**Danida support to General Budget Support**

**Basic Information**

**Support at-a-glance**

***Duration of support:***

2006 – 2014 (9 years)

***Total disbursement:***

DKK 427 million

***Key national partners:***

Ministry of Finance; Controller and Accountant General’s Department; Ghana Audit Service; National Development Planning Commission; and Danida priority sector ministries, incl. the Ministry of Local Government and Rural Development

***Geographical coverage:***

All ten regions

***Key Outcomes:***

* Balanced and increased policy dialogue with the government regarding the country’s political and economic priorities, its sector policy, results in poverty reduction and public sector reforms.
* Strengthened national aid architecture with enhanced collaboration between the Ministry of Finance and sector stakeholders.
* Continual attention on priority spending actions due to policy monitoring by stakeholders.
* Promoted intra-sector collaboration; strengthened capacity development efforts of key public entities; and ensured knowledge generation.
* Assisted poverty-reduction efforts; improved access to basic services; and maintained focus on poverty-reducing interventions.

Denmark provided general budget support to Ghana through the Multi Donor Budget Support (MDBS) programmes, which were formulated to address the Government of Ghana’s (GoG) medium-term development agenda, the Ghana Poverty Reduction Strategy (GPRS I) and the Growth and Poverty Reduction Strategy (GPRS II) with financial and technical resources. The first phase of the MDBS (MDBS I: 2006-2010) involved nine development partners (DPs) including Denmark, World Bank, African Development Bank, Canada, EU, Germany, Netherlands, Switzerland, and UK. MDBS I sought to harmonize DPs’ policies and procedures in order to minimize transaction costs for the government of Ghana. The objectives included agreeing to common benchmarks (triggers and targets) against which performance would be assessed; improving dialogue between DPs and GoG; and basing funding commitments and disbursements on the achievement of agreed targets. Expected outputs included: improved public financial management; improved allocation of resources according to the priorities of the GPRS, including the promotion of good governance; and improved macro-financial stability. Danida’s inputs to the MDBS comprised bi-annual contributions, a fixed/base tranche released in the first half of each year conditioned on GoG being on track with the International Monetary Fund’s (IMF) Poverty Reduction and Growth Facility programme, and a performance tranche released in the second half of each year depending on the government’s fulfilment of annual triggers agreed between GoG and DPs for the subsequent year.

Danida continued its general budget support to Ghana through MDBS Phase 2 (MDBS II: 2010-2014) which comprised two components. The first component provided general budget support through the government treasury for the implementation of Ghana's medium-term development plan while the second component supported Ghana's strengthening financial management systems (a key pre-requisite for budget support) through the implementation of an integrated financial management information system. Activities included participation in political dialogue on reforms in public financial management and undertaking annual joint GoG-DP assessments of progress to determine annual transfers to the government treasury. Denmark’s focus on domestic accountability in the MDBS programme was to increase the effectiveness of development assistance and transparency in the use of both domestic and external resources. Together with other DPs (DfID, EU, and the World Bank), Danida supported the Ghana Integrated Financial Management Information System (GIFMIS) project during the period 2010 – 2014. The programme had the objective of renovating core budgeting, accounting and financial reporting systems.

In 2014, the worsening macro-economic situation coupled with weaknesses in public financial management resulted in several DPs deciding to suspend their budget support, which eventually led to the breakdown of the MDBS partnership. DPs released their final tranches under the MDBS programme in April 2015 after GoG signed on to a three-years economic reform programme – an extended credit facility – with the IMF.

**Results and Key Achievements**

The MDBS had a number of achievements, mainly within the policy arena. According to the Joint Evaluation of Budget Support (2005-2015), undertaken by the OECD and the World Bank, “the contribution of MDBS towards the harmonisation and alignment of the aid process has been the most significant benefit as it has allowed for development partners to have a more balanced and increased policy dialogue with the government. The budget support dialogue provided an arena for dialogue concerning the country’s political and economic priorities, its sector policy, results in poverty reduction and reforms within the public sector”. The Evaluation further noted that, “the MDBS framework played a key role in enhancing sector dialogue, strengthening the national aid architecture, and consolidating the link between the Ministry of Finance and sector stakeholders. Policy monitoring, which was an integral part of the budget support dialogue and accompanying support, also helped partners (GoG and DPs) to maintain some attention on priority spending actions”. In addition, policy dialogue, substantial technical support and extensive analytical work which accompanied the 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. Budget support also played a moderate role in poverty reduction, improved access to basic services and also helped maintain a focus on poverty reducing interventions. It is also worth noting that Danish funding together with other DPs through the MDBS facilitated civil society’s engagement in policy dialogue and MDBS performance reviews. Through the GIFMIS project, GoG made significant strides in respect of financial accounting and reporting and commenced the process of integrating and/or interfacing all significant public financial management systems on its platform.

**Lessons Learned**

The Joint Evaluation of Budget Support (2005-2015) noted that budget support provided important opportunities which helped GoG to accelerate the national reform agenda, while strengthening its ownership over it. Secondly, the growth and progress of the Ghanaian economy towards a lower middle income country resulted in a loss of relevance of the primary purpose of providing more resources through the budget support modality since the budget support’s share of the national budget had greatly reduced. The perception of this declining relevance of budget support as a tool for development finance coupled with GoG’s increased assertiveness due to its access to new sources of finance (including oil revenues and access to international capital markets) narrowed DPs leverage in policy discussions. Another lesson learned is that working in collaboration with national CSOs in ensuring transparency and accountability pays dividends in an increased and strengthened local ownership and ensures sustainability even after programme completion.

**Links**

* Joint Evaluation of Budget Support to Ghana 2005-2015………………
* Joint evaluation of Public Financial Management Reform Burkina Faso, Ghana and Malawi 2001-2010, (2012) <https://um.dk/en/danida-en/results/eval/Eval_reports/publicationdisplaypage/?publicationID=2F4A8A00-8E9D-44BE-8747-B836E1BC5578>
* Evaluation of the Ghana-Denmark Partnership 2007-2017 (2018): <http://danida-publikationer.dk/publikationer/publikationsdetaljer.aspx?PId=8c80db97-19aa-4f83-858a-ee1189f4033d>