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Swiss Confederation

Federal Department of Economic Affairs,  
Education and Research EAER  
**State Secretariat for Economic Affairs SECO**

COUNTRY  
STRATEGY

# Swiss Economic Cooperation and Development **Ghana**

2017–2020



# Abbreviations

<b>CHF</b>	Swiss Franc
<b>CO<sub>2</sub>eq</b>	CO <sub>2</sub> equivalent
<b>ECOWAS</b>	Economic Community Of West African States
<b>EFTA</b>	European Free Trade Association
<b>EU</b>	European Union
<b>GDP</b>	Gross domestic product
<b>GSGDA</b>	Ghana Shared Growth and Development Agenda
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>IMF</b>	International Monetary Fund
<b>LTNDP</b>	Long-Term National Development Plan
<b>MDG</b>	Millennium Development Goal
<b>NDC</b>	National Democratic Congress
<b>NPP</b>	New Patriotic Party
<b>ODA</b>	Official development assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>O&amp;M</b>	Operation & Maintenance
<b>PEFA</b>	Public Expenditure and Financial Accountability Programme
<b>PFM</b>	Public financial management
<b>SDG</b>	Sustainable Development Goals
<b>SECO</b>	State Secretariat for Economic Affairs
<b>SME</b>	Small and medium-sized enterprise
<b>STI</b>	Sexually-transmitted infection
<b>UN</b>	United Nations
<b>USD</b>	United States Dollar

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## **State Secretariat for Economic Affairs SECO – Economic Cooperation and Development**

SECO's Economic Cooperation and Development division is responsible for the planning and implementation of economic cooperation and development activities with middle-income developing countries, with countries of Eastern Europe as well as the new Member States of the European Union. It coordinates Switzerland's relations with the World Bank Group, the regional development banks and the economic organisations of the United Nations. SECO is part of the Federal Department of Economic Affairs, Education and Research (EAER).

Switzerland's international cooperation efforts as defined in the Federal Council's 2017–2020 Message on International Cooperation aim to reduce poverty and global risks, alleviate suffering, and promote peace and respect for human rights. Accordingly, SECO's economic and trade policy measures strive to support sustainable and inclusive growth. The Economic Cooperation and Development division focuses its activities on its specific areas of competence and experience in four target outcomes aligned with the 2030 Agenda for Sustainable Development: 1) effective institutions and services, 2) more and better jobs, 3) enhanced trade and competitiveness and 4) low-emission and climate-resilient economies. Special emphasis is placed on issues related to economic governance and gender.

# Editorial

With the present Country Strategy 2017–2020, SECO reiterates its commitment to supporting an inclusive and resilient economic development for a stable and prosperous Ghana with opportunities for all.

Today, poverty remains a crucial issue also for middle-income countries like Ghana. While a number of these countries have experienced significant growth in recent years, the gap between rich and poor has widened in many cases. In an increasingly interconnected world, middle-income countries are often particularly vulnerable to global risks, such as climate change, economic and financial crises, or political instability. It is thus more important than ever to ensure that all sections of the population can benefit from sustainable, resilient economic growth. This is where SECO applies its core competencies and comparative advantages in economic cooperation and development.

In line with the UN 2030 Agenda for Sustainable Development and the Federal Council's 2017–2020 Message on International Cooperation to the Swiss Parliament, SECO aims at fostering sustainable and inclusive growth in its partner countries. Such growth addresses eco-

nomics as well as social and ecological aspects and shall not compromise the well-being of future generations. It contributes to reducing poverty and the impacts of global risks. It enables the private sector to create more and better jobs and the state to provide adequate services. Competitive economies and effective institutions are also key to reinforcing the resilience of societies increasingly confronted by different dimensions of fragility.

This Country Strategy defines the following two objectives of the economic and trade policy measures deployed by SECO in Ghana. First, SECO supports strong and accountable institutions that deliver effective public services. Second, SECO's measures strive towards improved competitiveness and diversification of the economy.

Building on lessons learnt and the encouraging results achieved in the past cycle 2013–2016, this Country Strategy sets the frame for SECO's continued activities in Ghana for the next four years. Based on the goals and priorities described therein, we firmly believe that we can make a significant contribution to Ghana's further development path.

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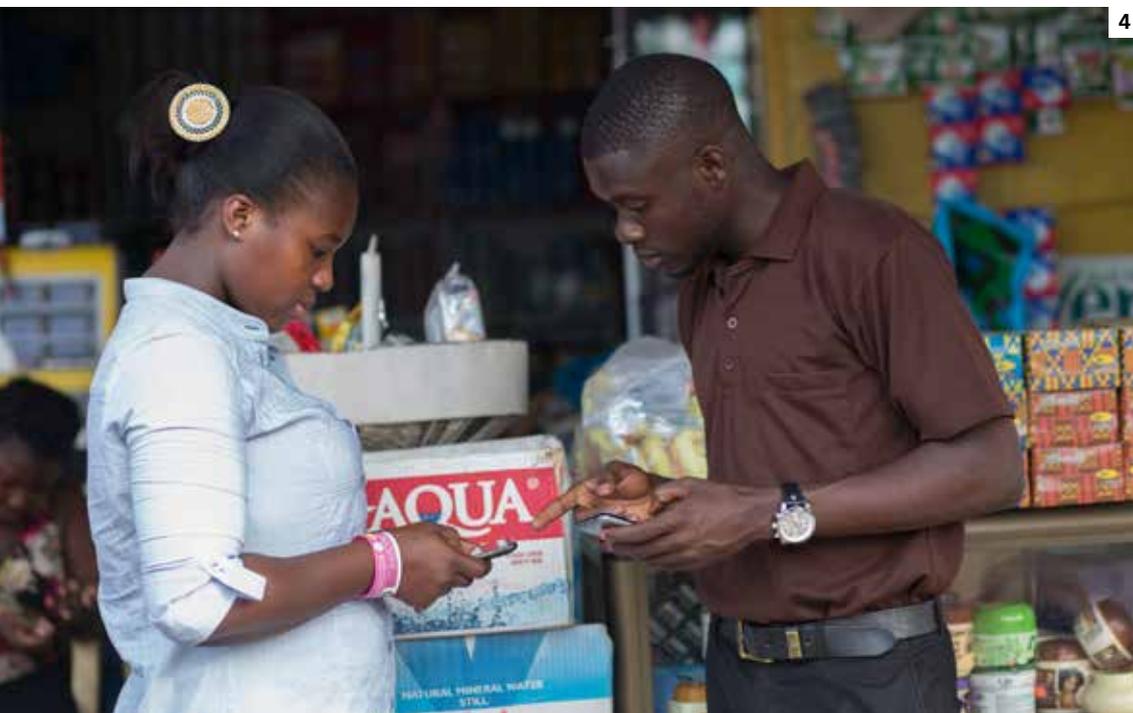
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1  
Ghana is one of the biggest cocoa producers and Switzerland imports a substantial share of this product.

2  
Ghana has made significant progress in reducing poverty and improving primary education.

3  
Macroeconomic stability is a precondition for sustainable growth and poverty reduction.

4  
The fast developing services sector is a driver of economic growth.

# Country context

Ghana has long been recognised as one of Africa's few success stories. Over the past decade it enjoyed sound economic performance and rapid progress in poverty reduction and strengthened its democratic credentials. More recently, however, this success story has shown signs of strain. Ghana experienced a severe macroeconomic crisis, which risks reversing past development gains and could derail the future development path. As the country

is moving up the income ladder and becoming ever more integrated into the global economy, it has to navigate more complex domestic and external risks and challenges. A vigorous reform commitment to deeper institutional reforms and structural change is required to sustain long-term growth and development in a global environment that is less benign and more uncertain than in the past.

## Political and institutional

Ghana has been demonstrating a strong democratic track record over the past two decades. The country remains a pole of political stability and peace in a volatile region where several countries are in a difficult post-conflict transition or face the fresh flaring up of internal tensions. With its entrenched democratic institutions and processes, Ghana stands out as a model. Since the adoption of a democratic constitution in 1992, Ghana has seen the emergence of a competitive political scene and democratic culture with a vibrant media and civil society, which was tested in seven consecutive elections and three peaceful transitions of power. In December 2016 the opposition New Patriotic Party (NPP) won the latest general elections and ended the eight-year reign of the National Democratic Congress (NDC), which governed since 2008.

**However, cracks in the system are appearing.** Against the backdrop of the protracted economic challenges facing the country since 2012, there has been a rise in popular dissatisfaction and disillusionment regarding the capacity of political institutions to solve the country's problems. Reform momentum has slowed over the years, and reform efforts have been levelling off. Governance indicators, in

particular regarding government effectiveness, have stagnated or worsened, highlighting the institutional weaknesses that persist and plague policy planning and implementation. Accountability across government institutions and between government and citizens is weakening. Corruption – while comparatively low compared to Ghana's regional peers – is perceived to be on the rise.

**Ghana needs to strengthen its institutions to meet its ambitions.** The recent crisis highlighted the need for deeper and more sustained institutional reforms to enable the government to deliver on its ambitious plan to firmly establish Ghana as an emerging middle-income country and to navigate a more uncertain and complex global context and diverse internal environment. This requires continued efforts to improve good governance, strengthen the human and organisational capacities of public institutions, and enhance the quality and consistency of policy planning and implementation. Improving government effectiveness also depends on further strengthening transparency and accountability through depoliticising the administration and adopting a more rule and evidence-based approach to decision-making.

## Economic

Ghana has experienced strong growth over the past decade. For much of the past decade Ghana stood out as a success story on the African continent. From 2002 to 2011, Ghana experienced sustained growth with an average annual growth rate of around 6.8% fuelled by high commodity prices, favourable terms of trade and accompanied by macroeco-

nomics stability and structural reforms. Growth peaked at 14.4% in 2011 thanks to the onset of oil production. The rebasing of the national accounts in 2010 catapulted Ghana into the ranks of the lower middle-income countries.

**However, driven by macroeconomic imbalances, growth has faltered since 2012.**

Growth has been slowing since 2012 and reached 3.5% by 2015 – the lowest level in over two decades – marking the end of the growth spell of the previous decade. Home-made fiscal imbalances, largely financed by more risky foreign-currency-dominated debt, were at the heart of this crisis. The escalating cost of the public wage bill, expensive and ill targeted energy subsidies and election-related spending resulted in a double-digit fiscal deficit from 2012 to 2014. Inflation peaked at 19.2% in early 2016, and the debt-to-GDP ratio rose to over 70% by 2015, a level unseen since the HIPC debt relief. Fiscal consolidation under a new IMF programme brought the deficit back into single digits in 2015, with further rebalancing expected in the period ahead. Other domestic and external factors compounded the crisis. A domestic power crisis, resulting from a combination of shortages in fuel supply, insufficient generation capacity and poor management of utilities, exacerbated the situation for private-sector growth. The weakening of the terms of trade for Ghana's main export commodities – oil, gold and cocoa – since 2013, mirroring the end of the commodity super cycle, led to a worsening of external imbalances and a rapid depletion of already low buffers. While growth is projected to pick up in the period ahead on the back of fiscal consolidation, the recovery is expected to be fragile as the global growth outlook is subdued, commodity prices are expected to remain low, global capital markets are more risk-averse and election-related fiscal slippages remain a concern.

**The context reflects structural vulnerabilities and institutional weaknesses.** Ghana's vulnerability to internal and external shocks is not entirely new and has led to occasional booms and busts in the past. However, the last crisis was more severe. It exposed the limited institutional capacity of the government – whose policy choices were at the heart of the crisis – and magnified the underlying structural weaknesses of the economy – in particular the high dependence on primary commodity exports, the lack of effective actions to diversify the economy and the unfinished structural transformation of the economy. The crisis also coincided with Ghana losing competitiveness relative to its peers, which have been catching up and attracting an increasing share of the region's trade and investments.

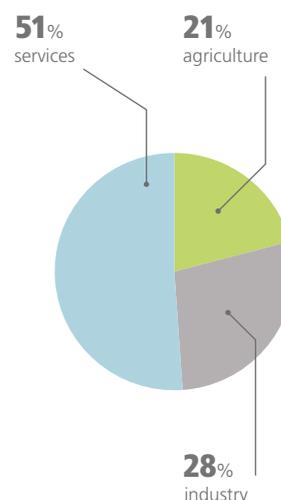
**In the short term, macroeconomic stabilisation is critical for the recovery.** Restoring macroeconomic stability is a prerequisite to bringing Ghana's economy back on track. Without sufficient fiscal buffers, Ghana will be ill-equipped to deal with possible future internal or external shocks and protect people from falling back into poverty. Public finances need

to be brought on a sustainable path through continuing efforts to mobilise domestic revenues and controlling expenditures, including by reducing the debt burden and making the public sector leaner and more efficient. Fiscal responsibility rules and robust accountability mechanisms can help to entrench fiscal prudence and preserve macroeconomic stability in the medium term. Improving the governance and financial performance of public utilities and the financial and management capacities of local governments is a prerequisite for improving service delivery and providing access to public services to the underserved segments of the population in both rural and urban areas.

**In the medium to long term, new sources of growth must be unlocked.** The main challenge is to build an economy that is better able to withstand external and internal shocks and is more inclusive so as to absorb the large number of new entrants into the labour market and offer more productive income and job opportunities for all. This requires a transformation of Ghana's growth model. Structural impediments need to be removed to unlock new sources of growth and spur the transformation towards a more formalised and competitive economy that attracts more domestic as well as foreign investment. This depends on narrowing the infrastructure gap and reducing regulatory impediments to growth. Improving the competitiveness and productivity of the private sector also requires limiting the role of government in the private sector, addressing inefficiencies in the financial sector, stimulating the formalisation of SMEs and strengthening human capital development to better match the needs of the economy. Adapting to the impacts of climate change, reducing the risks from disasters and managing rapid urbanisation require a more climate-resilient and low-emissions development path. Diversifying the export structure, increasing the efficiency of agricultural production, stimulating the emergence of the industrial sector

## Economic sectors in Ghana

Primary (agriculture), secondary (industry) and tertiary (services) sector in %.  
Source: Central Intelligence Agency, World Factbook (2015)



## GDP growth of Ghana

Gross Domestic Product (GDP) per capita based on purchasing power parity (PPP) in current international dollars.

Source: International Monetary Fund, World Economic Outlook (2016)



and capturing more production stages with higher value creation domestically is central for sustainable long-term growth and development. Contingent on a reinvigorated reform

commitment, Ghana can build on past performance to exploit its existing potential as a pole of political stability and an attractive regional trading hub.

## Social, humanitarian and security

**Economic performance over the past decade underpinned, albeit not uniformly, rapid poverty reduction and progress in social sectors.** The national poverty rate dropped to 24.2% of the population in 2013, down from 31.9% in 2006. However, large regional disparities persist, with 38% of the rural population being poor, compared to just 11% of the urban population. Inequality remains high, as indicated by the Gini coefficient of 0.42 in 2013. Ghana met many of the Millennium Development Goals (MDGs), in particular on extreme poverty, hunger, primary education, and access to water, but was not able to meet the targets on sanitation and preventing child and maternal mortality. The government is committed to reducing poverty further and working towards achieving the Sustainable Development Goals.

**However, past gains are at risk of being reversed.** Many of Ghana's non-poor are living just above the poverty line, which makes them particularly vulnerable to economic shocks.

Increased migration from rural areas to urban centres amplifies the emerging challenge of rapid urbanisation and creates new social realities, as the rural migrants often dwell in precarious conditions and the urban infrastructure is inadequate to address their basic needs. As population growth continues at a rapid pace, the labour market is unable to absorb the swath of youth entering the job market, fuelling unemployment and social uncertainty. The effects of climate change, in particular the changing weather patterns, increase the risks to agricultural production and the livelihoods of households and expose the population to increased hazard risks, in particular flooding and drought. Addressing these challenges and reducing inequalities and disparities goes hand-in-hand with making growth more resilient and inclusive, which in turn depends on restoring macroeconomic stability and accelerating institutional and structural reforms to promote the transformation of the economy.

GINI-coefficient of  
Ghana

0.42

Degree of income inequality within the population (0 = complete equality; 1 = complete inequality).

Source: Ghana Statistical Service (2013)

## Bilateral economic relations

**Bilateral economic relations intensified but remain limited.** Ghana represents Switzerland's second-largest trading partner in Africa, after South Africa. Trading volumes have expanded modestly over the years. In 2015, the trade volume amounted to CHF 1.36 billion, with a trade deficit for Switzerland of CHF 1.3 billion. While imports from Ghana amounted to CHF 1.33 billion, Switzerland's exports to Ghana were limited, worth CHF 24 million in 2015. Gold represented the single most important product from Ghana, amounting to roughly 94% of all imports. Excluding gold, 99.2% of the remaining imports in 2014 were agricultural products, in particular cocoa. Ghana was Switzerland's most important source of cocoa imports in 2015, representing close to 50% of total cocoa imports. Switzerland's exports to Ghana remained concentrated on chemical and pharmaceutical products and machinery goods, which together continued to account for 64% of exports in 2015.

Switzerland's foreign direct investments in Ghana remain modest, despite steady growth. However, a number of small and medium-sized enterprises with Swiss ownership have opened shops in Ghana in innovative niches, such as agro-processing, production of processed food and renewable energy engineering.

**Switzerland and Ghana have concluded a series of bilateral agreements,** including those on the promotion and protection of investments in 1991, the avoidance of double taxation in 2008, and scheduled air services in 2010. Switzerland, together with the EFTA member states, will continue to explore possibilities for further strengthening the framework for trade relations with Ghana, including within ECOWAS, of which Ghana is a member.



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1  
Reliable public services require an effective tax system and an efficient tax administration.

2  
Good urban planning and efficient transport links are crucial to capitalise on towns' potential for higher productivity.

3  
Innovation and know-how transfer can unlock new sources of growth.

# Development cooperation context

## Partner country development strategy

Ghana's national development policies are outlined in the Ghana Shared Growth and Development Agenda (GSGDA II). The GSGDA II outlines Ghana's medium-term development priorities for the period 2014–2017. The overall goal is to transform the Ghanaian economy and society into a stable, united, inclusive and prosperous country with opportunities for all. It is structured along seven broad thematic areas.

### The priorities and main policy measures of the GSGDA II are as follows:

- 1 Ensure and sustain macroeconomic stability:** improved monetary and financial policy management; effective and efficient fiscal policy management; economic policy decision-making and management; and international trade and regional integration.
- 2 Enhance competitiveness of Ghana's private sector:** private sector development; good corporate governance; growth and development of micro, small and medium enterprises; industrial development; tourism industry development; and develop a vibrant creative arts industry.
- 3 Accelerated agricultural modernisation and sustainable natural resource management:** modernisation and strengthening of agricultural production; natural resource management and minerals extraction; biodiversity management; protected areas management; land management and restoration of degraded forests; integrated marine and coastal management; wetlands and water resources management; waste management, pollution and noise reduction; community participation in natural resource management; climate variability and change; and natural disasters, risks and vulnerability.
- 4 Oil and gas development:** oil and gas industry development and its linkage to the rest of the economy; local content development; employment creation; protection of the environment; and transparency in revenue management.
- 5 Infrastructure and human settlements:** transport and logistics; science, technology and innovation to support productivity and development; information and communication technology development; energy supply to support industries and

households; social, community and recreation infrastructure; and water, environmental sanitation and hygiene.

- 6 Human development, productivity and employment:** provision of quality education; access to quality health care; HIV and AIDS/STI; nutrition and food security; human capital development, employment, productivity and labour relations; sports development; youth development; social development and social protection; the aged; child development and protection; disability; population management and migration for development; and reduction of poverty and income inequality.
- 7 Transparent and accountable governance:** deepening the practice of democracy and institutional reforms; local governance and decentralisation; special development zones; public policy development and management; public sector reform; development communication; gender equity and women empowerment; corruption and economic crimes; rule of law and access to justice; public safety and security; access to rights and entitlements; national culture for development; international relations for development; and evidence-based decision-making.

The total budget for implementing the GSGDA II is estimated at USD 16 billion over the period 2014–2017. Out of this, USD 12 billion comes from either the government's own budget or donor resources, leaving a financing gap of USD 4 billion. The government expects to bridge this gap by strengthening revenue mobilisation as well as expenditure controls, promoting public-private partnerships, diversifying sources of external financing and ensuring aid is "on budget". The majority of financing is required for infrastructure and human settlement development (44.5%), followed by human resource development, employment and productivity (22.4%), with the remainder allocated to the other five areas.

The government is working on a long-term development plan to increase the coherence of long-term development priorities and reduce political influence on these. The Long-Term National Development Plan (LTNDP) will cover the period from 2018 to 2057. It is intended to reduce the influence of politics on planning and ensure

greater coherence across election cycles. The LTNDP will serve as an overarching long-term policy-planning framework within which more detailed medium-term plans will continue to be articulated. The first medium-term plan under the LTNDP framework will cover the period from 2018 to 2021. The LTNDP is organised around five broad thematic areas: 1) building an industrialised, inclusive and resilient economy, 2) creating an equitable, healthy and disciplined society, 3) building safe, well-planned and sustainable communities, 4) building effective, efficient and dynamic institutions and 5) strengthening Ghana's role in international affairs.

In addition to the GSGDA II and the first plan under the LTNDP starting in 2018, a number of sector policies of relevance to SECO's programme are already in place: Public Finance Management Reform Strategy (2015–2018), National Decentralisation Policy (2015–2019), National Employment Policy (2014), National Export Strategy (2016–2020), Private Sector Development Strategy II, Energy Sector Strategy, National Climate Change Policy and the Intended Nationally Determined Contributions (INDCs).

## Donor landscape

The donor landscape has undergone further changes, reflecting Ghana's middle-income status and international aid trends. As Ghana consolidates its middle-income status, the modalities and volume of assistance are changing. As a market-access country, Ghana's range of financing options has widened. Official development assistance (ODA) has been on a downward trend since 2012. Net ODA decreased further from 4.5% of GDP in 2012 to 3% in 2014 (OECD). Several donors phased out their general budget support and switched to more targeted, project-based approaches and greater cooperation with private-sector companies. As a result, donor support and policy dialogue have become more fragmented. While the nature and volume of assistance is changing, development assistance is still relevant for Ghana's development. Four multilateral and 11 bilateral donors are active in the country. Two bilateral donors (Denmark, Netherlands) are

phasing out their development programmes over the medium term and shifting to more commercial forms of cooperation. Non-traditional donors such as China, Brazil, India and Turkey – operating mainly through blending commercial and development interests – further reinforced their position as major financial and trade partners.

The development partners have to adapt the aid architecture to fit the changing context. Ghana still benefits from a well-structured aid architecture at the sector level. Since the end of the coordinated multi-donor budget support operations, government and donors are seeking new, innovative formats for policy dialogue that are less anchored in particular aid modalities and more in line with Ghana's middle-income status. Joint efforts are needed to formulate a successor to the Ghana Aid Policy that expired in 2015 to reflect the changing nature of development cooperation in Ghana.

## Lessons learnt from 2013–2016

SECO's new country strategy builds on the previous strategy for 2013–2016. It reflects and incorporates the lessons learnt from the implementation of the previous strategy to ensure the continued relevance and fit of SECO's instruments with Ghana's development priorities.

- **Ghana's transition from a low-income to a middle-income country requires a rethinking of the focus of development cooperation.** While Ghana's need for donor funds is decreasing, as is typical for a middle-income country, the country still faces many challenges characteristic

of a low-income country. Responding to these challenges requires sound policy planning and enforcement, but institutional weaknesses are a limiting factor. Ghana's transition confirms the appropriateness of SECO's planned shift of aid modalities, away from general budget support towards more targeted programme aid (such as decentralised budget support) and project-based approaches. SECO's instruments, with its particular focus on technical assistance and institutional strengthening in systemically important areas of economic development will remain highly relevant. A "basics first"

approach to reforms will be important to tackle the underlying weaknesses of the economy. In some areas, support of more advanced reforms can be appropriate as long as the complexity and dependency on other reforms is limited.

- **Overall commitment to reforms is a precondition for successful development cooperation.** Over the period of the past country strategy, reform commitment in certain areas deteriorated and interest in policy dialogue waned. Going forward, context risks – many of which are outside of the influence of development partners – remain high and the outlook is uncertain. This limits the impact of SECO's instruments, in particular those targeting mainstream broad-based reforms. It requires SECO to find niches of reform where results can be achieved under the leadership of the government. With its flexible funding envelope, SECO is well placed to follow a performance-oriented approach to country programming, so that financial resources can be adjusted up and down, depending on reform commitment.
- **Work with the government and development partners to redefine the aid architecture.** As the donor landscape is changing and SECO is exiting from general budget support, SECO needs to work with other donors and the government to find new platforms for policy dialogue, join forces with like-minded donors, scale up its resources for sector dialogue and integrate the policy dimension more explicitly at the project level. In doing so, it can build on its strengths as a small donor with instruments that are well adapted to and specifically intended for middle-income countries and use its operational experience from other middle-income priority countries.
- **Portfolio development should continue on the path of consolidation.** In the trade and competitiveness business lines, SECO's portfolio can be further streamlined to achieve greater coherence and effectiveness of single interventions. This requires concentrating support on fewer value chains, integrating interventions across business lines, and identifying interventions that can reinforce each other and narrow the gap between the micro and macro levels. In the institutions and public services, business line synergies could be more actively explored through joint analysis and approaches.
- **Greater emphasis should be placed on integrating the private-sector perspective.** Given its mandate and experience in working at the interface between the public and private sectors, SECO is well placed to bring the public and private sectors closer together, be it in recognising the impact of tax reforms on private-sector development, increasing private-sector participation in the public sector (e.g. quality testing infrastructure, vocational education), fostering public-private dialogue (e.g. in the financial sector), or capacitating the private sector as a driver of change for economic policy reforms.
- **Selectivity is needed to ensure effectiveness and improve the sustainability of results.** Particularly in the current policy-constrained environment, it will be more challenging to achieve broad-based and sustainable results. Increasing the focus on results and sustainability requires SECO to be selective in the areas it engages in. SECO should look out for areas with strong ownership, government leadership as well as the necessary internal and external capacity of actors to implement reforms.
- **Country systems should be used selectively.** Using government systems requires a sound due diligence of the capacities, systems and resources of the respective government unit, as well as the project management structure and SECO's own management capacity and a clear definition of roles and responsibilities.
- **The combination of traditional and innovative approaches worked well and should be continued.** SECO's portfolio is a good mix between tested approaches and innovative new forms of cooperation (such as knowledge partnerships between universities, staff secondments or challenge funds). While this mix should be continued under the new country strategy, a good balance needs to be found between innovation and learning and achieving results and managing risks.
- **Deepen subnational engagement based on robust assessments of opportunities and risks.** As the decentralisation process advances, more support is needed at the subnational level. This opens up opportunities for an engagement closer to the point of actual service delivery. However, the capacities are weak, including for financial management, and problems at the national level can block progress. Hence, support has to be based on a solid assessment and be well-targeted to leverage change. Subnational engagement is expected to further fragment policy dialogue. Innovative ways for dialogue with national anchors have to be sought to maintain the relevance of dialogue and protect against risks.



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1  
SECO supports the transition to more renewable energy such as solar power.

2  
SECO fosters better public services and equal opportunities for boys and girls.

3  
Recycling of electronic waste contributes to a more resource efficient private sector.

4  
Mobile solutions make financial services accessible for more Ghanaians.



## Development challenges and SECO's response

The overall objective of Switzerland's economic cooperation and development programme with Ghana is to contribute to inclusive and resilient economic development. Switzerland will partner with Ghana to enable the country to better manage the risks and opportunities of moving up the income ladder and integrating into the global economy and to sustain long-term growth and development.

Based on the context analysis, Ghana's development priorities and SECO's strategic orientation, Switzerland will prioritise a basics-first approach and contribute in particular to building strong and accountable institutions that deliver effective public services and to improving the competitiveness and diversification of the economy.

## Objective 1:

# Strong and accountable institutions that deliver effective public services

### Challenges

Under the first objective, Switzerland focuses on building stronger institutional foundations for economic and fiscal management and public service delivery. Strong and accountable institutions are a prerequisite for sound macroeconomic and fiscal policies and effective public service delivery. Macroeconomic stability and effective public services are among the basic building blocks of making economic development more resilient and inclusive by lowering vulnerability to domestic and external shocks and providing more and better public services to a wider segment of the population. Building stronger institutional foundations for economic and fiscal management and public service delivery requires addressing the triple challenges of improving public financial management, strengthening the capacity of local governments and public utilities to deliver basic services, and enhancing institutional capacity and accountability.

Further public financial management reforms are needed to ensure fiscal sustainability. This requires a continuation of domestic revenue mobilisation reforms at both the central and subnational level and public financial management reforms that support fiscal prudence and the provision of sufficient resources to finance Ghana's development needs over the medium term.

More efforts are required to improve basic public services. This requires increasing the capacities of public utilities and local governments, upgrading and expanding basic infrastructure and, at the subnational level in particular, increasing financial resources (through direct transfers and mobilising local revenues) for service delivery. Strengthening the financial and technical capacity of public utilities and local governments is required to improve governance, planning and financial management practices to help widen access to and improve the quality of public services. Reliable public service delivery, such as in the urban transport sector, is also critical in order to mitigate and adapt to climate change by increasing the resilience of and reducing the stress on public infrastructure, in particular in rapidly expanding urban spaces.

Fostering resilient and inclusive development also requires strengthening institutional capacity and accountability. This calls for continued efforts to improve good governance, strengthen human and organisational

capacities of public institutions and enhance the quality and consistency of policy planning and implementation. Improving government effectiveness also requires better transparency and accountability mechanisms by enhancing oversight of the use of public resources at both a central and subnational level and particularly in regard to natural resource revenues.

### Focus

Switzerland proposes to respond to this challenge with a combination of measures. Switzerland will prioritise, on the one hand, strengthened public financial management including revenue mobilisation and, on the other hand, reliable basic public services with an emphasis on integrated urban development and sustainable energy supply. Switzerland will continue to strengthen the institutions for macroeconomic and fiscal management with an emphasis on domestic revenue mobilisation at the national level and expanding it to the local level, including by enhancing accountability mechanisms for managing natural resource revenues. Switzerland will address financial and institutional weaknesses in the delivery of basic public services at the local level and complement this with efforts to promote effective fiscal decentralisation and more efficient use of public resources. Switzerland supports efforts to widen access to and improve the quality of the delivery of public services in the energy sector, in particular by promoting renewable energy and energy efficiency. Switzerland will focus on improving the quality of public services in urban spaces by expanding infrastructure and building the institutional capacity to plan and implement urban policies and deliver urban services.

### Proposed SECO measures

- Support domestic revenue mobilisation reforms, at the national and subnational level, including the effective and transparent management of natural resource revenues.
- Support the delivery of basic services and building of institutional capacity at the subnational level by providing decentralised budget support.
- Strengthen the capacity of public utilities to provide infrastructure services and support infrastructure development in the electricity sector, through electrification, renewable energy and energy efficiency measures, among others.

### SECO contributions

#### First priority

- Transparent resource mobilisation and reliable public financial management
- Integrated urban development
- Sustainable energy supply

#### Second priority

- Reliable basic public services

- Improve the quality of services in urban areas by expanding infrastructure and building the institutional capacity to plan and implement urban development and transport policies.
- Strengthen macroeconomic planning and management by building human and technical capacities for macroeconomic forecasting and policy making.

SECO's commitment to inclusive growth is reflected in various measures. As a rapidly developing middle-income country with a diverse internal environment, Ghana faces challenges in service delivery in both the rural and urban spaces. On the one hand, the focus on addressing weaknesses in basic public service delivery at the local level particularly benefits poor, rural districts with limited economic opportunities. By providing more financial resources and improving the capacity of local governments in these districts, previously underserved segments of the population will have better access to basic public services, which contributes to reducing the incentive for out-migration and facilitates new local income and job opportunities. On the other hand, by focusing on a subset of measures on

urban spaces, SECO acknowledges the challenges that rapid urbanisation poses to urban infrastructure. By expanding the infrastructure and improving the capacity of urban municipalities, the resilience of urban infrastructure will be strengthened, resulting in better living and economic conditions of the rapidly growing urban population.

### Contribution to Ghana's country development objectives

Switzerland's proposed measures are aligned with the following objectives of the GSGDA II: improve fiscal revenue mobilisation, public expenditure management and effective and transparent management of oil and gas revenues (1.2.1, 1.2.2, 4.5.1), effective implementation of the decentralisation policy and effective and efficient revenue generation and management at the local level (7.2.1, 7.2.2), provide reliable and affordable energy, increase the proportion of renewable energy and ensure the efficient use of energy (5.5.1, 5.5.2, 5.5.6) and promote resilient urban development and provision of basic services (5.7.2). Switzerland's measures are aligned with the thematic areas of the LTNDP, in particular the fourth thematic area.

## Objective 2: Improved competitiveness and diversification of the economy

### Challenges

Under the second objective, Switzerland focuses on improving the competitiveness and diversification of the economy. A competitive, productive and diversified private sector with access to regional and global markets is the driving force behind more resilient and inclusive economic development by lowering the dependence on few economic sectors and providing more and better income and job opportunities to a wider segment of the population. Improving the competitiveness and diversification of the economy means addressing the triple challenges of removing basic structural impediments to growth, improving the competitiveness and productivity of the private sector, and building human capital.

Further reforms are needed to remove structural impediments to growth. While Ghana has made much progress in private-sector reforms in the past, progress has been slowing and Ghana is falling behind its peers. Unlocking the growth potential of the private sector requires a reinvigorated reform commitment to remove basic structural impediments to growth and lower the costs of doing business. This requires, in particular, reducing regulatory

constraints for the private sector by streamlining business and trade regulations, stimulating the formalisation of SMEs and facilitating access to capital to make it easier for businesses to grow and operate in and out of Ghana and expand the number and quality of job opportunities they can offer.

More efforts are required to improve competitiveness and productivity. Unlocking new sources of growth that offer more and better income and job opportunities requires promoting the international competitiveness and productivity of the private sector by facilitating the access of SMEs to domestic and global markets and exploiting higher local value creation. It also calls for efforts to build more integrated market linkages and improve managerial and technical skills as well as productive capacities and the more efficient and climate-friendly use of resources in sectors and value chains where Ghana has a comparative advantage.

Inclusive and resilient development also requires building human capital. Absorbing the large number of new entrants on the labour market requires an economic structure that offers more as well as better jobs and makes

SECO contributions

#### First priority

- Dynamic entrepreneurship, strengthened skills and flexible labour market
- An efficient business environment
- Greater international competitiveness of SMEs and facilitated market access

#### Second priority

- Stable and deep financial sector
- Access to long-term capital
- Favourable framework conditions for sustainable trade
- Resource-efficient private sector

it easier for new entrants to get trained and find decent employment and for the existing labour force to upgrade their skills. Building human capital by strengthening skills development is needed to reduce the skills mismatch and improve the employability of job seekers.

### **Focus**

Switzerland proposes to respond to this challenge with a combination of measures. Switzerland will prioritise three business lines: efficient business environment, greater international competitiveness of SMEs and facilitated market access and dynamic entrepreneurship, strengthened expertise and flexible labour markets. Contingent on the reform commitment, Switzerland will engage with the government to address structural constraints to growth by supporting regulatory reforms of the general or sector-specific business environment with an emphasis on easing business regulations, formalising SMEs, facilitating trading across borders and improving access to capital. Switzerland will continue to promote the competitiveness and productivity of SMEs and facilitate their access to domestic and global markets by developing and expanding sustainable, integrated value chains such as in the agricultural sector, while also encouraging the more efficient and climate-friendly use of productive resources to mitigate and adapt to climate change. Switzerland will support skills development by strengthening the professional and technical expertise, facilitating access to professional training, and building the entrepreneurial and technical capacities of SMEs.

### **Proposed SECO measures**

- Support investment-climate reforms with a focus on easing business registrations and reducing inefficiencies in the financial sector.
- Strengthen compliance with international trade standards of selected export products in order to facilitate access to foreign markets.
- Develop sustainable, integrated value chains for selected products including agricultural commodities, fostering the uptake of voluntary sustainability standards.

- Promote resource efficiency and sustainable waste management along supply chains, for instance in the field of electronic waste.
- Promote strengthened skills and facilitate access to professional training through market-based approaches.
- Improve the managerial capacity and working conditions of SMEs and foster good corporate governance practices in the private sector.

SECO's commitment to inclusive growth is reflected in various measures. Improving the business environment by reducing regulatory constraints contributes to the emergence of a more prosperous and formalised private sector with the potential to create more and better jobs. The focus on developing integrated, sustainable value chains has a direct impact on the livelihoods of the actors along the value chains by improving income-generation opportunities and increasing the number of jobs. The prioritisation of skills development impacts the employability of new entrants to the labour market and of the existing labour force. By equipping job seekers with the skills set that matches the needs of the economy, they will be able to take advantage of higher paid and more decent job opportunities.

### **Contribution to Ghana's development objectives**

Switzerland's proposed measures are aligned with the following objectives of the GSGDA II: improve private sector productivity and competitiveness and expand access to markets (2.1.1, 2.1.3), increase private sector investments in agriculture and expand agricultural exports (3.2.1, 3.3.3), create job opportunities for accelerated job creation and enhance labour productivity (6.2.2, 6.2.3). Switzerland's measures are aligned with the thematic areas of the LTNDP, in particular the first thematic area.



1



2



3

1  
SECO aims at enhancing gender equality and improving economic governance within its projects.

2  
SECO supports knowledge exchange and facilitation of technologies.

3  
SECO strives for coherent and inclusive solutions to development challenges.

# Programme implementation and management

## Implementation modalities

SECO's international cooperation seeks to deliver inclusive sustainable growth. To reach this objective, the 2030 Agenda for Sustainable Development and the Addis Ababa Financing for Development Action Plan provide a common language and direction, whereas international aid and development effectiveness principles<sup>1</sup> provide the common ground on which SECO and its international partners cooperate.

**SECO uses an appropriate mix of modalities for its development cooperation**, consisting of financial aid, technical assistance and capacity building at an individual, organisational and institutional level.

**Partnership and dialogue are necessary to promote reforms as well as to develop and implement policies.** This dialogue involves players on several levels that can contribute to coherent and synergistic solutions to development challenges: governments, private and civil society players as well as other donors and multilateral institutions. SECO balances bilateral and multi-bi cooperation and has established guidance to help implement the principle of alignment, harmonisation, and accountability and, when appropriate, the use of national systems.

**Partner strategies:** SECO's operational activities to deliver inclusive sustainable growth in partner countries are aligned with national development strategies, thereby applying the principles of national ownership and partner focus. The activities are harmonised with those of other donors and rely on the principle of mutual accountability. SECO's local experts are systematically involved.

**SECO increasingly provides targeted impulses to mobilise resources.** A relatively modest, yet very specific, Swiss contribution can go a long way. For instance, to leverage the impact of Swiss ODA, SECO supports partner countries in developing framework conditions that foster domestic resource mobilisation and private enterprise. Similarly, innovative programme and project approaches as well as innovative financing mechanisms are very effective instruments to stimulate new forms of collaboration and increase effectiveness.

**SECO's activities include sharing of Swiss knowledge and facilitation of technologies.** Specificity, high quality and effectiveness are the hallmarks of SECO's international cooperation.

## Cross-cutting issues

To meet its objectives, SECO focuses on two transversal topics: **gender equality and economic governance.** Making a highly relevant contribution to inclusive sustainable growth, gender equality and economic governance are systematically integrated into all SECO activities.

**Gender equality:** SECO considers gender equality an important element of poverty reduction, social inclusion and economic development. Therefore, it is essential to sys-

tematically address the gender dimension (social norms, legal provisions and gender-specific risks) in its economically oriented projects. No projects should place either women or men at a disadvantage.

**Economic governance:** Strengthening economic governance is another essential component of SECO's commitment to promoting inclusive sustainable growth. It is a subset of good governance and refers to the entire set of economic rules and frameworks accounting

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<sup>1</sup> These development effectiveness principles are rooted in, for instance, the 2005 Paris Declaration, the 2008 Accra Action Programme and the 2011 Busan Partnership for Effective Development Cooperation, which links all players in the development cooperation space.

for a transparent and accountable public and private sector. It is a prerequisite for a stable economy and success in the fight against corruption, which undermines inclusive economic development.

The gender and economic governance dimensions are taken into account regarding the project design, implementation, risk assessment and monitoring in order to contribute to the greater effectiveness and sustainability of SECO's projects.

## Accountability and monitoring

The country strategy will be monitored annually for the following purposes (cf. also chapter on Results monitoring):

- **Steering:** Data and information for evidence-based decision-making
- **Risk mitigation:** Identification of relevant risks and mitigation measures
- **Learning:** Identification of factors for success and failure, challenges, gaps and good practice
- **Accountability:** Data and information for accountability towards SECO headquarters, the Swiss government, the Swiss public, and the partner country

The country strategy is aligned with the partner country's development goals and strategies as well as with the SDGs. Therefore, the annual monitoring ensures that SECO's portfolio does indeed contribute to the achievement of the partner country's goals.

In the case of major changes in the country context or development goals, the results framework for the country strategy will be adapted.

## Financial resources

SECO's activities under this strategy will be financed through the Swiss framework credit 2017–2020 for economic and trade policy measures within development cooperation. The final allocation of funds to individual countries, programmes and projects will depend on the identification of suitable interventions, the absorption capacity as well as the efficiency and effectiveness of the cooperation with the relevant partners in each priority country.

claimed as such by the partner country. This information serves merely as a basis for the forward spending plans that are reviewed each year by the Swiss Parliament. Actual disbursements will depend on various factors, such as the changes in the project portfolio and the framework conditions of the partner country as well as available disbursement credits authorized by the Swiss Parliament. Portfolio and planned disbursements are regularly discussed with the partner authorities.

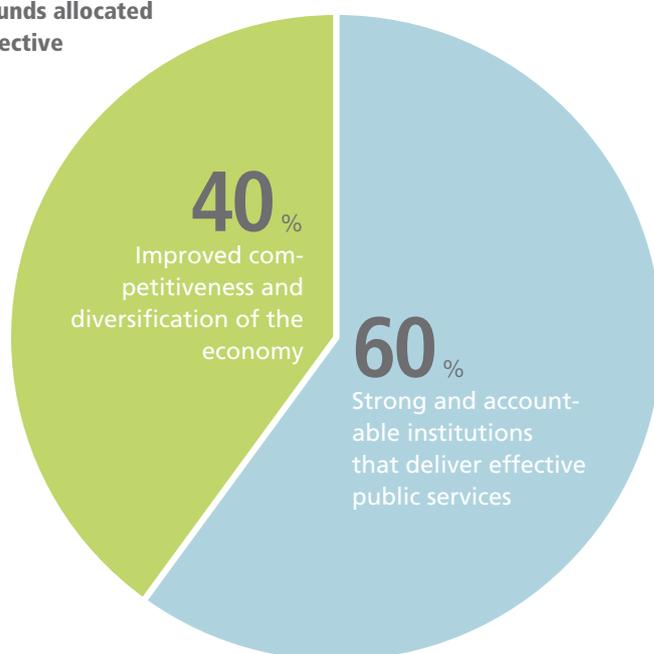
Accordingly, the following information on planned commitments for the four-year period of this strategy is indicative. It cannot be considered a firm commitment or

Planned commitments for Ghana 2017–2020:

**75** CHF million\*

\*Ghana also benefits from regional and global initiatives financed by SECO. When these measures cannot be earmarked to a specific country, they are not accounted for in the financial projections mentioned above.

Projected funds allocated to each objective



# Results monitoring

The following table contains the results framework for Switzerland's economic cooperation and development programme with Ghana. It will be monitored under the SECO quality management system, which is based on international standards (results-based management). These are aligned with the country development objectives as well as with the SDGs and will be monitored at outcome level.

The results framework covers the overall economic cooperation and development portfolio. However, the proposed indicators will be measured only in relevant projects and will provide a selection of key data for steering and accountability.<sup>2</sup>

The results framework allows for focused monitoring, reporting and evaluation of key issues identified by and agreed between SECO and the partner country counterpart. Both are committed to results orientation and the highest possible effectiveness of economic cooperation. Both want to learn about factors for success and failure as well as about risk management and mitigation in order to continuously improve results. Even though the results framework should contribute to efforts to capture and assess SECO's contribution to achieving the partner country's development objectives, it is not meant for measuring the partner country's achievements as a whole.

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<sup>2</sup> For the systematisation of results measurement and the collection of aggregated data, SECO has formulated so-called Standard Indicators which are part of Country Results Frameworks and most project logframes. The Standard Indicators also allow for the collection of results information on cross-cutting issues (see also Chapter 4.2.). With regard to economic governance, many Standard Indicators require the collection of relevant data. Regarding gender, the Guidelines on Results Reporting with SECO Standard Indicators explain in detail which kind of relevant information (e.g. gender disaggregated data) should be collected per Indicator.



## Objective 1: Strong and accountable institutions that deliver effective public services

## Partner objectives

### First priority

#### Transparent resource mobilisation and reliable public financial management

Economic policy reforms and an improved financial policy lead to more transparent and efficient resource mobilisation and more reliable public financial management.

##### Selected indicators:

- Measures for improving public financial management
- Key PFM indicators as per the PEFA framework
- Measures for improving capacity development
- Resources mobilised

#### Integrated urban development

Improved planning criteria and selective measures promote sustainable urban development in partner countries.

##### Selected indicators:

- Number of inhabitants benefiting from sustainable urban development projects
- Number of cities with urban development measures (including for improving governance) in the sectors of public transport, energy efficiency and natural disaster risk management
- Greenhouse gas emissions saved or avoided in t CO<sub>2</sub>eq

#### Sustainable energy supply

By including sustainable and climate-compatible aspects, SECO contributes to improving the energy policy as well as reforms and investment measures and to increasing energy efficiency and supply (e.g. by promoting renewable energy).

##### Selected indicators:

- Kilowatt hours saved through energy-efficiency measures and kilowatt hours additionally produced from renewable energy
- Greenhouse gas emissions saved or avoided in t CO<sub>2</sub>eq

### Second priority

#### Reliable basic public services

Through technical and financial support, public utilities are better placed to offer a reliable and affordable public service.

##### Selected indicators:

- Number of persons with access to better (basic) services
- Proportion of O&M costs recovered through charges
- Measures for improving capacity development
- Leverage effect of SECO's financing in USD

Improve fiscal revenue mobilisation, public expenditure management and effective and transparent management of oil and gas revenues (1.2.1, 1.2.2, 4.5.1), effective implementation of the decentralisation policy and efficient revenue generation at the local level (7.2.1, 7.2.2), provide reliable energy, increase proportion of renewable energy and ensure efficient use of energy (5.5.1, 5.5.2, 5.5.6), promote resilient urban development (5.7.2).

Source: GSGDA II

### First priority

#### Dynamic entrepreneurship, strengthened skills and flexible labour market

The promotion of entrepreneurship and skills together with improved framework conditions for the labour market and the social partnership help to create new jobs and retain existing (better) jobs.

##### Selected indicators:

- Number of jobs created and retained
- Number of persons under-going training or continuing education (entrepreneurs, producers, staff)
- Measures for improving working conditions

#### An efficient business environment

Improving the business environment through less bureaucracy and more effective regulation promotes the growth and competitiveness of businesses.

##### Selected indicators:

- Direct compliance cost savings (mio. USD)
- Investment generated (mio. USD)

#### Greater international competitiveness of SMEs and facilitated market access

More efficient work processes by producers and SMEs improve their productivity and promote international competitiveness. Sustainable standards facilitate access for partner countries' goods and services to the Swiss and EU markets.

##### Selected indicators:

- Increase in trade volumes (as a % and in USD million) of sustainably certified commodities (soya, coffee, cocoa, cotton, timber, palm oil, tea, BioTrade products) from developing countries
- Number of jobs created and retained
- Increase in export volumes (as a % and in USD million) of sustainable goods and services (textiles, furniture, tourism, etc.) from developing countries
- Productivity increase in export value chains
- Percentage of producers with better living conditions

### Second priority

#### Stable and deep financial sector

Better regulation and super-vision of the financial sector contribute to a stable, diversified and competitive financial market and strengthen the international financial system.

##### Selected indicators:

- Measures for financial market regulation and supervision

#### Access to long-term capital

Easier access of companies to long-term investment capital through innovative and more efficient financial instruments as well as public-private partnerships creates new jobs.

##### Selected indicators:

- Number of companies with access to capital
- Capital mobilised (loans, participation, etc.) in USD
- Number of jobs created and retained
- Measures for improving working conditions

#### Favourable framework conditions for sustainable trade

A better understanding of the framework conditions for international trade facilitates access for partner countries' products to the global market.

##### Selected indicators:

- Improved rules and regulations and enhanced competitiveness for facilitating market access

#### Resource-efficient private sector

Promotion of a resource-efficient private sector.

##### Selected indicators:

- Number of jobs created and retained
- Greenhouse gas emissions saved or avoided in t CO<sub>2</sub>eq
- Kilowatt hours saved through energy-efficiency measures and kilowatt hours additionally produced from renewable energy
- Increased resource efficiency
- Green investments additionally triggered in USD and financing instruments supported

Improve private sector productivity and competitiveness and expand access to markets (2.1.1, 2.1.3), increase private sector investments in agriculture and expand agricultural exports (3.2.1, 3.3.3), create job opportunities for accelerated job creation and enhance labour productivity (6.2.2, 6.2.3).

Source: GSGDA II

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