

**GHANA**

**SECONDARY CITIES SUPPORT PROGRAM**

**TECHNICAL ASSESSMENT**

**Draft 1.2 for discussion**

**13 June 2018**

## **Acronyms and abbreviations**

|        |  |
|--------|--|
| AAP    | Annual Action Plan   |
| AC     | Audit Committee  |
| ACG    | Anti-Corruption Guidelines                                   |
| AFD    | Agence Française de Développement                            |
| CAGD   | Controller & Accountant General Department                   |
| CBF    | Capacity Building Framework                                  |
| CBFd   | Capacity Building Fund                                       |
| CHRAJ  | Commission for Human Rights and Administrative Justice       |
| CPF    | Country Partnership Framework                                |
| CSG    | Capacity Support Grant                                       |
| CSU    | Client Service Unit  |
| DA     | District Assembly  |
| DACF   | District Assemblies' Common Fund                             |
| DDF    | District Development Fund                                    |
| DLI    | Disbursement-Linked Indicator                                |
| DP     | Development Partner  |
| DPAT   | District Performance Assessment Tool                         |
| DPCU   | District Planning & Coordination Unit                        |
| EOCO   | Economic and Organized Crime Office                          |
| ESSA   | Environmental and Social Systems Assessment                  |
| F&C    | Fraud & corruption   |
| FDU    | Fiscal Decentralization Unit                                 |
| FOAT   | Functional and Organizational Assessment Tool                |
| GAS    | Ghana Audit Service  |
| GDP    | Gross Domestic Product                                       |
| GHC    | Ghanaian Cedis   |
| GoG    | Government of Ghana  |
| GRS    | Grievance Redress Service                                    |
| GSCSP  | Ghana Secondary Cities Support Program                       |
| GSS    | Ghana Statistical Service                                    |
| GUMPP  | Ghana Urban Management Pilot Program                         |
| HRM    | Human Resource Management                                    |
| HRMIS  | Human Resources Management Information System                |
| IGF    | Internally Generated Funds                                   |
| IGFF   | Inter-Governmental Fiscal Framework                          |
| IGFT   | Inter-Governmental Fiscal Transfer                           |
| IMCCD  | Inter-Ministerial Coordinating Committee on Decentralization |
| IVA    | Independent Verification Agency                              |
| LED    | Local Economic Development                                   |
| LG     | Local Government   |
| LGCSP  | Local Government Capacity Support Project                    |
| LGS    | Local Government Service                                     |
| LUSPA  | Land Use and Spatial Planning Act                            |
| LUSPAu | Land Use and Spatial Planning Authority                      |
| MA     | Municipal Assembly   |
| MC     | Minimum Condition  |
| MDA    | Ministries, Departments and Agencies                         |

|       |  |
|-------|--|
| MDG   | Millennium Development Goal                        |
| MLGRD | Ministry of Local Government & Rural Development   |
| MMA   | Municipal and Metropolitan Assemblies              |
| MMDA  | Metropolitan, Municipal and District Assemblies    |
| MoF   | Ministry of Finance                                |
| MoU   | Memorandum of Understanding                        |
| MP    | Member of Parliament                               |
| MTDP  | Medium Term Development Plan                       |
| NALAG | National Association of Local Authorities in Ghana |
| NDAP  | National Decentralization Action Plan              |
| NDPC  | National Development Planning Commission           |
| NDPF  | National Decentralization Policy Framework         |
| NUPF  | National Urban Policy Framework                    |
| OHLGS | Office of the Head of the Local Government Service |
| OSP   | Office of the Special Prosecutor                   |
| OSR   | Own-Source Revenue                                 |
| PAP   | Project Affected People                            |
| PB    | Performance Benchmark                              |
| PDO   | Program Development Objective                      |
| PFM   | Public Financial Management                        |
| PM    | Performance Measure                                |
| PPBME | Policy Planning, Budget, Monitoring and Evaluation |
| PPP   | Public Private Partnership                         |
| QAR   | Quality Assurance Review                           |
| RCC   | Regional Coordinating Council                      |
| RFG   | Responsiveness Factor Grant                        |
| RIAP  | Revenue Improvement Action Plan                    |
| SC    | Steering Committee                                 |
| SWAp  | Sector Wide Approach                               |
| SWM   | Solid Waste Management                             |
| TWG   | Technical Working Group                            |
| UDAP  | Urban Development Action Plan                      |
| UDG   | Urban Development Grant                            |
| ULG   | Urban Local Government                             |

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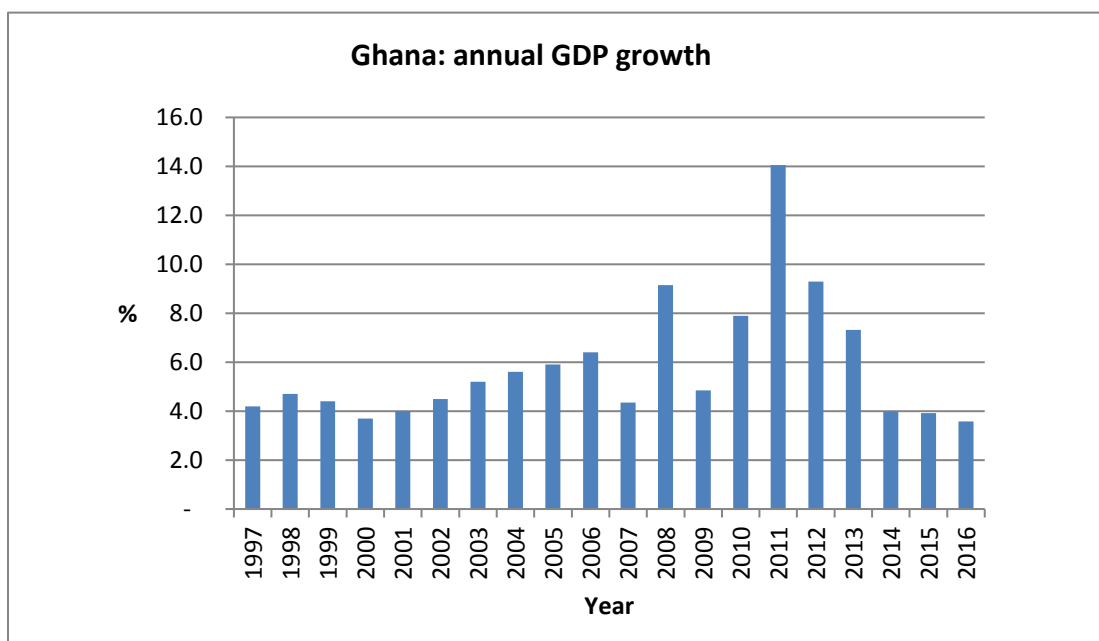
# I. PROGRAM DESCRIPTION

## A. Background

### Country context

1. **Over the last two decades, Ghana's GDP has consistently grown (and at a higher rate than many other African countries), albeit with significant inter-annual variations.** Annual GDP **growth** over the period 1997-2005 hovered between 3.7% and 5.9% and between 4.8% and a high of 14.0% over the period 2008-2013. As a result of economic growth, Ghana transitioned to lower middle income status in 2010. However, since 2014 GDP growth has slowed down dramatically, dropping from a peak of 14% in 2011 to a current low of 3.6%. Ghana's recent pattern of relatively slow growth can be largely attributed to: (a) inappropriate fiscal policy choices (and increasing public debt); (b) fluctuations in the global prices for the country's principal commodity exports; and (c) more recently, energy shortages and their negative consequences for industry and services.

Figure 1: Annual GDP growth (1997-2016)

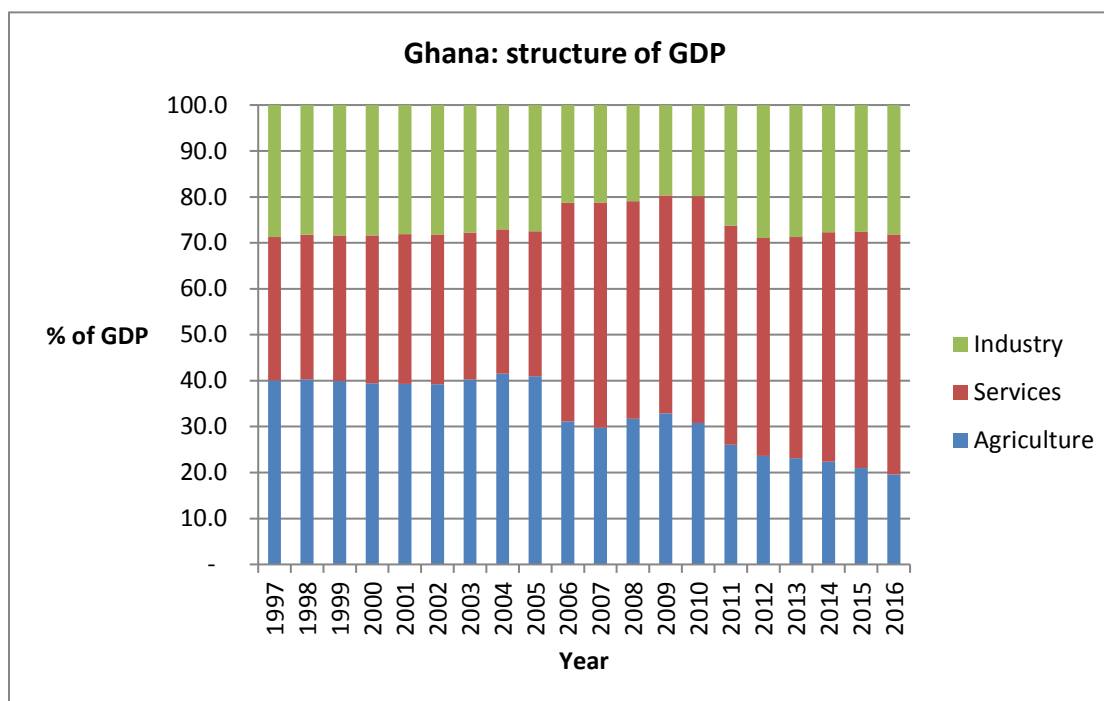


Source: World Bank data

2. **In the medium term, however, Ghana's GDP growth rate is expected to reach around 6 to 7 percent in 2017 and 2018, assuming that fiscal consolidation proceeds and as oil and gas production rises and as the energy supply resumes.** Nonetheless, the economy remains vulnerable to external shocks and to fiscal performance.

3. **Over the last two decades, and consistent with overall growth, the structure of Ghana's economy has changed a good deal.** As in many other developing countries, the importance of agriculture has declined, from 40% of GDP in 1997 to 20% of GDP in 2016. The importance of industry has remained fairly constant over the period, with a relative decline in the mining and manufacturing sectors being offset by rising oil and gas production since 2010. Services (as elsewhere in the developing world) have become increasingly important – the service sector accounted for a little over 30% of GDP in 1997, but today accounts for over 50% of GDP.

Figure 2: GDP structure (1997-2016)



Source: World Bank data

4. **Growth, combined with pro-poor policies, has contributed to significant poverty reduction over the last two decades, enabling the country to achieve MDG1, the eradication of hunger and extreme poverty.** Between 1991 and 2012, Ghana's poverty rate fell from 52.6 to 21.4 percent, less than half the African average; moreover, extreme poverty declined from 37 to 11.2 percent over the same period. These are major achievements, even though the pace of poverty reduction has slowed from 11 percent between 1998 and 2005 to 7.1 percent in the period 2005-12 – and has slowed even more in the last five years.

5. **Non-monetary poverty has also declined in Ghana.** In the health sector, infant mortality declined from 57 deaths per 1,000 live births in 1998 to 41 in 2014, while under-5 mortality declined by more than half. Ghanaians are now more educated: between 1991 and 2012, the share of the labor force without primary school education almost halved, from 41 to 24 percent.

6. **Poverty reduction has been unevenly distributed across Ghana and inequality has grown.** Economic growth and increased employment opportunities have been most marked in urban areas, especially in the Greater Accra and Kumasi regions. Other, less urbanized, regions

have not been so fortunate. Poverty rates have fallen below 20 percent areas that include the Ashanti, Eastern, Greater Accra, and Western regions, southern Brong Ahafo Region, and coastal Volta Region. However, the poverty rate is far above 40 percent in most districts in the north. As a result poverty has increasingly become concentrated in rural areas and in the Northern part of the country: one out of three poor people live in the northern rural areas while in 1991 it was only one out of five. Within regions, poverty is unequally distributed – rural areas are consistently poorer than urban areas.

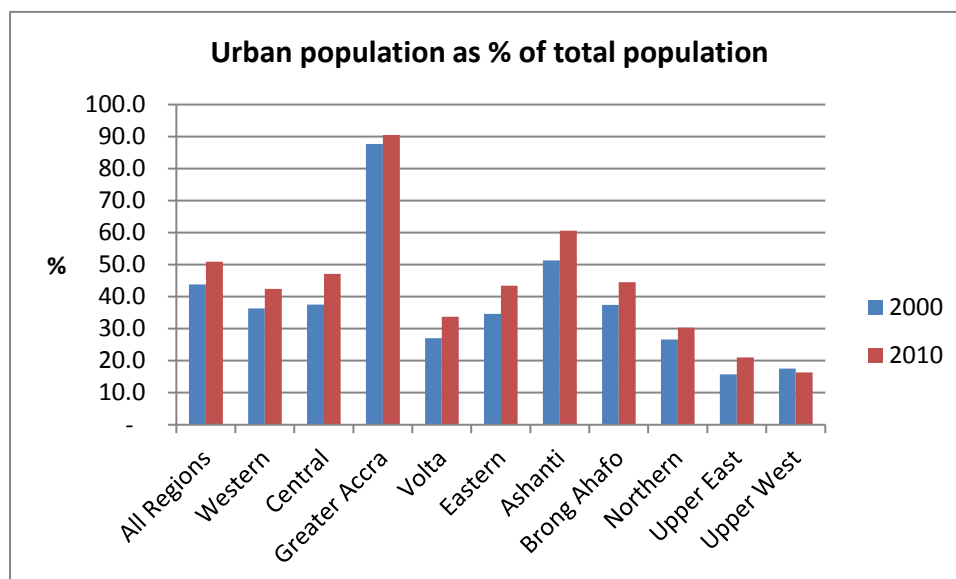
## Sector and Institutional Context

### *Urbanization and urban development*

7. **Like most other developing countries, Ghana has experienced rapid urbanization since the mid-1980s.** As Ghana's total population more than doubled between 1984 and 2013, urban population growth outpaced rural population growth, growing 4.4 percent annually, and the urbanization rate rose from 31 percent to 51 percent. Over this period, Ghana's urban population more than tripled, rising from under 4 million to nearly 14 million people. By 2030, two out of every three Ghanaians will live in urban areas.

8. **All but one region of the country have experienced steady urbanization over the period 2000-2010.** Greater Accra and Ashanti are the most urbanized regions (with, respectively, 90.5% and 60.6% rates of urbanization), while the three northern regions (Northern, Upper East and Upper West) are the least urbanized (with, respectively, 30.3%, 21.0% and 16.3% urbanization rates).

Figure 3: urbanization rates in Ghana's regions



9. **Urban growth has also been spread across the urban hierarchy, although smaller towns and cities have grown more rapidly than large urban agglomerations.** In 2000, Ghana was a country of a few limited metropolitan areas and many small towns. Since then, all city types

have dramatically increased in number; and, indeed, Ghana has experienced faster urban population growth in its smaller cities than its larger ones. The number of medium (20,000–50,000 people) and large medium (50,000–100,000) sized towns has quadrupled and tripled, respectively. In 2000, there were only nine towns with a population between 50,000 and 100,000; by 2010 the number had quadrupled to 36. In 2000, there were only 6 large towns/cities that had a population between 100,000 and 250,000 and only two (Accra and Kumasi) that had a population in excess of 250,000. In 2010, that number had increased to 6, while another five towns had populations above 250,000 and an additional 5 cities had populations above 300,000 (Tamale, Kumasi, Accra, Sekondi Takoradi and Tema).<sup>1</sup> While Accra has grown considerably, its urban primacy has diminished: its 24.4 percent share of the total urban population in 1984 had declined to 16.6 percent by 2010, representing more balanced urban growth that has moved from Accra alone to include Kumasi, port cities, and other smaller cities.

**10. Urbanization has clearly been associated with economic growth and poverty reduction.** Labor mobility and rural-urban migration have been crucial poverty reduction mechanisms in Ghana. Moving to faster growing urban areas has been an effective way of escaping poverty for many rural Ghanaians.

**11. However, fast-growing urban areas in Ghana now face some major challenges.** The number of poor people in urban areas in some regions has remained constant or increased over the period 1991-2012 (see figure 4), even if (in some cases) poverty incidence rates may have decreased. Only in Greater Accra, where well-paying wage jobs are concentrated, has there been a substantial reduction in the number of urban poor. The number of poor actually increased in urban areas in three regions (Eastern, Volta, and Upper East). This suggests that urban growth in secondary cities and towns has not been able to generate enough employment to make a significant dent in the numbers of poor households. In addition, over the period 2005-2012 (see figure 5), there are signs that urban poverty rates in coastal and forest areas have recently increased.

Figure 4: numbers (000s) of urban poor by region (1991-2012)

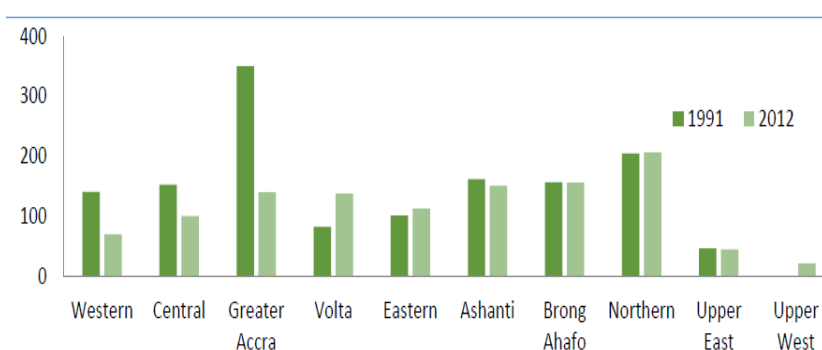
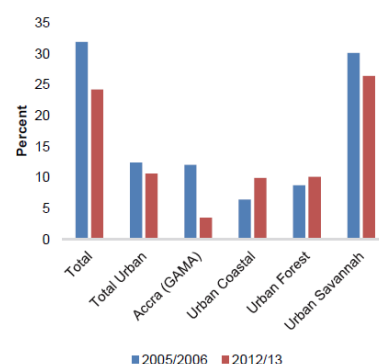


Figure 5: poverty incidence in urban areas (2005-2012)



**12. At the same time, infrastructure and service delivery have not been able to keep pace with rapid growth in many urban areas, especially in smaller cities and large towns.** The proportion of urban residents with access to basic services and infrastructure is declining.

<sup>1</sup> See World Bank (2014): *Ghana Urbanization Review – Phase 1 Report*.



Unplanned low-density spatial expansion has negatively impacted on within-city inequality in basic service provision, with peri-urban areas being most severely affected. Networked infrastructure services have been unable to keep up with demand. Only 38.6 percent of households use pipe-borne water as a main source of drinking water. Between 2000 and 2010, there was an increase in the proportion of households without any toilet facility in all city size groups. The worse decline occurred in smaller urban centers. Solid waste disposal and sewerage remains a challenge across all urban areas, with most liquid waste simply disposed outside in smaller urban centers.

**13. The National Urban Policy Framework (NUPF, 2012) recognizes the importance of urbanization in Ghana's overall development, underlines key challenges, and sets out a range of objectives and policy initiatives in the urban sector.** The Policy highlights: (i) the rapid nature of the process of urbanization, and (ii) the limited preparedness of both local and central governments to meet or address the emerging challenges of the process in terms of adequate and stable staffing, financing, budget execution, enforcement of development control and accountability. It points out that past failures to respond to these challenges have resulted in: (a) weak urban economy, (b) land use disorder and uncontrolled urban sprawl; (c) increasing environmental deterioration; (d) inadequate urban infrastructure and services; (e) increasing urban insecurity; (f) urban poverty, slums and squatter settlements; (g) weak urban governance and institutional coordination; (h) inadequate urban investment and financing; (i) weak urban transportation planning and traffic management, and (j) a growing misfit between rapidly growing urban areas and local governance jurisdictions, which has compounded the inherent difficulties of inter-jurisdictional cooperation and planning. In the light of this diagnostic, the NUPF prescribes as set of policy objectives for the urban sector and a range of initiatives that are intended to achieve those objectives. The National Urban Policy Action Plan (2012) describes NUPF policy initiatives in more detail, as well as setting out a timeline for their implementation and assigning institutional responsibilities for overseeing actions.

### *Institutional context*

**14. Both central government and local government are involved in the management and development of Ghana's urban areas.** Urban local governments (Metropolitan and Municipal Assemblies) play a key role in infrastructure and day-to-day service delivery, while central government ministries and agencies provide policy guidance, finance and – in many cases – are also directly involved in the provision of urban public goods and services.

**15. The 1992 Constitution<sup>2</sup> commits Ghana to operating a multi-party national political system and (in Chapter 20) to decentralization.** The Local Government Act of 1993 operationalized constitutional provisions and laid out the basic regulatory framework and operational procedures for a system of local government.

**16. Since 2010, and in recognition of the need to manage and implement decentralization in a more clearly articulated, comprehensive and coherent way, the overall process has been guided by a National Decentralization Policy Framework (NDPF), initially for the period**

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<sup>2</sup> The 1992 Constitution has remained substantively intact and, in essence, unchanged, despite the enactment of some amendments.

2010-14, subsequently updated for the period 2015-19. The current NDPF (and its attendant National Decentralization Action Plan) identifies five thematic reform areas.<sup>3</sup> The broad thrust of the current NDPF is to establish Metropolitan, Municipal and District Assemblies (MMDAs) as the principal agents responsible for the planning and delivery of local development and local services, and to ensure that they are legally, administratively, fiscally and politically empowered to do so in an effective and accountable manner.

**17. Responsibility for the implementation of the NDPF and its associated action plan is vested in the Inter-Ministerial Coordinating Committee on Decentralization (IMCCD),** chaired by the President or his representative and consisting of the Ministers of Local Government & Rural Development, Finance, Education, Health, Food and Agriculture, Gender, Children and Social Protection, the Attorney General and Minister of Justice, Head of the Local Government Service, Head of the Civil Service and Chairman of the National Development Planning Commission. The IMCCD also serves as the apex body responsible for inter-service/inter-sectoral collaboration and cooperation at the national level. At the operational level, the IMCCD is assisted by a Secretariat consisting of an Executive Secretary and technical and support staff.

**18. Currently, and in line with a constitutional commitment to decentralization and the NDPF reform process, local government in Ghana is regulated by the (recently enacted) Local Governance (LG) Act (2016).** The LG Act specifies a single tier of sub-national government, spells out the functional mandates of local government and defines the basic operational ground rules for local government. Local government in Ghana is made up of three types of MMDA (Metropolitan, Municipal and District Assemblies): (a) District Assemblies (DAs), (b) Municipal Assemblies (MAs), and (c) Metropolitan Assemblies (Metros). Although there is an implicit rural-urban continuum implied in this threefold categorization of local government, the key distinction between the different types is population size: District Assemblies have a minimum population of 75,000 people, Municipal Assemblies 95,000 people, and Metropolitan Assemblies 250,000 people. In total, there are currently<sup>4</sup> 254 MMDAs: 144 DAs, 104 MAs and 6 Metros.

**19. As defined by the LG Act, the mandated functions/responsibilities of DAs, MAs and Metros are more or less the same, and cover a broad range of social, administrative and economic areas.**<sup>5</sup> MMDAs have important planning and coordination functions, as well as being responsible for infrastructure and service delivery in key sectors. However, Schedules II and IV of the LG Act, by specifying MMDA departments, does indicate that there are functional differences between types of MMDA, with Metropolitan Assemblies expected to include more departments than MAs, and MAs to include more departments than DAs, as shown in the table below.

Table 1: MMDA departments (LG Act, Schedules II and IV)

<sup>3</sup> The five NDPF thematic areas are: (i) political decentralization and legal reforms; (ii) administrative decentralization; (iii) decentralized planning; (iv) fiscal decentralization; and (v) popular participation.

<sup>4</sup> As of January 2018: in Ghana, as elsewhere, the number of local government units has grown over time (and continues to grow), reflecting both adjustments to population growth and the playing out of political economy factors.

<sup>5</sup> Schedule I of the LG Act lists the 18 devolved service sectors that are assigned to all MMDAs.

| Department  | District Assembly | Municipal Assembly | Metropolitan Assembly |
|---|-------------------|--------------------|-----------------------|
| 1. Central administration                                     | X                 | X                  | X                     |
| 2. Finance  | X                 | X                  | X                     |
| 3. Education, Youth & Sports                                  | X                 | X                  | X                     |
| 4. Health   | X                 | X                  | X                     |
| 5. Agriculture  | X                 | X                  | X                     |
| 6. Physical Planning  | X                 | X                  | X                     |
| 7. Social Welfare & Community Development                     | X                 | X                  | X                     |
| 8. Works  | X                 | X                  | X                     |
| 9. Trade & Industry   | X                 | X                  | X                     |
| 10. Natural Resources Conservation, Forestry, Game & Wildlife | X                 | X                  | X                     |
| 11. Disaster Prevention                                       | X                 | X                  | X                     |
| 12. Housing   | X                 | X                  | X                     |
| 13. Births & Deaths   | X                 | X                  | X                     |
| 14. Statistics  | X                 | X                  | X                     |
| 15. Roads   |                   | X                  | X                     |
| 16. Transport   |                   | X                  | X                     |
| 17. Waste Management  |                   |                    | X                     |
| 18. Budget & Rating   |                   |                    | X                     |
| 19. Legal   |                   |                    | X                     |

20. **In terms of political decentralization and downward accountability, local government arrangements in Ghana amount to a glass half-full.** The 1992 Constitution provides for local assemblies that are: (a) 70% composed of elected members<sup>6</sup>, with the remaining 30% of assembly members appointed by the President “in consultation with the traditional authorities and other interest groups in the district”; and (b) led by a Presidentially-appointed Chief Executive (whose appointment is subject to Assembly approval). The extent to which such appointments dilute or compromise downward and local accountability is the subject of considerable political discussion. Concerns about accountability and citizen engagement in local government are further compounded by two other factors: (a) the non-functioning of LG sub-structures (such as sub-metropolitan district councils, urban councils, town/area councils), which are intended to provide platforms for local participation; and (b) relatively low (and declining) voter turnout at local elections.<sup>7</sup>

### *MMDA finances: overview*

21. **MMDAs finance part of their expenditure budgets out of own-source revenues (OSRs) and grants (or inter-governmental fiscal transfers).** OSRs (known as Internally Generated Funds, IGF, in Ghana) derive mainly from property taxes (or rates), fees, licenses and rents of various kinds.

22. **Central government grants (or transfers) to MMDAs are of two broad types: (a) largely unconditional block grants, the use of which is largely discretionary; and (b)**

<sup>6</sup> Elected, in principle, on a non-partisan basis

<sup>7</sup> Voter turnout in the six local government elections held since 1992 has averaged 33.8%, compared to an average of over 70% in national elections over the same period.

**earmarked (or conditional) grants, the use of which is prescribed.** The latter consist of sector-specific grants and payroll grants, intended to finance devolved sector expenditures assigned to MMDAs. By far the most important source of unconditional block grants is the District Assemblies' Common Fund (DACF). The DACF is provided for in the Constitution and is (constitutionally) allocated at least 5% of national revenues<sup>8</sup>. Not all DACF resources are directly allocated to MMDAs: as much as 40% of DACF annual resources are deducted so as to finance payments made by the central government on behalf of the MMDAs in respect of goods and services under the formal responsibility of the MMDAs.<sup>9</sup> In addition, the DACF deducts any payments it makes on behalf (and at the request) of MMDAs from direct allocations to local governments.

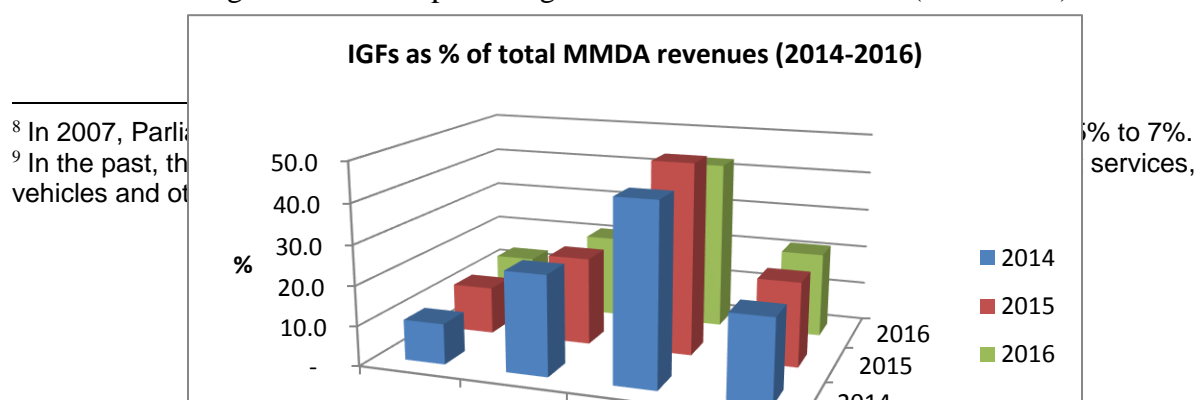
23. **MMDAs also receive more or less unconditional block grants from the District Development Fund (partly financed by Ghana's development partners), as well as Urban Development Grants (UDGs) from the Bank-funded Local Government Capacity Support Project (LGCSP).** Both DDF grants and UDGs are, however, allocated to MMDAs on the basis of their compliance with minimum conditions and their performance, measured through annual Functional and Organizational Assessment Tool (FOAT) assessments. Table 2 below provides a breakdown of all MMDA revenues in FY 2016.

Table 2: All MMDAs: revenue sources (FY 2016, GHC)

| Type of MMDA               | IGF                | UDGs               | DDF                | DACF               | Sector conditional grants | Other grants       | Total revenues       |
|----------------------------|--------------------|--------------------|--------------------|--------------------|---------------------------|--------------------|----------------------|
| DAs                        | 86,724,076         | 3,262,326          | 86,888,845         | 325,740,869        | 82,134,499                | 71,657,905         | 656,408,521          |
| % of DA revenues           | 13.2%              | 0.5%               | 13.2%              | 49.6%              | 12.5%                     | 10.9%              | 100.0%               |
| MAs                        | 91,563,643         | 76,162,076         | 32,648,794         | 130,108,485        | 70,389,015                | 35,145,605         | 436,017,617          |
| % of MA revenues           | 21.0%              | 17.5%              | 7.5%               | 29.8%              | 16.1%                     | 8.1%               | 100.0%               |
| Metros                     | 110,809,868        | 54,415,829         | 9,487,042          | 31,628,525         | 15,145,714                | 37,531,022         | 259,018,001          |
| % of Metro revenues        | 42.8%              | 21.0%              | 3.7%               | 12.2%              | 5.8%                      | 14.5%              | 100.0%               |
| <b>Total (all MMDAs)</b>   | <b>289,097,587</b> | <b>133,840,231</b> | <b>129,024,681</b> | <b>487,477,879</b> | <b>167,669,228</b>        | <b>144,334,532</b> | <b>1,351,444,138</b> |
| <b>% of total revenues</b> | <b>21.4%</b>       | <b>9.9%</b>        | <b>9.5%</b>        | <b>36.1%</b>       | <b>12.4%</b>              | <b>10.7%</b>       | <b>100.0%</b>        |

24. **As in many other developing countries, local government own-source revenues account for a relatively small proportion (about 20%) of total revenues and are thus heavily dependent on grants from central government,** as indicated in figure 6 below. The extent to which types of local government rely on grants varies: urban local governments are less reliant on grants than are DAs, while MAs rely more on grants than do Metropolitan Assemblies. In all cases, however, grants generally account for around 60% of total MMDA revenues.

Figure 6: IGFs as percentage of total MMDA revenues (2014-2016)

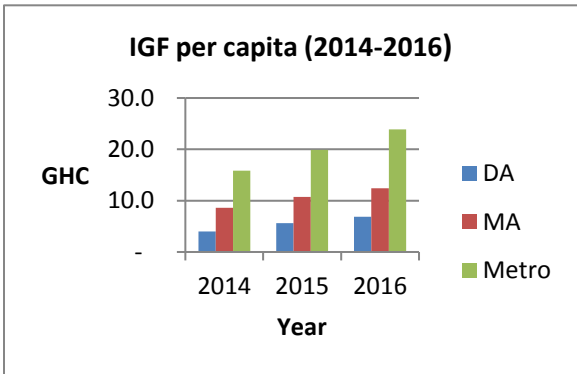


<sup>8</sup> In 2007, Parliament  
<sup>9</sup> In the past, the  
vehicles and other

to 7%.  
services,

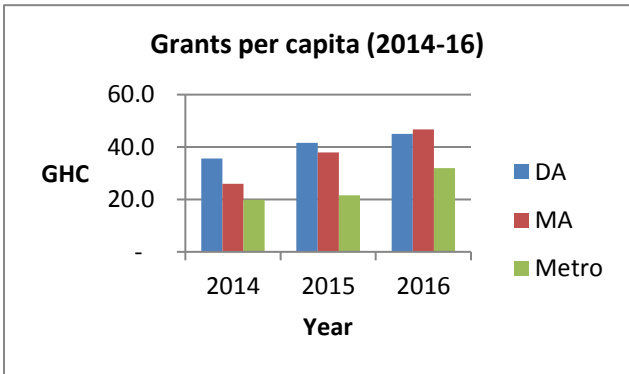
25. **Revenues derived from IGFs vary significantly, depending on the type of MMDA.** Figure 7 (below) shows overall per capita IGFs for the three types of MMDA. As would be expected (and as can be seen from figure 8), urban local governments generate significantly greater IGFs than do District Assemblies. Metropolitan Assemblies generate almost twice as much IGF per capita than do Municipal Assemblies and over than three times more than DAs.

Figure 7: MMDAs – IGF per capita



Data source: FDU/MoF

Figure 8: MMDAs – grants per capita

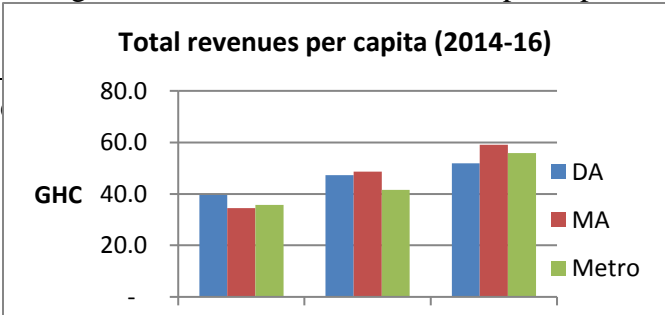


Data source: FDU/MoF

26. **Grants (measured in per capita terms) also vary depending on the type of MMDA;** DAs tend to receive more grants per capita than do urban local governments, as shown in figure 8 (above), but not much more than MAs and not all the time.<sup>10</sup>

**Total MMDA revenues per capita (as shown in figure 9) do vary by type of MMDA, but not by a great deal.** Total revenue per capita of DAs and MAs is consistently higher than that of the Metros.

Figure 9: MMDAs – total revenues per capita



<sup>10</sup> MA and Metro grant in

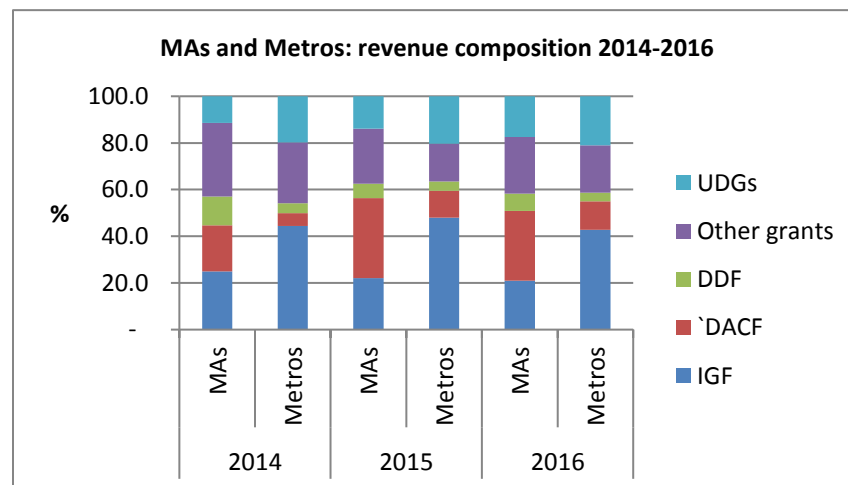
UDGs) from LGCSP.

Data source: FDU/MoF

### Urban local governments: finance issues

27. As already discussed (above), Metropolitan Assemblies mobilize more IGFs per capita than do MAs and rely somewhat less on grants (as a percentage of total revenue) than do MAs. As can be seen from figure 10, over the period 2014-16, IGFs for Metros consistently accounted for more than 40% of their total annual revenues but for only 20-25% of total MA revenues.

Figure 10: MAs and Metros: annual revenue composition



28. With respect to grants, the major difference between Metros and MAs is the extent to which transfers from the DACF are less important to Metros than they are to MAs. Metros and MAs both rely on UDGs (from LGCSP) for around 20% of their total revenues.

### Staffing

29. According to the LG Act (2016), MMDA staff<sup>11</sup> are members of the Local Government Service (LGS) which, for all intents and purposes, operates as a country-wide

<sup>11</sup> MMDA staff include all those employed in the Offices and Departments of MMDAs.

**civil service for sub-national government.**<sup>12</sup> The Head of the Office of the Local Government Service (OHLGS) is primarily responsible for the appointment of all MMDA staff, in consultation with the Public Services Commission. The OHLGS is responsible for providing MMDA staff with training and guidance.

## **B. Government program**

30. **Both decentralization and urban development are – by their very nature – cross-cutting, multi-sectorial, policy domains, which require coordination across and among a range of operational and regulatory stakeholders at national and sub-national levels.** Providing meaningful support for the development of urban areas in Ghana necessarily requires engagement within and across both of these two substantive and multi-dimensioned policy arenas, and thus across a variety of sectors. In Ghana, Government has articulated two separate, but inter-related, policies: (a) the National Decentralization Policy Framework (NDPF); and (b) the National Urban Policy Framework (NUPF). Both policy frameworks have associated action plans and both are implemented through a wide range of initiatives, programs, sub-programs and projects. This section of the Technical Assessment: (a) outlines the key policy frameworks and some of their associated implementation modalities; and (b) outlines the Government (sub)-program of which GSCSP represents an additional slice.

### **National Decentralization Policy Framework**

31. **The Government’s NDPF (and its associated action plan) is the over-arching programmatic framework within which the proposed Program is situated.** As articulated in the NDPF, national decentralization policy “intends that a democratic decentralized local government system will deliver on the national objectives of democracy, development and the effective delivery of municipal services” (NDPF: 6). The NDPF is not a program *per se*<sup>13</sup>. However, the NDPF and its action plan provide an operational structure within which a range of government initiatives and actions are coordinated and directed towards an over-arching policy goal.<sup>14</sup> The NDPF and the NDAP, then, amount to the Government’s broad programmatic approach to decentralization, which includes the national approach to urban local government and development.

32. **The NDPF identifies five thematic action areas,** as shown in the figure below:

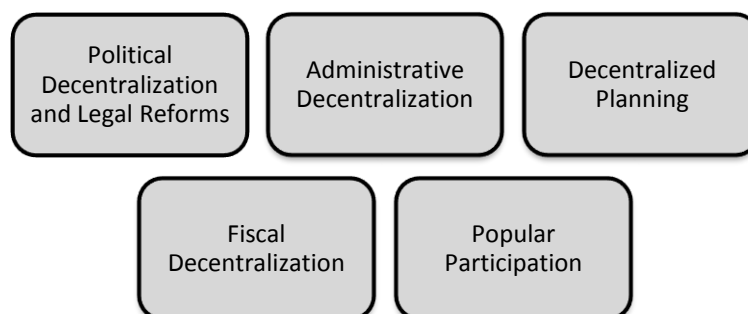
Figure 11: NDPF action areas

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<sup>12</sup> The LGS is also responsible for the appointment of staff of the Regional Coordinating Councils (RCCs).

<sup>13</sup> Indeed, it would be difficult to translate a decentralization policy framework into a single program.

<sup>14</sup> The purpose of the NDPF is “to provide a clear sense of the core decentralization priorities to all stakeholders in the sector” (NDPF: vi), while the NDAP “.. outlines the range of activities necessary to translate the National Decentralization Policy into feasible programmes and projects for the overall achievement of the policy’s goals” (NDAP: iii).



33. Within each of these five thematic action areas, the NDPF identifies a corresponding set of policy measures, as summarized in table 3 below.

Table 3: NDPF thematic action areas and policy measures

| Thematic action area                                | Policy measures  |
|---|--|
| <b>Political decentralization and legal reforms</b> | <ul style="list-style-type: none"> <li>• Maintain a more manageable and stable number of districts.</li> <li>• Settle or substantially reduce inter-district boundary demarcation disputes.</li> <li>• Ensure continuity of structures after the 2015 District Level Elections.</li> <li>• Strengthen the sub-district structures of the local governance architecture and make them functional and more effective.</li> <li>• Improve the quality of MMDAs and members of MMDAs.</li> <li>• Improve MMDA procedures and processes and improve decentralization policy coordination at the national level.</li> <li>• Implement a change management strategy to dispose personnel more favorably towards decentralization.</li> <li>• Create the enabling environment for effective political decentralization.</li> </ul> |
| <b>Administrative decentralization</b>              | <ul style="list-style-type: none"> <li>• Conclude the establishment of the departments of the MMDAs.</li> <li>• Decentralize by de-concentration of appropriate organizations and departments to the district and regional levels.</li> <li>• Ensure the autonomy of MMDAs in the area of administrative decentralization.</li> <li>• Ensure effective inter-service/inter-sectoral collaboration and cooperation at the district, regional and national levels.</li> <li>• Enhance the capacity of MMDAs to deliver municipal services effectively and efficiently in line with their mandates generally.</li> </ul>  |
| <b>Decentralized planning</b>                       | <ul style="list-style-type: none"> <li>• Strengthen the decentralized planning systems and processes.</li> <li>• Enhance the capacity of the relevant institutions to deliver on their spatial planning mandates.</li> <li>• Ensure the implementation of the LED and PPP policies at the district level for economic growth, employment creation and income generation.</li> <li>• Create the enabling environment for the implementation of LED and PPP.</li> </ul>  |
| <b>Fiscal decentralization</b>                      | <ul style="list-style-type: none"> <li>• Ensure implementation of approved IGFF/IGFT and IGF recommendations.</li> <li>• Review and harmonize financial sector legislation.</li> <li>• Financially capacitate the regional level of governance.</li> <li>• Enhance the revenue mobilization capacity and capability of MMDAs.</li> <li>• Capacitate the new Municipal Assemblies.</li> <li>• Sustain the DDF beyond the pullout date of the DPs.</li> <li>• Provide dedicated decentralization funding.</li> <li>• Improve the quality of Revenue Improvement Action Plans (RIAPs) of MMDAs.</li> </ul>  |



|                              |  |
|------------------------------|--|
|                              | <ul style="list-style-type: none"> <li>• Introduce structural changes in Public Finance Management at the MMDA level.</li> <li>• Improve service delivery at the MMDA level.</li> </ul>  |
| <b>Popular participation</b> | <ul style="list-style-type: none"> <li>• Support and promote civic/public education programs to raise awareness on issues of decentralization, development and municipal services delivery.</li> <li>• Strengthen traditional authorities/MMDAs relationships to promote the district development agenda.</li> <li>• Implement programs to benefit the poor, the marginalized, the vulnerable and the disadvantaged.</li> <li>• Popular participation should result in job and employment creation opportunities.</li> <li>• Effectively disseminate information about best practices of decentralization and local government.</li> </ul> |

34. **The Inter-Ministerial Coordinating Committee on Decentralization (IMCCD)<sup>15</sup> is responsible for overseeing implementation of the NDPF and the NDAP.** The IMCCD is serviced by a Secretariat.

35. **Of the five thematic areas identified in the NDPF/NDAP, the proposed Program straddles three** (in order of program intensity):

- (a) **Fiscal decentralization:** policy measures and activities in the thematic area of fiscal decentralization are intended to improve funding and financial management of MMDAs. These include implementing the Inter-Governmental Fiscal Framework (IGFF), strengthening own-source revenue mobilization by MMDAs, making more funding available for MMDAs, improving MMDA service delivery and strengthening the performance-based grants system.
- (b) **Administrative decentralization:** key policy measures and activities in the area of administrative decentralization include establishing MMDA departmental structures, human resource management and capacity building.
- (c) **Decentralized planning:** key policy measures and activities here include strengthening spatial planning, operationalizing the Land Use and Spatial Planning Act, and operationalizing approaches to local economic development and business development.

36. **Several national programs (or budgets) are key instruments in operationalizing these NDPF/NDAP policy measures and activities,** of which the most important are discussed below.

<sup>15</sup> Chaired by the President, and composed of the Ministers of Finance, Education, Local Government & Rural Development, Justice & Attorney General, Health, Food & Agriculture, Gender & Social Protection; the Heads of the Local Government Service and the Head of the Civil Service; and the Chairperson of the National Development Planning Commission.

## Fiscal decentralization<sup>16</sup>

37. The two principal instruments for operationalizing the Government's policy measures with respect to inter-governmental fiscal transfers are the DACF and the DDF. From 2018 onwards, the DDF will effectively be folded into the "responsive factor" in the DACF allocation formula, which will be re-configured as the Responsiveness Factor Grant (RFG). The DACF, DDF and the RFG are described below.

### (a) District Assemblies' Common Fund (DACF)

The DACF, provided for in the Constitution, is the primary national instrument through which the Government provides MMDAs with inter-governmental fiscal transfers. In 2016, DACF transfers accounted for over a third of all MMDA revenues. As provided for in the Constitution, the DACF is allocated at least 5 percent of national revenues.<sup>17</sup>

The following table provides a summary of the funds allocated to DACF in the national budget and actual budget outcomes for the period 2014-18.

Table 4: Annual DACF budget allocations and budget out-turns (GHC)

| FY   | National budget allocation | Projected budget out-turn <sup>18</sup> | Budget out-turn as % of budgeted allocation |
|------|----------------------------|---|---|
| 2014 | 1,315,719,086              | 529,347,235                             | 40.2%                                       |
| 2015 | 1,557,886,962              | 1,605,751,791                           | 103.1%                                      |
| 2016 | 2,048,153,104              | 1,171,167,536                           | 57.2%                                       |
| 2017 | 1,562,800,179              | 1,432,458,336                           | 91.7%                                       |
| 2018 | 1,840,596,743              | n/a                                     | n/a   |

Source: MOF (annual Budget Statement and Economic Policy documents<sup>19</sup>)

Total allocations to MMDAs from the DACF are considerably less than the overall DACF allocation. Over recent years, annual allocations to MMDAs have amounted to about a half of the total DACF. This is because part of the DACF is earmarked to finance non-MMDA activities (e.g. RCCs, various national programs, contingency funds, seed capital for new MMDAs, DACF administration, etc.).

<sup>16</sup> This assessment does not examine MMDA sector financing or central government funding of sector payrolls in MMDA budgets.

<sup>17</sup> Parliament votes on the actual percentage of national revenues allocated to the DACF. Up until 2017, 7.5 percent of national revenues were allocated to the DACF by Parliament. From 2017 onwards, Parliament has revised the DACF allocation to 5 percent of national revenues.

<sup>18</sup> Given that MoF's Annual Budget Statement is issued prior to the end of the FY, DACF (and other) budget out-turns are projected (rather than actual annual out-turns).

<sup>19</sup> National budget allocations to the DACF are categorized as "Grants to Other Government Units" in the Economic Classification of Central Government Expenditure, in the same way as allocations to the National Health Fund, the Road Fund, etc.

Once these non-MMDA allocations are subtracted from the overall DACF, the remaining funding pool is allocated to MMDAs on the basis of a formula<sup>20</sup>, the main elements of which are:

- Equal shares (40-50% weighting)<sup>21</sup>: such that all MMDAs receive the same amount, irrespective of their population size.
- Need (45% weighting): such that MMDAs receive allocations that vary (inversely), depending on their infrastructure and service delivery endowments.
- Responsiveness factor (3-12% weighting): such that MMDAs receive allocations on the basis of improvements in fiscal effort and program implementation.<sup>22</sup>
- Service pressure (2-4%): such that MMDAs with higher population densities (and thus greater demand for available services) receive larger allocations.

These formula-based MMDA allocations, however, are subject to further deductions – either to pay for centrally-managed procurement activities (e.g. vehicle procurement), undertaken on behalf of MMDAs by the central government or for payments directly made by the DACF at the request of MMDAs.

Finally, a proportion of the direct disbursements of DACF allocations to MMDAs is earmarked for specific expenditures (such as MPs’ constituency funds, programs for the disabled).

#### **(b) District Development Facility (DDF)**

The DDF was established in 2008 by the Government and a number of its development partners<sup>23</sup> as an instrument for incentivizing improvements in MMDA performance and for financing MMDA local investment programs. It provides MMDAs with block grants on the basis of their performance, as measured through annual Functional and Organizational Assessment Tool (FOAT) assessments. DDF resources are shared in three ways:

- The majority (88%) of DDF resources are earmarked to finance: (a) basic and (b) performance grants to MMDAs:

Basic grants (20% of the total DDF funding pool) are allocated to MMDAs provided that they are able to comply with Minimum Conditions (MCs); the basic grant allocation formula includes three factors (equal shares, population, poverty incidence).

Performance grants (66% of the total DDF funding pool) are allocated to MMDAs on the basis of their performance scores and compliance with MCs. The amount allocated

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<sup>20</sup> The MMDA allocation formula is submitted by the DACF Administrator to Parliament for approval on an annual basis.

<sup>21</sup> Weightings for each element of the DACF allocation formula vary from year to year. Variations noted here refer to differences over the period 2014-2016.

<sup>22</sup> The responsiveness factor in the DACF allocation formula corresponds broadly to a performance-based criterion.

<sup>23</sup> DDF development partners include: France, Canada, Germany, Denmark and Switzerland.

to each MMDA is the ratio of its performance score to the total performance score of all MMDAs (that met MCs) and weighted by the MMDA's basic grant allocation.

- A small proportion (7.2%) of DDF resources is used to finance capacity building grants to MMDAs, allocated to MMDAs on an equal shares basis and intended to finance demand-driven capacity building activities.
- A very small proportion (4.8%) of DDF resources is used to finance: (a) generic and supply-driven capacity building (delivered by the OHLGS) and (b) the cost of annual FOAT assessments (managed by MLGRD's DDF Secretariat).

Over the period 2014-18, the total DDF funding pool is estimated to be about US\$250 million (US\$50 million per annum), of which US\$100 million derives from the Government's budget and the remainder from development partner contributions.

The DDF has, until now, operated independently of the DACF<sup>24</sup> and been managed by MLGRD and MoF. From 2018 onwards, however, the DDF is projected to end as a separate source of MMDA grants.

### (c) **Responsiveness Factor Grant (RFG)**

The performance-based principles underlying the DDF are to be incorporated into the "responsiveness factor" element of the DACF. The current proposal (being discussed by the Government and its development partners) is for the DACF to modify the modalities and relative weighting of the "responsiveness" factor (see above) in its MMDA grant allocation formula and for development partners to provide additional "responsiveness" funding to (or through) the DACF. From 2018 onwards, the DACF's responsiveness allocation to MMDAs<sup>25</sup> will be topped up by development partner contributions to make up the Responsiveness Factor Grant (RFG) funding pool will then be allocated to MMDAs on the basis of their performance, as measured by the District Performance Assessment Tool (DPAT).<sup>26</sup> The DACF will act as RFG fund manager, responsible for disbursing funds to MMDAs, while MLGRD (through a morphed DDF Secretariat) will manage DPAT performance assessments.

**38. In addition to direct grants from the DACF, MMDAs also receive earmarked transfers from the Government in order to finance a range of payroll expenditures and a number of sector-specific expenditures (social welfare, etc.).** These earmarked transfers are subsumed within the budget of the Local Government Service (LGS) and are reflected in the composite budgets of MMDAs.

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<sup>24</sup> Except insofar as the Government's annual contribution to the DDF has apparently been financed out of DACF resources.

<sup>25</sup> This currently amounts to 12% of the total amount directly allocated to MMDAs from the DACF.

<sup>26</sup> The DPAT is an updated and more stringent version of the FOAT, used (up until 2017) for determining DDF allocations.

## Administrative decentralization and decentralized planning

### Administrative decentralization and decentralized planning - key policy measures (in NDPF)

- Enhance the capacity of MMDAs to deliver municipal services effectively and efficiently in line with their mandates generally.
- Strengthen the decentralized planning systems and processes.
- Enhance the capacity of the relevant institutions to deliver on their spatial planning mandates.
- Ensure the implementation of the LED and PPP policies at the district level for economic growth, employment creation and income generation.
- Create the enabling environment for the implementation of LED and PPP.

**39. There are three main programmatic instruments for the delivery of the Government's policy measures and activities with respect to administrative decentralization and decentralized planning.**

**(a) The MLGRD's support, regulatory and oversight functions**

As the core ministry responsible for local government, MLGRD has a crucial operational role to play in terms of advancing policy measures in the thematic area of administrative decentralization. In this respect, key sub-programs within MLGRD include<sup>27</sup>:

- Decentralization: under which the Ministry ensures annual FOAT assessments, determines DDF allocations, and provides regulatory functions for local government.
- Urban Development and Management: under which the Ministry oversees urban development policy and urban local government activities.

**(b) The Local Government Service's (LGS) human resource management and MMDA capacity building**

LGS' mandate<sup>28</sup> is to provide MMDAs with human resource management services and to strengthen MMDA capacities. All MMDA and RCC staff are considered to be members of the LGS. LGS day-to-day operations are managed by the Office of Head of the LGS (OHLGS).

With respect to the support that it provides to MMDAs, the OHLGS<sup>29</sup> has developed a Capacity Building Framework (CBF).<sup>30</sup> The CBF sets out a programmatic and comprehensive approach to MMDA capacity building. A key element of this is the proposed establishment of a Capacity Building Fund (CBFd), intended to pool on-budget financing (from Central Government, from MMDAs themselves, from development partners), earmarked for spending on local-level capacity building initiatives.

<sup>27</sup> MLGRD's sub-programs are described in the Ministry's Annual Performance Reports.

<sup>28</sup> As provided for in the Local Governance Act (2016).

<sup>29</sup> Previously known as the LGS Secretariat.

<sup>30</sup> See Local Government Service (2016): *Capacity Building Framework*.

(c) **The Land Use and Spatial Planning Authority's (LUSPA)<sup>31</sup> technical and regulatory support for spatial/town planning**

The recently established Land Use and Spatial Planning Authority<sup>32</sup> is responsible for the overall framework for all spatial planning in Ghana, and is mandated to provide MMAs (and others) with backstopping support in drawing up spatial development frameworks, structure plans and local plans, all of which make up the basis for land use planning and development controls.

### **National Urban Policy Framework**

40. **The National Urban Policy Framework (NUPF) and its associated action plan provide a set of more technical parameters for the urban sector** (and thus for the proposed Program). The NUPF identifies 12 policy objectives and a range of appropriate policy measures; table 5 (on the next page) summarizes these policy objectives and highlights relevant policy measures.

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<sup>31</sup> Previously, the Town and Country Planning Department, MoEST.

<sup>32</sup> LUSPA was established as a consequence of the Land Use and Spatial Planning Act (2016) and is a part of the Ministry of Environment, Science, Technology and Innovation (MESTI). LUSPA replaces the old Town & Country Planning Department.

Table 5: NUPF policy objectives and selected policy measures

|     | Policy objectives   | Selected policy measures   |
|-----|---|--|
| 1.  | Facilitate balanced re-distribution of urban population   | <ul style="list-style-type: none"> <li>Promote accelerated growth of small and medium-sized towns, including district and regional capitals.</li> </ul>  |
| 2.  | Promote a spatially integrated hierarchy of urban centres.  |  |
| 3.  | Promote urban economic development  | <ul style="list-style-type: none"> <li>Promote local economic development (LED).</li> <li>Improve urban services and infrastructure to support economic development and advance industrial investments and production.</li> <li>Change official attitude towards the informal enterprises from neglect to recognition and policy support.</li> <li>Ensure that urban planning provides for the activities of the informal economy</li> </ul> |
| 4.  | Improve environmental quality of urban life   |  |
| 5.  | Ensure effective planning and management of urban growth and sprawl, especially of the primate cities and other large urban centers | <ul style="list-style-type: none"> <li>Ensure adoption and implementation/enforcement of relevant recommendations from the Land Use Planning and Management Project regarding legislation, development guidelines, planning standards, spatial development frameworks, structure plans, local plans and land use controls.</li> </ul>  |
| 6.  | Ensure efficient urban infrastructure and service delivery  | <ul style="list-style-type: none"> <li>Improve delivery and management of urban services and infrastructure (including education, health, water, sanitation, energy).</li> <li>Provide adequate technical capacity, equipment and operational funds to support waste management activities.</li> </ul>   |
| 7.  | Improve access to adequate and affordable low-income housing  |  |
| 8.  | Promote urban safety and security   |  |
| 9.  | Strengthen urban governance   | <ul style="list-style-type: none"> <li>Review, strengthen and resource the decentralized structures and substructures to make them effective in local governance in line with the policy recommendations contained in the new Decentralization Policy Framework and its Action Plan (April 2010).</li> </ul>   |
| 10. | Promote climate change adaptation and mitigation mechanisms   |  |
| 11. | Strengthen applied research in urban and regional development   |  |
| 12. | Expand sources of funding for urban development and strengthen urban financial management   |  |

## Government program

41. **The proposed operation is a modest component of the Government’s overall and much wider programmatic framework for decentralization and urban development.** Within the Government’s wider policy framework, a major line of programmatic support is provided through core local government support and core inter-governmental fiscal transfers. Table 6 below summarizes the main elements of these.

Table 6: the Government’s core program of support for decentralization

| Element  | Description   |
|--|---|
| <b>Inter-governmental fiscal transfers</b>                                       |   |
| DACF direct grants to MMDAs  | Direct allocations to all MMDAs made from the DACF, based on a formula (approved by Parliament), which includes the responsiveness factor (12% weighting at present). These direct allocations are discretionary block grants and can be used by MMDAs to finance both recurrent and capital spending.                  |
| Sector and earmarked grants  | Direct allocations to MMDAs made by MoF, included in MMDA composite budgets and in the budget of the Local Government Service. These allocations are earmarked for payroll-related expenditures and for specific sectors. The allocations cover costs related to personnel, goods and services, and some capital items. |
| <b>Capacity building, technical and policy support; monitoring and oversight</b> |   |
| Ministry of Local Government and Rural Development                               | Core central government support for MMDAs, provided through MLGRD. This includes monitoring/oversight and the management of annual DPAT assessments.  |
| Local Government Service   | Local Government Service is responsible for capacity building support and human resource management for MMDAs, as well as support for RCCs  |

42. **One of the principal sub-programs or financing instruments through which the Government is operationalizing its wider decentralization and urban development policies is the Responsiveness Factor Grant (RFG),** itself a component of the DACF’s direct grants to MMDAs (see above). The allocation of RFGs to MMDAs is determined on the basis of annual DPAT assessments, conducted by MLGRD. The proposed Program’s grant to MAs are a direct complement to the RFG, allocated to a sub-set of MAs on the basis of DPAT assessment results and the achievement of specific Performance Benchmarks.

## C. The Proposed Program

43. **The Ghana Secondary Cities Support Program (GSCSP) will be implemented over a period of five years (2019-2023) and will be financed through an IDA credit of US\$100 million.** US\$90 million will be earmarked for sub-national infrastructure/service delivery and capacity development in secondary cities, while the remaining US\$10 million will be allocated to



national and sub-national capacity and institutional development. GSCSP will be financed through P-for-R modalities. The Program will constitute a slice of the Government's broader decentralization support strategy, and will specifically focus on Municipal Assemblies that manage urban development in secondary cities. GSCSP will provide incentives for Municipal Assemblies to improve their performance as city managers and for regional and national institutions to provide MAs with the support needed for effective urban management and governance.

44. **The Program Development Objective (PDO) is to improve urban management and basic urban services in participating Municipal Assemblies.** The Program thus aims to enhance the accountability, effectiveness and efficiency of MAs' management of the urban areas within their respective jurisdictions and to finance basic infrastructure and service delivery undertaken by participating MAs. The results framework for the Program is presented in Section IV below.

45. **The Program will consist of three windows:**

- (a) **a local window (US\$90 million)**, through which participating MAs will receive Urban Development Grants (UDGs) and Capacity Support Grants (CSGs). While UDGs will allow MAs to make investments in urban infrastructure and service delivery, CSGs will enable them to invest in institutional and capacity development initiatives aimed at enhancing their urban management performance. UDGs and CSGs will be supplementary to other DACF grants allocated to participating MAs.
- (b) **a regional window (US\$3 million)**, through which the ten RCCs will be provided with funds to backstop, mentor and monitor MAs within their respective regional jurisdictions, and ensure that the MAs' annual DPAT assessments results are up to national average scores.
- (c) **a national window (US\$7 million)**, through which a range of national-level institutions and agencies will access funding in order to strengthen their policy, support and monitoring functions with respect to urban governance and development, as well as funding to manage annual performance assessments of eligible MAs.

13. **The Government program (RFG/DPAT system) will be integral to the Program's local window.** Access to the Program's UDGs will be conditional upon MAs complying with RFG/DPAT Minimum Conditions and obtaining a Performance Measure score that is equal to or above the national average. By satisfying RFG/DPAT MCs and scoring relatively well in terms of PMs, MAs will demonstrate basic management capacity and satisfy some key fiduciary and other requirements. Gender and climate change and disaster risk management aspects are included in PMs and ensure mainstreaming into MA's annual action plan and interventions.<sup>33</sup> Most importantly, compliance with RFG/DPAT MCs will indicate that MA financial management is

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<sup>33</sup> Three scores in gender mainstreaming section of DPAT incentivize MMDAs to have specific gender mainstreaming programs in their annual action plan and conduct gender-disaggregated data monitoring. Seven scores in climate change and environment section of DPAT incentivize MMDAs to have climate change and disaster prevention related programs, conduct climate change data analysis, promote climate change/disaster risk reduction raising awareness program for citizens, and conduct environmental and social impact assessments.

satisfactory<sup>34</sup>. The need to obtain at least the national average RFG/DPAT scores will indicate that qualifying MAs are among the better managed local governments in Ghana<sup>35</sup>.

14. **The Program boundary of the eligible MAs under the Program has been determined based on a two-stage approach.** The first stage is to agree on a set of criteria which must be met by an MA before it becomes eligible to benefit from the Program, and second to screen all the MAs using the same criteria and identify those that meet all the said criteria. The selection of Program MAs was therefore based on the following criteria which were considered to be robust enough to ensure the urban focus on secondary cities and the achievements of the PDO:

- At least one MA from each of the 9 regions
- MAs with total population of 100,000 - 250,000 people – these represent secondary cities and focus of this operation
- MAs with at least 60% urban population – since the Program is urban focus and MAs which have surpassed the national urbanization threshold of 55% (2016).
- Must not be within Greater Accra Region or a Metro – Metros are primary cities and not the focus of this operation.

15. **Using the above criteria to define the Program boundary, 19 MAs<sup>36</sup> have met the requirements to participate under the Program.** In order to become fully eligible, the Chief Executives of selected MAs will need to sign an official Memorandum of Understanding (MoU) with MLGRD. The MoU will formally commit the MA to the use of agreed GSCSP procedures (as defined in the Program Operations Manual). More MAs will be eligible to join the Program when additional funding becomes available to warrant the scale-up of the Program. If all the 19 eligible MAs qualify they will receive a total UDG of US\$ 37.997 million per year at US\$15 per urban population per capita. The US\$90 million UDG funds can be exhausted within two and half years if all the eligible MAs meet all the performance targets for each of the Program years.

## LOCAL WINDOW

### Introduction

#### *Funding*

46. **The Program's local window will make US\$ 90 million available to finance selected Municipal Assemblies.** Program funds will be made available to selected MAs through two types of grants, the key features of which are summarized in the table below.

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<sup>34</sup> A key RFG/DPAT Minimum Condition is that the Auditor General's annual report does not: (a) express an adverse opinion about MMDA financial statements; and (b) indicate major financial irregularities.

<sup>35</sup> During the course of preparing SCSP, the World Bank team has provided input to the design of the RFG/DPAT performance assessment indicators.

<sup>36</sup> Suame; Old Tafo; Asokwa; Obuasi; (**Ashante Region**); Berekum; Sunyani; Techiman (**Brong Ahafo Region**); Awutu Senya East; Agona West; Mfantseman (**Central Region**); Lower Manya Krobo; New Juaben South; Birim; East Akim (**Eastern Region**); Sagnerigu; (**Northern Region**); Bawku (**Upper East Region**); Wa (**Upper West Region**) Ho (**Volta Region**) and Effia-Kwesimintsim (**Western Region**).

Table 7: Local window finance – CSGs and UDGs

| Grant | Total funding (over 5 years) | Use of grant   |
|-------|------------------------------|--|
| CSG   | US\$ 3.0 million             | Capacity building and institutional development activities aimed at strengthening urban management |
| UDG   | US\$ 87.0 million            | Urban infrastructure   |

***Performance-based grants in Ghana: DDF/RFG and FOAT/DPAT***

47. **Both types of Program grant (CSG and UDG) will be accessed by MAs on the basis of their performance, assessed on an annual basis.** This builds on a well-established system of performance-based grants to local governments in Ghana, which the Program builds on and is partly based on. The following section therefore briefly describes Ghana’s current performance-based grants system, elements of which underlie the proposed Program’s grants.

48. **Since 2008-2009, all MMDAs in Ghana have been able to access performance-based grants as part of the District Development Fund (DDF) system, jointly financed by the Government of Ghana and its development partners.** DDF grants have been allocated to MMDAs as a function of their compliance with a set of Minimum Conditions (MCs) and their scoring with respect to a larger set of Performance Measures (PMs).<sup>37</sup> MCs and PMs have been assessed using the Functional and Organizational Assessment Tool (FOAT). Although the DDF properly speaking has now been wound up, its principles are currently being incorporated into a successor facility, the Responsiveness Factor Grant (RFG), to be financed (from 2018 onwards) by the District Assemblies’ Common Fund (DACF) and those development partners committed to Ghana’s decentralization SWAp. As with its DDF predecessor, the new RFG system will allocate grants to all MMDAs: (a) provided that they satisfy Minimum Conditions; and (b) as a function of their score against Performance Measures. Under the RFG system, the upgraded District Performance Assessment Tool (DPAT) will be used to assess MMDAs against MCs and PMs. The types MCs and PMs covered by DPAT are summarized in the following table.

<sup>37</sup> The operational principles underlying the DDF in Ghana are based on international good practice for performance-based grants. The DDF is very similar to other such grant funding pools in many countries, including Ethiopia, Uganda, Tanzania, Kenya, Nepal, West Bengal (India), Tunisia, and Mali.

Table 8: Summary of RFG Minimum Conditions and Performance Measures (to be assessed through DPAT)<sup>38</sup>

| Minimum Conditions                  |  | Performance Measures                                |       |
|-------------------------------------|--|---|-------|
| Sub-themes                          | MC indicators  | Sub-themes  | Score |
| Functional Capacity of the Assembly | <ul style="list-style-type: none"><li>• Assembly meetings according to minimum requirements</li><li>• Meetings of the Sub-Committees of the Executive Committee and Public Relations and Complaints Committee of the Assembly</li><li>• MMDCEs engagement with citizens</li></ul>  | Management, Coordination, Monitoring and Evaluation | 7     |
| Planning and Budgeting              | <ul style="list-style-type: none"><li>• Composition of DPCUs based on NDPC’s guidelines for the operationalization of DPCUs</li><li>• Composite Budget prepared based on the composite Annual Action Plan (AAP)</li><li>• AAPs of MMDAs formulated based on Departmental AAPs</li><li>• Approval of the budget</li><li>• Functionality of the Budget Committee</li></ul>   | Functional capacity in Planning                     | 7     |
| Financial Management and Accounting | <ul style="list-style-type: none"><li>• Preparation and submission of Monthly Financial Reports</li><li>• Annual Statement of Accounts prepared and submitted</li><li>• Functionality of Internal Audit Unit</li><li>• No adverse comments on financial irregularities in audits</li><li>• Prompt response to external audit Management Letters</li><li>• Budget approval process</li><li>• Functionality of Budget Committees</li></ul> | Financial Management and Auditing                   | 30    |
| Public Procurement                  | <ul style="list-style-type: none"><li>• District procurement plan prepared based on Public Procurement Act (PPA) 663 of 2003 and Public Procurement Amendment Act 2016 (Act 914)</li></ul>   | Procurement   | 10    |
| Plan Implementation                 | <ul style="list-style-type: none"><li>• Progress reports submitted on implementation of activities in the AAP</li><li>• Inclusion of key stakeholders in plan implementation, monitoring and other activities of MMDAs</li></ul>   | Accountability, Transparency, and Participation     | 9     |
|                                     |  | Social inclusion and Service Delivery               | 7     |
|                                     |  | Environment and Climate Change                      | 9     |
|                                     |  | Capacity Building                                   | 5     |
|                                     |  | Sanitation  | 11    |
|                                     |  | Local Economic Development                          | 5     |
|                                     |  | Total score/weighting                               | 100   |

<sup>38</sup> Based on MLGRD (April 2018): *District Assembly Performance Assessment Tool (DPAT) – Draft Operational Manual*

49. **The Local Government Capacity Support Project (LGCSP), the Bank-financed predecessor to the proposed operation,<sup>39</sup> complemented the (then) DDF system by allocating performance-based UDGs to 46 MMAs.** Under LGCSP, MMAs accessed UDGs by: (a) qualifying for DDF grants; and (b) obtaining more than the national average DDF/FOAT performance measure score. Those MAs qualifying for UDGs would then receive UDG allocations calculated on the basis of their LGCSP performance score (measured by a supplementary FOAT), which focused on a number of financial management indicators (that went beyond the DDF/FOAT performance measures).

50. **The RFG/DPAT system will be integral to the proposed Program's local window.** Access to the Program's UDGs will be conditional upon MAs complying with RFG/DPAT Minimum Conditions and obtaining a Performance Measure score that is greater than the national average. By satisfying RFG/DPAT MCs and scoring relatively well in terms of PMs, MAs will demonstrate basic management capacity and satisfy some key fiduciary and other requirements. Most importantly, compliance with RFG/DFAT MCs will indicate that MA financial management is satisfactory.<sup>40</sup> The need to obtain higher than average RFG/DPAT scores will indicate that qualifying MAs are among the better managed local governments in Ghana.<sup>41</sup>

### *Grant uptake*

51. **The Program assumes that CSGs will be disbursed to all eligible MAs every year but that the uptake of UDGs by eligible MAs will be gradual, with a year-on-year increase in both the number of qualifying MAs and in their Performance Benchmark scores.** The following table summarizes the assumed uptake of CSGs and UDGs over the life of the Program.

Table 9: CSG and UDG uptake (US\$ millions)

| Year of disbursement | No. of MAs qualifying for CSGs | CSG disbursements | No of MAs meeting UDG MCs | UDG disbursements |
|----------------------|--------------------------------|-------------------|---------------------------|-------------------|
| 2019                 | 18                             | 0.9               | 15                        | 5.7               |
| 2020                 | 20                             | 1.0               | 16                        | 11.6              |
| 2021                 | 20                             | 1.0               | 17                        | 17.9              |
| 2022                 | 2                              | 0.1               | 19                        | 24.3              |
| 2023                 | -                              | -                 | 20                        | 27.5              |
| <b>Totals</b>        |                                | <b>3.0</b>        |                           | <b>87.0</b>       |

52. **In practice, CSG and UDG disbursements may be lower or higher than projected, depending on the performance of eligible MAs.** If MAs perform significantly better than expected, then the drawdown on local window resources will be faster than projected.

<sup>39</sup> LGCSP started up in 2012 and closed in June 2018.

<sup>40</sup> A key RFG/DPAT Minimum Condition is that the Auditor General's annual report does not: (a) express an adverse opinion about MMDA financial statements; and (b) indicate major financial irregularities.

<sup>41</sup> During the course of preparing SCSP, the World Bank team has provided input to the design of the RFG/DPAT performance assessment indicators.

### *Eligible universe of MAs*

53. **GSCSP's local window will provide local window funding (in the form of UDGs and CSGs) to 19 eligible Municipal Assemblies.**<sup>42</sup> The universe of eligible MAs is defined according to the exclusion and inclusion criteria shown in table 10 below. Table 11 (on the next page) lists the 19 MAs that are eligible to participate in the Program.

Table 10: selection criteria for eligible MAs

| Selection of eligible Municipal Assemblies   |   |
|--|---|
| Criteria   | Rationale   |
| <b>Exclusion</b>   |   |
| All MAs in the Greater Accra Region  | MMAs in the Greater Accra Region are already the beneficiaries of significant program-funded urban investments  |
| All MAs that have a population of 250,000 or more  | The very largest MAs would normally qualify for Metropolitan status. As large cities, these MAs have somewhat different urban characteristics than smaller MAs. |
| <b>Inclusion – selection</b>   |   |
| All MAs that have a population of 100-250,000  | These MAs are typical secondary cities in Ghana.  |
| All MAs with a population of 100-250,000 of whom at least 60% are urban residents  | These MAs have a higher urbanization rate than Ghana's national urbanization rate.  |
| The largest of MAs (with a population of 100-250m,000) in each of the nine eligible Regions (Greater Accra being excluded) | In the interests of equity, each Region should have at least one eligible MA  |
| <b>Inclusion – commitment</b>  |   |
| Selected MA signs official MoU with MLGRD, committing itself to GSCSP procedures   | Selected MAs need to formally agree with the terms and conditions applicable to GSCSP   |

54. **In order to become fully eligible, the Chief Executives of selected MAs will need to sign an official Memorandum of Understanding (MoU) with MLGRD.** The MoU will formally commit the MA to the use of agreed GSCSP procedures (as defined in the Program Operations Manual).

55. **Eligible MAs will be able to access UDGs and CSGs on the basis of their compliance with Minimum Conditions (MCs) and the extent to which they meet Performance Benchmarks (PBs).** MC compliance and performance on the part of eligible MAs will be assessed on an annual basis, through annual performance assessments (APAs), which will be undertaken by an independent verification agency (IVA), procured and supervised by MLGRD.<sup>43</sup>

<sup>42</sup> Out of a total of 104 Municipal Assemblies.

<sup>43</sup> The GSCSP annual performance assessments will be an adjunct to the nation-wide DPAT assessments, organized and supervised by MLGRD.

Table 11: GSCSP – universe of eligible Municipal Assemblies

| No.           | Region      | MA                         | Total population (2018) | Urban Population (2018) | Proportion urban (%) as of 2010 |
|---------------|-------------|----------------------------|-------------------------|-------------------------|---------------------------------|
| 1             | Ashanti     | Suame Municipal            | 191,649                 | 191,649                 | 100.0                           |
| 2             | Ashanti     | Old Tafo Municipal         | 173,607                 | 173,607                 | 100.0                           |
| 3             | Ashanti     | Asokwa Municipal           | 166,637                 | 166,637                 | 100.0                           |
| 4             | Western     | Effia-Kwesimintsim         | 232,617                 | 225,638                 | 97.0                            |
| 5             | Central     | Awutu Senya East Municipal | 127,689                 | 120,028                 | 94.0                            |
| 6             | Eastern     | New Juaben South Municipal | 222,459                 | 206,887                 | 93.0                            |
| 7             | Ashanti     | Obuasi Municipal           | 198,904                 | 169,068                 | 85.0                            |
| 8             | Eastern     | Lower Manya                | 108,049                 | 90,761                  | 84.0                            |
| 9             | Brong Ahafo | Sunyani Municipal          | 147,982                 | 122,825                 | 83.0                            |
| 10            | Central     | Agona West Municipal       | 134,245                 | 103,369                 | 77.0                            |
| 11            | Eastern     | Birim Municipal            | 174,807                 | 118,869                 | 68.0                            |
| 12            | Brong Ahafo | Berekum Municipal          | 156,349                 | 103,190                 | 66.0                            |
| 13            | Upper West  | Wa Municipal               | 126,609                 | 83,562                  | 66.0                            |
| 14            | Central     | Mfantseman                 | 158,033                 | 102,721                 | 65.0                            |
| 15            | Brong Ahafo | Techiman Municipal         | 178,691                 | 114,362                 | 64.0                            |
| 16            | Upper East  | Bawku Municipal            | 116,912                 | 74,824                  | 64.0                            |
| 17            | Northern    | Sagnerigu Municipal        | 175,321                 | 110,452                 | 63.0                            |
| 18            | Volta       | Ho Municipal               | 213,960                 | 132,655                 | 62.0                            |
| 19            | Eastern     | East Akim Municipal        | 203,403                 | 122,042                 | 60.0                            |
| <b>Totals</b> |             |                            | <b>3,207,923</b>        | <b>2,533,147</b>        |                                 |

### Capacity Support Grants (CSGs)

#### *Minimum Conditions and CSG allocations*

56. **Subject to compliance with Minimum Conditions (MCs), each eligible MA will have access to an annual CSG, set at a flat rate of US\$50,000 per MA and made available for three years.** In total, then, each eligible MA would be able to benefit from a total of US\$150,000 in the form of CSGs. In order to qualify for their CSGs, eligible MAs will need to comply with the MCs indicated in table 12 below. Compliance with these MCs will signal that the MA in question: (a) intends to engage actively in the development of its urban areas; (b) has drawn up an action plan for this purpose; and (c) has demonstrated progress in implementing its action plan.

Table 12: CSGs – Minimum Conditions

| Minimum Condition  | Indicator  |
|--|--|
| <b>CSG MC1:</b><br>MA has drawn up (and reviewed implementation of) an Urban Development Action Plan (UDAP)                                    | UDAP is drafted by MA on basis of GSCSP template and reviewed UDAP implementation on an annual basis |
| <b>CSG MC2:</b><br><u>From Year 2 onwards:</u><br>MA use of previous year's CSG has been consistent with guidelines in GSCSP Operations Manual | Annual MA expenditure statement shows that MA has followed CSG expenditure guidelines                |

### *Urban development action plans*

57. **In order to access their CSGs, eligible MAs will need to draw up an Urban Development Action Plan (UDAP).** The following text box provides a brief outline of the UDAP framework.

| UDAP outline   |
|--|
| <p>Municipal Assemblies will be expected to draft a short UDAP, which will include the following elements:</p> <p>A. Diagnostic</p> <ul style="list-style-type: none"> <li>- Description of the urban area(s) in the MA's jurisdiction, providing basic information on population, urban morphology, and socio-economic characteristics</li> <li>- Adaptation of the National Urban Policy Framework (NUPF) to MA specificities</li> <li>- Analysis of the urban development challenges in the urban area(s)</li> <li>- Inventory of existing urban management instruments (spatial plans, development control mechanisms, municipal service delivery, etc.)</li> </ul> <p>B. Actions</p> <ul style="list-style-type: none"> <li>- Three year prioritized MA action plan aimed at addressing key urban development challenges</li> <li>- Annual work plan and budget</li> </ul> <p>The Program Operations Manual will provide MAs with a comprehensive UDAP explanatory note and simple template</p> |

### *Expenditure menu*

58. **MAs that qualify for CSGs will be able to use their grants to finance a wide range of capacity development initiatives and expenditure items related to urban management.** In particular, CSGs will be used by Municipal Assemblies to finance activities and initiatives that enable them to meet the Program's Performance Benchmarks (PBs) – and thus qualify for larger UDGs. However, certain categories of expenditure will not be permitted. Table 13 below provides an indicative listing of positive and negative expenditures for CSGs.

Table 13: CSG eligible and non-eligible expenditure menu



| <b>A. ELIGIBLE EXPENDITURES</b>   |  |
|---|--|
| <b>Functional area</b>  | <b>Indicative expenditures</b>   |
| <b>1. Urban planning &amp; services</b>   | <ul style="list-style-type: none"> <li>• Spatial planning activities</li> <li>• GIS mapping instruments</li> <li>• Street addressing</li> <li>• Service delivery monitoring</li> <li>• Investment planning improvements</li> </ul>                           |
| <b>2. Urban economic development and competitiveness</b>  | <ul style="list-style-type: none"> <li>• Workshops and consultative meetings between MA and private sector</li> <li>• Mapping of economic activities and private sector actors</li> <li>• Surveys of local businesses</li> </ul>                             |
| <b>3. Sustainable urban systems – revenues</b>  | <ul style="list-style-type: none"> <li>• GIS mapping instruments</li> <li>• Development of revenue databases</li> <li>• Development of modernized billing systems</li> <li>• Street and property addressing</li> <li>• Property valuation updates</li> </ul> |
| <b>4. Sustainable urban systems – maintenance</b>   | <ul style="list-style-type: none"> <li>• Asset mapping and inventories</li> <li>• Maintenance costing analyses</li> </ul>  |
| <b>5. Urban resilience and disaster management</b>  | <ul style="list-style-type: none"> <li>• Climate change impact assessment</li> <li>• Disaster risk assessment</li> <li>• Risk mapping</li> <li>• Emergency response plan</li> </ul>  |
| <b>6. Other</b>   | <ul style="list-style-type: none"> <li>• Training in the above areas</li> </ul>  |
| <b>General</b>  |  |
| <ul style="list-style-type: none"> <li>• A maximum of 20% of CSG annual allocations can be used to finance the purchase of IT equipment</li> </ul>  |  |
| <b>B. NON-ELIGIBLE EXPENDITURES</b>   |  |
| <ul style="list-style-type: none"> <li>a) Means of transport (vehicles, motorcycles)</li> <li>b) International travel and associated costs</li> <li>c) Long term training costs (for example, university degree programs)</li> <li>d) Recurrent costs (for example, salaries, utilities, and the like)</li> </ul> |  |

59. **The above list of indicative eligible expenditures is not intended to be exhaustive.** MAs will have discretion to finance other types of expenditure, provided that these do not include items on the non-eligible list. A full and exhaustive CSG expenditure menu will be included in the Program Operations Manual.

### *Release*

60. **CSG allocations will be released to MAs in a single annual tranche** at the beginning of the financial year.

## **Urban Development Grants (UDGs)**

### *Allocations*

61. **Each eligible MA will potentially be able to access an annual UDG through the Program.** The size of each MA's UDG allocation will be set as a maximum annual "drawing right". Actual annual UDG allocations and disbursements to MAs will depend on MA compliance with a number of Minimum Conditions and will vary according to MA performance. Maximum annual UDG drawing rights for MAs will be based on the urban population of each MA and allocated on the basis of US\$15 per urban capita. Table 14 (on the following page) sets out the UDG drawing rights for all eligible MAs. The list of eligible MAs and their annual UDG allocations (or drawing rights) will be included in the Program Operations Manual.

62. **It is important to underline that these UDG drawing rights are the maximum that a given MA will access** – and that in order to access their maximum UDG allocations, MAs will need to: (a) comply fully with all UDG Minimum Conditions; and (b) fully achieve all UDG Performance Benchmarks. If all eligible MAs were to qualify (by complying with Minimum Conditions) and all qualifying MAs were to score 100% in terms of their Performance Benchmarks, then the total annual UDG disbursement by the Program would be approximately US\$ 37.99 million.

63. **Annual UDG allocations to eligible MAs are broken down into three shares, each of which can be accessed by MAs on the basis of: (a) qualification through complying with UDG Minimum Conditions; (b) achieving Urban Management Performance Benchmarks; and (c) achieving Infrastructure/Service Delivery Performance Benchmarks.** These three UDG shares are shown in figure 11 below and are indicated (for each eligible MA) in table below.

Figure 11: UDG allocation shares

| SHARE                                       | US\$ PER CAPITA | BASIS FOR ALLOCATION OF SHARE   |
|---|-----------------|---|
| Qualification share                         | \$3.0           | Allocated upon MA compliance with UDG Minimum Conditions                                  |
| Urban management share                      | \$9.0           | Allocated on basis of MA score for Urban Management Performance Benchmarks                |
| Infrastructure/service delivery (ISD) share | \$3.0           | Allocated on basis of MA score for Infrastructure/Service Delivery Performance Benchmarks |
| ALL SHARES                                  | <b>\$15.0</b>   |   |

Table 14: Maximum annual UDG allocations to eligible MAs (US\$)

| #             | Region      | MA                         | Total population (2018) | Urban Population (2018) | UDG annual allocations (max US\$) |                                   |                                 |                             |
|---------------|-------------|----------------------------|-------------------------|-------------------------|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------|
|               |             |                            |                         |                         | Qualification proportion (20%)    | Urban management proportion (60%) | Infrastructure proportion (20%) | Total UDG allocation (100%) |
| 1             | Ashanti     | Suame Municipal            | 191,649                 | 191,649                 | 574,947                           | 1,724,841                         | 574,947                         | 2,874,735                   |
| 2             | Ashanti     | Old Tafo Municipal         | 173,607                 | 173,607                 | 520,821                           | 1,562,463                         | 520,821                         | 2,604,105                   |
| 3             | Ashanti     | Asokwa Municipal           | 166,637                 | 166,637                 | 499,911                           | 1,499,733                         | 499,911                         | 2,499,555                   |
| 4             | Western     | Effia-Kwesimintsim         | 232,617                 | 225,638                 | 676,915                           | 2,030,746                         | 676,915                         | 3,384,577                   |
| 5             | Central     | Awutu Senya East Municipal | 127,689                 | 120,028                 | 360,083                           | 1,080,249                         | 360,083                         | 1,800,415                   |
| 6             | Eastern     | New Juaben South Municipal | 222,459                 | 206,887                 | 620,661                           | 1,861,982                         | 620,661                         | 3,103,303                   |
| 7             | Ashanti     | Obuasi Municipal           | 198,904                 | 169,068                 | 507,205                           | 1,521,616                         | 507,205                         | 2,536,026                   |
| 8             | Eastern     | Lower Manya                | 108,049                 | 90,761                  | 272,283                           | 816,850                           | 272,283                         | 1,361,417                   |
| 9             | Brong Ahafo | Sunyani Municipal          | 147,982                 | 122,825                 | 368,475                           | 1,105,426                         | 368,475                         | 1,842,376                   |
| 10            | Central     | Agona West Municipal       | 134,245                 | 103,369                 | 310,106                           | 930,318                           | 310,106                         | 1,550,530                   |
| 11            | Eastern     | Birim Municipal            | 174,807                 | 118,869                 | 356,606                           | 1,069,819                         | 356,606                         | 1,783,031                   |
| 12            | Brong Ahafo | Berekum Municipal          | 156,349                 | 103,190                 | 309,571                           | 928,713                           | 309,571                         | 1,547,855                   |
| 13            | Upper West  | Wa Municipal               | 126,609                 | 83,562                  | 250,686                           | 752,057                           | 250,686                         | 1,253,429                   |
| 14            | Central     | Mfantsiman                 | 158,033                 | 102,721                 | 308,164                           | 924,493                           | 308,164                         | 1,540,822                   |
| 15            | Brong Ahafo | Techiman Municipal         | 178,691                 | 114,362                 | 343,087                           | 1,029,260                         | 343,087                         | 1,715,434                   |
| 16            | Upper East  | Bawku Municipal            | 116,912                 | 74,824                  | 224,471                           | 673,413                           | 224,471                         | 1,122,355                   |
| 17            | Northern    | Sagnerigu Municipal        | 175,321                 | 110,452                 | 331,357                           | 994,070                           | 331,357                         | 1,656,783                   |
| 18            | Volta       | Ho Municipal               | 213,960                 | 132,655                 | 397,966                           | 1,193,897                         | 397,966                         | 1,989,828                   |
| 19            | Eastern     | East Akim Municipal        | 203,403                 | 122,042                 | 366,125                           | 1,098,376                         | 366,125                         | 1,830,627                   |
| <b>Totals</b> |             |                            | <b>3,207,923</b>        | <b>2,533,147</b>        | <b>7,599,441</b>                  | <b>22,798,322</b>                 | <b>7,599,441</b>                | <b>37,997,204</b>           |

### *Minimum Conditions*

64. **In order to qualify for their UDG allocations, eligible MAs will need to comply with UDG Minimum Conditions (MCs).** For year 1 (2019) allocations, MAs must comply with two Minimum Conditions; in subsequent years, MAs will need to comply with additional MCs. UDG MCs for each year of the Program are shown in the following table.

Table 15: UDGs – Minimum Conditions

| <b>FY for UDG disbursement</b> | <b>Year of assessment</b> | <b>Minimum Conditions</b>   | <b>Indicators</b>  |
|--------------------------------|---------------------------|---|--|
| <b>2019</b>                    | 2018                      | <b>UDG MC1:</b> MA qualifies for 2019 DACF Responsiveness Factor Grant (RFG), scoring more than the national average DPAT score | MA compliance with all DPAT/RFG Minimum Conditions<br>MA DPAT performance score is equal to or greater than the average performance score of all MMDAs |
| <b>2020</b>                    | 2019                      | <b>UDG MC1:</b> MA qualifies for FY 2020 DACF RFG, scoring more than the national average DPAT score                            | Same as MC1 in FY 2019   |
|                                |                           | <b>UDG MC2:</b> MA has used FY 2019 UDG allocation in accordance with UDG investment menu                                       | MA has not used any part of FY 2019 UDG allocation to finance non-eligible investments   |
|                                |                           | <b>UDG MC3:</b> MA has spent or obligated at least 50% of FY 2019 UDG allocation  | MA has been able to use at least 50% of FY 2019 UDG allocation to finance investments  |
| <b>2021</b>                    | 2020                      | <b>UDG MC1:</b> MA qualifies for FY 2021 DACF RFG, scoring more than the national average DPAT score                            | Same as MC1 in FY 2020   |
|                                |                           | <b>UDG MC2:</b> MA has used FY 2020 UDG allocation in accordance with UDG investment menu                                       | MA has not used any part of FY 2020 UDG allocation to finance non-eligible investments   |
|                                |                           | <b>UDG MC3:</b> MA has spent or obligated at least 50% of FY 2020 UDG allocation  | MA has been able to use at least 50% of FY 2020 UDG allocation to finance investments  |
| <b>2022</b>                    | 2021                      | <b>UDG MC1:</b> MA qualifies for FY 2022 DACF RFG, scoring more than the national average DPAT score                            | Same as MC1 in FY 2021   |
|                                |                           | <b>UDG MC2:</b> MA has used FY 2021 UDG allocation in accordance with UDG investment menu                                       | MA has not used any part of FY 2021 UDG allocation to finance non-eligible investments   |
|                                |                           | <b>UDG MC3:</b> MA has spent or obligated at least 50% of FY 2021 UDG allocation  | MA has been able to use at least 50% of FY 2021 UDG allocation to finance investments  |
| <b>2023</b>                    | 2022                      | <b>UDG MC1:</b> MA qualifies for FY 2023 DACF RFG, scoring more than the national average DPAT score                            | Same as MC1 in FY 2022   |
|                                |                           | <b>UDG MC2:</b> MA has used FY 2022 UDG allocation in accordance with UDG investment menu                                       | MA has not used any part of FY 2022 UDG allocation to finance non-eligible investments   |
|                                |                           | <b>UDG MC3:</b> MA has spent or obligated at least 50% of FY 2022 UDG allocation  | MA has been able to use at least 50% of FY 2022 UDG allocation to finance investments  |

NB: FY refers to GoG Financial Year

65. **MA compliance with UDG Minimum Conditions will result in the MA receiving its “qualification” share (20% of its annual UDG allocation).** It also qualifies the MA to be assessed in terms of its achievement of Performance Benchmarks. Failure to comply with any of the UDG Minimum Conditions will result in disqualification of the MA from any UDG for the year in question.

### *Performance Benchmarks (PBs)*

66. **Once they have qualified, eligible MAs will be able to access further proportions of their UDG allocations as a function of achieving Performance Benchmarks (PBs).** It is important to note that these PBs are not “generic” (or institutional) local government performance measures, against which MAs are assessed and then scored. Measuring and scoring generic local government performance (and incentivizing local governments to improve their overall institutional performance by linking grant allocations to scores) is the principal purpose of the DPAT process, which applies to all MMDAs. For eligible MAs to qualify for access to UDGs requires them to achieve at least the national average performance score as measured by DPAT assessments; MAs that qualify for UDGs are therefore likely to be among the best local governments in Ghana in terms of their overall institutional performance.

67. **UDG Performance Benchmarks are best conceptualized as providing Municipal Assemblies with a set of “waypoints” on an urban management roadmap.** Achieving PBs implies that MAs are actually becoming more active and more effective as urban managers and engaging with issues such as long term spatial planning, the provision of municipal services, facilitation of local economic development (and job creation), maintaining municipal assets, ensuring financial sustainability, and delivering good infrastructure and services.

68. **In principle, qualifying MAs can access an additional US\$ 12 per urban capita as UDGs (on top of the qualification share of US\$ 3 per capita). However, the actual amount allocated in any given year will depend on an individual MA’s performance, as measured by its achievement of PBs.**<sup>44</sup> The more PBs that an MA achieves, the greater will be its annual UDG allocation. UDGs thus act as tangible fiscal incentives for MAs to improve their urban management and infrastructure/service delivery performance. PBs will cover 4 areas, as shown in table 16 below.

Table 16: UDGs – Performance Benchmarks

| Performance area                                    | Maximum score % | Maximum \$ per capita incentive | UDG share        |
|---|-----------------|---------------------------------|------------------|
| Urban planning and services                         | 25.0            | 3.00                            | Urban management |
| Urban economic development and competitiveness      | 12.5            | 1.50                            |                  |
| Sustainable urban systems                           | 37.5            | 4.50                            |                  |
| Urban infrastructure delivery (from year 2 onwards) | 25.0            | 3.00                            | ISD              |
| <b>Total score</b>                                  | <b>100.0</b>    | <b>12.00</b>                    |                  |

<sup>44</sup> The Program Operations Manual (POM) will provide detailed guidance on assessing MA achievement of Performance Benchmarks and on scoring.

69. The urban management and ISD Performance Benchmarks to be covered under each performance area are summarized in table 17 below. Annex 2 of this Technical Assessment provides a more detailed description of the Performance Benchmarks, means of verification and scoring method.

Table 17: UDGs – Performance Areas and Benchmarks to be assessed

| Performance area                                    | Indicative Performance Benchmarks   | Score (for performance area as a whole) |
|---|---|---|
| Urban planning and services                         | <ul style="list-style-type: none"> <li>• Availability, use and application of spatial planning instruments</li> <li>• Street naming and addressing</li> <li>• Monitoring of solid waste and solid waste management</li> <li>• Monitoring of municipal services</li> </ul> | 25.0                                    |
| Urban economic development and competitiveness      | <ul style="list-style-type: none"> <li>• Regular and formal interaction between MA and local firms</li> <li>• MA business support strategy and action plans</li> </ul>  | 12.5                                    |
| Sustainable urban systems                           | <ul style="list-style-type: none"> <li>• Quality of revenue administration</li> <li>• Drainage maintenance</li> <li>• Street light maintenance</li> <li>• Maintenance of pedestrian access networks</li> </ul>  | 37.5                                    |
| Urban infrastructure delivery (from year 2 onwards) | <ul style="list-style-type: none"> <li>• Use of previous UDGs (spending/budget)</li> <li>• Efficiency of infrastructure projects</li> <li>• Effectiveness of infrastructure projects</li> </ul>   | 25.0                                    |
| <b>Total score</b>                                  |   | <b>100.0</b>                            |

70. **The over-arching rationale underlying these Performance Benchmarks is to provide MAs with clear indicators of what makes for “sound” urban management and robust infrastructure/service delivery.** The intention is to draw MAs into undertaking such actions or achieving such results and – in doing so – improving their urban management and infrastructure/service delivery.

71. The rationale for selecting specific Performance Benchmarks is described below (see table 18 on the following page).

Table 18: Performance Benchmarks – rationale

| Performance Benchmarks and Indicators  | Rationale   |
|--|---|
| <b>Urban planning and services</b>   |   |
| Availability, use and application of spatial planning instruments                                    | Spatial planning for urban areas is crucial for shaping city structure/morphology, for providing a basis for good connectivity, and for rationalizing the provision of basic urban infrastructure and services. LUSPA provides for a three-tiered hierarchy of spatial plans for MMDAs; MAs which have invested in the development of these spatial plans will be in a better position to manage their urban areas. Having spatial plans is a first step in shaping city development. Implementing and applying those plans – through the use of development controls – is crucial in translating those plans into on-the-ground realities. |
| Street addressing  | Street addressing is a key municipal service. Comprehensive street addressing facilitates access to services and communications, strengthens municipal revenue administration and service delivery. GoG places a high policy priority on street addressing in urban areas.  |
| Monitoring of solid waste and solid waste management (SWM)   | Solid waste management is a crucial urban service and key to public health in densely populated urban areas. MAs should, at the very least, be closely monitoring SWM – as a basis for improving SWM.   |
| Monitoring of basic urban services   | Urban areas need basic services (e.g. water, electricity, sanitation, etc.) in order to be livable and secure. MAs, although not always responsible for the provision of some of these services, should be monitoring them on a regular basis.  |
| Performance Benchmarks and Indicators  | Rationale   |
| <b>Urban economic development and competitiveness</b>  |   |
| MA engages with private sector in order to promote local economic development (LED)                  | Economic growth and jobs are crucial to the development of urban areas. Given that the private sector is the engine for most growth and for generating employment opportunities in urban areas, MAs need to interact with businesses and firms.   |
| MA plans to promote private sector development   | On the basis of their interaction with the private sector, MAs should identify actions that can be undertaken to improve opportunities for businesses/firms to grow and generate employment.  |
| MA annual investments are appraised in terms of their potential impact on local economic development | MA infrastructure investments can encourage LED – appraisal of such investment projects should take this into account.  |
| Performance Benchmarks and Indicators  | Rationale   |
| <b>Sustainable urban systems</b>   |   |
| MA spatial database/map  | MAs should have updated spatial databases showing streets, properties (UPN) and addresses as a basic management tool.   |
| Property tax administration  | Property rates are one of the most important sources of IGFs. Improving the administration (property rolls, billing) of property rates is the most effective way of sustaining and increasing MA IGFs.  |

| Performance Benchmarks and Indicators  | Rationale  |
|--|--|
| Business operating licenses  | Business operating licenses are one of the most important sources of IGFs. Improving the administration (registration, billing) of business licenses is the most effective way of sustaining and increasing MA IGFs.                       |
| Rates/taxes payments system  | Payment of MA taxes is made easier by providing multiple options for payment. MAs should provide taxpayers with different options for payment.   |
| Enforcement of property rates and business licensing   | Following up on defaulters is key to a sustainable revenue system. MAs should systematically address delays in tax payments and deal with tax defaulters.  |
| Drainage maintenance   | Keeping urban drains functional is essential to avoid flooding, flood damage and ensuring all-season access. MAs should map the drainage networks in their urban areas and maintain the most important parts of those networks.            |
| Urban road maintenance   | At the very least, MAs should map out their urban roads and streets, identify their condition and plan for their maintenance.  |
| Maintenance of pedestrian access networks  | Most citizens rely on foot access to work, markets and services. MAs should (at the very least) map out pedestrian access networks and (to the extent possible) ensure that such access is kept open (through regulation and maintenance). |
| Performance Benchmarks and Indicators  | Rationale  |
| <b>Urban infrastructure (applicable to investments funded out of UDG allocations)</b>  |  |
| Use of UDGs  | MAs should seek to either spend or obligate as much of their UDG allocation as possible  |
| Efficiency of infrastructure projects <ul style="list-style-type: none"> <li>• Timely delivery</li> <li>• Proper supervision/control</li> <li>• Contract management</li> </ul> | MAs should become efficient instruments for delivery of urban infrastructure   |
| Effectiveness of infrastructure projects <ul style="list-style-type: none"> <li>• Quality of infrastructure</li> <li>• Use of infrastructure</li> </ul>                        | MAs should deliver high quality and useful infrastructure  |



72. **To summarize: the UDG assessment process is intended to incentivize better and more active urban management and more robust investment management on the part of eligible MAs.** By meeting Performance Benchmarks, MAs will achieve higher scores; by scoring more, MAs will access a larger proportion of their UDG allocations. The GSCSP Program Operations Manual will provide a detailed description of the assessment and scoring methodology.

### **Illustrative UDG allocations**

#### **Case 1**

MA 1 has an urban population of 100,000. Its maximum annual UDG allocation is therefore  $100,000 \times \$15 = \$1,500,000$ . By achieving a DPAT performance score of 92 it exceeds the average MMDA DPAT performance score of 86. MA1 thus qualifies for its “qualification” share of its annual UDG allocation =  $\$1,500,000 \times 20\% = \$300,000$ .

By scoring 90 (out of 100) on Performance Benchmarking, MA1 also qualifies for 90% of its urban management and ISD shares. MA1’s UDG allocation for the year is thus:

Qualification share (20% of maximum annual UDG) = **\$300,000**

Plus:

80% of urban management and ISD shares =  $[\$1,500,000 \times 80\%] \times 90\% = \mathbf{\$1,080,000}$

Equals:

Total UDG =  $\$300,000 + \$1,080,000 = \mathbf{\$1,380,000}$

#### **Case 2**

MA 2 has an urban population of 90,000. Its maximum annual UDG allocation is therefore  $90,000 \times \$15 = \$1,350,000$ . By achieving a DPAT performance score of 88 it exceeds the average MMDA DPAT performance score of 86. MA2 thus qualifies for its “qualification” share of its annual UDG allocation =  $\$1,350,000 \times 20\% = \$270,000$ .

By scoring 65 (out of 100) on Performance Benchmarking, MA1 also qualifies for 65% of its urban management and ISD shares. MA1’s UDG allocation for the year is thus:

Qualification share (20% of maximum annual UDG) = **\$270,000**

Plus:

65% of urban management and ISD shares =  $[\$1,350,000 \times 80\%] \times 65\% = \mathbf{\$702,000}$

Equals:

Total UDG =  $\$270,000 + \$702,000 = \mathbf{\$972,000}$

### ***Expenditure menu***

73. **UDG investment/expenditure menu:** an MA will be able to use its UDG to finance investments in five key areas of urban infrastructure and service delivery. These are: (a) waste management (liquid and solid), (b) storm water drainage, (c) connectivity (roads, non-motorized transport facilities, and street lights), (d) urban economic and social infrastructure, and (e) fire and disaster management. All of these eligible expenditures are commonly understood as typically municipal and are consistent with the provisions of the Local Governance Act (2017).

74. **Non-eligible expenditures:** MAs will not be permitted to use their UDGs to finance a number of expenditure items. Because UDGs are seen as conditional grants, MAs will not be allowed to use them to finance expenditures in sectors that are not specifically urban, even though such sectors may be an integral element of their functional mandate (as spelled out in the Local Governance Act). Thus, expenditures in the education, health, agriculture, livestock, and natural resources are not eligible. In addition, UDGs will not be used to finance investment projects that trigger the World Bank's Safeguards Category A policies.

75. The table below provides a summary of the UDG eligible and ineligible investment/expenditure menu.

Table 19: UDG eligible and non-eligible investment/expenditure menu

| <b>A. ELIGIBLE INVESTMENTS &amp; EXPENDITURES</b>   |  |
|---|--|
| <b>Urban functional area</b>  | <b>Indicative investments</b>  |
| <b>1. Waste management (liquid and solid)</b>   | Solid waste: collection equipment, collection bins, transfer stations, collection points (construction of sanitary landfill excluded)<br>Liquid waste: sludge ponds, community septic tanks, vacuum trucks, vacuum handcarts, and others |
| <b>2. Storm water drainage</b>  | Urban drainage systems; flood control systems  |
| <b>3. Connectivity</b>  | Urban roads (construction, rehabilitation, upgrading), pedestrian walkways and bicycle paths, street and security lights and road signs  |
| <b>4. Urban social and economic infrastructure</b>  | Urban market facilities, transport depots, parking areas, basic infrastructure for industrial estates, parks and recreational areas  |
| <b>5. Fire and disaster management</b>  | Fire control stations and disaster management equipment (firefighting trucks, rehabilitation and/or construction of new firefighting station and facilities)   |
| <b>General</b>  |  |
| (a) Proposed investments must be included in the annual MA Investment Plan<br>(b) Investments can include both rehabilitation and construction of new infrastructure and capital investments.<br>(c) To avoid the fragmentation of urban investments (and limit procurement efforts), investment projects are subject to a <u>minimum</u> investment of US\$ 0.5 million; or, if less than US\$ 0.5 million, the total UDG allocation to the MA in question.<br>(d) At least 80 percent of the UDG shall be spent on <u>non</u> -moveable infrastructure assets.<br>(e) In order to finance investment preparation and implementation costs, MAs shall be permitted to spend part of their UDG allocations on the design, costing and supervision of investment projects. |  |
| <b>B. NON-ELIGIBLE INVESTMENTS &amp; EXPENDITURES</b>   |  |
| a) Any investment projects that trigger World Bank Safeguards Category A.<br>b) Any investments that should be financed out of non-public resources<br>c) The following types of public investment: <ul style="list-style-type: none"> <li>a. Vehicles</li> </ul>   |  |

|    |   |
|----|---|
| b. | Schools or educational facilities   |
| c. | Public health facilities of any kind  |
| d. | Agricultural/livestock/fisheries/forestry facilities or inputs                              |
| e. | Office buildings.   |
| f. | Police stations   |
| d) | More than 10 percent of the UDG is to be spent on moveable assets (for example, equipment). |

76. **The above list of indicative eligible investments is not intended to be exhaustive.** MAs will have discretion to finance other types of investment, provided that these do not include items on the non-eligible list. A full and exhaustive UDG investment menu will be included in the Program Operations Manual.

### *Release*

77. **UDGs will be released to MAs by the Ministry of Finance in a single tranche, at the beginning of the financial year.** This will ensure that MAs have the necessary liquidity to implement urban investments on a timely and effective basis.

### **MA assessment process**

78. **The assessment of eligible MAs will take place on an annual basis.** This will be supplementary to the DPAT/RFG annual assessments and will be undertaken by a consultancy firm with the profile necessary to assess urban management and infrastructure/service delivery Performance Benchmarks. Responsibility for undertaking both the DPAT/RFG and UDG assessments lies with MLGRD and is described under the national window sub-section of this document.

79. **The annual assessment under the Program will begin in May of every year with internal assessments by the MAs themselves.** This internal assessment should be completed no later than June every year. The internal assessment is intended to allow each MA to do internal evaluation and address any gaps in preparation for the assessments by an independent verification agency (IVA). IVA will begin its assessment in July and complete it by September. Quality assurance review (QAR) by a World Bank QAR consultant to validate the IVA results and verification by the IMCC Steering Committee will be done during September and the final World Bank agreement will be provided by October. This should allow the MoF, through the national budget process, to capture the Program funds in the national budget for the following FY beginning January. The performance assessment results of the MAs in the previous FY will impact Program allocations in the following FY. E.g. the assessment to be conducted in FY2018 will inform Program fund allocation and disbursement in FY2019. The table below provides the summary of the timeline for the Program assessment process, whereby the results will fit into the MAs annual planning and budgeting cycle. However, in the first two years, there will be a phasing in of the Program assessment and the timing in the first year will be impacted by the startup of the Program.

Table 20: Annual Assessment Timeline

| Activity   | Timing   | Responsibility  |
|--|--|---|
| Internal assessments   | Undertaken continuously but no later than end June before the IVA assessment by July | MAs with support from RCCs  |
| Information to municipalities about the assessments  | 1 week before the NAT –i.e. September  | MoLHUD/PST  |
| NAT – Assessments  | July - September   | Contracted out by MLGRD to IVAs (firms)<br>Reports send to MLGRD and the World Bank by September for review |
| IMCC Steering Committee decision after quality assurance and review  | October  | IMMC Steering Committee and DPs as observers  |
| Final endorsement of results (after review by the World Bank) and communication of results to MoFPED and the MAs | October  | MLGRD   |
| Inclusion of the figures in the national budget  | October  | MoF   |
| Dissemination of results to the public   | October  | MLGRD and the MAs   |

## REGIONAL WINDOW

80. **Regional Coordination Councils have important functions with respect to MMDAs within their regional jurisdictions:** (a) monitoring, coordinating and evaluating MMDA performance; and (b) mentoring and backstopping of MMDAs. Under the proposed Program, RCCs will be expected to provide such support for and with respect to all Municipal Assemblies, in general, and assist eligible MAs, in particular, in meeting Performance Benchmarks. Specific examples of the areas for which RCCs will be expected to provide support to MAs include:

- civil engineering and public works (including roads and drainage): technical design, supervision, quality assurance, etc.
- maintenance: identification of maintenance needs, maintenance planning, etc.
- spatial planning and development control
- property valuations and cadastral activities
- mapping
- procurement
- solid waste management and sanitation
- local economic development

81. **GSCSP's regional window will provide funding to all 10 Regional Coordinating Councils (RCCs) in the country,** in order that they are able to monitor, coordinate and support MAs in their respective regions. Table 21 below shows the ten RCCs and indicates how many MAs are in their jurisdictions and, of these, how many are UDG-eligible.

Table 21: RCCs and MAs

| No.           | Region        | No. MAs    | No. of UDG eligible MAs |
|---------------|---------------|------------|-------------------------|
| 1             | Greater Accra | 20         | -                       |
| 2             | Ashanti       | 18         | 4                       |
| 3             | Brong Ahafo   | 12         | 3                       |
| 4             | Central       | 7          | 3                       |
| 5             | Eastern       | 13         | 4                       |
| 6             | Volta         | 8          | 1                       |
| 7             | Western       | 11         | 1                       |
| 8             | Northern      | 8          | 1                       |
| 9             | Upper East    | 3          | 1                       |
| 10            | Upper West    | 4          | 1                       |
| <b>Totals</b> |               | <b>104</b> | <b>19</b>               |

82. **Subject to compliance with MCs, each RCC will be able to access an annual grant set at a flat rate of US\$ 60,000 per RCC and made available for five years.** In total, each RCC would be able to benefit from a total of US\$ 300,000 for the Program period. RCCs need to comply with the MCs indicated in the table below. MC compliance will be assessed on an annual basis by an independent consultancy firm, procured and supervised by MLGRD.

Table 22: RCC annual grants – Minimum Conditions

| Minimum Condition  | Indicator   |
|--|---|
| <b>MC1:</b><br>Annual work plan with M&E and support activities for MAs            | RCC annual workplan <sup>45</sup> which includes monitoring and capacity building activities for MAs                            |
| <b>MC2:</b><br><u>From Year 2 onwards:</u><br>Regular reporting to MLGRD and OHLGS | <u>From Year 2 onwards:</u><br>RCC submit quarterly M&E reports and annual progress report to OHLGS and MLGRD on a timely basis |

83. **RCCs will be able to use these grants to finance a wide range of capacity development initiatives and expenditure items.** In particular, the grant will be used to finance activities for monitoring, technical back-up support to MAs and to obtain goods/services that strengthen RCC capabilities to deliver their functions with respect to MAs. However, certain categories of expenditure will not be permitted. Table 23 below indicates both eligible and non-eligible expenditures.

Table 23: eligible and non-eligible expenditure for RCC grants

<sup>45</sup> The Program Operations Manual will provide RCCs with a standard workplan template.

| <b>A. ELIGIBLE EXPENDITURES</b>   |   |
|---|---|
| <b>Functional area</b>  | <b>Indicative expenditures</b>  |
| <b>1. Monitoring &amp; evaluation of MAs</b>  | <ul style="list-style-type: none"> <li>• Travel-related costs within the Region</li> <li>• Communications costs within the Region</li> </ul>  |
| <b>2. Backstopping and mentoring for MAs</b>  | <ul style="list-style-type: none"> <li>• On-the-job advisory services to assist MAs in preparing for annual DPAT assessments</li> <li>• Workshops and consultative meetings between MAs and RCC</li> <li>• Travel-related costs within the Region</li> <li>• Communications costs within the Region</li> </ul>                  |
| <b>3. Technical support for MAs</b>   | <ul style="list-style-type: none"> <li>• Costs related to spatial planning</li> <li>• Costs related to GIS support to MAs (including ICT equipment)</li> <li>• Costs related to hiring of specialist consultants</li> <li>• Travel-related costs within the Region</li> <li>• Communications costs within the Region</li> </ul> |
| <b>4. Other</b>   | <ul style="list-style-type: none"> <li>• Training for MAs</li> </ul>  |
| <b>General</b>  |   |
| <ul style="list-style-type: none"> <li>• A maximum of 20% of RCC annual allocations can be used to finance the purchase of IT equipment</li> </ul>  |   |
| <b>B. NON-ELIGIBLE EXPENDITURES</b>   |   |
| <ul style="list-style-type: none"> <li>e) Means of transport (vehicles, motorcycles)</li> <li>f) International travel and associated costs</li> <li>g) Long term training costs (for example, university degree programs)</li> <li>h) Recurrent administrative costs (for example, salaries, utilities, regular office supplies)</li> </ul> |   |

84. RCC grants will be disbursed (in a single tranche) at the beginning of each year.

## **NATIONAL WINDOW**

85. **At the national level, the proposed Program will provide support to MLGRD and to OHLGS in order to undertake a number of key activities related to MAs.** These activities will be financed through three DLIs.

86. **MLGRD will be responsible for ensuring that DPAT and UDG annual assessments are carried out.** Both of these MMDA performance assessments are fundamental to GSCSP and will determine the level of funding that will be provided to eligible MAs. MLGRD will procure the services of independent consulting firms (IVAs) for both assessments, using GoG procurement procedures.

87. **MLGRD will also be responsible for coordinating MDA policy and technical support to MAs and for providing MAs and RCCs with national level backstopping and capacity development support.** This will require that MLGRD coordinates support from national level ministries and agencies, and establishes an annual work plan for the deployment of such support. Key national level MDAs from whom support will be required include: the Ministry of Finance (FDU and other departments), the Local Government Service (LGS), the Land Use & Spatial Planning Authority (LUSPA), the Environmental Protection Agency (EPA), and the Land Valuation Board (LVB).

88. **Finally, MLGRD will be the Program manager, responsible for monitoring, evaluation and reporting.**

89. **The Office of the Head of Local Government Services (OHLGS) will be expected to provide MAs with training and capacity support services.** This will include basic training in general local government procedures, but will also cover more specialized and specific areas – such as improved revenue administration, computerization and the use of ICT, monitoring of municipal services, local economic development.

90. **In addition, OHLGS will be responsible for ensuring that key staff are in place in MAs and RCCs.** The following table lists the key staff at each level.

Table 24: key staffing positions in RCCs and MAs

| Regional Coordinating Councils  | Municipal Assemblies                             |
|---------------------------------|--|
| Regional Planning Officer       | Municipal Coordinating Director                  |
| Regional Finance Officer        | Municipal Planning Officer                       |
| Regional Budget Officer         | Municipal Finance Officer                        |
| Regional Internal Auditor       | Municipal Budget Analyst                         |
| Director, Public Works          | Municipal Internal Audit Officer                 |
| Director, Community Development | Municipal Works Engineer                         |
| Director, Social Welfare        | Municipal Physical Planning Officer              |
|                                 | Municipal Procurement Officer                    |
|                                 | Environmental & Social Safeguards Focal Person   |
|                                 | Client Service Officer                           |
|                                 | Social Welfare and Community Development Officer |

## D. Choice of Instrument

91. The rationale for using the P-for-R instrument as the financing modality for the proposed Program is strong and compelling.

92. **Firstly, the proposed Program will be financing grants to urban local governments within the context of a national fiscal framework.** CSGs and UDGs, earmarked for urban institutional and infrastructure development, will be part of the overall system of inter-governmental fiscal transfers in Ghana, complementary to core allocations from the DACF. Rather than funding CSGs and UDGs as stand-alone grants (as would be the case under IPF modalities), it makes far more sense – from the outset – to integrate them as far as possible into the existing architecture of local government grants. This strengthens existing systems and procedures, keeps Program-specific transaction costs (for both national and sub-national stakeholders) to a minimum, and is institutionally sustainable. Hence, the preferred use of the P-for-R instrument, which uses country systems and embeds Program finance in existing government fund flows.

93. **Secondly, the Program is premised on results-based institutional performance at all levels (local, regional and national).** Delivering the PDO depends as much (if not more) on all stakeholders meeting benchmarks and achieving results together and on a timely basis, as it does on providing inputs. Incentives for all levels of government to deliver on their mandates are

integral to the Program's design, and DLIs will provide incentives for all three levels of government concurrently to improve urban governance and basic service delivery. LGCSP and other DPs investment have established a strong foundation for P-for-R modalities, by entrenching a culture of performance based access to development funds and strengthening the country's intergovernmental fiscal transfer system.

94. **Thirdly, by using the P-for-R instrument, the proposed operation will improve and integrate systems across three tiers of government, including public financial management, social and environmental management, and procurement.** The Program explicitly aims to strengthen existing country systems – both through using them and in identifying areas where they need to be upgraded or made more robust. For example, Program-financed grants for MAs will be made on the basis of performance – measured partly through Ghana's well-established annual FOAT assessments, which measure the performance of all MMDAs against a range of core institutional indicators (or MCs and PMs). FOAT assessments, however, need to be more rigorous and stringent so as to incentivize improvements in local government PFM, procurement, etc. The Program not only includes the upgrading of FOAT processes, but also anchors its grant facility in them. As a P-for-R, the proposed operation is suitably equipped to leverage such improvements across country systems.

95. **Fourthly, the proposed Program builds on the Bank's cumulative experience of financing and strengthening local government and urban development through the use of P-for-R instruments.** Bank-financed urban operations in several other countries (Tanzania, Uganda, Kenya, Ethiopia, Tunisia) have adopted P-for-R modalities with considerable success – as measured in terms of results, as well as disbursements. The use of the P-for-R instrument allows such operations to focus on and strengthen institutional performance, rather than on input control and management. The outcomes have been positive.



## E. Program DLIs

96. All Program funding (US\$100 million) will be disbursed through a set of DLIs (summarized in the table 25 below).

Table 25: GSCSP Disbursement-Linked Indicators

| Program Window | DLI   | Amount (US\$ millions) | Expenditure Budget Line                    |
|----------------|---|------------------------|--|
| Local          | <b>DLI1:</b> No. of MAs that qualify for Capacity Support Grants              | 3.0                    | MAs  |
|                | <b>DLI2:</b> MAs with adequate institutional performance (as per DPAT scores) | 32.8                   | MAs  |
|                | <b>DLI3:</b> MA scores on urban management benchmarks                         | 41.7                   | MAs  |
|                | <b>DLI4:</b> MA delivery of urban infrastructure/services                     | 12.5                   | MAs  |
| Regional       | <b>DLI5:</b> RCCs provide monitoring and technical support to MAs             | 3.0                    | RCCs                                       |
| National       | <b>DLI6:</b> Timely annual DPAT assessment                                    | 2.5                    | MLGRD                                      |
|                | <b>DLI7:</b> National support to MAs by MLGRD/MDAs                            | 2.5                    | MLGRD<br>LUSPA<br>EPA<br>LVB<br>Other MDAs |
|                | <b>DLI8:</b> Core RCC and MA staffing, and capacity support (OHLGS)           | 2.0                    | OHLGS                                      |
| <b>Total</b>   |   | 100.0                  |  |

### Local window

97. Funds for GSCSP's local window will be disbursed so as to finance annual Capacity Support Grants (CSGs) and annual Urban Development Grants (UDGs), allocated to qualifying Municipal Assemblies for the purposes of institutional, capacity and infrastructure development. Both types of grant will be determined on the basis of annual performance assessments (APAs).

98. **DLI1:** number of MAs that qualify for Capacity Support Grants – annual performance assessments will identify those MAs that comply with the Minimum Conditions for CSGs. Compliance will signal MA engagement with the Program, commitment to an urban development agenda and (in subsequent years) CSG spending that is in accordance with the Program's eligible expenditure menu.

99. **DLI2:** MAs with adequate institutional performance (as per DPAT scores) – annual DPAT assessments will indicate which of the eligible MAs have scored at least the national average

DPAT performance score. These MAs will qualify for 20% of their maximum annual UDG allocations.

100. **DLI3:** MA scores on urban management benchmarks – annual performance assessments will identify those MAs that comply with UDG Minimum Conditions and, thereafter, the extent to which they have achieved urban management Performance Benchmarks. Complying with UDG Minimum Conditions will incentivize MAs to obtain higher than average DPAT performance scores, thus indicating that their implementation of core management and institutional functions is above par. Achieving Performance Benchmarks will require MAs to improve their capabilities as urban managers.

101. **DLI4:** MA delivery of urban infrastructure/services – annual performance assessments (from year 2 onwards) will assess the quality of the infrastructure delivered by MAs and financed out of their UDG allocations. Higher scores in this area will signal better MA performance.

### **Regional window**

102. **DLI5:** RCCs provide monitoring and technical support to MAs – annual performance assessments will evaluate the extent to which RCCs have: (a) provided MAs within their respective regions with capacity building support; and (b) provided adequate monitoring of and reporting on MAs.

### **National window**

103. National window DLIs are intended to provide incentives for national stakeholders to undertake key Program functions on a timely basis and to ensure that MAs receive the support that they need in order to conduct local-level activities.

104. **DLI6:** Timely annual DPAT assessments – annual DPAT assessments need to take place well ahead of the following FY, such that results and grant outcomes (in terms of MA qualification and grant allocations) are properly budgeted for at national and sub-national levels. Meeting this DLI will be the responsibility of MLGRD.

105. **DLI7:** National support to MAs by MLGRD/MDAs – this DLI will incentivize MDAs to coordinate and deploy their technical support to MAs.

106. **DLI8:** Core RCC and MA staffing, and capacity support (OHLGS) – this DLI will provide incentives to OHLGS to: (a) ensure that key RCC and MA staff are in position; and (b) provide MAs and RCCs with the capacity building support needed for them to perform as well as possible.

107. **Taken together, these eight DLIs provide incentives for both national and sub-national stakeholders to collectively deliver the Program’s development objective of improved urban governance and urban service delivery.**

108. **Verification protocols for the Disbursed Link Results (DLRs):** an independent verification agent (IVA) – third party private firms - will be hired by MLGRD on a multi-year

basis (at least two years consistent with audit practices) to verify results achieved under the Program. The World Bank will retain the right to make any final decisions as to whether a DLI has been achieved. For purposes of final verification, the World Bank will hire an independent quality assurance review (QAR) consultant who will review the IVA reports and the DLRs achievement. Details of the DLIs and the verification protocol are provided in Annex 1 of this document. The summary of the verification protocol steps for the DLIs is presented below.

- (i) An annual assessment will be commissioned by MLGRD and will be undertaken by a reputable independent third-party firm. MLGRD will ensure that the terms of reference for this firm are satisfactory to the Bank. The annual performance assessment will (i) confirm MAs' meeting the requirements to access the CSG under the program, (ii) measure the performance of each Program MA against the Program's minimum conditions (DPAT national average score), and urban performance benchmarks; (iii) measure the RCC implementation of its annual plan<sup>46</sup> to back-stop and build capacity of MAs and to support the Program objectives; (iv) assess the timeliness of the APA by MLGRD and timely release of resources to MAs, and measure the progress of implementation of the MLGRD/MDAs annual Program work plan; and (v) confirm that OHLGS has posted the key and core staff both at RCCs and MAs and measure the progress of implementation of OHLGS annual Program work plan to support RCCs and MAs. On the basis of the assessment findings, the firm will assign a score to each MA, RCC, MLGRD and OHLGS and calculate the allocation to each as per formula in the Bank Disbursement Table, and provide the aggregate disbursement amount along with the consolidated full assessment report and its findings simultaneously to GoG and the Bank for review;
- (ii) The IVA will submit the draft report simultaneously to the independent quality assurance review (QAR) consultant hired by the Bank and Steering Committee of the IMCC to verify that the assessment results are accurate and the disbursement from the central government to MAs, RCCs, MLGRD/OHLGS of Program funds in the last fiscal year has been done on time (starting with the second disbursement of Program duration). The Bank QAR consultant and the Steering Committee of IMCC will review the assessment results for clear and indisputable errors;
- (iii) As part of implementation support, the Bank will review the assessment results, the allocation amount and will ensure that there was timely disbursement of Program funds in the previous year. Bank's final review will prevail in the case of any disputes. The three levels of reviews (bank's independent QAR consultant, steering committee of the IMCC, and the Bank task team) will ensure transparency of the IVAs' results.

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<sup>46</sup> Among other things, the RCCs plan will specify the activity, its objective, the resources assigned and the implementation timeline.

## II. ASSESSMENT OF PROGRAM STRATEGIC RELEVANCE AND TECHNICAL SOUNDNESS

### A. Strategic relevance

109. **The proposed Program is strategically relevant to Ghana’s wider development trajectory, to its urbanization process and to its national decentralization policy.** By targeting institutional and infrastructure development in Ghana’s emerging or secondary cities, the Program is directly addressing some important developmental challenges and, at the same time, assisting in the implementation of the Government’s decentralization and urban development policies.

110. **GSCSP will assist city governments in seizing the opportunities and in facing the challenges. By promoting pro-active and more effective city management, GSCSP is of considerable strategic relevance.** Ghana’s long-established process of urbanization has been largely uninterrupted and has resulted in more than half of today’s population living in cities and towns. By 2030, two thirds of Ghanaians will live and work in urban areas. Urbanization is both an opportunity and a challenge: an opportunity to reap the growth-associated and poverty reduction benefits of agglomeration economies and, at the same time, a challenge in meeting growing demand for urban services and the need to foster vibrant urban economies that generate employment opportunities for a growing population.

111. **The proposed Program is also relevant to Ghana’s stage in urban development, in the sense that it invests (both institutionally and financially) in second-order cities, rather than in the largest metropolitan areas.** Secondary cities have a key role to play in the urban economic hierarchy – as administrative centres, as incubators for small business development, and as important nodal points in a system of rural-urban linkages. At the same time, there are signs that poverty levels are rising in secondary cities and that economic growth and basic services have not been able to keep pace with their growing populations.

112. **Somewhat curiously, urban management in Ghana is weak and under-stated.** Although Ghana is more urbanized than many of its peers in the developing world and has consistently pursued a forward-looking decentralization agenda for over two decades, there is little in the way of progressive or pro-active city management. Spatial (or town) planning enjoys a much lower profile in Ghana than in many other countries. There is, as yet, no Ghanaian Ministry that is overtly responsible for urban development.<sup>47</sup> In a country where over half the population lives in urban areas, this is incongruous. Local governments (MMDAs), even in very urban areas and despite their municipal or metropolitan designations, tend to under-play their role as “municipal” managers. The proposed Program, which adopts an explicitly “urbanist” perspective in its approach, seeks to rebalance this and provide an impetus to city management.

113. **While infrastructure is a key element in urban development, financing for infrastructure is woefully inadequate in most developing countries. Ghana is no exception.** MMAs currently do not have enough financial resources to invest in much-needed infrastructure,

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<sup>47</sup> Strikingly, urban development is part of the remit of the Ministry of Local Government and Rural Development.

or to finance upgrades in or maintenance of existing infrastructure; own-source revenues are limited and existing inter-governmental transfers are insufficient to finance major investments in urban infrastructure. For the time being and for a variety of reasons, private sector investment in public infrastructure is not a scalable option in Ghana; nor is municipal borrowing. The proposed Program will provide eligible MAs with access to a significantly larger quantum of resources with which to finance much-needed urban infrastructure.

**114. The proposed Program is also relevant to national policies.** It directly supports implementation of the National Decentralization Policy Framework (NDPF) and its associated action plan, as well as implementation of the National Urban Policy Framework (NUPF). In both cases, GSCSP will bring added value and play a role in advancing the Government's agenda.

**115. The proposed Ghana Secondary Cities Support Program (GSCSP) will support the objectives of the Bank's Ghana Country Partnership Framework (CPF).** The current CPF (2013 – 2017) has elapsed and a new one is under preparation. The elapsed CPF had three strategic focus areas: (i) improving economic institutions; (ii) improving competitiveness and job creation; and (iii) protecting the poor and vulnerable. The proposed GSCSP supports all three focus areas. The GSCSP's fundamental objectives and funding directly target the strengthening of urban governance and management systems and financing urban infrastructure and services. Together, these meet the pressing needs of urbanized and urbanizing cities, improve the quality of lives for urban residents, the poor and vulnerable, and promote economic development through increased access to services such as drainage, roads, sanitation and solid waste management. The program also supports job creation and local economic development through creating an enabling environment for business, promoting public private dialogues, and providing economic infrastructure such as markets.

**116. The WBG's knowledge agenda, as envisioned during the just concluded CPS, has played a critical role in informing the design of this proposed operation.** Analytical works/studies conducted includes (i) Ghana Urbanization Review (2015); (ii) Urban Development and Infrastructure (Municipal) Financing (2016); (iii) Metropolitan Management in Greater Accra (2016), (iv) Enhancing Urban Resilience in Accra (2017); (v) District annual performance assessment using the District Performance Assessment Tool (DPAT), which is the successor to the Functional Organization Assessment Tool (FOAT), to inform disbursements to participating municipal LGs under the DACF performance responsiveness window.

## **B. Technical soundness**

**117. Overall, the proposed Program is assessed to be technically sound, based on solid principles and grounded in good practice.** The technical soundness of each of the three windows (local, regional and national) in the proposed Program

### **Local window**

#### **Eligibility criteria and the universe of eligible ULGs**

118. **The proposed Program includes 19 Municipal Assemblies with a population of at least 100,000 and for which the population is at least 60% urban.** This represents a sub-set of the larger universe of urban local governments in Ghana – which includes 6 Metropolitan Assemblies and a total of 104 Municipal Assemblies. The selection of a sub-set of MAs as eligible for Program support is based on a number of key considerations.

119. **Firstly, Metropolitan Assemblies (and metro-sized Municipal Assemblies) are excluded** for the following reasons:

- (a) Size and scale of investment financing needs: Ghana's Metros are large urban areas in terms of both population<sup>48</sup> and area. In order to have a significant impact on their urban development, they probably require investment financing well in excess of what can be made available through the current IDA credit. Including the six Metros and larger MAs in the Program would not provide them with adequate resources to genuinely address their infrastructure and urban development challenges. At the same time, inclusion of the Metros and larger MAs in the Program and providing them with UDGs would substantially reduce the funding available for other urban local governments, and thus significantly dilute potential development impact in such secondary urban areas.
- (b) Incentives and performance: if the Metros and larger MAs were to be included in the Program in order to support institutional and capacity development among them, it is clear that the level of financing available (in the form of UDGs) would be unlikely to incentivize performance improvements. Metros and larger MAs have access to considerable own-source revenues and are thus less motivated in responding to the modest performance incentives provided by UDGs.<sup>49</sup>
- (c) Other programs: finally, some of the six Metros are already (or will be) included in large externally-financed programs and projects. For example, GUMPP (financed by AFD to the tune of just over €40 million) covers four urban local governments, including Kumasi, Tamale and Sekondi-Takoradi Metros. The World Bank is also in the process of preparing a US\$100 million urban resilience project which will largely benefit Accra Metropolitan Assembly. Given that other programs and projects are (or will be) benefitting Metros, their non-inclusion in the proposed Program appears justified.

120. **Secondly, the Program excludes all MAs in the Greater Accra Region: the rationale underlying this exclusion is that the Greater Accra Region is already the beneficiary of several significant World Bank funded programs:** (a) the Greater Accra Metropolitan Area Sanitation and Water Project (US\$150 million); (b) the Greater Accra Clean, Resilient and Inclusive Development (GARID) Project (US\$150 million).

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<sup>48</sup> The six Metropolitan Assemblies together have a population of over 4.6 million or roughly 40% of the total population of all MMAs.

<sup>49</sup> This has certainly been the experience in LGCSP, where the performance of Metros has – on average – been sub-average.

121. **Thirdly, the use of the population size criterion (> 100,000) to define the eligible universe of MAs ensures that Program support is provided to ULG jurisdictions that exceed the minimum population threshold (95,000) for MAs provided for in the Local Governance Act) for establishing MAs.** For a variety of reasons, Ghana’s decentralization process has been characterized by a progressive multiplication of LG jurisdictions. National policy has identified this as highly problematic: the NDPF explicitly recognizes the issue<sup>50</sup> and commits itself (in the NDAP) to ensuring strict compliance with the minimum population threshold criterion and to freezing the creation of new LGs as of 2020. The proposed Program’s application of the LG Act’s minimum population threshold is thus fully consistent with national policy. In addition to its policy coherence, the proposed Program’s use of a minimum population threshold also focuses GSCSP’s resources on larger urban areas, which play a crucial role in driving overall economic growth in Ghana.

122. **Fourthly, the urbanization criterion (population > 60% urban) is used for defining the universe of eligible MAs to ensure that a majority of MA residents are, in fact, urban residents and that the Program is thus effectively targeting urban development.** It is also used to ensure that eligible MAs are more urbanized than the national urbanization rate (around 52%) and more urbanized than the average MA (outside of Greater Accra). In Ghana, a good number of MAs are – despite their municipal status – best described as large rural districts with one or two medium-sized administrative and commercial towns. The existing 84 MAs in Regions other than Greater Accra have a total population of around 11.6 million – of which about 40% are categorized as rural residents. The population of some large MAs is actually predominantly rural: for example, nearly 80% of East Gonja’s total population of 198,000 is classified as rural. By defining its universe of eligible MAs as those that are at least 60% urban, GSCSP ensures that the most urbanized ULGs (rather than the largely rural MAs) are included.

123. **Fifthly, the “equal spread” criterion, such that at least one MA in each of the nine Regions is included in the Program, is intended to ensure equitable national coverage and buy-in from national political stakeholders.** This does dilute the logic of urban economic geography, but only to a very limited degree.

### **Grant allocations to MAs**

124. **GSCSP intends to provide eligible MAs with access to two types of grant: Capacity Support Grants (CSGs) and Urban Development Grants (UDGs).** Given the inherent limitations imposed by the Program’s overall budget ceiling, the calibration of both CSGs and UDGs appears to be technically sound.

125. **CSGs are likely to be fit for purpose.** CSGs have been set at US\$50,000 per annum per qualifying MA, to be disbursed over three years. Each qualifying MA would thus be able to access

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<sup>50</sup> “The number of districts and District Assemblies (216) is considered to be unwieldy and it is the belief that the maximum number of districts should be capped. The proponents of this view do not accept the fact that the new formula for the creation of districts in the Decentralized Local Governance Bill will make it very difficult for new districts to be created. Some go as far as to demand a political commitment from all registered political parties that no new districts will be created after the 2020 National Population and Housing Census.” (NDPF 2015-19).

US\$150,000 to finance a range of capacity and institutional development initiatives; in total, the proposed Program allocates US\$3.0 million to the CSG funding pool. These CSG allocations should be sufficient to ensure that qualifying MAs are able to finance useful activities. LGCSP (GSCSP's predecessor operation) allocated a total of US\$5.7 million (to about 40 MMAs over a period of four years) to finance a large and varied range of capacity building actions.<sup>51</sup> GSCSP's proposed CSG allocations (US\$3.0 million) should thus be sufficient to allow 19 eligible MAs to undertake more intensive and more urban-focused capacity development initiatives. CSGs will be allocated to qualifying MAs on an equal shares basis, rather than on the basis of a more complex formula. This is consistent with the "equality" of MA functional mandates as well as with the relative cost inelasticity associated with the financing of capacity development activities.

**126. The size of UDG allocations to qualifying MAs – which are set on the basis of a maximum of US\$15 per annum per urban capita – is consistent with other World Bank financed operations.** The Kenya Urban Support Program (KUSP) is providing county governments with capital grants for urban development that amount to a maximum of US\$20/year per urban capita. In Ethiopia, the Urban Institutional and Infrastructure Development Program (UIIDP) and its precursors have provided grants to urban local governments averaging about US\$16 per capita. Finally, the Uganda Support to Municipal Infrastructure Development (USMID) provided grants of US\$18-26 per capita during its first phase; USMID's extension (through additional financing) will provide between US\$26-48 per capita.

**127. The allocation of UDGs to eligible MAs is based on a simple but transparent formula.** Eligible MAs will be provided with a maximum annual allocation based on the size of their urban populations, a well-recognized and widely-used proxy for urban service delivery needs. No other criteria (such as relative poverty or existing infrastructure endowments) will be included in the formula, largely because data for these is either non-existent or difficult to disaggregate in terms of urban/rural divides at the MA level.

**128. The use of urban (rather than both urban and rural) per capita amounts as the basis for UDG allocations is consistent with the UDG investment menu, which is concentrated on urban infrastructure items and with the need to take into account significant differences in the extent to which eligible MAs are urbanized.** At one extreme are those MAs that are 100% urban; at the other extreme are those MAs that are only 60% urbanized. Basing grant allocations on the size of urban populations calibrates urban infrastructure and service delivery needs with the amounts made available to meet some of those needs.

**129. The population data used for calculating UDG allocations is derived from the 2010 national population & housing census, updated (for 2018) to take into account jurisdictional changes by the Ghana Statistical Service.** These are official Government statistics.

**130. On the basis of a per urban capita annual allocation of US\$15.0, the total and maximum annual UDG funding pool for all eligible MAs is fixed at around US\$37.99 million.**<sup>52</sup> This is indicative and pre-determined. An advantage of this up-front allocation is that it

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<sup>51</sup> Including street naming/addressing, revenue improvement plans, property revaluations, and strengthened asset management.

<sup>52</sup> This is the maximum amount that will be disbursed to MAs in a year.



provides participating MAs with a highly stable and predictable resource stream, subject only to their own performance as assessed in the AMPAs. This stability should facilitate annual planning and budgeting by MAs.

**131. Evidence from LGCSP indicates that the proposed GSCSP level of per capita funding (US\$15.0) is within the absorptive capacity of MAs.** Over a period of four years (2012-2016), participating MMAs have been able to finance over 800 investment projects, of which almost 90% had been completed by January 2017. Annual per urban capita grant allocations from LGCSP for these MMAs began at a relatively modest US\$2.0 in 2012, but rose to around US\$5.0-6.0 by 2016. Given that the proposed Program will be building upon MA capabilities that have been enhanced by LGCSP and that GSCSP will be focusing on larger MAs, UDG allocations would appear to be commensurate with the absorptive capacities of qualifying MAs.

**132. UDGs are also large enough to enable qualifying MAs to make important infrastructure investments in their urban jurisdictions.** The smallest (maximum) annual UDG allocation (to East Akim MA) is around US\$1.83 million and the largest (to Suame MA) is around US\$2.87 million. These are significantly larger than the UDG allocations made under LGCSP, through which participating MMAs were able to deliver between 150-250 investment projects every year.

**133. At the same time, the amounts allocated through the proposed Program will be sufficiently large to provide real fiscal incentives for improvements in MA performance.** As shown in table 26 below, total MA revenues in 2016 (including IGF and all grants other than LGCSP UDGs) amounted to about US\$12 per capita (for total population). Through the proposed Program, MAs will be able to roughly double their total annual budgets, if they comply with MCs and attain a maximum score with respect to Performance Benchmarks. Relative to current revenues, the level of effort required to comply with Minimum Conditions and meet Performance Benchmarks should be more than compensated for by UDGs.

Table 26: MA revenues in 2016 (56 MAs, excluding LGCSP grants)

| Measure             | Revenues   |            |            |               |            |             |
|---------------------|------------|------------|------------|---------------|------------|-------------|
|                     | IGF        | DACF       | DDF        | GoG transfers | Others     | Totals      |
| Aggregates          | 91,563,643 | 30,108,485 | 32,648,794 | 71,665,345    | 35,145,605 | 361,131,871 |
| % of total revenues | 25.4%      | 36.0%      | 9.0%       | 19.8%         | 9.7%       | 100.0%      |
| Per capita          | 12.4       | 17.6       | 4.4        | 9.7           | 4.8        | 49.0        |
| Per urban capita    | 18.9       | 26.9       | 6.8        | 14.8          | 7.3        | 74.7        |

**134. MA own-source revenues (IGFs) currently account for about 25% of total MA revenues.** To maintain this relative level at the same time as receiving substantial UDGs through the proposed Program, MAs will need to double the amounts collected over a period of 5 years. This will be a challenge and will require year-on-year increases of 20% in IGF revenues. UDG incentives for increased fiscal effort and CSG-financed activities aimed at improving revenue administration should help MAs to increase IGFs.

135. In summary, UDGs are:

- Commensurate with the need for urban investment funding. The size of the grant funding pool results in grants that are large enough to support urban investments of adequate size to be visible and support meaningful urban transformation.
- Unlikely to create an excessive long-run recurrent burden for MAs or create problems with MA absorptive capacity.
- Large enough to provide an incentive to MAs to meet Minimum Conditions and improve their implementation of urban management functions.
- Within the resource envelope of the IDA credit (US\$100 million for five years) made available for the Program.

### **Performance-based grant modalities**

136. **The performance-based modalities underlying CSGs and UDGs are grounded in well-established practice (in many other urban support operations) but have been adapted to the particular context of Ghana and GSCSP's specific objectives and, moreover, are familiar to the national government and to MMDAs.** The proposed Program, like its predecessor, will disburse grants to eligible MAs subject to their compliance with Minimum Conditions and as a function of their urban development and management performance. As and when MAs meet Performance Benchmarks and thus score higher, they will receive larger UDGs. This performance-based grant modality is widely used in many countries, including Ghana – where it has underpinned the allocation of DACF/DDF grants since 2008 (and will be a part of the “responsiveness” component of the DACF’s regular annual transfers to MMDAs), as well as the Urban Development Grants financed through LGCSP.

137. The key differences between the proposed performance-based grant system and similar systems in other urban operations are: (a) the extent to which GSCSP’s uses and relies on the national DPAT system to incentivize improvements in core institutional performance (PFM, human resource management, governance, etc.); and (b) the explicitly urban focus of GSCSP’s Performance Benchmarks.

### ***MMDA performance assessments***

138. **In order to access their UDG allocations, MAs need, first of all, to qualify for their basic RFGs from the DACF.** Qualification for their RFG grants is contingent upon MAs (like all other local governments) complying with DPAT Minimum Conditions; the size of DFF allocations is then determined by DPAT performance scores. In order to qualify UDGs from the proposed Program, MAs must not only qualify for their DDF allocations but also attain a FOAT performance score that is greater than the average performance score of all MMDAs. In other words, eligible MAs that qualify for UDGs will – in principle – be among the better performing local governments in Ghana (as measured by the annual DPAT assessments). LGCSP used the same principle in order to qualify MMAs.

139. **In relying on DPAT assessments as part of the UDG qualification process, GSCSP assumes that the DPAT process is: (a) reasonably stringent; and (b) does, indeed, incentivize**

**substantive improvements in key/appropriate performance areas.** Recent external and internal reviews indicate that the FOAT/DPAT system does need to be revised so as to “... provide a sufficiently nuanced assessment of MMDAs that would allow categorization of MMDAs into relative[ly] well performing and below average performing MMDAs (rather than result in a scoring where all MMDAs receive close to perfect scores)”.<sup>53</sup> In addition, the DPAT assessment methodology should widen and deepen aspects of MMDA performance in a number of areas, notably with respect to public financial management, own-source revenue administration and mobilization, governance and social/environmental management. Making the DPAT assessment process more robust and stringent will: (a) incentivize substantive improvements in performance across the entire local government spectrum; and (b) ensure that only genuinely high performance (and “lowest risk”) MAs qualify for GSCSP grants. Strengthening and upgrading the DPAT system is thus an important (and required) prelude to implementation of the proposed Program.

140. **In addition, the FOAT/DPAT assessment process has suffered from uncertainties and delays.** Since 2008, when FOAT assessments first started, there have been two years (2011 and 2015) when no assessments took place due to funding constraints. MLGRD’s DDF Secretariat, which is responsible for overseeing and coordinating FOAT assessments, has relied on external donor funding to finance annual assessments; when this funding (for whatever reason) is not secured, assessments do not take place. Furthermore, annual FOAT assessments have often not been synchronized with the budget process, resulting in ad hoc DDF releases, disruptions to the regular annual planning/budgeting process in MMDAs, and DDF allocations that have been a reflection of MMDA performance dating back two years or more (rather than one year).

141. The proposed Program’s therefore includes two key measures:

- (a) **Revision/upgrading of FOAT/DPAT performance indicators**, whereby LGCSP performance measures are (to the extent appropriate) incorporated into FOAT/DPAT, along with more rigorous governance and social/environmental management indicators. These changes are included in the proposed Program’s action plan and will be covenanted in the financing agreement.
- (b) **Provision of incentives to MLGRD to ensure regular, annual and timely DPAT assessments.** This will be operationalized through DLI6 and will go some way towards strengthening the overall DPAT system and, at the same time, mitigating the risk (to the proposed Program) of delayed and uncertain annual performance assessments.

### ***Urban performance benchmarks***

142. **Consistent with the proposed Program’s focus on urban development challenges, GSCSP’s performance-based grants will place a premium on MAs as city managers.** If secondary cities are to play a role in the development of Ghana’s urban sector and to contribute to the country’s economic (and inclusive) growth, MAs will need to become increasingly effective in terms of public investment management, urban planning and service delivery, enhancing city competitiveness, mobilizing own-source revenues, and ensuring operations & maintenance. The

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<sup>53</sup> See “Sector Wide Approach (SWAp) to Decentralization in Ghana”, Final Report, 23 May 2016.

Program's Performance Benchmarks reflect these key dimensions to urban management; UDG allocations, which are calibrated to progress against these benchmarks, are intended to provide MAs with the necessary incentives to upgrade their urban management capabilities. CSGs, in turn, are intended to provide MAs with the means to respond to such incentives.

### UDG investment menu

143. **The UDG expenditure menu is intentionally narrower than the DACF/RFG menu, and is deliberately intended to limit their use to financing urban infrastructure investments.** DACF/RFG allocations<sup>54</sup>, on the other hand, can be used by MMDAs to finance a wide range of expenditures, corresponding to their broad functional mandate as provided for in the LG Act. UDGs, however, are allocated to MAs on the basis of the size of their urban populations and are thus intended to finance urban infrastructure investments. The indicative list of eligible investments includes typical urban infrastructure items. The list of non-eligible investments, on the other hand, covers a range of social sector infrastructure items (schools, health facilities, etc.) which – although they are within the spending mandate of MAs – are expected to be financed out of IGFs or other grants.

### Regional window

144. **RCC involvement in the proposed Program is judged to be of considerable importance.** MAs are highly appreciative of the mentoring support that they receive from RCCs, especially with respect to preparing for annual DPAT assessments. GSCSP will thus provide RCCs with modest supplementary grants to enable them to sustain such support.

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<sup>54</sup> DACF/DDF grants can be described (with a few caveats) as general purpose local government block grants. In contrast, UDGs are earmarked (or conditional) grants.

## C. Institutional and implementation arrangements

### Overview

145. As a *PfR operation*, from the standpoint of both the GOG and the Bank, the GSCSP will be implemented through institutional arrangements that are mainstreamed into the existing structures, systems and processes of the GOG at the central, regional and local governments' levels. In this regard, besides the participating Municipal Assemblies (MAs), which are the primary target beneficiaries and implementing agencies of the Program, a range of other institutions and organizations will be making significant contributions towards successful implementation of the Program, including: the Ministry of Finance; the Ministry of Local Government and Rural Development; the Inter-ministerial Coordinating Committee on Decentralization Secretariat; the Office of the Head of the Local Government Service; the Regional Coordinating Councils; the Ghana Audit Service; the Land Use Spatial Planning Authority; the Land valuation Division of the Ministry of Lands; and the Environment Protection Authority. When such range of Ministries, Departments and Agencies (MDAs) are involved in the implementation of a program, effective coordination at both policy, strategic and operational levels is critical to achieving efficiency, effectiveness and accountability for results and use of funds. Therefore, this summary of the results of the institutional assessment begins with a review of coordinating mechanisms for the GSCSP implementation.

146. **The Program will rely on existing local government funding and performance assessment coordination mechanisms.** The GoG's decentralization program has already a track record of successful applications of local government performance assessments to deliver development funds to the MMDAs. In particular, in the implementation of the District Assemblies Common Fund (DACF), which benefits all local government (MMDAs), the Government and cooperating Development Partners (DPs) have over the years institutionalized a District Assembly Performance Assessment Tool (DPAT) to allocate resources to the MMDAs, and to monitor and assess performance. Implementation of the Bank sponsored LGCSP, which is nearing completion, already takes advantage of this tool. The implementation of the GSCSP will also largely rely on the DPAT. This Program will also use the same coordination mechanisms as those in use by DPAT and the LGCSP. The two overarching mechanisms established for the implementation of the DPAT and to which the institutional and implementation arrangements for the GSCSP will be aligned are:

The Steering Committee (SC): The overall policy and strategic oversight and coordination for the GSCSP implementation will be the responsibility of this already inter-agency Steering Committee. The Committee is chaired the Minister of Local Government and Rural Development (MLGRD). Other agencies who are represented in the Committee include MoF/FDU, the IMCCD, NDPC, OHLGS, Office of the Administrator, District Assemblies Common Fund (ODACF), Office of Head of Civil Service (OHCS), Ghana Audit Service (GAS), CAGD, National Association of Local Authorities in Ghana (NALAG), Civil Society Representative (LOGNET), and representatives of concerned Development Partners (DPs). The SC meets at least twice in a year. In its designated role, the SC will oversee and approve the implementation of participating MAs' performance

assessments, including final approval of scores, and approval of the work plans and budgets, and implementation progress reports.

The Technical Working Group (TWG): The overall oversight of Program implementation will be undertaken by the existing LGCSP/DPAT TWG, which is chaired by the Executive Secretary of the IMCCD Secretariat. Membership of the working group comprises representatives of the agencies that have members in the SC. However, it will be recommended to the Government that the TWG is expanded to include such other relevant technical agencies as LUSPA, Land Valuation Division (LVD) and EPA. The TWG will undertake reviews and verification of the MAs' performance assessments, scrutinize Program implementation progress and accountability reports, identify emerging technical issues and challenges and deliberate on measures to address the same. On this basis, the Committee will provide technical guidance to: the implementing MAs and MDAs on measures to improve performance; and the steering committee on policy and strategic issues.

147. **The Ministry of Finance (MoF) has significant responsibilities in ensuring timely, efficient, effective and accountable implementation of the Program.** Through its overarching mandate and authority MOF, the Ministry will decisively influence the pace and effectiveness of the Program implementation. The Ministry's contribution will be through two main channels: (i) through its active participation in the IMCCD, the SC and the TWG; and (ii) interventions, at appropriate junctures, by the Ministry's **Fiscal Decentralization Unit (FDU), which is in the Budget department**, and the **Controller & Accountant General Department (CAGD)**. The FDU is responsible for ensuring that Program resources are planned for in Medium Term Development Plans (MTDPs), and budgeted for and disbursed within the annual budgets of the relevant MAs, RCCs and MDAs. The CAGD disburses funds and requires and facilitates proper accounting and financial reporting for the use of the funds by all the implementing agencies. It is noteworthy that CAGD has been championing the roll out of the GIFMIS in MMDAs and that the installation of the in all the MMDAs will slated for completion in June 2018.

148. **The Ministry of Local Government (MLGRD) will be the lead coordinating agency for Program implementation.** The coordination role of the Ministry derives from its mandate, role and functions among the institutions at the center of Government. In its coordinating role, the Ministry will plan, budget and collaborate in execution with, among others, OHLGS, MOF/FDU, LUSPA, LVD and EPA. Furthermore, the ministry will also be overall responsible for disbursement and accounting for the Program funds, and reporting on the same to the SC and MOF.

149. **The institutional assessment for the Program has confirmed that the Ministry has: (i) a sufficiently strong institutional capacity to lead in program coordination; and (ii) depicted an organizational culture with comparatively positive elements that are appropriate for a coordinating agency.** At the same time, however, the assessment has observed that the Ministry has significant competency capacity gaps. Specifically, the institutional assessment has identified the need for the Ministry to continue with the technical assistance support it has had with the implementation of the LGCSP. In addition, the assessment has recommended that the Ministry contracts the services of: a technical firm to support guidance, backstopping and quality assurance

in design and implementation of the larger urban infrastructure projects to be implemented under the project; and in-house technical experts in capacity building and institutional development, project engineering and construction supervision, and environmental safeguards and resilience management.

**150. Program implementation will be mainstreamed into the standing structures, systems and processes of the GoG, and therefore those of the MLGRD.** In the latter context, relevant directorates and/or departments of the Ministry will assume direct responsibility for performing coordination, supervision and accountability for the various implementation activities required of the Ministry. In that overall framework, the PPBME Directorate of the MLGRD will be responsible for: (i) proactively supporting the Chief Director of the Ministry in coordinating the inputs and activities of the directorates and departments of the Ministry; and (ii) the overall management, including work-planning, budgeting, and monitoring and evaluation, of Program implementation. Other directorates/departments of the Ministry that will be comparatively active in the Program implementation include: finance and accounting, procurement, and inspection. In the latter context, in its internal coordinating role, the PPBME Directorate will lead these other organizational units in coordinating the activities other MDAs in support of program implementation. To the same end, the Directorate will internally coordinate and lead in identifying and closing gaps in the capacity of the Ministry to discharge its roles and functions in Program implementation.

**151. The Office of the Head of Local Government Service (OHLGS) will lead in capacity building support to the RCCs and the MAs.** The OHLGS has the statutory responsibility to ensure that the RCCs and participating MAs have the capacity to effectively and efficiently perform their roles and functions, which encompasses the implementation of the GSCSP. The relevant statute, Local Government Service Act, 2003 (Act 656 of the Laws of Ghana) stipulates the functions of OHLGS to include: providing technical assistance to MMDAs and RCCs so that the latter can effectively perform their functions and discharge their duties; conducting organizational and job analysis, and management audits for the purpose of improving performance by the MMDAs and the RCCs; and assisting the RCCs and MMDAs in the performance of their functions. In this context, in support of the GSCSP implementation, OHLGS will: (i) ensure that the RCCs and the MAs meet the core staffing requirements under the Program. In this regard, the Program will incentivize (through a specific DLI) the OHLGS to ensure appropriate and adequate staffing of the participating MAs and RCCs; and (ii) plan and execute relevant capacity building support to the RCCs and MAs. OHLGS has satisfactorily performed the latter role in the implementation of the LGCSP.

**152. The institutional assessment has on the whole confirmed the capacity of the OHLGS to discharge its mandate and functions.** In this regard, for example, OHLGS performed well in the implementation of the capacity building component of the LGCSP. The role of the Office in the implementation of the LGCSP was widely acclaimed by the key informants from the MMDAs. However, the institutional assessment has also offered the opinion that the OHLGS would be more effective by delivering its support to the MMDAs through the RCCs. As elaborated in the next section, RCCs are institutionally and operationally better placed than the OHLGS to support capacity building in the MMDAs. Also, with guidance and oversight by the OHLGS staff, RCCs could efficiently and effectively perform many of the centralized HRM functions that are now

exclusively performed by the former. Therefore, it is recommended that OHLGS pays greater attention to building the capacities of the RCCs, and thereby also progressively delegates routine capacity building roles and functions to the RCCs.

**153. The institutional assessment has identified one significant gap in the capacity of the OHLGS to be the absence of a reliable and complete Human Resources Management Information System (HRMIS).** Consequently, OHLGS is not in position to fairly, efficiently and effectively deploy staff among the RCCs and the MMDAs. This problem is recognized in the OHLGS and the implementation of a robust HRMIS covering all staff in RCCs and MMDAs is a high priority.

**154. The Regional Coordinating Councils (RCCs) will support the implementation of the Program by discharging their constitutional and statutory mandate and functions** The enabling Local Government Act, 2016 (Cap 936 of the Laws of Ghana) states that Regional Co-ordinating Councils (RCCs) are established for the purposes of: (i) monitoring, co-ordinating and evaluating the performance of the District Assemblies in the region; (ii) monitoring the use of all monies mobilized by the District Assemblies and those allocated and released to the MMDAs by any agency of the central Government; and (iii) reviewing and co-ordinating public services generally in the region. Further, the statute specifies, among other provisions, that the RCC will provide “back-stopping support for the performance of any function assigned to the District Assemblies in the region in respect of which a particular District Assembly is deficient in terms of skills and workforce”. In practice furthermore, the RCC convenes an annual two-day participatory forum for MMDAs to collaboratively review the RCC’s findings, conclusions and recommendations of annual assessments of the MMDAs. In these processes, the progress and performance assessments in the implementation of this Program in the participating MAs will necessarily and prominently feature. In summary, the RCCs will as a matter of statutory requirement and functional routine: (i) exercise oversight and carry out performance assessments of the Program implementation in the participating MAs; and (ii) avail technical as well as administrative back-stopping support to the MAs.

**155. The participating Municipal Assemblies (MAs) have direct and primary implementation and accountability responsibilities** These MAs have the primary responsibility for the planning and implementation of the urban infrastructure development and services delivery components of the Program. The MAs have also direct responsibilities for budgeting, funds management, accounting and reporting use of the program funds. Further, the MAs will ensure integrity and fiduciary responsibility, safeguards and grievances redress in execution of implementation activities and use of funds. To these ends, the OHLGS, the MLGRD and the RCCs (see below) will supply necessary capacity building and technical back-stopping support to the MAs. In the current institutional system, the MAs are required to prepare and submit comparatively comprehensive quarterly work plans and progress reports to the RCCs. In turn, the RCC is required to undertake quarterly performance assessments of every MMDA in its jurisdiction and report the same to the OHLGS. For its part, the OHLGS undertakes annual performance assessments of all the RCCs and MMDAs under a nationwide performance contracting system. On the whole, these accountability and performance assessment systems are operational and fairly comprehensive, and will encompass MAs performance in the implementation of this Program.



156. **The resources of other technical agencies of the Government will be mobilized to support the Program Implementation** Among the eminent technical agencies of the Government that will be mobilized to support the implementation of the GSCSP will be the following:

- (i) **Land Use Spatial Planning Authority (LUSPAu):** LUSPAu has the statutory mandate to oversee, regulate and guide spatial planning across the country. It is also the public agency that regulates the work of spatial planning professionals, and manages the scheme of service of these professionals in the employment of Government at all levels. It has offices in every region, which coordinate spatial planning at that level through Regional Spatial Planning Committees. Therefore, the agency will make significant contributions to spatial planning activities of the MAs under the GSCSP.
- (ii) **Land Valuation Division (LVD):** Institutional assessment of the LVD has been integral to the Environmental and Social Systems Assessment (ESSA).
- (iii) **Environment Protection Agency (EPA):** Institutional assessment of the EPA has also been integral to the Environmental and Social Systems Assessment (ESSA).

## **D. Grievance redress mechanisms, fraud and corruption**

### **Complaints Handling and Grievance Redress**

157. **Participating MAs and CHRAJ will coordinate complaints handling under the Program. Municipal Assemblies have own client service units (CSUs) and mechanisms for complaints handling.** The Assemblies' Public Relations and Complaints Committee receives and investigates complaints made against the conduct of members and staff of the Assembly. CHRAJ is the country's Ombudsman, which investigates corruption allegations, breaches of the code of conduct for public officers. Functionally, CHRAJ is an independent, multi-purpose complaint handling institution. It is the national institution for the protection and promotion of fundamental human rights and freedoms and administrative justice in Ghana. CHRAJ thus combines the work of the Anti-Corruption Agency, the Ombudsman and the human rights commission under one umbrella. CHRAJ exudes strong capacity and reputation, which has sub-offices at regional level.

158. **Full details of the responsibility of each of the institutions will be outlined in the POM and cooperation agreement with CHRAJ.** Municipal Assemblies will be responsible for (i) receiving, registering, responding to, and resolving complaints under the Program; (ii) maintaining a register of all complaints received, including those relating to F&C and preparing annual report on the grievances handled specifically for the Program, and (iii) forwarding all complaints relating to F&C to CHRAJ in accordance with the terms of the cooperation agreement that will be established. The role of CHRAJ in the complaints handling will include: (i) receiving, keeping records and investigating corruption cases from the MAs and citizens; (ii) preparing separate annual reports on F&C specifically for the Program; and (iii) conducting visits to participating MAs to supervise the handling of grievances by the Assemblies.

159. **A cooperation agreement will be established among key actors, including CHRAJ, and will include a section on handling fraud and corruption.** The aim is to promote and formalize collaboration between MAs and CHRAJ in handling complaints and corruption allegations under the Program funds. The Agreement will also provide institutional and operational guidelines for compliance with the Bank's governance and anti-corruption requirements on respecting the Bank debarment list, transparent reporting and effective handling of grievances, including fraud and corruption allegations.

160. **The World Bank's Grievance Redress Service (GRS).** Communities and individuals who believe that they are adversely affected because of a Bank supported Program implementation, as defined by the applicable policy and procedures, may submit complaints to the existing Program grievance redress mechanism or the WB's GRS. The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, because of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Fraud and Corruption

161. **The Integrated Fiduciary assessment for the Program concluded that strong legal and institutional frameworks have been developed for public financial management and combatting corruption in Ghana.** A new PFM Act (Act 921) adopted in 2016 further strengthened the regulatory framework on F&C. The law mandates all Assemblies to inaugurate Audit Committees (ACs), to enhance the fight against F&C through effective implementation of recommendations of external and internal audit reports. The assessment (summary of which is provided in annex xxx) also concluded that while levels of corruption remain high, government commitment to addressing corruption is high. This has resulted, for example, in the establishment of the Office of Special Prosecutor (OSP) in July 2017 and the appointment of a Special Prosecutor in February 2018. The OSP is mandated, among other responsibilities, to investigate corruption cases and prosecute public officials indicted for acts of corruption. The OSP's role is expected to complement the role of accountability institutions such as the CHRAJ and EOCO, while taking over the prosecuting role of the Attorney General. The District Assembly Performance Assessment Tool (DPAT) has been introduced in 2018 to replace the FOAT assessment. DPAT seeks to increase Assemblies' proactivity on F&C issues, by introducing more stringent requirements that Assemblies must fulfil to access the responsiveness factor allocations of the DACF.

162. The IFA recommended that corruption mitigation measures for the Program should focus on three interrelated measures (1) improving collaboration between MAs and CHRAJ in handling F&C allegations; (2) strengthening governance capacity of MAs in targeted areas, including (i) improving capacity for client services and complaints handling, (ii) strengthening Audit Committee capacity; (iii) supporting information disclosure and coherent online presence of MAs; and (3) supporting to Government program on DPAT to introduce more stringent performance measures on F&C in the DPAT assessment.

163. **The Government will implement the Program in accordance with the provisions of the Anti-Corruption Guidelines (ACG) applicable to PforR operations.** The Ministry in charge of Local Government and Rural Development will be the government's focal office for the purposes of ACG application. The modalities for implementing the ACG are detailed in Annex XXX. Detailed information on the implementation arrangements of these guidelines will be provided in the POM. The guidelines will outline the processes that Government will take to (i) receive, address and report on fraud and corruption allegations in the Program; (ii) ensure the World Bank's debarment list are respected in awarding contracts under the Program; and (iii) assist World Bank investigations pertaining to the program. The World Bank will monitor implementation of the Anti-Corruption Guidelines.

### III. ASSESSMENT OF PROGRAM EXPENDITURE FRAMEWORK

#### Program expenditure framework

164. **The Program will provide support to the Government's overall program of inter-governmental fiscal transfers (IGFTs) to MMDAs, as well as to the Government's technical and policy support for MMDAs.** Specifically, GSCSP will provide US\$90 million as CSGs and UDGs to eligible Municipal Assemblies, and a further US\$10 million to RCCs, MLGRD and LGS to manage MA grants, to provide capacity development support to MAs, and to monitor MA activities.

165. The Government's larger program budget of support for MMDAs is made up of the following:

- (a) inter-governmental fiscal transfers, which consist principally of:
  - DACF allocations to MMDAs: the DACF's annual budget ceiling is set by Parliament.<sup>55</sup> Of the total DACF allocation, it is estimated that about 60% is directly transferred to MMDAs in the form of block grants; of this, approximately 12% is the Responsiveness Factor Grant (RFG).<sup>56</sup>
  - GoG allocations for devolved sectors (feeder roads, social welfare, town & country planning, etc.), which include the payroll costs, goods and services and capital expenditures for the concerned sectors. These sector allocations are currently included as a part of the Local Government Service's overall budget.
- (b) the overall MLGRD and LGS budgetary frameworks, which finance capacity development, monitoring and policy functions. Included in the LGS budgetary framework are the budgets for RCCs.

The table (on the following page) provides a summary of the Government's overall program budget, along with the GSCSP expenditure framework.

166. **GSCSP will provide additional resources for this overall Government program,** specifically aimed at increasing RFG allocations to selected Municipal Assemblies and providing them with appropriate capacity building activities, technical assistance and policy support (see the table below).

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<sup>55</sup> According to the Constitution, the DACF amounts to at least 5% of national revenues.

<sup>56</sup> In addition to DACF resources, a number of development partners (Germany, Switzerland) are expected to provide additional funding for the RFG component. At the time of this assessment, these development partner commitments had not been confirmed.

Table 27: GoG and GSCSP expenditure framework

| GRANTS AND SUPPORT FOR MMDAs (US\$)                                       |                    |                    |                    |                    |                    |                      |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| Exchange rate: US\$1 = 4.4 GHC  |                    |                    |                    |                    |                    |                      |
| Budgets   | 2018               | 2019               | 2020               | 2021               | 2022 (est.)        | Total                |
| <b>GoG LG Sector budget</b>   | 150,932,235        | 162,373,460        | 176,281,415        | 276,343,367        | 191,482,619        | 957,413,094          |
| Ministry of Local Government and Rural Development (excluding DP funding) | 7,507,544          | 7,025,628          | 9,569,030          | 36,777,810         | 15,220,003         | 76,100,014           |
| Local Government Services (incl. RCCs)                                    | 143,424,691        | 155,347,832        | 166,712,385        | 239,565,557        | 176,262,616        | 881,313,080          |
| - of which GoG sector grant allocations to MMDAs                          | 115,826,393        | 147,265,117        | 157,561,213        | 174,909,383        | 148,890,527        | 744,452,633          |
| - of which OHLGS and RCCs budget to support MMDAs                         | 27,598,298         | 8,082,715          | 9,151,172          | 64,656,174         | 27,372,089         | 136,860,447          |
| <b>Total IGFT to MMDAs</b>  | <b>366,816,858</b> | <b>418,725,291</b> | <b>458,718,932</b> | <b>426,862,353</b> | <b>417,780,858</b> | <b>2,088,904,292</b> |
| Sector grant to MMDAs <sup>57</sup>                                       | 115,826,393        | 147,265,117        | 157,561,213        | 174,909,383        | 148,890,527        | 744,452,633          |
| Block grants to MMDAs (about 60% of the DACF)                             | 250,990,465        | 271,460,174        | 301,157,719        | 251,952,969        | 268,890,332        | 1,344,451,659        |
| <b>District Assembly Common Fund<sup>58</sup></b>                         | <b>418,317,442</b> | <b>452,433,623</b> | <b>501,929,532</b> | <b>419,921,615</b> | <b>448,150,553</b> | <b>2,240,752,765</b> |
| - of which block grants to MMDAs (about 60% of the DACF)                  | 250,990,465        | 271,460,174        | 301,157,719        | 251,952,969        | 268,890,332        | 1,344,451,659        |
| - of which RFG to MMDAs (12% of DACF Block Grant)                         | 30,118,856         | 32,575,221         | 36,138,926         | 30,234,356         | 32,266,840         | 161,334,199          |
| <b>GSCSP support (PforR Program)</b>                                      | <b>8,600,000</b>   | <b>14,600,000</b>  | <b>20,900,000</b>  | <b>26,400,000</b>  | <b>29,500,000</b>  | <b>100,000,000</b>   |
| CSGs and UDGs to Program MAs  | 6,600,000          | 12,600,000         | 18,900,000         | 24,400,000         | 27,500,000         | 90,000,000           |
| Central Government and RCC support to MAs                                 | 2,000,000          | 2,000,000          | 2,000,000          | 2,000,000          | 2,000,000          | 10,000,000           |
| RFG to Participating MAs (10% of total RFG) <sup>59</sup>                 | 3,011,886          | 3,257,522          | 3,613,893          | 3,023,436          | 3,226,684          | 16,133,420           |
| GSCSP as % of RFG to MMDAs  | 28.55%             | 44.82%             | 57.83%             | 87.32%             | 91.43%             | 61.98%               |
| GSCSP as % of DACF block grants to MMDAs                                  | 3.43%              | 5.38%              | 6.94%              | 10.48%             | 10.97%             | 7.44%                |
| GSCSP as % of total IGFT to MMDAs   | 2.34%              | 3.49%              | 4.56%              | 6.18%              | 7.06%              | 4.79%                |

<sup>57</sup> GoG transfers for MMDAs for payroll and sector goods/services/capital are itemized by MMDA

<sup>58</sup> About 28% of the DACF is deducted and paid from center for common services to MMDAs or services they have requested the center to pay on their behalves.

<sup>59</sup> The portion of the national RFG going to participating Program MAs as part of direct GoG contribution is estimated at 10% of the total RFG to all MMDA – pro rata basis given total population participating MAs Program MAs is 3,140,344 which is about 10% of the national population.

## IV. RESULTS FRAMEWORK AND M&E

167. **The Program, will focus on two results areas:** (i) improved institutional performance of participating MAs, and (ii) improved basic urban services. These results are linked to the Disbursement Link Indicators (DLIs) and Disbursement Link Results (DLRs) to be achieved under the Program.

168. **The proposed key PDO indicators are:**

- People provided with improved urban infrastructure/services under the GSCSP, of which female (Corporate indicator)
- Composite annual average urban management benchmarks scores by Program MAs (to measure urban management).
- Improved intergovernmental fiscal transfer system (IGFTS) and timely allocation and release of UDG/CSGs to MAs.

169. **The following intermediate indicators will measure behavioral change at the local (MAs), Regional (RCCs) and national (MLGRD/MDAs) levels.** They contribute to the achievement of the PDO.

170. **At local (MAs), the intermediate indicators are:**

- Number of MAs with Municipal Structure Plans (15years)
- Number of MAs with Municipal Local Plans covering at least 50% of the municipal area
- Number of MAs monitoring key municipal services
- Number of MAs that execute at least 80% of their O&M budget
- Number of MAs with improved and up to date revenue administration (computer based) systems<sup>60</sup>
- Number of MAs that satisfy at least 80% of the defined governance capacity criteria
- Number of MAs that implement at least 80% of the planned gender programs as per the annual action plan
- Composite annual average urban infrastructure delivery benchmarks scores by Program MAs as per the annual work plan targets (to measure urban service delivery)
- Km of Urban roads built or rehabilitate
- Number of municipal economic infrastructure built or rehabilitated
- Km of drains built or rehabilitated
- Hectares of public parks and greenery built or rehabilitated

171. **At the regional level (RCCs), the intermediate indicators are:**

- Percentage of RCCs annual technical support work plan for MAs implemented

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<sup>60</sup> This should include improved/modernized (i) revenue data bases for each revenue head, (ii) billing system with clear timeline, (iii) collection system, (iv) enforcement, (v) revenue information, communication and education (ICE), (vi) arrears handling, and (vii) appeal.

**172. At the national (MLGRD/MDDAs), the intermediate indicators are:**

- Percentage of MLGRD/MDAs approved annual Program work plan implemented
- Percentage of annual capacity support work plan for MAs implemented by OHLGS.

**173. The Program will be monitored and reported on using the existing Government systems.** Key elements of the monitoring and reporting structure during implementation will include regular reports from MAs, RCCs to MLGRD and OHLGS, the annual performance assessments, annual procurement and financial audits, and the midterm review report. The objective of the monitoring and evaluation (M&E) system is to generate timely and relevant feedback on the Program's implementation progress and achievement of expected outcomes to enable stakeholders to address issues as quickly as possible once they arise.

**174. Monitoring and reporting will take place at regional and MAs levels.** M&E officers at each level will be responsible for collecting information and data to report on Program implementation, and to capture data on MA activities, management and infrastructure/service delivery.<sup>61</sup> They will also prepare progress reports twice a year (a midyear report and an annual report) containing agreed data and transmit them to the MLGRD. MLGRD's M&E specialists will consolidate such input into a single progress report for presentation to the IMCC Steering Committee.

**175. In addition to the Program results listed below (see following pages), the MAs and RCCs will also monitor and document the Program:** (i) Output/outcome/impact in terms of numbers of facilities created, the size of the structure in case of construction, their outcome and impact on the people, the employment generated by the project, and the number of beneficiaries by gender and (ii) investment inventories, which compiles an inventory of all the Program investments, complete and in progress. This will build on the existing LGCSP M&E framework.

**176. MLGRD, as the coordinating ministry, will produce and submit to the World Bank within three months of the beginning of each new fiscal year an annual Program report which will provide information on the following:**

- Summary of the MAs assessment results and the corresponding disbursed amounts;
- Summary of aggregate Program UDG expenditures and infrastructure delivered by MAs;
- Summary of aggregate of CSG expenditure and activities executed by the MAs;
- Progress report on expenditure and activities executed under the Regional (RCC) support;
- Progress report on expenditure and activities executed under the MLGRD/MDAs and OHLGS support
- Summary report on aggregate environmental and social measures undertaken by each MA,
- Summary report on grievances<sup>62</sup> handled by the client service unit;
- Summary of aggregate information on procurement grievances forwarded to PPA;

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<sup>61</sup> Data should be disaggregated by gender

<sup>62</sup> The summary of Grievances handled should be presented in a matrix form indicating the date the grievance was received, the name of the complainant, the nature of the complaint and when it was discussed and resolved by the grievance redress committee (GRC), or whether the aggrieved party opted for an appeal to the next level.

- Summary of aggregate information on fraud and corruption issues forwarded to CHRAJ (see section on Fraud and Corruption).

177. **The Program report will be shared with the Steering Committee of the IMCC for discussion.** The IMCC steering committee provides the opportunity for an open accountability of the Program at the national level.

178. **A mid-term review will be conducted within 36 months of Program implementation to evaluate progress and any adjustment to Program design.** The MTR will evaluate the UDG Performance Benchmarks and their assessment to ensure that these are providing a clear sense of direction for eligible MAs and – at the same time – are genuinely achievable by MAs.

179. **The Program will enhance the capacity of MAs, MLGRD and OHLGS in monitoring and evaluation.** At the MA level, the Program will provide training and assistance on M&E, which will focus on (i) data collection, (ii) data quality and integrity control and (iii) linking data to informing MAs' decision-making processes. At the MLGRD an M&E specialist will be recruited and will be responsible, among other things, for assisting Program MAs in ensuring quality of data, and for linking the results of the annual performance assessment to the CSG activities to address gaps identified.



## PROGRAM RESULTS FRAMEWORK

| The Program Development Objective (PDO) is to improve urban management and basic urban services in participating Municipal Assemblies. |      |         |                 |               |               |      |      |      |           |                          |   |
|--|------|---------|-----------------|---------------|---------------|------|------|------|-----------|--------------------------|---|
| PDO Level Results Indicators   | Core | DLIs    | Unit of Measure | Baseline FY18 | Target Values |      |      |      | Frequency | Data Source/ Methodology | Responsibility for Data Collection  |
|  |      |         |                 |               | FY19          | FY20 | FY21 | FY22 |           |                          |   |
| 1. People provided with improved urban infrastructure/services under the GSCSP <sup>63</sup> .   | √    | 4       | Millions        | 0             | 1             | 0.3  | 1.0  | 1.75 | Annually  | M&E data base            | MAs and Contractors   |
| a. Of which female   | √    |         | %               | 0             | -             | 50   | 50   | 50   | Annually  | M&E data base            | MAs and Contractors   |
| 2. Composite annual average urban performance benchmarks scores by Program MAs <sup>64</sup>   |      | 2 and 3 | %               | 0             | 31            | 45   | 60   | 65   | Annually  | Annual PB Assessment.    | The Independent Verification Agent (IVA). The IMCC and MLGRD verify the index.  |
| 3. Improved intergovernmental fiscal transfer system (IGFTS) adopted with timely allocation and release of UDGs to MAs                 |      | 5       | time            | 0             | July          | July | July | July | Annually  | Annual PB Assessment.    | The Independent Verification Agent (IVA). The IMCC and MLGRD verify the index.  |
| <b>Intermediate Results Area 1: Institutional Performance at Program MAs</b>   |      |         |                 |               |               |      |      |      |           |                          |   |
| 4. Program MAs with Municipal Structure Plans (15 years)   |      | 2       | Number          | 0             | 5             | 10   | 15   | 19   | Annually  | Annual PB Assessment.    | Program MAs; RCCs, LUSPA, MLGRD through IVA                                     |
| 5. Program MAs with Municipal Local Plans covering at 50% of the municipal area  |      | 2       | Number          | 0             | 2             | 4    | 8    | 10   | Annually  | Annual PB Assessment.    | Program MAs; RCCs, LUSPA, MLGRD through IVA                                     |
| 6. Program MAs monitoring key municipal services <sup>65</sup>   |      | 2       | Number          | 0             | 12            | 14   | 18   | 19   | Annually  | Annual PB Assessment.    | Program MAs; RCCs, LUSPA, MLGRD through IVA                                     |
| 7. MAs that execute at least 80 percent of their O&M budget.   |      | 1 and 2 | Number          | 0             | 12            | 14   | 18   | 19   | Annually  | Annual PB Assessment.    | The Independent Verification Agent (IVA). The IMCC and MLGRD verify the scores. |
| 8. MAs with improved and up to date Revenue Administration (Computer-based) systems  |      | 1 and 2 | Number          | 0             | 5             | 10   | 15   | 19   | Annually  | Annual PB Assessment.    | The Independent Verification Agent (IVA). The IMCC and MLGRD verify the scores. |
| 9. MAs that satisfy at least 80% of the defined governance <sup>66</sup> capacity criteria   |      | 2       | Number          | 0             | 8             | 10   | 12   | 14   | Annually  | Annual PB Assessment.    | The Independent Verification Agent (IVA). The IMCC and MLGRD verify the scores. |
| 10. MAs that implement at least 80% of the planned gender programs as per the annual action plan                                       |      | 2       | Number          | 0             | 8             | 10   | 12   | 14   | Annually  | M&E data base            | Program MAs verified by RCCs; and MLGRD.  |

<sup>63</sup> The indicator measures hard infrastructure only.

<sup>64</sup>In the areas of (i) Urban planning and services, (ii) Urban economic development and competitiveness, (iii) Sustainable urban systems – revenues administration, and (iv) Sustainable urban systems – maintenance. The performance of MAs ranges between 0–100. The percentage reflects the annual average score for Program MAs in a given FY.

<sup>65</sup> Key municipal services include water and sanitation access, garbage generated and collected, street lightings, pedestrian walk ways. Details to be provided in the POM.

<sup>66</sup> Governance capacity criteria covers MAs capacities (i) for Grievance Redress, (ii) of Client Service Units, and (iii) for information disclosure.

**The Program Development Objective (PDO) is to improve urban management and basic urban services in participating Municipal Assemblies.**

| PDO Level Results Indicators   | Core | DLIs | Unit of Measure | Baseline FY18 | Target Values |      |      |      | Frequency | Data Source/ Methodology                            | Responsibility for Data Collection   |
|--|------|------|-----------------|---------------|---------------|------|------|------|-----------|---|--|
|  |      |      |                 |               | FY19          | FY20 | FY21 | FY22 |           |   |  |
| Intermediate Results Area 2: Infrastructure delivery   |      |      |                 |               |               |      |      |      |           |   |  |
| 11. Composite annual average urban infrastructure delivery score by Program MAs as per their annual work plan. |      | 4    | %               | 0             | 0             | 75   | 85   | 95   | Annually  | Annual PB Assessment.                               | The Independent Verification Agent (IVA). The IMCC and MLGRD verify the index. |
| 12. Urban roads built or rehabilitated using UDG.  | √    | 3    | Kilometers      | 0             |               |      |      |      | Annually  | M&E data base                                       | Program MAs verified by RCCs; and MLGRD.                                       |
| 13. Municipal local economic infrastructure <sup>67</sup> built or rehabilitated using UDG                     |      | 3    | Number          | 0             |               |      |      |      | Annually  | M&E data base                                       | Program MAs verified by RCCs; and MLGRD.                                       |
| 14. Drains <sup>68</sup> built or rehabilitated using UDG  |      | 3    | Kilometers      | 0             |               |      |      |      | Annually  | M&E data base                                       | Program MAs verified by RCCs; and MLGRD.                                       |
| 15. Public parks and greenery built or rehabilitated using UDG.  |      | 3    | Hectares        | 0             |               |      |      |      | Annually  | M&E data base                                       | Program MAs verified by RCCs; and MLGRD.                                       |
| Intermediate Results Area 3: Regional and National Government Support to MAs                                   |      |      |                 |               |               |      |      |      |           |   |  |
| 16. Technical support by RCCs to MAs to ensure achievement of Program results.                                 |      | 5    | %               | 0             | 85            | 90   | 95   | 100  | Annually  | RCCs annual work plan progress report               | RCCs, verified by OHLGS, MLGRD and IMCC  |
| 17. Supply driven capacity support by OHLGS to MAs to achieve Program results.                                 |      | 8    | %               |               | 85            | 90   | 95   | 100  | Annually  | OHLGS annual work plan progress report              | OHLGS; verified by IVA   |
| 18. Technical support by MLGRD and PAP implementation to ensure achievement of Program results.                |      | 7    | %               | 0             | 85            | 90   | 95   | 100  | Annually  | MLGRD/MDAs annual work plan progress report and PAP | MLGRD; verified by IVA   |

<sup>67</sup> bus parks, markets, parking lots etc.

<sup>68</sup> Drains may be roadside drains or stand-alone drains.

## V. PROGRAM ECONOMIC EVALUATION

180. **The economic evaluation of the GSCSP was based on the current LGCSP which has financed some 2100 sub-projects covering 10 sectors having one or more subsectors.** The LGCSP was implemented under hard budget constraints. The available monitoring and evaluation data indicates that sub-projects and procurements under the project were implemented within budget and on schedule.

181. **A sample of some 280 sub-projects and procurements financed in Ashanti region were reviewed in more detailed.** The estimated total budget for these subprojects was US\$ \_\_\_\_\_million. And the total disbursement was US\$ ----<sup>69</sup>. There was little or no cost overrun and sub-projects were completed within the budget year. From these evidences, it is safe to conclude that the project has provided *value for money*<sup>70</sup>: *economy, efficiency, and effectiveness*. The implementing agencies have exercised *economy* during implementation, in that they were buying inputs of the appropriate quality at reasonable price. The implementing agencies have also exercised *efficiency* in converting inputs into outputs. They were also *effective* in that the interventions had positive impact on delivery of services on the urban poor. It can also be inferred that the project was *cost-effective* in that the investments have positive outcome in reducing urban poverty. This is largely due to the investment framework which covers wide geographic and sectoral distributions of the project investment. This implies positive impact on equity while meeting the basic urban needs of broad section of the urban population, with particular impact on the urban poor.

182. **In conclusion, it can be said that the *net present value* of the investments cannot be *negative*.** It would at least be at least zero or more likely greater than zero. This means at usual discount rate of 12%, the return on investment of the project translate to at least 12% economic rate of return when the net present value is zero. Thus, the project investment can be said to be efficient with at least 12% rate of return.

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<sup>69</sup> The latest figures will be recorded. The date of six month ago indicate 85% disbursement.

<sup>70</sup> Value for money means to maximize the impact of each dollar pound spent to improve poor people's lives.

## VI. PROGRAM ACTION PLAN

| #        | Issue/Risk Description   | Action  | Timeframe  | Responsible Party          | Instrument  |
|----------|--|---|--|----------------------------|---|
| <b>A</b> | <b>Technical</b>   |   |  |                            |   |
| 1        | DPAT assessment process is insufficiently stringent and does not incentivize significant/appropriate improvements in MMDA performance across a range of core institutional areas | DPAT indicators to be reviewed and upgraded:<br><br>DPAT performance scoring system to be reviewed and upgraded.  | Within 6 months of effectiveness   | MLGRD                      | Dated covenant  |
| 2        | DPAT/APA are not conducted on a regular annual basis and are often not conducted on a timely basis by MLGRD  | Incentivize MLGRD management of DPAT assessments and timely delivery of assessment results.   | Program life   | MLGRD                      | DLI   |
| <b>B</b> | <b>Environnemental &amp; Social</b>  |   |  |                            |   |
| 1        | Inadequate E&S staffing and resourcing of the Program  | Hiring of a Social Development Specialist at the Program Execution level in addition to the current Environmental Specialist under the LGCSP.<br><br>Establishing the E&S Team of MMA with clear terms of reference comprising of (i) Safeguards Focal person; (ii) 2-3 team members preferably from the Engineering, Health and Social Welfare Units of MMAs | Prior to Program effectiveness<br><br>Prior to accessing grants from the Program | MLGRD<br><br>MMA           | POM: clear terms of reference for specialist; and issuance of Directive signed by the Head of the OHLGS to Chief Executive of MMA to establish the E & S Team with clear terms of reference |
| 2        | Sub-projects are under-screened, have not been assessed and no plans   | Update, issue and disseminate the environmental and social screening used under the LGCSP to consider subprojects that are outside Schedule 1 of LI 1652 and to clarify the E & S requirements for those subprojects falling outside Schedule 1. Update the EA Sectoral Guidelines for General  | Prior to Program effectiveness   | MLGRD EPA<br><br>MLGRD EPA | POM: Issuance of the updated screening form by MLGRD to all MMAs<br><br>POM: Issuance of the Updated Sectoral Guidelines by the EPA MLGRD,  |

| # | Issue/Risk Description  | Action   | Timeframe   | Responsible Party                           | Instrument  |
|---|---|--|---|---|---|
|   |   | Construction and Services Sector to reflect the minimum E & S requirements for sub-projects falling outside Schedule 1 of LI 1652.   |   |   | MMA and consultants   |
| 3 | Some types of PAPs are excluded from ARAPs  | Adopt and update Resettlement Policy Framework used in the LGCSF to reflect the experiences and lessons learned, including identification of different types of PAPs, entitlement matrix that recognizes and provides entitlements to different kinds of PAPs, consultations and disclosure, monitoring & reporting and grievance redress. | Prior to Program effectiveness                                | MLGRD Land Valuation Division               | POM: Issuance of the updated RPF by MLGRD to all MMAs   |
| 4 | Weak streamlined compensation procedures that ensure the LVD validates assessed values before payment to PAPs         | Develop guidelines to ensure that, where consultancy services are outsourced to private entities for the preparation of ARAPs, there is clear directive and protocol for collaboration with the LVD.   | Prior to Program Implementation                               | MLGRD/MMAs/ LVD                             | POM: Terms of Reference for ARAP consultancy services   |
| 5 | Non-compliance of MMAs to Program E&S requirements  | Annual E & S performance review of MMAs to validate existence of a functional E & S system and assess compliance.  | Program implementation  | MLGRD EPA Independent consultants           | ToR for the performance review and Performance Review Report  |
| 6 | Limited awareness and inconsistency of MMA in environment and social mgt., service delivery standards and measurement | Strengthen consultations, information disclosure and grievance redress by developing guidelines on consultations and stakeholder engagement;<br><br>Making MMA grievance redress functional and operational<br><br>Set up Grievance Redress Committees at the local level where Program activities are to                                  | Year 1 of the Program<br><br>Within six months of the Program | MLGRD MMA<br><br>MLGRD MMA<br><br>MLGRD/MMA | Guidance on Stakeholder Consultation and Engagement Records of grievances and resolutions of those grievances Implementation report with list of membership and training needs required |

| #          | Issue/Risk Description   | Action  | Timeframe  | Responsible Party | Instrument                         |
|------------|--|---|--|-------------------|------------------------------------|
|            |  | be implemented in accordance with the structure developed in the approved RPF   |  |                   |                                    |
| 7          | Inadequate E & S capacity  | MOU with EPA Training Institute to develop and deliver training modules <sup>71</sup> to MLGRD, EPA staff MMAs and their E & S consultants.   | Year 1 of the Program and delivery throughout Program implementation | MLGRD<br>EPA      | Signed MOU<br><br>Training modules |
| 8          | Gender gap   | Coordination of gender related activities between the MGCSP, MLGRD, RCCs and the MAs  | Throughout the Program   | MLGRD             | PAP                                |
| 9          | Inadequate guidance on gender mainstreaming  | development of gender strategy and guideline for urban development  | Within year 1 of Program implementation                              |                   | PAP                                |
| <b>C</b>   | <b>Fiduciary (Financial Management, Procurement and Governance)</b>  |   |  |                   |                                    |
| <b>C.1</b> | <b>Financial management</b>  |   |  |                   |                                    |
| 1          | Insufficient budget allocations for Programs   | Improvement in MA revenue mobilization drive; Building capacity of MA revenue officers for improved IGF mobilization and collection   | Throughout the Program   | GoG/MoF           | DLI                                |
| 2          | Delays in the release of funds to implementing agencies (MAs, OHLGS & MLGRD) which takes between 90 and 146 days | Ensure proper and complete budgeting of all Program expenditure items in national and sub-national submissions<br><br>Clear funds release time line   | Throughout the Program   | MoF/Treasury      | Covenant                           |
| 3          | Low technical capacity in the use of GIFMIS at MAs   | Training and capacity building backed by incentives for producing financial reports through GIFMIS; with Regional transaction processing centers located at RCCs used by participating MAs that have no direct access to GIFMIS | Within year 1 of Program implementation                              | CAGD/GIFMIS       | PAP                                |

<sup>71</sup> to include, at the minimum: (i) Environmental and Social Screening, (ii) Use of EA sectoral guidelines, (iii) Use of RPF and resettlement action planning, (iv) Management of environmental and social impacts of construction, (v) Health and safety at the construction site, (vi) Environmental and social supervision monitoring and reporting, (vii) Effective stakeholder consultation and engagement, and (viii) Effective and functional grievance redress

| #          | Issue/Risk Description   | Action  | Timeframe  | Responsible Party      | Instrument              |
|------------|--|---|--|------------------------|-------------------------|
| 4          | Expenditure commitments outside GIFMIS   | Enforce punitive measures as per PFM Act 2016, Act 921. Strengthen internal audit units to effectively report financial improprieties   | Throughout the Program   | MDAs/MMDAs             | DLI                     |
| 5          | Weak managerial commitment to fully implement audit recommendations  | Strengthen Audit Committees (ACs) in terms of training and provide needed financial resources for AC members  | Throughout the Program   | MoF/IAA/MDAs/MMDAs     | PAP/DLI                 |
| <b>C.2</b> | <b>Procurement</b>   |   |  |                        |                         |
| 1          | lack of adequate procurement capacity leading to challenges of adhering to aspects of the Procurement law                      | Recruit 2 proficient Procurement Specialists (of Civil/Engineering/Quantity Surveyors background) at MLGRD to offer hands-on / mentoring to existing procurement staff at both National and Local level                   | Before Program Effectiveness.<br><br>During project Implementation | MLGRD                  | Dated covenant          |
| 2          | Delays in processing procurement (preparation of ToRs, technical specifications, evaluations, and contract awards) and payment | - Prepare Project POM with clear procurement procedures, responsibilities, process timelines; and continuous M&E by MLGRD of procurement execution and contract performance.<br>- Undertake annual procurement assessment | Throughout Program implementation                                  | MLGRD, PPA & MA        | Effectiveness condition |
| 3          | Cost overruns, several and high value amendments   | Undertake annual procurement audits by the GAS.   | Annually and to be submitted with the Financial Audit              | MLGRD, MA and GAS      | Covenant                |
| 4          | Weak procurement and contract management   | MLGRD to closely monitor major procurements and contracts and continually track procurement execution and contract performance system in place  | Throughout Program Implementation                                  | MLGRD & MA             | POM                     |
| 5          | Records Keeping and Filing   | ensure all files and records pertaining to procurement contracts are well filed and kept appropriately and individually   | Throughout Program Implementation                                  | MLGRD; OHLGS, RCC & MA | POM                     |

| #          | Issue/Risk Description   | Action  | Timeframe                               | Responsible Party      | Instrument |
|------------|--|---|---|------------------------|------------|
| 6          | Inadequate capacity at MA procurement Unit   | Procurement Units and Works Department to continue to work together in implementing procurement at the MA                               | Throughout Program Implementation       | RCC and MAs            | POM        |
| 7          | Poor performance of some service providers   | Ensure appropriate selection criteria; improve monitoring and supervision always and fully apply contract provisions                    | Throughout Program Implementation       | MLGRD; OHLGS, RCC & MA | POM        |
| <b>C.3</b> | <b>Governance and Accountability</b>   |   |   |                        |            |
| 1          | Existing staff not trained in complain handling coupled with lack of basic modern equipment                                | Develop ICT-based grievance redress system and provide training & capacity building to existing staff                                   | Within year 1 of Program implementation | GoG/MLGRD/Program      | PAP        |
| 2          | No formal linkage with anti-corruption institutions, e.g. between MAs and CHRAJ  | - Generate and maintain up-to-date records of grievances received, treated, referred to other agencies                                  | Throughout Program Implementation       | CHRAJ/MLGRD / MMDA     | PAP/DLI    |
| 3          | Limited transparency on the complaint handling process, e.g. lack of mechanisms for tracking grievances redress.           | Develop grievance redress manual/guide  | Within year 1 of Program Implementation | MLGRD/Program          | PAP        |
| 4          | Annual report on grievance redress are not prepared  | Prepare annual grievance redress report, showing grievances received, proportion handled and cases referred to CHRAJ and other agencies | Throughout Program Implementation       | MLGRD/CHRAJ            | PAP/DLI    |
| 5          | Most Assemblies do not have own website  | -Develop websites for participating MAs<br>- Ensure publication of key fiscal information on notice boards                              | Throughout Program Implementation       | MLGRD/Program          | PAP/DLI    |
| 6          | The Audit Committee lacks the required set of members or was not constituted in accordance with the PFM law.               | All participating MAs appoint Audit committee members in accordance with the PFM Act 2016   | Throughout Program Implementation       | MLGRD/MMDA             | DLI        |
| 7          | Transparency of the audit committee not guaranteed – annual activity report of the committee is not prepared in some MMDAs | Annual Audit Committee report on its activities prepared and acted upon by managements  | Throughout Program Implementation       | MLGRD/MMDA             | DLI        |





## VII. TECHNICAL RISK RATING

183. **The overall risk rating for the Program is Substantial.** Table 28 below provides a breakdown of risk ratings by category.

Table 28: Summary SORT

| Systematic Operations Risk-Rating Tool (SORT)                   |                     |
|---|---------------------|
| Risk Category   | Rating (H, S, M, L) |
| 1. Political and Governance                                     | S                   |
| 2. Macroeconomic  | S                   |
| 3. Sector Strategies and Policies                               | M                   |
| 4. Technical Design of Project or Program                       | M                   |
| 5. Institutional Capacity for Implementation and Sustainability | S                   |
| 6. Fiduciary  | M                   |
| 7. Environment and Social                                       | S                   |
| 8. Stakeholders   | M                   |
| 9. Other  |                     |
| <b>OVERALL</b>  | <b>S</b>            |

184. **The overall risk rating for the Program is Substantial.** There is a substantial level of risks related to macroeconomics, environmental and social systems with moderate risks for sector strategies and policies, technical design of the Program, fiduciary, and stakeholders. The need to cover all MAs due to political considerations remains a risk. Safeguards are also a risk, partly due to a lack of capacity, staff turn-over both at the center, as well as the MA level and the proliferation of LGs – the number of MAs has increased from 46 to 104. The risk rating for the Program is presented in Annex 1.

185. **Developing local capacity for effective service delivery and provision of quality services are key requirements for urban management.** There are however a number of challenges. The Government has fiscal challenges and has sometimes released the DACF late to LGs although it is a Constitutional requirement. The urban development unit in the MLGRD which should be driving the country urbanization agenda is small and inadequately staffed. Creation of new LGs brings with it associated challenges of negative impact to connectivity, the need for additional staffing and financing, risking spreading public resources too thinly. These challenges are compounded by uncoordinated transfers of staff both at the center as well as at the LGs. While the World Bank remains committed to supporting secondary cities, rapid scale-up of the Program to a large number, or even to all, of the 104 MAs although it might be politically desirable could overwhelm local capacity and adversely impact the effectiveness of Bank-support to the Program.

186. **Environment and Social Risk - Environmental risk of the Program is Moderate.** There is good regulatory and institutional frameworks and systems in place which can manage environmental risks from sub-projects supported by the Program. However, there is need to enhance staffing and resourcing, screening, sectoral guidelines, trainings and capacity building. Social risk of the Program, however, is rated Substantial because of: (i) lack of clarity on the regulatory and institutional frameworks on resettlement; (ii) lack of recognition of PAPs; (iii) inadequate capacity and support to manage social safeguards within the MLGRD and MAs; and (iv) limited role of EPA on social aspect. The overall E & S risk of the program is therefore **Substantial**.

187. **Beyond these risks, there are a number of technical risks associated with contract management that need to be considered.** Over-expanding the scope of the Program could overstretch the capacity of the MLGRD to provide the necessary technical support to a large number of municipalities, thus a strong concurrent capacity building program will need to be developed. Secondly, the MLGRD will lose the technical capacity of the consultants recruited under the LGCSF when the project closes by end June 2018.

188. **Risk mitigation measures** - The Program will put in place mitigating mechanisms to address these risks with a focus on strengthening capacity of MLGRD to perform oversight and back-stopping functions to the participating municipal assemblies. The overarching measures to mitigate these risks will be first, a series of institutional enhancement activities financed by the Program to address capacity gaps at all three levels. These measures will address shortcomings which cut across the Program, as well as risks which are specific to technical, fiduciary, social and environmental management. A number of these risks will be addressed at the DLIs level, while others will be made legal covenants and agreements.

189. **Climate and disaster risk and potential mitigation measures** - Ghana has experienced severe droughts and floods in the last three decades, some of which have had severe economic and social implications<sup>72</sup>. The projected impacts of climate change are likely to add to the human and economic toll of heavy precipitation, floods, drought, and negatively impact on development in Program cities. The proposed Program will cover 19 MAs in 9 regions including the Northern, Upper East, Upper West, Volta Region which are vulnerable to drought and flood. Risk of flooding and storm water runoff could be offset through flood control system, drainage improvement, solid waste collection and management, and green infrastructure within the proposed UDG investment menu (Annex 1). Annual performance assessment (DPAT)<sup>73</sup> as well as Capacity Support Grant (CSG), also incentivize and capacitate Program cities to adopt and implement integrated plans and programs towards mitigation and adaptation to climate change and resilience to disasters.

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<sup>72</sup> The 1983 drought was the most severe disaster in Ghana's recent history, affecting 12.5 million people. The floods of 1991, 1995, 1999, 2001, 2007, and 2009 each affected more than 100,000 people. Recent flood in 2015 affected 52,622 people and also caused leakage at a filling station, resulting in an explosion that left 150 casualties. Damages to housing, transport, water and sanitation totaled US\$55 million, while the rebuilding costs were estimated at US\$105 million.

<sup>73</sup> Seven scores in climate change and environment section of DPAT incentivize MMDAs to have climate change and disaster prevention related programs, conduct climate change data analysis, promote climate change/disaster risk reduction raising awareness program for citizens, and conduct environmental and social impact assessments.

## Annex 1: DLI matrix and protocols

### Disbursement-Linked Indicator Matrix

| <i>DLIs</i>  | <i>Total Financing Allocated to DLI (US\$ million)</i> | <i>As % of Total PforR Financing Amount</i> | <i>DLI Baseline</i> | <i>Indicative timeline for DLI achievement</i> |                         |                         |                         |                         |
|--|--|---|---------------------|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  |  |   |                     | <i>Year 1 (FY18/19)</i>                        | <i>Year 2 (FY19/20)</i> | <i>Year 3 (FY20/21)</i> | <i>Year 4 (FY21/22)</i> | <i>Year 5 (FY22/23)</i> |
| <b>DLI 1</b> - No. of MAs qualifying for CSGs  |  | 3.0%  | New system<br>0     | 18   | 20                      | 20                      | 2                       | 0                       |
| Allocated amount:  | 3.0  |   |                     | 0.9  | 1.0                     | 1.0                     | 0.1                     | -                       |
| <b>DLI 2</b> - No. of MAs scoring equal to or more than the national average DPAT score                  |  | 32.8%                                       | New system<br>0     | 15   | 16                      | 17                      | 19                      | 20                      |
| Allocated amount   | 32.8   |   |                     | 5.7  | 6.0                     | 6.4                     | 7.2                     | 7.5                     |
| <b>DLI 3</b> – average % scores of Program MAs in Urban Management Performance Benchmarks                |  |   | New system<br>0     | NA   | 31                      | 45                      | 60                      | 65                      |
| Allocated amount   | 41.7   | 41.7%                                       |                     | -  | 5.5                     | 8.6                     | 12.9                    | 14.6                    |
| <b>DLI 4</b> – average % scores of MAs in Infrastructure and Service Delivery targets as per annual plan |  |   | New system<br>0     | NA   | NA                      | 75                      | 85                      | 95 <sup>74</sup>        |
| Allocated amount   | 12.5   | 12.5%                                       |                     | -  | -                       | 2.9                     | 4.3                     | 5.3                     |
| <b>DLI 5</b> - No. of RCCs qualifying for grants for monitoring and support to MAs                       |  |   | New system<br>0     | 10   | 10                      | 10                      | 10                      | 10                      |
| Allocated amount   | 3.0  | 3.0%  |                     | 0.6  | 0.6                     | 0.6                     | 0.6                     | 0.6                     |

<sup>74</sup> All sub-projects funded under the UDG should be substantially finished (95% completed) by the last year of the Program.

| <i>DLIs</i>  | <i>Total Financing Allocated to DLI (US\$ million)</i> | <i>As % of Total PforR Financing Amount</i> | <i>DLI Baseline</i> | <i>Indicative timeline for DLI achievement</i>                             |  |  |  |  |
|--|--|---|---------------------|--|--|--|--|--|
|  |  |   |                     | <i>Year 1 (FY18/19)</i>  | <i>Year 2 (FY19/20)</i>  | <i>Year 3 (FY20/21)</i>  | <i>Year 4 (FY21/22)</i>  | <i>Year 5 (FY22/23)</i>  |
| <b>DLI 6</b> - Timely annual DPAT assessments and publication of results   |  |   | New system<br>0     | DPAT assessment on time  | DPAT assessment on time  | DPAT assessment on time  | DPAT assessment on time  | DPAT assessment on time  |
| Allocated amount   | 2.5  | 2.5%  |                     | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| <b>DLI 7</b> – Timely allocation and release of resources to MAs and technical back-up support from MLGRD/MDAs to MAs        |  |   | New system<br>0     | Timely allocation of UDG/CSG; MLGRD/MD As support plan for FY18/19 adopted | Support plan for FY19/20 adopted; and support plan for FY18/19 implemented.                                    | Support plan for FY20/21 adopted; and support plan for FY19/20 implemented                                     | Support plan for FY21/22 adopted; and support plan for FY20/21 implemented                                     | Support plan for FY22/23 adopted; and support plan for FY21/22 implemented                                     |
| Allocated amount   | 2.5  | 2.5%  |                     | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| <b>DLI 8</b> - Key RCC and MA staff in place and % annual supply-driven capacity building by OHLGS to MAs as per annual plan |  |   | New system<br>0     | All RCC and MAs key staff in place; support plan for FY18/19 adopted       | All RCC and MAs key staff in place; Support plan for FY19/20 adopted; and support plan for FY18/19 implemented | All RCC and MAs key staff in place; Support plan for FY20/21 adopted; and support plan for FY19/20 implemented | All RCC and MAs key staff in place; Support plan for FY21/22 adopted; and support plan for FY20/21 implemented | All RCC and MAs key staff in place; Support plan for FY22/23 adopted; and support plan for FY21/22 implemented |
| Allocated amount   | 2.0  | 2.0%  |                     | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  |
| <b>Total Financing Allocated:</b>  | 100.0  | 100.0%                                      |                     | 8.6  | 14.6   | 20.9   | 26.5   | 29.4   |

**Table 3.2. DLI Verification Protocol Table**

|   | <i>DLI</i>  | <i>Definition/Description of achievement</i>   | <i>Scalability of Disbursements (Yes/No)</i> | <i>Protocol to evaluate achievement of the DLI and data/result verification</i>   |   |  |
|---|---|--|--|---|---|--|
|   |   |  |  | <i>Data source/agency</i>   | <i>Verification Entity</i>  | <i>Procedure (annually)</i>  |
| 1 | No. of MAs qualifying for CSGs  | This indicator will be satisfied when eligible MAs satisfy CSG Minimum Conditions  | Yes  | APA reports<br><br>CSG allocation announcements and notifications (made by MLGRD to MAs and publicly disclosed)             | Independent verification Agency (IVA)/firm assesses MA performance<br><br>IMCC SC endorses APA results                          | <ul style="list-style-type: none"> <li>• IVA (private firm) contracted by MLGRD to carry out APA</li> <li>• IVA submits APA report (findings, results) to MLGRD and IDA</li> <li>• IDA contracts Quality Assurance Review (QAR) consultants and QAR consultants review APA report prepared by IVA</li> <li>• MLGRD presents APA report to IMCC Steering Committee (SC) for review and endorsement</li> <li>• World Bank endorses IMCC SC approval</li> </ul> |
| 2 | No. of MAs scoring equal to or more than the national average DPAT score                  | This indicator will be satisfied when eligible MAs score at least the national average DPAT performance score and qualify to get the GoG UDG from the RFG window   | Yes  | DPAT assessment reports<br><br>UDG allocation announcements and notifications (made by MLGRD to MAs and publicly disclosed) | DPAT assessment reports by IVA/firms<br><br>IMCC SC endorses DPAT results   | <ul style="list-style-type: none"> <li>• Independent team contracted by MLGRD to carry out DPAT</li> <li>• DPAT team submits report (findings, results) to MLGRD</li> <li>• MLGRD presents DPAT report to IMCC SC for endorsement</li> <li>• Bank QAR consultant verifies</li> <li>• World Bank endorses DPAT scores</li> </ul>  |
| 3 | average % scores of Program MAs in Urban Management Performance Benchmarks                | This indicator measures the level of improvements of Program MAs in Urban management PBs to access additional UDG allocation under the Program to that of the GoG under the DPAT (subject to full compliance with UDG MCs) | Yes  | APA reports<br><br>UDG allocation announcements and notifications (made by MLGRD to MAs and publicly disclosed)             | IVA/firm assesses MAs' performances<br><br>IMCC SC endorses APA results<br><br>IDA hires QAR consultant to validate APA results | <ul style="list-style-type: none"> <li>• IVA (private firm) contracted by MLGRD to carry out APA</li> <li>• IVA submits APA report (findings, results) to MLGRD and IDA</li> <li>• IDA contracts Quality Assurance Review (QAR) consultants and QAR consultants review APA report prepared by IVA</li> <li>• MLGRD presents APA report to IMCC Steering Committee (SC) for review and endorsement</li> <li>• World Bank endorses IMCC SC approval</li> </ul> |
| 4 | average % scores of MAs in Infrastructure and Service Delivery targets as per annual plan | This indicator measures the actual Infrastructure & Services delivered by MAs that have received Program UDG as per their annual UDG work plan (subject to full compliance with UDG MCs)                                   | Yes  | APA reports<br><br>UDG allocation announcements and notifications (made by MLGRD to MAs and publicly disclosed)             | IVA/firm assesses MAs' performances<br><br>IMCC SC endorses APA results<br><br>IDA QAR validate results                         | <ul style="list-style-type: none"> <li>• IVA (private firm) contracted by MLGRD to carry out APA</li> <li>• IVA submits APA report (findings, results) to MLGRD and IDA</li> <li>• IDA contracts Quality Assurance Review (QAR) consultants and QAR consultants review APA report prepared by IVA</li> </ul>   |

|   | DLI  | Definition/Description of achievement  | Scalability of Disbursements (Yes/No) | Protocol to evaluate achievement of the DLI and data/result verification  |   |  |
|---|--|--|---------------------------------------|---|---|--|
|   |  |  |                                       | Data source/agency  | Verification Entity   | Procedure (annually)   |
|   |  |  |                                       |   |   | <ul style="list-style-type: none"> <li>MLGRD presents APA report to IMCC Steering Committee (SC) for review and endorsement</li> <li>World Bank endorses IMCC SC approval</li> </ul>   |
| 5 | No. of RCCs qualifying for grants for monitoring and support to MAs  | This indicator measures the % implementation of RCCs' annual mentoring and technical back-up support to MMDAs under its jurisdiction using the Program funds.                                    | Yes                                   | <p>APA reports</p> <p>RCC grant allocation announcements and notifications (made by OHLGS to RCCs and publicly disclosed)</p>                         | <p>IVA/firm assesses RCCs' performances</p> <p>IMCC SC endorses APA results</p> <p>IDA hires QAR consultant to validate APA results</p>   | <ul style="list-style-type: none"> <li>IVA (private firm) contracted by MLGRD to carry out APA</li> <li>IVA submits APA report (findings, results) to MLGRD and IDA</li> <li>IDA contracts Quality Assurance Review (QAR) consultants and QAR consultants review APA report prepared by IVA</li> <li>MLGRD presents APA report to IMCC Steering Committee (SC) for review and endorsement</li> <li>World Bank endorses IMCC SC approval</li> </ul> |
| 6 | Timely annual DPAT assessments and publication of results  | This indicator measures the robustness of the Government IGTF system will be satisfied if/when annual DPAT assessments and results are endorsed by 1 October of the FY prior to RFG disbursement | No                                    | <p>DPAT assessment reports</p> <p>IMCC SC minutes of meeting in which DPAT assessment reports and results are endorsed</p>                            | <p>IVA verifies that IMCC SC has approved DPAT reports and results published not later than October 1 every FY.</p> <p>IDA's QAR validates</p>                                  | <ul style="list-style-type: none"> <li>IVA (private firm) contracted by MLGRD to carry out APA</li> <li>IVA submits APA report (findings, results) to MLGRD and IDA</li> <li>IDA contracts Quality Assurance Review (QAR) consultants and QAR consultants review APA report prepared by IVA</li> <li>MLGRD presents APA report to IMCC Steering Committee (SC) for review and endorsement</li> <li>World Bank endorses IMCC SC approval</li> </ul> |
| 7 | Timely allocation and release (UDG/CSG) of resources to MAs and technical back-up support from MLGRD/MDAs to MAs | This indicator will be satisfied when MLGRD releases to MAs in time (within 30days after IDA disbursement to GoG), and adopts an annual workplan of support to MAs and implements the workplan   | No                                    | <p>MLGRD UDG/CSG release letter</p> <p>MLGRD Program annual workplans and reports</p> <p>IMCC SC endorses MLGRD annual workplan</p> <p>IVA report</p> | <p>IVA verifies that MLGRD releases resources in time, has annual workplan and assesses extent to which workplan has been implemented</p> <p>IDA's QAR consultant validates</p> | <ul style="list-style-type: none"> <li>MLGRD releases UDG/CSG in time</li> <li>MLGRD draws up annual workplan</li> <li>IMCC SC approves MLGRD annual workplan</li> <li>MLGRD implements annual workplan</li> <li>MLGRD reports to IMCC SC on workplan implementation</li> <li>IVA verifies MLGRD workplan and implementation report</li> <li>World Bank endorses IVA verification</li> </ul>   |

|   | <i><b>DLI</b></i>   | <i><b>Definition/Description of achievement</b></i>   | <i><b>Scalability of Disbursements (Yes/No)</b></i> | <i><b>Protocol to evaluate achievement of the DLI and data/result verification</b></i> |   |   |
|---|---|---|---|--|---|---|
|   |   |   |   | <i><b>Data source/agency</b></i>   | <i><b>Verification Entity</b></i>   | <i><b>Procedure (annually)</b></i>  |
| 8 | Key RCC and MA staff in place and % annual supply-driven capacity building by OHLGS to MAs as per annual plan | This indicator measures (i) Key RCC and MAs staff posted by OHLGS, and (ii) OHLGS fully implementing its annual supply driven capacity support plan to RCCs and MAs | No  | OHLGS report on RCC and MA staffing<br><br>IVA reports                                 | IVA verifies key staff presence in RCCs and MAs<br><br>IVA verifies OHLGS report<br><br>IDA QAR validates | <ul style="list-style-type: none"> <li>• OHLGS reports on presence of key RCC and MA staff</li> <li>• IVA report provides findings on RCC and MA staffing</li> <li>• IVA submits APA report (findings, results) to MLGRD and IDA</li> <li>• IDA contracts Quality Assurance Review (QAR) consultants and QAR consultants review APA report prepared by IVA</li> <li>• MLGRD presents APA report to IMCC Steering Committee (SC) for review and endorsement</li> <li>• World Bank endorses IMCC SC approval</li> </ul> |



**Table 3.3. Bank Disbursement Table**

| # | DLI  | Bank financing allocated to the DLI (\$ million) | Of which financing available for Prior results | Deadline for DLI Achievement   | Minimum DLI value to be achieved to trigger disbursements of Bank Financing | Maximum DLI value(s) expected to be achieved for Bank disbursements purposes | Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)   |
|---|--|--|--|--|---|--|--|
| 1 | No. of MAs qualifying for CSGs   | 3.0  | 0  | APA to be completed by 15 September<br><br>Verification, review and endorsement of APA results to be completed by October 1 by IMCC SC and final CSG allocation publicized not later than October 15 after IDA validation and confirmation.      | 50,000  | 1,000,000  | Year 1: (FY2018-19) - No. of MAs complying with CSG MCs x US\$50,000<br><br>Year 2: (FY 2019-20) - No. of MAs complying with CSG MCs x US\$50,000<br><br>Year 3: (FY 2020-21) - No. of MAs complying with CSG MCs x US\$50,000<br><br>Year 4: (FY 2021-22) - <u>ONLY</u> MAs that have <u>NOT</u> already received <u>THREE</u> annual CSGs and are complying with CSG MCs x US\$50,000<br><br>Year 5: (FY 2022-23) - <u>ONLY</u> MAs that have <u>NOT</u> already received <u>THREE</u> annual CSGs and are complying with CSG MCs x US\$50,000 |
| 2 | No. of MAs scoring equal to or more than the national average DPAT score   | 32.8   | 0  | APA to be completed by 15 September<br><br>Verification, review and endorsement of APA results to be completed by October 1 by IMCC SC and RFG allocation publicized by not later than October 15 after IDA validation and confirmation.         | 1   | 20   | Years 1-5 - Numbers of MAs scoring at least up to the national average DPAT performance measure score x US\$ 3 per urban population per capita.  |
| 3 | average % scores of Program MAs in Urban Management Performance Benchmarks | 41.7   | 0  | APA to be completed by 15 September<br><br>Verification, review and endorsement of APA results to be completed by October 1 by IMCC SC and UDG Program allocation publicized by not later than October 15 after IDA validation and confirmation. | 0<br>(average Urban Management PB score)                                    | 100<br>(average Urban Management PB score)                                   | Year 1 - Not applicable<br><br>Years 2-5 – [(Sum of each MA that scored less than the annual average score target for the year/the target score for the year x US\$ 9 per urban population per capita) + sum of each MA with scores equal to or above national average score x US\$ 9 per urban population per capita).  |
| 4 | average % scores of MAs in Infrastructure and Service Delivery             | 12.5   | 0  | APA to be completed by 15 September<br><br>Verification, review and endorsement of APA results to be completed by October 1 by IMCC SC and Program UDG allocation  | 0<br>(average Infrastructure & Service Delivery                             | 100<br>(average Infrastructure & Service Delivery score                      | Years 1-2 - Not applicable<br><br>Years 3-5 - [(Sum of each MA that scored less than the annual average score target for the year/the target score for the year x US\$ 3 per   |

| # | DLI  | Bank financing allocated to the DLI (\$ million) | Of which financing available for Prior results | Deadline for DLI Achievement  | Minimum DLI value to be achieved to trigger disbursements of Bank Financing | Maximum DLI value(s) expected to be achieved for Bank disbursements purposes | Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)  |
|---|--|--|--|---|---|--|---|
|   | targets as per annual plan   |  |  | publicized by not later than October 15 after IDA validation and confirmation.  | score as per work plan)   | as per work plan).   | urban population per capita) + sum of each MA with scores equal to or above national average score x US\$ 3 per urban population per capita).   |
| 5 | No. of RCCs qualifying for grants for monitoring and support to MAs                                    | 3.0  | 0  | APA to be completed by 15 September<br><br>Verification, review and endorsement of APA results to be completed by October 1 by IMCC SC and RCCs allocations publicized by not later than October 15 after IDA validation and confirmation.  | 1   | 10   | Years 1-5 – No. of RCCs complying with grants minimum conditions x US\$60,000.  |
| 6 | Timely annual DPAT assessments and publication of results  | 2.5  | 0  | APA to be completed by 15 September<br><br>Verification, review and endorsement of APA results to be completed by October 1 by IMCC SC and DPAT assessment allocation publicized by not later than October 15 after IDA validation and confirmation.  | 1   | 1  | Years 1-5 - DLI achievement = US\$0.5 million per year.   |
| 7 | Timely allocation and release of resources to MAs and technical back-up support from MLGRD/MDAs to MAs | 2.5  |  | MLGRD make sure UDG/CSG allocate and release to MAs in time (within 30days after IDA disbursement to GoG). IVA will assess the date of allocation and release.<br><br>MLGRD/MDAs annual work plan of support for MAs developed by September 15 and Implementation of <b>previous</b> year's MLGRD/MDAs work plan of support assessed by IVA by September 15.<br><br>Verification, review and endorsement of IVA report completed by October 1 by IMCC SC and MLGRD/MDAs allocation publicized by not later than October 15 after IDA validation and confirmation. | 1   | 1  | Year 1 – Timely allocation and release of UDG/CSG to MAs, and MLGRD/MDAs annual work plan of support to MAs for next FY is developed and adopted (US\$0.5 million)<br><br>Years 2-5 – Timely allocation and release of UDG/CSG to MAs, and MLGRD/MDAs annual work plan of support to MAs for next FY is developed and adopted and the work plan of support for the previous year implemented at least up to 90% (US\$0.5 million per year; else disbursement on pro rata basis) |
| 8 | Key RCC and MA staff in place and % annual supply-driven capacity building by OHLGS                    | 2.0  | 0  | OHLGS has appointed fully key staff at the 10 RCCs and the Program MAs and an annual work plan of support for RCCs and MAs developed by September 15 and Implementation of <b>previous</b> year's OHLGS   | 1   | 1  | Years 1-5 – 100% of key RCCs and Program MAs' staff are in place during Program period and at least 95% of OHLGS annual work plan of support to RCCs and Program MAs implemented (US\$0.4 million; else on a pro rata basis).   |

| # | DLI                       | Bank financing allocated to the DLI (\$ million) | Of which financing available for Prior results | Deadline for DLI Achievement  | Minimum DLI value to be achieved to trigger disbursements of Bank Financing | Maximum DLI value(s) expected to be achieved for Bank disbursements purposes | Determination of Financing Amount to be disbursed against achieved and verified DLI value(s) |
|---|---------------------------|--|--|---|---|--|--|
|   | to MAs as per annual plan |  |  | work plan of support assessed by IVA by September 15.<br><br>Verification, review and endorsement of IVA report completed by October 1 by IMCC SC and OHLGS allocation publicized by not later than October 15 after IDA validation and confirmation. |   |  |  |
|   | Total                     | 100.0  |  |   |   |  |  |

## **Annex 2: Performance Benchmarks (PBs) – indicators, scoring and assessment process**

190. **This annex to the Technical Assessment provides greater detail on the Performance Benchmarks (PBs) that are to be used in the Program.** Further details will be included in the Program Operations Manual. PBs are intended to provide eligible MAs with a sense of the direction towards which they should be moving if they are to improve their management of urban areas and their delivery of infrastructure and services. By meeting PBs, MAs will be able to access larger UDGs.

191. **UDG Performance Benchmarks are best conceptualized as providing Municipal Assemblies with a set of “waypoints” on an urban management roadmap.** Achieving PBs implies that MAs are actually becoming more active and more effective as urban managers and engaging with issues such as long term spatial planning, the provision of municipal services, facilitation of local economic development (and job creation), maintaining municipal assets, ensuring financial sustainability, and delivering good infrastructure and services.

192. **The Program will use two main sets of Performance Benchmarks (Urban Management and Infrastructure/Service Delivery), and within those, several sub-sets.** These are outlined in the table below, along with their weighting in the scoring system to be used by annual assessments.

Table 1: UDGs – Performance Benchmarks

| Types of PB        | Performance area                                    | Maximum score % | Maximum \$ per capita incentive |
|--------------------|---|-----------------|---------------------------------|
| Urban management   | Urban planning and services                         | 25.0            | 3.00                            |
|                    | Urban economic development and competitiveness      | 12.5            | 1.50                            |
|                    | Sustainable urban systems                           | 37.5            | 4.50                            |
| ISD                | Urban infrastructure delivery (from year 2 onwards) | 25.0            | 3.00                            |
| <b>Total score</b> |   | <b>100.0</b>    | <b>12.00</b>                    |

193. **Within each performance area, there are a number of PBs, which carry a maximum score.** These are shown in the table below. A more detailed description of PB indicators and scoring is provided in attachment 1 (at the end of this annex).

Table 2: UDGs – Performance areas, Performance Benchmarks and scoring

| Performance area            | Indicative Performance Benchmarks   | Score (for performance area as a whole) |
|-----------------------------|---|---|
| Urban planning and services | <ul style="list-style-type: none"> <li>• Availability, use and application of spatial planning instruments</li> <li>• Street naming and addressing</li> <li>• Monitoring of solid waste and solid waste management</li> <li>• Monitoring of municipal services</li> </ul> | 25.0                                    |

|   |  |              |
|---|--|--------------|
| Urban economic development and competitiveness      | <ul style="list-style-type: none"> <li>• Regular and formal interaction between MA and local firms</li> <li>• MA business support strategy and action plans</li> </ul>   | 12.5         |
| Sustainable urban systems                           | <ul style="list-style-type: none"> <li>• Quality of revenue administration</li> <li>• Drainage maintenance</li> <li>• Street light maintenance</li> <li>• Maintenance of pedestrian access networks</li> </ul> | 37.5         |
| Urban infrastructure delivery (from year 2 onwards) | <ul style="list-style-type: none"> <li>• Use of previous UDGs (spending/budget)</li> <li>• Efficiency of infrastructure projects</li> <li>• Effectiveness of infrastructure projects</li> </ul>                | 25.0         |
| <b>Total score</b>                                  |  | <b>100.0</b> |

194. Annual Performance Assessments (APAs) of eligible MAs will be carried out in order to score each MA in terms of its achievements with respect to Performance Benchmarks. These scores will determine the total size of UDG that MAs will receive.

195. APAs will be carried out by an independent verification agency, a firm of consultants. The team will be composed of three members: (a) team leader (urbanist); (b) local revenue specialist; (c) civil engineer.

## ATTACHMENT 1

### UDG PERFORMANCE BENCHMARKS - INDICATORS and SCORING

#### URBAN PLANNING & SERVICES

| Performance Area            | Performance Benchmark   | Indicators   | Information source, Assessment basis and Scoring  | Means of Verification  | Max Score |
|-----------------------------|---|--|---|--|-----------|
| Urban planning and services | Availability, use and application of spatial planning instruments | Municipal Spatial Planning Committee (MSPC) established and functional (LUSPA Art 37)<br><b>AND</b><br>Technical Sub-Committee (TSC) established and functional (LUSPA Art 39) | <ul style="list-style-type: none"> <li>Establishment (date)</li> <li>Composition (as per LUSPA)</li> <li>MSPC and TSC met at least on a quarterly basis</li> </ul> <p>If <u>all</u> of the above, score = 1<br/>If not all, score = 0</p> | <p>MA minutes of meetings during which MSPC and TSC were established</p> <p>MSPC and TSC minutes of meetings</p> | 1         |
|                             |   | Municipal Spatial Development Framework (MSDF, 20 years) approved  | <ul style="list-style-type: none"> <li>MSDF has been approved by MA and is applicable (less than 20 years old)</li> </ul> <p>If the above, score = 1<br/>If not, score = 0</p>  | <p>MSDF in hard copy</p> <p>MA minutes of meeting during which MSDF approved</p>                                 | 1         |
|                             |   | Municipal Structure Plan(s) (MSP, 15 years) approved<br>For <u>urban</u> areas within the MA   | <ul style="list-style-type: none"> <li>MSP for principal urban area has been approved and is applicable (less than 15 years old)</li> </ul> <p>If the above, score = 1<br/>If not, score = 0</p>  | <p>MSP in hard copy</p> <p>MA minutes of meeting during which MSP approved</p>                                   | 2         |
|                             |   | Planning & Building Inspectorate Unit established and functional in MA (LUSPA Art 158)   | <ul style="list-style-type: none"> <li>Establishment (date)</li> <li>Staffed by at least one officer</li> <li>Regular reports provided to MA by unit</li> </ul> <p>If <u>all</u> of the above, score = 2<br/>If not all, score = 0</p>    | <p>MA organogram</p> <p>MA staff list</p>  | 2         |

| Performance Area | Performance Benchmark  | Indicators  | Information source, Assessment basis and Scoring   | Means of Verification                              | Max Score |
|------------------|--|---|--|--|-----------|
|                  |  | Planning permits reflect spatial plans  | <ul style="list-style-type: none"> <li>X% of planning permits issued in last 12 months refer to MSDP or MSP</li> </ul> <p>If <math>X \geq 75</math>, score = 2<br/> If <math>X = 50-74</math>, score = 1<br/> If <math>X \leq 49</math>, score = 0</p>         | MA copies of planning permits                      | 2         |
|                  | Street addressing<br><br>See: MLGRD (2010): <i>Street naming and property numbering system (street addressing system) – Operational Guidelines</i> | MA has a computerized street addressing system and database   | <ul style="list-style-type: none"> <li>Computerized street addressing database exists and has been accessed in last 12 months</li> </ul> <p>Specifications for database in Program Operations Manual</p> <p>If the above, score = 2<br/> If not, score = 0</p> | Database   | 2         |
|                  |  | % of urban streets that are named and addressed   | <ul style="list-style-type: none"> <li>In principal urban area, X% of motorable streets have been named</li> </ul> <p>If <math>X \geq 75</math>, score = 3<br/> If <math>X = 50-74</math>, score = 1<br/> If <math>X \leq 49</math>, score = 0</p>             | Maps<br>Database                                   | 3         |
|                  | Monitoring of solid waste and solid waste management (SWM)   | MA has baseline data on solid waste and solid waste management in principal urban area, updates the baseline annually and issues an annual report on SW and SWM | <p>Step 1: baseline survey and mapping undertaken<br/> Step 2a: annual update of baseline survey and mapping<br/> Step 2b: annual report on SWM</p> <p>With respect to the above, MA has:</p>  | Database, maps, etc.<br>Baseline report<br>Reports | 6         |

| Performance Area | Performance Benchmark | Indicators | Information source, Assessment basis and Scoring   | Means of Verification | Max Score |
|------------------|-----------------------|------------|--|-----------------------|-----------|
|                  |                       |            | <ul style="list-style-type: none"> <li>mapped existing neighborhoods and zones within its urban areas</li> <li>identified and mapped types of waste in each neighborhood/zone</li> <li>identified and mapped existing solid waste pre-collection methods in each neighborhood/zone</li> <li>identified and mapped intermediary waste collection sites (official and un-official) in each neighborhood/zone</li> <li>identified current methods and organization of waste collection and transport for each neighborhood/zone</li> <li>identified waste disposal sites and waste disposal methods</li> <li>estimated waste generation, waste pre-collection and waste collection rates</li> </ul> <p>Evaluation (APA team):<br/>           If most or all of the above have been done by the MA, score = 6<br/>           If half of the above have been done by the MA, score = 3<br/>           Otherwise, score = 0</p> <p>Guidelines and templates for solid waste management monitoring in Program Operations Manual</p> |                       |           |



| Performance Area | Performance Benchmark              | Indicators   | Information source, Assessment basis and Scoring   | Means of Verification                              | Max Score |
|------------------|------------------------------------|--|--|--|-----------|
|                  | Monitoring of basic urban services | For another basic service (e.g. sanitation, water, street lighting, electricity, etc.), MA has baseline data, annual updates, and an annual report | <p>Step 1: baseline survey and mapping undertaken of basic service X</p> <p>Step 2a: annual update of baseline survey and mapping of basic service X</p> <p>Step 2b: annual report on basic service X</p> <p>With respect to the above, MA has:</p> <ul style="list-style-type: none"> <li>mapped existing neighborhoods and zones within its urban areas</li> <li>identified and mapped types of X in each neighborhood/zone</li> <li>identified and mapped existing X In each neighborhood/zone</li> <li>identified current methods and organization of basic service X for each neighborhood/zone</li> <li>identified basic service X providers</li> <li>estimated coverage of basic service X and estimated basic service provision deficits in each neighborhood/zone</li> </ul> <p>Evaluation (APA team):</p> <p>If most or all of the above have been done by the MA, score = 6</p> <p>If half of the above have been done by the MA, score = 3</p> <p>Otherwise, score = 0</p> | Database, maps, etc.<br>Baseline report<br>Reports | 6         |

| Performance Area            | Performance Benchmark | Indicators | Information source, Assessment basis and Scoring                                    | Means of Verification | Max Score |
|-----------------------------|-----------------------|------------|---|-----------------------|-----------|
|                             |                       |            | Guidelines and templates for monitoring basic services in Program Operations Manual |                       |           |
| Urban planning and services |                       |            |   |                       | 25        |

## UDG PERFORMANCE BENCHMARKS - INDICATORS and SCORING

### URBAN ECONOMIC DEVELOPMENT & COMPETITIVENESS

| Performance Area                                      | Performance Benchmark   | Indicators  | Information source, Assessment basis and Scoring  | Means of Verification                           | Max Score |
|---|---|---|---|---|-----------|
| <b>Urban economic development and competitiveness</b> | MA engages with private sector in order to promote local economic development | Business inventory established and updated          | <p>With respect to local businesses/firms, MA has established an inventory of businesses and firms, categorizing by business type/sector, employment, ownership, history, contacts, etc.</p> <p>If the above, score = 2.5<br/>If not, score = 0</p> <p>Guidelines and templates business inventory in Program Operations Manual</p>   | Inventory Reports                               | 2.5       |
|   |   | Annual MA forum with Chamber of Commerce and others | <p>In the last 12 months, MA has organized and held a local economic development forum with representatives of the local private sector community to discuss economic growth, job creation and MA actions to facilitate business development and economic growth</p> <p>If the above, score = 4<br/>If not, score = 0</p> <p>Guidelines on forum in Program Operations Manual</p> | Minutes of forum<br>List of invitees<br>Reports | 4         |

|  |  |  |   |  |      |
|--|--|--|---|--|------|
|  |  | <ul style="list-style-type: none"> <li>MA business liaison unit established and functional</li> </ul>                      | <ul style="list-style-type: none"> <li>MA has designated an official focal point to act as a business liaison unit with the private sector</li> <li>MA business liaison unit is operational and has provided an annual activities report to the MA</li> </ul> <p>If the above, score = 3<br/>If not, score = 0</p>                            | <p>Reports<br/>Letter of appointment for focal point</p> | 3    |
|  | MA plans to promote private sector development | <ul style="list-style-type: none"> <li>Annual MA business support action plan drafted, implemented and reviewed</li> </ul> | <ul style="list-style-type: none"> <li>MA has developed an annual business support action plan to facilitate economic growth and private sector activities</li> <li>MA has reviewed and updated its annual business support action plan</li> </ul> <p>If the above, score = 3<br/>If not, score = 0</p> <p>Template to be included in POM</p> | <p>Annual business support action plan<br/>Reports</p>   | 3    |
| Urban economic development and competitiveness |  |  |   |  | 12.5 |

## UDG PERFORMANCE BENCHMARKS - INDICATORS and SCORING

### SUSTAINABLE URBAN SYSTEMS

| Performance Area          | Performance Benchmark   | Indicators   | Information source, Assessment basis and Scoring   | Means of Verification   | Max Score |
|---------------------------|---|--|--|---|-----------|
| Sustainable urban systems | MA spatial database   | <ul style="list-style-type: none"> <li>MA has an updated spatial database for its urban area</li> </ul>  | <ul style="list-style-type: none"> <li>MA has a spatial database (map) for urban area showing:                             <ul style="list-style-type: none"> <li>(a) Street names and property addresses (SNPA)</li> <li>(b) Unique Parcel Numbers (UPNs)</li> </ul> </li> <li>MA urban area spatial database is reviewed and updated annually</li> </ul> <p>If the above, score = 3.5<br/>If not, score = 0</p>              | Spatial database and maps<br>SNPA files<br>UPN files                        | 3.5       |
|                           | Property tax administration<br><br>See LGSS documents: <ul style="list-style-type: none"> <li>LGSS (June 2016): <i>Internally Generated Funds – Strategy and Guidelines</i></li> <li>LGSS (August 2014): <i>Revenue Mobilization</i></li> </ul> | <ul style="list-style-type: none"> <li>Establish computerized property tax roll for urban area(s):</li> <li>Set annual property rates</li> <li>Update property tax roll for urban area(s)</li> </ul> | <ul style="list-style-type: none"> <li>Property data from property tax/valuation rolls is matched (cross-referenced) with property addressing database(SNPA)                             <ul style="list-style-type: none"> <li>Address/location of property</li> <li>Name of owner/caretaker</li> <li>Valuation</li> <li>Applicable property rate</li> </ul> </li> <li>Property tax/valuation roll is computerized</li> </ul> | Property valuation rolls<br>MA meetings to set rates<br>Software operations | 5         |

| Performance Area | Performance Benchmark  | Indicators   | Information source, Assessment basis and Scoring   | Means of Verification                   | Max Score |
|------------------|--|--|--|---|-----------|
|                  | <i>Handbook for MMDAs in Ghana</i>   |  | <ul style="list-style-type: none"> <li>Property valuations are updated annually by LVB or by MA estimations</li> <li>Property rates are updated annually (MA decision on rates, calculation of property rates for each property, update of property tax/valuation roll)</li> </ul> <p>If all of the above, score = 5<br/>If not, score = 0</p>   |   |           |
|                  |  | <ul style="list-style-type: none"> <li>Establish computerized property rates billing system, linked to property tax roll</li> <li>Deliver bills to all property owners</li> <li>Deliver bills to all property owners <u>before</u> 31 January</li> </ul>                           | <ul style="list-style-type: none"> <li>Property rate bills generated on basis of property tax/valuation roll</li> <li>Computerized billing system is linked to computerized property tax/valuation roll</li> <li>Property rates bills are successfully delivered to <u>100% of property owners before 31 December</u></li> </ul> <p>If all of the above, score = 5<br/>If not, score = 0</p> | Software<br>Billing notices and records | 3         |
|                  | Business operating licenses<br><br>See LGSS documents: <ul style="list-style-type: none"> <li>LGSS (June 2016): <i>Internally</i></li> </ul> | <ul style="list-style-type: none"> <li>Establish and update register of businesses:               <ul style="list-style-type: none"> <li>Address/location of business</li> <li>Owner of business</li> <li>Type of business</li> <li>Applicable license rate</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Business registry data is matched (cross-referenced) with property addressing database(SNPA)               <ul style="list-style-type: none"> <li>Address</li> <li>Name of business owner</li> </ul> </li> </ul>  | Database<br>Business registry           | 3         |

| Performance Area | Performance Benchmark   | Indicators   | Information source, Assessment basis and Scoring   | Means of Verification                                | Max Score |
|------------------|---|--|--|--|-----------|
|                  | <i>Generated Funds – Strategy and Guidelines</i> <ul style="list-style-type: none"> <li>LGSS (August 2014): <i>Revenue Mobilization Handbook for MMDAs in Ghana</i></li> </ul>  |  | <ul style="list-style-type: none"> <li>Business register is updated annually:               <ul style="list-style-type: none"> <li>to include new businesses and delete defunct businesses</li> <li>to include current business license rates</li> </ul> </li> </ul> <p>If all of the above, score = 3<br/>If not, score = 0</p> |  |           |
|                  |   | <ul style="list-style-type: none"> <li>Establish computerized business license billing system, linked to business register</li> <li>Deliver bills to all businesses</li> <li>Deliver bills to all businesses <u>before</u> 31 January</li> </ul> | <ul style="list-style-type: none"> <li>Computerized billing system is linked to computerized business register</li> <li>Property rates bills are successfully delivered to <u>100% of registered businesses by 31 December</u></li> </ul> <p>If all of the above, score = 3<br/>If not, score = 0</p>                            | Software in operation<br>Billing notices and records | 3         |
|                  | Rates payments system<br><br>See LGSS documents: <ul style="list-style-type: none"> <li>LGSS (June 2016): <i>Internally Generated Funds – Strategy and Guidelines</i></li> <li>LGSS (August 2014): <i>Revenue Mobilization</i></li> </ul> | <ul style="list-style-type: none"> <li>Establish two or more payment points/options in urban area</li> </ul>   | <ul style="list-style-type: none"> <li>Two tax payment options (Score = 1)</li> <li>Three tax payment options (Score = 2)</li> <li>Four or more tax payment options (Score = 3)</li> </ul>   | Reports<br>Rates bills cite payment options          | 3         |

| Performance Area | Performance Benchmark   | Indicators   | Information source, Assessment basis and Scoring   | Means of Verification  | Max Score |
|------------------|---|--|--|--|-----------|
|                  | <i>Handbook for MMDAs in Ghana</i>  |  |  |  |           |
|                  | <p>Enforcement of property rates and business licensing</p> <p>See LGSS documents:</p> <ul style="list-style-type: none"> <li>• LGSS (June 2016): <i>Internally Generated Funds – Strategy and Guidelines</i></li> <li>• LGSS (August 2014): <i>Revenue Mobilization Handbook for MMDAs in Ghana</i></li> </ul> | <ul style="list-style-type: none"> <li>• Enforcement actions taken for at least 50% of defaulters (non-payment by end of FY)</li> </ul>  | <ul style="list-style-type: none"> <li>• MA issues <u>first</u> reminders to 90% of non-payers within 2 months of payment date</li> <li>If the above, score = 3</li> <li>• MA issues <u>second</u> reminders to non-payers within 4 months of payment date</li> <li>If the above, score = 2</li> </ul>   | <p>Billing system</p> <p>Reminders/notifications Reports</p> | 5         |
|                  | Drainage maintenance  | <ul style="list-style-type: none"> <li>• MAs will be assessed with respect to: <ul style="list-style-type: none"> <li>- their mapping and identification of municipal drainage networks</li> <li>- annual plans and budgets for maintaining such systems and</li> <li>- plan/budget execution</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• MA has mapped out and updated primary and secondary drainage networks in urban area</li> <li>• Annually: MA has identified and prioritized key maintenance actions for primary and secondary drainage networks</li> <li>• MA has annual maintenance plan for primary and secondary drainage networks</li> <li>• MA has reviewed implementation of annual drainage maintenance plan</li> </ul> | <p>Reports</p> <p>Plans</p> <p>Maps</p>                      | 4         |



| Performance Area | Performance Benchmark                     | Indicators   | Information source, Assessment basis and Scoring  | Means of Verification    | Max Score |
|------------------|---|--|---|--------------------------|-----------|
|                  |   |  | <p>If all of the above, score = 4<br/>If not, score = 0</p> <p>Guidelines and templates in Program Operations Manual</p>  |                          |           |
|                  | Urban road maintenance                    | <ul style="list-style-type: none"> <li>• MAs will be assessed with respect to: <ul style="list-style-type: none"> <li>- their mapping and identification of municipal road networks</li> <li>- annual plans and budgets for maintaining such systems and</li> <li>- plan/budget execution</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• MA has mapped out and updated primary and secondary road networks in urban area</li> <li>• Annually: MA has identified and prioritized key maintenance actions for primary and secondary road networks</li> <li>• MA has annual maintenance plan for primary and secondary road networks</li> <li>• MA has reviewed implementation of annual road maintenance plan</li> </ul> <p>If all of the above, score = 4<br/>If not, score = 0</p> <p>Guidelines and templates in Program Operations Manual</p> | Reports<br>Plans<br>Maps | 4         |
|                  | Maintenance of pedestrian access networks | <ul style="list-style-type: none"> <li>• MAs will be assessed with respect to: <ul style="list-style-type: none"> <li>- their mapping and identification of pedestrian access networks</li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• MA has mapped out and updated pedestrian access networks in urban area</li> <li>• Annually: MA has identified and prioritized key maintenance actions for pedestrian access networks</li> </ul>  | Reports<br>Plans<br>Maps | 4         |

| Performance Area          | Performance Benchmark | Indicators  | Information source, Assessment basis and Scoring   | Means of Verification | Max Score |
|---------------------------|-----------------------|---|--|-----------------------|-----------|
|                           |                       | <ul style="list-style-type: none"> <li>- annual plans and budgets for maintaining these, and</li> <li>- plan/budget execution.</li> </ul> | <ul style="list-style-type: none"> <li>• MA has annual maintenance plan for pedestrian networks</li> <li>• MA has reviewed implementation of annual pedestrian access maintenance plan</li> </ul> <p>If all of the above, score = 4<br/>If not, score = 0</p> <p>Guidelines and templates in Program Operations Manual</p> |                       |           |
| Sustainable urban systems |                       |   |  |                       | 37.5      |

## UDG PERFORMANCE BENCHMARKS - INDICATORS and SCORING

### INFRASTRUCTURE & SERVICE DELIVERY

| Performance Area                          | Performance Benchmark                 | Indicators  | Information source, Assessment basis and Scoring   | Means of Verification                                     | Max Score |
|---|---------------------------------------|---|--|---|-----------|
| Urban infrastructure and service delivery | Efficiency of infrastructure projects | <ul style="list-style-type: none"> <li>Timeliness of delivery (measuring actual progress against planned implementation)</li> </ul> <p>Assessment of the progress of works against time</p> | <ul style="list-style-type: none"> <li>Physical progress lag – (difference between the planned as derived from the current approved <u>revised</u> work program and actual physical progress)<br/><b>(5 Marks)</b><br/>Physical lag:<br/>≤ 5% - score 5<br/>&gt;5% - ≤ 10% - score 4<br/>&gt;10% - ≤ 20% - score 3<br/>&gt;20% - ≤ 25% - score 2<br/>&gt;25% - ≤ 30% - score 1<br/>&gt; 30% - score 0</li> </ul> <p>To be assessed by determining the physical progress lag as the difference between planned physical progress and actual physical progress as at the time of assessment.</p> | Design documents<br>Procurement documents<br>Work program | 5         |
|   |                                       | <ul style="list-style-type: none"> <li>Adequacy of supervision and control in contract management</li> </ul> <p>Review of the contract supervision and monitoring arrangements</p>          | <ul style="list-style-type: none"> <li>% of quality progress reports prepared <b>(2 Marks)</b><br/>100% reports – 2<br/>otherwise – 0</li> <li>Presence of supervisors as in contract (minutes of site meetings)<br/><b>(1 Marks)</b></li> </ul>   |   | 3         |

| Performance Area | Performance Benchmark | Indicators  | Information source, Assessment basis and Scoring   | Means of Verification | Max Score |
|------------------|-----------------------|---|--|-----------------------|-----------|
|                  |                       |   | Supervisors present – 1<br>Absent – 0<br><br>To be assessed by examining the number and quality of progress reports prepared, availability of minutes of site meetings, comparison of approved supervising personnel with personnel involved in the supervision of the works and comparison of approved equipment with equipment found on site.  |                       |           |
|                  |                       | <ul style="list-style-type: none"> <li>Linkages between contract payments and contract management</li> </ul> <p>An evaluation of the existence and effectiveness of internal controls for certification and payment of executed works</p> | <ul style="list-style-type: none"> <li>Payments made on basis of correct invoicing and with proper documentation: <b>(2 Marks)</b><br/>All payments made as per contract and with appropriate documentation – 2<br/>Otherwise – 0</li> <li>Timeliness in payment of contractors <b>(2 Marks)</b><br/>Payment within contractual provision – 2<br/>Otherwise – 0</li> <li>Total payments within contract value <b>(1 Marks)</b><br/>Total payments within contract value – 1</li> </ul> |                       | 5         |

| Performance Area | Performance Benchmark                    | Indicators  | Information source, Assessment basis and Scoring  | Means of Verification | Max Score |
|------------------|--|---|---|-----------------------|-----------|
|                  |  |   | <p>Otherwise – 0</p> <p>To be assessed by checking for the availability of detailed measurement sheets, comparison of certified amounts with the amounts paid out, quantity verification through comparison of certified quantities with measured quantities, assessing timeliness of payments by determining any delays in the payment for executed works/services and materials supplied.</p>             |                       |           |
|                  | Effectiveness of infrastructure projects | <ul style="list-style-type: none"> <li>The quality of infrastructure</li> </ul>   | <ul style="list-style-type: none"> <li>% conformance of site works to design drawings and physical specifications<br/><b>(4 Marks)</b><br/>100% conformance – 4<br/>99% - ≥80% – 2<br/>79% - ≥60% – 1<br/>less than 60% – 0</li> <li>Presence of defects from visual observations<br/><b>(2 Marks)</b><br/>No defects observed – 2<br/>Minor defects observed – 1<br/>Major defects observed – 0</li> </ul> |                       | 6         |
|                  |  | <ul style="list-style-type: none"> <li>The use of completed infrastructure/investment projects. (e.g. proportion of infrastructure that is being fully</li> </ul> | <ul style="list-style-type: none"> <li>Observed functionality and usage<br/><b>(6 Marks)</b><br/>Functioning and used as intended – 10; below – pro-</li> </ul>   |                       | 6         |

| Performance Area                          | Performance Benchmark | Indicators                               | Information source, Assessment basis and Scoring | Means of Verification | Max Score |
|---|-----------------------|--|--|-----------------------|-----------|
|   |                       | utilized within 6 months of completion). | rata basing on team evaluation                   |                       |           |
| Urban infrastructure and service delivery |                       |  |  |                       | 25        |

## **Annex 3: Program Operations Manual: annotated structure**

**Preface:** purpose of POM, users of POM, etc.

### **1. PROGRAM OVERVIEW**

- Decentralization & local government
- Urbanization
- Secondary cities and the challenge of urban development

### **2. PROGRAM DESCRIPTION**

- 2.1. Objectives
- 2.2. Program windows
- 2.3. Institutional actors
  - 2.3.1. Eligible Municipal Assemblies (detailed list with population data)
  - 2.3.2. Regional Coordination Councils
  - 2.3.3. Central Government institutions
- 2.4. Implementation modalities

### **3. CAPACITY SUPPORT GRANTS**

- 3.1. Objectives
- 3.2. CSG allocations to Municipal Assemblies (detailed list)
- 3.3. Minimum Conditions and Annual Performance Assessment
  - [Annex: template and guidelines for Urban Development Action Plans]
  - [Annex: Minimum Conditions checklist]
- 3.4. Expenditure menu (detailed list of eligible and non-eligible expenditures)
- 3.5. Planning, budgeting and fund flow
- 3.6. Procurement and financial management
- 3.7. Reporting
- 3.8. Audit

### **4. URBAN DEVELOPMENT GRANTS**

- 4.1. Objectives
- 4.2. Annual maximum UDG allocations to Municipal Assemblies (detailed list)
- 4.3. Annual Performance Assessments
- 4.4. Minimum Conditions and Annual Performance Assessment
  - [Annex: template and guidelines for Urban Development Action Plans]
  - [Annex: Minimum Conditions checklist]
- 4.5. Performance Benchmarks, scoring system and assessment methodology
  - [Annexes: guidelines and templates for Performance Benchmarks]
- 4.6. UDG allocations: basis for calculations
- 4.7. Expenditure menu (detailed list of eligible and non-eligible expenditures)
- 4.8. Planning, budgeting and fund flow
- 4.9. Procurement and financial management
- 4.10. Reporting
- 4.11. Audit

## **5. RCC GRANTS**

- 5.1. Objectives
- 5.2. RCC program activities
- 5.3. Grant allocations to RCCs
- 5.4. Minimum Conditions
  - [Annex: template and guidelines for RCC Annual Work Plans]
  - [Annex: Minimum Conditions checklist]
- 5.5. Expenditure menu (detailed list of eligible and non-eligible expenditures)
- 5.6. Planning, budgeting and fund flow
- 5.7. Procurement and financial management
- 5.8. Reporting
- 5.9. Audit

## **6. NATIONAL LEVEL**

- 6.1. Objectives
- 6.2. Program funding at the national level
- 6.3. Program activities at the national level
- 6.4. DLIs at the national level
  - [Annex: templates for Central Government Annual Work Plan of support for Mas]
  - [Annex: templates for OHLGS]
- 6.5. DLIs at the regional and local levels
- 6.6. Planning, budgeting and fund flow
- 6.7. Procurement and financial management
- 6.8. Reporting

## **7. CROSS-CUTTING ISSUES**

- 7.1. Governance: fraud, corruption and grievance redress
- 7.2. Public financial management
- 7.3. Procurement
- 7.4. Environmental and social systems