Ghana: District Capitals II

Ex post evaluation report

OECD sector	**43030 Urban development and administration**	
BMZ project ID	**1998 66 898**	
Project executing agency	**Ministry of Local Government, Rural Development (MLGRD)**	
Consultant	**IGIP**	
Year of ex post evaluation	**2010 (2009 random sample)**	
	Project appraisal (planned)	**Ex post evaluation (actual)**
Start of implementation	4/1999	4/2000
Period of implementation	39 months	60 months
Investment costs	EUR 5.98 million	EUR 5.97 million
Counterpart contribution	EUR 0.87 million	EUR 0.44 million
Financing, of which FC funds	EUR 5.11 million	EUR 5.53 million
Other institutions/donors involved	GTZ	GTZ
Performance rating	4	
• Relevance	3	
• Effectiveness	3	
• Efficiency	4	
• Overarching developmental impact	4	
• Sustainability	3	

Brief description, overall objective and project objectives with indicators

The ‘District Capitals II’ project took the form of an open, demand-oriented programme, and is one of a series of five projects in Ghana, ‘District Capitals I – V’. The project, which supports the decentralisation process, was completed in collaboration with GTZ. This second phase of the District Capitals series differs in that it is concerned exclusively with the construction of markets and truck stops/offloading areas, including ancillary infrastructure (latrines, drainage facilities, restaurants etc.). These are, for the most part, community facilities which enable district authorities to levy their own charges and generate income. Phase II activities began in 2000 and were completed in 2006. Total cost of the Phase II FC programme came to EUR 5.97 million. Of this, EUR 5.53 million was financed as an FC grant and EUR 0.44 million as a counterpart contribution from the participating district authorities. The cooperation project’s overall package included a further EUR 2.1 million from TC funds for the promotion of German developmental cooperation. The TC task was to improve, by means of consultancy services, the management, governance, and operational and self-administration capabilities of local municipal authorities, and to provide advice on the development of market operating bodies.

The previous objectives made no distinction between the target groups (the district authorities and the population). For this reason, two programme objectives were employed at ex post evaluation:

1. A stronger local government income base;
2. Improved conditions for the populace to market their wares in selected district capitals in the Ashanti and Brong Ahafo regions.

An additional indicator was also introduced at the programme objective level with regard to utilisation:

1. Sustainable utilisation of at least 75% of the facilities installed;
2. Sustainable coverage of the operation and maintenance costs of the facilities financed (it was anticipated that rising surpluses would be generated for the district authorities).

Alongside the overall developmental objective of strengthening the district authorities' administrative capabilities, a second objective was considered at ex post evaluation: the improvements in market trading facilities should contribute to the development of the local economy. Having two levels of objectives serves to bring both the decentralisation effect as well as the general impact on the local economy into the analysis. To measure achievement against objectives, the following indicators were established at ex post evaluation:

1. Surpluses generated from operating these amenities are being used to maintain other infrastructure facilities;
2. Local authorities are operating and maintaining the infrastructure facilities;
3. The volume of goods traded on the markets is steadily increasing;
4. Traders and hauliers are generating increased revenues.

The programme's target groups are the population of the 14 districts currently within the Brong Ahafo and Ashanti regions – around two million people in total – and the district authorities, local producers, transport contractors and traders.

<u>Project design / major deviations from original planning and their main causes</u>

The Ministry of Local Government and Rural Development (MLGRD) served as the lead executing agency. Phase II of the programme involved 14 districts. Markets were chosen by the ministry's Project Coordination Office (PCO) in accordance with defined selection criteria. Investments in infrastructure were only financed in those towns whose population exceeded 5,000. Furthermore, towns were only included if they had not already received support under 'Urban V', a programme financed by the World Bank. In Phase II, the range of facilities to be financed was limited to markets, bus stations, and truck stops/offloading areas, with their attendant infrastructure. A total of 22 district capitals received support. The districts based their applications on the PCO's declared selection criteria. The selection criteria were applied as stipulated, and the upper financing limit, of EUR 400 k for each sub-project, was observed. A counterpart contribution of 20 % from the Ghanaian side was planned in Phase II; however, this was reduced to 10 % at the beginning of this phase. This was due to the deteriorating economic position that prevailed in Ghana at the time. The local partner complied with his contractual payment obligations. The district and municipal authorities where infrastructure facilities were installed usually each provided half of the counterpart investment. Occasionally, market traders also played their part in the counterpart contribution. Construction contracts were awarded as planned, on the basis of national tenders issued by the district authorities, and accorded with Ghanaian directives. The PCO, together with local consultants, supported the district authorities in the preparation of tenders and in subsequent tendering procedures. Phase II construction activities, which began in the year 2000, were finally completed in 2006 after a delay of almost three years. This can be attributed to administrative difficulties and to the limited capabilities of locally contracted construction companies. Responsibility for the operation of the facilities installed rests with the district authorities and the market management committees, which were introduced with the help of German TC.

Key results of the impact analysis and performance rating

Due to the significant role played by women in market selling, this project made a contribution to gender equality. Moreover, with its participatory approach, the project aimed to benefit a predominantly poor target group; from today's viewpoint, due to inadequate involvement of the target group in the selection of infrastructure, we can only point to an overall orientation toward poverty relief. There is no evidence of any specific environmental impact resulting from this project.
The project's developmental efficacy is assessed below, based on the criteria of relevance, effectiveness, efficiency, overarching developmental impact and sustainability:

Relevance: the causal chain described at project appraisal is reasonable – financing the infrastructure of local market infrastructure should generate income for district authorities, and thereby contribute to the overall objective of strengthening district administration; but in reality it has not had the full impact desired. Certainly, these markets continue to represent one of the most important sources of local revenue for district authorities. However it is clear that revenues, which are relatively low overall, have not served to strengthen the district authorities' capabilities; this is reflected in the fact that surpluses from market income are being principally used for district authorities' current expenses, and are therefore not available for the maintenance of other infrastructure facilities. Alongside the level of market income, which is markedly below expectations, another significant reason for this is the lack of overall progress in decentralisation – especially the inadequate level of financial provision to the districts. The generally sluggish pace of fiscal and political decentralisation has not allowed any financial leeway to be created at the district level. With regard to the second objective, that the use of this infrastructure should lead to a stronger local economy, it is reasonable to assume that the market infrastructure that has been put in place has the potential to increase the appeal and importance of these towns. However, there are numerous preconditions in realising this potential: they include location, road conditions and the competitive situation. Coordination between donors within the decentralisation sector took place on the basis of regional allocation. The developmental approach taken is in accordance with the objectives of Ghana's decentralisation policy and with the BMZ concept. From today's perspective, however, there remains some doubt overall as to whether the conceptual design chosen was too tightly focused on achieving limited, locally effective material improvements. However, this aspect is also of great developmental relevance to the Ghanaian decentralisation process; so, despite losing marks in the structural area, the programme's relevance has still been rated as satisfactory (rating: 3).

Effectiveness: with regard to the utilisation of market amenities and truck facilities, the programme objective was almost achieved. The relevant objective indicator, which was introduced as a supplementary feature at ex post evaluation, shows a modest level of utilisation (weighted by the amount invested) of 70% on average. If considering just the markets, 77% of facilities were put to use, and the figure for truck loading stations was 64%. From a total of 22, 14 markets (64%) were functioning in a generally satisfactory manner. Utilisation levels and functional performance mostly relate to weekly market days. With regard to the usage of ancillary facilities, utilisation levels only came out at between 30% and 55%. The second indicator – sustainably covering the costs of operating and maintenance – can only be considered as partially achieved. Revenues certainly covered running costs and smaller maintenance and repair jobs; but no preventative maintenance has been undertaken. Since no large-scale repairs have yet proved necessary (with the exception of two markets, due to storm and fire damage), it remains to be seen to what extent the districts are willing and able to also finance large-scale repairs in the long term. Revenues from the markets are mostly modest, and certainly insufficient for this purpose; however, financing out of other district funds is conceivable. There is an incentive, particularly in those market locations which are functioning well, for the districts to maintain and improve the market infrastructure and expand it according to need. Nevertheless, because of the generally inadequate level of financial provision, for many district authorities it is often not the maintenance of market amenities which takes priority, but rather covering their own running costs. Overall, despite the areas of lower scoring, utilisation of the facilities and market amenities and revenue generation from market operations can still be described as satisfactory (rating: 3).

Efficiency: despite the delays in the schedule, project costs conformed almost exactly to those estimated at project appraisal. The upper investment limit of EUR 400,000 per market seems generally appropriate to the size of the district capitals; however, considering the rates of utilisation, it was not exploited efficiently. On the one hand, some important investments (such as paving the markets) were omitted; on the other hand, certain infrastructure elements (e.g. market stalls with partition walls, restaurants) were over-specified. This has been partially reflected in the misuse or non-use of the infrastructure and its attendant facilities. It is fair to assume that alternative investments would have led to a higher cost-benefit ratio. The delay in project completion and the associated loss of revenue have also served to lower the mark awarded. Market charges were set by the relevant district authorities, independent of actual operating and maintenance costs. Contrary to earlier expectations that these charges would rise over time as the markets grew busier, in many locations they have remained fairly constant. In those places where increased charges were implemented, this is reported to have taken place without reference to the market's performance, facilities or size. Despite several positive aspects, the production efficiency (due to weaknesses in the programme's demand-orientation) and the allocative efficiency (due to poor efficiency in facilities operation) are both unsatisfactory. The project's efficiency has therefore been assessed as unsatisfactory (rating: 4).

Overarching developmental impact: the project aimed at strengthening district authorities and developing the local economy. With regard to the material aspects of decentralisation, the project serves as an exemplary model for the Ghanaian decentralisation process. However, no appreciable strengthening of the districts' abilities to manage their own affairs can be inferred. In addition, hardly any structural improvements in the technical or professional areas have been observed. This is attributable, amongst other things, to the high staff turnover in the districts and market management bodies. With regard to the objective of strengthening the local economy, we can confirm that trade has certainly increased in several locations over the last decade. Since important preconditions exist alongside market infrastructure (e.g. good access roads), it is difficult – given the absence of a suitable control group and the lack of a baseline – to adequately assess the project's net effect. Overall achievement in terms of overarching developmental impact can therefore only be designated as unsatisfactory (rating: 4).

Sustainability: the long-term maintenance of the facilities presents a risk to sustainability. Since the infrastructure that has been built requires relatively little maintenance in the first 5-10 years, at this point in time it is not possible to gauge whether the district authorities and the relevant market management bodies will make sufficient funds available for further investments when needed. Furthermore, due to the high level of staff turnover, the capabilities and knowledge that have been built up at the district level over the course of the programme are not being retained for the long term. The decentralisation process, which has been stalled for some years, has enjoyed a rebirth under the new government. The District Development Fund, a formula-based and incentive-based financing instrument (which also receives substantial support from German DC), together with the annual evaluation of the organisational capabilities of the district authorities (FOAT), will in future create competition between the district authorities for central finance. This could have a positive effect on the motivation and capabilities of the districts. In this regard, we anticipate that this will also strengthen the sustainability aspects of the District Capitals project under evaluation. Based on the developments stated, together with GTZ's forthcoming review of the management model, it is fair to assume that the present risks to sustainability will be overcome in the future. Hence the sustainability of the project, despite its current inadequate level, can still be designated as satisfactory (rating: 3).

Due to its inadequate overarching developmental impact, the project's individual scores yield an overall evaluation of *Rating 4* (unsatisfactory rating; significantly below expectations, with negative results dominating despite discernible positive results).

General conclusions and recommendations

The 'District Capitals II' project was designed for the priority area of 'decentralisation'; it aimed to contribute to the decentralisation process by strengthening the district authorities' fiscal and administrative competence. Over the course of the project, progress was certainly made in Ghana at the political level with a regulatory framework for decentralisation based on *devolution*; but its practical implementation remains stalled. It is not possible to determine with any certainty how much the faltering political process has influenced progress toward the overall objective; it is clear, however, that that approaches enacted at the local level are not guaranteed to act as beacons, spreading noteworthy structural effects to the national level. It remains to be seen to what extent the approach followed lately – supporting a formula-based, incentive-based mechanism for the transfer of funding – will be more successful. But it will better serve the project's ambition of unleashing structural effects within the decentralisation process.

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

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

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

A rating of 1 to 3 is a positive assessment and indicates a successful project while a rating of 4 to 6 is a negative assessment and indicates a project which has no sufficiently positive results.

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 an improvement is very unlikely. 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. A rating of 1 to 3 indicates a "successful" project while a rating of 4 to 6 indicates an "unsuccessful" project. In using (with a project-specific weighting) the five key factors to form an overall rating, it should be noted that a project can generally only be considered developmentally "successful" if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are considered at least "satisfactory" (rating 3).