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MEMORANDUM

TO : THE BOARD OF DIRECTORS

**FROM : Cheikh I. FALL
Secretary General**

SUBJECT : GHANA : COUNTRY ASSISTANCE EVALUATION SUMMARY NOTE*

Please find attached hereto, the above-mentioned document.

Attch.

Cc : The President

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GHANA

COUNTRY ASSISTANCE EVALUATION SUMMARY NOTE

OPERATIONS EVALUATION DEPARTMENT

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I. INTRODUCTION

1.1 Summary Note

1.1.1 This note provides a summary of the ongoing Ghana Country Assistance Evaluation (CAE). The need to move forward with the RBCSP prompted OPEV to work closely with the Ghana Country Team (CT) in providing lessons learned for the new CSP. In this way OPEV influenced the development of the CSP through meetings and by providing comments at Senior Management meetings to review the draft CSP. In addition, OPEV presents this summary to CODE of the Ghana CAE, which is still in drafting. This note offers preliminary findings of the evaluation for discussion of the 2005-09 Ghana CSP to promote maximum development effectiveness during implementation of the Bank program.

1.1.2 This note has two parts. The first part provides the objective, scope and methodology used for the CAE. It then discusses the relevance of Bank strategy in Ghana as well as the lending and non-lending instruments used to implement Bank strategy between 1996 and 2004. This is followed by an assessment of the development impact of the Bank's assistance to Ghana. The second part builds on the first and draws on findings from the CAE to address issues that hampered outcomes in the last three CSPs, with a view to providing lessons learned and recommendations to guide future CSPs.

1.2 CAE Objective and Scope

1.2.1 The Ghana Country Assistance Evaluation takes the country as the unit of analysis and attempts to evaluate assistance using the Bank's country strategy as a point of reference. The objective of the CAE is to foster accountability and learning, and, in particular to improve the design of future Ghana Strategy Papers (CSP). The CAE will also be used to develop the ARDE.

1.2.2 In line with OPEV Guidelines for CAEs and accepted practice in other Multilateral Development Bankss, special emphasis is given to the last three CSPs or the period between 1996-2004. Focussing on the last three CSPs (i.e. 1996-1998; 1999-2001; and 2001-2004) provides a nine year period over which to address whether: (1) the Bank's interventions are responding to a pre-defined strategy in Ghana; (2) whether the strategy itself is in line with country priorities; and (3) whether Bank strategy can become more responsive to Ghana's needs and priorities.

1.3 Methodology

1.3.1 This evaluation rates the outcome of the Bank's Program in Ghana. It is, however, difficult to assess the achievement of the objectives of the ADB intervention against the objectives set out in the Ghana CSPs due to the lack of information to monitor implementation.

1.3.2 The level of PCR coverage Bank-wide is low. It is less than 50% compared to the requirement of 100% consistent with the practice of other MDBs. Ghana is no exception. There were no PCRs completed for a total number of 36 projects in the portfolio during the period.

Indeed, the last PCR was done four years ago, in 2001. However, two Ghana Portfolio Reviews were completed in 1998, and in 2004. A draft CPR was also done in 2002, but never finalized.

1.3.3 In order to compensate for the lack of self-evaluation (notably PCRs), Bank performance in Ghana is being assessed using the Sectoral Reports prepared for this CAE and by relating to the Bank's corporate behaviour to agreed policies and practices. The CAE used information from the four following sectoral reviews: Water Supply & Sanitation; Transport; Social Sector (Health & Education); and Agriculture Sector and Rural Development.

1.3.4 These sectoral reviews were developed with participation from other donors, the Government of Ghana; Civil Society; and Industry. A multisector review was also conducted for the CAE. Though the CAE builds on data from these reviews it is not a sectoral review of Bank intervention but rather addresses Bank Group development effectiveness in Ghana over the last three CSPs.

1.4 CSP Overview

1.4.1 The Bank Group strategy defined the scope of the Bank's assistance to Ghana and provided the Bank's business plan for supporting Ghana's development agenda in three CSPs. An overview of the CSPs collectively as well as a brief summary of each follows.

1.4.2 Collectively under the three CSPs between 1996 and 2004, the Bank Group approved loans and grants totalling UA 376.5 million for Ghana. The Bank's lending activities in Ghana were focused on (i) the agriculture and rural development sector, which accounted for 25 percent of the Bank Group portfolio, (ii) the multi-sector which accounted for 24 percent, (iii) the transport sector which accounted for 23 percent of the portfolio, (iv) the social sector which accounted for 18 percent, (v) the financial sector, which accounted for 6 percent, and (vi) water and sanitation, which accounted for 4 percent of the Bank Group portfolio. Out of the 38 projects approved during the period, 8 are completed, 21 are ongoing, 7 have not yet begun and 2 have been cancelled.

1996 - 1998 CSP

1.4.3 The Bank supported the Government's programme focussed on Accelerated Growth and Poverty Reduction. Four Priority Sectors were identified for Bank's support, namely, the Social Sector, the Agriculture Sector, the Transport Sector, and the Multi-Sector. Thirty-five (35) percent of the total allocation was proposed for the Social Sector, 25 percent each for the Transport and Multi-Sectors, and 15 percent for the Agriculture Sector. The Bank also supported the economic reforms for macroeconomic stability.

1999 - 2001 CSP

1.4.4 The Bank's primary objective was to support Ghana's efforts to consolidate the gains made in restoring macroeconomic stability and to steer the economy on a sustainable path. Three Priority Sectors were identified for Bank's support, namely, the Transport Sector, the Agriculture Sector and the Social Sector. Forty (40) percent of the total allocation was proposed

for the Transport Sector, 37 percent for the Agriculture Sector, and 23 percent for the Social Sector.

2002 - 2004 CSP

1.4.5 The Bank's lending strategy was in support of Poverty Reduction. Four Priority Sectors were identified for Bank's support, namely, the Transport Sector, the Social Sector, the Agricultural Sector and the Multi-Sector. Forty-nine (49) percent of the total allocation was proposed for the Social Sector, 38 percent for the Transport Sector, 8 percent for the Agriculture Sector, and 5 percent for the Multi-Sector. The Bank's activities accorded special priority to the Northern Regions and Rural Areas where the incidence of poverty exceeded 60 percent. The Bank also supported the on-going economic reforms for macroeconomic stability.

1.4.6 Poverty reduction continues to be the Government's overarching objective. As a government partner, the Bank necessarily aligned its own strategy with that of Government as indicated above. This was done by intervening in various sectors grouped in three focus areas of the Bank's strategy for the period under review: (i) enhancing macroeconomic stability; ii) promoting economic growth, and (iii) fostering human resource development. The CAE found that Bank strategy during the last three CSPs was articulated around these three 'pillars' through interventions in the following sectors:

<i>Pillar</i>	<i>Sector</i>
<i>Macroeconomic Stability</i>	<i>Policy Based Loans (Multi-Sector)</i>
<i>Promoting Economic Growth</i>	<i>Agriculture, Transport, Private Sector Development</i>
<i>Human Resource Development</i>	<i>Health, Education, Water and Sanitation</i>

II. LENDING AND NON-LENDING ACTIVITIES

Bank strategy was implemented using a mix of lending and non-lending activities. This section discusses lending activities used for the Bank's intervention in Ghana under each of the three pillars. It also assesses Bank's use of non-lending instruments.

2.1 Lending Activities

2.1.1 Macroeconomic Stability

2.1.1.1 The Multi-Sector activities used for Macroeconomic Stability included loans in the areas of Economic Reform Support Loans (ERSO I and ERSOII), Institutional Support Loan to the Ministry of Finance and a Poverty Reduction Support. The total commitment, net of cancellations, to assist in Macroeconomic Stability was UA 88.3 million, or 24 percent of the total commitments in the three CSPs.

2.1.1.2 The main goals were (i) to achieve sustainable economic growth and poverty reduction, (ii) to implement reforms, (iii) to rationalize and reform the central management of State Owned Enterprises (SOEs), (iv) to improve policy formulation and management process, and help recruit policy analysts to the cabinet, and (v) to strengthen the national economic management capacity of the Government in formulating economic policy, maintaining economic debt and implementing development programmes.

2.1.2 Promoting Economic Growth

2.1.2.1 The interventions for promoting economic growth were those in the agricultural sector, the transport sector, industry mining and quarrying, and private sector. The total commitments to these interventions, net of cancellations, in the 3 CSPs was UA 204.78 million or 54% of the total commitment for all sectors in the 3 CSPs. The interventions had various objectives all aimed at promoting economic growth as indicated in the following paragraphs.

2.1.2.2 Bank interventions in the agricultural sector were to assist in establishing a robust modernized and diversified agricultural sector that would (i) ensure national food security, (ii) raise the standard of living in the poor rural areas through improved agricultural productivity, and (iii) ensure adequate supply of agricultural raw materials at competitive prices for industrial production to foster industrial growth.

2.1.2.3 Interventions in the transport sector were (i) to improve the flow of the traffic between Accra and Kumasi, and the neighbouring country, Burkina Faso, (ii) contribute to poverty reduction and economic development by reducing the travel time, congestion and vehicle operating cost, and (iii) contribute to the growth of the Ghanaian economy by improving the state of the roads network in Ghana.

2.1.2.4 The lines of credit were (i) to provide credit resources to finance input requirements in the production of cocoa, cotton, poultry, food crops, fisheries and non-traditional exports, and also to finance women agricultural activities (ii) to support the government's efforts to develop a strong, effective and integrated rural financial system, (iii) to provide loans for commercially viable projects mainly in agribusiness, mining and manufacturing sectors, and (v) to provide lines of credit to selected private financial institutions for on-lending to commercially viable small and medium scale enterprises .

2.1.3 Human Resource Development

2.1.3.1 The human resource development interventions were those for the social sector and water and sanitation. The total commitment in support of human resource development, net of cancellations was UA 80.39 million or 22% of the total commitment for all sectors in the 3 CSPs.

2.1.3.2 The principal objectives of the interventions for human resource development were (i) to improving access to quality senior secondary schools by junior secondary school graduates, (ii) to enhance the quality and efficiency of secondary school education, (iii) to enhance the management of secondary education, (iv) to improve the quality of basic health care and the

overall health status in Ghana and (v) improve access to safe water especially in the rural areas and reduce the incidence of water borne diseases.

2.1.4 Non-Lending Activities

2.1.4.1 Bank assistance went beyond the delivery of financial assistance through projects and programs to include policy dialogue and advice, aid coordination and resource mobilization as well as economic and sector work.

2.1.4.2 *Policy dialogue and advice:* Bank policy dialogue and advice centered on CSPs. It is mostly within the CSP context that issues relating to the implementation of policy reforms, improvement in the quality of Bank portfolio, the diversification of the economy, the reform of the financial system and the medium-term expenditure framework, public sector reforms and the PRSP process that the Bank has dialogued with the government. This range of issues for policy dialogue has been expanded to include governance, the promotion of economic integration, and strategies for poverty reduction.

2.1.4.3 *Aid Coordination and Resource Mobilization:* The Ministry of Finance coordinates Bank Group operations in Ghana. It is also responsible for guaranteeing all external loans to the government. An on-going Capacity Building Project for the ministry is strengthening the capacity of the ministry. An important aid coordination mechanism for Ghana was its inclusion as a pilot country in the World Bank's Comprehensive Development Framework (CDF). The CDF approach is to enhance the effective delivery of the three Cs: Coordination, Consultation and Collaboration. The Ghana CDF process is a set of about 15 sector programs to be supported by Ghana's partners. Although the Bank Group decided in 1999 to join the CDF process and to co-ordinate the preparation of the CSP/CAS, it ended up not being party to any of the sector programs, largely because of it has no field representation in Ghana. The Bank along with a number of Ghana's development partners (Canada, European Union, Germany, the Netherlands, the United Kingdom and the World Bank) have reached an agreement to lend support to Ghana's reform efforts through a Multi-donor Budget Support (MDBS) program. The objectives of the MDBS are to harmonize development partners' policies and procedures in order to minimize transactions costs for the government. The harmonization has covered performance triggers, improving dialogue between development partners and the government, and basing funding commitments and disbursements on the achievement of agreed targets. Ghana as a poor and highly indebted country was a candidate for debt relief under the Highly Indebted Poor Country (HIPC) initiative of the IMF. Ghana enjoyed some debt relief after reaching the Decision Point, and as at the end of 2003. Ghana reached a HIPC completion point in July 2004, qualifying for a US\$2.2 billion debt relief in NPV terms, US\$3.5 billion in nominal terms. The Bank Group share of the debt relief amounted to US\$130.93 million or 11.9% of the total multilateral outstanding claims in end-2000 NPV terms.

2.1.4.4 *Economic and Sector Work (ESW):* The Bank never carried out a systematic study of the Ghana economy. There is considerable scope for improvement by having more ESW on which to base CSPs because of the wide range of issues these strategic documents address. The three CSPs dealt, in varying degrees, with the extensive review of the performance of the economy, a review of constraints to development, government development agenda, Bank's lending program

in the preceding programming period and an indication of a lending program based on the Country Policy and Institutional Assessment (CPIA)¹. CSPs also identified development constraints. There were some studies conducted during the period, but they were mostly feasibility studies aimed at guiding investment decisions in the relevant sector. More recently, the Bank prepared a Governance profile for Ghana and carried out economic and sector work relating to the implementation, monitoring and evaluation of the PRSP as well as an Agricultural Sector Review. But beyond this, CSPs that could have had their roots in economic and sector studies, are largely based on government and development partner research documents.

2.1.4.5 Policy-based loans that are demanding in terms of analytical work, background studies and policy framework papers are another area where ESW has been lacking. PBLs typically require detailed review of numerous diagnostic background documents from which outstanding issues are derived and developed into a matrix of policy reform to be shared and owned by the government. Bank's resources for PBL operations, notably those allocated to analytical work and background studies, were not sufficient to enable the Bank share leadership with the BWI in setting the tone of the programme design. Unlike the World Bank, the ADB lacked adequate facilities to provide financial support for carrying out certain activities such as surveys, studies, programme design, etc., that were needed for adequate programme preparation.

2.2 The Relevance of Bank Group Intervention

2.2.1 Bank strategy and program of lending and non-lending activities were cast in the form of projects and programs in key sectors of relevance to poverty reduction. At the sectoral level, due emphasis was placed on agriculture and rural development, social sector economic infrastructure like transport and public utilities. In agriculture, the strategy focused on enhancing productivity, national and family food security, crop diversification and the general development of the sector. In the social sector, emphasis was placed on increasing access to basic education, health care, and water & sanitation, particularly for the urban and rural poor. In the transport sector, the objective was to improve access of farmers to markets through the expansion of feeder roads and the development of road links from crop production to market centres. Strategy remained aligned with government priorities throughout the period under review. More recently, the 2002-04 strategy as contained in the CSP had appropriate linkages with the Ghana Poverty Reduction Strategy.

2.2.2 Overall, Bank strategy for the period 1996-2004 was relevant to the development problems of Ghana and was adequately aligned with government development plans. This finding is consistent with all Sector Reviews. However, interventions were insufficiently focused on monitoring and evaluation which prevented Bank from capitalizing on lessons learned from past experience.

2.3 Aggregate Assessment of Bank Sectoral Assistance to Ghana

2.3.1 Rating has been awarded to the Bank's sectoral project portfolio in Ghana, on the basis of evaluation criteria of relevance, efficacy, efficiency, institutional development impact and

¹ *The Bank started using the CPIA in 1999 to determine allocation under ADF allocation mechanism.*

sustainability. The CAE used information from the four following sectoral reviews: Water Supply & Sanitation; Transport; Social Sector (Health & Education); and Agriculture. A multisector review was also conducted for the CAE.

2.3.2 The overall aggregate sectoral rating is satisfactory. However, efficiency stands out receiving the lowest rating (unsatisfactory) not only on average but also systematically in all studies conducted for the CAE. As documented in the Sector reviews the attainment of development objectives has been hampered by a number of inefficiencies. These include: poor project design (notably with regards to unrealistic conditionalities), lack of communication between Bank Headquarters and Project Implementation Units in the field, slow project start-ups and ensuing disbursements, and weaknesses in project monitoring and supervision. These inefficiencies have been repeatedly noted in three successive Ghana Portfolio Reviews in 1998, 2002 and 2004 but seem to be persistent even today.

Overall rating of sectoral interventions		
Rating 1 – 4	Total	Comments
Relevance	3	Relevant
Efficacy	3	Satisfactory
Efficiency	2	Unsatisfactory
Institutional	3	Satisfactory
Sustainability	3	Sustainable
Combined	3	Overall

The detailed rating and comments are found in Annex 2 .

III. THE DEVELOPMENT IMPACT OF BANK GROUP ASSISTANCE TO GHANA

This section evaluates the Bank's assistance by assessing its contribution to Ghana's development outcomes. This is done by examining in turn the progress on each of the three areas identified in the Bank's strategy: (i) enhancing macroeconomic stability, (ii) promoting economic growth, and (iii) fostering human resource development. A Flow-chart of the Analytical Framework is found in Annex 3.

3.1 Outcome of Bank Group Interventions for Macroeconomic Stability

3.1.1 The impact of interventions for macroeconomic stability, totalling about 24% of the total commitment in the 3 CSPs, is assessed by evaluating the expected outcomes of the interventions as documented in the evaluation frameworks of the CSPs, to the actual outcomes.

3.1.2 A comparison of the expected outcomes to the actual outcomes indicates that although not all the targets were met, Ghana has made remarkable progress in its efforts to maintain macroeconomic stability. The beginning of the period under review was characterized by rising inflation—it was 59.5% in 1995. Following the tightening of monetary policy by the Bank of Ghana upon the advice of the IMF, the rate of inflation started to decline. It was 14.5% in 2002. Since 1995 and up till 2002, the rate of inflation averaged 19.9% per year. Although the management of government budget remains a problem, the fiscal deficit is being gradually reduced. The overall deficit as a percentage of GDP was 5% in 2002. The 2004 budget projected a reduction in fiscal deficit to 1.7% of GDP in 2004, from 3.3% in 2003. The result of these efforts was manifested in the establishment of a stable macroeconomic environment, which has permitted a strong, albeit uneven, GDP growth since then. The performance of the economy has also impacted favourably on other development indicators such as poverty, private sector development and some progress towards the achievement of the MDGS. The Bank, together

with other donors, supported a series of adjustment programs aimed at removing the remaining distortions in the economy. In this way, the Bank Group intervention has been effective in assisting Government maintain macroeconomic stability in Ghana.

3.2 Outcomes of Bank Group Interventions for Economic Growth

3.2.1 The sectors that are crucial in promoting economic growth are agriculture, transport, industry, mining and quarrying, and the private sector. Evaluating the expected outcomes of the interventions to the actual outcomes assesses the impact of the interventions for promoting economic growth, totalling about 54% of the total commitment in the 3 CSPs.

3.2.2 A comparison of the expected outcomes to the actual outcomes reveals that though not all the targets were met good progress was made in the Governments efforts to promote economic growth. The agricultural sector's growth rate of 7.5% in 2004 exceeded its target growth of 2.4%. The upward trend in agricultural growth has been sustained since 2001, unlike the 1990s when the growth rate fluctuated. The growth rate in agriculture contributed significantly to the overall economic growth rate of 5.8%. The need to modernize agriculture has been clearly identified. The Government made good progress in its efforts to modernize the agricultural sector by promoting farm mechanization, providing irrigation facilities, and providing good extension services. However, output of major crops continues to depend on rainfall and post-harvest losses continue to be a problem. In the transport sector, a comparison of the expected outcomes to the actual outcomes shows that although specific targets were not met, Ghana made good progress in its efforts to improve the road network by expanding and upgrading the road infrastructure, especially feeder roads to facilitate economic activity and promote economic growth.

3.2.3 On private sector development, a comparison of the expected outcomes to the actual outcomes indicates that although the Government made some strides in creating an enabling environment for private sector development including a stable macro economy, lower interest and lending rates, legal reforms, reduction in bottlenecks in business transactions, and tax breaks, the private sector remains relatively underdeveloped in Ghana. Despite these uneven results, the Bank group interventions were effective in assisting the government promote economic growth in Ghana.

3.3 Outcomes of Bank Group Interventions for Human Development

3.3.1 The sectors considered under Human resource Development are Social Sector and Water and Sanitation.

3.3.2 The impact of the interventions for human development, totalling 22% of the total commitment in the 3 CSPs, is assessed by evaluating the expected outcomes to the actual outcomes of Bank interventions in the education sector, the health sector and water and sanitation.

3.3.3 The evaluation provides a mixed signal. Overall, primary enrolment rate improved marginally throughout the country from 67% in 1997 to about 70% in 2003. Enrolment in the rural communities, however, dropped from 65% to 62% in the same period, with female

enrolment exceeding male enrolment. Access to secondary schools also increased but access in rural areas still remains a problem and still lags behind the national average.

3.3.4 Overall access to health facilities improved from 37% in 1997 to 58% in 2003 with the greatest improvement among the urban poor. There was only a marginal improvement for the rural poor within the same period. Infant and under-five mortality rates increased from 108 per 1000 in 1998 to 111 per 1000 in 2003, with mortality rates in rural areas considerably higher. There was virtually no change in maternal mortality at 214 per 1000. Immunization coverage decreased from 77.9% in 2002 to 75% in 2004, while HIV prevalence rate increased from 1.5% in 1999 to 3.6% in 2003.

3.3.5 The proportion of the urban population with access to safe source of water declined from 92% in 1997 to 87% in 2003. Only 40% of the rural poor had access to safe source of water in 2003. Overall, access to safe sanitation improved from 40% to 67% for the urban poor within the same period. Access to safe sanitation for the rural poor, however, improved marginally from 8.5% in 1997 to 9.2% in 2003.

3.3.6 Interventions in the social sector are key to making progress towards achieving the MDGs. The CAE found that in terms of halving poverty by 2015, Ghana is on track. However, the overall trend in MDG indicators shows that most MDG targets cannot be met by 2015 unless there is considerable scaling up of efforts and resources to accelerate growth. Indeed, over 2 billion dollars per annum are required over the next 11 years. Out of the eight goals, the maximum that can be achieved is three² without any changes in resource flows and policy orientation. Areas that require urgent attention are health, education, poverty and hunger. Though the Bank has assisted Ghana in its efforts to meet the MDGs as documented in sectoral reports, lack of reference to strategy during CSP implementation notably in the social sector and poor efficiency in Bank products delivery across all sectors are key factors that have likely inhibited the Bank's ability to achieve full development effectiveness in Ghana. Though both Bank and Government made some progress in the area of human development, clearly much remains to be done.

3.4 Overall Bank Performance

3.4.1 The Bank's Ghana program should be supported, but it has not reached its full potential. The succeeding three CSPs have been relevant to the needs of Ghana between 1996 and 2004. The Bank achieved some development outcomes in Ghana during this period through its support to projects as documented in the Sectoral Reviews and as reflected in sound macro-economic performance. The greatest impact of Bank's support was realized in macroeconomic stabilization followed by its support for promoting economic growth. The least impact was realized in the area of human development. But overall development effectiveness could improve by addressing the following issues that have hampered broader outcomes achievement in the last three CSPs:

² According to the Government of Ghana's *MDG Report 2004*, the three MDGs likely to be reached by Ghana are: Halve the proportion of the population below the national poverty line; Achieve universal access to primary education; and Ensure environmental sustainability.

- Grounding Bank strategy in ESW;
- Following-up earnestly on lessons learned from past experience to improve efficiency in Bank products delivery; and
- Strengthening M&E both at the Bank and within the Government of Ghana.

3.4.2 These are issues that need to be addressed in the delivery of the next CSP if Bank contribution to the MDGs is to become commensurate with resources committed. Each issue is examined in turn in below.

IV. ISSUES THAT HAMPERED OUTCOMES IN THE LAST THREE CSPS

4.1 Grounding Bank Strategy in ESW

4.1.1 Bank strategy was not sufficiently grounded on ESW, which at times led to program implementation not corresponding to the proposed strategy. For example in the 1999-2001 CSP, 23% of allocation was proposed for the Social Sector but only 2% of total resources were actually allocated to this sector. Social sector intervention in the 1999-2001 CSP emphasized primary health care. This was an appropriate intervention because of its direct link to MDGs notably Under-five and Maternal mortality. The social indicator showed that health service coverage was still very low. By not implementing the CSP, social outcomes for the CSP period were not realized. The resources went to Transport and Agriculture sectors instead because of ‘the absorptive capacity of these two sectors’ as stated in the CSP Update of 2001.

4.1.2 The Bank’s strategic selectivity may also have been hampered by not identifying a comparative advantage towards which its operations could be directed. Defining comparative advantage requires prior economic and sector work that remains to be done for the Bank’s Ghana program. For example in the Health sector the Bank’s last non-lending intervention dates back to 1991, though some non-lending is scheduled to start in 2005. Though the volume of resources may point to substantial Bank involvement in some sectors there is no conclusive evidence to indicate that Bank has a comparative advantage in any specific area at this time. Though it is suggested that over the years the Bank has a developed comparative advantage in the agriculture & rural development and road transport sub-sector, the perception in the field differs. The CAE interviews with the Government and other donors did not confirm this was the case. Bank combined resource allocation to these sectors has been 49%, 53% and 47% of total CSP for the past three CSPs respectively. But allocation of resources alone does not confer comparative advantage.

4.1.3 If the Bank wishes to assert its perceived comparative advantage in Agriculture, Transport or other sectors, it needs to have fuller policy dialogue with Government to continue and deepen reform. This requires prior economic and sector work. It bodes well that an ADB Agricultural Sector Review will be completed in 2005 as this ESW could contribute to mapping out Bank comparative advantage in that sector. Other similar efforts in the Transport sector and elsewhere will allow Bank to be much more selective in its project financing, as Bank resources are limited.

4.1.4 Also, Bank has not undertaken sufficient Economic and Sector Work in order to better evaluate the effectiveness of new intervention instruments in Ghana providing predictable funding via the Government's budget and reducing Government's administrative burden. These types of interventions are now well established with effective donor coordination under the Government's leadership. The Bank is already involved with other partners in setting up Multi-Donor Budget Support to assist in the implementation of Budget. There are also calls from Government and the other donors for the Bank to adopt a Sector Wide Approach notably in the Health Sector. ESW is key in charting the way forward in these areas.

4.2 Follow-up on lessons learned

4.2.1 Two Ghana Portfolio Reviews were completed in 1998 and in 2004 providing lessons to improve Bank effectiveness in Ghana. Another Review was drafted in 2002, but never completed. Inefficiencies have been repeatedly noted in these successive Ghana Portfolio Reviews but have continued nevertheless. For example, overall, the portfolio continues to be characterized by slow disbursement. The average time for a loan to be effective in CSP1 was 25.9 months; for CSP2, the average time was 19.75 months, and for CSP3, the average time is currently 11.6 months, with seven projects still not effective. Lessons learned from these Reviews do not appear to have been registered in the last two CSPs. The lessons emanating from the recent 2004 CPR should be a key consideration in delivering Bank interventions in Ghana.

4.2.2 Ghana's aggregate portfolio performance is rated below Bank average on Development Objective (DO) measures, and about the same as the Bank Average on Implementation (IP) measures. According to the Annual Portfolio Performance Review (APPR), the percentage of problem projects on IP criterion was 18.8, 10.5 and 6.3 in 2001, 2002 and 2003 respectively. Bank average was 10.4, 11.5 and 7.8 for the same years respectively. On DO measure, the percentage of problem projects was 6.3, 5.3 and 6.3 for the same years respectively. Bank average was 4.6, 3.8 and 4.9 for the years respectively. There were 8 projects at risk in 2002, amounting to 57.3% on commitment basis as against an average of 46.0% for the Bank. There was a slight improvement in 2003 with 7 projects (53.2% of commitments) being at risk as against Bank average of 46.2%³. The conclusion that can be drawn here is that Bank ongoing (or active) portfolio in Ghana is performing below Bank average. Therefore, these deserve closer monitoring and supervision and portfolio improvement measures.

4.2.3 The Bank has begun working in this regard with the government through initiatives such as a loan administration seminar in Accra during February 2004, intensifying supervision missions, strengthening the ADB desk and undertaking quarterly video-conferencing since April 2004 to review progress on the quality of the portfolio. The Bank needs to sustain these efforts through careful attention to lessons learned. Inefficiencies prevented the Bank from achieving full development impact over the last three CSPs, and unless inefficiencies are addressed this tendency will likely continue in the next CSP.

³ *African Development Bank, 2002-2003 Annual Portfolio Performance Review*

4.3 Strengthening M& E

4.3.1 Outcome indicators are key to a sound M&E system. None of the past three CSPs were supported by a set of medium-term outcome indicators as well as a sound monitoring and evaluation system to help determine the effectiveness of Bank's assistance program. Though CSPs presented acceptable longer-term indicators crucial to judge the success of the government's poverty reduction strategy, they did not provide monitorable medium-term outcome indicators. The lack of a sound monitoring and evaluation system in the CSPs was compounded by the absence of compatible monitoring and evaluation systems within Government. The 2005-09 CSP requires an explicit evaluation framework and verifiable performance indicators. Though it provides for a CSP Progress Report to be prepared in 2007 (for mid-course correction), as with its predecessors, it will be difficult to compare actual outcomes against intentions in the new CSP unless indicators are well defined.

4.3.2 Lessons learned and recommendations are presented below to address these shortcomings, which hampered outcomes in the last three CSPs.

V. LESSONS LEARNED

- (i) Relevance, though is a necessary condition for satisfactory Bank performance, it is not sufficient in its own. Changes in the sectoral allocation of resources suggest that CSPs may have not have been utilized as planned to guide the Bank intervention during program implementation in Ghana. By not implementing the CSPs key outcomes in the social sector were not realized.
- (ii) Bank ongoing (or active) portfolio in Ghana is performing below Bank average and is deserving of closer monitoring and supervision and portfolio improvement measures. This is important considering it is likely inefficiencies prevented the Bank from achieving full development impact over the last three CSPs, and that unless inefficiencies are addressed this tendency will likely continue in the next CSP.
- (iii) The last PCR for a project in Ghana was in 2001. As PCRs are not carried out in time or systematically, it is more difficult to retain lessons learned from past experience. This can be remedied by carrying out PCRs without delays so that lessons learned may be used elsewhere on timely basis.

VI. RECOMMENDATIONS

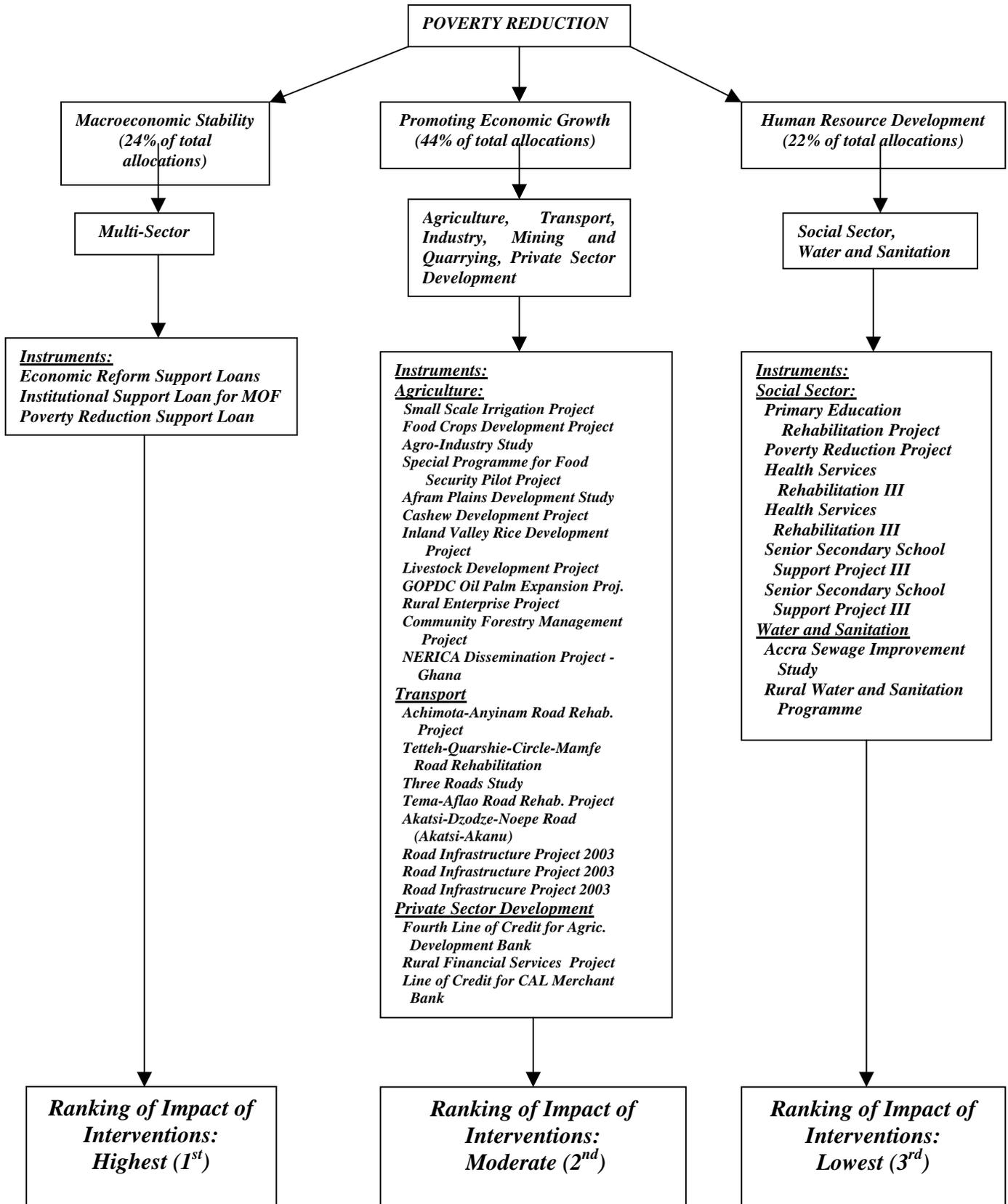
6.1 ESW is key to building the information/knowledge base to underpin the Bank's lending operations and to inform the policy dialogue process. ESW should become a prerequisite to enhancing the quality of Bank interventions. It is imperative that the Bank Group initiate Economic Sector Work, which could be carried out solely or in conjunction with other development partners (World Bank/IFAD). To this end:

- (i) Bank should seek to leverage funding and augment its own resources devoted to ESW and (i.e. surveys, studies, programme design, etc.) for sector interventions as well as for policy-based loans in support of balance of payments and budget support.
- (ii) With regards to PBLs better partner with BWI in setting the tone of programme design and preparation. Special attention should be paid to policy issues linked to ongoing and/or planned sectoral interventions in the CSP.
- (iii) The Bank should move to joining SWAPs with other donors based on sound ESW.
- (iv) The Bank should pursue its Multi-donor Budget Support (MDBS) while ensuring its intellectual contribution to this type of intervention is well founded in ESW.

6.2 Lessons learned from past experience should be incorporated in Bank program to reduce inefficiencies. To this end, a special meeting between Bank management (e.g Country Director) and ADB Project Coordinators in Ghana (along with Ministry of Economic Planning and Finance) should be held in the next three months in order to hear first-hand and address the efficiency issues. This should be expressly mentioned in the next CSP and improvements measured in the 2006 CPR.

6.3 The current 2005-09 CSP Framework should contain an evaluation framework with verifiable objectively measurable performance indicators for both mid-term and final CSP evaluations.

A FLOW CHART OF THE THEORETICAL FRAMEWORK



DETAILED SECTORAL RATINGS

	RELEVANCE	EFFICACY	EFFICIENCY	OUTCOME RATING
<i>SECTOR</i>				
<i>Agriculture</i>	3	3	3	3
<i>Transport</i>	3	3	2	2.7
<i>Social Sector</i>	4	3	2	3
<i>Multi-Sector</i>	4	3	3	3.3
<i>Water and Sanitation</i>	3	3	2	2.7
OVERALL	3.4	3	2.4	2.9
COMMENTS	RELEVANT	SATISFACTORY	UNSATISFACTORY	SATISFACTORY

	INSTITUTIONAL DEV.	SUSTAINABILITY
<i>SECTOR</i>		
<i>Agriculture</i>	3	3
<i>Transport</i>	2	3
<i>Social Sector</i>	2	3
<i>Multi-Sector</i>	3	3
<i>Water and Sanitation</i>	3	3
OVERALL	2.6	3
COMMENTS	SATISFACTORY	SUSTAINABLE