

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted : 12/18/2007	
PROJ ID : P078619		Appraisal	Actual
Project Name :	Gh Third Poverty Reduction Support Credit	Project Costs (US\$M):	125
Country:	Ghana	Loan/Credit (US\$M):	125
Sector Board :	EP	Cofinancing (US\$M):	
Sector(s):	Central government administration (50%) Primary education (15%) Health (15%) Power (10%) General industry and trade sector (10%)		
Theme(s):	Public expenditure financial management and procurement (33% - P) Education for all (17% - S) Health system performance (17% - S) Export development and competitiveness (17% - S) Administrative and civil service reform (16% - S)		
L/C Number:	C4108		
	Board Approval Date :		08/25/2005
Partners involved :	Closing Date :	06/30/2006	06/30/2006
Evaluator :	Panel Reviewer :	Group Manager :	Group :
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2. Project Objectives and Components:

a. Objectives:

The program was part of a three year programmatic series to support implementation of the Ghana Poverty Reduction Strategy (GPRS). As presented in the PAD for PRSC-3, the objectives of the three year program were to support growth and poverty reduction and the protection of the vulnerable and excluded with a decentralized, democratic environment along with supporting sectoral strategies, namely : (i) Power sector reform; (ii) Private Sector Development Strategy; (iii) Education Sector Strategic Plan; (iv) Health Sector Program of work; (v) the National Decentralization Action Plan; (vi) the Short Term Action Plan for Public Financial Management; and (vii) the GPRS Monitoring and Evaluation strategy. The PAD for PRSC-3 states that PRSC-3 aimed at: (i) the promotion of growth, income and employment; (ii) improvements in the delivery of services for human development; and (iii) strengthening governance and public sector management.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

The following are taken from the Development Credit Agreement. The items correspond to the list reproduced in the ICR which generally contains more detail.

A. To promote growth, incomes, and employment :

1. Power Sector Reform: (i) issued the request for proposals to bidders for performance -based management support service agreements for the Electricity Company of Ghana (ECG). This was modified from that originally proposed as discussed in Section IV below; and (ii) continued the process of transforming the Volta River Authority into two separate companies (generation and distribution) and established an independent transmission company .
2. Implement the 2004 action plan under the Private Sector Development Strategy (PSDS), including: (i) adopted National Trade Policy and begun its implementation; (ii) established land deed registries in four regions outside of Accra; (iii) extended the facilities of Ghana Community Network Services, Ltd . to the land port of Aflao; and (iv) completed the automation of the Registrar General's Department .

B. Improve service delivery for human development :

1. Eliminate all government-controlled fees and introduced capitation grants for girls in public primary schools in deprived districts and in all public primary schools for the disabled .
2. Assess the program for attraction and retention of healthcare professionals in consultation with stakeholders, and submitted to the Ministry of Finance a paper on the decentralization of human resources management .

C. Improve governance and public expenditure management :

1. Begin implementation of priority public sector reforms aimed at improving the service delivery capacity of the civil service, including: (i) prepared draft performance-based contracts for civil service leadership positions; (ii) develop and commence the implementation of a communication plan; and (iii) approved a subvented agencies reform bill .
2. Deepen payroll management and control including : (i) Strengthening systems; and (ii) begun development of a system for capture and management of subvented agencies' payroll data .
3. Develop guidelines and procedures for a more comprehensive collation of annual financial accounts comprised of (i) the consolidated fund; (2) statutory funds; and (3) funds from donor-financed sector projects and programs .
4. Increased in the 2005 budget the share of non-salary, poverty related, primary domestically financed expenditures, including funds from HIPC .
5. Operationalize public procurement entities within the Borrower's ministries, departments and agencies .
6. Continued to prepare the annual budget based on the annual progress report on the implementation of the Borrower's Poverty Reduction Strategy .

All of the prior conditions defined in the DCA were implemented .

However, two prior conditions proposed in the PAD were not included in the DCA . As noted below, both of these changes are associated with adverse developments in the economy and the budget : (1) the power sector reform condition requiring commencing with implementation of the performance -based ECG Management Support Services Agreements was not included, but was modified to only require the issuance for request for proposals for bidders for the performance -based ECG management Support Service Agreement was not met and was instead moved to PRSC-4. This change was discussed in the Minutes of Negotiation (June, 2005). This is further discussed under the objective of promoting growth below ; (2) the condition to strengthen payroll management and control, including (i) strengthen control systems; (ii) begin development of a system for capture and management of subvented agencies' payroll data; and (iii) clarifying institutional responsibilities for payroll and personnel database management was also redefined from the PAD version to a modified version in the DCA requiring only satisfactory progress towards rather than an actual tightening of rules and strengthening systems for control, oversight and enforcement .

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Total financing of the three year PRSC series came to US\$ 375 million. PRSC-3 cost US\$125 million financed by an IDA credit in that amount. The program was appraised in June, 2005, approved by the Board on August 25, 2005, made effective on August 30, 2005, and closed on schedule on June 30, 2006.

3. Relevance of Objectives & Design:

The PRSC series was a central theme of the FY04-07 CAS which itself was closely aligned with the GPRS. The broad pillars of the PRSC series, and PRSC 3 in particular, encompassed the five objectives of the GPRS. This relevance was strengthened by the umbrella provided by the Multi-Donor Budgetary Support (MDBS) Program, under which the PRSC was developed in concert with assistance for the GPRS program from other donors. For example, the appraisal of the PRSC-3 was implemented as part of a joint multi-donor budgetary support mission under the MDBS program. PRSC-3 design set clear time-bound targets in each area which were measurable with indicators that proved available in most cases. There is a strong linkage between these and the intended objectives and outcomes of PRSC-3, and the Program Document presents these very clearly and in great detail. However, since PRSC-3 became effective in 2005 and closed in 2006, data to evaluate the impact of PRSC-3 should cover 2006. However, the ICR was prepared in January, 2007, so its timing precluded waiting for this data to be available. Hence, most outcome data is only available for 2005, and gives only a general indication of the impact of PRSC-3. The relevance of PRSC-3 would have been enhanced had not the proposed prior condition in the energy sector been diluted to avoid postponing the project (see discussion in Section 4), while in the health sector, there is little progress in achieving key MDG goals despite achieving PRSC-3 targets. Finally, the design of the series as a whole was somewhat complex, as illustrated by the fact that 13 policy indicators which had been in PRSC-2 operations were removed.

4. Achievement of Objectives (Efficacy):

1. Promoting Growth, Income, and Employment. Substantial Achievement.

A. GDP growth reached 5.9 percent in 2005 and 6.2 percent in 2006, due in part to a good cocoa harvest and two gold mines coming on stream. Inflation declined to about 10 percent, slightly in excess of the objective of 8.3 percent. This was caused in part by increased petroleum prices, although this impact was attenuated compared to world market price changes, as explained below. While the fiscal deficit was reduced to 2.3 percent of GDP in 2005, it widened to 7.7 percent of GDP in 2006 (according to the IMF Article IV), which may well have adverse implications for the sustainability of growth. The main cause for this deterioration was the failure of government to adequately adjust tariffs in the wake of large increases in the price of crude oil, which in turn required large subsidies. It must be noted that the Article IV report is dated June 2007, and was prepared on the basis of consultations in March, 2007, while the ICR is dated January 8, 2007. It is disappointing that the prior conditions related to ECG management reforms were diluted, as outlined above.

B. Increasing scope for financing private sector development.

The ICR cites an increase in Gross Investment/GDP from 22.9 percent in 2003 to 29.9 percent in 2005, an increase of 7 percentage points. However, this includes all public sector investment as well as private sector investment. The IMF Article IV states that private sector investment (including State-owned enterprises) increased from 14.0 percent of GDP in 2003 to 17.9 percent in 2005, or an increase of only 3.9 percentage points, and to an estimated 18.0 percent in 2006, which is not quite as buoyant an increase as suggested by the ICR. It should be noted that increases in public sector investment were part of the agreed program and supported pro-poor activities. The ICR also cites an increase in credit to the private sector as a share of total domestic credit from 44 percent at end-2002 to 55 percent at end-2005, consistent with the IMF Article IV (Table 5).

C. Improving the environment for business while protecting the poor

Subsidies to the energy sector were to be reduced from 450 billion cedis in 2002, but the ICR does not report on progress on this. This is an important omission, given concerns about the fiscal deficit noted above. System losses in the energy sector were to be reduced from 26 percent actual in 2002 to a target of 18 percent in 2005, but actual losses are reported in the ICR at 25.5 percent, virtually no change. On the positive side, the ICR reports that the time required to register a business decreased from 129 days in 2002 to 81 days in 2005. The "Doing Business" indicators show that for FY 2008 only 42 days were required to launch a new business, a further substantial improvement. The "Doing Business" indicators also show an overall improvement from 2007 to 2008 from 109 to 87th rank (out of 178 countries), driven by sharp improvements in the ranking for registering property, and smaller improvements in ease of getting credit, paying taxes, trading across borders, and, as above, starting a business. Times for clearing goods at customs was not directly reported in the ICR, which however does report that the installation of automated customs procedures at seaports reduced the number of clearance steps from 11 to 3.

D. Improving performance of the rural sector in the interest of the poor

Forest cover was to be expanded from 20,000 hectares in 2002 to 80,000 by end-2007, but the target was already exceeded by end-2005 when forest cover reached 81,000. However, the ICR does not describe how this improved the situation of the poor.

On balance, a rating of "substantial achievement" for this pillar is warranted. GDP growth targets were met, but the

fiscal deficit widened. Progress in the energy sector, a major focus on PRSC -3, was slower than anticipated. The business environment broadly improved, though some key indicators such as subsidy reductions are not reported in the ICR. Performance in the rural sector exceeded targets .

2. Improving Service delivery for human development. Substantial Achievement.

Despite the specific improvements noted below, indicators for maternal and infant mortality stagnated and child malnutrition worsened in some of the regions . While most of the specific PRSC targets were met, there has been less progress in achieving several important MDG goals than desirable . Under child mortality rate, infant mortality, immunization, and maternal mortality rate are all cited as being off track in the latest IMF Article IV Report . A participatory survey carried out by a group of NGOs noted extremely critical responses with respect to quality across a range of health and education services . While domestically financed spending on pro-poor basic services increased from 4.8 percent of GDP in 2002 to 8.2 percent, wage and salary increases absorbed more than 100 percent of this increase .

A. Education

There were substantial improvements in the gross primary education enrollment rate, although the targets had not quite been met as of 2004/2005 (actual 87.5 percent against target of 88.5 percent). However, targets were exceeded in the three most deprived regions (North, Upper East, and Upper West). the projected increase for girls had not been achieved (target 88.5 percent, actual 2004/5 84.5 percent). The Primary pupil:teacher targets were met in the North and Upper East Regions and exceeded in the Upper West Region . The target for proportion of non-salary budget to deprived school districts was almost met (target for 2005 was 24.5 percent, actual was 24 percent), while targets for actual non-salary expenditures as a share of total education sector expenditures was virtually achieved (target was 5.5 percent in 2005, actual was 5.4 percent in 2005).

B. Health

1. Bridging equity gaps - To bridge equity gaps in access to quality health care, the ratio of population per nurse in the four deprived regions was targeted to decrease from 2,000:1 in 2002 to 1,500:1 in 2005, and this was exceeded (1,450:1 in mid-2005), and the targeted decrease in population per doctor was also achieved .

2. Ensure sustainable financing - The percentage of supervised maternal deliveries in the 4 targeted regions was targeted to increase from 49 percent in 2002 to 55 percent in 2006, and already in 2004 the percentage had increased to 54 percent. The ICR does not report on further results . Nor does it report on outpatient visits per capita in deprived regions which was to increase from 0.48 in 2002 to 0.6 in 2006.

C. HIV/AIDS

Prevalence of HIV among pregnant women which was 3.6 in 2001 was targeted to be kept below 5 percent in 2005, and the actual was 3.1 percent in 2005.

D. Social Protection

Under the implementation of special programs to support the vulnerable and excluded, the targeting of resources for the targeted groups was to be improved . The ICR reports that a social protection strategy was prepared and integrated into GPRS II, and that Social Welfare services were provided to women and children who are victims of violence and those with AIDS .

E. Water and Sanitation - Access to safe water was to increase to 55 percent and sanitation to 28 percent by 2006. The ICR reports that In 2003, 46.4 percent of population had safe water and in 2004, 51.7 percent of rural population had access to safe water. Investment in water facilities was to have increased, and did increase in 2004, but declined in 2005.

A rating of substantial achievement for this pillar is, on balance, warranted . Performance in the education sector met most targets and the HIV/AIDS target was exceeded . While some health sector targets were achieved, there were important shortfalls in terms of impact. There is uncertainty about whether all targets in water and sanitation were achieved, and the Social Protection targets were not monitorable in terms of impact on the population .

3. Improving Governance and Public Sector management. - Modest Achievement.

A. Building a democratic, inclusive, and decentralized state

1. To improve governance and accountability, both the Whistleblower and Freedom of Information Acts were passed.
 2. A framework for decentralized delivery of local and public services was to improve service delivery, but the ICR reports that service delivery is still problematic.
- B. Implement public reform at the local level. The ICR notes that service delivery is still problematic. This would normally be an extremely difficult reform to address in the context of a DPL of this kind.
- C. Strengthening public sector management - By end-2005 Ghana met 8 out of 16 HIPC public expenditure benchmarks, up from 7 in 2004 and 1 in 2001. 50 percent of public funds are now presented in the budget statement, but no benchmark given, and this is still a very low number. However, the 2006 PEFA assessment confirms that PFM system has improved since 2004. The Public Procurement Act was passed, Tender Review Boards were established, standard bidding documents have been prepared and the number of tenders advertised in the press increased. The Internal Audit Agency Act was passed. The Annual Report by the Accountant General was submitted to Parliament within 12 months of account closing.
- D. Strengthen capacity to monitor and evaluate policy agenda - The M&E plan was implemented. Annual Performance Reports have been prepared since 2003, and the 2003 and 2004 APRs were submitted to Parliament. Preliminary GLSS5 poverty data were due in December 2006 but not reported in the ICR. However, five Poverty and Social Impact evaluations were completed.

There were a number of intermediate objectives, discussed in pages ix and x of the ICR, for which neither relevant indicators nor outcomes are presented. Examples of these are "creating a more diversified financial sector", "expansion of energy supply services", "encouraging the development of extension services, especially for poor farmers", and "improving the performance of the rural sector". This is another indication of a very complex operation, for which the monitoring and evaluation system was not fully adequate.

Finally, PRSC series was complemented by a series of investment and TA projects in health, education, HIV/AIDS, public sector reform, and finance and private sector development which raises the question of attribution. There is no clear answer to the question, based on available information, but it is a factor which should be recognized.

On balance, a rating of "modest achievement" for this pillar appears warranted.

5. Efficiency (not applicable to DPLs):

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

This was a generally relevant operation which focused on a number of key constraints to Ghana's development in the context of a well defined and articulated country strategy. There were a few shortcomings in the achievement of objectives. Concerning the first pillar, the energy sector reform was diluted in terms of the prior actions in order to proceed with budget support in a more timely fashion, and there were shortcomings in implementation. The increased fiscal deficit in 2006 was due slower and only partial adjustment of tariffs in the wake of increased world prices for crude petroleum. There were improvements in the business environment and the rural sector. On balance, therefore, the first pillar merits an achievement rating of "substantial". Achievement of the second pillar is also rated "substantial". There are some concerns about lack of progress in the health sector, although a wider assessment suggests more progress than portrayed in the ICR. However, the achievement of the third pillar is rated "modest", because the ICR notes that service delivery at the local and central levels are problematic. Concerning the overall outcome rating, the ratings for the first and second pillars ("substantial" achievement), outweigh the rating of modest achievement for the third pillar, which in turn warrants an overall outcome rating of "satisfactory".

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

There are some economic and social risks to maintaining the development outcome . The slow pace of energy sector reform may cause the fiscal situation to unravel further in the future . There is some concern about service delivery and the survey report of strongly negative views on this . Against this, legal reforms will not be easily reversed, the Cedi, although appreciating, does not appear to be overvalued, and a strengthened monitoring and evaluation framework should help reveal any weaknesses which do emerge to be quickly addressed . However, on balance, IEG assigns a moderate risk to the development outcome rating .

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

The Bank focused on ensuring strategic relevance to this operation . Its macroeconomic setting, and the structural and financial issues on which the Bank worked were well -suited to positioning this operation to play a major role in addressing Ghana's constraints . In particular, the Bank's urging the inclusion of the energy sector brought an important focus to a number of key issues . Donor coordination was a strong point . On the negative side, the operation was quite complex, which is a quality at entry issue . Relatedly, monitoring and evaluation was not fully commensurate with the complexity of the operation . Nevertheless, a satisfactory rating is appropriate, given the Bank's role in the achievements of this operation .

a. Ensuring Quality -at-Entry:Satisfactory

b. Quality of Supervision :Satisfactory

c. Overall Bank Performance :Satisfactory

9. Assessment of Borrower Performance:

Despite the firm commitment to the program as cited in the ICR, there were moderate shortcomings in the government's performance. Its inability to carry through with energy sector reform appears to be an important contributing cause to fiscal problems which are emerging . The enabling environment had some shortfalls, which are attributable to the Government's and implementing agencies' inability to follow through on promised reforms . Key among these is the energy sector reforms, which the ICR notes is currently in crisis, reflecting the difficulty in pursuing the reforms, despite full attention by the Bank to this issue . This applies especially to reforms concerning implementing agencies such as ECG .

a. Government Performance :Moderately Satisfactory

b. Implementing Agency Performance :Moderately Satisfactory

c. Overall Borrower Performance :Moderately Satisfactory

10. M&E Design, Implementation, & Utilization:

The PRSC series has been important in strengthening monitoring and evaluation . Starting with the lack of an M&E framework at the beginning of PRSC I, an M&E system was established, annual performance reviews were implemented, and the National Development and Planning Council (NDPC) tracks monitoring indicators. APRs are now disseminated to parliamentarians, the MDAs, regional planning and operation offices, and rural communities, and are now, beginning in 2005, used to inform the budget process .

Against these positive aspects, there are some problems with M&E . The NDPC does not utilize tools for social accountability for which training was provided . Budget outcomes are not comprehensively reported, so there is a loss of feedback. More generally, there are a number of objectives for which indicators are lacking (see section 4 above), and the PDO indicators shown starting on page x of the ICR are inadequate to measure the achievement of objectives .

Given the weaknesses in the design of M&E, its quality rating is only "Modest". Similarly, the utilization shortfalls noted above also call for a quality rating of "Modest". Therefore, the overall rating for M&E is "modest".

a. M&E Quality Rating : Modest

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

There do not appear to be any safeguard or fiduciary issues . As an unintended negative impact, spending on wages and salaries in 2003 and 2004 accounted for a large-than-anticipated share of poverty-related expenditures. This was particularly pronounced in agriculture, primary health care, and feeder roads, and the ICR reports that such increases exceeded the overall increase in poverty-related programs. This is an extraordinary increase, since the ICR reports that the budget allocations for poverty-related programs increased from 4.7 percent of GDP in 2002 to 8.5 percent of a (larger) GDP in 2005. Such increases in wages and salaries thus reduced the resources available for school textbooks and other priority items . Note the comment in section 4 above that there was much popular discontent with service delivery . This points to the need for controls on expenditures on civil service and public employees, not addressed by this project .

12. Ratings:	ICR	IEG Review	Reason for Disagreement / Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Performance :	Satisfactory	Moderately Satisfactory	Some shortfalls in implementation, especially in governance, detract from Borrower Performance, since the Borrower could have pursued these reforms with more commitment.
Quality of ICR :		Unsatisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

The Bank should evaluate very carefully the potential impact of diluting prior conditions . In this case, relaxing the energy sector condition may have had a serious impact on the fiscal deficit and the outcome of the project .

- Building a DPL around the concept of donor harmonization in support of an appropriate program has important returns.
- It is important to keep a comprehensive view of poverty reduction in formulating reform programs . The lack of progress in health and other sectors detracts from the overall achievement of this DPL, and a sharper focus on the remedies for this lack of progress was warranted in designing this project .
- Service delivery improvement are key . A stronger focus on this issue, at the central and local levels, is needed if service delivery is to be improved and have a stronger impact on improving the living standards of the population.

14. Assessment Recommended? Yes No

Why? As the series is now completed, it would be appropriate to assess progress and to identify lessons from the successes of the program and the aspects that were less successful . Among the former would be energy sector reform, and a number of governance and public sector financial management reforms .

15. Comments on Quality of ICR:

The ICR contains a good deal of information covering the three PRSC operations . However, data for 2006 is generally lacking, in part due to the timing of the ICR (January, 2007), which makes it more difficult to evaluate the operation in terms of its objectives . More importantly, the ICR's PDO table (pages xi-xiv) does not include baseline, target, and actual values for most of the indicators, and at least some of this material must have been available . In addition, important information such as on private investment is lacking . Finally, the ICR contains an ambiguous and incomplete discussion of pricing policy in the energy sector, and suggests a degree of "automaticity" in adjusting tariffs to petroleum world market prices which did not exist, and which is important in analyzing the fiscal situation . Therefore, the rating for the quality of the ICR is " Unsatisfactory".

a.Quality of ICR Rating : Unsatisfactory