

Republic of Ghana

Country Programme Evaluation

Executive Summary

1. This is the second country programme evaluation (CPE) of Ghana since IFAD began operations in the country in 1980. The first was conducted in 1996. Since then, the Fund has prepared two country strategic opportunities papers/programmes (COSOPs), in 1998 and 2006. The CPE closely reviewed these COSOPs, together with six projects and programmes and nine grants (five global/regional and four country-specific) approved during the periods covered by the COSOPs.
2. Ghana is the largest recipient of IFAD loans and grants in the West and Central Africa region. The Fund's first project in Ghana was approved in 1980 and, up to the time of this current CPE, 16 projects and programmes had been approved for an aggregate of US\$675 million and total IFAD financing of US\$225 million (33 per cent of total costs) through loans on highly concessional terms. IFAD opened a country office in Ghana in late 2010, which is expected to evolve into a hub that will also cover Benin and Togo. A country programme manager (CPM) was outposted to Accra in early 2011.
3. Since the mid-1980s, the success of the Economic Recovery Programme implemented by the Government, and supported by the donor community, has made Ghana one of the strongest economic performers in Africa. The country attained middle-income status in 2011, following almost three decades of robust economic growth. As a result, the prevalence of poverty overall fell from 51.7 per cent in 1990 to 28.5 per cent (from 63.6 per cent to 39.2 per cent in rural areas) in 2005/2006, the latest period for which data are available. The country is thus on track to reduce poverty by half, in line with the relevant Millennium Development Goal. However, this success has been largely skewed in favour of the south of the country, where the number of poor declined by 2.5 million between 1992 and 2006. Meanwhile, in the three regions constituting North Ghana (the Northern, Upper East and Upper West Regions), the number of poor actually increased by 900,000. In the Upper West Region, the prevalence of poverty remained at its country-high level of 88 per cent between 1991/1992 and 2005/2006, whereas it increased in the Upper East from 67 per cent to 70 per cent.
4. The Government is committed to reducing rural poverty through agricultural and rural development. In the past decade, it has approved key strategic documents for both national poverty reduction and for agriculture sector development. However, the public spending budget for agriculture (measured as the value of expenditures per square kilometre) has been disproportionately low in the North in relation to the Greater Accra Region (by a ratio of 1:20). The Government has recently attempted to rectify Ghana's poverty and social development divide by targeting the North and, in 2009, established the Savannah Accelerated Development Initiative as part of its overall Northern Development Strategy — a long-term (2010–2030) endeavour to align economic and developmental progress between the South and the North. At the heart of the initiative is the Savannah Accelerated Development Authority, which aims to "attract investments to growth corridors in the North." In addition, the Government has increasingly recognized the importance of private-sector investments and of supporting the development of value chains.

Portfolio assessment

5. The relevance of the portfolio of IFAD-supported projects and programmes has been assessed as moderately satisfactory. The objectives of the portfolio have been well aligned both with Ghana's policies and with IFAD's goals. These policies and

goals were reflected in a progressive shift away from smaller, geographically targeted projects and programmes to sector programmes embracing the entire country or interventions targeting a macro region. While this shift has expanded the coverage of institutional and policy issues, it has reduced investments in the Upper West Region, the poorest in the country. Moreover, the design of some project components was weak, lacking specificity in project procedures, client outreach, or target groups. For instance, in rural finance, one intervention (Rural Financial Services Project) envisaged the creation of linkages between rural banks and informal credit and savings groups, drawing on successful experiences in India, but did not sufficiently test and adapt these initiatives to the Ghanaian context. In addition, although the recent drive in project and programme formulation towards value chain development is well justified and in line with Ghana's official strategies, the project and programme designs have not accounted sufficiently for the ingrained production-based skills of project management units and limited familiarity with private-sector business practices, or for the limited experience of emerging small entrepreneurs in the agribusiness sector. Furthermore, the design of the Northern Region Poverty-Reduction Programme had weaknesses as IFAD had little previous experience working with decentralization in Ghana. The project made large bets on national capacity to implement a decentralization programme when the Government had not yet fully developed a decentralization policy framework. Finally, all project and programme designs lacked sound monitoring and evaluation (M&E) systems.

6. The effectiveness of the portfolio has been rated as moderately satisfactory owing to variations in results. In rural finance, the most significant results were at the macro and meso levels, where projects and programmes have helped strengthen the regulatory and oversight bodies (Bank of Ghana, Ministry of Finance) as well as the capacity of apex bodies for rural banks and credit unions. From an institutional standpoint, the IFAD portfolio contributed to building up a more solid microfinance subsector. At the micro level, however, access to lending products did not increase according to expectations, particularly for small-scale farmers. The strongest portfolio results were achieved in the area of rural enterprise support. IFAD-supported interventions were successful not only in increasing enterprise numbers, output and profitability, but also in promoting national legislative initiatives that linked support to local government with enterprise development and created opportunities for private-public initiatives to foster microenterprise development. Results in developing value chains were mixed. The goal of working on value chains is well justified, but this approach is relatively new in Ghana and progress has been hampered by the limited familiarity of project staff with the private business environment. When initiatives have focused on existing value chains (e.g. roots and tubers), results have been more encouraging and have allowed for technology upgrading in the processing of agricultural produce. But attempts to set up new value chains (e.g. vegetables) have generated high risks for small farmers and entrepreneurs.
7. The efficiency of the portfolio has been rated as moderately unsatisfactory. The main weaknesses pertain to higher-than-expected unit costs and longer start-up and implementation delays in IFAD-supported projects and programmes compared with those of other international financial institutions. Implementation delays reduce economic returns by frontloading costs and postponing benefits. Start up and implementation delays have been the result of three main factors: (i) design lacunae, such as over-optimistic assumptions regarding the capacity of national institutions and implementation teams, or unclear implementation arrangements; (ii) funding gaps, when expected financial contributions from other partners did not materialize; and (iii) weak traditional supervision arrangements and the absence of an IFAD country office (until 2010), which made it difficult for IFAD to act upon implementation problems in a timely manner.

8. Impact has been assessed as moderately satisfactory overall. The most successful impacts have been on social capital and on institutions and policies. In rural finance, the portfolio has contributed to upgrading the competencies and standards of regulatory bodies, to developing a national policy for microfinance, and to professionalizing the subsector. In the area of decentralization, the portfolio has supported local governments (districts) in two ways: first, by developing models of collaboration between communities, local governments and non-governmental organizations in planning basic infrastructure geared to very poor and marginalized groups; and, second, by creating space for collaboration among local governments and small private entrepreneurs in fostering microenterprise growth. While the impact on income and assets cannot be determined with certainty because of weak M&E systems at the project and programme level, information from beneficiary surveys suggests mixed results. The impact on the environment includes both positive and potentially detrimental effects, not fully documented or accounted for.
9. Sustainability has been assessed as moderately satisfactory, although here the performance of the portfolio has improved notably compared with past interventions, which reflects increased attention to institutional development. In the area of rural finance, the financial sustainability of microfinance institutions and their apex organizations has improved (particularly for rural banks). Likewise, in rural enterprise support, project decisions to embed public advisory services in district administrations may help ensure the institutionalization of such services. In agricultural value chains, however, public-private partnerships are only now emerging and reveal several flaws, including weak business plan preparation and poor coordination among value chain actors, and will require a major infusion of private-sector experience and business skills before they can become sustainable.
10. Support to pro-poor innovation and scaling up has been assessed as moderately satisfactory. The portfolio has been active in introducing innovative products (e.g. money transfer services and new savings products adapted to lower-income clients), technology (e.g. disease-resistant and higher-yield roots and tuber varieties, and modern cassava processing equipment), and processes (e.g. matching grants, farmers' field fora extension models, and agricultural value chain approaches). At the same time, many of these innovations would have benefited from pilot testing, or at least from a more detailed foresight analysis, prior to being scaled up, which has not been done to a sufficient degree. Another potential drawback has been IFAD's tendency to scale up innovations on its own rather than involving other donors, which has led to the risk that IFAD's limited resources could become scattered.
11. Progress in gender equality has been assessed as moderately satisfactory. Projects /programmes have attempted to mainstream gender equality and introduce relevant components, and gender action plans have been developed. Provision has been made for the collection of gender-disaggregated data for monitoring purposes, but project and programme reports on gender equality are not sufficiently analytical, thereby posing challenges to translating plans into concrete action to close gender gaps. The most significant achievements pertain to expanding women's access to and control over productive assets and improving women's well-being and easing their workload by facilitating their access to basic services and infrastructure. Progress in strengthening women's organizations, decision-making in the community and representation in local institutions was more limited.

Assessment of non-lending activities

12. The performance of non-lending activities is assessed as moderately satisfactory overall, with policy dialogue and partnership-building rated as moderately satisfactory and knowledge management as moderately unsatisfactory.

13. Policy dialogue has received increased attention from IFAD as the portfolio has shifted towards sector-specific national programmes with policy dialogue supported by project and programme components. In the past, owing to the lack of an IFAD field presence, policy dialogue had to be conducted at a distance and filtered through project and programme components. However, with the establishment of an IFAD country office, greater opportunities exist – although current knowledge management capacity is still a constraint. The most significant policy dialogue activities and results have been found in the area of rural enterprise development, where IFAD-funded projects and programmes have helped mould legislative initiatives, thereby creating new instruments for public support to private rural enterprises at the district level. While the strategic objectives of the Government of Ghana and of IFAD have largely coincided, some discrepancies have emerged over subsidized interest rates. Although policy dialogue on rural finance has sensitized the Government to the distortionary effects of subsidized interest rate programmes, the latter continue to exist. This CPE argues that “matching grants,” if properly implemented, can be an effective instrument for policy dialogue by introducing “smart” subsidies that do not distort financial markets.
14. IFAD has forged solid partnerships with government agencies at the national and sub-national levels, the latter thanks to its involvement in support of decentralization. IFAD’s assistance has been well integrated into national systems, as shown in the latest survey on implementation of the Paris Declaration from the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Partnerships have been forged with international financial institutions such as the African Development Bank and the World Bank and have included cofinancing and supervision, generally to mutual benefit. Both organizations were expected to cofinance the latest rural finance intervention (Rural and Agricultural Finance Programme, RAFIP) but that did not materialize – which is a matter of concern given the “weight” this collaboration could have brought to policy dialogue. Partnerships between the Government, IFAD, and the private sector are emerging and are laudable initiatives. Early implementation experience suggests that working with the private sector calls for business skills within the project management teams, including in detailed business planning under different scenarios. In view of Ghana’s limited experience in agricultural value chain development, the need to scout for and involve more proactively experienced private-sector partners has been underestimated.
15. Knowledge management was previously hampered by the lack of an IFAD field presence, poor performance of M&E systems at the project and programme level and the absence of a portfolio-wide review. Of the six projects and programmes reviewed by this CPE, only one (Rural Enterprises Project, Phase II) undertook an impact assessment (albeit in limited form) to follow progress on a set of core indicators. In the absence of focused data collection, information gathering, and analysis at the household, community and sector levels, projects and programmes have pursued innovative and previously unexplored activities based more on good intuition than on sound, well-grounded analysis. This has exposed them to unnecessary risks. New project and programme-level knowledge management initiatives are emerging (rural finance, rural enterprises) and can be further supported through IFAD’s country presence.

COSOP performance

16. In terms of relevance, the objectives of the 1998 COSOP fully corresponded to the overarching mission of IFAD to empower the poor, inasmuch as it targeted the regions of Northern Ghana where extreme poverty continued to be pervasive. At that time, however, the Government’s strategy was to accelerate economic growth by modernizing the agriculture sector but without targeting specific geographic pockets of poverty. Instead, the objectives of the 2006 COSOP became fully aligned with the Government’s policy at that time, while also reducing the emphasis on

geographical targeting, particularly in the Upper West, the region with the highest prevalence of poverty, practically unchanged in 20 years. And while the COSOP of 1998 was based on an earlier CPE, the 2006 COSOP lacked a strong analytical backing. In particular, the 2006 COSOP did not draw enough on two contemporary evaluations of projects and programmes in the Upper East and Upper West Regions. These evaluations showed the difficulties encountered in the North but also pointed out the potential for investments, notably in the Upper West, and provided guidance for concrete and relatively simple interventions. In addition, while the 2006 COSOP emphasized value chain development, an important and well-deserved choice, it did not sufficiently elaborate on the implications of, and constraints on, shifting towards a value chain development approach, such as the limited familiarity and experience of project staff with private-sector business practices (and to some extent the limited skills of emerging local entrepreneurs) and the need to scout for private agribusiness development specialists.

17. While the 1998 COSOP strategy to target the extremely poor in the North has produced varying results – quite satisfactory in Upper East but only modest in Upper West – there are signs that focusing on these areas, notably the Upper West, is not only desirable but also feasible. The 2006 COSOP strategy was far more effective in institutional development and policy dialogue through sectoral and larger programmes, although at the cost of reducing emphasis on the Upper West Region.

Summary of the CPE overall assessment

<i>Assessment</i>	<i>Rating^a</i>
Portfolio performance	4
Non-lending activities	4
COSOP performance	4
Overall IFAD/Government partnership	4

^a Rating scale – 1: highly unsatisfactory, 2: unsatisfactory, 3: moderately unsatisfactory, 4: moderately satisfactory, 5: satisfactory, and 6: highly satisfactory

Main conclusions

18. Compared with the results of past evaluations, this CPE finds that the performance of IFAD’s portfolio in Ghana has improved in terms of most criteria. Highlights of the portfolio are institutional development, support to participatory planning at district level and agriculture technology transfer. Since 2000, the country programme has transitioned from geographically-targeted interventions to countrywide programmes focusing on one sector only or on a macro region, This has allowed IFAD to devote more attention to institutional development and policy dialogue, with significant results, notably in the area of rural enterprise support and, to some extent, rural finance. On the other hand, this transition has implied a reduction in IFAD’s investments in Upper West, the region of Ghana that has been left behind in terms of economic growth. Moreover, project and programme efficiency needs to be improved.
19. IFAD-supported projects and programmes have fostered innovative approaches and features in Ghana, many of which show initial potential for scaling up. Yet, IFAD and its partners have not always analysed the constraints on, or threats to, the introduction of such approaches. For instance, in value chain development, constraints on national implementation capacity have not been sufficiently recognized and acted upon. And although IFAD has emphasized the importance of scaling up successful innovations, it has tended to rely on its own funds and has not always given priority to engaging either with the Government or with other development partners. The advent of a country presence and the out-posting of the CPM since 2011 may help create new opportunities for partnerships, including those that support the scaling up of innovations.

Summary of recommendations

20. This CPE offers the following broad recommendations for IFAD and the Government to consider in developing their future partnership, including the new COSOP and future projects and programmes.

Bolster the next COSOP and the programme with more analytical work

21. As part of COSOP preparation, IFAD should augment its normal procedure of developing strategic and operational choices based on sound analysis of the country poverty, macro and sector policies, by commissioning specific studies, action-research or "intelligence-gathering" work to support major strategic decisions and changes. A priority for the forthcoming COSOP should be to analyse value chain gaps and scout for successful private-public partnership experience, in the region or elsewhere. At the project design level, similar work should help fill knowledge gaps and investigate areas of risk. Systematic data collection and analysis is needed to assess the impact of projects and programmes, including quantitative data on income and food security. All this calls for forging partnerships with international specialists and Ghana-based (national and international) social science research institutes.

Strike a balance between sectoral and geographic focus, and build a model for the Upper West

22. IFAD should continue to support subsectoral programmes with countrywide scope but combine them with specific interventions focusing on the North of the country, particularly the Upper West Region, and further cooperate with relevant government initiatives (e.g. Savannah Accelerated Development Initiative). IFAD should devise an intervention model suitable for the Upper West region. Drawing on the findings of past evaluations, the model should concentrate on:
(i) transportation infrastructure; (ii) water management and irrigation; and
(iii) existing value chains more suitable for the poor (e.g. tuber cultivation, higher-humidity crops, tree crops, small livestock such as guinea fowl, small ruminants).

Engage more in partnerships with the Government and donors for scaling up innovations

23. IFAD should seek greater support from other donors, the private sector and the Government, as well as from similar initiatives in the region, for scaling up its most successful innovations, and emphasize the need for pilot testing when introducing new approaches. The CPE recommends three priority areas. One, in recognition that matching grants in rural finance have important potential for policy dialogue on support to micro and small businesses without distorting the structure of interest rates in the financial market, IFAD and its partners should consider a joint review of the experience with matching grants across IFAD's portfolio, as well as of the Rural and Agricultural finance Programme implementation experience, in order to devise more effective, non-distortionary tools to foster agricultural financing. Two, special savings and credit financial products that appeal to the poor, such as "susu"¹ collection and group lending, should be examined in detail to determine whether they may help improve the coverage of very poor categories. And, three, IFAD should promote the concept of farmers' field fora to support pro-poor technology transfer in agriculture.

Engage in more fruitful partnerships with the private sector

24. IFAD and its partners should first review successful experiences in the Africa region with a view toward developing pro-poor value chains and engaging with private-sector operators. IFAD should also explore opportunities for collaborating with the Alliance for a Green Revolution in Africa, which, although not a private operator, is implementing an integrated programme of seed distribution, soil conservation,

¹ *Susu* is an informal way of saving money, whereby a savings collector gathers savings from door to door.

education and extension, and market access (encompassing value-chain activities) in Ghana, with a substantial private-sector cooperation element.

Mainstream environmental protection in IFAD's strategy

25. The problem of environmental degradation in Ghana is a serious one. Increasing focus and presence in the Northern and Upper West Regions implies that interventions will have to cope with a very fragile environment. This CPE recommends that an environmental assessment form part of the next COSOP. This assessment should deal, in particular, with areas of potential negative impact, such as polluting effluents from cassava processing and chemical processing of small enterprises, soil erosion, and water-borne disease in irrigation schemes.

Bring to bear the effects of IFAD's country presence and outposted CPM

26. The Fund has recently approved a new business model hinging upon direct supervision, country presence and non-lending activities (policy dialogue, partnership building and knowledge management).² IFAD should use the opportunity of its country office in Ghana and outposted CPM to further support its country programme, including non-lending activities. In terms of knowledge management, it should further mobilize expertise and analytical resources from within Ghana and the region as a whole, both for COSOP preparation and for project design. Its country presence should also contribute to policy dialogue and partnership building. And, finally, IFAD will need to take advantage of its country presence to support the assessment of results, notably impact, at the project and programme level and make a systematic review of the programme as a whole. This would facilitate better assessment of performance progress, generate evidence of achievements and raise more attention among potential partners.

² http://www.ifad.org/gbdocs/repl/9/ii/ppt/business_model.pdf