Ex post evaluation – Ghana

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Sector: General budget support (CRS Code 51010)
Project: MDBS I (BMZ No.: 2003 65 544), MDBS II (2005 65 564)* and MDBS IV (2007 65 164)*
Programme-/Project executing agency: Ghanaian Ministry of Finance

Ex post evaluation report: 2014

		I, II and IV (Planned)	I, II and IV (Actual)
Investment costs (total)	EUR million	No info	No info
Total budget support	EUR million	No info	1497.60
Funding**	EUR million	31.50	31.50
of which BMZ budget funds	EUR million	31.50	31.50

*) Projects in 2010 random sample; **) Total of three FC phases

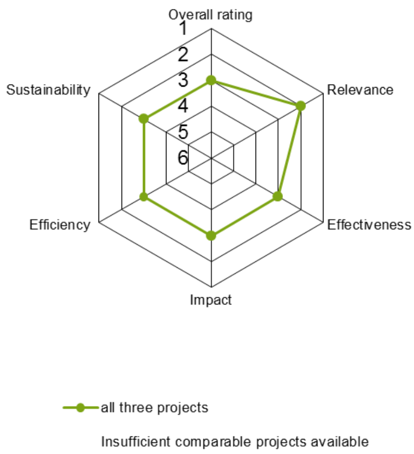
Description: The projects were part of an overall "Multi-Donor Budget Support" (MDBS) programme driven by several donors since 2003 to support the Ghanaian Poverty Reduction Strategy (GPRS). The programme was based on policy matrices as well as objectives and conditions agreed on therein. Some of the disbursements (50 % in the case of Germany) were subject to the fulfilment of conditions determined ex ante. The MDBS programme was organised in close coordination with the Poverty Reduction Strategy Credit (PRSC) programme of the World Bank. In 2005 the policy matrices of the MDBS programme and the PRSC were amalgamated.

Objectives: The ultimate objective of the MDBS programme was to support the Ghanaian Poverty Reduction Strategy GPRS). The programme objective was to strengthen institutional conditions in the public sector in so doing to make a contribution to improving poverty-related policies. During the observation period the programme focused on improving Ghanaian public finance management as well as governance. Contributions were also to be made to improving sector policies relevant for poverty and increasing government spending in connection with poverty.

Target group: The target group of the programme was the GPRS target group and therefore the entire Ghanaian population, with a particular focus on the poor parts of the population.

Overall rating: 3 (all three projects)

Rationale: The programme made a completely satisfactory contribution overall to the focus on reform and the responsibility of the Ghanaian government, as well as to improving policy areas relating to poverty. The summary evaluation of the three FC projects supporting the MDBS programme was justified because the financing phases supported the one reform programme.



Highlights: The unusually high level of democracy by sub-Saharan African standards coupled with the ownership by the Ghanaian government had a positive effect on political dialogue and the implementation of the reform programmes.

Equally positive is that the reforms in the 2004 election year did not stall and macroeconomic discipline was maintained.

While roughly 50 % of possible disbursements from all donors were tied to a performance tranche at the start of the programme, the consensus about the volume and nature of the conditions declined over time.

Rating according to DAC criteria

Overall rating: 3 (all 3 projects)

The core problems, objectives and results chains formulated by the MDBS budget financing programme for 2004-2006 were all relevant in contributing to the poverty reduction strategy. The unusually high level of democracy by sub-Saharan African standards coupled with the ownership by the Ghanaian government had a positive effect on political dialogue and the implementation of the reform programmes. The effectiveness of the programme can be considered completely satisfactory, whereby progress with Public Financial Management (PFM), decentralisation as well as with certain sectoral reforms in policy areas relevant for poverty issues can be attributed at least partly to the combination of financial grants, political dialogue and performance incentives - of the general budget support programme.

General conditions and classification of the programme

This evaluation of the MDBS programme embraces the reform period between 2003 and 2006. The reason for the summary evaluation of several projects supporting the MDBS programme is because the funding represents a series of projects with a standard mode of implementation, where the elements are based on one another. What is more, the financial contributions and the measures to promote reform often only have an impact in the medium to long term. Consequently, given their 1-2 year implementation periods, it is barely possible to evaluate the individual phases of the overall programme separately based on the DAC evaluation criteria. Moreover, this evaluation is limited to the 2003-2006 reform periods and to the policy matrices from 2003 to 2005 between the MDBS donors and the Ghanaian government. At the end of 2006 an update to the Framework Agreement between MDBS donors and the Ghanaian government took effect. The last of the FC co-financed contributions analysed here was made in 2007 (IV) and was based on the policy matrix agreed in 2005.

Table 1: MDBS, total budget support and FC disbursements*

	2003	2004	2005	2006	2007
FC co-financing contribution (in EUR million)**		6.00	6.50	9.00	10.00
Total budget support to Ghana (in USD million)	277.9	309.0	281.9	312.2	316.6
Total budget support as % of overall ODA	30.0	26.7	29.3	33.0	26.5

Sources: KfW, MOFEP (from IOB 2012: 83)

*) In 2006 the disbursement method was adapted. It was determined here that the decisions regarding the disbursement of both the fixed and the variable tranches for year t+1 would be based on an appraisal of the preceding year (t-1). Previously, the disbursement decisions and the disbursement in year (t) were based on an appraisal of the preceding year (t-1).
**) Details on FC contributions: (I) BMZ No. 2003 65 544, EUR 12.5 million; (II) BMZ No. 2005 65 564, EUR 9.0 million; (IV) BMZ No. 2007 65 164, EUR 10.0 million.

Relevance

The MDBS programme evaluated here was created because of the recognised need to focus donor intervention more heavily on development policy priorities and strategies of the given partner government and thereby use national systems to facilitate implementation. Furthermore, there was to be harmonisation between donors of political dialogue and the conditions associated with disbursing a performance tranche to create a standard and transparent incentive system whilst reducing transaction costs on the partner side. Looking at the MDBS programme in the context of Ghana it is clear that the general budget support framework was a suitable instrument of development funding in the given period and highly relevant for development policy.

On the one hand, there was a great need for external support in Ghana given the severe poverty and the weak capacities of the Ghanaian state to develop and implement policies relevant for reducing poverty. Simultaneously, reports and indicators from notable organisations such as Freedom House or the Bertelsmann Transformation Index showed that Ghana was one of the few stable democracies in sub-Saharan Africa since the turn of the century, where political rights and civil rights were upheld to a satisfactory extent (see Table 2). Parallel to achieving macroeconomic stability, the Ghanaian government also elaborated a poverty reduction strategy from 2000 (GPRS), which was adopted in 2003. While the GPRS does have some content-related weaknesses in terms of prioritising and implementing various fields of action and there was room for improvement concerning the participation of parliament and civil society, the GPRS can still be considered another key requirement accessing general budget support. Finally, we should emphasise the preference of the Ghanaian finance ministry for General Budget Support, which it expected would produce a more coherent form of support for the GPRS alongside reducing the transaction costs generated by the donors.

In light of these general conditions, the overall objective of supporting the implementation of the Ghanaian poverty reduction strategy and thus helping to combat poverty is highly relevant in terms of development policy. The programme objective was designed to strengthen institutional structures in Ghana's public sector to put them in a better position for implementing poverty reduction policies more effectively and efficiently. Given the structural weaknesses of Ghanaian public administration it seems that focusing the programme objective on one of Ghana's core problems is appropriate. What is more, initially focusing the conditionality on core areas of governance in the public sector (PFM, decentralisation, reform of the public sector) was compatible with the priority areas of German DC and suitable for limiting the fiduciary risks of the programme. Even though this focus of the programme objective did fade over the years, the relevance of the programme in terms of development policy can still be considered good overall.

Relevance rating: 2 (all 3 projects)

Effectiveness

The effectiveness of the programme is evaluated based on the achievement of the programme objectives, while the results regarding poverty reduction and human development are assessed at the overall objective level, i.e. in the context of the overarching development policy effectiveness. First and foremost it is the objectives and conditions formulated in the policy matrices that can be used as the basis for evaluating the programme objectives. In this context the MDBS programme in Ghana for the evaluation period has the striking feature that 50 % of the disbursements were subject to the fulfilment of specific target indicators (triggers), which, along with the targets, were defined in the MDBS policy matrices.

In the observation period, all triggers in the policy matrix for 2003 (a total of 12 triggers) and 2004 (a total of 8 triggers) were fulfilled, even though two triggers in both 2004 and 2005 were only fulfilled later than planned. In 2006 the donors decided, for the first time, to rate the fulfilment of a PFM-related trigger of the 2005 policy matrix as inadequate, which entailed a reduction in the performance tranche by 20 %. Overall, the reform measures implemented in the observation period display a completely satisfactory performance from the Ghanaian government alongside parallel problems – some of which politically motivated – in introducing and implementing key reform packages. The main reform successes related to PFM include the strengthening of parliamentary powers in checking budget drafts, strengthening internal and external auditing and accounting, budget legislation targeting more transparency and accountability as well as reforms in regulating public tenders. There were also improvements in the internal government control and coordination of budget flows (including the establishment of an Expenditure Management Committee). Further reform was achieved with the adoption of a decentralisation strategy by the cabinet in 2004. As determined by the Public Expenditure and Financial Accountability Assessment (PEFA) in 2009, these and other regulatory reforms paved the way for PFM progress. Some significant reforms were pushed through in the social sectors of education and health-care too, as well as in the water sector, although the social sectors in the MDBS programme until 2005 were largely covered in the policy matrices with objectives that had no impact on disbursements. Equally positive is that the reforms in the 2004 election year did not stall and macroeconomic discipline was maintained. In this context, please refer to the reforms in awarding public contracts (Public Procurement Act). Nevertheless, there has been a range of problems with regard to rolling out and implementing institutional reforms. The reform of the public sector in particular made only sluggish progress, similarly to the implementation of the decentralisation strategy. The government window for reform that opened up after the elections in 2004 under re-elected President Kufuor was not utilised in 2005 as expected. This shows that some of the institutional reform objectives in the programme must be considered overly ambitious.

According to the findings of a World Bank evaluation (IEG 2010), state spending related to poverty rose from 25 % to 35 % (2002-05), boosted both by political dialogue and by additional funds. While this means poverty-related spending by the state continued to rise in absolute terms, we cannot identify a clear increase in its relative importance. The latter factor is explained not only by the upwards trend between 2002 and 2005, but also because the first poverty reduction strategy (GPRS I) emphasised above all the need for macroeconomic growth and therefore investment in infrastructure and the productive sector. In terms of budget spending there was also a discrepancy between the funds planned and those actually disbursed for sectors relevant in terms of reducing poverty, which reflects the altogether problematic relationship between budget planning and the actual spending of budget funds.

The impacts of the MDBS programme on institutional conditions relating to the implementation of policies for reducing poverty and to the development of poverty-related government spending are completely satisfactory. This was influenced by the combination of financial incentives, conditionality and political dialogue that is common for budget support. For example, political dialogue and the related monitoring and review processes of GPRS, MDBS and the Poverty Reduction Strategy Credit (PRSC) facilitated a purposeful discussion between donors and the Ghanaian government, and within the Ghanaian government, about overcoming key institutional problems in the public sector. The procedures of MDBS donors regarding the performance tranche, which were in relative harmony at least until 2005, also boosted the leverage of the financial resources since particularly in 2003 and 2004 the Ghanaian government feared a significant loss of reputation within domestic politics if the policy conditions were not complied with. We should also note that the combination of dialogue and conditionality had a positive influence on the ownership of a process-based, cross-sector development strategy of the Ghanaian government supported by progress indicators.

Effectiveness rating: 3 (all 3 projects)

Efficiency

The quality of political dialogue combined with the effects of donor coordination and the associated issue of reducing transaction costs are used to assess the efficiency of general budget support. Additionally, the effects of the programme on the predictability of donor contributions are assessed.

Although the MDBS programme was an instrument used by bilateral donors only from 2003, the core elements of structured and harmonised political dialogue were implemented to a satisfactory extent in the observation period. This was based on the Framework Memorandum concluded in May 2003, which comprised the disbursement and conditionality structure along with central elements of the review and dialogue processes. The political dialogue, was comparatively focused and quite demanding until 2005, but supported by a relatively streamlined policy matrix and a relatively high share of performance tranches (50 %). The high level of democracy, the observance of human rights and the absence of major corruption scandals were also beneficial and contributed to maintaining the focus on the content of the reforms, so the dialogue process was not impeded by any fundamental political controversies between donors and the Ghanaian government. Against this backdrop, the relatively coherent positioning of the MDBS donors with regard to the conditionality structure until 2005 also boosted the efficiency of the programme.

Alongside these efficiency gains achieved through coordination, the MDBS process also had positive impacts on reducing transaction costs on the Ghanaian side. One reason for this was that between 26 % and 33 % of the total ODA came from a relatively coordinated instrument managed by Ghanaian government bodies. Furthermore, the budget support disbursed via PRSC and MDBS processes and focusing on the Ghanaian poverty reduction strategy developed into a key reference for other donor activities, and therefore helped to align work in most sector task groups more closely to the priorities of the partner. Evaluations and studies ultimately conclude that the MDBS led to greater predictability of donor contributions, which was also supported by the 2006 change in the disbursement method (cf. IEG 2010, Oxford 2011 among others).

The essentially positive evaluation of the programme's efficiency was impaired by a few typical problems of budget support. There were issues with donor coordination from 2005, which became obvious upon the amalgamation of the PRSC and MDBS policy matrices and the reaction of MDBS donors to the non-fulfilment of a trigger in 2006. The amalgamation of the PRSC and MDBS policy matrices had a beneficial impact on harmonising political dialogue. This consolidation also brought about a stronger combination of sectoral output and outcome indicators, and in this respect could have produced a significant improvement in mid-term objectives. Yet this potential was used only to a limited extent owing to the loss of focus on content, because the different development policy priorities of the donors were often just the mere addition of goals and triggers. What is more, it became clear in 2005 that the donors involved in the MDBS programme had different preferences with regard to conditions and the size of performance tranches. This resulted in a softening of the originally very coordinated conditionality structure, impacting adversely on clarity, focus and the financial significance of budget support conditions. So this problem revealed the underlying differences in donors' understanding of impacts, even in the relatively favourable environment of Ghana. While some donors (e.g. DFID) interpreted the instrument as a way to contribute towards the poverty reduction strategy, other donors (e.g. Germany) viewed the instrument much more as a harmonised system of incentives to promote institutional reforms.

The coordination issues caused by the diverging interests of donors were also fuelled by the comparative lack of detail in the poverty reduction strategy of the Ghanaian government. As with many other developing countries, GPRS I and its successor GPRS II had failings with regard to prioritising objectives and specific implementation strategies. This uncertainty – bemoaned also by the donors – and the breadth of the GPRS thus only offered limited opportunities for focused and coordinated alignment. While the Ghanaian Ministry of Finance in particular tried to harness MDBS and PRSC processes to reinforce the management of public finances, the sectoral ministries were less interested in general budget support. This is because the large sectoral ministries – as in other countries – frequently preferred working directly with the donors in order to preserve their freedom to act vis-a-vis the finance ministry with its aim of achieving cross-sectoral coherence. Finally, for efficiency reasons it is regrettable that the Ghanaian government did not have sufficient interest in combining TC measures in a TC pool to support the programme. Although individual programmes of technical cooperation existed in core areas of institutional modernisation (including projects of German TC), a TC pool focused on the specific needs of the MDBS process would presumably have boosted its efficiency.

That said, the positive effects still dominate in the areas relevant for evaluating efficiency, and result in a completely satisfactory evaluation.

Efficiency rating: 3 (all 3 projects)

Impact

A positive trend emerges on the whole if we take a look at the basic indicators of political and economic development in Ghana between 2000 and 2012 (Table 2). The political indicators to further democracy, political rights and civil freedoms reveal a modestly positive development from an already high starting point. The reform index regarding PFM points towards a much more positive development until 2006, while looking at the corruption level the corresponding CPIA indicators of the World Bank and the African Development Bank also reveal a slight improvement. As far as the poverty level is concerned we can also identify a clear trend. Reliable data on the share of poor people relative to the total population is only available from the World Bank until 2006, but the period from 1998 to 2006 did show a clear upwards trend – the share of the poor population fell from 39.1 % to 28.6 %. Other, more current indicators show a similar trend. The UNDP Human Development Index reveals marked improvements in life expectancy, school education and per capita income in the period 2000 to 2012. The welfare state indicators of the Bertelsmann Transformation Index also show a positive overall trend in terms of equal socio-economic opportunity. The same applies for the Global Hunger Index, where Ghana is currently the only country in its region that is classed as being just "moderately" affected by hunger.

Table 2: Political and socio-economic macro indicators of Ghanaian development 2000-2012

Political indicators	2000	2002	2004	2005	2006	2008	2010	2012
Freedom House								
Political rights	2	2	2	2	1	1	1	1
Civil freedoms	3	3	2	2	2	2	2	2

BTI Democracy Status								
Ghana					7.9	8.1	8.2	8.3
Average for western and central Africa					5.2	5.2	5.1	5.3
PEFA PFM Reform Index		15	22		25		23	
Socio-economic indicators	2000	2002	2004	2005	2006	2008	2010	2012
HDI total	0.461			0.491			0.540	0.558
Life expectancy	58.4			61			63.8	64.6
School education (prospective)	7.9			8.7			10.7	11.4
GNI per capita (PPP 2005 USD)	1037			1190			1451	1684
Global Hunger Index	15.6			10.7				8.2
BTI Welfare Regime					4.5	5.5	6	6
Social Safety Net					5	5	5	5
Equal Opportunity					4	6	7	7
Inflation in % (World Development Indicators)	25.2	14.8	10.6	15.1	10.9	16.5	10.7	9.2

Sources: Freedom House 2014 (smaller figures on a scale of 1-7 mean greater freedom), BTI Bertelsman Transformations Index 2014, UNDP, MOFEP (from IOB 2012: 83), World Development Indicators, PEFA (from di Rienzo, Andrews & Mills 2011: 10); the Global Hunger Index is based on three indicators: proportion of the undernourished as a percentage of the population, prevalence of underweight children under the age of five and mortality rate of children under the age of five.

In the period leading up to 2008 these positive developments in terms of human development came about primarily because of macroeconomic stability, a stable political context and favourable global economic conditions. These boosted macroeconomic growth with an effect on the indicators of the Human Development Index. We should also note that the cross-sectoral political reforms regarding institutional modernisation, some sectoral progress in poverty-related sectors and an increase in spending in these sectors contributed to this positive development. While the MDBS cannot be associated with the macroeconomic situation during the observation period, we can identify some influence on PFM reforms, decentralisation and together with the PRSC also on sectoral policy progress in the fields of healthcare, education and water. Even if the Ghanaian government had a preference for raising spending on poverty, political dialogue along with the funds provided via the programme definitely boosted this development. Consequently, the programme helped facilitate a reduction in poverty in Ghana via its financial contribution, but also thanks to the improvement in institutional and sectoral conditions, thereby generating a positive impact on the overarching developmental objectives.

Nevertheless, the reform steps made by the Ghanaian government were limited. Not even MDBS and PRSC processes from 2006 were able to accelerate the implementation of the significant reform requirements from donors. Even if the evaluations of political dialogue, monitoring and the coordination efforts of the donors are all completely satisfactory, the pace of government reform was still limited. Political considerations played a role here alongside the limited capacities to push through reform. In a politically stable domestic environment backed by good macroeconomic and global economic conditions, the recently re-elected government did not really feel the need to tackle politically sensitive reforms. In spite of these shortcomings, the programme's impact on overall developmental indicators is satisfactory.

Impact rating: 3 (all 3 projects)

Sustainability

Ghana – now considered a middle income country – still takes on a special role in the region in terms of democratic governance, human development, income distribution and reducing poverty. This development is not only noteworthy because it clearly displays a high level of stability compared to the potentially negative impacts of the surrounding region with its largely delicate political climate. It is also enduring, in spite of other sometimes adverse circumstances in recent years, such as the global financial and economic crisis in 2009 or the start of oil production in 2010.

Some key development problems remain, however, above all the latent tightening of macroeconomic conditions, which resulted in another IMF programme in 2014 because of the persistent budget deficit, inflation and devaluation. One significant reason for this deficit is the fall in revenues from the commodity sector since 2013 (oil, gold, cocoa), but first and foremost the loose spending policy of the government (e.g. public sector wages and energy subsidies), and necessary reforms – such as in the public sector for example – which have been carried out half-heartedly so far. Besides the macroeconomic problems, the quality of public social services, the regional inequalities between the north and the south and further PFM reforms are crucial challenges for the country, and failure to overcome them poses a risk to preserving the successes of recent decades.

Against this backdrop and looking at the instrument of budget support it becomes clear that even in Ghana, necessary reforms require strong ownership that often transcends ministries. Even for budget support, which can potentially have a very influential effect, overly ambitious reform expectations are set if the cost-benefit calculations in domestic politics tend to be against reforms in the given country, just like in Ghana with the reform expectations of the public sector/services.

Taking a look at the sustainability of the MDBS programme over the period observed, however, we can state that the combination of financial Input, political dialogue and conditions as well as their monitoring had a lasting – albeit limited – impact on the altogether positive development of the country. MDBS and PRSC sustainability in the period 2003-2006 can be considered good from today's perspective. This positive evaluation is also justified because the DC commitments evaluated here did not end in 2007 and all of the MDBS donors originally involved are still working with general budget support even today, with the exception of the Netherlands. However, the impacts of the MDBS programme on its sustainability cannot be clearly differentiated from the effects of the World Bank's PRSC programme, where we can assume that the impacts of both programmes reinforced each other, despite coherence problems. Four points should be emphasised here in particular.

Firstly, PRSC and MDBS promoted the development and further development of an integral poverty reduction and growth strategy. Even if these strategies still have failings with regard to prioritising and operational issues, general budget support still helped the Ghanaian government to recognise the advantages of integrated growth and poverty strategies, and seek to develop them further and implement them within their political and technical means. Secondly, and parallel to this, the MDBS and PRSC programmes helped the priorities of the partner government to be perceived more strongly and respected as a reference framework for the donor community. Thirdly, the MDBS and PRSC contributed to central legislative reforms regarding PFM via their dialogue and incentive mechanisms over the observation period, which served as the basis for further reform measures. We must also point out though that PFM reforms since 2008 have fallen short of expectations on the whole, especially in terms of realising integrated public financial management. Despite these failings, we can state that general budget support coupled with other external support measures (including German TC activities) has helped to ensure that the PFM sector is now considered by most Ghanaian players to be an area which, had it not been reformed, socio-economic development as a whole would have remained in a precarious state. Fourthly, and finally, the financial contributions by MDBS and PRSC made it much easier for the government in the early years of budget support to focus public spending more closely on poverty, whereby improvements in access to education and healthcare could be financed in particular. In this context, the leverage effect of the instrument still seems relevant in spite of the lower share in the total state budget because the budget support funds account for a large part of the state resources that can be used for investments.

All told the programme's sustainability is rated good.

Sustainability rating: 2 (all 3 projects)

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Ratings level 1-3 denote a positive assessment or successful project while ratings level 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).