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Statement by Mr. Yahya Alyahya
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GHANA: Country Assistance Strategy

We welcome this continued discussion of Ghana's developmental prospects. There has already been an interesting discussion in CODE on the OED's Country Assistance Evaluation Report, whose recommendations Management found pertinent. Then just last week we had a useful and innovative presentation by the authorities themselves on Part I of the CAS. All in all, a rich and frank picture is beginning to emerge, a picture that reflects the difficult choices that the authorities and their partners face.

I have some selective comments on both the process itself, and on the more substantive issues relating to the challenges facing Ghana and how the Bank Group can best assist this important client, one which has borrowed over $3 billion from this institution.

On the process, I have just three comments to make. First, while I greatly appreciate the pioneer discussion the Board had with the Minister of Finance from Ghana and his colleagues, I hope that in the future such discussions can become less formal and more of a dialogue with members of the Board. Indeed, there were already promising signs of the potential for such an interchange which perhaps can be built on in the future. Second, and while recognizing that the CAS discussion is related to the Bank Group's own business strategy, I felt that last week's discussion was somewhat delinked from today's meeting. Perhaps in the future such a Ministerial presentation could at least take place on the same day as the CAS meeting. Third, the high quality of all these documents is apparent. In addition to the hard work of the authors, this no doubt also reflects the process of consultation that was followed, including the CDF approach.

Mr. Chairman, let me now turn to some of the more substantive issues before us. In trying to get some sense of priority in addressing these, I was impressed by the language of paragraph 18, which seems to me to get to the heart of the matter. It not only states that the pattern of growth will to a large extent determine whether the Government –and I might add, the

Bank Group- is successful in helping reduce widespread poverty, but it goes on to say that higher growth will have to be led by exports.

This statement leads me to a number of further observations. The first is to note that while non-traditional exports have expanded four-fold since 1994, cocoa and gold exports still represent nearly three-quarters of the total by value. The document correctly notes that Ghana is vulnerable to periodic external shocks. It seems to me that such vulnerability is likely to continue over the three year period covered by the program, and this argues for a certain pragmatism and flexibility as Ghana and its partners move forward.

My second observation is that the Bank Group should make every effort to assist Ghana in diversifying its export base. *I would therefore like some comments from staff regarding the factors underlying the recent expansion in non-traditional exports and the potential that remains to be captured in this area. Is there potential in the services area, for example, given the good educational background of many Ghanaians at home and abroad?*

My third observation concerns the other side of the coin: the opportunities for improving the efficiency of existing domestic resource generation and allocation in Ghana. Without going into details, I think that the document has the balance about right. I especially welcome the proposed greater focus on the rural areas and helping the rural poor to become more productive, on continued reform of the public sector, and on creating a more supportive environment for the private sector. Indeed, progress in this last area will be essential if the infrastructure bottlenecks holding back the economy are to be effectively addressed.

It is evident that there are differences with the authorities in some of these areas, for example the potential for further privatization, but it seems the differing views are more about the speed of implementation rather than on the fundamental principles involved. In this connection, perhaps some understanding is needed of the lively internal debate in Ghana on these issues, both in the capital and in the regions, and the constraints within which the Government has to operate. In this regard I find some difficulty in understanding what the statement "increasing the proactivity of our Ghanaian partners" [para.15] might imply as a general principle, although I believe it is made in the context of improved portfolio management.

This brings me finally to the size and composition of the Bank Group program. In the context I have just described, the triggers for the lending program and the base, high, and low case scenarios seem appropriate. So do the five principles underlying the proposed new approach in this CAS. I agree that the short-term risk relates to the fiscal situation and the maintenance of macroeconomic stability. Let us hope that the Ghanaian authorities can rise to this challenge and keep the reform process on track, thus enabling the longer-term measures to improve the enabling environment to take root, in collaboration with their internal and external partners. Given Ghana's long-standing relationship with the Bank, and the increased role played by the Bank's local office and the CDF framework, there are grounds for some optimism in this regard. We wish all concerned well in sustaining the long-term effort to improve living standards in Ghana.