

IEG

ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted : 06/30/2010	
PROJ ID : P103631		Appraisal	Actual
Project Name : Sixth Poverty Reduction Support Credit	Project Costs (US\$M):	100.0	98.1
Country: Ghana	Loan/Credit (US\$M):	100.0	98.1
Sector Board : EP	Cofinancing (US\$M):		
Sector(s): General public administration sector (40%) Health (20%) Primary education (20%) Forestry (10%) General water sanitation and flood protection sector (10%)			
Theme(s): Public expenditure financial management and procurement (25% - P) Education for all (25% - P) Health system performance (24% - P) Environmental policies and institutions (13% - S) Decentralization (13% - S)			
L/C Number: C4430			
	Board Approval Date :		06/03/2008
Partners involved :	Closing Date :	06/30/2009	06/30/2009
Evaluator :	Panel Reviewer :	Group Manager :	Group:
Rene I. Vandendries	Kris Hallberg	Ismail Arslan	IEGCR

2. Project Objectives and Components:

a. Objectives:

The outcome of a first series of three PRSCs for Ghana (PRSC 1-3) over the period 2003-2006 was rated satisfactory by IEG. The objective of the second series of a proposed four PRSCs (PRSC 4-7) over the period 2006-2009, and of this PRSC 6, was to support implementation of Ghana's second Growth and Poverty Reduction Strategy (GPRS II), covering the same period, with focus on accelerated private sector-led growth, vigorous human development, and good governance and civic

responsibility. By 2008, however, fiscal mismanagement aggravated by the global financial crisis derailed the program and led to cancellation of the proposed PRSC 7.

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):

There were three components.

- 1. *Promoting private sector -led growth.*** The prime objectives were consolidating macro-economic stability and removing constraints to private sector development. Policy areas focused on improved fiscal management, removing barriers to business development, energy sector reform, and rural development and natural resource management.
- 2. *Human resource development.*** The prime objective was to assist Ghana in reaching the MDG goals through measures to improve service delivery in education, health, social protection, and water and sanitation.
- 3. *Good governance and public sector management.*** The prime objective was public sector reform through measures aimed at decentralized delivery of public services, improved payroll management, more comprehensive and effective budget management and procurement reform.

There were 8 prior actions for each of PRSC 4 and PRSC 5, and 11 for PRSC 6. The prior actions were evenly spread over the three components. For PRSC 4, the prior actions included ensuring that government agencies pay their electric bills, reducing the time to register a business, providing capitation grants for education, health subsidies for the poor, anti-corruption measures, procurement and budgetary reforms. For PRSC 5, the prior actions included increasing private sector management of the social security system, measures to strengthen the financial viability of the energy sector, laying the basis for improved forestry exploitation, reducing teacher vacancies, increasing health spending, computerizing payroll management, and rationalizing government accounting systems. For PRSC 6, the prior actions included improved monitoring of obstacles to business development, forest management, increased education and health spending, provision of insecticide treated bed nets (ITNs) to combat malaria, a new water policy, formulation of a decentralization policy, and further measures to improve public sector financial management.

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

PRSC 4 was approved on June 15, 2006 for US\$140 million equivalent (IDA), disbursed upon effectiveness and closed on schedule on June 30, 2007.

PRSC 5 was approved on May 24, 2007 for US\$110 million equivalent (IDA), disbursed upon effectiveness and closed on June 30, 2008.

PRSC 6 was approved on June 3, 2008 for US\$100 million equivalent (IDA), disbursed upon effectiveness and closed on schedule on June 30, 2009.

There was no cofinancing.

Differences between appraisal and actual disbursement are due to exchange rate changes.

3. Relevance of Objectives & Design:

The objectives of the PRSCs were relevant as they paralleled the objectives and components of the government's strategy in the GPRS II, and thus reflected the government priorities and circumstances. The design of the operations was also relevant as it was consistent with the Bank's strategy as laid out in the CAS, and complemented Bank investment lending in a number of sectors, including private sector development and energy, education and health, and public sector capacity

building. The operations were also well designed and sequenced in the sense that there was continuity from the policy actions and reform proposals from one operation to the next.

4. Achievement of Objectives (Efficacy):

All prior actions were complied with. There was, on the whole, a smooth transition, well documented in the ICR, from the triggers in one operation to prior actions for the next. The Program Development Outcome (PDO) indicators cover all three of the objectives with baselines, targets and values at completion: however, the latter are not always available for the intermediate years, only at the end of the series, i.e. for PRSC 6; in addition, PDO coverage of the objectives is often partial. Thus, for the purpose of rating efficacy by the end of PRSC 4 or PRSC 5, information is obtained from the Program Documents for PRSC 5 and PRSC 6, because not enough is available in the ICR. Achievements at completion of PRSC 6 (and at the end of the program as a whole) are well covered in the ICR and PDO indicator outcomes are well quantified.

Achievements for the three program development objectives at completion of PRSC 4 were as follows. In the area of private sector-led growth, progress was made in increasing private sector management of the social security system and there was some reduction in power system losses; but little progress was made in reforming the energy and forestry sectors, and the fiscal deficit grew. Efficacy for this objective is rated *modest*. In the area of human development, progress was made in staffing vacant teacher positions (the number of teacher vacancies in deprived areas was estimated to have declined by 40-50 percent), and the 2007 budget allocation for the health sector was increased by an estimated 18 percent. Efficacy for this objective is rated *substantial*. In the area of governance, progress was made in operationalizing a new payroll management system, and budget coverage was broadened especially to include more externally funded activities. Efficacy for this objective is rated *substantial*.

Overall, efficacy for PRSC 4 is rated *substantial*.

Achievements for the three program development objectives at completion of PRSC 5 were as follows. In the area of private sector-led growth, a customized ease of doing business survey was developed to measure progress in improving the business climate including data on the time required to register new businesses. At the same time, the two power utility companies continued to be unable to operate commercially and carry out needed investments without government support, and the fiscal deficit grew further. Efficacy for this objective is rated *modest*. In the area of human development, there were continued efforts to improve national gross primary enrollment rates, per student expenditure in public primary education rose to US\$ 101 in 2006 from US\$90 in 2005, utilization of ITNs by children under 5 increased to 21.9 percent, there were further increases in health spending, and a new national water policy was adopted. Efficacy for this objective is rated *substantial*. In the area of governance, a comprehensive decentralization policy was formulated, and progress was made in implementing the provisions of the public procurement act. Efficacy for this objective is rated *substantial*.

Overall, efficacy for PRSC 5 is rated *substantial*.

Achievements for the three program development objectives at completion of PRSC 6 (and at the end of the program as a whole) are as follows.

In the area of private sector-led growth, PDO indicators show that losses of the Electricity Company of Ghana (ECG) were reduced from 25 percent in the base year to 12 percent by 2008, that the time required to register a business was reduced from 81 days to 34 days over the same period, and that the time required to trade across borders also declined. But the indicators chosen covered the objective only partially. While there was improvement in the Ease of Doing business indicator, it was not dramatic: Ghana's rank improved from 94 out of 175 countries in 2007, to 87 out of 181 countries in 2009. In the energy sector, the two power companies, ECG and the Volta River Authority (VRA),

remained unable to operate commercially and carry out investment without government support because of inadequate tariffs. Above all, in spite of substantial debt relief in 2005-06 (HIPC and MDRI) macro-economic stability weakened throughout the period covered by PRSC 4-6: the fiscal deficit grew from 4.9 percent of GDP in 2005 to 9.2 percent in 2007 and exploded to 14.5 percent in 2008. Efficacy for this objective for PRSC 6 is rated *negligible*.

In the area of human resource development, PDO indicators suggest good progress across the board, made possible partly by the budgetary resources provided by the PRSCs. Between the base year and the conclusion of PRSC 6, gross primary enrollment increased from 88.5 percent to 95 percent, gender parity improved from 0.93 to 0.96, the percent of supervised births grew from 49 to 59, the use of insecticide treated bed nets increased from 22 percent to 28 percent, and access to safe water/sanitation grew from 55/10 percent to 75/18 percent. On the other hand, a plan to raise water tariffs on commercial and industrial users was replaced by a government plan to absorb the higher tariffs. Efficacy for this objective of PRSC 6 is rated *substantial*.

In the area of good governance and public sector management, WBI indicators suggest very gradual improvement overall and there was slow progress in decentralization efforts as well. A modern payroll management system was set up but because of political pressure it could not prevent substantial increases in the public sector wage bill, following debt relief, which went from 8.5 percent of GDP in 2005 to 11.3 percent in 2008. The budget has become more comprehensive over time: the PDO indicator suggest that the share of public funds presented in the budget rose from 50 percent in the base year to 83 percent by 2008. Several steps were taken to strengthen public procurement, including the creation of a Public Procurement Authority, which has been focused on enforcing the use of open competition but, in the absence of a monitoring system, compliance is unclear. Efficacy for this objective for PRSC 6 is rated *modest*.

Overall, efficacy for PRSC 6 is rated *modest*.

5. Efficiency (not applicable to DPLs):

N.A.

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:

The objectives and design of all three PRSCs were relevant. Good progress towards the objectives was made during PRSC 4 and PRSC 5 and efficacy was substantial, with the exception that no progress was made in reforming the energy sector, which continued to require substantial budgetary subsidies. The outcome of both PRSC 4 and PRSC 5 is therefore rated *moderately satisfactory*. In the case of PRSC 6, in addition to the lack of progress on energy sector reform, the fiscal deficit grew excessively, threatening macroeconomic stability: the outcome of PRSC 6 is rated *moderately unsatisfactory*.

a. Outcome Rating : Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

The ICR contains a good overview of the risks to the development outcomes, but IEG finds that the risk rating is too generous for a couple of reasons which will continue to challenge macroeconomic management. First, following debt relief in 2005/06 the public wage bill expanded rapidly contributing to major fiscal problems by the end of the PRSC program, while external public debt also rose again. Second, the drain on the budget from energy subsidies has been substantial, yet energy sector reform has not succeeded over the PRSC period. The start of oil production in 2010/11 is unlikely to make energy sector reform easier.

a. Risk to Development Outcome Rating : Significant

8. Assessment of Bank Performance:

The PRSCs were well designed and consistent with the Bank's country assistance strategy as well as with the government's own priorities. They were also based on a substantial body of analytical work, and made to complement other Bank investment operations in the country. PRSC 6 however did not adequately account for increasing risks associated with the continuing resistance to energy sector reform and excessive public sector current spending.

Supervision was well-aligned with the activities of other donors and with the government's monitoring of the GPRS. Supervision took place regularly but less so during PRSC 6, when the deteriorating macroeconomic situation would in fact have warranted increased supervision.

a. Ensuring Quality -at-Entry:Moderately Unsatisfactory

b. Quality of Supervision :Moderately Unsatisfactory

c. Overall Bank Performance :Moderately Unsatisfactory

9. Assessment of Borrower Performance:

The government's commitment to the PRSC's reforms was reflected in the close alignment of the program with the GPRS. In developing its strategy the government consulted closely with key stakeholders, including civil society. It also disseminated its M&E findings widely, even though because of tardiness and incompleteness they ended up having limited impact on policy formulation.

The government's commitment, however, was mixed as witnessed by its inability to achieve energy sector reform. Furthermore, the severe macroeconomic deterioration in 2008 warrants a harsher rating for borrower performance for PRSC 6 than that provided in the ICR.

a. Government Performance :Unsatisfactory

b. Implementing Agency Performance :Not Applicable

c. Overall Borrower Performance :Unsatisfactory

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

A comprehensive monitoring and evaluation (M&E) system was *designed* as part of Ghana's Poverty Reduction Strategy (GPRS) to track progress of policy implementation and effectiveness. This included setting up institutional arrangements and developing indicators, and provided a sound framework for monitoring progress.

Regarding *implementation* output of the M & E system is documented in the government's annual progress reports on the GPRS. These reports are widely disseminated so as to obtain feedback. Preparation of these reports has taken place with considerable delay, however, and the information contained therein has been of varying quality.

Because of this, *utilization* of M&E findings has been fragmentary and their influence on policy-making has been limited.

a. M&E Quality Rating : Modest

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

The following is a summary of the ratings for all three PRSCs .

Ratings	ICR	IEG Review	Reason for Disagreements/Comments
Outcome			
PRSC 4	Moderately Satisfactory	Moderately Satisfactory	
PRSC 5	Moderately Satisfactory	Moderately Satisfactory	
PRSC 6	Moderately Unsatisfactory	Moderately Unsatisfactory	
Risk to Development Outcome			
PRSC 4	Moderate	Significant	See Section 7
PRSC 5	Moderate	Significant	See Section 7
PRSC 6	Moderate	Significant	See Section 7
Bank Performance			
PRSC 4	Moderately Satisfactory	Satisfactory	IEG rating same as rating in ICR text, which differs from data sheet.
PRSC 5	Moderately Satisfactory	Satisfactory	
PRSC 6	Moderately Unsatisfactory	Moderately Unsatisfactory	
Borrower Performance			
PRSC 4	Moderately Satisfactory	Moderately Satisfactory	
PRSC 5	Moderately Satisfactory	Moderately Satisfactory	
PRSC 6	Moderately Unsatisfactory	Unsatisfactory	See Section 9
ICR Quality			
PRSC 4		Satisfactory	
PRSC 5		Satisfactory	
PRSC 6		Satisfactory	

12. Ratings:	ICR	IEG Review	Reason for Disagreement / Comments
Outcome:	Moderately Unsatisfactory	Moderately Unsatisfactory	
Risk to Development Outcome:	Moderate	Significant	See Section 7
Bank Performance :	Moderately Unsatisfactory	Moderately Unsatisfactory	
Borrower Performance :	Moderately Unsatisfactory	Unsatisfactory	See Section 9
Quality of ICR :		Satisfactory	

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:

One major lesson is that the dialogue in the context of PRSCs was clearly ineffective in influencing the government's policy of subsidizing electricity . Energy subsidies, including to the state-owned aluminum smelter, are a major drain on the budget, and other means will have to be found to strengthen this dialogue.

A second lesson is that the PRSCs, although to a lesser extent than the debt forgiveness in the mid-2000s, while providing resources for social development, were counterproductive in their objective of promoting macroeconomic stability . The provision of generous budget support encouraged excessive public spending which eventually threatened fiscal sustainability .

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

While the ICR provides ample information to evaluate progress of the program of three PRSCs as a whole, it does not allow for an adequate review of the contributions of the first two PRSCs in the series. Yet it is quite long, partly because it provides a wealth of not always needed information, and partly because some of the information on PDO and intermediate indicators, which is elaborated upon in the text, should have been included in the data sheets instead. On the more positive side, the ICR gives an excellent overview of the transition from triggers to prior actions from one operation to the next, which helps in understanding overall progress .

There are a number of instances of discrepancies between ratings in the text and in the data sheets, as well as within the text (e.g. page 67).

The lessons are a bit opaque.

a.Quality of ICR Rating : Satisfactory