

PRESS RELEASE
MULTI-DONOR DIRECT BUDGET SUPPORT IN GHANA:
THE IMPLICATIONS FOR AID DELIVERY AND AID EFFECTIVENESS
Joe Amoako-Tuffour

Introduction

For all practical purposes, international development assistance is a mix of grants and loans. Aid recipients actively seek both. Guided by their preferences, donors identify “deserving” recipients and decide on the amount, the mix and the mechanisms of delivery of the assistance. What is in aid packages and the delivery mechanisms are less talked about but are vitally important for the effectiveness of aid. There is growing realization that the limited effectiveness of aid may be partly the result of the mechanisms of aid delivery and the transactions costs associated with them. Although less aid is explicitly tied than used to be the case, **perceptions are strong that aid “quality is not good enough”**. Delivery mechanisms influence the quality of aid because of their potential impact on the underlying institutional environment. Recent diagnosis of aid effectiveness has kindled interest in these matters prompting the question as to whether some foreign aid delivery mechanisms work better than others.

This paper reviews the following:

- the mechanisms of aid delivery, their potential effects on economic governance,
- and the emerging mechanism—the multi-donor budget support (MDBS)—for direct budget support in Ghana.
- It also provides:
 - i. a brief background to aid flows in Ghana and the regime of aid coordination;
 - ii. The trends in aid delivery mechanisms to Ghana
 - iii. and the potential impact on government systems;
 - iv. the direct budget support arrangement and the key elements that may be used as a lever of reform and to accelerate desirable change in government systems.

Lastly the paper reviews the results of a field survey of donors and government stakeholders and an assessment of the experience to date and the lessons learned.

The argument of the paper is that the MDDBS is likely to prove superior to other aid delivery mechanism such as:

- project aid,
- food aid,
- Sector Wide Approaches (SWAps)
- and District Wide Approaches (DWAps)

Rather, multi-donor direct budget support (MDDBS) may dominate for a number of reasons. It has the potential of reducing transaction cost, makes for better internal coordination of resource use, builds recipient's capacity to design and implement desired strategies, and provides an avenue for high level policy dialogue that can focus attention on and, in discrete steps, accelerate desired improvements in government systems.

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