also aim to tackle some of the root causes of irregular migration.

Ghana has been an African model for democracy since its return to democratic rule in 1992 with three peaceful transitions of power between different political parties. It remains part of the most dynamic economies in West Africa, with a relatively diversified structure that benefits from a stable political environment. However, Ghana's economic performance has not yet fully developed all its potential in terms of shared growth and job creation and Ghana also continues to face challenges to deliver basic social services and build institutional capacity. There is also evidence of growing disparities across regions, particularly between the north and the south – the Northern Savannah belt is witnessing high incidences of poverty, inter-tribal conflict threatening economic and social progress, and limited access to basic services and basic infrastructure.

The current Government, elected in December 2016, has a strong political agenda often described as "*Ghana beyond Aid"*. Its objective is to industrialise the country with domestic private investment, develop the agriculture sector and create jobs. To do so, there are numerous challenges and constraints the Government will have to address to generate more economic activity and attract investment including the business climate, the tax administration, tariff and non-tariff barriers in trade, the cost of electricity, appropriate skills development, the cost of credit or the lack of or poor quality of infrastructure.

Ghana’s economy advanced 9.3% year-on-year in the third quarter of 2017. It is the highest growth rate since the third quarter of 2014, mainly boosted by the oil and gas sector.

Ghana continues to be on an IMF Extended Credit Facility, which was extended by one year in August 2017 due to the mixed macroeconomic performance in recent years. Policy slippages have compounded the adverse impact of shocks and resulted in significant external and domestic imbalances. However, over the medium term, both the fiscal deficit and the current account deficit are projected to decline gradually reflecting the government's fiscal consolidation efforts maintained since they took office one year ago.

Ghana is also part of the G20 Compact with Africa (CwA) which aims at boosting private investment through adherence to reforms in Business, Finance, and Macroeconomic areas as well as improving the investment climate in general. The new Government has been advocating for private-sector led growth since it took office. The main thrust of the government's private sector development policy is therefore to establish Ghana as the most business friendly country in Africa and to create an enabling environment to attract both domestic and foreign investors, with the aim of growing businesses and expanding the private sector, thereby creating more and better quality jobs and generating incomes.

The EU Delegation has prepared the EU Gender Action Plan (GAP II) and a Gender Analysis is now expected to be conducted, in consultation with Member States. Main issues related to gender dynamics concern access to resources (including land), to input and to knowledge (particularly through social extension services). Women often have a peripheral situation in the marketing of agricultural commodities and are de facto excluded from main value chains. As for social protection and employment, issues emerge regarding access to available services, relevance of existing schemes in front of needs, dependency from family linkages, lack of opportunities for qualified and "decent work".

Pending the adoption of the regional Economic Partnership Agreement (EPA) with West Africa, Ghana ratified in August 2016 the interim EPA (iEPA), entered into provisional application on 15 December 2016. The iEPA opens a new tool for dialogue on economic and trade matters with Ghana. By providing long-term market access, it also sets incentives for new investment and job creation in Ghana.

The **AAP 2018** is composed of three new programmes that are oriented towards the Prosperity and Planet priorities of the European Consensus on Development. They seek to contribute to the achievement of economic growth and the creation of jobs in Ghana through a focus on macroeconomic aspects and business environment. This is fully aligned to the objectives of the country's long-term development plan (LTNDP), the EU priorities in Ghana: in particular, the AAP is in line with the strategy and objectives defined in the Jobs and Growth compact (JGC) as the primary aim is to support the fundamentals of sustainable economic growth spurred by a competitive private sector and investment - including the priorities identified in the European External Investment Plan (EIP), which takes the EU's development cooperation "beyond aid".

The intervention logic of the AAP is especially relevant to the country's current context. Given the economic issues Ghana has been facing in recent years, the EU is channelling its development assistance in Ghana to sectors of significant strategic importance for national development in order to contribute to inclusive economic growth, sustain poverty reduction whilst also reducing Ghana's dependence on ODA. Therefore, this AAP aims at creating employment opportunities, reinforcing an enabling business environment, and specifically targets growth, employment and increased wealth through agriculture.

The choice of implementation modalities has also been done taking careful consideration of the country's context and its priorities. As the macro-economic climate continues to improve and fiscal consolidation efforts endure, budget support focused on incentivising investment is well aligned to the President's vision of "*Ghana beyond Aid"* and calls for external assistance funds to be directed through country systems in line with the Paris, Accra and Busan principles on aid effectiveness.

All actions are coherent with the objectives identified in the 11th EDF NIP.

3. Summary of the three Action Programmes

Action 1: "Contribution to the African Investment Platform (AIP) in support of boosting renewable energy investment in Ghana"- EUR 10 million

The action will be a specific ElectriFi allocation (through the dedicated Ghana window of The Electrification Financing Initiative) tailored to Ghana's context. The action will aim for direct benefits from these funds to Ghana's private sector – thus fully responding to the "*Ghana Beyond Aid"* agenda. One of the obstacles in Ghana for job creation and private sector development in rural areas is the electricity gap and this intervention would directly address that. Moreover, boosting investment is the ultimate objective of the G20 Compact with Africa (CwA) as well as the primary overall objective of the Jobs and Growth Compacts (JGC), which will in turn maximise the impact of EU actions.

Key stakeholders: Main actors involved in this action are Ministry of Energy, Ministry of Business Development (MoBD), Ministry of Trade and Industry (MOTI), Private Sector.

Implementation modality: Transfer to the Africa Investment Platform (AIP) for ulterior ElectriFi intervention.

Action 2: Budget Support Programme to promote investment and job creation (SDG-Contract) – EUR 40 million

Policy Priorities: The action will focus on the improvement of investment climate and business environment in order to promote private sector development and decent job creation (SDG 8). At the same time, it will aim at enhancing public financial management efficiency and increasing domestic resource mobilisation to ensure overall macroeconomic stability and inclusive growth (SDG 16).

The action will fit with the Government of Ghana's Coordinated Programme of Economic and Social Development policies 2017-2024 and the Policy Matrix reform agenda developed as part of the G20 Compact with Africa. Furthermore, in order to maximise the impact of EU actions in Ghana, this programme will be in full coherence with the Jobs and Growth Compact (JGC), fostering decent job creation and sustainable growth.

The action will contribute to providing the required fiscal space at a time in which the country is facing significant external and domestic imbalances to support key public economic and financial governance reforms. This Budget Support Contract will aim at supporting reforms fostering a return to high inclusive growth, enhanced competitiveness of the country's private sector, job creation and efficiency in public finance management. The intervention will notably support the Government of Ghana in its endeavours to improve the legal and institutional framework for public and private investment, to enhance business environment and to increase domestic resource mobilisation (DRM) and efficiency of public expenditures.

Through the scope of a coordinated joint-approach, this programme will be implemented through the Multi-Donor Budget Support framework (MDBS) which will play a key role in enhancing sector dialogue, consolidating the link between the Ministry of Finance and private sector stakeholders, and strengthening the national aid architecture.

Key stakeholders: Main actors involved in this action are Ministry of Finance (MoF), Ministry of Business Development (MoBD), Ministry of Trade and Industry (MOTI), National Chambers of Commerce, Private Sector.

Overall objective/expected results: The action aims at ensuring and sustaining macroeconomic stability, promoting transparent responsive and accountable governance, encouraging public and private investments, enhancing competitiveness of Ghana's private sector, improving the business environment, expanding employment and job creation.

Implementation modality: Through Budget Support (SDG-Contract).

Action 3: Ghana Technical Cooperation Facility V – EUR 3.4 million

This action will be used to assist national authorities and private sector in identifying and preparing viable projects that might be supported under the blending component and also through the guarantee fund of the EIP (and based on the analysis of potential value-chains reflected in the JGCs). Promoting green economy such as sustainable agriculture, waste management and renewable energy should be priority sectors of intervention.

Key stakeholders: Main actors involved in this action are Ministry of Finance (MoF), Ministry of Business Development (MoBD), Ministry of Trade and Industry (MOTI), National Chambers of Commerce, Private Sector.

Implementation modality: Service contracts.

4. Cost and financing

Contribution to the African Investment Platform (AIP) in support of boosting renewable energy investment in Ghana	EUR 10 million
Total EU contribution to the measure	EUR 10 million
Budget Support Programme to promote investment and job creation (SDG-Contract)	EUR 40 million
Total EU contribution to the measure	EUR 40 million
Ghana Technical Cooperation Facility V	EUR 3.4 million
Total EU contribution to the measure	EUR 3.4 million
Total EU contribution to the AAP 2018	**EUR 53.4 million**

5. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

The actions under this AAP shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in the relevant section of each Action Document.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

EN

This action is funded by the European Union

ANNEX 1

of the Commission Decision on the financing of the annual action programme 2018 in favour of the Republic of Ghana

Action Document for "Contribution to the African Investment Platform (AIP) in support of boosting renewable energy investment in Ghana"

1. Title/basic act/ CRIS number	"Contribution to the African Investment Platform (AIP) in support of boosting renewable energy investment in Ghana" CRIS number: GH/FED/041-294 Financed under the European Development Fund	
2. Zone benefiting from the action/ location	Ghana The action shall be carried out at the following location: primarily in the Savanah Ecological areas	
3. Programming document	National Indicative Programme (NIP) 2014-2020 for Ghana	
4. Sector of concentration/ thematic area	Sector 2 "Productive Investments for agriculture in the Savannah Ecological Zones"	DEV. Aid: YES[1]
5. Amounts concerned	Total estimated cost: to be defined depending on the specific accepted blending operation/s Total amount of EDF contribution EUR 10 000 000 This Action is co-financed by entities and for amounts specified in the indicative project pipeline which is an appendix of this Action Document	
6. Aid modality and implementation modalities	Project Modality This action regarding this Regional Blending Facility shall be implemented in indirect management by entities to be indicated in complementary financing decisions to be adopted at the end of the Regional Blending Facilities award procedure	
7 a) DAC code(s)	232 – Energy generation - renewable sources	
b) Main Delivery Channel	*Donor Government – 11000*	

[1] Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	☐	☒	☐
	Aid to environment	☐	☒	☐
	Gender equality (including Women In Development)	☒	☐	☐
	Trade Development	☐	☒	☐
	Reproductive, Maternal, New born and child health	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☐	☒	☐
	Climate change mitigation	☐	☐	☒
	Climate change adaptation	☒	☐	☐
9. Global Public Goods and Challenges (GPGC) thematic flagships	NA			
10. Sustainable Development Goals (SDGs)	Main SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all Secondary SDGs: 13: Take urgent action to combat climate change and its impacts 3: Ensure healthy lives and promote well-being for all at all ages 8: Promote inclusive and sustainable economic growth, employment and decent work for all			

SUMMARY

This action contributes to the implementation of Sector 2 "Productive Investments for agriculture in the Savannah Ecological Zones" of the 11th EDF National Indicative Programme (NIP) between the EU and Ghana. This action is a blending operation via the Africa Investment Platform (AIP). It will be implemented by one of the blending eligible Development Finance Institutions (DFIs).

Ghana is making significant economic and social progress and aims towards accessing clean, safe, secure, reliable and affordable energy supply as well as universal access to energy services in the medium-term. Ghana's policy aims at integrating sustainable energy and sustainable access to energy as leverage for economic development, social equality and environmental protection. Especially in the underdeveloped North Ghana, sustainable energy and energy access are perceived as critical inputs to the development equation.

However, the energy sector is plagued by chronic electricity outages and unreliability of the grid due to capacity shortages, climbing demand, aging grid infrastructure, inefficiencies, high losses facts that slow down economic development and disrupt business. Further, the thermal power plants and diesel gensets emit greenhouse gases and pollute, while the extensive and inefficient use of woodfuel and charcoal mainly in rural areas contributes to deforestation and soil degradation. Energy access demonstrates disparities between urban and rural areas and

grid extension is uneconomical to a number of remote communities. Renewable energy (RE) and energy efficiency (EE) remain marginal. Although the policy and regulatory framework is supportive to RE and EE, the incentives are inadequate for the private sector, up-front costs are high and access to suitable finance remains a barrier. However, strong interest of the private sector for investments in RE, EE and mini-grids of various scales has emerged. EE in agriculture and agro-business is at embryonic stage and awareness is particularly low.

Renewables, Productive Use of Energy (PUE i.e. clean energy in productive operations), EE in productive operations and waste-to-energy in business and especially in agriculture and agro-business, have significant potential, open a new income-generating opportunities and accelerate the development and productivity of the agricultural business especially in North Ghana.

In light of these challenges, the programme supports private sector led investments in the sustainable energy sector focusing on viable business models for increasing access, renewable energy generation and energy efficiency.

The objective of the programme is to supply reliable energy to the Ghanaians with affordable costs to boost development, provide access and reliable energy services to remote population. This will foster intensification of agriculture and other economic activities.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Ghana's installed electricity generation capacity in 2016 was 3 795 MW, comprising mainly hydro (41.6%) and thermal (57.8%) plants while renewable energy's (RE) is negligible[2]. Currently, Ghana is experiencing a deficit in electricity generation capacity which will deteriorate as the growth rate of the electricity demand is 10% per annum. Capacity additions of 200 MW per year will be needed to match the rising demand in the medium to long term[3].

Unreliability in electricity supply is a challenge which results in frequent power outages negatively affecting households, agriculture, businesses, industry, health and educational services. The reasons for the outages are a) generation capacity deficit, b) shortages of oil due to the inability of the power sector companies to finance purchases, c) low water flows in the hydro dams, d) aging transmission and distribution infrastructure with high losses and e) marginal EE. The poor financial condition of the sector companies due to non-payment of bills, theft, poor revenue collection, high losses and increased use of gensets poses serious threats to the sector. It also prevents the realisation of investments in upgrading and extending the grids.

The transmission system suffers from aging infrastructure and high losses (4% in 2016). Technical and non-technical losses in the obsolete distribution grid are also high, mounting to 23.6% for Electricity Company of Ghana (ECG) and 33.1% for Northern Electricity Distribution Company (NEDCo) in 2016[4]. The low reliability of the distribution grid due to low reserve margin, inadequacy infrastructure upgrades and investments, growing demand and water and fuel shortages affects the quality of electricity supply. The high cost of power

[2] Energy Commission (2017). National Energy Statistics 2007-2016 (Revised). Available from: http://energycom.gov.gh/files/ENEERGY_STATISTICS_2017_Revised.pdf

[3] The Ghana Renewable Energy Master Plan (Draft).

[4] Energy Commission (2017). National Energy Statistics 2007-2016 (Revised). Available from: http://energycom.gov.gh/files/ENEERGY_STATISTICS_2017_Revised.pdf

generation, the losses, and the precarious financial situation of the sector companies have led to high electricity tariffs.

Ghana has considerable potential in solar, hydro, biomass and biowaste resources, moderate wind speeds while the wave and tidal potential has not been assessed yet. A potential of 7 673 MW of RE private projects already have provisional licenses (more than 100 Independent Power Producers (IPPs)) by end of 2017 but only 22.6 MW of them have been constructed and are operational. In Ghana, 89% of the urban households had access to grid electricity in 2013, compared to 48% of their rural counterparts[5]. About 5 million people live in inaccessible areas, including islands and lakeside communities where grid expansion is uneconomic. The government supports the installation of mini-grids as part of the electrification policy. The construction of 55 mini-grids by 2020 is intended by the Scaling-up Renewable Energy Programme (SREP). Currently, 5 mini-grids have been installed and are operating in island communities with donor support. EE is high in the political agenda and some initiatives have been realised (standards and market regulations for compact florescent lamps (CFLs), refrigeration appliances and air conditioners and distribution of CFLs in public buildings) but a lot more are needed to grasp the potential. The private sector shows high interest for private investments in utility-scale RE, small-scale RE, EE projects and mini-grids which is an opportunity to be captured.

Ghana’s power sector is unbundled and private sector participation is allowed in the generation and the distribution. Ghana has adopted a Strategic National Energy Plan and developed a National Energy Policy Framework which set targets for RE (10% contribution in the generation mix by 2020) and access to electricity (universal access by 2020).

In Ghana, the agricultural sector is vital for economic growth. The growth of the agricultural sector is a function of extending the access to reliable and stable energy supply. This is especially true for North Ghana which is rural, inhabited by a mainly agricultural population and exhibits high poverty rates. North Ghana covers 54% of country’s area and is semi-arid with significant and agricultural potential. However, it is underdeveloped, electricity access is around 50% and the agricultural productivity yield remains low mainly due to underdeveloped irrigation, losses in post-harvest operations, inadequate access to infrastructure, unreliable energy supply and use of inefficient equipment. The potential for PUE, EE and waste-to-energy to increase productivity and income are large but hampered by inadequate access to finance and insufficient investment capital, absence of interest of private investors, lack of incentives to local businesses, low awareness and weak presence and capacities of energy services suppliers. However, the unreliable electricity supply, the high energy prices, the environmental protection, the high potential of RE, PUE, EE and waste-to energy and the rising domestic demand of agricultural products are main drivers for new technologies. Despite the challenges, the private sector is interested and willing to invest in RE, EE, waste-to-energy and PUE in North Ghana so such an opportunity needs to be grasped.

The banking sector set up at the end of 2017 was 34 universal banks, 17 local banks[6] and 17 "foreign" banks, i.e. a non-Ghanaian majority control).These have 1486 agencies in the 10 regions of Ghana. In addition to this, there is a significant number of other "non-bank financial institutions":136 Rurales, 26 Saving & Loans, 344 microfinance institutions and 5

[5] Ghana Statistical Service (2014). Ghana Living Standards Survey 6 Report. Available from: www.statsghana.gov.gh/docfiles/glss6/GLSS6_Main%20Report.pdf

[6] In March 2018, the Central Bank called Unibank, the first Ghanaian bank in terms of the size of the credit portfolio.

microfinance non-governmental organisations (NGOs) ("financial NGOS").The banking market is thus increasingly competitive, especially when it comes to mobilising deposits.

The banking sector is regulated by the Bank of Ghana (BOG), under the Bank of Ghana Act. The regulatory framework for the banking sector has been strengthened significantly over the last two years with the transition from two new laws[7] to increase the resilience of the sector, improve the protection of depositors and strengthen the regulatory and supervisory role of the Central Bank. In addition, the introduction of Basel II/III standards, which began to be advanced in 2017, is part of the same approach and aims to strengthen the solvency of banks.

The Ghanaian banking industry is characterised by consolidated assets totalling almost GHS 89 billion Mds (more than 20% growth compared with 2016), gross lending of up to 12 % to reach GHS 38 billion (or 43% of all banks' assets) and 18% growth in deposits of GHS 48 billion Mds in a year. The sector remains relatively liquid with a good capitalisation level of 17.9% at the end of 2017.However, the profitability of the sector, which remains comfortable, contracted in 2017.

The interest rate environment eased by a central bank rate that declined gradually from 25.5% in November 2016 to 17% in May 2018 but bank interest rates remained relatively high (averaging 28.8% in March 2018).Furthermore, in April 2018, the central bank introduced a new national reference rate called Ghana Base Rate, calculated and published monthly. It is a combination of the governing rate, the rate of treasury bills at 90 days and the interbank rate. Banks are now required to index their variable interest rates at this benchmark rate. In April 2018, Ghana Base Rate was set at 16.7%.

It should be noted that the NPL (non performing loan) rate of the sector has remained growing and is high:22.6% at the end of March 2018 as against 17.3% in December 2016.The central bank demanded that each bank provide it with a plan to discharge NPL and clean-up the banks' portfolios. It should be noted that significant developments are expected in 2018, both as regards the transition from IAS 39 accounting standards to IFRS 9 (which entered into force on 1 January 2018, with significant developments in terms of risk classification of loans and provisioning) but mainly with the increase in the minimum capital of banks from GHS 120 million to 400 million, to be effective as of 31 December 2018. On this key measure of the macro-prudential package, the banks each submitted a recapitalisation scheme to the Central Bank to specify the arrangements: fresh capital injection, conversion of the deferral to new or a combination of the two previous options. A close monitoring is carried out throughout the year by the BOG to ensure compliance with the deadline of 31 December 2018.This measure anticipates not only a consolidation movement within the banking sector but also the revitalisation of the financing of the productive sector of the economy, as the banks need to find new opportunities in order to maintain profitability.

Ghana's financial system is also characterised by a significant and growth mobile banking sector: the volume of transactions of this nature doubled in 2017 to reach USD 35 billion. The regulatory framework is in shape and a new system for mobile payments has just been launched.

Private sector access to credit remains limited and costly. At the beginning of 2018, the average interest rate charged by banks was almost 30% of the total and the base rate[8] around

[7] "*The banks and specialisation practice undertaking Act, 2016, Act 930*"; *"Ghana deposit protection Act, 2016, Act 931"*.

[8] Preferential interest rate granted to the counterparties which are best rated for each bank in the place and then consolidated at sector level.

24.5% (with a deposit remuneration of around 10%).The significant weight of NPL as well as the new regulatory capital requirements, which have so far impeded the transmission of monetary easing to private sector lending rates and volumes.

While banks already have a "green energy" in their portfolios, there has been a real focus on the development of their strategy. They face a number of constraints: lack of sensitivity and technical expertise, erroneous perception of linked risks (projects considered to be risky and small scale complex projects), lack of capacity of project promoters, trust in suppliers, high transaction costs, etc.

1.1.1 Public Policy Assessment and EU Policy Framework

Energy in Ghana

The public policy of Ghana in RE is governed by the National Energy Policy of 2010. The 2010 Energy Policy’s goal is to make energy services universally accessible in an environmentally sustainable manner. The goals are to increase the proportion of RE in the energy supply mix at 10% and achieve universal access to energy services by 2020. This will be achieved via the installation of utility-scale, small-scale, mini-grid and off-grid RE systems of solar, wind, mini-hydro, biomass and waste-to-energy and creation of fiscal and regulatory incentives. The Renewable Energy Master Plan (REMP) is under preparation. It aims at providing an investment framework and policy, regulatory and fiscal measures to accelerate the deployment of RE for power generation or thermal energy, including waste-to-energy, and mini-grids in all economic sectors.

As regards mini-grids, a directive was issued from the Ministry of Energy in 2016 which places their development under public companies of the power sector. The directive lacks details on how private sector participation would be secured in the development, financing and installation of mini-grids. A major challenge concerns the ability of the public companies to fulfil their mandates set by the directive due to their difficult financial standing.

The legal tool to achieve the goals of the 2010 National Energy Policy is the Renewable Energy Act (Act 832) which passed in 2011. The Act establishes a) Feed-in-Tariffs (FiTs), b) guaranteed grid access to RE installations, b) guaranteed purchase of the electricity generated by RE installations by the distribution companies at the fixed FiT rate for 10 years and c) the Renewable Energy Purchase Obligation (REPO).

Net-metering has been established and the net-metering code has been published. Currently, there are concerns by the ECG that net metering may cause revenue losses. The National Solar Roof-top Programme begun in February 2016 and provides subsidies for solar roof-top systems and targeting 20 000 systems in residential homes. The programme has slowed down due to lack of funds from the Energy Commission to pay the subsidies and difficulty of the consumers to raise the residual 70% of the capital expenses. Additional funding to roll out the programme is sought by the government. The private sector’s interest for net-metering and the Solar Roof-tops Programme remains high.

The Bioenergy Strategy stipulates the creation of regulatory and fiscal incentives for industrial waste collection and management, promote affordable and more efficient technologies for conversion of waste to energy, legislate against unplanned disposal of industrial and municipal waste and developed pricing mechanisms for electricity generated from waste.

Energy and development in Northern, Upper West and Upper East Regions (North Ghana)

In addition to the provisions of the policy documents on energy which apply to the North Ghana as well to the rest of the country, the Savannah Accelerated Development Authority (SADA) has developed the key policies a) Medium Term Development Plan 2018-2021 and b) Strategy and Work plan for Sustainable Development Initiative for the Northern Savannah 2010-2030 that emphasise the need to develop the energy access and infrastructure as well as RE and waste-to-energy as a means to increase economic growth and protect the natural resources. The governmental policy for the development of North Ghana is envisaged by the key documents: (i) the Ghana Shared Growth and Development Agenda II 2014-2017 (GSGDA II), (ii) the Medium Term Agriculture Sector Investment Programme (METASIP) and (iii) the Ghana Agricultural Sector Investment Programme (GASIP). All three promote the development of energy infrastructure and the sustainable, sanitary and environmental-friendly waste disposal. The Food and Agriculture Sector Development Policy (FASDEP II) also stipulates the provision of key infrastructure including energy and the promotion of RE technologies for productive uses in agriculture, fisheries and other economic activities.

Links with the EU policies

The national strategies, policies and priorities are compatible with the EU development policy's goals in energy as these are described in the EU Agenda for Change[9]: energy security, combat of climate change, access to low carbon technologies, and access to secure, affordable, clean and sustainable energy services. They are also in accord with the Action Agenda of Ghana of Sustainable Energy for All (SEforALL). Furthermore, they are in line with the United Nations' (UN) Sustainable Development Goal 7 (SDG) on affordable, reliable and clean energy. The EU supports the implementation activities to achieve this goal and it is also one of the core leading and funding parties of the SEforALL initiative which mandates faster and catalytic action to achieve the SDG 7 and support the Paris Climate Agreement. The EU is already engaged to providing access to modern and sustainable energy services for 100 million more people in Africa by 2020 through the Africa-EU Energy Partnership - AEEP.

1.1.2 Stakeholder analysis

Stakeholder	Analysis
Policy, planning and financing	
Ministry of Finance (MoF)	Provides electrification budget, coordinates grants and loans for electrification, designs and implement fiscal incentives.
Ministry of Energy (MoE)	Oversees the renewable energy sector; responsible for policy formulation and implementation and planning in the RE and EE sectors. Implements programmes/projects initiated by the State or where State participates.
Ministry of Food and Agriculture (MoFA)	Oversees the agricultural sector, formulates and implements the policies and strategies in the agricultural sector.
Ministry of Local Government and Rural Development (MLGRD)	Policy making, planning, implementation of development plans in local governance, rural and urban development, local economy, local environment, sanitation.

[9] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: "Increasing the impact of EU Development Policy: an Agenda for Change" COM(2011)637 final of 13.10.2011.

Ministry of Environment, Science, Technology and Innovation (MESTI)	Policy making, formulation and implementation for environment, science, technology and innovation plans. Coordination, supervision, monitoring and evaluation of activities of environment, science, technology and innovation. Establishment of regulatory framework.
Savannah Accelerated Development Authority (SADA)	Independent governmental agency for coordinating a comprehensive development agenda for the northern savannah ecological zone in Ghana.
National Development Planning Commission (NDPC)	Monitors, evaluates and coordinates development policies, programmes and projects, proposes development plans, environment and natural resources protection plans, economic plans and structural reforms.
Regulation	
Energy Commission (EC)	Provides policy recommendations to the MoE; responsible for the implementation of Act 832; sets up the regulatory framework; licensing of energy investments; formulates energy plans; formulates and implement technical regulation (technical and service quality standards, etc.); recommends polices and plans for incentives, education, training and awareness on technologies
Public Utility Regulatory Commission (PURC)	It is independent with the mandate to set and approve tariffs, FiTs, charges for grid connection; mediates disputes between utilities and consumers
Environmental Protection Agency (EPA)	Develops environmental and climate regulations; ensures environmentally sound and efficient use of both renewable and non-renewable resources
Ghana Standards Authority (GSA)	Develops standards for RE technologies
Power generation	
Volta River Authority (VRA)	State-owned power generation utility
Bui Power Authority (BPA)	State-owned power generation utility
Independent Power Producers (IPPs)	Power generation
Electricity transmission	
Ghana Grid Company (GridCo)	State-owner owner, manager and operator of the transmission grid; it has been mandated to provide open access to the transmission grid for all participants in the power market.
Electricity distribution	
Electricity Company of Ghana (ECG)	State-owned owner, manager and operator of the distribution grid in Southern Ghana.
Northern Electricity Distribution Company (NEDCo)	State-owned owner, manager and operator of the distribution grid in Northern Ghana.
Enclave Power Company	Private owner, manager and operator of the distribution grid in Tema Free Zones.

Local governance	
District Assemblies	They are the highest policy making, planning, legislating and budgeting authority in the local context. They implement plans and assess the development projects in their jurisdiction. They are responsible for public deliberations.
Private sector	
Private businesses	Over 100 businesses have been licensed by the Energy Commission to install and maintain renewable energy systems, mainly PVs. About 10-20 companies have experience with biogas. A few hundred agro-businesses mainly working in food processing, food manufacturing and food retail operate in Ghana.
Civil society	
Farmer Based Organisations (FBOs)	They support farmers in improving their market place, extension services, planning and organisation of infrastructure.

1.1.3 Priority areas for support/problem analysis

Challenges to the deployment of RE and EE in all sectors and regions of Ghana

Several problematic areas hinder the deployment of RE and EE and the participation of the private sector. In financing, the main problems are a) high upfront cost of RE and EE equipment since most of it is imported, b) lack of financing instruments tailored to the specificities of RE and EE projects (unfavourable terms of loans) and c) low experience of local commercial, rural and community banks in financing solutions for RE and EE technologies and mini-grids. The private investors are also discouraged by the risk of not being remunerated by the distribution companies for the electricity generated by their IPPs due to the difficult financial status of the first and the lack of guarantees by the government. Further, the private engineering firms are inexperienced in RE and EE technologies, project design, feasibility studies, implementation and financing. In the regulatory sphere, the 10-year period of fixed FiT is short to ensure viability of projects and the licensing for RE projects procedures are lengthy and cumbersome.

The public sector model being pursued by the government in mini-grids does not incentivise the private investors' participation and the public sector companies are not ready to finance and implement mini-grid projects due to their operational and financial challenges. Awareness and sensitisation is low in RE technologies and mini-grids. However, the interest of the private sector for utility-scale RE projects and mini-grids remains high. This is an opportunity to support the private sector and provide the incentives to invest.

Challenges to the development of PUE, EE and waste-to-energy projects in Ghana emphasising North Ghana

Agro-business and livestock farming use electricity and/or heat for their processes, primarily on woodfuel and charcoal which are harmful to the environment and health and deplete the forest recourses and, secondarily on diesel and grid electricity. Some agro-businesses do not have access to grid electricity. Similarly, most equipment and machinery used is inefficient and obsolete so energy is wasted. The high electricity tariffs and the cost of diesel are increasing the cost of production and have rendered some businesses uneconomical. In parallel, the cost of extending the grid can also be prohibitive. Frequent power cuts and low voltage are constant barriers for grid-connected agro-businesses risking limited productivity and product spoilage.

Waste disposal is uncontrolled in agribusiness and livestock breading and constitutes a threat to health of the local communities and the environment. Waste disposal comes also at a considerable cost for the agro-businesses.

The transformation of the current use of energy into more efficient energy services and the harmful disposal of waste into energetic utilisation of them, is hindered by the low financial resources of the farmers and business, difficulty in accessing financing, unfamiliarity of banks with new technologies, lack of incentives, low awareness and misperception of new technologies, inadequate skills and knowledge of new technologies, insufficient capacities and market chains of suppliers and project developers, lack of skilled maintenance and operation staff, general lack of adequate technical and engineering skills and absence of standards and sustainability criteria.

To tackle these challenges the mobilisation, engagement, financing contribution and innovativeness of the private sector' forces is required. Therefore, the programme will support private sector investments in the areas: a) utility-scale RE investments, b) net-metering RE projects and solar roof-top systems, c) mini-grids and solar stand-alone systems and d) grid-connected and off-grid RE applications, EE projects and waste-to-energy investments in agriculture, agro-business, livestock farming as well as in other sectors where such technologies can produce sustainable outcomes. The programme will focus on Northern Region, Upper West and Upper East Regions of Ghana as primary priority. It will also support interventions in the rest of the country a secondary priority.

The programme is in line with the National Indicative Programme 2014-2020 as it supports the generation of income for the households in North Ghana by bringing access to clean energy, improving electricity reliability and securing supply, increasing opportunities for growth of agriculture and agro-business, improving access to sustainable waste management and creating opportunities for new value chains (i.e. fertilisers production and marketing from biogas digesters), thus, expanding the local economy and employment.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
The proposed financing support will not work in practice to incentivise the private sector	Low	Implementation of pilot projects in all actions to assess the applicability of financing support in practise. Conduct feasibility studies for the pilot projects. Possible technical assistance.
Private investors' participation remains low	Low	The private sector will participate from day one in the design of the actions.
Off-takers are not in place to support FiT payments	High	Strong commitment of off-takers to pay FiTs. Close monitoring and coordination with the projects that improve the off-takers' operational efficiency and those that rehabilitate the distribution and transmission grid, reduce losses and improve the financial position of off-takers (World Bank-funded Ghana Development and Access Project-GEDAP, Ghana Power Compact programme of the Millennium Compact Challenge).

Low quality of project proposals	Medium	Pre-feasibility studies and technical assessments on potential projects will be conducted.
Low quality products are provided to the investors/eligible consumers, suppliers' market chains remain short	High	Strict quality control procedures will be developed and enforced. Suppliers will be certified. Awareness raising and capacity building. Cooperation with other projects to reinforce market development.
Limited capacity of the local private sector engineering firms and installers to offer quality design, engineering, installation, operation and maintenance services	Medium	Design and deliver training to the relevant actors. Create certification schemes for engineers. Cooperate with the distribution companies, Ghana Standards Authority, vocational training organisations, non-profit organisations in the energy field, academia. Secure contracts for operation and maintenance of the projects under the proposed actions
Lack of awareness and know-how on new technologies results in low adoption rates	Medium	Carry out demonstration projects, cooperate with civil society and implement awareness campaigns. Possibly, specialised technical assistance.
Assumptions		
• A sufficiently stable political, social, macroeconomic and financial climate will continue to be in place and promote and attract investments. • The coordination among governmental entities, the implementers of the proposed programme, the private sector and the Developing Partners (DPs) will be efficient. • The government of Ghana continues committed to the acceleration of RE, the achievement of universal access to energy services, the engagement in EE and the development of North Ghana.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Programmes that seek to accelerate the deployment of utility-scale RE, distributed generation and mini-grids as well as PUE/waste-to-energy and EE investments in businesses should take into account the following:

Suitable financing model design: financing models to support the private sector should mitigate the high capital cost of the equipment and take into account the ability of the private investor to pay back or the consumers to pay for the energy services the investor provides within affordable limits.

Creating sustainable after sales support: After sales support and maintenance is vital to the projects' long-term financial sustainability and generation of positive results. Business models and contracts need to be developed to ensure strong after sales support and maintenance by the suppliers/project developers. Additionally, project beneficiaries and local communities should be trained to operate the systems properly and efficiently.

Energy efficiency should come first: in some systems configuration RE systems supply loads (off-grid, net-metering, mini-grids). In order to avoid designing and installing oversized systems, the energy-consuming equipment should be efficient. Therefore, the rehabilitation or replacement of the equipment should come before the RE project.

Cooperation with the civil society and the communities: the implementers of the programme should work closely with the civil society organisation and the local communities and enable them in the design, implementation, monitoring and evaluation of the projects and their business models. Their involvement should start from day one. This approach will ensure ownership, develop accountability, minimise social conflicts and create a model of long-term cooperation. The business models should be designed to bring tangible economic benefits from the population and especially for the poorest and most vulnerable.

Engagement of the private sector and the communities: business relations should be nurtured with the active private sector and the communities which have or are implementing successful projects. Replicability of their projects and business models should be sought.

Demonstration projects and capacity building: the adoption of new technologies requires beneficiaries to be convinced about the feasibility and benefits of the technologies against the current practise. Pilot projects will be implemented directly demonstrating the results of the new technologies in profitability, efficiency, business operations, environmental protection, health protection and climate change. Lessons learn from pilot projects will be adopted to full roll out. Capacity building of the private sector, suppliers, project developers, financing institutions and beneficiaries will ensure that the experience will remain within Ghana and capitalised for the creation of local initiatives.

Strong communication and visibility: awareness campaigns, communication and visibility are required to enhance awareness and knowledge on the benefits of the new technologies and the opportunities they offer to improve efficiencies, create income and employment. Target groups should be the players in the value chain: project developers, suppliers, financing institutions, civil society, NGOs, communities, population.

Development of scaling up and replication strategy: enhancement of capacities of local actors to scale up and replicate actions, and assistance to leverage and blend domestic and international financial resources is required to achieve such objective. The opportunities and potential to scale up and replicate should be also studied.

Create robust monitoring and evaluation system: Assessment of the baseline and development of targets for the outcomes. Development of a system to monitor and report the progress towards and targets should be integral to the programme design. The system should monitor and evaluate at least technical progress, expenditures vs budget, time schedules, expected deliverables, quality of the deliverables and impacts.

3.2 Complementarity, synergy and donor coordination

The government has supported and stipulated the development of on-grid and off-grid RE investments by the private and public sector with a number of initiatives. Ghana joined the Scaling-up Renewable Energy Programme (SREP) for Low Income Countries of the Climate Investment Funds in 2013. The SREP aims at implementing four projects using a mix of lines of credit, concessional financing and subsidies: a) installation of 55 RE mini-grids and 35 250 stand-alone PV systems in 500 rural communities, b) installation of 15 000 PV net metering systems with battery storage, c) provision of finance to utility-scale PV and wind projects and d) technical assistance and capacity building to improve the regulatory and institutional framework. SREP will develop business models for mini-grids and the financing model of stand-alone systems. It is still in the early stages of implementation. The National Solar Roof-top Programme begun in February 2016 and provides subsidies for solar roof-top systems and targets all categories of electricity consumers (residential, public, commercial and industrial). The government is also implementing a project, which aims at installing 200 biogas technology systems in boarding schools, hospitals, and prisons.

A number of DPs have been engaged in projects in electricity sector reforms, energy infrastructure construction and rehabilitation, energy access and RE deployment, institutional reforms and capacity building. Ghana is a participant in the Sustainable Energy for All (SE4All) initiative. The EU Technical Assistance Facility of SE4ALL has been carrying out projects in Ghana since 2014 in renewable energy financing, rural electrification, feasibility and installation of PV-pumping systems.

The German Development Cooperation (BMZ), through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), is implementing the Energising Development (EnDev) programme, which also receives support from other DPs. Under the project, GIZ has supported, through subsidies of up to 40%, farmers to own PV grid-connected irrigation systems in Ghana. Farmers are also trained to acquire skills in agri-business development and management.

United Nations Industrial Development Organization (UNIDO) is funding the project "Supporting green industrial development in Ghana: Biogas technology and business for sustainable growth" aiming at developing a biogas equipment industry.

Switzerland's State Secretariat for Economic Affairs (SECO) supported the construction of 5 renewable-based mini-grids in islands and lakeside communities which are providing electricity to 6 000 inhabitants. Funding has been secured to build additional 3 mini-grids. SECO is also supporting the Ministry of Energy to conduct a feasibility study for three biomass feedstocks for electricity generation: saw dust, oil palm waste, and rice husk.

Since its commencement in 2007, the Ghana Energy Development and Access Project (GEDAP) is the main project of the World Bank (WB) in Ghana. The total budget of the project is USD 210 million. Under GEDAP, the major sector companies and regulatory bodies have received capacity building and development of sector policy and strategy. Additional support has been channelled to the upgrading of transmission and distribution grids. Support was made also available for extension of the grid to rural areas without access, construction of five RE-based mini-grids in island communities and subsidised solar home systems, solar lanterns, community lighting and battery charging facilities. Funding for three additional mini-grids has been found. The WB is currently planning to provide future support in the construction two mini-grids in the agricultural.

The United States Agency for International Development (USAID) is financing the International Finance Corporation (IFC) to conduct the "Integrated Resource and Resilience Planning (IRRP)" study for Ghana. The Millennium Compact Challenge (MCC) through the USD 498 million Ghana Power Compact since 2014 is assisting the government to improve the financial and technical performance of the power sector utilities, create a viable sector that can meet the needs of the Ghanaians for energy services, enhance the investment climate for RE and increase the level of energy access. The support of MCC does not directly target RE but its impacts will affect the investment climate for RE. Power Africa, an initiative of the US, is mainly supporting the construction of thermal plants but has also facilitated off-grid solutions and RE projects.

The Danish International Development Agency (DANIDA) is funding the China-Ghana South-South Cooperation on Renewable Energy Technology Transfer Project (RETT) to facilitate the transfer of knowledge and RE technology between China and Ghana with the private sector as the main beneficiary.

The Agence française de développement (AFD), has since 2015, been exploring the possibility of introducing its SUNREF (Sustainable Use of Natural Resources and Energy Financing) programme in Ghana. SUNREF provides credit lines through lending to local financial institutions which on-lend to private sector with below-the-market interest rates for RE and EE investments.

In June, 2017, Ghana was named one of the three countries in Africa to benefit from the bilateral partnership with the G-20 "Compact with Africa" (CwA) Programme. Consequently, the two countries signed a EUR 100 million bilateral "Investment and Reform Partnership" agreement to promote private investment into RE. The programme is under design phase.

The programme is complementary to the SREP, to the National Solar Roof-top Programme, and to the 200 biogas systems programme. Synergies will be sought with projects that have similar technical content to the programme. The goal is to assess the lessons learnt from the past experience and take them into account in the design of the programme and the respective projects so that the efforts be complementary. This will also facilitate the scale up of actions. Cooperation is required with the projects that support the rehabilitation of the transmission and distribution grids, the extension of the grid to connect consumers and the support to utilities to recover their difficult financial situation. These projects, although not directly targeting RE, PUE and waste-to-energy affect the development and installation as well as the financing of such investments.

The European Union has committed EUR 5 million for the development of a 10 MW solar photovoltaic (PV) project near the City of Wa, The objective is based on the observation that Agro-processors[10] in the Upper West Region of Ghana suffer from a high price of electricity. This has the immediate effect of limiting agro-industry activities in the region.

The solar photovoltaic power plant has to supply of clean, cheap electrical energy at a fixed and stable price for agro-processors and make them partners and beneficiaries of the project. Complementarity will be sought with the AgriFI Thematic blending framework; thematic units responsible will be consulted on the adoption process of the individual projects to be submitted to the Technical Assessment Meeting (TAM) and Board of the EDF blending framework.

3.3 Cross-cutting issues

<u>Gender</u>

Women and children are particularly impacted by the energy challenges; mainly in peri-urban and rural households, they are responsible for collection of woodfuel, charcoal and agricultural waste for cooking and heating and they are exposed to associated hazards. Women and children are vulnerable to the emissions from the use of inefficient and hazardous cooking and heating devices. Furthermore, women operate most of the agro-businesses so they are constantly exposed to hazards from the collection and burning of woodfuel, charcoal and waste. Female participation is also low in decision making as regards energy use. As a result, women and children suffer issues of poor health and limited socio-economic and political, educational and professional development opportunities.

Furthermore, women are usually poorer with low access to credit and they have limited access to engineering, technical and business training. Thus, they have less technological and business opportunities and fewer chances to enter the clean energy and EE business. Their awareness on clean energy and EE technologies is also limited. The methods of statistical information collection do not use gender discrimination in many fields including energy.

[10] For convenience, this report uses "Agro-processors", when referring to the Agro-processors in the project region Upper West Ghana.

The involvement of women and their position in economic, community, business and social life will be improved by the proposed programme via the following activities:

- Engagement of Civil Society Organisations (CSOs) targeting women in the decision-making process (design, selection, implementation and evaluation of actions, projects, policies, financing, business models) through expert sub-committees, hearings or consultations at both national and local levels and all along the project cycle, from design to evaluation,
- Systematic inclusion of the gender equality in project design; priority to projects that secure access to modern forms of energy and energy services, mitigate adverse impacts and create employment to women,
- Awareness and communication campaigns implemented by women- and youth-related CSOs and environmental CSOs; targeted design of the campaigns and targeted material and messages,
- Training and technical assistance provided to women to become professionals in RE, EE and PUE and waste-to-energy engineering, procurement and construction, operations, maintenance and management; training and technical assistance to women to exploit business opportunities in the RE, EE and PUE/waste-to-energy sectors and set up their own business.
- Participation of women in the value chains created by the programme; participation of women-led households, farms, agro-business, farmer associations, communities as beneficiaries of the programme.

Youth

Vulnerability of young people is attributed to unemployment and poverty. RE, PUE, EE and waste-to-energy offer employment opportunities provided the young people have the appropriate knowledge and skills. Furthermore, such technologies provide modern ways of exercising agriculture and agro-business and open new fields to employment creation. Young people will participate in the design of the projects supported by the proposed programme via public deliberations. The youth dimension will be included in programme and project design. In addition, training and capacity building will be provided to the young people to become professionals in RE, EE and PUE/waste-to-energy or to create their own business. Social impact assessments will be carried out for women and youth.

Environmental sustainability, climate change and health

Environmental impact and climate risk assessments will be conducted for every project of the proposed programme. Health impact assessment will be carried out for the projects which affect parameters that contribute to health hazards. Mitigation measures for environmental, climate and health impacts will be integrated in the project and programme design. The programme is expected to result in mitigating environmental, climate and health challenges. RE, PUE, EE and waste-to-energy projects will reduce emissions from fossil fuels. They will replace woodfuel and charcoal thus reducing deforestation and soil degradation. Improved efficiency in agriculture, agro-business and livestock farming will ensure natural resources are not wasted. Waste-to-energy projects will improve sanitary and environmental conditions and enhance health of local communities.

As regards programme design and assessment of projects, District Assemblies, farmers associations, Community-based Organisations (CBOs), local representatives and the population will participate to integrate their approaches and needs to the design and gain accountability and ownership. Participatory tools like public deliberations, hearings, consultations will be used. The Rights Based Approach will be introduced by the inclusion of the "no harm principle" to ensure that the population’s rights are not threatened by the implementation of the programme.

Programme implementers will ensure that the programme respects European Union principles in terms of environmental and social impact (e.g. gender issues, indigenous people's rights, governance, etc.), public procurement, state aid, and equal opportunities. All activities must also respect the principles of sound financial management with effective and proportionate anti-fraud measures as well as good governance and human rights (applying the Rights-Based Approach Toolbox).

4 DESCRIPTION OF THE ACTION

4.1 Objectives/ results

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 7 "Ensure access to affordable, reliable, sustainable and modern energy for all", but also promotes progress towards SDG 13 "Take urgent action to combat climate change and its impacts", SDG 3 "Ensure healthy lives and promote well-being for all at all ages" and SDG 8 "Promote inclusive and sustainable economic growth, employment and decent work for all".

The **overall objective** of the actions is to improve access to clean, reliable and affordable energy.

The action has the following **specific objectives**:

a) Enhanced diversification of the national electricity generation mix,

b) Improved access to reliable electricity and energy services for remote communities,

c) Accelerated implementation of investments fostering the RE, PUE, and EE especially in North Ghana,

d) private sector investments in the RE sector, PUE, and EE encouraged.

4.2 Main activities

The activities will be defined within an ElectriFI based-approach on the results on the ongoing market assessment study by the implementing Development Financial Institution (DFI) (to be determined at a later stage).

They will support private investments in the sector.

4.3 Intervention logic

This action is a blending operation via the Africa Investment Platform (AIP). It will be implemented by one of the blending eligible DFIs.

Electricity is a key sector for the achievement of the "energy sector vision to develop an Energy Economy that would ensure secure and reliable supply of high quality energy services for all sectors of the Ghanaian economy". Industries, commercial and service sectors depend on electricity for their operations. To tackle the challenges the energy system faces, which have negative impact on the economy and development, the mobilisation of the private sector is indispensable. The engagement of the private sector will bring in additional funding, result in expansion and intensification of business, create income and employment and lead to advancement of knowledge and skills. The private sector can also scale up and replicate actions in a sustainable manner. Therefore the programme will support private sector investments.

The achievement of the target of 10% of RE generation by 2020, requires an installed capacity of 525 MW of grid-connected RE based on least-cost generation analysis[11], while the draft Renewable Energy Master Plan stipulates the addition of 699 MW of grid-connected plants by 2020. The proposed programme will accelerate the installation of new RE capacity by the private sector, thus contributing to the achievement of the targets. Ghana is facing challenges in ensuring reliable supply of electricity and the frequent power outages inflict negative impacts to the economy. The growing demand will put more pressure to the power system. The programme will contribute in avoiding the outages by closing the generation capacity deficit with the installation of additional RE plants and EE technologies. Furthermore, the actions will accelerate the installation of grid-connected distributed generation, thus ensuring uninterrupted supply of power and reducing the distribution losses. RE distributed generation will also improve the reliability of the electrical system[12].

Ghana is aiming at reaching universal access to electricity by 2020. Although, the electricity access reaches more than 70% in Ghana, the extension of the grid in some remote, inland or lakeside communities is uneconomical. The proposed support of private investments in mini-grids and stand-alone systems will contribute to the target for electricity access. The engagement of the private investor in the RE-based mini-grid market is crucial for the bringing in capital and expertise. Furthermore, the business model, the pricing and the regulatory framework will be adapted to become friendlier to the private investors and incentivise their participation. The new business models will be tested in real pilot projects in order to evaluate their performance in practise and provide lessons learnt for adjustments.

EE in productive operations in households, industry and business in agriculture and agro-business is at embryonic stage. Awareness for EE is particularly low and these businesses still operate old and inefficient equipment and machinery. EE saves wasted energy, reduces the electricity bills and contributes to lower production costs and increase profit margins. The programme will support also private investments in PUE projects, EE in equipment and machinery and waste-to-energy projects. These have unquestionable advantages for Ghana: i) extends, intensifies and makes more efficient and productive various economic activities in poor areas such as North Ghana, ii) improves the quality and quantity of the products, iii) creates income and employment and offers employment opportunities to women and youth, iv) secures access to reliable and stable energy supply and reduces the energy bill, v) reduces production cost and product losses making business more profitable, vi) reduces waste disposal and management costs, vii) improves environment, prevents deforestation and improves health of mainly women and children, viii) protects natural resources from uncontrolled use and ix) contributes to mitigating climate change.

The intervention logic of the programme is based on reimbursable schemes. It will support the financing of private investments, in order to support sustainable business models, in utility-

[11] Castalia Strategic Advisors, Capacity for a Successful Implementation of the Renewable Energy Act in Ghana, Results of Preliminary Grid Analysis and Revised Electricity Generation Model, March 2015

[12] Distributed generation improved reliability because it can:

- Add generation capacity at the customer site for continuous power and backup supply
- Add system generation capacity
- Free up additional system generation, transmission and distribution capacity
- Relieve transmission and distribution bottlenecks
- Support power system maintenance and restoration operations with generation of temporary backup power

scale, small-scale RE projects and mini-grids and waste-to-energy projects and projects that promote EE and PUE. This will bring the capital cost of such investments down and provide investors access to capital with terms that are favourable for such technologies.

The private engineering firms which assume the role of suppliers/project developers will become more experienced in project design, feasibility studies, installation and maintenance and in expanding their commercial chains, thus high quality products will be marketed.

5 IMPLEMENTATION

5.1 Financing Agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 96 months from the date of entry into force of the financing agreement or, when none is concluded, from the adoption of this Action Document.

Extensions of the implementation period may be agreed upon by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of the Regulation (EU) 2015/322.

5.3 Implementation of the Budget Support Component

N/A

5.4 Implementation Modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation[13].

5.4.1 Contribution to the Africa Investment Platform

This contribution may be implemented under indirect management with the entities, called Lead Financial Institutions, and for amounts to be identified in Appendix 2 of this action document.

The entrusted budget implementation tasks consist of the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it. The Lead Financial Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix.

Certain entrusted entities are currently undergoing ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante

[13] https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

assessment based on Article 140 of Regulation (EU, Euratom) No 1605/2002, they can be entrusted with budget-implementation tasks under indirect management.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1) (b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution* - NIP (in EUR)	Indicative third party contribution (including 11th EDF - RIP) (in EUR)
5.4.1 - Contribution to the Africa Investment Platform (AIP)	10 000 000	100 000 000
5.9 - Evaluation, 5.10 - Audit	To be covered by another measure constituting a financing decision	N/A
5.11 - Communication and visibility	Covered by the contribution to the African Investment Facility (5.4.1)	N/A
Totals	**10 000 000**	**100 000 000**

*The contribution to the Africa Investment Platform (AIP) includes the fees to be paid to the Lead Finance Institutions, as defined in the contractual arrangements of each specific project.

5.7 Organisational set-up and responsibilities

The organisational set-up and responsibilities are those put in place in the context of the African Investment Facility.

The contribution will be implemented under the governance of the EDF blending framework with a decision-making process organised in a two level structure:

- opinions on projects will be formulated by the Board;
- opinions will be prepared in dedicated Technical Meetings, where the project application forms completed by the lead finance institution are assessed. These opinions will be supported by the assessments formulated by the EU Delegation to Ghana, which liaises closely with the Ghanaian National Authorising Officer (NAO) ,

The activities will be implemented under indirect management by the Lead Financial Institutions.

A Steering Committee composed of representatives of the EU, the Government of Ghana and other stakeholders involved in the implementation of projects will be established and will meet at least once a year to ensure adequate monitoring of all the activities of the various projects.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the individual projects and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of implementation of the project, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators established for each project, using as reference the relevant minimum set of indicators defined in the EU blending results framework and the relevant indicators defined in the regional programme.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the project. The final report, narrative and financial, will cover the entire period of the project implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, evaluations at the level of the individual projects will be carried out for this action or its components via an implementing partner. The evaluation tasks will be carried out under the responsibility of the Lead Financial Institution and will be organised according to the requirements of each project.

In case an evaluation is not foreseen, or in case an independent mid-term and/or final evaluation is deemed necessary, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decisions or on the initiative of the partner. The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

In that case, the financing of the evaluations shall be covered by another measure constituting a financing decision.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of such audit shall be covered by another measure constituting a financing decision.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the projects financed under this Action and the appropriate contractual obligations.

For each individual project, a communication plan will be prepared by the lead FI, allowing for the involvement of the EU Delegations at key stages of the projects to have visibility potential. Additional communication measures might be taken if necessary.

APPENDIX 1 - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)[14]

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	The overall objective of the proposed actions is to improve the security of energy supply and the access to clean, reliable and affordable energy and contribute to economic growth.	1) Number and cumulative capacity of new energy supply projects using clean energy implemented during the programme. 2) Number of mini-grids installed during the programme. 3) Number of businesses (agricultural and industrial) connected to reliable and clean energy (on-grid or off-grid) and carried out EE interventions during project implementation. 4) Annual public and private investments (USD) in targeted subsector(s) per country 5) % of people with access to electricity 6) CO_2 emissions at national level	1. Currently 3,795 MW generated (2016). 38 MV of utility-scale RE out of which 22.5 MW of utility-scale PV (2015). Less than 1.4 MWp of grid-connected net metering and roof-top systems 2. 5 mini-grids total 200 kW installed up (2015) 3. 0.8 MW of biogas installed (2015) 4. N/A 5. 70.6% (2013) 6. 33.66 m tonnes of CO_2-eq (2012)	1. An additional 200 MW/year installed by the end of the programme. 2. TBD 3. TBD 4. TBD 5. TBD 6. TBD	1. Programme monitoring reports and evaluations of SE4All Ghana. 2. Government of Ghana energy statistics 3. Specific surveys and studies 4. Programme periodic progress reports	

[14] Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

		Data should be discriminated between North Ghana and rest of Country and by gender				

Specific objective(s): Outcome(s)	The specific objectives are to: 1) Diversify the national electricity generation mix by promoting the utility-scale, distributed and off-grid RE leading to closing the power capacity gap, avoiding outages, protecting health and environment and fight climate change, 2) Improve the access to reliable electricity and energy services for remote communities, 3) Accelerate the implementation of investments fostering the RE, PUE, EE and waste-to-energy especially in North Ghana to intensify, make more efficient agriculture and other economic activities and create income and employment, 4) Encourage private sector investments in the RE sector, PUE, EE and waste-to-energy.	1) Generation (MW)/RE generation (MW) 2) Net metering capacity installed. 3) Solar roof top capacity installed. 4) Number of remote communities that have electricity connections via mini-grids. 5) Number of stand-alone systems installed in remote communities. 6) Number of projects in PUE, EE and waste-to-energy have been implemented. Data should be discriminated between North Ghana and rest of Country and by gender	1. Currently 3,795 MW generated (2016). 38 MV of utility-scale RE (2015) 2. TBD in inception phase 3. TBD in inception phase 4. 5 mini-grids total 200 kW installed up (2015) 5. TBD in inception phase 6. TBD in inception phase	1. X% (TBD) percent of electricity generated by RE each year. 2. TBD in inception phase 3. TBD in inception phase 4. TBD in inception phase 5. TBD in inception phase 6. TBD in inception phase	1. Programme monitoring reports and evaluations of SE4All Ghana. 2. Government of Ghana energy statistics 3. Specific surveys and studies 4. Programme periodic progress reports	1. The Government of Ghana continues to make clean and reliable energy a focus of its polices during project implementation. 2. The private sector is willing and able to invest in clean and reliable energy systems.

Outputs	Installed utility-scale RE projects, 1) Mini-grids and stand-alone PV systems have been installed in communities for which the extension of the grid is not a more economical option, 2) Net-metering and solar roof-top systems have been installed in households, industrial and commercial and services sites and other business sites (agricultural, fisheries etc), 3) PUE, EE projects, waste-to-energy projects in households, businesses and institutions.	1) Number and capacity (in kWp) of utility-scale RE projects installed during programme implementation, 2) Number and capacities (in kWp) of mini-grids installed in communities for which the extension of the grid was not a more economical option, 3) Number and capacities (in kWp) of stand-alone PV systems installed in communities for which the extension of the grid was not a more economical option, 4) Number and capacities (in kWp) of net-metering systems installed in households, industrial and commercial and services sites and other business sites (agricultural, fisheries etc), 5) Number and capacities (in kWp) of solar roof-top systems installed in households, industrial and commercial and services sites and other business sites (agricultural, fisheries, etc), 6) Number and energy savings of EE projects developed that use RE energy, 7) Number and capacities (in kWp) of waste-to-energy projects installed,	1) 0 with the support of this Action (38 MV of utility-scale RE, as of 2015) 2) 0 with the support of this Action (Five Solar PV and Wind powered Mini-grids 200 kWp in total, as of 2015) 3) 0 with the support of this Action (A number of pilot projects with net metering and solar roof top systems have been established, total capacity below 1.4 MW; numbers and capacity TBD) 4) 0 with the support of this Action 5) TBD in inception phase 6) TBD in inception phase 7) 0.8 MW (2015)	1) TBD in inception phase 2) TBD in inception phase 3) TBD in inception phase 4) TBD in inception phase 5) TBD in inception phase 6) TBD in inception phase 7) TBD in inception phase 8) TBD in inception phase 9) TBD in inception phase 10) TBD in inception phase 11) TBD in inception phase 12) TBD in inception phase 13) TBD in inception phase 14) TBD in inception phase	1) Programme monitoring reports and evaluations of SE4All Ghana. 2) Government of Ghana energy statistics 3) Specific surveys and studies 4) Programme periodic progress reports	A sufficiently stable political, social, macro-economic and financial climate will continue to be in place and promote and attract investments. The coordination among governmental entities, the implementers of the proposed programme, the private sector and the Development Partners (DPs) will be efficient. The Government of Ghana continues committed to the acceleration of RE, the achievement of universal access to energy services and the development of North Ghana.

		8) Number and capacities (in kWp) of PUE projects of other types installed in households, businesses and institutions. 9) Number of poor households supplied by the mini-grids 10) Number of poor households supplied by stand-alone systems 11) Number of SMEs that invested in RE, PUE, EE and waste-to-energy (disaggregated by sex) 12) Number of local staff reached by the capacity building (disaggregated by sex) 13) Number of local people reached by the awareness campaigns (disaggregated by sex) 14) Number of local staff who got a job in the energy sector (disaggregated by sex) as a result of the programme Data should be discriminated between North Ghana and rest of Country	8) TBD in inception phase 9) TBD in inception phase 10) TBD in inception phase 11) TBD 12) TBD in inception phase 13) TBD 14) TBD			

APPENDIX 2 - INDICATIVE LIST OF PROJECTS FOR POSSIBLE SUBMISSION TO REGIONAL BLENDING FACILITY (AIP)

	PROJECT TITLE	SECTOR	BENEFICIARY	LEAD FINANCIAL INSTITUTION	ESTIMATED TOTAL COST (EUR)	ESTIMATED NIP GRANT (EUR)	MATURITY
1	ElectriFI Country Window for Ghana	Energy	Private sector / agro-processing companies	FMO	To be defined depending on the specific accepted blending operation/s But at least 20 M	10 M	Energy Market Assessment Study on-going

EN

This action is funded by the European Union

<u>ANNEX 2</u>

of the Commission Decision on the financing of the annual action programme 2018 in favour of the Republic of Ghana

<u>Action Document for Budget Support Programme to Promote Investment and Job Creation (SDG-Contract)</u>

<table>
<tr><td>1. Title/basic act/ CRIS number</td><td colspan="4">Budget Support Programme to Promote Investment and Job Creation (SDG-Contract)
CRIS number: GH/FED/041-292
financed under the 11th European Development Fund</td></tr>
<tr><td>2. Zone benefiting from the action/location</td><td colspan="4">West Africa, Ghana</td></tr>
<tr><td>3. Programming document</td><td colspan="4">National Indicative Programme (NIP) 2014-2020 for Ghana</td></tr>
<tr><td>4. Sector of concentration/ thematic area</td><td colspan="2">Fight against Poverty
Employment / Job creation
Business Climate / Investment environment
Governance/Public Finance Management (PFM)</td><td colspan="2">DEV. Aid: YES</td></tr>
<tr><td>5. Amounts concerned</td><td colspan="4">Total estimated cost: EUR 40 000 000
Total amount of EDF contribution EUR 40 000 000 of which
EUR 39 100 000 for budget support and
EUR 900 000 for complementary support.</td></tr>
<tr><td>6. Aid modality and implementation modalities</td><td colspan="4">Budget Support Modality
Direct management:
• Budget Support: Sustainable Development Goals Contract
• Procurement of services</td></tr>
<tr><td>7 a) DAC code</td><td colspan="4">51010 – General Budget Support</td></tr>
<tr><td>b) Main Delivery Channel</td><td colspan="4">Main Channel 10000 – Public Sector institutions</td></tr>
<tr><td rowspan="5">8. Markers (from CRIS DAC form)</td><td>General policy objective</td><td>Not targeted</td><td>Significant objective</td><td>Main objective</td></tr>
<tr><td>Participation development/good governance</td><td>☐</td><td>☐</td><td>☑</td></tr>
<tr><td>Aid to environment</td><td>☑</td><td>☐</td><td>☐</td></tr>
<tr><td>Gender equality (including Women In Development)</td><td>☑</td><td>☐</td><td>☐</td></tr>
<tr><td>Trade Development</td><td>☑</td><td>☐</td><td>☐</td></tr>
</table>

	Reproductive, Maternal, New born and child health	☑	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	☑	☐	☐
	Combat desertification	☑	☐	☐
	Climate change mitigation	☑	☐	☐
	Climate change adaptation	☑	☐	☐
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			
10. Sustainable Development Goals (SDGs)	Main SDGs: SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Secondary SDGs: SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation SDG 10: Reduce inequality within and among countries SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development			

SUMMARY

The proposed SDG contract, operationalising 12% of the EU-Ghana National Indicative Programme, consists of EUR 39 100 000 of budget support and EUR 900 000 of additional support. It will be implemented over three budget years (2019-2021).

The overall objective is to support the implementation of Ghana's Medium-Term National Development Policy Framework ("The Agenda for Jobs: Creating Prosperity and Opportunity for All) with a view of achieving the Sustainable Development Goals. The following specific objectives have been identified as priorities: 1) Promote domestic and foreign private investment and enable all businesses to spearhead economic transformation and create more employment and decent work opportunities; and 2) Strengthen public financial governance and fight against corruption, and boost domestic revenue mobilisation.

The objectives of the SDG contract are consistent with: the European Consensus on Development[1] which aligns European development action with the achievement of SDGs by 2030; the EU+ Joint Cooperation Strategy for Ghana 2017-2020; and the EU's External Investment Plan. The contract falls under the 3rd pillar of the latter.

The budget support aims to serve as leverage to accelerate the implementation of structural reforms essential for strong, inclusive and job-creating growth by focusing on the areas of business climate, public financial governance, and employment.

[1] OJ C 210 of 30.6.2017.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Ghana has been an African model for stability since its return to democratic rule in 1992 with three peaceful transitions of power between its two main political parties, the New Patriotic Party (NPP) and the National Democratic Congress (NDC). Ghana remains one of the most dynamic economies in West Africa, with a relatively diversified structure that can benefit from its stable political environment. However, Ghana's economic performance has not yet fully developed all its potential in terms of shared growth and job creation in parallel to the country's challenges to deliver basic social services and develop relevant institutional capacities.

Over the last years, Ghana's economic growth rates have sharply declined, from a peak of 14% in 2011 to 3.9% in 2015 and further to 3.6% in 2016. This decline was due mainly to macroeconomic imbalances, dwindling economic activities, and declining competitiveness in all sectors. Preliminary data for 2017 suggest that economic growth has increased dramatically to 8.5%, partly due to improved macroeconomic management but mainly as a result of higher oil and gold production and favourable prices in international markets. Ghana's economic concentration and reliance on commodities, reflected in 75% of exports coming from just three products (cocoa, gold and oil), continues to represent a major challenge for the national economy. As a result, the Ghanaian economy remains vulnerable to international commodity price fluctuations, as observed in 2012-2015 when the prices of gold and oil fell by a third and two thirds respectively as well as in 2016-2017 when the prices of cocoa fell by a third.

Ghana's current Government, elected in December 2016, has a strong political agenda often described as "*Ghana beyond Aid"*. Its main economic objective is to industrialise the country by mobilising domestic private investment, develop the agricultural sector and create more jobs. To do so, there are numerous challenges and constraints the Government will have to address to generate more economic activity and attract investment including such issues as Ghana's business climate, tax administration, enforcing contracts on a timely manner, tariff and non-tariff barriers to trade, the cost of electricity, appropriate skills development, the cost of credit and poor quality infrastructure.

Ghana also continues to be supported by an IMF Extended Credit Facility which was prolonged by one year (until April 2019) due to the country's mixed macroeconomic performance of recent years. Policy slippages have compounded the adverse impact of shocks and resulted in significant external and domestic imbalances. However, over the medium term, both the fiscal deficit and the current account deficit are projected to decline gradually reflecting the Government's fiscal consolidation efforts maintained since it took office one year ago.

Ghana is also one of the countries to take part in the G20 Compact with Africa (CwA) which promotes private investment, including in infrastructure. By taking part in the compact, Ghana has agreed on specific measures to improve investment conditions. The new Government has been advocating for private-sector led growth since it took office. The main thrust of the Government's private sector development policy is therefore to establish Ghana as the most business friendly country in Africa and to create an enabling environment to attract both domestic and foreign investors, with the aim of growing businesses and expanding the private sector, thereby creating more and better quality jobs and generating incomes.

Ghana has seen its ranking in the Doing Business Report worsen over the last 4 to 5 years, from 60 to 120 in 2017 with especially low rankings in such crucial areas as Trading across Borders and Enforcing Contracts. Similarly, Ghana's position in the Global Competitiveness Index regressed from 103 in 2012-13 to 114 in 2016-17. Weaknesses and lack of reforms have been reported across most indicators, including: process to start a business, dealing with construction permits, access to electricity, taxes, trading across borders, enforcing contracts and resolving insolvency. The Business Barometer of the Association of Ghana Industries (Q2 2016) found similar constraints to be the most problematic: high cost of utilities (power and water), cedi depreciation (currency), multiplicity of taxes, access to long term and affordable credit, delayed payments and influx of imported goods.

Ghana’s growth in the recent period has not resulted in sufficient employment creation, although poverty levels have declined over the years. The proportion of Ghanaians described as poor in 2005-2006 was 28.5%, falling from 39.5% in 1998-1999. Those described as extremely poor declined from 26.8% to 18.2%. This reduction in poverty is, however, mainly due to the expansion of the informal economy and not due to the creation of decent employment in the formal sector. The urban informal sector is still increasing at the expense of opportunities for productive employment in the formal sector. Furthermore, underemployment is also a major problem especially among women engaged in agriculture in rural areas.

Ghana’s growth in the recent period has not resulted in sufficient employment creation, although poverty levels have declined over the years. Between 1991 and 2012, the Ghanaian economy grew fast and the national poverty rate declined to less than half, from 52.7% in 1991 to 21.4% in 2012. This reduction in poverty is, however, mainly due to the expansion of the informal economy and not due to the creation of decent employment in the formal sector (the urban informal sector is still increasing at the expense of opportunities for productive employment in the formal sector).

In Ghana the informal economy is the largest employer as it has absorbed about 86% of the labour force. The Ghanaian labour market is characterised by high levels of labour participation and low level of official unemployment rates. In 2012, 77% of the adult population was employed and only 2% of the active population was unemployed. In Ghana the problem is not a lack of jobs as such but the quality of jobs: most jobs are in low-productivity self-employment activities, characterised by limited earning and important deficit of decent working conditions.

Although Ghana achieved the MDG goal of halving poverty, it is ranked 139th out of 188 in the UNDP Human Development Index and there is also evidence of growing disparities across regions, particularly between the north and the south – the Northern Savannah belt is witnessing high incidences of poverty, inter-tribal conflict threatening economic and social progress, and limited access to basic services and basic infrastructure.

1.1.1 Public Policy Assessment and EU Policy Framework

Ghana's multisector reform process is currently guided by the Coordinated Programme of Economic and Social Development Policies 2017-2024 *"An agenda for jobs: Creating prosperity and equal opportunity for all"*. Presented to the Parliament in November 2017, it outlines the President's vision for the country, a diagnosis of the socio-economic challenges, new approaches to addressing them and the specific interventions to be introduced to overcome them. It also contains selected flagship programmes and projects, which will serve as the broad expression of Government policies. The priority interventions under the Coordinated Programme cover five major areas reflecting the priorities of the long-term vision for the country (Long-Term National Development Plan 2018-2057), namely: economic development; social development; environment, infrastructure and human settlements; governance, corruption and public accountability; and strengthening Ghana's role in international affairs. However, the key strategic anchors to drive growth and development are: (i) revitalising the economy; (ii) transforming agriculture and industry; (iii) strengthening social protection and inclusion; (iv) revamping economic and social infrastructure; and (v) reforming public service delivery institutions. Under these 5 areas, the Coordinated Plan lists 43 priority interventions. The Coordinated Plan also reiterates Ghana's commitment to the three major international agreements it signed in 2015, namely the UN 2030 Agenda for Sustainable Development, the African Union's Agenda 2063 and the Paris agreement on Climate Change. The medium-term national development policy framework (MTNDPF) 2018-2021, which provides the mechanism for operationalising the Coordinated Programme of Economic and Special Development Policies (CPESDP) 2017-2024, was circulated to Development Partners in June and is pending adoption by the President. The adoption and publication of this framework will be a condition to any disbursement of the present Budget Support programme.

The National Development Planning Commission (NDPC), as the apex planning body of the Government of Ghana, will work with the Office of the President, particularly with the Minister for Monitoring and Evaluation, to coordinate the implementation of all programmes, both the priority programmes, and the broader set articulated in the MTNDPF. Ministries, Departments and Agencies (MDAs) and the Metropolitan, Municipal and District Assemblies will act as the basic structures of the implementation mechanisms in line with the Directive Principles of State Policy. The newly created Ministry for Monitoring and Evaluation (MM&E) will introduce real-time monitoring of key flagship initiatives, as well as results-based delivery approaches, to ensure timely implementation of high Government priorities. As part of performance assessment and measurement, the MM&E will provide regular reports to the President, Cabinet and Parliament on the implementation progress of flagship programmes. In addition, the NPDC publishes the Annual Progress Report (APR) on the MTNDPF available on their website and scrutinised by the Parliament. The APR has in the past given a clear account of the progress achieved against objectives and target indicators of the MTNDPF.

Support to the Government of Ghana through budget support is fully in line with the Commission Communication "The Future approach to EU Budget Support to Third Countries" (2011)[2], which highlights the need to put strong emphasis on development strategies that are nationally owned, as well as the new Budget Support Guidelines (2017). The political and societal commitment to reform matches the vision of these communications, and satisfies the national policy relevance and credibility criteria. It is also well aligned to the President's vision of "*Ghana beyond Aid"* and calls for external assistance funds to be directed through country systems in line with the Paris, Accra and Busan principles on aid effectiveness.

This SDG contract represents a flexible way to support the Coordinated Programme of Economic and Social Development Policies, in particular its high-level strategic development objective of creating jobs, prosperity and opportunity for all, which requires a comprehensive and cross-cutting approach. It is consistent with the European Consensus on Development, the priorities of the National Indicative Programme for Ghana 2014-2020, the EU+ Joint Cooperation Strategy 2017-2020, and the EU's External Investment Plan.

The EU's External Investment Plan (EIP) aims to encourage investment in partner countries, particularly in Africa. The EIP is structured around three pillars whose objectives are: (i) to create a one-stop shop for proposals from public development finance institutions and other public or private investors; (ii) increase technical assistance and help beneficiaries to develop financially viable projects (thus helping to mobilise more investment); (iii) improve the business and investment climate in the partner countries. This involves a structured dialogue with the private sector and the government of country in question to eliminate the main constraints to investment but also to promote good governance and support major regulatory reforms, policies and governance. This SDG contract falls under the 3rd pillar of the EIP.

In the context of the EU and Switzerland's Joint Programming, the European Partners identified several development challenges for Ghana in line with its national Strategy including social, economic, political, and environmental issues. On the economic front, key challenges include: the growing public deficit, high inflation and a weakening currency, which prompted the IMF

[2] COM(2011) 638 final of 13.10.2011.

bailout of Ghana in 2015; the high cost of doing business; the trade liberalisation brought about by the interim Economic Partnership Agreement; and the need for job creation and the modernisation in the agriculture sector. With respect to the political situation and governance, significant challenges identified include the lack of public accountability and the absence of effective systems of checks and balances. Key areas where reform is much needed include lack of governmental accountability with a dominant executive branch; the high Corruption Perception Index (CPI); and, the challenges for European investors as well as the transfer of competences, resources and accountability issues relevant to decentralisation. On the basis of this, the European Partners' joint response focuses on supporting Goals 1 and 4 of Ghana's Long Term vision: to build an industrialised, inclusive and resilient economy; to integrate the informal sector to the economy; and to build effective, efficient and dynamic institutions.

1.1.2 Stakeholder analysis

The main partner in the implementation of the budget support programme is the Ministry of Finance, as European Development Fund National Authorising Officer. At the level of each area of the action, the key actors have been identified:

Business Climate/Investment Environment: **The Ministry of Trade and Industry** is in charge of designing and implementing business reforms and measures towards private sector Development while Investment Environment is regulated by the **Ghana Investment Promotion Centre (GIPC).** Other key stakeholders are:

- Ministry of Business Development
- Registrar General's Department, Ministry of Justice and Attorney General
- Ghana Revenue Authority (GRA)
- Ghana Free Zones Board
- Private Enterprise Federation (PEF)
- Association of Ghana Industries (AGI)
- Ghana National Chamber of Commerce & Industry (GCCI)
- Association of Small Scale Industries (ASSI)

PFM/Domestic Revenue Mobilisation: The Ministry of Finance and its departments/units are the main stakeholders:

- Tax Policy Unit
- PFM Reform Unit
- Budget Division
- Ghana Revenue Authority (GRA) and the Modernisation Plan Office (MPO)
- Controller and Accountant-General Department (CAGD)
- Ghana Audit Service (GSA)
- Internal Audit Agency (IAA)
- Public Procurement Authority (PPA)
- Bank of Ghana

Employment

- Ministry of Employment and Labour Relations (MELR)
- Labour Department
- Youth Employment Agency (YEA)
- National Development Planning Commission
- Ministry of Education
- **The Council for Technical and Vocational Education and Training (COTVET)**
- **National Vocational Training Institute (NVTI)**
- Ministry of Trade and Industry

- Ghana Statistical Service (GSS)
- National Board for Small Scale Industries (NBSSI)
- Private Enterprise Federation (PEF)
- Association of Ghana Industries (AGI)
- Ghana National Chamber of Commerce & Industry (GCCI)
- Association of Small Scale Industries (ASSI)

The G20 Compact Partnership also represents an important group of stakeholders to the planned budget support as our proposal supports and complements the Compact's goal in Ghana to improve framework conditions for private investment. The key partners of the G20 Compact are the World Bank Group, Germany, the African Development Bank, the International Monetary Fund, and the EU.

1.1.3 Priority areas for support/problem analysis

In order to meet the challenges of poverty eradication and sustainable development by 2030, Ghana must achieve and sustain dynamic, diversified and inclusive growth over the long-term. To this end, it is necessary to accelerate reforms in the area of economic governance and improve the efficiency of public spending and resource mobilisation. Therefore the proposed Sustainable Development Objective contract covers three areas of action: business climate, public financial governance and accountability, and employment.

Business climate

The most recent major private sector policy initiative of the Government of Ghana was the Private Sector Development Strategy II 2010-2015 (PSDS II) which comprises three components: Investment Climate; Economic Transformation; Jobs and Livelihoods. However the PSDS II, which has been extended to 2017, has never been implemented. Instead, the new Government has developed a 10-point pillars agenda for industrial transformation. The Coordinated Programme includes the Industrial revitalisation programme, the One District One Factory initiative, the establishment of industrial parks in all regions, SMEs development, export development, improving the business environment and promote business linkages/partnerships and public private dialogue (PPD). The Ministry of Trade and Industry has also developed the Business Regulatory Reform Strategy and the Ghana Investment Promotion Centre is developing its first Strategic Plan 2018.

The Coordinated Programme outlines that the Government will, as a matter of priority, identify and address the systemic structural and institutional bottlenecks that constrain the environment for business expansion and growth, creating an enabling environment to attract both domestic and foreign investors, with the aim of growing businesses and expanding the private sector. The programme acknowledges the fact that over the last years, Ghana's performance on "Doing Business" indicators has been challenging as compared to its overall ranking but also to other countries in the region and sub-Saharan Africa. According to the coordinated national programme, all 10 "Doing Business" indicators (including "Enforcing Contracts" and "Trading Across Borders") are targeted for improvement. The Coordinated Programme states that the business environment reform agenda is focused on the following strategic components:

- Improve Ghana’s ranking on the World Bank Ease of Doing Business Index, which targets ten indicators, as well as on the Global Competitiveness Index;
- Establish an electronic register for business regulations, legislation and processes, which should lead to a complete on-line repository of business laws and transparency for investors;
- Conduct a rolling review of business regulations using the Guillotine approach, which will ensure significant reduction in cost and volume of regulatory compliance;

- Set up a centralised web portal for business regulations, to act as a one-stop portal for two-way public consultations;
- Design targeted regulatory reliefs for SMEs, in order to reduce entry barriers for young entrepreneurs and start-ups;
- Establish regulatory reform units within MDAs and conduct periodic regulatory impact assessments (RIA) across the Government. This should lead to the creation of a permanent system of quality controls; and
- Develop communication, advocacy and public-private dialogue with stakeholders to enhance the inclusive and open process of stakeholder engagement.

Public Finance Governance and Accountability

<u>PFM</u>

Ghana has been successful in promulgating strong PFM laws but implementation of the latter remains a challenge. The Government developed a PFM Reform Strategy (PFMRS) which was adopted in December 2015 and ended in 2017. Its main goal is to "*establish efficient, transparent and accountable resource mobilization, allocation, management and use of fiscal resources to meet Ghana's development priorities and commitments under the medium term development policy framework and improve coordination of development partners and Government support for PFM"*. The IMF Extended Credit Facility (ECF) programme agreed in 2015 includes strong PFM components which led to the passing of the new PFM Act in 2016. The new PFM reform strategy is presently being developed and should respond to the weaknesses and recommendations from the PEFA exercise conducted in 2018. As for the Mid-Term Development Plan, the adoption of the PFM Reform Strategy is a condition to any budget support payment.

The Coordinated Programme also recognises that Ghana continues to grapple with weak expenditure management and budgetary controls, leading to extensive expenditure overruns and payment arrears, culminating in persistent fiscal deficits. Some of its proposed control measures are to: strengthen and strictly enforce the PFM Act, 2016 (Act 921) to promote fiscal discipline; strengthen the Ghana Integrated Financial Management Information System (GIFMIS) and extend it across all MDAs and Metropolitan, Municipal and District Assemblies (MMDAs); and ensure that all public institutions comply with the robust sanctions regime provided for in the law.

<u>DRM</u>

Revenue mobilisation also remains poor across central and local governments as a result of historical weaknesses in revenue administration and revenue policy development, with widespread tax exemptions and inefficiencies in tax collection. The tax-to-GDP ratio of 17.3% makes Ghana about the average for sub-Saharan Africa but this is a major constraint to growth and development. Its tax effort reflects weaknesses in tax policy and revenue administration as well as corruption and tax evasion.

To boost revenue streams, the Government aims to strengthen tax administration, reduce tax exemptions, and eliminate revenue loopholes and leakages and combat tax evasion. It is also committed to broaden the tax base whilst reducing and abolishing some taxes and levies. The National Identification Scheme, a priority project of this administration, will support efforts to rope in the economically active but undocumented citizens and the informal sector of the economy thereby broadening the tax base and accelerating financial inclusion. The Minister of Finance has announced, at the G20 Compact Conference in April 2017, his intention to present a proposal of tax reforms at the mid-term budget review.

In 2017, the Government undertook a "Tax Administration Diagnostic Assessment Tool" (TADAT) exercise, reviewed by the external TADAT secretariat. The assessment team highlighted some key weaknesses which are: (i) Unavailability of integrated IT system in most offices; (ii) No interface between different tax IT systems and with the accounting system; (iii) High use of manual operations which undermines the reliability and accuracy of data; (iv) Lack of structured risk management programme; and (v) Deficient VAT refund system. The outcome of this exercise is expected to feed in the new GRA strategic plan and revive the policy dialogue and coordination in Domestic Revenue Mobilisation.

Anti-corruption
The Criminal Offences Act 1960 defines corruption as well as various other related crimes as fraud. The legal and regulatory framework for fighting fraud and corruption are strong but over the years, the political will for implementation leaves much to be desired. Fundamentally, the lack of political will to strictly enforce punitive sanctions, low salary levels in the public sector, weak monitoring and supervision, delayed justice system, among others contribute to the increasing spade of corruption in Ghana. The 2017 Transparency International Corruption Perception Index ranked Ghana 81st out of 180 countries in the world, compared to 70th out of 179 countries in 2016, with a score of 40% in 2017 compared to 43% in 2016. In a related report released in November 2016 by the Institute of Economic Affairs (IEA), 72% of Ghanaians consider corruption levels to be high, with the police as the most corrupt, followed by the judiciary, tax officials, the Office of the President, and the immigration in that order.

The adoption of National Anti-Corruption Action Plan (NACAP) in 2014 was commendable; however the 10-year medium term action plan is not receiving the required funding from Government in spite of government's commitment outlined in paragraph 5.4.23 of the new 7-year National Development Strategy 2017-2024. Government has also indicated its commitment to amend Sections 3, 151 and 239-257 of the Criminal Offences Act, 1960 (Act 29), which will make corruption a felony, instead of a misdemeanour.

The Right to Information (RTI) bill will also be passed into law after over a decade of inaction from previous governments. It is also worth mentioning the digitisation and automation of Government financial management platforms, all in a bid to reduce human interface thereby decreasing corruption; these include Total Revenue Integrated Processing System (TRIPS), Ghana Integrated Financial Management Information System (GIFMIS), the Human Resource Management Information System (HRMIS), Integrated Payroll and Personnel Database (IPPD), and Commonwealth Secretariat-Debt Recording and Management System (CS-DRMS). Further, the passage of the Office of Special Prosecutor Act in December 2017 (assented in January 2018) paved the way for the appointment of a Special Prosecutor in March 2018; this is seen as a bold step by Government to fight corruption. The Medium-Term National Development Policy Framework "Agenda for Jobs" ambitiously targets that by 2021 the Office of Special Prosecutor will be fully functional with 80% of prosecutions initiated as a percentage of total number of corruption cases received from a 2018 projected baseline of 70%. That said, the Office is currently not functional as it is not financed or resourced, and therefore yet to commence any public prosecution on reported corruption cases.

Employment

According to the Ghana Labour Market Profile (2014), up to 300 000 young men and women are introduced to the pool of jobseekers every year and only around 2% find jobs in the formal sector: the majority enter the informal economy, where the rate of vulnerable jobs is around 66% (2017). In the Coordinated Programme, the Government recognises that increasing the creation of more decent jobs requires accelerated activity in the productive sectors and the removal of decent work deficits. The Coordinated Programme is therefore focusing on placing job creation at the centre of the national development agenda through priority interventions such as improving the business environment and facilitating the transition of the informal economy to formality. It will also introduce a mandatory job impact assessment for all public sector projects or initiatives. However, the financial and technical capacities of the institutions to support the decent work agenda and the labour market information are still weak. Ghana is among the few African countries that have a good track record of conducting labour force surveys (under the responsibility of the Ghana Statistical Service) but, on the labour demand side, there is not a regular and comprehensive reporting or understanding on the number and type of vacancies as well as skills needed by the private sector. In this regard, at the end of 2017 the World Bank supported the Government to develop the concept and framework for the Ghana Labour Market Information System (GLMIS): its operationalisation is at heart of the National Employment Policy.

Regarding the supply side of the labour market, Ghana’s educational system is inadequately equipped to provide young people with the skills required by the private sector, creating a mismatch of skills among the youth in the labour market. The Technical and Vocational Education and Training (TVET) System, weak and disaggregated, absorbs only 2% of the youth. The lack of resources and the poor quality of the training standards as well as the recognition of the qualifications and the offer of the courses – which are not demand driven – represent the main challenges of the system. To counter this, the new Government is preparing a new TVET Strategic Reform which will be launched in the coming months.

1.2 Other areas of assessment

1.2.1 Fundamental values

On the question of democracy, Ghana is seen as a model country in sub-Saharan Africa due to its established and vibrant democracy since the 1992 constitution with seven peaceful and transparent national elections with three transitions of power between the two main political parties. Electoral reforms initiated following the contested 2012 election need to be further sustained but are currently at a stop due to an internal controversy among Commissioners and a judicial proceeding ongoing in relation to the chairperson and two of her deputies – both of which seriously affecting the Commission's reputation and operational capacity.

Ghana has made several important strides towards becoming a country exemplarily governed by the rule of law. The 2017 World Justice Project (WJP) Global Rule of Law Ranking ranked Ghana the highest in the sub-Saharan Africa. However, the Ghanaian society is strongly rooted in customary law and still needs to work on human rights as shared values by all citizens. Although the implementation process may be slower than desired, Ghana has signed and ratified most existing human rights instruments including International Labour Organization (ILO) conventions. Key examples of slow progress in human rights in Ghana are the status of children's rights in the country and discrimination due to sexual orientation. Non-discriminatory policy does exist in some cases (gender policies, such as the "Property Rights of Spouses Bill") but they are few in number and very rarely enforced. On the implementation of economic and social rights, in spite of an improvement in public awareness, an important gap remains between the legal framework and its translation into concrete achievements. For example, women make up around 50% of the agricultural labour force, and are estimated to produce between 50% and 70% of the food crops. Nevertheless, they earn less than 10% of the total income generated.

The executive has strong and, in some areas, exclusive powers: there are few countervailing control and oversight systems in place on the performance of the Government. The overwhelming role of the executive affects all decision making and weakens in some cases the state institutions. For example, Article 108 of the Constitution notably prevents parliament from initiating any legislation that could have budgetary implications; therefore, parliament is not only unable to determine its own budget making it submissive to the Minister of Finance, but is inhibited from initiating its own legislation.

On the rule of law, challenges remain to provide adequate and sufficient legal services to the citizens of Ghana, increase public awareness and encourage equal access to justice. Over the last years many investigations have been launched but few sanctions were imparted and implemented. Reducing impunity would be an important step in restoring public confidence in the judicial system. Furthermore, although judicial independence in Ghana is constitutionally and legally enshrined, corruption amongst members of the judiciary has been regarded as concerning, as confirmed by a serious scandal which erupted last year involving bribed judges. Nonetheless, the new Government has made accountability a priority and set-up a special department for prosecution of corruption as a first concrete realisation.

Although the issues above are concerning and are being monitored by the Delegation, it is important to note that Ghana overall is a democracy that respects political freedom and civil liberties. Freedom House, for example, rates Ghana as a 1 out of 7 on Political Rights (with 1 being the best) and 2 out of 7 on Civil Liberties. Only one other country in Africa, Cape Verde, is rated as high as Ghana to this well-respected measure.

1.2.2 Macroeconomic policy

Ghana experienced serious macro-economic imbalances in 2014-2016, fuelled by double-digit fiscal and current account deficits including high inflation. The sizable budget deficits during this period were driven by large recurrent spending on wages, subsidies and recently on interest payments. A severe energy crisis, subdued oil and gold prices at international markets and a reduced cocoa production in 2016 added to Ghana's fiscal and external vulnerabilities.

With a view to address the macro-economic and fiscal imbalances, in April 2015 the Government initiated a three-year programme with the IMF. The programme has helped to adopt a series of fiscal and monetary policies required to stabilise the economy. The IMF programme's main priorities are to restore debt sustainability through sustained fiscal consolidation, and to support growth with adequate capital spending and a reduction in financing costs. The programme rests on three pillars, restraining and prioritising public expenditure with a transparent budget process, increasing tax collection and strengthening the effectiveness of the central bank monetary policy.

Following the weak results in 2016 reflected in low economic growth (3.6%), important fiscal deficit, high inflation and important debt as well as serious slippages, the macroeconomic conditions have considerably strengthened in 2017.

The new Government elected in late 2016 has been determined to turn Ghana's macroeconomic balances around and the last IMF review confirms the positive signs towards the return of macroeconomic stability with a significant improvement of key macroeconomic fundamentals:

- Overall GDP growth reached 8.4% at the end of 2017, reflecting increased oil production. Non-oil growth is estimated at 4%. The structure of the economy in 2017 remains broadly the same, dominated by the services (56.2%), followed by Industry (25.5%) and Agriculture 18.3%.
- The downward trend of the inflation is confirmed in 2017 with end-period inflation of 11.8% in December 2017, down from 15.4% in December 2016. This was driven mainly by the exchange rate stability, tight monetary policies and prudent fiscal consolidation.
- Despite large revenues underperformance, the fiscal deficit (on a cash basis) as of December 2017 was at 6% of GDP against a target of 6.3% of GDP while the primary balance moved into surplus for the first time since 2003. Both revenue and expenditure have been below target. Tax revenues and non-tax revenues were lower than programmed (0.7% and 0.6% of GDP respectively) which necessitated a scaling down of expenditures, notably spending on goods and services and arrears clearance due to the audit of unpaid claims by the Auditor-General Office.
- The IMF estimates public debt at 71.8% of GDP in 2017, down from the 73.4% of GDP in December 2016. As foreseen in the budget, there was no central bank financing in 2017.
- The narrowed fiscal deficit contributed to a small build-up of foreign exchange reserves.

Overall GDP growth for 2018 is estimated at 6.3% due to lower growth in oil production, the fiscal position is expected to be strengthened with a fiscal deficit of 4.5% GDP and inflation is expected to reach the 8% target at the end of the year.

Recovery of certain macroeconomic stability in Ghana has served to restore global confidence and as a result, Ghana’s sovereign rating has maintained a positive stable outlook of B and B3 issued by Fitch Ratings and Moody’s, respectively, in September 2017.

However, based on its latest assessment, the IMF recommends further policy action to contain vulnerabilities in three key areas and to promote more inclusive growth in line with the new Government's growth strategy: (i) strengthen PFM (revenue mobilisation, improve spending efficiency, and improve fiscal decentralisation); (ii) improve the fiscal supervision of State Owned Enterprises (SOEs), particularly those within the energy sector; and (iii) reduce inflation, protect the external position and stability of the financial sector. Despite progress so far, fiscal consolidation efforts will need to be anchored in wide-ranging structural fiscal reforms, so that consolidation gains can be sustained over the medium term. These include measures to broaden the tax base and enhance tax compliance and public financial management, especially considering the large unpaid commitments accumulated in 2016. To this end, the IMF programme has been extended by one year until April 2019.

1.2.3 Public Financial Management (PFM)

A number of PFM reforms have been undertaken in Ghana in the last two decades coupled with an important set of PFM laws and regulations aimed at improving socio-economic development. That said, the lack of well-coordinated and sequenced reform initiatives has contributed to slow reform progress. For the first time in 2015, a "comprehensive" PFM reform strategy was adopted by the Government; this led to the ongoing reform programme which is more coordinated and managed under the PFM Reform Secretariat.

The Delegation considers the current PFM Reform Strategy as credible in spite of the gaps identified in relation to the exclusion of fiscal decentralisation, domestic revenue mobilisation (DRM) and the absence of a well-sequenced reform approach. Parallel reforms are ongoing in DRM through the Ghana Revenue Authority modernisation strategy to address some of the weaknesses outlined in the 2017 TADAT report. Also, the Government is pursuing the National Decentralisation Action Plan; the action plan still remains valid. Further, the PFM Reform Programme is addressing some of the weaknesses identified in the PFM system such as budget reliability which is fundamental to fiscal discipline, cash management challenges, payroll controls, public procurement management, internal and external audit, and parliamentary oversight. The Government is committed to revising and updating the current PFM Reform Strategy with inputs from the 2018 PEFA findings. However, policy dialogue and coordination of Development Partners' support in the PFM area and in DRM in particular need to be strengthened; steps have been taken in this view in 2017 and 2018 which will require attention and need to be sustained.

The most recent published PEFA report for Ghana relates to 2012 and concludes that fiscal discipline is weak, with very poor resource allocation, leading to inefficiencies in service delivery across all sectors. It is therefore not surprising that Ghana experienced its worse macroeconomic challenges between 2013 and 2016 resulting in a debt-to-GDP ratio of 73.4% as at December 2016, which has now reduced to 69.9% as at December 2017. Budget overruns over the years and expenditure commitments outside GIFMIS led to accumulation of expenditure arrears. According to the Auditor General, Ministries, Departments and Agencies (MDAs) outstanding commitments as at December 2016 stood at GHC 6.34 billion; GHC 5.47 billion out of GHC 11.81 billion representing 46% was rejected on the basis of lack of relevant and adequate supporting documents.

Structural reforms through the IMF ECF, coupled with the implementation of the PFM reform action plan have yielded positive results. Available statistics show a more credible budget in 2017 due to strict enforcement of provisions of the PFM Act 2016; there is a reduction in supplementary estimates from 6.2% in 2016 to 3.6% in 2017 of originally approved budget, thereby improving resource allocation to priority areas. In May 2017, the GRA undertook a TADAT assessment; the report concludes that tax administration in Ghana is weak. Policy and administrative measures adopted thereafter in 2017 to improve domestic revenue mobilisation provide sufficient assurance of achieving the set target; some of the measures include enforcement of Tax Identification regime to widen the tax net and the revision of tax exemption system. Cash management has improved significantly as a result of the introduction of the Treasury Single Account (TSA) with the migration of some Government bank accounts held at commercial banks; TSA coverage stands at 85% of central Government cash flows. Payroll controls are stronger due to the Electronic Salary Pay Voucher (ESPV) and biometric registration of all public servants even though the payroll clean-up exercise appears to be lagging; salary negotiations that precede budget formulation and preparation have resulted in a more predictable wage bill. Procurement malpractices through the abuse of sole-sourcing procurement method have reduced considerably from 321 sole-sourced contracts representing 25.9% of total public procurement by value in 2016 to 54 representing 13.2% in 2017.

The legal framework (PFM Act 2016) has strengthened internal controls and reporting; coverage of financial accounting and reporting by the Controller and Accountant General's Department (CAGD) has been expanded to all public funds. Quarterly in-year budget execution reports are issued with delays of up to 8 weeks. However, annual financial statements are prepared within three months after the end of the previous financial year; coverage of public accounts is expected to improve following the successful rollout of 54 Internally Generated Funds (IGFs), 4 donor funds and 3 statutory funds into GIFMIS. The establishment of Audit Committees indicate the Government resolve to strengthen controls. External oversight functions (General Audit Service – GAS - and Parliament) have received executive support through the provision of requisite funding to perform the required constitutional mandate. One significant improvement worth mentioning is the surcharging of public officials for financial malpractices by the Auditor General; 62 persons have so far been surcharged as at 31 December 2017; that said, there are still weak executive follow-ups on audit and Public Accounts Committee (PAC) recommendations. The Office of Special Prosecutor has been established in January 2018 but it is not fully functional as it has not yet prosecuted any reported corruption cases.

A number of weaknesses were identified in the 2017 TADAT report. The scope, currency and accessibility of taxpayer information are weak even though taxpayer education framework exists. Tax laws and information on taxpayer compliance is available on the website but only limited to a segment of taxpayers, mostly in the formal sector. There is no linkage between the GRA and other revenue collecting agencies such as the Social Security and National Insurance Trust (SSNIT) and the Driver and Vehicle Licensing Authority (DVLA). Another significant weakness within GRA is lack and/or limited information sharing among the GRA Divisions, namely Customs and Domestic Tax (VAT and Income tax) leading to data inaccuracy. Presently, there is no direct communication between GRA and Parliament, except through the Ministry of Finance, the supervising ministry. These weaknesses, among others contribute to low revenue mobilisation as well as revenue losses to the state. Realising these drawbacks, government has shown commitment (as indicated in the 2018 budget statement and the G20 Ghana Compact Matrix) to address these setbacks through the introduction of some revenue and tax compliance measures.

On decentralisation, significant progress has been made in administrative decentralisation through Development Partners' support for the implementation of the National Decentralisation Policy Framework and the National Decentralisation Action Plan 2015-2019. The Local Governance Act 2016 has been passed to harmonise and consolidate all decentralisation laws, namely District Assembly Common Fund (DACF) Act 1993, Local Government Act 1993 and the Local Government Service Act 2003. Most laws that affect administrative decentralisation have been passed except education, health and the local the Government finance bills. Further, 18 sectors of the national level administration have been decentralised. In the area of political decentralisation, the Government developed a roadmap for the election of Metropolitan, Municipal and District Chief Executives in August 2017, paving the way for the election process in 2021. The Government also sensitised local authorities on the legal provisions of the new Local Governance Act 2016. Fiscal decentralisation is progressing sturdily; the Government has now decided to mainstream the District Development Fund (DDF) framework into fiscal transfers to sub-national governments after 10 years of implementation of Functional and Organisational Assessment Tool for the disbursement of the DDF; the operational manual (guideline) is now known as District Assemblies Performance Assessment Tool and will be used for disbursing the DACF Responsiveness Factor Grant, going forward.

1.2.4 Transparency and oversight of the budget

Over the past years, the Ministry of Finance has always presented the budget in November, ahead of the fiscal year. The executive proposal is always published on the website, on the same day of presentation to Parliament. The enacted budget is also published by the State publishing company, the Assembly Press. Since 2014, the Government has further published citizen's budgets which were also translated to the major local languages. Information on budget execution is usually published in mid-year reviews (sometimes accompanied by a supplementary budget) and in the budget statements.

A budget transparency portal exists, enabling citizens to access historical and real-time government financial information. Citizens can drill down into amounts planned and spent by ministry, revenue and expenditure categories and items, and source of funding, among others. The Ministry of Finance (MoF) and CAGD Portals provide 10 years of budget information and the actual budget spent but not the enacted budget. The challenge lies, still, on the content and coverage which must be further improved i.e. differences in economic categories and totals arise between one source and the other, the budget outturn is computed on the basis of the original budget estimates, not on the revised budget estimates.

With regards to audit, the audit reports of the Consolidated Fund as well as that of MDAs are usually submitted to Parliament on time (by June the following year) but they are published or disseminated with some 3-5 months’ delay, with the exception of the Consolidated Fund audit report which is published on the same day. With regards to Parliament, the Public Accounts Committee's (PAC) deliberations on the audit reports are conducted as public hearings which are broadcast live on national television.

As of 31 December 2016, according to the Open Budget Survey 2017, the Government of Ghana makes six of eight key budget documents publicly available online in a timeframe consistent with international standards. This is the same number of documents that were found to be publicly available in the Open Budget Survey 2015, which assessed the availability of documents up to 30 June 2014. However, since then Ghana has published the Mid-Year Review but produced In-Year Reports for internal use only, which means the ranking is likely to increase in the next survey. To improve budget transparency, Ghana should publish the In-Year Reports and as well as a Pre-Budget Statement.

Overall, Ghana has a fairly good transparent budget process and budget oversight although aspects above provide room for improvement and policy dialogue remains important. For example, Annual Budget execution report 2016 was not published on the Ministry of Finance's website.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Weakened political support for macroeconomic policy or a change of orientation following the next presidential election in 2020.	Low	Political Dialogue.
The **macroeconomic and fiscal situation** deteriorates following the completion of the IMF programme.	Medium	The policy dialogue on macroeconomic and fiscal issues is maintained with the IMF, the World Bank and the EU through article IV missions and budget support operations.
Debt sustainability: Ghana continues to face high-risk of external debt distress and debt service continues to absorb important part of Government revenue.	Medium	The authorities have reaffirmed their commitments to fiscal consolidation and implementation of the MTDS to strengthen debt sustainability.
Vulnerability and external shocks: Ghana continues facing significant dependency on commodity exports which makes the country vulnerable to fluctuations in international prices.	Medium	Diversification of the economy remains a top priority for the Government especially in relation to boosting non-traditional exports and reducing import dependency.
Comprehensiveness of the budget The information submitted to Parliament does not include all vital information.	Medium	The programme proposes to improve the comprehensiveness of the budget by including tax expenditures report to the annual budget statement.
Accounting procedures and reporting 2012 PEFA score was C. There are no comprehensive accounts of public funds produced. However, the accounts of the consolidated fund (which covers about 60% of total public funds) are produced monthly.	Medium	Full roll out of GIFMIS has helped in the more timely production of these reports. The new PFM Act enhances the fiscal reporting and transparency requirements. Lack of publication requirements is addressed through amendments to the Act.
Internal controls Wage bill remains high in the budget and annual payroll verification audit inexistent.	Medium	The EU has developed a PFM support programme to tackle weaknesses in the oversight and scrutiny area with an important support to internal audit. Payroll management and control has come back at the top of the agenda and progress has increased recently..
Revenue Collection Tax collection remains a challenge in terms of volume and efficiency.	Medium	New revenue measures will be announced during 2018 Budget Mid-term Review in addition to measures already contained in the budget. DRM is a top priority for the Government and central in the G20 Compact with Africa. Development partners actively support the renewed drive for DRM.

Procurement Public access to complete, reliable and timely procurement information is not enhanced and efforts on controlling procurement systems notably sole sourced contracts are not maintained.	Medium	The EU has developed a PFM support programme to tackle weaknesses in the oversight and scrutiny area with a specific support to Public Procurement Authority (PPA) Controls have increased regarding sole sourced contracts and their numbers substantially reduced.
External Audit Follow up of audit reports by Audit Committees, Attorney General (where criminal) and the Office of the Special Prosecutor is weak and recommendations not implemented.	Medium	The EU has developed a PFM support programme to tackle weaknesses in the oversight and scrutiny area with specific support to external audit. The SDG contract includes one indicator regarding the efficiency of the Office of the Special Prosecutor.
Assumptions:		
• Ghana will remain a stable democracy and political leadership will be strong. • The Government will endeavour to strengthen fiscal consolidation and improve macroeconomic environment through improvement in domestic revenue to meet approved expenditure estimates. • The Government commitment to G20 Compact with Africa remains strong, and the compact remains operational. • Coordination amongst development partners is harmonised and effective. • Policy Dialogue in PFM, Business Climate and Employment is maintained regularly and effectively.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

In 2017, the EU and the World Bank carried out an evaluation of all the budget support disbursements 2005-2015 under the Multi-Donor Budget Support partnership, which was established in Ghana in 2003. This partnership broke down in 2013-2014, after several Development Partners decided to suspend budget support disbursements following the deteriorating macroeconomic situation and serious concerns regarding PFM. Most suspended budget support tranches were released in 2015 but only a few Development Partners decided to continue providing budget support to Ghana.

The evaluation found that budget support, while it was in most instances the main driver of reforms, provided important opportunities which helped the Government accelerate the national reform agenda, while strengthening its ownership over it. Policy dialogue, substantial technical support and extensive analytical work which accompanied budget support fostered intra-sector collaboration, consolidated capacity development efforts of key public entities and generated a wealth of knowledge which contributed to enhancing policy formulation.

It also found that there was some positive impact on growth and poverty reduction, especially in early years but limited structural changes in most targeted areas – for example, the policy dialogue on PFM failed to ensure the effective implementation of important reforms. This was due to: a set of political economy factors that were underestimated; engagement in the partnership around budget support both from Development Partners and the Government, and excessive optimism regarding the country’s development path and economic outlook in the first part of the evaluation period.

These lessons are reflected in this SDG contract by: focusing on three strategic areas and the practice of structured policy dialogue at the level of each strategic area. It is also in line with the recommendation of the evaluation to partners re-initiate a joint BS programme focussing on macro-fiscal stabilisation and PFM reform, with the view to strengthen the strategic prospects of the ongoing Government-IMF agreement and to reinforce the Government's firm engagement in a vigorous reform agenda in PFM and macroeconomic management. The most recent sector budget support operation in Ghana (Decentralisation in Ghana Phase I) has produced significant legal, policy and institutional outcomes since the first disbursement was made possible during the summer of 2015.

3.2 Complementarity, synergy and donor coordination

The World Bank is preparing USD 150 million General Budget Support Operations starting in 2019 targeting fiscal reforms, State-Owned-Enterprises oversight, Public Investment Management, Domestic Revenue Mobilisation but also some specific operations in the energy and agriculture sectors as well as private sector development (Public/Private Partnership, Business climate). The SDG Contract and the World Bank programme will be complementary and synergies are strong. Discussions are ongoing with the World Bank in order to establish a structured dialogue with the Government with Developments Partners implementing or preparing Budget Support Operations in Ghana and the IMF. This is crucial to restore policy dialogue on macroeconomic matters and budget support operations after the end of the IMF programme and as a result of the dissolution of the Multi-Donor Budget Support (MDBS) Group in 2015.

Presently, only SECO (Swiss State Secretariat for Economic Affairs) is implementing a EUR 15 million General Budget Support programme which will end in 2018. SECO is also contributing to the decentralisation process with a EUR 18 million sector budget support alongside the EU with a EUR 45 million Sector Budget Support in the same sector.
The SDG contract will also be complementary to the following programmes where synergies can also be sought:

In the area of Business Climate:

- The Ghana Employment and Social Protection Programme (GESP) financed under the 11th EDF which includes:
  - Business Advocacy Challenge Fund (BUSAC III) implemented by DANIDA and co-financed by the EU and USAID;
  - Investment promotion, Business Linkages and Export Promotion Component.
- The COMPETE Ghana programme financed through the 11th EDF regional and national envelopes;
- The Business Enabling Environment programme (BEEP) funded by DFID;
- The European Investment Bank's EUR 80 million facility for on-lending to private companies and SMEs operating in traditional eligible sectors though commercial banks.

In the area of PFM/Domestic Revenue Mobilisation (DRM):

- The World Bank's PFM project launched May 2015 follows the directions embedded in the PFM Reform Strategy 2014-2017. With a budget allocation of USD 45 million, it is seeking to respond to many issues outlined in the PFM reform strategy and notably related to: 1) lack of effective financial reporting and oversight, 2) poor asset management, 3) weak identification and management of fiscal risk and 4) system connectivity (and user friendliness of installed PFM systems);
- The EU has developed a EUR 5 million programme to improve oversight and accountability which includes direct support to the Ghana Audit Service, the Internal Audit Agency, the Public Procurement Authority and the Parliamentarian Training Institute;

- To support the implementation of the programme supported by an Extended Credit Facility (ECF) arrangement with IMF, technical assistance has already been provided to Ghana through the AFRITAC West 2 Office notably to develop a monitoring plan and the action plan. AFRITAC has notably contributed to the TADAT exercise conducted in 2017 and is providing targeted capacity building to GRA to address recommendations made in the report. Further assistance by the office is foreseen in various areas such as monetary policy, tax administration or economic and monetary statistics improvement co-financed by the EU through the 11th RIP;
- Germany, The Netherlands, and Switzerland, under the management of GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) Good Financial Governance (GFG), are providing support with a combined budget of EUR 12.4 million between December 2014 and May 2019. It is expected that Germany will continue its support to GRA after the current programme. KfW (German Development Bank) is also supporting GRA with a budget of EUR 5 million to build an IT training centre together with training materials.

In the Employment sector:

- The Ghana Employment and Social Protection Programme (GESP) financed under the 11th EDF which includes:
  1. the direct support to the Ministry of Employment and Labour Relations and its Public Employment Centres to ensure the implementation of the National Employment Policy;
  2. the Ghana Skills Development Initiative III co-funded by BMZ (German Federal Ministry for Economic Cooperation and Development) and implemented by GIZ, aiming to reinforce skills and qualifications in the informal sector;
- The Skills Development Funds (DANIDA), aiming to increase the labour productivity, income and product quality through a demand-driven skills development fund.

The EU-ILO project "Strengthening the impact of Sector and Trade Policies on Employment in Ghana", focusing on employment creation in sectoral and trade policies analysis. Among the new initiatives promoted by the Development Partners active in the sector, the World Bank is preparing the "Skills and Jobs" programme, to be funded with approximately USD 100 million. The beneficiaries of the project will consist of youth through an informal apprenticeship program and firms with high job growth potential in terms of both revenues and jobs.

Development partners in Ghana are coordinated through Sector Working Groups (SWG). There are 18 of these in which sector policy, strategic and operational issues are discussed, including SWGs for PFM, Private Sector Development and Employment.

Business Climate

The Private Sector Development Sector Working Group is presently co-chaired by USAID. The group meets regularly between Development Partners as coordination and policy dialogue with the Ministry of Trade and Industry has been difficult since 2015 and few joint meetings have taken place. Other Development Partners active in this sector include JICA (Japan), African Development Bank (AfDB) and the World Bank.

The EU Delegation, alongside fellow development partners, also has a high-level ad-hoc dialogue with the Economic Management Team chaired by the Vice-President that takes place 2-3 times a year.

Public Financial Governance and Accountability

<u>PFM</u>

In terms of PFM policy dialogue, while there have been many discussions between the IMF, World Bank and the Ministry of Finance, there has been very limited dialogue on PFM within the traditional context of the PFM SWG. After being inactive for the whole year in 2015 and with only one meeting in 2016, the PFM Sector Working Group met for the first time in December

2017. The ongoing PEFA exercise, as well as ongoing and planned Budget Support Operations is expected to revive and strengthen the policy dialogue going forward. The first 2018 Quarterly meeting is yet to take place. SECO is currently co-chairing the working group.

DRM

Traditionally, donors' coordination in the area of DRM is ensured by the Modernisation Plan Office of the Ghana Revenue Authority. The coordination process, which has been weak over the last two years, has been revived in December 2017. However, this coordination and policy dialogue need to be improved and Development Partners are meeting separately to discuss on the necessary restructuration of the Modernisation Programme Office (MPO) towards a better coordination process. Discussions are ongoing with the Ghana Revenue Authority management.

Anti-corruption

Prior to the new government, anti-corruption and accountability were discussed as part of the wider Governance SWG chaired by the Attorney General. This format has not yet to be revived, but donor coordination on anti-corruption flourishes through an informal coordination group where the most active donors are gathered. This includes DFID (UK), USAID, GIZ, DANIDA and the EU. There are plans to formalise this group and invite a representative from the Office of the Special Prosecutor once it is functional.

Employment

A SWG in the Employment Sector has been established in 2015 to oversee the implementation of the newly adapted National Employment Policy. The SWG also oversees technical and vocational education and training (TVET). The Group, chaired by ILO, has met jointly with the Ministry of Employment and Labour Relations twice a year. The EU technical assistance is supporting the Ministry in the preparation of the meetings.

3.3 Cross-cutting issues

Both the Coordinated Programme and G20 Compact-matrix supported by the action include the enhancement of the institutional and regulatory framework for sustainable management of natural resources and the better use of public utilities as an important focus area. One of the targets of this focus area is to increase the percentage of renewable energy in the energy mix, to at least 10% by 2030 from the 1% in 2016. Ghana is also committed to fight against climate change more widely as seen by the 31 mitigation and adaptation actions it put forward in its Nationally Determined Contribution (NDC) in response to the Lima Call for Action.

On gender, Ghana has ratified the Convention on Elimination of All Forms of Discrimination against Women. However, despite unquestionable progress, inequalities between men and women persist in the social, economic and political spheres. In 2015, the UNDP gender inequality index ranked Ghana 139th out of 158. The National Gender Policy was launched in 2015 to provide the strategic and coherent direction to inform programmes, plans and actions that should be undertaken to address the challenges of gender inequalities. Furthermore, the President, as an African Union (AU) Gender Champion and the Co-Chair of the UN SDGs Advocates, has pledged to work with all actors to ensure that gender equality becomes a reality in Ghana. One of his focus areas to achieve this is to increase women’s economic empowerment, through capacity building and a healthy business environment. Two of the flagship initiatives proposed in the Coordinated Programme is to introduce a quota system of women in 30% of public appointments implement a policy of reserving 30% of poverty alleviation/credit funds of MMDAs to service women’ enterprises.

For human rights, the programme will have a focus on decent work and workers’ rights. Despite the fact that the main ILO Conventions and the ILO decent work agenda have been adopted, their implementation and monitoring are suffering of important delays. For instance, regarding the ILO Convention on maternity protection, 18 years after its adoption, only recently has the Bill been approved by the Cabinet (but not yet by the Parliament). In Ghana, only 14% of the labour force is covered by the legislation of the Occupational Safety and Health (OSH) regulations. Even for this percentage of workers, the safety inspections carried out across the country are limited due to lack of resources, in particular the inadequacy of the number of safety inspectors and their poor training level.

With respect to trade unions, it has been estimated that 800 000 workers are trade union members in Ghana, representing 7.2% of the total working population. A National Tripartite Committee also exists. Nevertheless, rights violations are widespread - notably in the mining sector - and the trade unions find it difficult to negotiate for improved conditions or monitor compliance with labour standards. According to the Amnesty International data, about 1 million people are working in Ghana's gold mines and nearby communities were often directly exposed to mercury. The new Government began a campaign to end illegal small-scale gold mining (known as "galamsey"), the negative impacts of which include increased crime, environmental damage as well as encouraging hazardous child labour.

The last Child Labour Report (2014) reported that in Ghana 28.5% of children are working, while 14.2% of them are engaged in hazardous forms of child labour. In this context, the political dialogue on private sector development and job creation should also include the decent work agenda implementation, by improving the Government's awareness on the crucial role of the social dialogue and labour rights protection to build a resilient and inclusive growth. The political dialogue should also cover the Government's commitment to fully implement the National Employment Policy as well as to mobilise the resources to improve the conditions at workplace to the formal and informal sectors of the economy. This is in line with the Coordinated Programme which highlights the importance of creating jobs of better quality, as well as guaranteeing social protection for vulnerable groups such as women, children and people with disabilities.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The Overall Objective of the programme is to contribute to the Sustainable Development Goal 8 in the framework of the economic transformation agenda of the country.

The Specific Objectives are:

SO1: Promote domestic and foreign private investment and enable all businesses to spearhead economic transformation and create more employment and decent work opportunities;
SO2: Strengthen public financial governance

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of Goal 8 but also promotes progress towards Goals 9, 10 and 17. This does not imply a commitment by the Republic of Ghana benefiting from this programme.

Expected Key Results (Induced Outputs) are:
KR 1.1: Appropriate policies, efficient and fair government rules, linked to domestic private investments, private sector development and decent work opportunities are developed
KR 1.2: Effective and fair government policies relevant to foreign investments and foreign private sector development and decent work opportunities are established
KR 2.1: Quality and accessibility of the employment services and labour market information are improved
KR 2.2: Compliance with International and National Labour Standards is reinforced

KR 2.3: Synergies between training providers, employers and unions for youth skills development are improved
KR 3.1: Revenue collection mechanisms are improved in a cost-effective manner
KR 3.2: Efficiency of the Audit Committees is enhanced
KR 3.3: The Office of the Special Prosecutor is fully operational and there is an effective follow up of reported cases of corruption

4.2 Main activities

4.2.1 Budget support

The activities are:
-Transfer up to a maximum of EUR 39.1 million to the Budget of Ghana in 2019-2021 Fiscal Years (refer to Section 4.1 for the results to be reached and to the Appendix for Results Matrix);
- Continued political and policy dialogue with the Government to ensure the implementation of the Medium-Term Development Plan notably in relation to business reforms, employment and job creation measures, and the PFM Reform Strategy.

4.2.2 Complementary support

No complementary measures are foreseen under this contract. The SDG Contract is complementary to ongoing technical assistance projects financed by the EU and other Development Partners in the relevant areas. A provision is being made to support with the monitoring and annual reporting during the implementation of the SDG Contract.

4.3 Intervention logic

The intervention logic for the SDG Contract is based on the challenges and the opportunities the country faces in its business climate and private investment context, the management of public finances and the changing landscape in the employment sector. Ghana's stable political context, with a relatively effective parliamentary system and public institutions, has made the country a favourable destination for private investment for both regional and international businesses. In parallel, the stabilisation of the macroeconomic context in Ghana and the rebound of accelerated rates of economic growth increase the employment opportunities in an expanding market. Nevertheless, as shown in section 1.1.4, a number of important challenges remain.

In the area of business climate, there is need for a continuous support of the relevant Ministries (Ministry of Trade and Industry; Ministry of Business Development) and Associations (Association of Ghana Industries; Ghana National Chamber of Commerce and Industry) in terms of capacity development for an export-oriented economy, investment promotion and improved standards of products "made in Ghana". The previous would require a more active participation of the private sector in the formulation of policies related to private sector development for an improved business context in the years to come. In parallel, Ghana needs to create a more attractive business environment, especially in areas where both domestic and foreign private companies struggle the most, such as enforcing contracts and cross-trade barriers.

Directly linked to the improvement of Ghana's business climate is the overall macroeconomic context within which the private investors are operating. Ghana needs support in the implementation of PFM related laws for accountable and transparent resource mobilisation and reduction of the fiscal risks, most notably tax expenditure management, revenue mobilisation and tax administration.

The Budget Support programme will be accompanied by a regular political and policy dialogue for the implementation of the Medium-Term Development Plan. The Budget Support programme will be based on indicators which in combination with a regular policy dialogue with the Government of Ghana should effectively support and incentivise the relevant Ministries and closely monitor the adoption and implementation of policies linked to domestic and foreign private investments and the business climate in the country. Moreover, the Budget Support programme will be effectively linked to DRM indicators which will incentivise the Government of Ghana to adopt more effective and efficient domestic revenue mechanisms.

These policy reforms should in term lead to a more dynamic domestic and foreign private sector development in Ghana with enlarged markets, increased income and employment opportunities. A more dynamic involvement of the private sector in Ghana must be supported by a more accountable financial management and stable macroeconomic environment. In turn, a more dynamic private sector development in Ghana will boost domestic revenue as a result of increased employment opportunities and the formal sector of the economy.

The programme is also focusing on the promotion of decent work opportunities by ensuring, on the one hand, increased access to new decent jobs created as well as by improving the quality of the existing ones, on the other. The operationalisation of the Ghana Labour Market Information System (GLMIS) will facilitate the design, implementation, monitoring and evaluation of better targeted and focused policies on employment and job creation, by strengthening the dialogue among the key stakeholders (Governmental institutions, training providers, employers' associations, unions, etc.). The labour market information should be also a tool to supply decent work-data and contribute to the formalisation of the informal jobs in Ghana. To address the youth's skills gaps, Ghana needs to continue modernising the TVET system and to improve the synergies between the training institutions/providers and both public/private businesses. A high political determination to strengthen the TVET should facilitate the adoption of the Strategic Plan for TVET Transformation Bill, drafted in 2017, which promotes the transformation from a supply oriented towards a demand oriented TVET system. The establishment of the Sectors Councils should be one of the new measures.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 36 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 39 100 000 and EUR 900 000 complementary support. This amount is based on identified needs to assist the Government in the annual reviews and existing support through ongoing programmes funded by the EU and other Development Partners to relevant Ministries (Ministry of Finance, Ministry of Trade and Industry and Ministry of Employment and Labour Relations).

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the 1st Medium-Term Development Plan 2018-2020 and continued credibility and relevance thereof;

- Implementation of a credible stability-oriented macroeconomic policy;
- New PFM Regulation starting in 2019 in place and satisfactory progress in the implementation of the PFM Reform Strategy;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches are the following:
1. 3rd GRA Strategy Plan in place;
2. G-20 Compact monitoring effective;
3. Effective and regular policy dialogue on macroeconomics and thematic topics (PFM, Business Climate, Employment).

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Finance may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Fixed and variable tranches will be used for this non-targeted budget support
Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Ghana Cedis (GHS) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities for complementary support of budget support

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation[3].

5.4.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistant for monitoring and Reporting: support to reviewing and monitoring of the different indicators and the implementation of the SDG Contract	Services	1	First semester of 2019

[3] https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement, on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Programme Components	**EU contribution (in EUR)**
5.3-Budget support *(Sustainable Development Goals Contract)*	39 100 000
5.4.1-Procurement (direct management) *(Technical Assistance)*	600 000
5.9-Evaluation and 5.10-Audit	100 000
5.11-Communication and visibility	200 000
Total	40 000 000

5.7 Organisational set-up and responsibilities

Review and monitoring of progress in the implementation of the Sustainable Development Goals Contract will be entrusted to the Ministry of Finance. Other relevant Ministries, namely the Ministry of Trade and Industry and the Ministry of Employment and Labour Relations, and key institutions, including the Ghana Revenue Authority, the Ghana Investment Promotion Centre and COTVET, will be closely involved.

The EU will participate in all meetings organised by the Ministry of Finance to ensure proper policy dialogue on macroeconomic and fiscal issues notably with other Development Partners providing Budget Support, such as the World Bank. The EU will also participate in all meetings of the relevant Sector Working Groups (Finance, Private Sector Development and Employment) and coordination sub-group for Domestic Revenue Mobilisation (Ghana Revenue Authority). These groups are composed of representatives from development partners actively supporting reforms in business climate, job creation and PFM and government stakeholders coordinating reform activities in these areas.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

In case a final or ex-post evaluation is foreseen: [It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that complement with specific aspects that can be highlighted such as an innovative action or a pilot being tested.
The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in 2023.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in 2022/2023.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Communication and Visibility activities will be undertaken notably at the time of each disbursement. It will be therefore considered as much as possible to include these activities with the monitoring and reviewing activities.

INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

Key comments:

1. Results:
    - Please define OO for this Action in the 4.1 section.
    - Please note that the SO's are a combination of several results. Please revise.
    - Please integrate Outputs (Key Results) and related indicators, baselines, targets and SoV's in this logframe (they are presented in a separate Annex and different format).
2. Reference year – please add reference year to all baselines and targets
3. Numbering - please number all results, indicators, baselines and target so the link can be established. Examples provided in the logframe.

	Results chain	**Indicators (from the MTNDPF 2018-2021)**	**Baselines (inc. reference year)**	**Targets (incl. reference year)**	**Sources and means of verification**
Overall objective: Impact	Contribute to Sustainable Development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	1. Real growth in GDP, oil inclusive 2. Total number of new formal jobs created	1. 3.5% (2016) 2. 207 492 (2014)	1. 6.0% (2021) 2. >1 000 000	1. IMF reports Ghana Statistical Service Ministry of Finance and Ministry of Employment
Specific objective(s): Outcome(s)	SO1: Promote domestic and foreign private investment and enable all businesses to spearhead economic transformation and create more employment and decent work opportunities;	1.1 Ease of Doing Business Rank 1.2 Business Competitiveness Index Domestic credit to private sector (% of GDP)	1.1 108/190 (2016) 1.2 114/138 (2016) 18% (2016)	1.1. <60/190 (2021) 1.2 <80/138 (2021) 35.7% (2021)	IMF reports Ghana Statistical Service Ministry of Finance and Ministry of Employment
	SO2: Strengthen public financial governance and the fight against corruption, and boost domestic revenue mobilisation.	Size of the informal sector Corruption Perception Index Government Revenue as share of GDP	90.5% (2016) 40/100 (2017) 20.1% (2016)	<80.0 (2021) 50/100 (2021) 21.7% (2021)	

EN

This action is funded by the European Union

ANNEX 3

of the Commission Decision on the financing of the annual action programme 2018 in favour of the Republic of Ghana

Action Document for Technical Cooperation Facility V (TCF V)

<table>
<tr><td>1. Title/basic act/ CRIS number</td><td colspan="4">Ghana Technical Cooperation Facility V (TCF V)
CRIS number: GH/FED/041-293
financed under the European Development Fund</td></tr>
<tr><td>2. Zone benefiting from the action/location</td><td colspan="4">Ghana
The action shall be carried out at the following location: Republic of Ghana</td></tr>
<tr><td>3. Programming document</td><td colspan="4">National Indicative Programme (NIP) 2014-2020 for Ghana</td></tr>
<tr><td>4. Sector of concentration/ thematic area</td><td colspan="2">Support measures</td><td colspan="2">DEV. Aid: YES</td></tr>
<tr><td>5. Amounts concerned</td><td colspan="4">Total estimated cost: EUR 3 400 000
Total amount of EDF contribution EUR 3 400 000</td></tr>
<tr><td>6. Aid modality and implementation modalities</td><td colspan="4">Project Modality
Direct management – procurement of services
Indirect management with the Government of Ghana</td></tr>
<tr><td>7 a) DAC code</td><td colspan="4">99810 – Non Focal Sector</td></tr>
<tr><td>b) Main Delivery Channel</td><td colspan="4">10000 - Public Sector Institutions
Detailed channel 12000 - Recipient Government</td></tr>
<tr><td rowspan="12">8. Markers (from CRIS DAC form)</td><td>General policy objective</td><td>Not targeted</td><td>Significant objective</td><td>Main objective</td></tr>
<tr><td>Participation development/good governance</td><td>☐</td><td>☐</td><td>☒</td></tr>
<tr><td>Aid to environment</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Gender equality (including Women In Development)</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Trade Development</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Reproductive, Maternal, New born and child health</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>RIO Convention markers</td><td>Not targeted</td><td>Significant objective</td><td>Main objective</td></tr>
<tr><td>Biological diversity</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Combat desertification</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Climate change mitigation</td><td>☒</td><td>☐</td><td>☐</td></tr>
<tr><td>Climate change adaptation</td><td>☒</td><td>☐</td><td>☐</td></tr>
</table>

9. Global Public Goods and Challenges (GPGC) thematic flagships	Not Applicable
10. Sustainable Development Goals (SDGs)	Main SDG: 17 – Partnership for the Goals Secondary SDGs: 9 – Industry, Innovation and Infrastructure, 8 – Decent Work and Economic Growth and 12 - Responsible Consumption and Production

SUMMARY

The Technical Cooperation Facility (TCF) is an essential instrument to support the identification and implementation of EU cooperation in Ghana. The TCF V will provide Technical Assistance to national authorities in identifying and preparing viable projects that might be supported through a blending operation or through the guarantee fund of the EIP, as well as in planning the next programming cycle for Ghana. This action will also contribute to better coordination, supervision and monitoring of the EDF projects being implemented through the European Development Fund.

The project will have the following specific objectives:
1. To support key stakeholders to identify and prepare projects or programmes related to international cooperation and development under EIP investment windows, and conduct studies to analyse the business and investment environment;
2. To support, through the Ministry of Finance, some key Ministries, Departments and Agencies (MDAs) with coordination, supervision and monitoring activities for projects financed under the 11th EDF, in connection with the EIP, notably in the agriculture sector, including renewable energy.
3. To prepare the identification of the next programming cycle for Ghana through the definition of priorities, strategies and funding allocation.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Ghana has been an African model for democracy since its return to democratic rule in 1992 with three peaceful transitions of power between different political parties. It remains part of the most dynamic economies in West Africa, with a relatively diversified structure that can benefit from a stable political environment. However, Ghana's economic performance has not yet fully developed all its potential in terms of shared growth and job creation and Ghana also continues to face challenges to deliver basic social services and build institutional capacity. There is also evidence of growing disparities across regions, particularly between the north and the south – the Northern Savannah belt is witnessing high incidences of poverty, inter-tribal conflict threatening economic and social progress, and limited access to basic services and basic infrastructure.

The current Government, elected in December 2016, has a strong political agenda. Its objective is to industrialise the country with domestic private investment, develop the agriculture sector and create jobs, often described as "Ghana beyond Aid". To do so, there are numerous challenges and constraints the Government will have to address to generate more economic activity and attract investment including the business climate, the tax administration, tariff and non-tariff barriers in trade, the cost of electricity, appropriate skills development, the cost of credit or the lack of or poor quality of infrastructure.

Ghana also continues to be on an IMF Extended Credit Facility which was extended by one year in August 2017 due to the mixed macroeconomic performance in recent years. Policy slippages have compounded the adverse impact of shocks and resulted in significant external and domestic imbalances. However, over the medium term, both the fiscal deficit and the current account deficit are projected to decline gradually reflecting the government's fiscal consolidation efforts maintained since they took office one year ago.

Ghana is also one of the countries to take part in the G20 Compact with Africa (CwA) which promotes private investment, including in infrastructure. By taking part in the compact, Ghana has agreed on specific measures to improve investment conditions. The new Government has been advocating for private sector-led growth since it took office. The main thrust of the government's private sector development policy is to establish Ghana as the most business friendly country in Africa and to create an enabling environment to attract both domestic and foreign investors, with the aim of growing businesses and expanding the private sector, thereby creating more and better quality jobs and generating incomes.

Main issues related to gender dynamics concern access to resources (including land), to input and to knowledge (particularly through social extension services). Women often have a peripheral situation in the marketing of agricultural commodities and are excluded from main value chains. As for social protection and employment, issues emerge regarding access to available services, relevance of existing schemes in front of needs, dependency from family linkages, lack of opportunities for qualified and "decent work". The EU Delegation has prepared the EU Gender Action Plan (GAP II), and a Gender Analysis is now expected to be conducted, in consultation with Member States.

Pending the adoption of the regional EPA with West Africa, Ghana ratified in August 2016 the interim EPA (iEPA), entered into provisional application on 15 December 2016. The iEPA opens a new tool for dialogue on economic and trade matters with Ghana. By providing long-term market access, it also sets incentives for new investment and job creation in Ghana.

1.1.1 Public Policy Assessment and EU Policy Framework

Through the 11th EDF National Indicative Programme (NIP), the EU focusses on addressing some of the key challenges that Ghana is facing to consolidate its status as a middle-income country. It also aims at pursuing a strong, long-term partnership with Ghana and promoting its role as a beacon of stability in the West African region. The EU is channelling its development assistance to sectors of significant strategic importance for national development in order to contribute to inclusive economic growth and sustain poverty reduction whilst concurrently reducing Ghana's dependence on ODA.

In coordination with other development partners and EU Member States involved in Joint Programming in Ghana, the EU's interventions aim to:

- Improve public sector management, the rule of law and accountability; strengthening Ghana's democratic system, while at the same time increasing the ability of the public, civil society organisations and the media to hold government to account.
- Promote productive investments in Savannah Ecological zones in the north of the country - where poverty rates are declining at a slower pace - in order to help rural households move from subsistence to income-generating agriculture and create decent employment opportunities along value-chains.
- Contribute to more inclusive growth by strengthening social protection and employment systems in the country, particularly for vulnerable groups and youth.
- Assist the government's progress in addressing macroeconomic instability and issues of public financial management so as to improve delivery of basic services and

promote investment and growth, given the economic issues Ghana has been facing in recent years.

- Tackle some of the root causes of irregular migration, by creating employment opportunities and enhancing social protection services, and by targeting growth, employment and increased wealth through agriculture, on line with the EU's priorities.

Furthermore, at the end of 2016, the EU launched the External Investment Plan (EIP) which sets out a coherent and integrated framework to improve investment in Africa and the European neighbourhood in order to promote decent job creation and inclusive and sustainable development, and tackle some of the root causes of migration.

With the EIP, the EU will go beyond "traditional" development aid based on grants and instead use innovative financial tools such as risk sharing guarantees instruments and the blending of grants and loans to leverage more investments and have a bigger development impact. At the same time, it will encourage an enabling investment climate and business environment, for example, through the promotion of structured dialogue with the private sector. This is in line with the Government of Ghana policy for a "Ghana beyond Aid”, which at its core means to industrialise the country using domestic private investment, develop the agricultural sector and create jobs.

1.1.2 Stakeholder analysis

Direct stakeholders of the action will be on one side **official Ghanaian institutions** who are involved in the promotion of investment in the country. These will be Ministries, Departments, and Agencies (MDAs) as well as Municipalities, Metropolitans, Districts and Assemblies (MMDAs). On the other side, beneficiaries will be the **private sector** interested in the implementation of investment projects. **Financial institutions** will be also a crucial stakeholder of this action.

1.1.3 Priority areas for support/problem analysis

This action will be linked with the EIP. The EIP is structured around three pillars of interventions:

1. Investments are mobilised through the European Fund for Sustainable Development (EFSD), which features two regional investment platforms and the new, innovative EFSD Guarantee;
2. Technical assistance (TA) is provided to develop bankable projects and help improve the investment climate and business environment in partner countries; and
3. Investment climate and business environment are also improved through structured dialogue with the private sector and enhanced policy dialogue.

The European Commission and the European Union's Delegations have significant experience in providing technical assistance to national and local authorities in partner countries. Under the External Investment Plan, part of that technical assistance in Africa and the European Neighbourhood will benefit not just authorities but also investors and companies. It will help them develop, together with financial institutions, sustainable and financially viable projects as well as attract potential investors. Technical assistance will also inform and support our joint effort at improving the investment climate and the general business environment.

Pillar 2 is essential for the EIP as a means of scaling up technical assistance. This will help Ghanaian national and local authorities and companies to develop sustainable and financially viable projects and attract potential investors (linked with pillar 1). The technical assistance under this action in Ghana will improve analysis of the investment opportunities and will aim at contributing to attract private investment to Ghana.

Besides the technical assistance for the preparation and the implementation of pillars 1 and 3 of the EIP, this action intends also to support the coordination, implementation and monitoring of the 11th EDF and the planning of the next programming cycle, following the 2014-2020 period. Programming is an essential decision-making process through which the Commission together with the European External Action Service, the partner countries and regions define development assistance strategies, priorities and funding allocations. Joint programming should be taken into consideration to improve the results of the EU support and the complementarity with efforts in related EU policy areas, such as trade, environment, migration, employment and agriculture should be ensured.

The strategies need to be aligned with global EU development policy priorities, including those outlined in the European Consensus on Development[1] and in the UN's Sustainable Development Goals (SDG).

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of interest from private sector to invest in the country	Medium	Attract private sector by promoting a good business environment
Difficulties and barriers regarding business environment in Ghana	Medium	Complementary support (11th EDF, other development partners) to improve business environment and investment climate
Lack of resources from MDAs to implement, coordinate and supervise the project activities	Medium	EU will support the MDAs through programme estimate with the NAO.
Assumptions		
Availability of staff from key stakeholders to participate in the action activities The identified projects are in line with the EU Strategy and with Ghana Beyond Aid Strategy Private sector shows interest in the participation of the action activities		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Since 2004, the EU and the Ministry of Finance have signed four Technical Cooperation Facility Contracts. These contracts have been used to provide Technical Assistance services to conduct studies into identify and formulate projects to be supported by EU Funds, to programme estimates supporting the National Authorising Officer with the implementation and monitoring of the EDF, to conferences and seminars, and to communication and visibility activities.

The experience from the ongoing and previous TCF shows that studies are always required to allow a good implementation of the Cooperation programme. It is of utmost importance during the preparation of the new multiannual programme which will start soon.

In addition, the important role of the Ministry of Finance to support line Ministries and other Departments in their monitoring role of ongoing programmes has been acknowledged.

[1] OJ C 210 of 30.6.2017.

Resources are still lacking to conduct studies, identify new projects and for the MDAs to closely follow the implementation of EU projects without external support.

3.2 Complementarity, synergy and donor coordination

The 11th EDF NIP has allocated EUR 1.5 million in support to the National Authorising Officer's office (NAO) of Ghana. This support will aim at strengthening the NAO office and improving the use of EU procedures as well as aid management coordination. Finally, it will support the NAO in its role as major partner of the EU in its development cooperation.

The TCF IV contributes to developing the coherency of the EU programmes and their coordination with other donors in line with the EU general policy framework set out in the Cotonou Agreement and the European Consensus on Development. This takes place namely through: consultancies that support situational analysis and strategy elaboration or programme identification and preparation processes; training or conferences and seminars to improve our national counterparts' understanding of development issues and organisation; and through contributions to processes aiming at improving cooperation with donors, such as joint programming. Both instruments have a role to play in joint capacity building and training activities as well as in increasing the EU visibility and in facilitating policy dialogue.

The TCF V will build on these activities of the TCF IV and focus on the preparation of the next programming cycle and also on the identification of new projects and actions that might be financed under the EIP or under the new programming cycle. It will also complement the support given to the NAO to facilitate the coordination and supervision of key programmes which implementation period started in 2018, and which are connected to the EIP (agriculture sector including renewable energy).

3.3 Cross-cutting issues

This action aims at supporting national authorities and the private sector in the identification of viable projects and will take into account a better integration of cross-cutting issues such as environment and climate change, gender equality and equal opportunities, human rights, innovation and sustainability.

One of the main niches for the private sector in Ghana is linked to green economy and circular economy. The country faces several challenges related to climate change and the environment. Plastics and e-waste are one of the main concerns and recycling, re-using and reducing waste should be an opportunity for the development of new businesses. The promotion of sustainable agriculture and climate smart agriculture practices should also be considered, mainly in the northern regions that face most pertinently the consequences of climate change and environmental degradation.

The action will also take into account the gender dimension and will promote activities that encourage women to participate in the projects that will be identified and supported under the interventions.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The purpose of this project is to provide technical assistance to national authorities in identifying and preparing viable projects that might be supported through a blending operation or through the EFSD guarantee of the EIP, as well as in planning the next programming cycle for Ghana. This action will also contribute to better coordination, supervision and monitoring of the EDF projects being implemented through the European Development Fund.

The project will have 3 specific objectives (SO):

SO.1: To support key stakeholders to identify and prepare projects or programmes related to international cooperation and development under EIP investment windows, and conduct studies to analyse the business and investment environment. **SO.2:** To support, through the Ministry of Finance, some key Ministries, Departments and Agencies (MDAs) with coordination, supervision and monitoring activities for projects financed under the 11th EDF, in connection with the EIP, notably in the agriculture sector, including renewable energy. **SO.3:** To prepare the identification of the next programming cycle for Ghana through the definition of priorities, strategies and funding allocation.

The expected results (R) are as follows:

R.1: Projects, programmes and studies related to the EIP are identified and conducted with success.

R.2: Projects financed under the 11th EDF are implemented with active participation of the MDAs.

R.3: A strategy for the next programme cycle is defined and endorsed by the main development stakeholders from EU and Ghana.

The EU supports its partner countries in their efforts to meet the UN Sustainable Development Goals (SDGs) by 2030. This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of Goal 17 – Partnership for the Goals, but also promotes progress towards Goals 9 – Industry, Innovation and Infrastructure, 8 – Decent Work and Economic Growth and 12 - Responsible Consumption and Production. This does not imply a commitment by the country benefiting from this programme.

4.2 Main activities

The main activities foreseen for the implementation of this project are:

Specific objectives 1 and 3

It involves the provision of training and research, policy and advisory services, studies, communication and knowledge sharing.

Specific objective 2

It encompasses financial support through the programme estimate (PE) of the NAO for the organisation of meetings, evaluation sessions, and monitoring missions necessary for the implementation of the projects financed under the 11th EDF and in connection with the EIP.

Visibility of the EU support is expected to be promoted in the implementation of all project activities implemented under this TCF V.

4.3 Intervention logic

To achieve the objectives and results identified, this action will be divided in three main components:

Component 1 - EIP Technical Assistance

Component 1will be focused on the second pillar of the EIP – Technical Assistance – and will work on concrete areas for investment ("investment windows"), such as sustainable energy and connectivity; Micro, Small and Medium Enterprises (MSMEs) financing; sustainable agriculture; rural entrepreneurs and agri-business; sustainable cities; and digital for development. It will include studies, analysis and research conducted by Technical Assistance services.

Component 2 – Support to Project Implementation

Component 2 will support MDAs to monitor the implementation of projects financed by 11th EDF. The action will be provided, through the PE of the NAO and cover financial support for coordination, supervision and monitoring of project activities.

Component 3 - Next Programming Cycle

This component will be focused on the preparation of the next programming cycle for Ghana. It will support the Government and the European Union in the identification of key sectors and implementation modalities in line with policy priorities and the EU and Member States Joint Cooperation Strategy and wider joint programming.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation[2].

5.4.1 Procurement (direct management)

Subject in generic terms, if possible	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance, other than the ones referred in point 5.10 (component 1)	services	10	Duration of the Programme
Technical Assistance missions in the framework of the EIP (component 1), other than the ones referred in point 5.10	services	10	Duration of the Programme

[2] https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.4.2 Indirect management with the Government of Ghana

A part of this action, with the objective of providing technical assistance to national authorities in identifying and preparing viable projects the might be supported by the European Union, as well as in planning the next programming cycle for Ghana, may be implemented in indirect management with the Government of Ghana according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100 000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the Government of Ghana for ordinary operating costs, direct labour and contracts below EUR 300 000 for procurement and for grants.

The Government of Ghana shall apply the Commission's rules on procurement and grants. These rules will be laid down in the financing agreement concluded with the Government of Ghana.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement Article 89(2)(f)(ii) and 89(3) of Council Decision 2013/755/EU on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Component	**EU contribution (in EUR)**
5.4.1 Direct Management – Procurement *Component 1 - Technical Assistance*	**2 000 000**
5.4.2 Indirect management with Government of Ghana – TCF	**1 300 000**
Component 2 (indicative amount)	*600 000*
Component 3(indicative amount)	*700 000*
5.9 – Evaluation, 5.10 - Audit	**30 000**
5.11 – Communication and visibility	**20 000**
Contingencies	**50 000**
TOTAL	**3 400 000**

5.7 Organisational set-up and responsibilities

Contributions under component 1 will be directly implemented by the European Union.

For components 2 and 3, the National Authorising Officer (NAO) will directly contract to authorise the European Delegation to Ghana to contract on its behalf.

The NAO and the European Commission, represented by the EU Delegation to Ghana, will meet regularly to ascertain what services and actions need to be contracted and how best to do this to support the objectives of the Technical Cooperation Facility.

The composition and modalities will be specified at the beginning of the programme.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that more similar actions might be prepared and implemented in the future.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation report shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluation and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract, in 2022-2023.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, service contracts will be used in the implementation of communication and visibility activities, earliest in 2020.

APPENDIX - INDICATIVE LOGFRAME MATRIX[3]

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To improve the coordination, identification, implementation and supervision of development and cooperation projects being implemented with European Funds	Achievement of the expected results of the projects being implemented with European Funds	Project indicators of EDF in Ghana	Achievement of project indicators	Evaluation reports	
Specific objective(s): Outcome(s)	SO.1: To support key stakeholders to identify and prepare projects or programmes related to international cooperation and development under the EIP investment windows and to conduct studies to analyse the business and investment environment.	Number of key stakeholders involved Number of participants in the action, by gender	0		Project reports Minutes of meetings	
	SO.2: To support, through the Ministry of Finance, some key Ministries, Departments and Agencies (MDAs) with coordination, supervision and monitoring activities for projects financed under the 11th EDF, in connection with the EIP, notably in the agriculture sector, including renewable energy	Number of MDA involved in the action	0			
	SO.3: To prepare the identification of the next programming cycle for Ghana through the definition of priorities, strategies and funding allocation.	Number of stakeholders involved Number of participants in the action by gender				

[3] Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Outputs	**<u>R.1</u>**: Projects, programmes and studies related to EIP are identified and conducted with success.	1.1. Number of studies and projects identified 1.2. Number of studies and projects conducted 1.3. Number of contracts signed	1.1. 0 1.2. 0 1.3. 0	1.1. 6 1.2. 6 1.3. 6	Project reports Evaluation Reports	
	<u>R.2</u>: Projects financed under 11th EDF are implemented with active participation of the MDAs	2.1. Number of projects followed by the MDAs 2.2. Number of meetings and workshops conducted 2.3. Number of monitoring missions developed 2.4. Number of reports elaborated	2.1. 0 2.2. 0 2.3. 0 2.4. 0	2.1. 3 2.2. 12 2.3. 12 2.4. 6	Project Reports Minutes of meetings Mission Reports	
	<u>R.3</u>: A strategy for the next programme cycle is defined and endorsed by the main development stakeholders from EU and Ghana.	3.1. Number of meetings conducted 3.2. Number of participants in the meetings, by gender 3.3. One Strategy elaborated and validated 3.4. Number of contracts signed	3.1. 0 3.2. 0 3.3. 0	3.1. 12 3.2. 3.3. 1	Minutes of Meeting Strategy	