Partnership for Growth (PFG) Mid-Term Evaluation: Ghana

Final Report

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List of Acronyms

AAF	Automatic Adjustment Facility
ADB	Agricultural Development Bank
ARB	Association of Rural Banks
BOG	Bank of Ghana
CA	Constraints Analysis
CDCS	Country Development and Cooperation Strategy
CEPA	Center for Policy Analysis
DANIDA	Danish International Development Agency
DFID	Department for International Development (United Kingdom)
DMB	Deposit and Money Banks
EA	Evaluability Assessment
EAPP	Eastern Africa Power Pool
ECG	Electric Company of Ghana
ECOWAS	Economic Community of West African States
ESB	Electricity Supply Board
FinGAP	Financing Ghanaian Agriculture Project
FINSSP II	Financial Sector Strategic Plan II
FTF	Feed the Future
GNPC	Ghana National Petroleum Corporation
GPFI	Global Partnership for Financial Inclusion
GRIDCo	Ghana Grid Company Limited
GSGDA	Ghana Shared Growth and Development Agenda
GOG	Government of Ghana
GOT	Government of Tanzania
GSE	Ghana Stock Exchange
IPP	Independent Power Producers
IRS	Interest Rate Spread
JCAP	Joint Country Action Plan
LOA	Line of action
LRDF	Local Roads Development Fund
M&E	Monitoring and evaluation
METSS	Monitoring and Evaluation Technical Support Services
MOE	Ministry of Energy
MOFEP	Ministry of Finance and Economic Planning
MOTI	Ministry of Trade and Industry
MWCEL	Ministry of Water, Construction, Energy and Lands
NARUC	National Association of Regulatory Utility Commissioners
NBFI	Non-bank financial Institution
NBSSI	National Board for Small Scale Industries
NEDCo	Northern Electricity Distribution Company
NPLs	Non-performing loans
NPRA	National Pensions Regulatory Authority
PFG	Partnership for Growth
PPA	Power purchase agreements

PPP	Public private partnership
PSDS	Private Sector Development Strategy
PURC	Public Utility Regulatory Commission
RCB	Rural and Community Bank
OECD	Organization for Economic Cooperation and Development
REFIT	Renewable Energy Feed in Tariff
SEC	Securities and Exchange Commission
SME	Small and medium enterprise
SPPAs	Standardized power purchase agreements
SOW	Scope of work
TICO	Takoradi International Company
TOC	Theory of change
TTPS	Takoradi Thermal Power Station
USAID	United States Agency for International Development
USG	United States Government
VALCO	Volta Aluminum Authority
VRA	Volta River Authority
WAGP	West Africa Gas Pipeline
WGA	Whole of Government Approach

Executive Summary

The Partnership for Growth (PFG) initiative seeks to leverage US government (USG) resources in support of a shared development program delivering accelerated, sustained, and broad-based economic growth in partner countries. Ghana is one of the four partner countries selected for this initiative, in part, due to the country's commitment to reform and successful implementation of their first Millennium Challenge Compact.[1] The PFG embodies the principles set down in the Presidential Policy Directive (PPD) on Global Development launched on September 10, 2010.[2] PFG is based on a shared commitment to implementing the key institutional and regulatory reforms required for unleashing private investment. This whole-of-government initiative aims to achieve economic growth in selected partner countries through bilateral agreements between the USG and the partnering countries' national governments. The core principles of PFG include:

- Country ownership and partnership;
- High-level political leadership and commitment to development progress;
- Rigorous, evidence-based joint analysis on constraints to growth conducted by integrated teams of U.S. Government and PFG country officials;
- Joint decision-making on where to focus and prioritize resources;
- Use of a broad range of tools, including catalytic policy change, institutional reform, aid, diplomatic engagement, and other non-assistance policy tools; and
- Transparency, mutual accountability and fact-based monitoring and evaluation.

In February 2011, the USG and the GOG committed to work together to accelerate and sustain broad-based and inclusive growth in Ghana through the PFG initiative. This included a commitment to jointly prepare a Constraints Analysis (CA) using the Growth Constraints approach of Hausmann, Rodrik, and Velasco (2005). The CA was finalized in August 2011 and used as the basis for development of a five-year Joint Country Action Plan (JCAP), which was finalized in March 2013.[3] The JCAP identified the key binding constraints to private investment and economic growth as unreliable and inadequate supply of electric power and insufficient access to credit in the weak financial system. **The objectives of the JCAP are to strengthen the power sector and improve access to finance and strengthen the financial system.**

Under each of the two binding constraints, the JCAP allocated the development interventions into five goals, which addressed policy, regulatory, capacity and competition issues affecting private investment and efficiency in the power sector and access to finance. Each goal was assigned a series of activities or Lines of Action (LOAs) aimed at removing the constraint. There are a total of 90 LOAs to be carried out by the GOG and the USG.

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[1] The other PFG countries are El Salvador, the Philippines and Tanzania.

[2] The Directive called for: elevating broad-based and sustainable economic growth; increasing the focus of resources, policy tools, and engagement in support of select countries and sub-regions where the conditions are right to sustain progress; increasing investment and engagement in development-focused innovation; underscoring the importance of country ownership and responsibility; and reorienting the USG approach to prioritize partnerships from policy conception to implementation.

[3] Although the published JCAP is dated, 2012-2016, the period of performance began on March 1 2013 with the singing of the US-Ghana PFG Statement of Principles. Year 1 was March 2013-February 2014 and the five-year program will run to February 2018.

Purpose of Mid-term Evaluation

The mid-term evaluation of the PFG initiative in Ghana seeks to determine whether the PFG process represented an improvement over the pre-PFG assistance approach, and whether PFG analyses and activities were sufficient for addressing the identified constraints, realizing the desired outcome and attributing the impact of PFG interventions on reducing the constraints. See Annex 1 for the statement of work for the mid-term evaluation.

Evaluation Questions

The mid-term evaluation addressed seven questions:[4]

Cross-cutting Evaluation Questions

1. What are the advantages and/or disadvantages of the PFG whole-of-government approach to development assistance?
2. To what extent has PFG affected the workload of national government and US government staff as compared to the workload created by traditional forms of development-assistance delivery?
3. What contributions has "non-assistance"[5] made to the PFG process and how can it be utilized moving forward?

Country-Specific Evaluation Questions

1. For each of the constraints, are the goal-level commitment set forth in the JCAP capable of achieving the constraint-level objectives and outcomes?
2. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?
3. At the midterm, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcome?
4. If performance is not on target or creating the outputs necessary to achieve the desired outcomes, why?

Methods

The evaluation team conducted a desk review of all the available program information, and conducted over 80 semi-structured interviews with key PFG stakeholders, including high-level leadership, program designers, goal leads, implementers and independent experts in the US and Ghana. The evaluation team also conducted an anonymous online close-ended survey as a complement to the detailed semi-structured interviews and confirmed findings by triangulation

[4] The seven questions were researched in the mid-term evaluations of all four PFG countries.
[5] Non-assistance tools include diplomatic engagement, convening authority, and other forms of non-monetized assistance to engage both governmental and non-governmental stakeholders in support of catalytic policy change and development priorities.

of multiple sources of evidence. It is important to note that several findings were largely based on participant's perceptions and are therefore subjective in nature.

Findings

Crosscutting Evaluation Question 1: What are the advantages and/or disadvantages of the PFG whole-of-government approach to development assistance?

The whole-of-government approach was integral to the PFG process and resulted in positive changes in the delivery of development assistance related to the power sector in Ghana by increasing consistency and coherence in the programming and policy objectives of both USG and GOG interventions. Interviews with GOG and USG officials who were actively engaged in preparing the CA and the JCAP stated that the process contributed to a deeper mutual understanding of the development challenges. Further, both GOG and USG officials believe the process of active engagement lent support to a shift in policies and practices involving increased development dialogue and analysis as partners rather than through the terms and conditions attached to a loan or a grant. Interviews with other bilateral donors highlighted their awareness of the benefits of the PFG approach with one donor indicating they had begun to integrate the approach into their modus operandi.

Crosscutting Evaluation Question 2: To what extent has PFG affected the workload of national government and US government staff as compared to the workload created by traditional forms of development-assistance delivery?

All the senior officials interviewed considered time spent on the PFG productive and necessary for effective implementation. The PFG initiative required a significant investment of time by senior officials from both the USG and GOG in preparation of the CA and the JCAP. Leadership and senior officials considered the PFG process to be more effective than traditional development assistance because the "upfront lively constructive discussion" clarified thinking on complex policy issues and paved the way for tackling difficult and important policy issues. However, this perspective was not shared by all senior technical officials, with some questioning the approach in the absence of significant increased funding to implement the identified activities. The CA report was launched at a well-attended public event in Accra and subsequently was distributed widely in Ghana. Furthermore, much of the analysis and findings were incorporated into the new Ghana Shared Growth and Development Agenda.

Crosscutting Evaluation Question 3: What contributions has "non-assistance" made to the PFG process and how can it be utilized moving forward?

The concept of "non-assistance" was clearly understood, and valued, by USG and GOG leaders, but it was much less clear to many stakeholders, particularly mid- and low-level

technical staff. The GOG leadership appreciated the value of non-assistance through the PFG and cited the importance of high level visits from Washington, DC to discuss policy reforms, and the use of USG convening power to engage high-level stakeholders, including leading US private companies to discuss investment in Ghana. Effective use of "non-assistance" requires the active engagement of the U.S. Embassy and the USAID Mission. In Ghana, the Ambassador and the Mission Director were pivotal in leveraging the PFG initiative to deepen the development dialogue and place Ghana firmly on the map for potential U.S. investors. Virtually all USG interviewees understood the concept of "non-assistance" and gave similar examples of how high-level engagement had enabled them to advance understanding of complex policy issues. However, this was not the case with technical mid-level and junior GOG personnel, who viewed PFG as an "aid project" and focused on whether the process had leveraged additional USG technical and financial assistance.

Country-Specific Question 1: For each of the constraints, are the goal-level commitments set forth in the JCAP capable of achieving the constraint-level objectives and outcomes?

The JCAP was a key document guiding subsequent interventions and specific activities in the power sector, but has played a more limited role in addressing the access to finance constraints. The JCAP took existing initiatives and projects into account, many of which already aligned with reducing the two constraints. In light of this both GOG and USG officials involved in the JCAP noted that the initial selection of LOAs was based on the pragmatic reality of what already existed and was part of the GOG commitment rather than being designed from scratch based on a comprehensive theoretical framework. Further work in the power sector, particularly by MCC but also USAID and others, has resulted in subsequent program design changes. Many of the activities under the Access to Finance constraint are being addressed through the IMF Extended Credit Facility (ECF). Direct USG financing for the Access to Finance is through the USAID Financing Ghanaian Agriculture Project (FinGAP) which addresses one of the five goals.

The absence of a formal theory of change (TOC) that links LOAs, goals, and constraints, and explains how the proposed reforms would lead to the intended development outcomes suggests that there may be unrealistic confidence that the LOAs and goals will lead to the removal of the constraints. The JCAP contained an implicit theory of change for the selected lines of action[6]. There were no documents that explained why specific activities were given a higher priority than alternatives. This makes it challenging to identify how goal-level commitments are intended to achieve the desired constraint mitigation outcomes.

PFG's goal-level commitments, reforms, and LOAs are *potentially* capable of achieving the constraint-level objectives, but cannot be definitively addressed yet. The qualified nature of this finding is based on three factors. First, the original JCAP is a five-year program and the mid-term evaluation is taking place after only two years. Therefore, it is not possible to conclude definitively that the targeted growth constraints will be removed based on the progress to date. The relatively short time period before this evaluation is particularly challenging when the

[6] The JCAP did not identify the causal pathways, nor the assumptions required, for the activity (LOA) to lead to the desired outcome.

commitments require substantial regulatory and policy reforms, which involve time-consuming processes of buy-in, approval, and implementation. Second, achievement of the goals is affected by factors outside the PFG process, such as political dynamics. Third, the JCAP was not based on a formal TOC against which the evaluation could measure progress.

Country-Specific Question 2: Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?

Evidence-based decision-making and fact-based monitoring is built into the PFG process and has been integrated into the Power Africa project and the recent MCC compact. The PFG Monitoring and Evaluation Addendum for the power sector was finalized in 2013, and two Scorecards have been completed for years one and two ending in March 2014 and March 2015, respectively.

Country-Specific Question 3: At the midterm, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcome?

At the mid-term, many of the PFG interventions were on target. This represents substantial progress on a range of challenging policy and regulatory issues in a relatively short period of time. PFG interventions are partially on track in the power sector where both the USG and GOG have allocated additional technical and financial resources. There has been limited progress on access to finance as many of the indicators are largely determined by macroeconomic conditions, which has worked against reducing interest rates. Furthermore, the evaluation team considers the JCAP targets in the financial sector optimistic as both international experience and domestic political economy factors would caution against realizing systemic changes in the financial sector within a two to five-year timeframe. The evaluation team's estimate of the current status is shown in the tables below.

Estimated Current Status of PFG Interventions

Power Sector Goals	Estimate of Status in 2015	Comments
Policy, Strategy, and Planning	Behind Schedule	This is being addressed through Power Africa and MCC2
Institutional, Regulatory and Structural Reform	On Track	
Electricity Demand and Generation Capacity	On Track (in terms of indicators, but large gap remains)	PFG monitoring indicators need adjusting to available capacity rather than installed capacity to capture problem of hydro's with water shortage, or thermal

Power Sector Goals	Estimate of Status in 2015	Comments
		plants without fuel, and necessity of ensuring reserve margins.
Transmission and Distribution Infrastructure and Operations	Behind Schedule	Transmission planning and investment should be a higher priority. Investment in distribution is linked to progress with ECG.
Rural Access	Ahead of Schedule	

Access to Finance Goals	Estimate of Status in 2015	Comments
Reduce Government Engagement in the Banking Sector	Behind Schedule	Realizing this goal is dependent on factors exogenous to PFG, primarily the Government budget.
Strengthen Financial Sector Regulation and Supervision	On Track	
Develop the Financial Sector Infrastructure	On Track	
Reduce Interest Rates	Behind Schedule	This is determined by the scale of government borrowing which remains high.
Encourage Development Finance and Support SME Access to Finance	Behind Schedule	This is being addressed via raising finance through the Ghana Alternative Exchange albeit on a modest scale.

Country-Specific Question 4: If performance is not on target or creating the outputs necessary to achieve the desired outcomes, why?

The power sector was behind schedule at the mid-term to achieve the desired outcomes in the PFG JCAP because the original timescale was too ambitious. Both the GOG and USG officials interviewed and the Evaluators considered the CA process and analysis was sound. The Scorecards shows that the GOG has recorded significant progress in strengthening the legislative and regulatory framework for private investment in the power sector. However, as noted in the table above these are behind the scheduled agreed in the Monitoring and Evaluations Addendum. Many respondents from both the GOG and USG also observed that mobilizing large-scale private investments had been adversely affected by the deteriorating macroeconomic environment, which is outside the scope of the PFG.

The desired outcomes in the PFG JCAP for addressing access to finance constraints were behind schedule at the mid-term. While GOG and USG technical specialists and the Evaluators believe that while no single explanation can explain fully the causes for the slow implementation in addressing this constraint, all parties believe that factors exogenous to the PFG are the primary factors. Many technical specialist interviews highlighted how growing Government budget deficits contributed to high interest rates. The evaluators observed that the high interest rates available on short-term Treasury Bills in Ghana appeared to contribute to crowding out lending to the private sector.

Conclusions

USG and GOG leaders, initiative designers, and goal leads generally regarded the PFG initiative as successful. The whole-of-government approach was frequently mentioned by officials from both the USG and the GOG as one of the most important elements of the initiative, along with the process of working together on the CA and the JCAP. Determining the path to removing the constraints was facilitated by the extensive dialogue with partners working together as a team. Other donors have taken note of the PFG process. A key challenge going forward is the need to mainstream the PFG into the overall government development process and work more closely with other like-minded donors.

All parties involved in the PFG process considered it had contributed to improved and deeper dialogue between the USG and GOG as partners in a shared commitment to promoting increased growth and private investment. Continued high level participation from both the GOG and USG at the Bi-Annual Steering Committee Meetings signals the continued commitment to the PFG process. The Evaluators concluded the PFG worked to support the GOG in their commitment to embark on challenging regulatory reforms aimed at increasing future economic growth rates.

Using a more rigorous project design tool such as a logical framework (logframe) forces more thinking on the causal linkages between inputs, outputs, and desired outcome (or purpose). It also provides a structure for identifying the assumptions and preconditions necessary for achieving the goals and assessing the risks. Without having these items thought through and in writing, the Evaluators consider there may be an unrealistic confidence that the LOAs will lead to the intended results.

The initial five-year time horizon for the PFG encouraged officials when moving from analyzing the constraints to designing interventions to adopted an overly ambitious and optimistic JCAP. For example, the time scale envisaged in the JCAP for realizing substantive changes in the financial sector was over-optimistic given the large government budget deficit, decline in commodity prices, and structural and regulatory pre-requisites for improving access to finance. The GOG is making progress in reducing the budget deficit, augmenting the Bank of Ghana's (BOG) monitoring and supervision of the banking sector, and strengthening public debt management policy. Equally, experience from power sector programs requiring extensive regulatory reform, and significant tariffs increases, as a precursor to encouraging large scale private investment elsewhere in the world would caution against delivering significant outcomes within the first two years.

The PFG initiative in Ghana was fully embraced in the power sector work. The GOG has integrated the principles of partnership, country ownership, and a commitment to a strong monitoring and evaluation (M&E) framework into their approach to the power sector, which is now mainstreamed into the Power Africa and the MCC Compact. However, USAID funding for addressing the credit constraints has been limited. While the PFG's access to credit activities are complementary with the Financial Sector Strategic Plan II (FINSSP) II and Private Sector Development Strategy II (PSDP II), there is also a need for more active engagement of multilateral development banks and other bilateral donors in the financing sector.

Recommendations

PFG Process Recommendations

1. Improve coordination with other donors (including GIZ, DFID, and the Swiss Embassy), through regular meetings and invitations to participate in committees.[7]
2. Incorporate mid- and junior-level government officials, along with technical specialists, into the PFG decision-making processes.
3. Reframe coordination meetings to view the JCAP as a living document and to encourage regular M&E activities, ensuring that M&E systems for each LOA avoid redundancies and reduce costs.
4. Clarify the mandate of Monitoring and Evaluation Technical Support Services (METSS) to provide independent M&E inputs.
5. Designate PFG staff to be responsible for identifying non-assistance opportunities, tracking non-assistance implementation, and developing a staff feedback mechanism.
6. Improve engagement of civil society and the private sector with the PFG to increase publicity for, and the success of, the initiative.
7. Create logical frameworks and review PFG indicators in the context of the TOC to prioritize power LOAs and ensure that appropriate activities are utilized to achieve access to finance goals.
8. Work with the PFG Secretariat to more pro-actively facilitate regular communication and information sharing between PFG power and finance leadership on program management, strategies, and M&E.

Access to Finance Recommendations

1. Develop access to finance programs and monitoring schemes, in addition to USAID FinGAP, to address all access to finance goals, and integrate these programs into the Private Sector Development Strategy III (PSDS III).
2. Integrate PFG solutions into the work plans of relevant Ministries and create an Access to Finance Technical Working Group to guide activity implementation.

[7] Ghana has a record of active sector level donor coordination committees. USAID respondents and other donors indicated that going forward they believed the PFG initiative in access to finance could leverage their effectiveness through increasing participation in the Private Sector Group.

3. Provide training and guidance to all goal-level implementation teams on the process and the importance of systematic M&E.
4. Provide technical assistance to institutions that lower risks in the financial system and prioritize the development of credit bureaus.
5. Review PFG access to finance leadership to ensure that appropriate individuals are involved in committees and subcommittees.
6. Commit to closer coordination on the access to finance agenda between USAID and other U.S. Government departments (Treasury, Small Business Administration, Securities and Exchange Commission, and Commerce).

Power Sector Recommendations

1. Once reviewed by the PFG Steering Committee, publish PFG objectives, scorecards, and follow-up actions to USAID and Ministry of Power, Ministry of Petroleum, and Ministry of Finance websites to improve visibility.
2. Update the Energy Partners Group on PFG goals and LOAs going forward and schedule regular meetings for the PFG Power Sector Technical Working Group.
3. Prepare an annual action plan aligned with the JCAP based on Steering Committee deliberations, and develop a detailed scenario analysis on available generation and transmission capacity over the next 24 months with Technical Working Group input.
4. Streamline, prioritize, and reprogram LOAs to confirm their feasibility within the PFG timeframe based on joint GOG and USG feedback, and incorporating the roles and responsibilities of the natural gas sector.
5. Assign responsibility for current PFG priorities, including resolving the current electric generation capacity shortfall, financing key independent power producers, developing gas transport infrastructure, and supporting Electric Company of Ghana (ECG) reforms.
6. Develop additional M&E indicators related to power constraint goals one and two.
7. Increase private sector participation in Power Sector Technical Working Group discussions on renewable energy regulations, net metering, and private/public processes.
8. Carry out detailed financial assessments on all technology-based power purchase agreements (PPAs) and develop modeling tools to undertake regular updates.
9. Update the Integrated Resource Plan (IRP) for electric power, including additional measures/regulations to support implementation and increased coordination of generation and transmission investment plans.
10. Set up measures to cover the accumulated debt and arrears at each level, ensuring regular future electricity bill payments, including the public sector and parastatals.
11. Analyze the benefits and costs of demand-side management and energy efficiency investments to reduce the costs of establishing additional generation capacity.
12. Finalize the renewable energy (RE) regulatory framework and clarify how the financial gap between the utility tariffs and renewable energy feed-in-tariffs (REFIT) will be filled.
13. Assess bottlenecks in grid capacity and identify the actions required to encourage large-scale investment in solar photovoltaics and wind generation.

INTRODUCTION

Overview of the Partnership for Growth (PFG) Initiative

The U.S. Presidential Policy Directive on Global Development was issued on September 10, 2010.[8] It recognized that global economic development "is vital to U.S. national security and is a strategic, economic, and moral imperative for the United States," and elevated "development as a central pillar of [U.S.] national security policy, equal to diplomacy and defense." The directive was based on the premise that "where leaders govern responsibly, set in place good policies, and make investments conducive to development, sustainable outcomes can be achieved." The directive called for:

- Elevating broad-based and sustainable economic growth;
- Increasing the focus of resources, policy tools, and engagement in support of select countries and sub-regions where the conditions are right to sustain progress;
- Increasing investment and engagement in development-focused innovation;
- Underscoring the importance of country ownership and responsibility; and
- Reorienting the USG approach to prioritize partnerships from policy conception to implementation.

The Partnership for Growth (PFG) initiative is based on the principles of the Presidential Policy Directive on Global Development. This whole of government initiative was established to achieve accelerated, sustained, and broad- based economic growth in selected partner countries through bilateral agreements between the United States Government (USG) and the partnering countries' national governments. The core principles of PFG include:

- Country ownership and partnership;
- High-level political leadership and commitment to development progress;
- Rigorous, evidence-based joint analysis on constraints to growth conducted by integrated teams of U.S. Government and PFG country officials;
- Joint decision-making on where to focus and prioritize resources;
- Use of a broad range of tools, including catalytic policy change, institutional reform, aid, diplomatic engagement, and other 'non-assistance' policy tools; and
- Transparency, mutual accountability and fact-based monitoring and evaluation.

A defining characteristic of PFG is the active participation and coordination of more than a dozen USG agencies, including MCC, the State Department, and USAID. In the context of PFG, these agencies are purposefully identifying opportunities to complement and leverage each other's work toward achieving common PFG goals.

One of PFG's signature objectives is to engage governments, the private sector and civil society with a broad range of tools to unlock new sources of investment, including domestic resources and foreign direct investment. By improving coordination, leveraging private investment, and

[8] President Barack Obama's September 2010 Presidential Policy Directive on Global Development embodies and builds on the global best practice principles for Managing Aid as adopted by the Paris Declaration (2005) and the Accra Agenda for Action (2008).

focusing political commitment throughout both governments, the PFG enables partners to achieve better development results.

Using PFG requires rigorous joint analyses of countries' individual constraints to growth, joint action plans to address the most pressing of these constraints and high-level mutual accountability for the goals and activities selected to alleviate them. The PFG process includes the following steps:

- Agreement to initiate PFG with selected partner countries;
- Joint analysis of the constraints to economic growth, followed by broad consultation and dialogue on the findings;
- Development of joint country action plans (JCAPs) that outline potential tools, reforms, technical assistance and resources that can be applied over the next five years to address highest-priority constraints to growth;
- Implementation of priority initiatives; and
- Monitoring and evaluation.

In the fall of 2010, Tanzania, Ghana, El Salvador, and the Philippines were selected as the first group of PFG countries. These selections were based in part on each country's record of accomplishment in implementing ongoing Millennium Challenge Corporation (MCC) Compacts. This mid-term evaluation report focuses exclusively on the first two years of the PFG in Ghana.

Timeline of the PFG Initiative in Ghana

In February of 2011, the USG and the Government of Ghana (GOG) committed to working together to accelerate and sustain broad-based and inclusive economic growth in Ghana through the PFG. The first step was completing an analysis of the key constraints to growth. The Ghana Growth Diagnostic was finalized in August 2011 and was used as the basis for the development of a five-year JCAP 2013-2018[9], which was published in February 2013 and signed on March 1, 2013. The JCAP identified the key binding constraints to private sector investment and economic growth as unreliable and inadequate supply of electric power and the lack of access to credit. The objectives of the JCAP are to strengthen the power sector and to improve access to credit and strengthen the financial system.

Both of these two primary constraints have five sub-constraints. The power sector sub-constraints targeted: 1) strategy and planning; 2) institutional, regulatory and structural reform; 3) electricity demand and generation capacity; 4) transmission and distribution infrastructure and operations; and 5) rural access. The targeted sub-constraints under improving access to credit and strengthening the financial system were: 1) reducing government engagement in the banking sector; 2) strengthening financial sector regulation and supervision; 3) developing the financial sector infrastructure; 4) broadening and deepening the financial sector policy, regulatory and

[9] The original dates were 2012-2016, however, the actual period of performance is from March 2013 to February 2018.

capacity issues and availability of investment capital; and 5) encouraging development finance and supporting SME access to finance.[10]

Each sub-constraint was assigned a set of goals (called "measures" in the work plan) associated with multiple Lines of Action (LOAs). There was a total of 90 LOAs to be carried out by the GOG and the USG. The PFG JCAP was premised on the assumption that effectively implementing the agreed LOAs would lead to achievement of the goals, which, in turn, would mitigate the constraints and accelerate sustained broad-based, inclusive economic growth in Ghana.

Purpose and Scope of the Mid-term Evaluation

This mid-term evaluation of the PFG initiative in Ghana had two key purposes. The first purpose was to determine whether the PFG process improved upon pre-PFG assistance approaches. The second purpose was to determine: 1) whether PFG efforts would enable the eventual estimation of the impacts on addressing the constraints and desired outcomes, and 2) whether necessary efforts to achieve PFG goals were moving forward, were measurable, and were contributing to national interests through the coordination of both governments.

Evaluation Questions

The evaluation consisted of seven principal questions (three cross-cutting and four country-specific) to guide the evaluation. The evaluation team also developed sub-questions, as appropriate, which further probed specific topics to evoke in-depth responses to the evaluation questions. The seven evaluation questions are listed below.

Cross-Cutting Questions

1. What are the advantages and/or disadvantages of the PFG whole-of-government approach to development assistance?
2. To what extent has the PFG affected the workload of national government and U.S. government staff as compared to the workload created by traditional forms of development-assistance delivery?
3. What contributions has "non-assistance" made to the PFG process and how can it be utilized moving forward?

Country-Specific Questions - Ghana

1. For each of the constraints, are the goal-level commitments set forth in the JCAP capable of achieving the constraint-level objectives and outcomes?
2. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?
3. At the midterm, were the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcomes?

[10] This sub-constraint was modified in 2013 to ''reducing interest rates.''

4. If performance was not on target or might not achieve the desired outcomes, why?

Table 1 shows the correspondence between the key evaluation questions and the evaluation criteria.

Table 1: Scope of the Key Evaluation Questions

Criteria	Scope of the Evaluation Questions
Relevance	• Extent to which the most critical constraints are being addressed by the PFG • Extent to which PFG activities are aligned with the priorities and programs of the Government of Ghana, and other cooperating partners • Extent to which PFG is responsive to changes in the implementation context
Efficiency	• Extent to which the PFG is efficient in using scarce resources, taking into account the institutional and organizational infrastructure
Effectiveness	• PFG contribution to addressing the targeted high level constraints of inadequate power and access to finance • Performance against the PFG M&E targets and objectives • PFG contribution to institutional capacity development • Contextual factors enabling or constraining achieving the objectives • Extent to which PFG has facilitated the inclusion of the private sector and civil society • PFG contribution to strengthening good governance and reducing corruption
Impact	• PFG projects contribution to impact-level goals • PFG projects impact on cross-cutting issues • Factors enabling or constraining PFG impacts • Project-level contributions to impact-level goals and project-level enablers or constraints • Identify and assess the PFG mechanisms for sustaining, monitoring and evaluating contribution
Sustainability	• Extent to which the positive PFG contributions are sustainable with continued program activity

EVALUATION METHODS

Evaluation Methodology

The evaluation team used a variety of data collection approaches to respond to the seven key evaluations questions for the PFG mid-term evaluation. The approaches used for the evaluation are explained below.

Evaluability

The SOW required the evaluation team to assess the evaluability of the JCAP as well as specific goals and their corresponding LOAs. The team assessed the evaluability of the PFG initiative and its goals through a review of documents showing the: 1) availability of data; 2) problem diagnostic and baseline situation; 3) causal logic of activities, objectives, and outcomes; and 4) intended beneficiaries. The evaluation team confirmed that the initiative as a whole and most of its goals could be evaluated. The team then developed a goal-selection process since it was not possible to evaluate all goals.

Goal-Selection Process for In-Depth Review of the Goals

There are 27 goals (16 under the Power constraint and 11 under the Access to Finance constraint) and 90 LOAs. The SOW requested an in-depth review of one goal per constraint. In conducting this assessment, the evaluation team selected goals that would represent PFG themes, focus on the constraints and sub-constraints, subject matter, and availability of information. Furthermore, the goals were selected to reflect the diversity of participating agencies and implementing partners and the extent that their LOAs represented initiatives developed under the PFG. The main objective of the CA was to focus resources on addressing the constraints that limit private investment. The evaluation team selected the goal of increasing investment for an in-depth review.

- Goals related to the Power Constraint: Policy, Strategy and Planning; and Institutional, Regulatory and Structural Reform.
- Goal related to the Access to Finance Constraint: Encourage Development Finance and Support SME Access to Finance.

Program and Evaluation Objectives and Methods

PFG activities included discrete deliverables that can be verified through objective indicators, capacity strengthening, and policy changes, presenting a number of significant challenges for evaluation. The approaches to addressing these challenges included desk reviews, semi-structured interviews and surveys with close-ended questions. The evaluation team identified quantitative data from third-party sources, but these often proved too generic to capture the impact of specific interventions under the PFG.

The evidence-based M&E framework developed for the PFG in each country identifies and tracks progress on sectoral- and macro-level indicators against jointly agreed benchmarks. The M&E plan and reports were assessed against the agreed JCAP objectives and targets (Table 2).

Table 2: Program and Evaluation Objectives Determining the Methodology

Parameter	Methodological Choice
Essential elements of the Partnership for Growth Program	
Explicit approach to theory of change governing the PFG design and implementation	Theory-driven evaluation based on a literature review on the economic growth constraints, sector specific studies on growth and the Theory of Change
Complexity of program and implementation context	Desk review, interviews with stakeholders and online survey with close ended questions
Evaluation Objectives and Requirements	
Time constraints for the mid-term review	Review documents prior to field work interviews
Expectation for the evaluation to deliver inputs into future program implementation	Process evaluation approach

Data Collection and Data Analysis Methods

Data Collection

A separate Updated Methodology and Evaluation Plan (UMEP) contains a detailed description of the data collection methods. All data collection and analysis activities were undertaken in conformity with USAID Evaluation Policy: January 2011.[11] While the evaluation team sought to obtain quantitative and objectively verifiable information where possible, it is important to note that several findings were largely based on perceptions and are therefore subjective in nature. Because the PFG is a new initiative and the JCAP is intended to be a living document, semi-structured interviews provided a unique insight into the progress and status of these processes. To complement qualitative findings with unbiased responses, the evaluation team conducted an anonymous, web-based survey.

The evaluation team used three data collection methods (Annexes 4-6):

- **Desk review:** A desk review based on the program documentation received primarily from USAID for the PFG initiatives as a whole, as well as documents that refer exclusively to the core focal areas addressed under the PFG in Ghana. The reviewed information was categorized in accordance with the SOW and used to identify the key themes for the seven evaluation questions.

[11] USAID (2011, January). "Evaluation Policy" http://www.usaid.gov/sites/default/files/documents/1868/USAIDEvaluationPolicy.pdf

- **Semi-Structured Interviews:** The evaluation team conducted semi-structured interviews with key PFG stakeholders, including high-level leadership, leadership, architects, goal leads, implementers, and independent experts in the United States and Ghana. USAID identified the initial list of stakeholders and the evaluation team expanded the list following the desk review and meetings in Washington, DC and Ghana. The evaluation team developed draft interview protocols for each of the categories of stakeholders. The semi-structured interviews allowed for an open framework, conversational communication, and, where necessary, for more detailed follow-up questions. Semi-structured interviews were facilitated by the data specialist and the team leader for the cross-cutting questions and by the sector experts for the sector-specific questions. Annex 5 contains the questionnaire for the semi-structured interviews.

- **Web-based Survey**: The evaluation team conducted a web-based survey of officials and technical specialists engaged in both the power sector and the finance sector using Survey Monkey (Annex 6). This was a closed-ended survey where respondents had to select from a series of suggested responses. The web-based survey supplemented the more detailed quasi-structured interviews.

The initial list of stakeholders interviewed included GOG and USG leaders and program architects as well as LOA implementers and independent experts. A total of 83 interviews were conducted. This was split almost equally between USG and GOG officials and independent implementers and technical experts. Table 3 lists the number of interviewees, affiliation, and respondent's primary role.

Table 3: Number of Stakeholder Interviews

Stakeholder Type	**USG**	**Government of Ghana**
	Respondents	**Respondents**
Leadership	8	8
Architects	4	4
Goal Leads	4	8
Government Sub-Total	16	20
Government Total	**36**	
Stakeholder Type	**Independent Stakeholders**	
	Respondents	
Implementers	44	
Experts	39	
Total	83	
Total Number of Respondents	**119**	

** All of the GOG respondents from the online survey are added to the general list above.

Table 4 (next page) lists the cross-cutting and country-specific questions that were asked of each stakeholder type (Annex 5).

Table 4: Evaluation Questions Asked per Respondent Type in Semi-Structured Interviews

Stakeholder Type	CCQ1	CCQ2	CCQ3	CSQ1	CSQ2	CSQ3	CSQ4
High-level leadership	X						
Leadership	X	X	X	X	X	X	X
Architect	X	X	X	X	X		
Goal Leads	X	X	X	X	X	X	X
LOA implementers				X	X	X	X
Independent experts	X		X	X	X	X	X

NOTE: CCQ is cross-cutting question and CSQ is country-specific question.

Web-based Survey

The web-based survey was made available to officials involved in the design and implementation of PFG activities. The names and email contact details were provided by the USAID Mission and the GOG. All of the people interviewed were also requested to complete the online survey. Out of the 19 survey questions, four were applicable to multiple evaluation questions; 10 focused on Cross-Cutting Question 2 on workload changes. None addressed Country-Specific Question 3.

There were 23 responses[12] to the online questionnaires (83 percent men and 17 percent women). Twelve of the respondents worked in the finance sector of the GOG, and eight in the power sector. Eleven respondents were PFG implementers, seven were implementation support staff, and four were independent experts.

A total of 12 respondents were currently involved with the PFG and another had previously been involved. The rest had never been directly involved with the activities implemented under the JCAP, but were involved in donor coordination and development planning and were aware of the PFG through the process of developing the Constraints Analysis.

Data Analysis

The evaluation team sought to quantify as many of the activities and responses as possible while recognizing that much of the information was subjective and therefore more amenable to a qualitative approach. Prior to the data collection, the evaluation team set data assurance procedures, data entry, data cleaning procedures, types of analysis, and the limitations to the data analysis.

The evaluation team cross-referenced information obtained during the desk reviews with the interview and web-based survey data. Specifically, interviews to obtain information on

[12] Questionnaires were sent to a long list of 128 potential stakeholders. The response was 18 per cent. The relatively large number of stakeholders interviewed with the Quasi-Structured Questionnaire may provide an explanation as many stakeholders considered they had complied with the Evaluation through their interview and clearly chose to ignore the online survey. This explanation was provided when they were phoned and reminded to complete the online survey.

stakeholders' perceptions relating to the SOW's seven evaluation questions were cross-referenced and reviewed to address possible respondent and/or evaluator bias.

The quality control approach included a daily review of all interview by the data specialist and the local economist; daily coder meetings during the field interview period; and spot checks by the data specialist, sector experts, and the team leader, to identify and reconcile any inconsistencies.
The evaluation team used multiple data verification techniques including triangulation, checking the accuracy of notes, and expanding the written summary notes used by the coders. All of these verification techniques were conducted on a random sample of 10-15 percent of the data collected each day.

The semi-structured interviews were coded according to the evaluation question, question-specific themes, and perceived perspectives. The Survey Monkey results were organized according to respondent and the evaluation question.

Evaluation Matrix

Cross-Cutting Questions

Evaluation Questions	Type of Answer Needed (e.g. descriptive, normative, cause-effect)	Data Collection Method(s)	Gender Disaggregation of Data, where Possible	Sampling or Selection Criteria	Data Analysis Method(s)
1. What are the advantages and/or disadvantages of the PFG whole-of-government approach to development assistance?	Descriptive Normative	Semi-Structured interviews and online survey with close ended questions	Yes	Identify key Leadership figures involved in the PFG process	Mixed-Methods (quantitative and qualitative)
2. To what extent has Partnership for Growth affected the workload on national government and U.S. government staff, as compared to the workload created by traditional forms of development assistance delivery?	Descriptive Normative	Semi-Structured interviews and online survey with close ended questions	Yes	Identify key Leadership figures, Architects and independent experts involved in the PFG process	Mixed-Methods
3. What contribution has non-assistance made to the PFG process and how can it be utilized moving forward?	Descriptive Normative	Semi-Structured interviews and online survey with close ended questions	Yes	Identify key Leadership figures, Architects and independent experts involved in the PFG process	Mixed-Methods

Evaluation Questions	Type of Answer Needed (e.g. descriptive, normative, cause-effect)	Data Collection Method(s)	Gender Disaggregation of Data, where Possible	Sampling or Selection Criteria	Data Analysis Method(s)

Ghana Country-Specific Questions

Evaluation Questions	Type of Answer Needed (e.g. descriptive, normative, cause-effect)	Data Collection Method(s)	Gender Disaggregation of Data, where Possible	Sampling or Selection Criteria	Data Analysis Method(s)
1. The constraints analysis does not identify remedies to address the binding constraints to growth. For each of the constraints, are the goal-level commitments set forth in the JCAP alone capable of achieving the constraints-level objectives and outcomes?	Descriptive Normative	Review of indicators, Balance Score Card, the published literature on causes of economic growth/growth constraints, and semi-structured interviews	Yes	Identify key Architects, goal leads, LOA implementers and independent experts involved in the PFG process	Mixed-Methods, realist evaluation/ general elimination methodology
2. The PFG model places an emphasis on evidence-based decision-making and fact-based monitoring. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?	Descriptive Normative	Review of indicators, Balance Score Card, and semi-structured interviews	Yes	Identify key Architects, goal leads, LOA implementers and independent experts involved in the PFG process	Mixed-Methods
3. At the mid-term, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcomes?	Descriptive Normative	Semi-structured Interviews and online survey	Yes	Identify key Architects, goal leads, LOA implementers and independent experts involved in the PFG process	Mixed-Methods
4. If performance is not on target or creating the outputs necessary to achieve the desired	Descriptive Normative	Semi-structured Interviews and online survey	Yes	Identify Leadership, key Architects, goal leads, LOA	Mixed-Methods

Evaluation Questions	Type of Answer Needed (e.g. descriptive, normative, cause-effect)	Data Collection Method(s)	Gender Disaggregation of Data, where Possible	Sampling or Selection Criteria	Data Analysis Method(s)
outcomes, why?				implementers and independent experts involved in the PFG process	

Evaluation/Study Limitations

The approach had the following limitations:

Lack of a Counterfactual: High staff turnover, long-term recall problems, and the evolving approach to incorporating country ownership and sustainability principles into donor policies and practices made the development of a counterfactual problematic.

Subjectivity and Semi-Structured Interviews: The semi-structured approach to the interviews created the opportunity to explore specific issues and themes in more depth. This increased flexibility, but may also have introduced more interviewer subjectivity. The evaluation team sought to mitigate this problem by carefully evaluating the available data through triangulation.

Online Survey and Limited Responses: The confidential nature of the online survey invites open responses. Most questions were generally close-ended (yes/no) and ordinal (rank on a 1-5 scale in order of importance). This structure facilitated quantification, but limited responses, potentially increasing instrumental bias. Because only 23 responses were collected, the survey sample size was too small for extrapolation or statistical analysis.

THEORY OF CHANGE

The principles of the PFG initiative[13] included use of and rationale for an explicit theory of change (TOC). These included using learning to improve strategies and interventions, being accountable to donors and local counterparts, and demonstrating results. The TOC for the PFG represents the perspectives of both the USG and GOG participants involved in the CA and the preparation of the JCAP. This evaluation defines a TOC as the articulation of how and why a given intervention will lead to a different result.

The TOC was developed in the Growth Diagnostic, which is also referred to as the CA. The Growth Diagnostic was carried out jointly by a team of Ghana technical experts and USG economists using the methods of Hausmann, Rodrik, and Velasco (HRV, 2005). Lessons from the wide range of growth experiences indicated that while there was no single solution, there were certain characteristics that were necessary but not sufficient. Many interventions can reduce economic constraints to growth but not all are of equal importance. The growth diagnostics approach was useful for identifying the most binding constraints to growth and sequencing reforms to increase the benefits from progressively reducing market distortions. It was also useful for targeting scarce financial resources and political capital for reforms and investments.

The growth constraints approach identified the most binding constraints to growth. This represented a step forward from wholesale reform (trying to do everything at once, which is politically unrealistic and practically impossible), and the more opportunistic approach (do-what-you-can assumption that any reform is good). The opportunistic approach to reform is flawed because the economic theory of the second-best cautions that a specific reform will not necessarily increase economic welfare when other widespread distortions remain in the economy. There is also no guarantee that the reforms with the most impact will be implemented first because ranking by the size of the distortion is not necessarily correlated with the impact on growth. The HRV approach seeks to rank reform priorities by the size of the direct effect.

To assess whether a factor is scarce the USG-GOG team selected three sets of comparator countries. The first set of comparators included those countries with similar Gross National Income (GNI) per capita - Bangladesh, Benin, Kenya, Senegal, and Tanzania. The second group included Ghana’s near-term comparators - Cape Verde, Mongolia, Morocco, Sri Lanka, and Vietnam. The third group included Ghana’s long-term goal comparators - Botswana, Ecuador, Korea, Malaysia, and Thailand. The comparator groups were selected for similar per capita income levels in 2009 purchasing power parity.

The team examined the constraints in the context of both domestic and global economic forces impacting private sector investment and growth in Ghana. The team organized and analyzed the data in accordance with the HRV decision tree (Annex 7). Based on the data analysis, the joint team reached a broad consensus on the three most binding constraints to investment and growth in Ghana.[14] The three most serious constraints included the: 1) absence of a reliable and adequate

[13] These are listed in full in the Introduction.
[14] Ghana Constraints Analysis pp. v-viii.

supply of electric power, 2) insufficient access to credit, and 3) challenges in securing property and land-use rights. Additional constraints included poor urban water systems and road transport in rural areas. The team also assessed human capital, other infrastructure, taxes, corruption, and macroeconomic risk, but concluded that they did not represent binding constraints.

The CA concludes that insufficient and unreliable power causes losses equivalent to 5.6 percent of GDP. The CA also found that Ghana had a low rate of aggregate investment relative to the comparator countries. Furthermore, the rate of private fixed investment at 12 percent of GDP (over the period 2006-2009) was below the 15 percent average for all low- income countries. Ghana had a low average domestic savings ratio of 4.9 percent over 2005-2009. Many firm-level studies on Ghana have concluded that access to credit is a constraint to firm growth. The World Bank Enterprise Survey (2007) found that two-thirds of all firms in the sample listed credit as a constraint. The CA examined the enterprise survey responses and found that 10 percent of firms had their loan applications rejected while 56 percent of all firms were discouraged from submitting a formal application because they had no collateral (14 percent), faced high interest rates (16 percent), or for other miscellaneous reasons. About two-thirds of the loans were short-term loans of less than one-year maturity, with only six percent of firms obtaining a loan with a longer maturity.

The CA identified financial intermediation as a major problem because of the relatively low lending to the private sector and high real lending interest rates. The report concluded that, "Costly credit, rooted in bad local finance, is indeed a binding constraint to faster growth in Ghana." Interest rate spreads have been high in Ghana for the past two decades. Between 1997 and 2012, the net interest margin (spread), measured as the difference between the nominal savings rate and the nominal lending rate, averaged 22.92 percent (Table 5, next page). Yet the real interest rate on savings has been consistently negative since 1999. Real lending rates have fluctuated considerably since 1997, settling around 17 percent from 2010. The rapid expansion of public debt since 2011 has caused the GOG to increasingly resort to short-term domestic debt at high rates of interest. At the end of 2014 the Treasury Bill rate was 25.26 percent. The September 2014 $1 billion Eurobond attracts a premium of 600-700bp reflecting the growing perception of macroeconomic risk resulting from "policy slippages, external shocks (decline in commodity prices) and rising interest costs."[15]

[15] International Monetary Fund Country Report No. 15/103. April 2015. "Ghana: Request for a three-year arrangement under the Extended Credit Facility staff report; press release; and statement by the Executive Director for Ghana." Available at https://www.imf.org/external/pubs/ft/scr/2015/cr15103.pdf.

Table 5: Ghana Interest Rate Spreads and Real Savings and Lending Rates: 1997-2012

Year	Interest Margin	Real Savings Rate	Real Lending Rate	Inflation Rate
1997	16.54	6.88	23.42	20.80
1998	22.00	0.80	22.80	15.70
1999	26.00	-3.30	22.70	13.80
2000	29.00	-22.50	6.50	40.50
2001	29.25	-6.80	22.45	21.30
2002	25.23	-4.07	21.16	15.20
2003	23.00	-21.55	1.45	31.30
2004	19.25	-6.90	12.35	16.40
2005	19.62	-8.42	11.20	14.80
2006	19.50	-5.75	13.75	10.50
2007	19.42	-8.05	11.37	12.80
2008	22.07	-12.92	9.15	18.10
2009	31.75	-6.00	16.75	16.00
2010	21.75	-2.72	19.03	8.60
2011	21.88	-4.55	17.33	8.60
2012	20.47	-3.55	16.92	8.80

Source: Derived from Quartey and Afful-Mensah (2014)

The CA found that public sector arrears increased the proportion of non-performing loans (NPLs) contributing to increased risk and higher real interest rates. The CA recommended strengthening regulatory and supervisory capacity within the Bank of Ghana (BOG). Weak SME capacity in conjunction with opaque accounting and cost information also increased risk and limited SME access to capital. Given the identified constraints, the JCAP defined the goal of the credit constraint as to, “Enable the increased efficiency, expansion and diversification of the Ghanaian financial sector to support increased growth in lending to the private sector, with particular focus on small and medium enterprises.’’

The JCAP goals aimed to improve access to credit and strengthen the financial system consistent with the Ghana Shared Growth and Development Agenda (GSGDA) and the Financial Sector Strategic Plan II (FINSSP II). The objectives of the GDGDA included: 1) deepening the capital markets; 2) creating a more diversified financial sector and improving access to financial services; 3) improving the efficiency and competitiveness of MSMEs; 4) improving fiscal resource mobilization; 5) improving public expenditure management; and 6) promoting effective debt management to achieve consistency and coherence in investment. The JCAP states that the PFG aims to support the GOG to realize their development objectives through private sector-led, broad-based economic growth.

The implicit TOC underpinning the activities identified under each of the goals, sub-constraints, and constraints is supported by the secondary development literature. The CA included a wide range of published work. The potential risks to realizing a successful outcome stem largely from factors exogenous to the PFG, namely the ability of the GOG to achieve fiscal consolidation and maintain macroeconomic stability given the exogenous shocks of declining commodity prices (for oil and cocoa) and the political economy pressures of the election cycle.

Key Findings and Recommendations

This section summarizes the key findings from the evaluation interviewees' and survey respondents' overall perspectives and views of the PFG initiative. These findings represent an important context for the mid-term evaluation. The next seven sections provide a more in-depth discussion of the seven evaluation questions. For each evaluation question, the report summarizes the responses, the findings, and the recommendations.

Overall Advantages and Disadvantages of the PFG Initiative

Finding 1: PFG represents an improvement over previous development assistance strategies

This finding is based on subjective information collected through the quasi-structured interviews. The majority of the respondents strongly agreed that the PFG initiative was positive for the economic development of Ghana. This view was consistent across both USG and GOG participants.[16]

The GOG participants were very positive about the process of identifying and agreeing on the binding constraints through the CA and the subsequent JCAP. A representative of the Bank of Ghana noted that the PFG's whole-of-government approach (WGA) has been extremely useful in identifying where assistance is needed, selecting interventions, aligning agencies' objectives to achieve common objectives, and coordinating implementation between the USG and GOG. This has enabled the GOG to move forward on a difficult and demanding policy reform agenda in the power sector.

Finding 2: PFG has facilitated progress in policy reforms that promises to augment investment and economic growth

Interviewees stated that the PFG successfully brought together senior management from USG agencies and the U.S. Embassy (including the Ambassador, the Deputy Chief of Mission (DCM), and the USAID Mission Director) playing vital facilitating roles in discussions with senior policy makers within the GOG. The CA process successfully generated a consensus on the critical policy and institutional reforms necessary for increasing private investment and economic growth. The continued engagement of the U.S. Embassy has been a significant positive factor in enabling the power sector work to progress. From the GOG side, senior policymakers appreciated the time provided by USG senior technical experts and believed that the CA and JCAP processes were critical to ensuring that Ghana was approved for a second MCC Compact and included as a priority country in the Power Africa initiative.

[16] While there was no formal counterfactual the quasi-structured interviews asked respondents for their opinion of PFG relative to their experience with pre-PFG aid initiatives. Those (GOG and USG) respondents who had been actively involved in the PFG through the CA and the JCAP considered it was positive in 'aligning agencies' objectives to achieve common goals and worked to improve coordination.

Finding 3: Initial PFG planning through the CA activity has been critical for the progress of the PFG initiative

The majority of interviewees appreciated the adoption of the CA as a technical approach for identifying the priority PFG constraints. The GOG respondents recognized that this process presented an opportunity to leverage additional resources from the USG and other international cooperating partners and mobilize private investment. The CA process was challenging as different technical perspectives on development were debated and assessed. Reaching agreement on the key constraints forced participants to make decisions and go beyond just preparing a long list of constraints. The CA identified four binding constraints to growth: power, access to finance, urban water systems, and access to secure land rights. However, both access to clean urban water and land tenure issues where not considered to be "as severe as the constraints in the financial markets and the power sector." Lack of key transport infrastructure and lack of vocational, technical, and professional skills were listed as additional constraints to investment and growth.

Finding 4: The PFG's development approach is being mainstreamed into the new MCC compact and Power Africa projects in Ghana

New USG development initiatives, including Power Africa, incorporated the principles enshrined within PFG into their work plans and activities. With the launch of the design for a Second MCC Compact and Power Africa it was logical for both the GOG and USG to incorporate PFG development principles.

Finding 5: The design of the CA increased coordination and dialogue between the USG and GOG from the outset

The PFG process required joint preparation of a CA by USG and GOG representatives. The CA provided the basis for agreement on the key priority areas. It was followed by preparation of the JCAP outlining the goals and LOAs. The architects and leaders involved with the early stages of the PFG process saw the preparation of the CA as essential in fostering the WGA. Interviewees actively involved in the CA saw it as a useful exercise that deepened understanding of Ghana's key development issues, constraints, and possible approaches. One MOF leader noted that this process helped to consolidate ideas from multiple sources, facilitated interagency communication, and prevented details from being overlooked. USG representatives who worked on the CA and the JCAP explained that the processes increased collaboration and coordination, resulting in greater mutual buy-in, particularly in the electric power sector.

Moreover, USG leaders reported that the PFG process has encouraged a deep understanding of difficult development challenges and has enabled a rich dialogue. Leaders from both the USG and the GOG considered the CA process instrumental in the MCC's decision to commit to negotiating a second Compact with electric power as the main focal activity. The CA process was also instrumental in USAID's selection of Ghana as one of the six focus countries for Power Africa.

The USAID Country Development Cooperation Strategy (CDCS) for January 2013 to December 2017 was finalized in December of 2012, three months before the JCAP was finalized. This CDCS was based on the core values of country ownership and partnership (Table 6). A USG official noted that the PFG's approach and the findings of the CA were embodied in the design of the CDCS. The approaches initiated under the PFG for power have been fully integrated into Power Africa and the draft MCC Compact II. USAID support for the financial sector in Ghana has been modest compared to the IMF, World Bank, DANIDA, DFID, and GIZ, with one project Financing Ghanaian Agriculture Project (FinGAP) focusing on rural credit in northern Ghana. Virtually all of the respondents reported no change in the delivery of development assistance in the financial sector. Further several respondents commented on the modest funding provided by USAID in support of the Access to Finance activities. The USAID relationship between USAID/Ghana's new CDCS for the period January 2013 to December 2017 and the existing Presidential and Agency Initiatives is shown below.

Table 6: Integration of the USAID/Ghana Country Development and Cooperation Strategy, 2013-2017 with Presidential and Agency Initiatives

		Partnership For Growth	**Feed the Future**	**New Alliance for Food Security and Nutrition**	**Power Africa**	**Trade Africa**	**Global Climate Change**	**Tier 1 Biodiversity Country**	**Anti-Trafficking in Wildlife**
DO 1 Strengthened, Responsive Democratic Governance									
IR 1	Improved local government performance	X	X		X			X	X
IR 2	Increased government accountability and better informed citizens	X	X	X	X	X	X	X	X
IR 3	Strengthened election institutions and processes								
DO 2 Sustainable and Broadly Shared Economics Growth									
IR 1	Increased Competitiveness of major food chains	X	X	X	X	X	X		
IR 2	Improved enabling environment for private investment	X	X	X	X	X			
IR 3	Improved resilience of vulnerable households		X	X		X	X	X	X
IR 4	Improved government accountability and responsiveness	X	X	X	X	X	X	X	X

Source: CDCS (2015) Annex 1

Finding 6: The Ministry of Finance and the Bank of Ghana were key drivers of the PFG Access to Finance and also the lead agencies for the IMF Extended Credit Facility (ECF)

The evaluation team interviewed the MOF, BOG, Securities and Exchange Commission (SEC), National Pensions Regulatory Authority (NPRA), other implementing agencies, and independent experts. The MOF and BOG took the lead in PFG Access to Credit activities. These two ministries had a broad understanding of PFG goals and processes and a detailed understanding of PFG activities. The GOG leaders interviewed were either in the BOG or the MOF. The other agencies interviewed were less involved in the PFG and relied on either the BOG or MOF for leadership, activity coordination, and appraisal. The Venture Capital Trust Fund and the Ghana Stock Exchange were not actively engaged with PFG, and had not been specifically targeted for participation. Subsequent to the finalization of the JCAP the deteriorating fiscal balance resulted in the GOG agreeing to a 3 year ECF with the IMF. Many of the IMF requirements were already agreed under Goal 1 of the JCAP[17].

Cross-Cutting Questions

Cross-Cutting Question 1: What are the advantages and disadvantages of the PFG whole-of-government approach (WGA) to development assistance?

The USG's whole-of-government approach in the PFG reflects efforts to align agency activities to achieve common objectives. The PFG helped the USG and GOG be more comprehensive, creative, and go beyond conventional aid approaches to help unlock economic growth potential.

There are three main components needed to demonstrate an effective WGA:

- A shared interest and objectives by multiple organizations and/or agencies;
- Leadership that promotes WGA within management and coordination; and
- Accountability mechanisms for fostering the approach.

The evaluation team analyzed the advantages and disadvantages of the WGA as a core component of the PFG initiative in Ghana, as well as PFG's alignment with WGA. The information on the advantages and disadvantages of PFG's WGA came from the semi-structured interviews primarily conducted with PFG staff and USG and GOG representatives and independent experts. The evaluation team also administered an online survey, which allowed respondents to provide their impressions of the WGA. Due to low response rates, however, it is difficult to confirm attribution through the online survey results alone.

Perceived Advantages of the WGA

Finding 1: The WGA has increased dialogue around identifying and overcoming constraints associated with access to credit, integrating technical expertise from across GOG Ministries

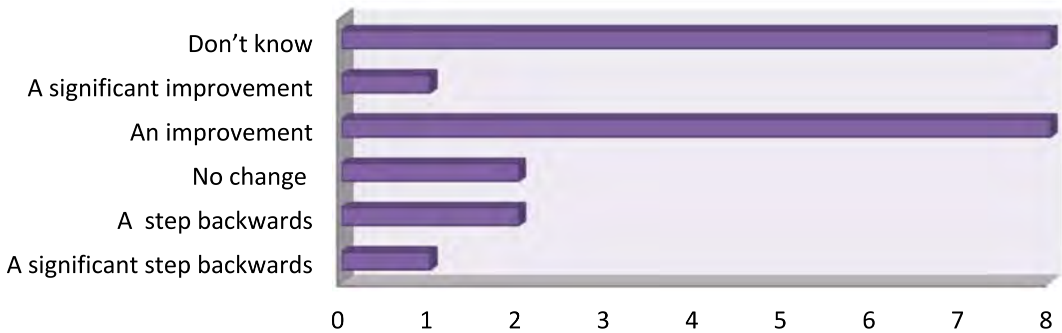
Several GOG respondents noted that the WGA encouraged productive conversations on key PFG areas within and among GOG ministries, at high levels. The Vice President of Ghana was responsible for internal coordination of the PFG initiative. One implementer commented that the WGA brought together ministries with occasionally conflicting mandates and goals to discuss a wide range of policy issues and apply their technical expertise across sectors. The debate over the causes of high interest rates, resulting from the CEPA study which was commissioned under

[17] GOG committed to reforming the PFM framework by submitting a comprehensive PFM reform strategy to Cabinet (by August 2015), and drafting Bills to redress the existing weaknesses on PFM legislation. There was also a commitment to increased budget transparency.

the PFG, was cited as an example of increased openness. The WGA was well regarded by most implementers and positive impacts were identified in governance, accountability, and transparency. In contrast to conventional economic development approaches that targeted one agency at a time, WGA facilitated coordination among the BOG, MOF, and SEC to address financial challenges.

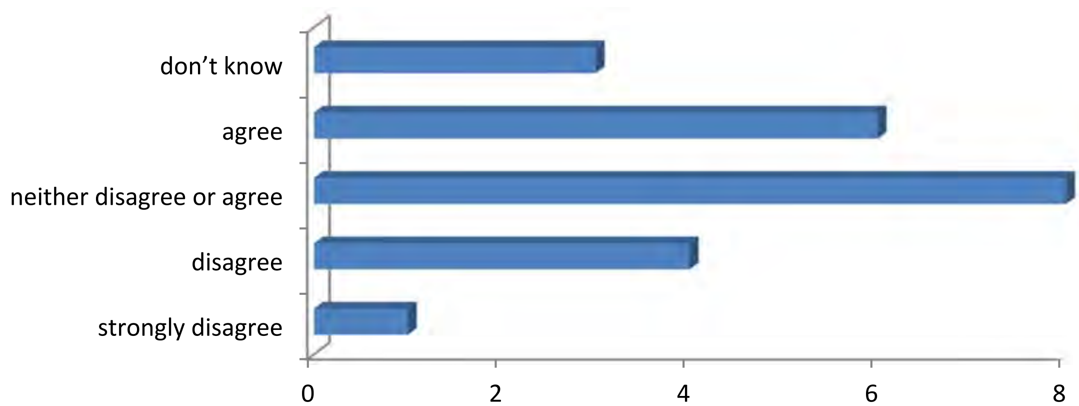
Around half of the 23 PFG online survey respondents across the finance and power sectors indicated that the PFG constituted an improvement over other forms of economic development assistance. Eight respondents stated that PFG represented “an improvement,” and one respondent reported that PFG represents “a significant improvement.” While a relatively high number of respondents reported that they “do not know,” this may reflect the respondents who reported that they were not directly involved in the PFG initiative (Figure 2). The majority who did not express an opinion understood PFG but were unable to rank the initiative relative to other aid approaches.

Figure 2: Compared to other Development Approaches, Does PFG Represent an Improvement?



Moreover, a majority of online survey respondents indicated that PFG and WGA were on track in meeting the objectives of achieving higher, sustained, and more inclusive economic growth in Ghana (Figure 3).

Figure 3: Is the PFG On-Track to Meet its Economic Growth Objectives?



Finding 2: The WGA has improved financial regulation within the BOG

The GOG leaders interviewed agreed that the WGA propelled the BOG to work with SEC and NPRA on issues including financial literacy. More broadly, the WGA has improved financial regulation within the BOG, motivating some banks to sell additional shares.

Perceived Disadvantages of the WGA

Finding 3: The WGA proved most effective when accountability for implementing solutions developed through the PFG was integrated into GOG work plans and responsibility was clearly designated

Unlike conventional development assistance, which established programming needs without assigning direct responsibility for implementation, the PFG established a coordination committee consisting of the technical teams for power and access to finance. The power technical team and the access to finance technical team are coordinated by the PFG Secretariat located at the MOF. The technical team role is to ensure that relevant PFG activities were carried out effectively. Specifically, this group included representatives from various entities involved in developing the JCAP and responded directly to a steering committee, co-chaired by the Vice President of Ghana and a Senior USG official (Ambassador or Deputy Secretary) responsible for coordinating the PFG initiative. The WGA increased accountability for power programming by integrating solutions into GOG work plans and assigning a specific group to oversee implementation.

The power technical team[18] met irregularly during Year 2 (March 2014 – February 2015) and was sub-optimally engaged in monitoring the JCAP implementation. However, since March 2015 this has improved with regular meetings to track progress. The access to credit technical group has not met regularly. This has resulted in stakeholders often viewing the PFG initiative as creating additional work for GOG staff. Several access to credit respondents expressed that the WGA requires additional external funding to address solutions outlined in the JCAP, indicating that they view the PFG and GOG activities as separate and even competing rather than integrated. One respondent indicated that GOG staff would be more inclined to attend PFG meetings if provided with monetary allowances. The deteriorating macroeconomic situation and the delay in passing agreed financial reforms have also severely limited progress on the access to finance agenda.

Finding 4: Decisions made through PFG WGA processes are not always equally supported by GOG and USG agencies and ministries, leading to delayed implementation

While the WGA is supported widely as a concept by USG Ghana and GOG staff, it can be difficult to obtain uniform support for any single decision from all GOG and USG bodies, which delays implementation. For instance, several USG Ghana and GOG stakeholders expressed the view that certain solutions for addressing the five goals associated with access to credit identified in the JCAP have only received intermittent support from USG agencies including SBA, SEC, USAID, and Treasury through the FINSSP II Financial Strategy for Ghana. Moreover, respondents expressed that it can be difficult to attribute support for JCAP solutions directly to

[18] It is worth noting that all the members of the Power Technical Team were drawn from the Public Sector.

PFG. A PFG leader with experience working with USAID and the US Department of Treasury similarly expressed concern about a lack of united support between USG and GOG for processes intended to increase access to credit. Further, the GOG has continued to prioritize decisions based on parallel initiatives and processes (such as the necessity of concluding a facility with the IMF, although all the conditions were consistent with the JCAP), which have not always been perfectly harmonized with the process, actions, and timelines agreed under the JCAP. This finding refers specifically to the access to credit constraint.

Finding 5: Knowledge of the PFG WGA is concentrated at the top of relevant ministries and agencies, with limited "trickle down" to lower levels of government

The evaluation team found that knowledge of the PFG WGA is concentrated in particular pockets of relevant ministries, specifically within ministry leadership. While PFG activity implementers often have technical and programmatic expertise, the evaluation team found that several implementers only have a basic understanding of PFG WGA. For example, one supervisor covering credit bureaus at the BOG had little knowledge of the PFG initiative and was unaware that a PFG scorecard was being used to regularly monitor, evaluate, and assess the performance of activities and indicators within his department.

The evaluators found no evidence of Ministers explaining to CEOs of publicly owned utilities the rationale, objectives, and expected outcomes from the PFG or its relevance to their operations. Similarly, the evaluation team did not find any official memos issues by GOG ministries publishing the targets, indicators, or commitment to monitoring results. The PFG essentially exists parallel to other GOG ministries and with the high level support of the GOG, but it has not been mainstreamed and disseminated into the day-to-day reporting of government ministries.

Finding 6: It is difficult to attribute certain processes and communication mechanisms to the PFG WGA since several aspects of the approach had been implemented previously

While several ministries, including the BOG, find the PFG WGA advantageous, several representatives of the GOG stated that the approach continued some activities of prior initiatives. As a result, it is difficult to attribute outcomes to the PFG WGA. One representative of the BOG noted that Ghana's ministries have always worked together and that the economic management team headed by the Vice President similarly improved communication between and within ministries and agencies. Another GOG representative mentioned that the constraints analysis conducted under PFG confirmed constraints and needed policy changes identified in FINSSP II and that the work plans and priority areas of the two programs corresponded closely.

Recommendations

Integrate PFG solutions into the work plans of relevant Ministries and commit to the Access to Credit Technical Group meeting regularly to guide activity implementation. PFG activities should be fully integrated into the work plans of relevant access to credit stakeholders, rather than viewed as additional work requiring external funding. This process should be integrated into the Joint Donor Group working on FINSPP and the new Private Sector Development Strategy (PSDP) to maximize leverage with complementary initiatives.

Incorporate mid- and junior-level government officials into PFG training, discussions, and decision-making processes and provide stronger guidance for GOG and USG interagency coordination. Sector-specific expertise is embedded within the GOG's ministries and agencies. While PFG constraint analyses and processes are often designed at the highest levels of government, technical experts with relevant knowledge, solutions, and experiences are available within the Ghana's sectoral agencies. It is important for the PFG WGA to create an environment that encourages vertical integration of ideas and collaboration between and within Ghana's ministries and agencies by providing PFG trainings at all levels of the GOG and incorporating technical experts from across Ministries into ongoing dialogue. Simultaneously, guided coordination between USAID, other USG departments including Treasury, SBA, SEC, and Commerce, and the GOG will bring expertise into PFG decision-making processes and encourage expedited interagency consensus. Full utilization of available expertise increases the likelihood that targeted and innovative solutions are developed to address identified access to finance constraints.

Initiate linkages and coordination with other donor and development organizations, including GIZ, DFID, and the Swiss Embassy. Partnerships with likeminded development organizations, specifically those with their own access to credit programs, would provide new opportunities for growth, capacity development, and information sharing. Additionally, these linkages may increase the GOG's access to the financial resources necessary to address credit access challenges identified through the PFG process.

Cross-Cutting Question 2: To what extent has PFG affected the workload of national government and USG staff, as compared to the workload created by traditional forms of development-assistance delivery?

To assess how the PFG has altered the workload of USG and GOG offices, the evaluation team used semi-structured interviews to survey USG architects and program managers based in Ghana, along with PFG leadership from the GOG.[19] Although survey data on time usage and records from meeting attendance and activity-coded timesheets were not collected, the interviews provide insight into the estimated additional workload. It is important to note the limitations of this method, including a recall bias for individuals with greater than three years of involvement with PFG and a lack of comparison for individuals with fewer than three years of involvement. Because the evaluation team was unable to obtain records of attendance for all sub-committee and technical working group meetings associated with the PFG initiative, findings are largely based on qualitative evidence.

Most respondents felt that their workload had increased as a result of the PFG initiative. However, several GOG and USG respondents clarified that the more inclusive PFG approach specifically increased time spent on coordination and communication at the intra- and inter-

[19] USG staff represent staff from both the Ghana Mission and staff in Washington, DC. As a result, it is important to note that Washington, DC staff may have other PFG country responsibilities outside of Ghana.

governmental levels. As long as the PFG is perceived as ‘another initiative’ rather than as an approach that is integrated into the existing GOG systems and processes the workload will be considered ‘additional.’

The evaluators identified seven categories of PFG activities:

- Coordination with colleagues within my government (intra-government);
- Coordination with colleagues in the partner government (inter-government);
- Monitoring progress;
- Communicating management and senior leadership in their government;
- Management;
- Design and procurement; and
- Other administrative tasks (preparing for meetings/logistics).

General Findings on PFG Workload

Finding 1: Some USG and GOG access to credit stakeholders view the PFG as creating additional work while others felt that their total workloads remained the same as time allocated to particular tasks shifted

Several USG stakeholders expressed that they have experienced an increased workload since the beginning of PFG. Two USG officials based in Ghana said that they spent additional time completing scorecards and presentations to be used in Joint Steering Committee meetings. The USG contracted existing implementing partners USAID/Ghana Monitoring and Evaluation Technical Support Services (METSS) and the Center for Policy Analysis (CEPA) to provide support for the completion of future GOG scorecards and to carry out macroeconomic research (for example, the study of interest rate spreads), respectively. The METSS work is considered an interim activity with GOG assuming this responsibility as they integrate the M&E into their routine work responsibilities. One USG program manager felt the USG was proactive in PFG activities, but GOG counterparts on the access to finance constraint were not sufficiently proactive.

Similarly, interviews with GOG PFG leadership, Architects, and Program Managers stated that the PFG increased workload for all levels of participating GOG staff. One member of the PFG leadership from the MOF estimated a thirty percent increase in workload due to PFG and explained that GOG staff are required to complete their normal agency and ministerial tasks in addition to PFG activities. The respondent expressed that sometimes the GOG has to suspend its regular activities for PFG work, such as planning for Joint Steering Committee Meetings.

These perspectives reinforce the above finding that the WGA is most effective when PFG responsibilities are effectively integrated into USG and GOG work plans and responsibility is clearly designated to specific stakeholders. The PFG should be perceived as a means through which GOG ministries can achieve their goals rather than as an additional and separate source of work. While PFG startup activities, such as developing the JCAP, may require a special effort from USG and GOG staff, PFG activities are intended to be incorporated into the schedules of the ministries they support.

Figure 4 shows that half of the 12 respondents actively involved with the PFG did not feel that the PFG has had a significant impact on their workloads. This may indicate that they have been able to successfully integrate PFG implementation into their daily routines rather than perceiving it as a separate responsibility. Only two respondents stated that the PFG has significantly increased their workloads, and about half of respondents reported spending fewer than five hours per week on PFG activities.

Figure 4: Effect of Involvement with PFG on Workload

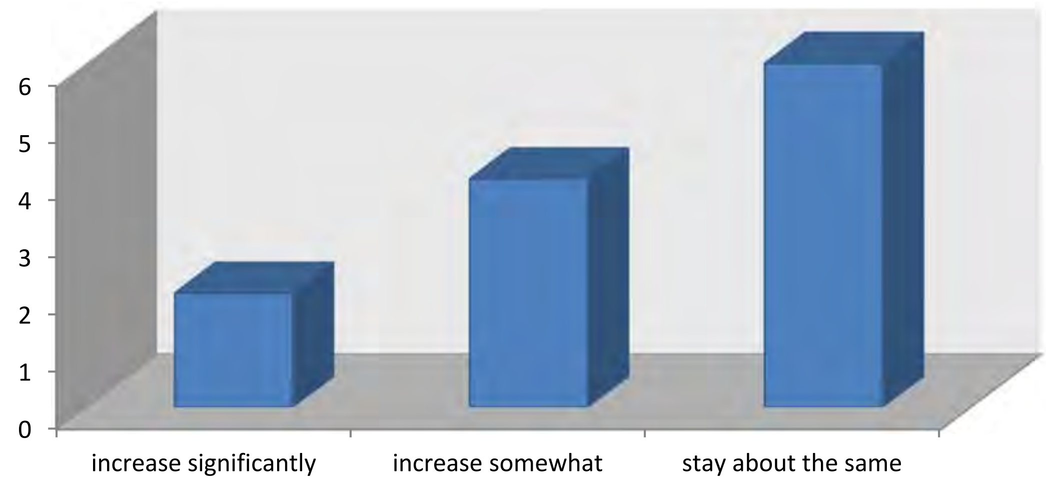
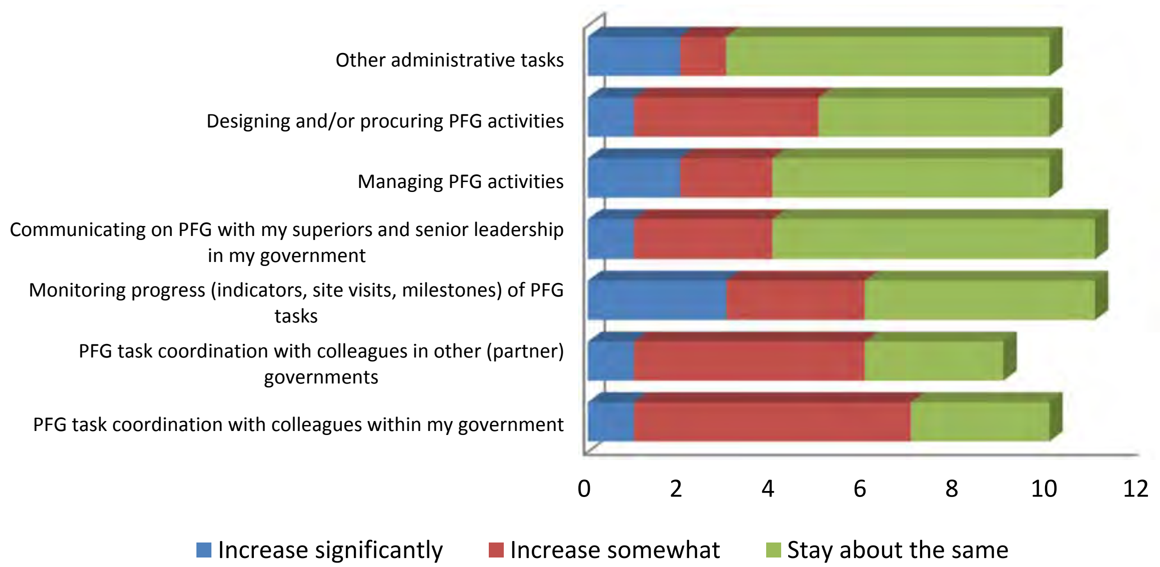


Figure 5 indicates perceived changes in time allocation to specific tasks with the implementation of the PFG, based on online survey results. Intra- and inter-agency collaboration and coordination are seen as areas where workloads have increased most significantly.

Figure 5: Changes in Workload by Tasks



Finding 3: Several GOG staff expressed the view that financial support should increase in parallel with increased workloads

A number of GOG staff viewed PFG as another initiative with separate reporting requirements, which in the absence of incremental financial resources was considered additional work rather than part of their routine tasks. Indeed, several GOG staff commented that the perceived increased workload had not been matched by an increase in funding or monetary assistance for meetings and programs. One member of the GOG PFG leadership expressed the view that monetary allowances would incentivize being proactive and working additional hours as needed. Moreover, several MOF and BOG leaders expressed that monetary assistance should complement non-monetary assistance, and a MOF Architect stated that hiring more consultants would improve ongoing and necessary monitoring and evaluation activities.

Recommendations

Conduct trainings for USG and GOG staff to raise awareness about the goals of the PFG initiative and ensure that they integrate PFG activities into their current work. Although increased dialogue among GOG Ministries will take time and effort, it is important that PFG stakeholders understand the advantages of increased interagency coordination and the long-term benefits of a more inclusive process. This training could help prevent misunderstandings about the overall purpose of the PFG and encourage participants to take full advantage of PFG activities. The training should draw upon the successes of the work in the electricity sector, emphasizing that while PFG processes take time to establish, they have the potential to reduce workloads in the long-term by increasing the speed and likelihood of interagency consensus. Government officials should view PFG activities as a means of enabling and implementing difficult policy reforms to encourage private sector investment. Therefore, training should be used as opportunities for GOG staff to determine how PFG activities can complement and reduce their current workloads.

Consider utilizing new types of IT to hold PFG planning and coordination meetings virtually. Given the infrastructure challenges in Ghana – including poor roads, power outages, and traffic –enabling virtual meeting participation has the potential to reduce the time required to travel to meeting locations. Insufficient bandwidth and power outages limit the opportunities for DVC, but lower tech options involving conference calls and using VOIP should be considered for small group meetings. While PFG planning and coordination meetings should ultimately be integrated into the daily schedules of relevant USG and GOG stakeholders, this initiative would reduce the startup costs of establishing long-term PFG processes.

Reframe coordination meetings to increase their efficiency, encourage regular monitoring and evaluation activities, to view the JCAP as a living document. If monitoring and evaluation of access to credit activities is performed and discussed on a more regular basis, the number of necessary coordination meetings will ultimately decrease without jeopardizing interagency cooperation. As the JCAP should be viewed as a living document that can be adjusted to reflect shifts in the regulatory policy environment, PFG meetings should be utilized to ensure that existing programs respond accordingly. The act of convening meetings should be seen as raising the visibility of agencies and promoting awareness of each agency's unique and complementary capabilities.

The evaluation team was unable to confirm the number, specific content, or attendance of PFG meetings. Records of the various working group and sub-committee meetings should be collected and regularly assessed to ensure that meeting time is being used as efficiently as possible. These data will help to ensure that meetings are providing productive platforms for discussion, and that meeting outcomes are being promptly communicated to PFG leadership after meetings are concluded. Specifically, meetings should be standardized to identify directly programming gaps and establish course corrections as needed.

Identify management staffing, such as an Access to Credit Technical Working Group, to assist in reducing the workload of PFG staff. Ensure that sufficient resources are available to manage PFG activities without detracting from other worthwhile commitments. It is prudent to have sufficient staff to manage the daily functions of PFG, coordinate across agencies and governments, and facilitate the monitoring of PFG data to track progress. While the PFG currently has both a USG and GOG coordinator and various teams within its leadership, establishing an Access to Credit Technical Working Group to oversee and guide PFG activity implementation would be useful for reducing the overall workload of other PFG staff, as discussed above. The PFG Secretariat in the MOF was established with funding from USAID to support these tasks. At the time of the evaluation, the Secretariat was in the process of recruiting a full time administrator to assist the Head of the Secretariat.

Cross-Cutting Question 3: What contributions have "non-assistance" made to the PFG process, and how can it be utilized moving forward?

For this evaluation, USAID defined non-assistance tools as those including "diplomatic engagement, convening authority, and other forms of non-monetized assistance to engage both governmental and non-governmental stakeholders in support of catalytic policy change and development priorities."

The evaluation team sought to identify whether non-assistance has made any contributions to the PFG initiative in Ghana and how it can be utilized going forward. Leadership, Architects, Program Managers, and Independent Experts within both the USG and the GOG were asked about non-assistance in the semi-structured interviews. Based on the information gathered, which is detailed subsequently, the evaluation team found that while non-assistance activities do exist with the PFG initiative in Ghana, there is no clear system for documenting these activities and similarly no clear understanding of the term among all PFG stakeholders.

The evaluation team defined non-assistance tools to include:

- One-on-one engagement of USG officials with the GOG;
- Providing meeting space and logistics support for task forces and other PFG activities;
- Conducting studies on power and the causes of high interest rate and wide interest rate spreads in Ghana;
- Providing PFG scorecard support to the GOG;
- Public information activities; and

- Stakeholder engagement.

Findings on Non-Assistance

Finding 1: The concept of non-assistance is unclear to several PFG GOG stakeholders and representatives from the private sector, and therefore has received varied levels of support

The evaluation team found that several stakeholders did not fully understand non-assistance before the explanation in the interviews. After non-assistance was explained, the respondents were generally able to provide their views on the matter and give examples. Respondents from commercial banks knew little about the PFG initiative and its approaches or goals. Five of the 23 respondents in the online survey were unsure whether or not non-assistance tools had been used in the PFG activities in which they were involved.

As a result, several respondents did not fully understand how non-assistance without monetary support could be used to sustain solutions outlined in the JCAP. Although most respondents largely supported diplomatic solutions to development and felt that the JCAP collaboration process was beneficial, many suggested combining non-assistance with financial assistance to maximize its effectiveness. One USG Program Manager indicated that while access to credit should primarily be solved diplomatically, resources could be put into implementation of certain aspects through FINSSP II. One GOG stakeholder expressed that WGA solutions involving training and capacity building would benefit from monetary support. Others indicated that the implementation of laws would be more effective if consultants were hired to educate people about them and to identify additional policy gaps.

A few stakeholders expressed hesitancy towards the concept of non-assistance. Two PFG GOG architects indicated that the WGA came at a time at which there were many fiscal challenges in Ghana (including averting the Ebola Crisis in the country) and thus would have been more effective if funds had been readily available to implement new solutions.

Finding 2: Non-assistance has increased diplomatic engagement, focused dialogue on key issues and best practices, increased technical information sharing across sectors, and assisted in mobilizing additional donor support in the power sector.

Several respondents expressed strong support for a non-assistance approach to development and emphasized its long-term benefits. One PFG Architect expressed that non-assistance encourages diplomatic engagement at high levels of the USG and GOG and helps bring stakeholders together effectively. An independent expert maintained that the World Bank and IMF successfully use this approach to implement their programs. Others expressed that non-assistance has effectively changed behaviors by encouraging discussions on key issues, including the definition of SME, along with idea exchange around best practices within each sector.

Examples of non-assistance cited in interviews include use of USG photocopiers, computers, and meeting venues by GOG staff, along with increased access to, and communication with, high-level USG stakeholders. Examples of non-assistance cited in the PFG online survey include the use of USAID METSS to assist with monitoring and evaluation, engagement of the Chief

Executive of CEPA in the Ghanaian negotiating team with the IMF, access to USG expertise by GOG Agencies, and other informal engagements between GOG and U.S. officials from USAID and MCC. Among 16 respondents that participated in the online survey, 10 cited use of expertise as the most commonly utilized PFG non-assistance approach and six cited use of a convening authority. The PFG process enabled the engagement of expertise from a wide range of USG agencies including State, DOC, EXIM, OPIC, and the MCC.

The use of PFG framework for convening and articulating the needs of the power sector in a consistent manner facilitated the mobilization of additional donor support both within USG (Power Africa and MCC) and other donors.

Finding 3: Non-assistance efforts have been applied inconsistently across sectors

A few respondents indicated that certain sectors receive financial assistance at times, while others are supported exclusively by non-assistance efforts. According to one PFG stakeholder, the power sector has the ability to tap into the MCC program, with a $500 million program budget, while access to credit relies more heavily on non-monetary assistance to implement programs and JCAP solutions. Another GOG PFG leader indicated the power sector has been able to implement reforms effectively since it receives monetary resources from Power Africa in addition to non-assistance, while the access to credit sector does not have access to comparable financial resources.[20]

One USG Program Manager indicated that the USG has provided monetary assistance to the GOG related to access to credit PFG activities by engaging METSS to help the GOG develop a scorecard that was used in a Joint Steering Committee meeting and supported CEPA's interest rate spread study. The USAID FinGAP project has been cited as targeting SMEs in the agriculture sector in northern Ghana by linking potential borrowers to sources of credit.

Recommendations

Raise awareness among PFG USG staff on the diversity of non-assistance tools and their value to a broad array of beneficiaries, and collect USG staff feedback on non-assistance implementation, possibly though a training or workshop. Given non-assistance's importance within the PFG approach, the evaluation team recommends that PFG conduct a training or workshop on non-assistance for USG staff. Because the concept of non-assistance presented confusion among stakeholders, a first step to developing training activities would be to clearly define the concept and related activities, outlining these components on paper. During the training or workshop, there should be an effort to identify past examples of non-assistance and activities that will lend themselves to non-assistance in the future. Trainings should raise awareness about the mutual benefits of a strong USG-GOG partnership, emphasizing the partnership's dialogue-focused approach and commitment to evidence-based policy reform. Such trainings would aid USG staff in identifying new opportunities for employing non-assistance, the value of current efforts, and examples of effectively implemented non-assistance strategies. Increased understanding of non-assistance activities among USG staff could increase support for

[20] The Access to Credit component has been severely constrained by the deteriorating macroeconomic environment as government borrowing at high interest rates crowded out the private sector.

the PFG initiative and encourage greater participation. It would also be beneficial to utilize a structured feedback mechanism on non-assistance activities, so that successful efforts are replicated in the future. Financial assistance should only be considered as a means of complementing the non-assistance approach after non-assistance efforts have been thoroughly and sufficiently considered, implemented, and modified.

Engage civil society, the private sector, and other stakeholders with the PFG to increase publicity for and the success of the Initiative. External stakeholders, particularly within civil society organizations and the private sector, are largely unaware of the goals and objectives of PFG. The evaluation team recommends systematic, periodic engagement of CSOs, investors, and SMEs into PFG processes to increase their understanding of PFG goals and activities and to obtain their input on ways to improve the Initiative. Increased awareness about PFG could lead to greater stakeholder mobilization and improved public perception about the impact of specific PFG activities. Moreover, increasing CSO and private sector engagement will promote mutual understanding between stakeholders.

Country-Specific Questions

Country-Specific Question 1: For each of the constraints, are the goal-level commitments set forth in the JCAP capable of achieving the constraint-level objectives and outcomes?

There was a general consensus among USG and GOG representatives in both the power and financial sectors that the Ghana JCAP has appropriately identified goal-level commitments that can lead to achievement of the constraints-level objectives and outcomes. However, there is also recognition that the two sectors are different in terms of the political commitment, resources, and overall support provided beyond PFG partners, which has led to differing results to date.

For Ghana's power constraint, the following are the goals set out under the JCAP:

1. Policy, Strategy and Planning;
2. Institutional, Regulatory and Structural Reform;
3. Electricity Demand and Generation Capacity;
4. Transmission and Distribution Infrastructure and Operations; and
5. Electricity Access in Rural Areas.

For the purpose of this evaluation the team focused on goals one and two.[21] Following are the objectives of these goals:

Policy, Strategy and Planning:

- Develop and implement a cohesive transmission and distribution reform strategy that provides an overarching framework for improving utility operational and financial performance;

[21] As part of the evaluation and in agreement with USAID, the team selected two power objectives and one access to finance objective to review in detail. The detailed case study for the Power Sector is presented in Annex 2.

- Ensure availability of long-term reliable natural gas supplies for thermal power plants with transparent pricing and allocation;
- Implement an integrated power sector master plan that builds upon existing plans and provides guidance for future investment; and
- Implement a clear public policy and framework for private sector participation in the power sector.

Institutional, Regulatory and Structural Reform:
- Establish clear and distinct roles and responsibilities for policymaking, regulation, ratemaking, ownership, and operations for natural gas;
- Revise processes for policymaking, regulation, and ratemaking to attract investment and improve delivery of service and maintenance; and
- Improve management, operations, and financial viability of operating entities in the power and gas sectors.

The priority goals for Ghana's credit constraint under the JCAP are to:

1. Reduce government engagement in the banking sector;
2. Strengthen financial sector regulation and supervision;
3. Develop financial sector infrastructure;
4. Broaden and deepen the financial sector; and
5. Encourage development finance and support SME access to finance.

This evaluation focused on the fifth goal for credit access, which has the following objectives:

- Improve the management and operational capability of SMEs;
- Promote financial literacy among small and medium scale enterprises; and
- Ensure the sustainability and optimal efficiency of key development finance institutions such as rural banks, Exim guaranty, Venture Capital Trust Fund and Agriculture Investment Fund.

The JCAP defined the LOAs that both governments will undertake to meet these objectives and which government entities will have responsibility. The question remains whether the specified LOAs will support the identified goals and reduce the constraint. There were 46 LOAs under the power constraint without any priorities among them. There were 44 LOAs under access to finance.

General Findings on the CA and JCAP

Finding 1: A formal TOC linking LOAs, goals, and constraints was not developed

The evaluation team concluded that the PFG strategies for both the power and finance constraints only reflect an implicit theory of change. The implicit TOC in the Ghana JCAP, similar to diagnostic approaches in other developing countries, was that an adequate and reliable supply of electrical power in Ghana will result if a series of problems that have long plagued Ghana's energy sector, including planning, regulatory framework, electricity pricing, investment, and management performance, are addressed. The implicit TOC follows that increasing efficiency of the utilities and improvements in the regulatory environment would “promote public and private investment in the expansion of power generation capacity, rehabilitation of key power infrastructure and [an] increase [in] the population’s access to reliable electricity service.”[22] While Ghana has made progress in encouraging investment in the power sector, major problems still remain: insufficient generating capacity and load shedding; below cost-of-service end user tariffs hindering further development of the supply chain and limiting efficient upkeep and maintenance of current facilities; deferred investments limiting quality and quantity of service available; and the debt situation of the distributor. The evaluation team concluded that it is questionable whether the power sector LOAs are sufficient to eliminate the identified constraints within a reasonable timeframe. Following the JCAP the Power Group has sought to mitigate this by clustering LOAs into programs or projects using complementary initiatives.[23]

For the access to credit constraint, it is unclear whether the identified objectives and the corresponding LOAs are sufficient to improve access to finance. A majority of the LOAs focused on the demand side (e.g., increasing SME literacy and management capacity) rather than supply-side approaches (such as improving the capacity of SMEs to prepare bankable loan applications and repay their loans on time and the ability of banks to evaluate risk and expand rural outreach services to SMEs).[24] It is important to go beyond microfinance and government development banks to support meaningful expansion of access. Expanded commercial bank lending to SMEs could expand scale and reduce interest costs due to larger and cheaper sources of capital and competition.

The GOG objectives for the financial sectors are outlined in FINSSP II which does not contain an explicit TOC. The FINSSP II implicit TOC assumes that strengthening the regulation of the financial sector and improving the competitiveness of financial institutions will promote more stable and efficient mobilization and allocation of funds. This implicit TOC gives insufficient attention to the macroeconomic framework which creates the incentives within which the financial sector operates.

The JCAP did not lay out a TOC in support of the actions selected to address the binding constraints of the unreliable and inadequate supply of electrical power in Ghana or inadequate access to finance. Nor was a comprehensive logical framework developed that systematically linked development objectives with power sector outcomes, outputs and inputs, and, importantly, detailed the assumptions, risks, and risk mitigation strategies. The links between each LOA and each goal, and then between the sub-constraints and constraints, have not been clearly defined. No narrative is available that explains why the selected LOAs were chosen over others, making it challenging to identify how goal-level commitments in both the power and financing sectors would lead to achieving desired outcomes. An in-depth analysis based on an explicit TOC could have provided greater clarity on linkages and a prioritization of LOAs, especially for the access to finance constraint which had limited resources to support activities identified in the JCAP.

[22] Partnership for Growth Joint Country Action Plan (for Ghana), February 1, 2013, pg. 8.
[23] This includes the Africa Infrastructure Program and the Power Africa Transactions and Reform Program.
[24] USAID/FINGAP which is active in the North of Ghana provides business advisory services that support SMEs.

Finding 2: A majority of PFG leaders interviewed believe that the remedies identified in the JCAP are supporting the goals under the power and access to finance constraints and are capable of achieving constraint-level objectives

Despite the large number of LOAs and a lack of clear causal relationships, GOG and USG leadership largely believe that the JCAP is performing its central task of guiding the PFG to solve the power and access to credit constraints identified in the economic growth constraints analysis. This view was expressed by four respondents in the leadership group, one in the PFG architect/designer group, and three in the program/activity managers group. Only one USG program manager stated that the JCAP did not adequately address identified constraints.

The high-level USG and GOG leaders in the sample thought that the resources made available through PFG should be capable of resolving the binding constraints identified in Ghana's power sector within two to three years. The five access to credit goals in the JCAP and actions taken were regarded positively by respondents and described by one individual in the leadership group as “burning issues”. One respondent considered the direct relationship between the CA and the JCAP as evidence of increasing attention to the problems SMEs identified by the CA. Several individuals explained that SMEs contribute to GDP growth, create jobs, and contribute to taxes and the social security net.

Finding 3: Independent experts feel that it is too early to tell whether or not the goal-level commitments set forth in the JCAP are capable of achieving constraint-level objectives

Three independent experts noted that it is too early to assess whether the JCAP is leading to achievement of constraints-level objectives and outcomes. One USG architect/designer said, “It is far too early to say [whether the remedies identified in the JCAP will support the goals identified]. However, getting three to four ministers at a table together alone is a major accomplishment.” According to the most recent scorecard, two of the five goals under each constraint are behind schedule (for energy Goal 1: Policy, Strategy, and Planning, and Goal 4: Transmission and Distribution Infrastructure and Operations; and for access to finance Goal 1: Reduce Government Engagement in the Banking Sector and Goal 5: Encourage Development Finance and Support SME Access to Finance). One goal under the energy constraint is ahead of schedule (Goal 4: Rural Access). The remaining Goals 2 and 3 under the energy constraint (Institutional, Regulatory and Structural Reform and Electricity Demand and Generation Capacity) and Goals 2, 3 and 4 under the access to finance constraint (Strengthen Financial Sector Regulation and Supervision, Develop the Financial Sector Infrastructure, and Broaden and Deepen the Financial Sector), and implementation is two years underway.[25] One respondent felt that the next three years of the PFG initiative will be needed to see whether remedies identified in the JCAP are achieved and address identified constraints.

Finding 4: Some independent experts stated that it is difficult to attribute remedies identified in the JCAP to the PFG

One independent expert indicated that the majority of PFG identified constraints and goals were already recognized and developed by the GOG through the FINSSP II, which began in 2011.

[25] PFG Ghana – United States March 2014 Annual Scorecard

Another respondent felt that credit for achievement of goals related to the JCAP should not be attributed to PFG in the absence of funding to support its objectives. Table 7 compares the previously identified FINSSP II objectives and PFG's access to finance objectives.

Table 7: Mapping FINSSP II Objectives with PFG Access to Finance Objectives

FINSSP II Objective		PFG Access to Finance
1	The domestic financial sector to be the preferred source of finance for Ghanaian companies	Goal 1: Reduce government engagement in the banking sector; and Goal 5: Encourage development finance and support SME access to finance
2	Promote efficient savings mobilization	Goal 4: Broaden and deepen the financial sector; replaced by Revised Goal 4: Reduce interest rates
3	Enhance the competitiveness of Ghanaian financial institutions	Goal 2: Strengthen financial sector regulation and supervision; and Goal 3: Develop the financial sector infrastructure
4	Ensure a stronger and more facilitative regulatory regime	Goal 2: Strengthen financial sector regulation and supervision
5	Achieve a diversified and competitive domestic financial sector	Goal 2: Strengthen financial sector regulation and supervision; and Goal 3: Develop the financial sector infrastructure
6	Promote education, public awareness, capacity building, and financial literacy	

Finding 5: The power sector is better positioned to achieve its objectives than the financing sector, in part due to larger project funding

The evaluation team's interviews with GOG leadership, Power Africa, MCC Compact II, USAID, and other bilateral and multilateral donors found significant financial resources and guidance were available, through investment projects and budgetary support, for addressing the power sector constraints. Further, the severe power shortages resulting in frequent power outages in major urban areas have increased the political pressure to resolve the constraints. These projects directly address JCAP goals along with measures tracked under the power constraint scorecard. As a result of available and targeted funding, respondents were generally positive that the power sector is positioned to achieve its constraint-level objectives.

On the access to credit side, however, several respondents cited concerns about the achievability of constraint-level goals due to a lack of similar external monetary support. While the PFG supported the development of JCAP and specific LOAs to address the access to credit constraint, several solutions have not yet been addressed. Respondents mentioned that USAID provides some financial support through FinGAP which provides technical assistance and financial incentives to assist agricultural SMEs gain access to financing for agriculture value chains of rice, maize, and soy in Northern Ghana. Beyond that, however, USG participation in PFG access to credit activities has been limited. According to one member of the GOG leadership, "To be effective, in the same way that the Ghana PFG Power component is linked to the MCC and Power Africa, a substantial amount should be provided for the Access to Credit component."

Finding 6: The PFG can only be assessed in the context of the country's macroeconomic and political climate

The deep-rooted constraints highlighted by the JCAP require: a strong macroeconomic and fiscal environment; a significant amount of time beyond the five-year PFG completion date of 2016; and a substantial increase in private sector investment. While private sector decisions and implementation timeframes depend on sector-specific policies, strategies, regulatory frameworks, credible off-takers, tariffs, and cost-recovery practices, they are simultaneously shaped by real and perceived political and macroeconomic risks.

Ghana has experienced substantial political development over the past decade, in part supported by the successful domestic production of oil; however, structural economic transformation must occur for this growth to be sustainable. The CA concluded that recent structural changes have been driven primarily by donor-funded public investments while private investment has been slow to respond. The country maintains a high level of debt and budget deficits and faces continued pressure for additional recurrent spending.[26]

Ghana's investment rate of about 21 percent is low compared to other countries in the region.[27] In addition, its domestic savings rate and credit to the private sector remain relatively low.[28] Ghana's high and persistent fiscal deficits have crowded out lending to the private sector. The fiscal deficits perpetuate the savings-investment gap by contributing to a high interest spread and limited lending for private investment. Credit is primarily short-term and unsuitable for medium- and long- term capital investments. The CA indicated that the reduced access to credit and competitiveness due to the higher rates impacts investment, particularly in the SME sector. A high rate of nonperforming loans is associated with weak SME capacity, elevating lending risk. Banks have responded by increasing risk premiums on interest rates, applying stringent lending standards, and having collateral requirements. This situation becomes a vicious cycle.

Based on the above analysis, the CA concluded that the financial system has been exposed to risks that require more effective regulatory and supervisory capacity within the GOG. Limited development of financial sector infrastructure has reduced system efficiency, thereby raising transaction costs and borrowing costs. Limited availability of non-bank financing for SME and micro enterprises reduces competition for banks and raises interest rates. Lowering interest rates is considered a key requirement for fostering broad-based economic growth and increasing the effectiveness of the PFG.

Recommendations

Provide clear guidance to PFG staff on the role of the constraints-level indicators. Training could help reduce confusion among Goal Leads and implementers about the role and

[26] Ghana Constraints Analysis, PFG, August 2011, pg. 9.
[27] This rates refers to Gross Capital Formation average from 2006-2009. Ibid, pg. 9.
[28] Ibid, pgs. 9-10.

meaning of the constraint-level indicators. Clear explanations are needed on how LOA-level indicators, goal-level indicators, and scorecards relate to the constraint-level indicators. Having all PFG partners and goal- level implementation teams understand these links would facilitate the achievement of desired PFG outcomes.

Review objectives and indicators in the context of the implicit TOC to ensure that appropriate activities are utilized to achieve access to finance goals and to identify priority power LOAs. While the evaluation team understands the benefit of formulating an explicit TOC prior to the mid-term revision of the JCAP, the process might require more time than the PFG timeline allows in conjunction with program implementation. Given this circumstance, the evaluation team recommends that an internal bilateral management team conduct a mapping exercise of all the LOAs, goals, and constraints.[29] In June 2015, following the field work for the evaluation, the Joint Power team held a self-assessment workshop and work planning sessions which reviewed the LOAs and indicators, aligning the LOAs to goals and goals to constraints for year 3. This process also included a discussion on the prioritization of LOAs under the power constraint.

The mapping exercise could be done through a workshop involving GOG and USG constraints leaders and goal leads. It could help identify which indicators are unlikely to be reached within the five-year period and then realign resources towards more attainable goals. The mapping should also focus on how impact will be measured at the end of the PFG Initiative.

The PFG management team could engage an independent consultant from Ghana who is well-versed in this discipline to provide an objective perspective on the mapping.[30] While the mapping exercise could increase staff workload in the short term, it could improve the PFG's ability to properly track success and identify implementation challenges in order to make course corrections in a timely manner. Since the JCAP is meant to be a living document, the mid-term review of the JCAP represents an opportunity to rebrand the Ghana PFG Initiative to re-align goals and LOAs to constraints and finalize M&E processes through a bilateral WGA.

Develop access to finance programs and monitoring schemes that specifically address solutions outlined in the JCAP. The PFG WGA has successfully identified access to finance goals and outlined solutions in the JCAP. For effective implementation of these solutions the PFG, should develop targeted SME access to finance programs and monitoring schemes that can be supported by the US and other donors. These programs should address the access to finance goals. Targeted programs should engage specific US government departments with relevant expertise, thereby reinforcing the PFG WGA, and should utilize findings from previously implemented programs including FINSSP II. Designating specific programs and groups to accomplish JCAP solutions will increase PFG accountability while ensuring that responsibility is evenly distributed across sectors and agencies.

Facilitate regular communication and information sharing between PFG power and finance leadership on program management, strategies, and M&E. The power sector appears better positioned to achieve its constraints-level objectives than the access to finance sector.

[29] Similar to developing a logical framework.
[30] Ideally this activity would take place at the earliest opportunity to ensure the task is completed before the end of year 3.

Power activities more directly address JCAP goals, and PFG scorecards are used to effectively track indicator progress. Because the PFG represents an integrated, multi-sector process, it is important that ongoing communication be facilitated and encouraged between the finance and power sectors to ensure that lessons are shared promptly, particularly on program management, strategies, and M&E processes.

Country-Specific Question 2: Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?

The M&E JCAP Addendum of 2013 identified three levels: 1) macro-level indicators of common program goals and constraint-specific goals; 2) goal-level indicators; and 3) lines of action or activity-level indicators. Monitoring at these three levels is expected to provide information for management as well as information for the public about progress. The M&E Addendum also provided baselines for indicators (2012 or 2013) and end (2018) targets for some of the indicators."[31] USAID contracted METSS to support the M&E system, mostly by collating and organizing the relevant information. Indicators draw upon data from financial and economic institutions, and scorecards are produced using these indicators. Based on the achievement of a set of indicators, one should be able to determine whether or not goals are on target. Scorecards were designed to report to stakeholders, including the public, on the goal-level progress of the PFG. Descriptors including "Ahead of Schedule" (deep green), "On Track" (light green), "Behind Schedule" (yellow), or "Completed" (blue) are used to characterize goal-level progress alongside a narrative justifying each score. The participation of Power Africa and MCC Compact II has enhanced the M&E mechanism with inclusion of additional indicators.

According to the Addendum, the GOG and USG agreed to conduct high-level, annual, bilateral reviews of JCAP implementation each March from 2013–2018:

> The annual review should enable participants to consider the need for course corrections to the JCAP, and should focus on assessing progress towards alleviating the constraints and achieving the overarching PFG goal of accelerated and inclusive private sector-led economic growth. The review should consider the impact and may also consider the cost-effectiveness of the activities undertaken by PFG, where feasible. The GOG and the USG intend to cooperate in facilitating a civil society and private sector PFG forum to accompany the high-level review... In-country semi-annual bi-lateral reviews shall also be undertaken, and shall produce a public semi-annual report based on information from the technical working groups, work plans and indicators, as well as additional M&E information prepared by all PFG participants. Studies, reports, and analyses from third party sources, including the international donor community, and input from civil society and the private sector shall be actively solicited and considered.

Since then, the PFG has conducted the reviews on schedule and published the scorecards. The evaluators analyzed the semi-annual bilateral reviews.

[31] Many of the indicators had 'to be decided' (tbc) listed for the 2018 end of PFG target.

The USG and GOG aim to use a rigorous monitoring and evaluation process to evaluate progress on each constraint to growth identified by the JCAP, as well as overall PFG efforts based on chosen indicators and benchmarks. Quantitative and objectively verifiable information are to be used to manage JCAP implementation to achieve and measure results. The M&E Addendum includes a number of qualitative assessments aimed at measuring progress. It would be useful to try and identify specific parameters that would indicate the level of progress.

Measurable indicators have been identified for each of the five specific power sector goals. Two PFG scorecards were prepared and discussed with PFG stakeholders. The indicators for two of the power objectives follow:[32]

Policy, Strategy, and Planning:

- A cohesive transmission and distribution reform strategy which provides an overarching framework for improving utility operational and financial performance developed and implemented.
- Long-term reliable gas supplies available for the operation of thermal power plants with a transparent framework for gas pricing and allocation developed and implemented.
- Implementation of an integrated power sector master plan that builds upon existing sub-sector master plans and provides guidance for future investment plans.
- Clear public policy and framework implementation for private sector participation in the power sector.

Transmission and Distribution Infrastructure and Operations:

- Improved network operations to meet suppressed demand and forecasted growth and improve quality of supply.
- Increased efficiency and cost effectiveness of transmission and distribution assets.
- Improved financial viability of companies in the sector.
- Reduced commercial losses.

The three activities identified to support encouraging development finance and supporting SME access to finance are difficult to quantify in terms of the benefits for SMEs. The following measures will be included in the M&E plan to evaluate progress:

- Private credit to SMEs, number and value;
- Credit to SMEs from Development Finance Institutions;
- Non-performing loans in rural and community banks;
- Volume of credit extended by rural banks;
- SMEs on stock exchange; and
- Number of SME employees.

[32] As part of the evaluation and in agreement with USAID, the team selected two power objectives and one access to finance objective to review in detail.

General Findings on Evidence-Based M&E

Finding 1: The majority of respondents feel that PFG's M&E process is not coordinated with preexisting M&E processes

All but one of the PFG activity implementers interviewed said that they use M&E to track the progress through the indicators. However, projects, such as Power Africa, use their own M&E plans not tied to or based on PFG M&E plans, indicating a general lack of integration with PFG. However, they provide data where applicable for some of the indicators (such as under Power Africa). One BOG representative mentioned that this agency's M&E plan is independent from PFG and he was not aware of PFG's indicators. Another GOG representative said that his agency has not incorporated PFG's M&E model because it had been monitoring activities annually prior to the PFG.

Finding 2: METSS is responsible for ensuring that PFG staff understand the criteria by which PFG indicators are scored, but they do not currently have a clear mandate

METSS was contracted in February 2015 to manage the PFG M&E scorecard process. Before then, several respondents were unaware how indicator scores were calculated or the source of scoring information. Discussions with representatives from agencies including the Ghana Stock Exchange (GSE) and Venture Capital Trust Fund reveal that employees are largely unaware that their performances feed directly into a PFG scorecard. Although METSS was expected to fill this gap and ensure that M&E plans are practical, effective, and up-to-date, its representatives said that they have contributed more to M&E implementation than planning or revising to date. A FinGAP representative concurred that the primary role of METSS has been to assist in reviewing annual monitoring results rather than revise M&E systems.

Finding 3: Several respondents feel that PFG indicators are irrelevant, unclear, or difficult to measure, making them unsuitable for accurately determining progress and guiding management decisions

Several respondents mentioned the importance of other M&E indicators and processes. A BOG representative said that the progress of the Credit Bureau Registry should be measured through loan portfolio volumes, which does not reflect what is currently practiced.[33] A representative from the NPRA was unaware of indicators being used to track progress so they are planning to complete a new M&E plan by the third quarter of 2016. Several individuals explained that there have been no changes or adjustments made to their scorecard indicators since the start of PFG. While it is important to use a consistent set of targets to develop evidence, it is also necessary to regularly verify that appropriate indicators are being used.

Several respondents feel that the results of PFG scorecards do not always reflect reality. For example, a March 2015 scorecard on Electricity Demand and Generation Capacity concluded that this goal was on track, but significant load shedding was reported at the time. Certain indicators, such as the Cost Recovery of Tariffs indicator, were not measured consistently. A few respondents explained that some of the macro-level indicators are far removed from the goals of

[33] Current PFG indicators related to credit bureaus are credit bureau utilization rate and private credit bureau coverage.

PFG activities and do not give an accurate sense of progress in the power and access to finance sectors. The evaluation team concludes that better progress indicators are needed for the power and natural gas sectors and less relevant indicators on the current list of PFG should be dropped.

Furthermore, respondents feel that certain PFG indicators are difficult to measure because relevant data are not made readily available and because annual targets have not been established. One respondent indicated that the data required to measure certain PFG indicators will take years to be made available and that some baseline figures and targets for the years between 2013 and 2018 have not been confirmed. Another respondent was unsure how the performance of the indicators under a particular goal have been weighted and found the scoring system unclear. More than half of both GOG and USG respondents, familiar with PFG scorecards, were unable to describe the scoring system. Moreover, the evaluation team found that a formal M&E system was never finalized for the energy sector as planned under the PFG[34]. As a result, it is difficult to accurately conclude whether implementation progress and results are on schedule.

Finding 4: Increased involvement of the private sector in PFG access to credit and power activities would increase the amount of objectively verifiable information available to assess the progress of JCAP goals

Respondents concurred that the private sector was involved heavily in the design and preparation of the PFG monitoring strategy, including banks, the Private Enterprise Foundation (PEF), the Association of Ghana Industries (AGI), and the Chambers of Commerce. Other donors were also involved in joint committee meetings throughout the design stage of the JCAP, scorecards, and monitoring tools. Several GOG respondents did not mention scorecards, particular indicators, or data collection tools when asked how the PFG was measured. The evaluation team found that the private sector was not involved in monitoring mechanisms that it helped to establish or briefed on the findings. As a result, the monitoring tools and results have not been used effectively. Furthermore, other respondents indicate that the targets developed without private sector input have been unrealistic. Greater private sector involvement could increase the relevance and usefulness of monitoring data.

Finding 5: Currently, data collected to measure the progress of PFG indicators are often unpublished and difficult to access

Scorecards prepared for the Annual Steering Committee Meetings contain little discussion of indicators, have limited data, and often lack comparisons of achievements with targets, making it difficult to assess progress.

Recommendations

Ensure that the M&E systems for each LOA are realistic and promote systematic tracking using existing systems. PFG M&E systems should incorporate a USAID/MCC-type methodology and allow tracking of each LOA. This process should be led by a goal-level implementation team and formalized in goal-level work plans, as the evaluation team suggests

[34] We understand that the ongoing MECap program is now addressing this issue.

be created as specified under Country Specific Question 1.

USAID or MCC should train and guide all goal-level implementation teams on the process and the importance of systematic M&E. Training should be offered to all Goal Leads and LOA implementers. USAID MCC assistance on M&E should be provided in a collaborative manner including dialogue with PFG partners to obtain buy-in for use.

Improve PFG visibility and both internal and external communication. Several USG and GOG respondents below the leadership levels and others not directly involved in the planning were unaware of progress under PFG. Over half of online survey respondents were unaware of the indicators included in the JCAP. Internal and external PFG communication should be improved. One-pagers should be created that include strategy, activities, anticipated results, and frequently asked questions. Additionally, once reviewed by the PFG Steering Committee, PFG scorecards, M&E data, and follow-up actions should be published on the Ministry of Finance, Ministry of Power, Ministry of Petroleum, and USAID websites. Moreover, additional effort is needed to communicate objectives to all stakeholders and gain assistance from other donor countries by linking PFG objectives to donor project-specific objectives.

Improve coordination between existing M&E processes and PFG M&E processes to avoid evaluation repetition and save costs. The majority of respondents indicated that most access to finance and power activities already had M&E plans prior to the PFG initiative and that PFG M&E processes often duplicate tracking efforts. PFG M&E efforts should complement existing scoring systems to reduce costs and ensure that complex measurements are not being duplicated. Specifically, there is an opportunity to harmonize the M&E systems in the power sector between PFG, Power Africa and MCC Compact II. Increased coordination will also allow PFG to redirect its focus toward indicators that are not yet being regularly monitored.

Clarify the mandate of METSS to ensure its active involvement in M&E planning and revising in addition to implementation. According to representatives from METSS, the contractor has contributed more to M&E implementation than planning or revising because a clear mandate was never established. At the PFG mid-term, a mandate should be established focusing on M&E restructuring and revising, since it is imperative that the correct data be collected through the construction of clear and targeted indicators. This mandate will also ensure that monitoring efforts are not duplicated or disconnected. Officials from both GOG and USG involved in M&E believed there was an opportunity to streamline and simplify the PFG results matrix in the power sector.

Country-specific Question 3: At the mid-term, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcomes?

The 2014 annual scorecards (prepared in March 2015) showed that two goals for the power constraint were behind schedule, two were on track, and one was ahead of schedule. For the access to credit constraint, two goals were not on target and three goals were on target. A number of respondents observed that choosing the color coded performance of a Goal Area was a subjective exercise as the M&E plan did not set out the criteria to assigning a specific score.

Power Constraint Intervention Performance

Several respondents considered PFG progress to be on target. One GOG Program Manager stated that the indicators had improved, except for those related to the government deficit. Another program manager cited several successes resulting from the PFG initiative, including collateral registry, an alternative SME stock exchange, and increased dialogue at the highest levels of government. A GOG representative reported, regularly meetings with a regulatory forum (including the NPRA, SEC, and BOG) to ensure that program goals are on target. The tables below present the status of the power constraint goals, along with measures used to calculate a score for Goal 1:

Table 8: Scoring of Power Constraint Goals

Constraint 1: Unreliable and inadequate supply of electric power	Score [March 2014]
Goal 1: Policy, Strategy, and Planning *Develop energy sector plans, policies, and strategies to improve private investment in the power sector and to develop a transparent framework for natural gas resources*	*Behind Schedule*
Goal 2: Institutional, Regulatory, and Structural Reform *Strengthen institutional, regulatory, and structural reform to enhance the financial viability, operational efficiency, and sustainability of power sector utilities*	*On Track*
Goal 3: Electricity Demand and Generation Capacity *Improve energy security and growth through expansion and diversification of supply to include gas and renewable energy*	*On Track*
Goal 4: Transmission and Distribution Infrastructure and Operations *Improve utilities' performance and infrastructure, reliability of supply, and ability to support demand growth*	*Behind Schedule*
Goal 5: Rural Access *Improve rural access to power and effective management thereof*	*Ahead of Schedule*

Table 9: Scoring of Goal 1 Sub-Goals

1A. Cohesive power sector reform strategy which provides an overarching framework for improving utility operational and financial performance developed and implemented	*Behind Schedule*
1B. Long-term reliable gas supplies available for the operation of thermal power plants with a transparent framework for gas pricing and allocation developed and implemented	
1C. Implementation of an integrated power sector master plan that builds upon existing sub-sector master plans and provides guidance for future investment plans	
1D. Clear public policy and framework implemented for private sector participation in the power sector	

Table 10: Indicators Used to Evaluate Goal 1 and its Sub-Goals

No.	Indicator Name	Baseline (Year)	2013 Target	2018 Target	Current Status
P6	Adherence to implementation milestones of the sector policy and strategy	Not applicable	On Track	Completed	The following key activities are still to be implemented: (a) competitive acquisition of power; (b) clearing of circular debt/public-sector arrears; (c) private sector participation in distribution entity (ECG); and (d) efficiency improvements in the overall operation of the sector. The resolution of the handling of Ghana's legacy hydro resource is also behind schedule.
P7	Proportion of gas-based generation	0 (January 2013)	TBD	TBD	A comparison of the 2013 and 2014 generation figures shows a 15.80 percent increase in gas-based thermal generation in 2014. This was as a result of the improved supplies from Nigeria and the completion of the Atuabo Natural Gas Processing Plant.
P8A	Ratio of private investment in energy sector	0 (March 2013)	TBD	TBD	CenPower reached financial close and stipulates an investment of about $900 million for a new IPP. Total public investment from VRA, GRIDCO, and ECG in 2014 amounted to close to $379 million.
P8B		0 (March 2013)	TBD	Estimated $4.2 billion required	The ratio of private sector investment in 2014 was 2.369.

The evaluation team's conclusions on Power Constraint Goal 1 are presented below, including the mission's ranking of achievements and under-achievements. Annex 2 contains a case study on electric power.

Currently in Ghana, the available power generation capacity gap is 500-600 MW. Over the past two years Ghana has made significant progress in development of the domestic production of natural gas available for power generation, including the commissioning of two IPPs and expressions of interest by private sector investors in grid and off-grid power generation. See Table 11 below for specific results. Next steps include the development of electricity sector master plans, including regulations for reference during investment decision-making, competitive procurement, and both a renewable energy policy and renewable pricing policy.

Table 11: Scoring of Goal 2 Sub-Goals

2A. Clear and distinct roles and responsibilities of policymaking, regulation, ratemaking, ownership, and operations in the gas sector	*On Track*
2B. Well-functioning processes of policymaking, regulation, and ratemaking that serve to attract investment into the sector and improve delivery of service and needed maintenance	
2C. Improved management, operations and financial viability of operating entities in the power and gas sectors	

The following subgoals under Goal 1 show under-achievement at the PFG midterm – power generation planning, competitive acquisition of power, availability of power sector master plans, transport of gas planning, a gas sector regulatory framework, and the renewable energy policy and pricing framework. One GOG program manager indicated challenges in the inability to address technical issues at the highest levels of government, lack of incentive to achieve PFG goals, and lack of external funding to implement program activities.

The main achievements under Goal 2 include the decision to increase private sector participation in ECG, the electricity tariff adjustment mechanism, progress on reducing technical and non-technical losses to ECG and NEDCo, the participation of Power Africa and when it enters into force the MCC Compact II MCC to further support the sector.

The primary under-achievements under Goal 2 include: the gap between current electricity tariff and cost-recovery levels; ECG credibility as the main off-taker of electricity; ECG arrears; the operational efficiency of the distribution utilities; and Public Utility Regulatory Commission (PURC) effectiveness and processes. Table 12 presents the measures used to calculate a score for Goal 2.

Table 12: Indicators Used to Evaluate Goal 2 and its Sub-Goals

No.	Indicator Name	Baseline (Year)	2013 Target	2018 Target	Status
P9	Cost recovery of tariff	92 (2009)	100	100	During 2014, the PURC approved and published four quarterly adjustments. The major tariff was published in October 2014. The PURC fully implemented the Automatic Adjustment Formula (AAF) in 2014. The Automatic Adjustment is a pricing mechanism that accounts for key variables in the pricing of electricity and water. The AAF is driven by the following key variables – exchange rate, inflation, crude oil and natural gas, power purchase cost, demand forecast, fuel mix, etc.[35]

[35] See http://www.purc.com.gh/

No.	Indicator Name	Baseline (Year)	2013 Target	2018 Target	Status
P10A	Average selling price of electricity	0.1199	No target	No target	The impact of the price increases for ECG has been significant, both on the distributors and the customer. The average selling price of electricity increased from US$0.0815 in 2013 to US$0.1282/kWh in 2014 reflecting a price increase of eleven percent (11%). This also exceeded the 2014 target of US$0.0983/kWh by seven percent (7%).
P10B		0.134	No target	No target	NEDCO's average selling price also increased in a similar manner from US$0.1151/KWh in 2013 to US$0.12246/KWh in 2014. However, one needs to take into account the sharp depreciation of Ghana Cedi vis-a-vis US dollar during the year, which constrained the purchasing capacity of the utilities with respect to imported distribution material (conductor, transformers, meters, etc.). It is worth noting that most of NEDCo's customers fall within the lifeline tariff bracket (monthly consumption not exceeding 50kWh) contributing largely to the lower average selling price.
P11	Automatic Tariff Adjustments	Off track (2012)	On track	On track	Four tariff determinations for end-user tariffs were done by PURC in 2014 as per the agreed AAF, and took into account inflation, price of crude oil and natural gas, fuel mix (crude oil, natural gas, and distillate fuel, generation mix (hydro and thermal), and power purchase cost. The first such automatic adjustment went into effect January 1, 2014 with an average increment of 9.73% for the first quarter of 2014. There was a third tariff review of 12.09% in the third quarter of 2014 i.e. July to September, 2014. The four quarterly tariff determinations were thus published by PURC and prices were subsequently passed on to the end-consumers as stipulated.

Power Constraint Recommendations

Develop additional M&E indicators for Power Constraint Goals 1 and 2. The evaluation team recommends the following indicators for Goal 1 to track progress better in the power sector:

- Tracking existing and planned available generating capacity;
- Tracking existing and planned transmission capacity;
- An indicator related to achieving full cost-recovery through tariff adjustments; and
- A reserve margin indicator (ratio of available capacity versus demand).

The evaluation team recommends including these additional indicators in the PFG M&E system[36].

Access to Credit Constraint Intervention Performance

The tables 13-15 below present the status of the access to credit constraint goals, along with measures used to calculate a score for Goal 5.

Table 13: Scoring of Access to Credit Constraint Goals

Constraint 2: Lack of Access to Credit	**Score**
Goal 1. Reduce Government Engagement in the Banking Sector	*Behind Schedule*
Goal 2. Strengthen Financial Sector Regulation and Supervision	*On Track*
Goal 3. Develop the Financial Sector Infrastructure	*On Track*
Goal 4. Broaden and Deepen the Financial Sector	*On Track*
Goal 5. Encourage Development Finance and Support SME Access to Finance	*Behind Schedule*

Table 14: Scoring of Goal 5 Sub-Goals

5A. Improve access to finance and improve the management and operational capability of SMEs.	*Behind Schedule*
5B. Promote financial literacy among small and medium scale enterprises.	
5C. Ensure the sustainability and optimal efficiency of key development finance institutions such as Rural Banks, Eximguaranty, Venture Capital Trust Fund and Agriculture Investment Fund.	

Table 15: Indicators Used to Evaluate Goal 5 and its Sub-Goals

No	**Indicator Name**	**Definition**	**Unit**	**Baseline Year**	**2013 Target**	**2013 Actual**	**2014 Target**	**2014 Actual**
C23A	Private Credit to SMEs	Number of individuals with access to private credit	Number	N/A	N/A	N/A		
C23B		Number of firms with access to private credit	Number	N/A	N/A	N/A		
C24	SME	Number of	Number	TBD	TBD	TBD		

[36] Where these are already being tracked by Power Africa this supports the recommendation for harmonizing the M&E indicators between the different initiatives.

No	Indicator Name	Definition	Unit	Baseline Year	2013 Target	2013 Actual	2014 Target	2014 Actual
	Credit from DFIs	SMEs supported by DFIs (to be set up in 2014)						
C25	NPL's in Rural and Community Banks	Percentage of non-performing loans in rural and community banks, excluding universal banks	%	9.5% 2012	TBD	10.86%	N/A	10.6
C26	Volume of Credit Extended by Rural Banks	Volume of credit extended by rural banks	GHS	623.10 million	30% increase over baseline	761.8 million (22% over)	N/A	777.52 million (24.7% over)
C27A	SMEs of Stock Exchange	Number of issuances by SME's listed at the GSE	Number	TBD	TBD	Not yet in operation	N/A	1
C27B		Value of capital funds raised by SMEs on the GSE	GHS	TBD	TBD	Not yet in operation	N/A	38.6 million
C28A	Number of Employees	Number of Employees employed by SMEs	Number Male	TBD	TBD	N/A		
C28B			Number Female	TBD	TBD	N/A		

Main Achievements under Goal 5

Although Goal 5 is behind schedule, there has been a 22 percent increase in the volume of credit rural banks extended to the private sector. The Ghana Stock Exchange Alternative Exchange (GAX) has developed measures targeted to support SMEs to raise funds through reducing the listing requirements under a different tier and requirements.[37] An SME task force has been established to review the mandate of the National Board for Small Scale Industries (NBSSI) to serve as an apex for financial institutions supporting SMEs. Technical assistance support from the U.S. Small Business Administration (SBA) will help to facilitate a survey to collect SME data in the future.

[37] This included lowering the capital requirements and reducing the listing fees. At the time of the evaluation one SME had listed and raise a bond on the GAX and two more were engaged in discussions.

Performance Measurement Challenges

Respondents generally felt that the indicators and benchmarks used in the access to credit scorecard were not well thought out or presented in a way that is useful in assessing performance. In many cases, the baseline data were listed as “not available” or “TBD.” Targets were not provided for many of the indicators for 2013 and 2014. Moreover, no explanations were provided when performance did not meet the established targets. While some scorecards included data sources, the source organization was not always aware that its data were being used in PFG monitoring. Responsibilities for the integrity of information in the scorecard were not clear. In some cases, there was no indicator for a sub-goal. For instance, although an access to credit goal is to “Improve Access to Finance and Improve the Management and Operational Capacity of SMEs,” there are no indicators to measure SME managerial or operational capacity. Furthermore, the reporting mechanisms for the credit constraint differed from those for the power constraint, which led to inconsistencies in data collection.

Country-Specific Question 4: If performance is not on target or creating the outputs necessary to achieve the desired outcomes, why?

Based on the progress to date against the JCAP objectives and the implicit M&E targets, performance is not on target to realize the desired outcomes within the agreed timeframe. The PFG initiative was scheduled to span a five-year period. The first year focused on conducting the CA and preparing the JCAP. The actions and timeline established in the JCAP were deliberately ambitious to help make the activities a priority for both the GOG and USG. When the CA was completed in August 2011 and the JCAP was finalized in February 2013, USAID/Ghana had limited financial resources to address the access to finance constraint. Overall, the PFG process has leveraged significant additional technical and financial resources in the power sector, but not in the credit sector. Achieving the desired outcomes will take more time.

General Findings

Finding 1: Some respondents feel that the JCAP is overly ambitious and not realistic within a five-year timeframe

The evaluation team concurred that it is unrealistic to expect rapid progress across all the activities listed in the activity matrix with the limited technical and financial resources available to date.

Finding 2: Several sub-goals have not been addressed in PFG program activities

Several sub-goals listed in the activity matrix, including the promotion of financial literacy among SMEs and improvement of SME management and capability, are not directly targeted by PFG program activities. For instance, although NBSSI is responsible for providing technical assistance to SMEs, its mandate and experience are only with microenterprises.

Finding 3: Identifying new donors with programs aligned with PFG goals, and developing a mechanism for incorporating them into the PFG process, would support the achievement of identified access to credit goals.

The GOG has made significant progress in strengthening the legislative and regulatory framework for private investment in the power sector (see Table 10 above for details on policy reform), further macroeconomic reforms are needed to encourage large-scale private investments in PFG programs and activities.[38] The effectiveness of PFG activities could increase if other donor countries with similar PFG goals were regularly consulted and involved in collaborations.

Recommendations

Increase available funding to support access to credit activities and specifically programs mentioned in the JCAP. The evaluation team concluded that there are not enough projects addressing the JCAP action. FinGAP is the only USAID project in the access to finance sector, and it addresses one of the five goals. The USG and GOG should consider other projects to address the financing constraints. There is no project addressing the limited financial literacy of SME owners. Additional financial and technical support is needed and would allow USG agencies to bring more of their expertise to the PFG process. Most of the financial institutions participating in FINSSP II as candidates to benefit from JCAP/PFG have not yet realized these benefits. Most are not aware of PFG or its technical sub-committees. The PFG Secretariat estimates that about $80 million of GOG and donor funding is required to assist the financial institutions listed in FINSSP II implement all the defined activities.

Increase proactive engagement with the private sector to improve access to credit through improved risk management. The evaluation team concluded that the private sector has not been adequately engaged in the PFG access to credit component. To improve opportunities for SME access to credit, improved risk management should be prioritized among SMEs and potential lenders. In fact, recent work by the Alliance for Financial Inclusion (AFI), in conjunction with the IFC of the World Bank Group, has focused on improving SME access to finance, the "missing middle" between microfinance and commercial finance for larger businesses. This work has included case studies developed by officials from various AFI member countries and the IFC demonstrating approaches that have been used to improve SME access to finance.[39] Some of these approaches are based on information about borrowers' loan repayment histories on loan risks

The PFG should support institutions that lower risks in the financial system and prioritize the development of Credit Bureaus. Senior management of the leading credit bureau in Ghana highlighted the growing importance of this service. Despite advances made in collecting information on borrowers along with details on their loans including amounts, maturity, interest rate, and repayment behavior, a credit scoring system has not been created. PFG may be able provide assistance and leadership in resolving identity challenges in Ghana.

[38] As a result of budget deficits and macroeconomic imbalances, Ghana was downgraded in 2013 by international credit rating agencies Moody's Investors Services and Standard & Poor's Rating Services. In its 2014 budget, the GOG enumerated a number of fiscal policies aimed at curbing the budget deficit and stimulating growth by increasing revenues and focusing expenditures in the most productive sectors of the economy. However, progress is slow.

[39] GPFI and the SME Finance Forum (managed by IFC), "Enhancing SME Access to Finance: Case Studies," 2014.

Involve additional donors in regular meetings on PFG activities and encourage their participation on committees. Including other donors in PFG discussions would provide new opportunities to leverage funds and other support for PFG goals and objectives. Key donors in the power sector include the World Bank, and African Development Bank for PRGs and distribution investments and GIZ in the regulatory and enabling environment for renewable energy.

The PFG should be integrated into the upcoming Private Sector Development Strategy (PSDS III), which is expected before the end of 2015 and will include a pillar addressing SME financing. The PFG should identify which projects and programs will be supported by the USG and other donors alone or jointly. Steering Committee meetings can provide opportunities for other donors to be observers and provide input for PSDS committee meetings. Additionally, PFG should initiate greater linkages and transparency with other donor and development organizations like GIZ, DFID, and the Swiss Embassy, which are engaged with the GOG on the access to finance agenda.

PFG should ensure that appropriate individuals are involved in committees, subcommittees, and technical working groups. There should be a documented process to select leadership of these groups and committees.

Commit to closer coordination on the access to finance agenda between USAID and other US government agencies (Treasury, SBA, SEC, and Commerce). USAID is actively engaged in the PFG initiative. Improving cooperation with the various USG departments and agencies would better support addressing PFG goals. The SME Support Services Strategy drafted by the PFG SME Task Force presents a plan to establish a coordinating body for SMEs. This could be an opportunity for USAID to bring in expertise from Treasury, MCC, and the SBA to assist the GOG on the best organizational structures for assisting SMEs, either through an existing organization (like NBSSI) or the creation of a new organization similar to the U.S. SBA or other successful models from Sub-Saharan Africa.

ANNEX I. STATEMENT OF WORK PARTNERSHIP FOR GROWTH (PFG) MID-TERM EVALUATION: GHANA AND TANZANIA

I. BACKGROUND INFORMATION

Partnership for Growth (PFG) is a set of bilateral partnerships between the United States and a select group of four countries (El Salvador, Ghana, the Philippines, and Tanzania) to accelerate and sustain broad-based economic growth by putting into practice the principles of President Obama's September 2010 Presidential Policy Directive on Global Development. It involves rigorous joint analysis of constraints to growth, the development of joint action plans to address these constraints, and high-level mutual accountability for implementation.

One of PFG's signature objectives is to engage governments, the private sector and civil society with a broad range of tools to unlock new sources of investment, including domestic resources and foreign direct investment. By improving coordination, leveraging private investment, and focusing political commitment throughout both governments, the Partnership for Growth enables partners to achieve better development results.

Core principles of the Partnership for Growth include:

- Country ownership and partnership;
- High-level political leadership and commitment to development progress;
- Rigorous, evidence-based joint analysis on constraints to growth conducted by integrated teams of U.S. Government and PFG country officials;
- Joint decision-making on where to focus and prioritize resources;
- Use of a broad range of tools, including catalytic policy change, institutional reform, aid, diplomatic engagement, and other 'non-assistance' policy tools;
- Leveraging the whole of the U.S. government;[40]
- Transparency, mutual accountability and fact-based monitoring and evaluation.

The PFG process consists of several steps, including:

- Agreement to initiate PFG with selected partner countries;
- Joint analysis on constraints to growth, followed by broad consultation, dialogue on the findings;
- Development of joint country action plans (JCAPs) that outline potential tools, reforms, technical assistance and resources that can be applied over the next five years to address priority constraints to growth;
- Implementation of priority initiatives by USG agencies and partner governments;

[40] Examples of how whole of government is expressed and applied include http://www.whitehouse.gov/blog/2013/01/07/whole-government-commitment-inclusive-entrepreneurial-growth and http://www.state.gov/documents/organization/153139.pdf.

- Regular monitoring and evaluation, which includes semi-annual scorecards
- Transparency and consultation with private and public sectors.

Documentation on PFG design, goals, objectives and accomplishments can be found at http://www.state.gov/e/eb/ifd/odf/pfg/countries/index.htm and http://www.mcc.gov/pages/activities/activity-two/partnership-for-growth.

II. CONTEXT

An important aspect to bear in mind at all times is that PFG is a bilateral partnership at the country level. The evaluation will be conducted by an external evaluator agreed upon by the U.S. government (USG) and, for evaluations in their countries, the governments of Ghana and Tanzania.

II.a Timing Considerations

This evaluation will only focus on Ghana and Tanzania, as the PFG programs in El Salvador and the Philippines were the subjects of mid-term evaluations in 2013 and 2014. It will span the U.S. government and national (i.e. Ghanaian and Tanzanian) government leadership, implementing agencies, activities, strategies, stakeholders and audiences (both public and private).

II.b Target Areas and Groups

No single criterion was used to identify target populations for PFG activities. Some PFG activities are national in scope, and others target specific sub-populations, regions and sectors.

II.c Results Frameworks and Intended Results

The Ghana and Tanzania PFG efforts have tailored, unique results framework developed in response to the constraints to growth analysis. Following is the logical framework, reflected in detail in the Joint Country Action Plan (JCAP). The frameworks reflect only the constraints and the goals necessary to alleviate or address the constraints. More information on the agreed lines of action to achieve the goals can be found in each country's JCAP.

> Constraint = a binding constraint to growth, identified explicitly in the constraints to growth analysis[41]
>
> Goal = a necessary objective to alleviate and address the constraint, identified in the Joint Country Action Plan

[41] A Constraints Analysis is a study based on the growth diagnostic approach originally developed by Haussmann, Rodrik, and Velasco (2005) and since elaborated by others, including the United States Millennium Challenge Corporation (MCC). Growth diagnostics seeks to identify, for a particular country at a particular point in time, the principal barriers – the "binding constraints" – to that country achieving and sustaining faster economic growth. It starts with the premise that those constraints affect growth by preventing private investment and entrepreneurship from reaching the levels they would attain in the absence of those constraints.

Line of Action (LOA) = a programmatic response, by one or both governments identified in the Joint Country Action Plan. A line of action may be a project or a policy change or any other discrete intervention at the implementation level. The government responsible for executing the line of action is clearly identified in the JCAP. For Ghana, the goals and lines of action are identified in "Section IV. PFG Country Plan for 2012-2016" on pages 7-16 of the JCAP. For Tanzania, the goals (called "measures") and lines of action are identified in "Section IV. Partnership for Growth Joint Country Action Plan for 2012-2016" on pages 3-15 of the JCAP and summarized in "Appendix B. Summary Matrix of PFG Proposed Activities."[42] An LOA may in many cases be synonymous with a project or activity.

<u>Goals of Ghana PFG Country Plan for 2012-2016</u>

A. Strengthening the Power Sector

1. Strategy and Planning

Goals

- Cohesive transmission and distribution reform strategy which provides an overarching framework for improving utility operational and financial performance developed and implemented.
- Long-term reliable gas supplies available for the operation of thermal power plants with a transparent framework for gas pricing and allocation developed and implemented.
- Implementation of an integrated power sector master plan that builds upon existing sub-sector master plans and provides guidance for future investment plans.
- Clear public policy and framework implemented for private sector participation in the power sector.

2. Institutional, Regulatory and Structural Reform

Goals

- Clear and distinct roles and responsibilities of policymaking, regulation, ratemaking, ownership, and operations in the gas sector.
- Well-functioning processes of policymaking, regulation, and ratemaking that serve to attract investment into the sector and improve delivery of service and needed maintenance.
- Improved management, operations and financial viability of operating entities in the power and energy sector.

3. Electricity Demand and Generation Capacity

Goals

- Prepare demand outlooks based on sound economic planning and modeling and which take into consideration efficient use of energy.
- Expand generation to meet demand for power (including acceptable reserve margins) so as not to hinder economic activity and growth (expansion plans should consider demand

[42] The Tanzania JCAP is at http://www.state.gov/documents/organization/202535.pdf

side management and exploit environmentally friendly and sustainable options for power generation).
- Further diversify generation types (including renewables) to minimize risks from low rainfall, fluctuations in oil prices, and other external shocks.

4. Transmission and Distribution Infrastructure and Operations
Goals
- Improved network operations to meet suppressed demand and forecasted growth and improve quality of supply.
- Increased efficiency and cost effectiveness of transmission and distribution assets.
- Improved financial viability of companies in the sector.
- Reduce commercial losses.

5. Rural Access
Goals
- Expanded electricity service access for rural communities.
- Sustainable management and operation of rural electricity systems.

B. Improve Access to Credit and Strengthen the Financial System
1. Reduce Government Engagement in Banking Sector
Goals
- Reduce potential for government influence in the banking sector through laying the foundation for divestiture of state and parastatal ownership in commercial banks.
- Minimize non-performing loans, which could result from government off-budget financing through strong governance systems in banks with state and parastatal interests.
- Reduce government and parastatal payment arrears through stronger public revenue and expenditure management.
- Lower interest rates through measures to be taken including reducing reliance on Ghanaian banks for placement of government debt instruments.

2. Strengthen Financial Sector Regulation and Supervision
Goals
- Ensure financial sector stability through strong capacity within the BoG to assess and manage risk within the banking sector.
- Eliminate potential regulatory gaps through effective coordination and oversight of financial sector regulation.

3. Develop the Financial Sector Infrastructure
Goals
- Reduce interest rates and expand access to financial services through reducing the risk premium and lowering transaction costs through stronger financial sector infrastructure.

4. Broaden and Deepen the Financial Sector
Goals
- Reduce interest rates and introduce new financial instruments through encouraging competition by expanding the range and capacity of financial intermediaries.

5. Encourage Development Finance and Support SME Access to Finance
Goals

- Improve access to finance and improve the management and operational capability of SMEs.
- Promote financial literacy among small and medium scale enterprises.
- Ensure the sustainability and optimal efficiency of key development finance institutions such as rural banks, Eximguaranty, Venture Capital Trust Fund and Agriculture Investment Fund.

Goals of Tanzania Partnership for Growth Joint Country Action Plan for 2012-2016

A. Power
Root Cause 1: Underinvestment in the Energy Sector
Measure 1.1: Establish Cost-Reflective Tariff Structure
Measure 1.2: Minimize Revenue Loss
Measure 1.3: Strengthen Legal and Regulatory Institutions

Root Cause 2: Insufficient Institutional and Technical Capacity for Robust Energy Sector Planning and Management
Measure 2.1: Improve Sector Planning
Measure 2.2: Increase Key Sector Institutional Capacities
Measure 2.3: Promote Private Investment in Power

B. Rural Roads
Root Cause 1: Underinvestment in Rural Roads Infrastructure and Maintenance
Measure 1.1: Increase Financial Allocation for Rural Roads Investments
Measure 1.2: Increase Financial Allocation for Rural Roads Maintenance Services
Measure 1.3: Develop a Five-Year Rural Roads Investment Programme

Root Cause 2: Inadequate Institutional and Technical Capacities for Rural Roads Infrastructure and Maintenance Services
Measure 2.1: Improve Institutional and Technical Capacities for Rural Roads Investment and Maintenance Services
Measure 2.2: Develop District Level Capacities for Rural Roads Management
Measure 2.3: Develop the Capacity of Labor Based Contractors and Local Community Private Enterprises

II.d Existing Documents and Data Sources

A wide range of documentation is publicly available on PFG, including semi-annual "scorecards" of progress made on JCAP implementation. Macro level indicators provide information on progress towards alleviating the constraints and achieving the overarching JCAP goal of broad-based, inclusive and private-sector led economic growth.

Scorecards: As described in the Ghana JCAP M&E Addendum, once PFG implementation began the governments of Ghana and the United States planned to publish a semi-annual scorecard to report to the public on progress towards achievement of PFG goals. The goal indicators are designed to reflect the shared purposes of the governments of Ghana and the United States. The two governments intend to use the descriptors "Ahead of Schedule," "On Track," "Behind Schedule," or "Completed", to characterize progress on each goal. Scores are to reflect the consensus view of the two governments and any disagreements between them will be noted. The scorecard is to be accompanied by a description that provides a justification for each score assigned. This justification is to include the results of the goal indicators included in this addendum along with other relevant supporting information and data (which may include results of monitoring and evaluation conducted independently by each government on individual LOAs). If data for goal indicators is not available in a particular reporting period, progress will be reported in the following period.

The respective implementation teams should coordinate work plans for each LOA, which, in turn, will be developed by the responsible implementing agency in coordination with the overall team. These work plans shall contain timelines, performance indicators and targets for individual LOAs and will constitute inputs of the PFG M&E process.

Pages 17-20 of the Ghana JCAP list a number of key indicators that can be used to measure progress in achieving each goal.

Progress on the Joint Country Action Plan for the Power Constraint in Ghana is tracked using three sets of indicators: (1) Macroeconomic indicators that are publicly available; (2) Utility and sector indicators that are obtained from the sector actors; and (3) Policy indicators that are tracked by the USG and development partners. All indicators were chosen to reflect the top-line results sought by the GOG and supported by the USG through the PFG JCAP. The indicators are listed below:

(1) Macroeconomic Indicators: Population, GDP, GDP Growth, GDP Growth per capita, FDI
(2) Sector Indicators: Installed Generation Capacity, Percentage of Population with access to electricity, TANESCO customer connections, ZECO customer connections
(3) PFG Indicators: Tariff as percentage of cost of service, Rate of TANESCO/ZECO revenue growth is greater than inflation, Increase in annual repair and maintenance budget toward target of 10%, Aggregate Technical, Commercial and Collection Losses below 20% for both utilities, Consistent implementation of all power sector policy, legal and regulatory instruments, 100 % of procurements are conducted in accordance with Power Sector Master Plan, TANESCO will develop appropriate baseline measure for reliability (e.g., power availability compared to peak load demand and reserve margin),

Percentage of new investment in power generation, transmission, distribution through private sector

The above indicators will be supplemented by activity level output and outcome indicators for specific programs

III. EVALUATION RATIONALE

III.a Evaluation Purpose

The evaluation will serve two purposes. As a result, there are two sets of evaluation questions.

Purpose 1; Evaluating the PFG Approach: The first purpose is to evaluate whether the PFG process demonstrates improvements over pre-PFG assistance approaches. In particular, the evaluation will examine the extent to which the PFG's whole-of-government and constraints analysis approach led to a change in the manner of USG delivery of development assistance and whether these changes demonstrated improvements in terms of operational efficiency, selection, coordination, design and management of development interventions, and ultimately increased the probability and effectiveness of assistance efforts in achieving verifiable results. The findings and conclusions of this part of the mid-term evaluation will help decision makers determine whether PFG indicates an improved model for providing assistance and whether it portends a higher probability of achieving desired development results. Furthermore, it will inform governments in their work with all donors.

Purpose 2; Evaluating Country-Specific Implementation: The second purpose is to: a) evaluate whether PFG efforts have been developed in such a way as to allow for the eventual determination of their impact on addressing the identified constraints and desired outcomes; and, b) to evaluate the performance of certain initiatives to date to determine whether or not they are moving in the desired direction and are considered necessary and sufficient to achieve PFG goals. The findings and conclusions of the country-specific portion of the mid-term evaluation are of particular relevance to the national government and USG entities implementing PFG in the field, allowing for country program course corrections where feasible and needed in order to enhance the likelihood of achieving sustainable, cost-effective and measurable results.

III.b Audience and Intended Uses

The mid-term evaluation will be made available on-line to the public. There are many audiences for the mid-term evaluation, including:

Implementers

- The national government Ministers of Foreign Relations (or the equivalent) and PFG Coordinating Committees in Ghana and Tanzania,
- The U.S. Ambassadors and Country Teams,
- The White House and participating U.S. Agency PFG Coordinators and country desk officers in Washington, DC,
- Relevant agencies/organizations implementing JCAP activities;

Stakeholders

- Citizens of Ghana and Tanzania,
- Civil society representatives and organizations, in the U.S., Ghana and Tanzania;
- Private sector commercial companies and organizations, in the U.S., Ghana and Tanzania,
- Diaspora communities residing in the United States,
- The international donor community interested in lessons learned from applying the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action-assistance[43]

IV. EVALUATION DESIGN AND METHODOLOGY

The Contractor should propose the most rigorous evaluation methodology feasible and cost-effective given the learning potential and scope of the study. To the greatest extent possible, the Contractor shall analyze and collect quantitative data.

The current scope is only for the Ghana and Tanzania mid-term evaluations. Mid-term PFG evaluations have already been completed for El Salvador and the Philippines. Similarly, a final evaluation of PFG and PFG efforts in each country is anticipated. While not covered under this SOW, data captured may be employed in the eventual final evaluations and provide the foundation for making conclusions at that time.

IV.a Requirements for Achieving Purpose 2

In fulfilling the second purpose of this mid-term evaluation, the expectation is to conduct an assessment of the evaluability of the PFG JCAPs (in other words, assess the extent to which the current PFG programs, as designed and implemented, are evaluable and can or will demonstrate, in verifiable terms, the results they intend to deliver) and to evaluate performance to date.

The contractor first will be asked to conduct a preliminary evaluability assessment of each country's PFG JCAP. The **preliminary evaluability assessment** should use the available program information to assess the following components of each goal and its corresponding LOAs (or LOA equivalent):

- problem diagnostic and baseline situation assessment;
- causal logic of activities, objectives, and outcomes;
- intended beneficiaries; and
- data availability.

[43] For further information on the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action-assistance please visit http://www.mcc.gov/pages/activities/activity-two/aid-effectiveness: http://pdf.usaid.gov/pdf_docs/pdacq942.pdf

The preliminary evaluability assessment will be used to identify goals and LOAs that are ready or amenable for further in-depth **“second-tier” review** during the mid-term evaluation. At a minimum, at least two goals (one per constraint) that are amenable will then be reviewed to determine whether:

- The indicators selected to measure their progress cover the overall logic of the PFG interventions;
- There are any major gaps in data collection and analysis that could prevent the interagency partners and joint steering committees from:
    - Adequately managing implementation towards expected results;
    - Evaluating the effectiveness of PFG.

The goals and LOAs selected for the second tier assessment also will form the “sample” of LOAs or projects that will be evaluated to determine **performance at the mid-term**.

The country-specific evaluation questions in “Section IV. b” of this SOW track closely with the requirements outlined above.

Requirements for Achieving Purpose 2	Related Country-Specific Question(s)
Preliminary Evaluability Assessment	Question 1
Second-tier Review	Question 2
Performance at Mid-Term	Questions 3&4

IV.b Evaluation Questions

The evaluation questions address issues of common concern for all PFG countries (the cross-cutting questions), as well as country specific questions tailored to each country’s individual situation.

Most of the cross-cutting evaluation questions will focus on organizational management structures which are common across all four countries. The cross-cutting evaluation questions respond to Purpose 1 of this evaluation.

Country-specific evaluation questions are more appropriate to testing the theory of change at the technical level and will be used to make country-specific recommendations in the final Mid-Term Evaluation Report. The country-specific evaluation questions respond to Purpose 2 of this evaluation.

<u>Mid-Term Cross-Cutting Evaluation Questions:</u>

1. What are the advantages and/or disadvantages of the PFG* whole of government approach to development assistance? The intent of this question is to assess the extent to which the PFG efforts intended changes in development assistance have or have not materialized. The whole of government approach is relevant to identifying areas for assistance, selecting interventions, and determining implementation coordination. The question is relevant both to national government agencies and institutions, and U.S.

government agencies and institutions overseas and in Washington DC. The question will help to understand how PFG approach differs from other planning processes.

* Explanation of "Whole of Government": In large bilateral efforts such as Partnership for Growth, many different governmental agencies and ministries are involved in both governments in different dimensions of the larger effort. Within the U.S. government, the term "whole of government" reflects efforts to align each agency's activities to achieve a common objective. Footnote 1 provides resources for further explanation.

2. To what extent has Partnership for Growth affected the workload on national government and U.S. government staff, as compared to the workload created by traditional forms of development assistance delivery? This question should explore not just whether staff members have had to work more intensively during a normal 40-hour week and/or log more hours of overtime because of PFG, but also whether their workload has significantly shifted to PFG-related activities from other activities.

3. What contribution has non-assistance[44] made to the PFG process and how can it be utilized moving forward?

<u>Mid-Term Country-Specific Evaluation Questions:</u>
Country-specific questions look directly at the efforts unique to a PFG country. In this portion of the evaluation, evaluators are expected to assess the evaluability of the PFG effort in each country and, to the extent possible, determine progress to date in a select amount of initiatives in PFG framework.

Ghana

1. The constraints analysis does not identify remedies to address the binding constraints to growth. For each of the constraints, are the goal-level commitments set forth in the JCAP alone capable of achieving the constraints-level objectives and outcomes?

(See Section III.a "Evaluation Purpose" for details on expectations related to this question.)

[44] PFG calls upon the U.S. Government (USG) and partner countries to be more comprehensive and creative in our development work – to reach beyond aid to all the instruments that both governments can bring to bear to connect and amplify the impact of current investments and unlock growth potential. USG commitments under PFG are comprised of both assistance and non-assistance tools that, undertaken in close coordination with partner countries, will maximize our impact and success. In addition to those actions already identified by the interagency and partner countries, additional non-assistance activities should be considered over the life of PFG for a sustained and focused effort.

Non-assistance options provide a venue for demonstrating United States support to partner countries and the Partnership for Growth. Options are intended to fully leverage the United States' unique convening authority, NGOs, professional organizations and academic institutions, donor groups, regional banks, and diaspora communities, and policy options for development results.

2. The PFG model places an emphasis on evidence-based decision-making and fact-based monitoring. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?

(See Section III.a "Evaluation Purpose" for details on expectations related to this question.)

3. At the mid-term, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcomes?

4. If performance is not on target or creating the outputs necessary to achieve the desired outcomes, why?

Tanzania

1. The constraints analysis does not identify remedies to address the binding constraints to growth. For each of the constraints, are the goal-level commitments set forth in the JCAP alone capable of achieving the constraints-level objectives and outcomes?

(See Section III.a "Evaluation Purpose" for details on expectations related to this question.)

2. The PFG model places an emphasis on evidence-based decision making and fact-based monitoring. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?

(See Section III.a "Evaluation Purpose" for details on expectations related to this question.)

3. At the mid-term, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcomes?

4. If performance is not on target or creating the outputs necessary to achieve the desired outcomes, why?

IV.c Evaluation Design

The evaluation will be a performance evaluation, but should highlight the results of any impact or other rigorous analyses done separately on PFG goals or lines of action (LOAs) at the country level. A performance evaluation should include descriptive questions. The mid-term evaluation will include but not be limited to semi-structured interviews, focus groups of stakeholders, and documentation reviews. Where feasible and appropriate, efforts should be made to incorporate quantitative data collection or analysis to measure program performance. The evaluator is expected to incorporate input from a reasonable range of civil society and the private sector. Offerors are encouraged to propose cost effective approaches to the evaluation.

Additionally, for addressing country-specific questions, the contract may propose various methodologies to create a representative sample of the larger effort (for example, selecting to analyze only certain LOAs or goals, based on the level of foreign assistance investment they're receiving) to ensure the scope of the evaluation is manageable and cost-effective while retaining its ability to provide a general assessment of the PFG effort and provide actionable recommendations for the Steering Committees, partner governments and US interagency going forward. At a minimum, at least two goals (one per constraint) that are amenable to an in-depth second-tier review will be selected for this purpose.

Cost-benefit and cost-effectiveness analysis will not be utilized in the mid-term evaluations.

IV.d Evaluation Points of Contact

The Activity Manager (AM) for this evaluation will be the primary POC for the cross-cutting and both country-specific evaluations. The AM will be located in Washington. He or she will have responsibility for representing the evaluation and its progress to the larger USG PFG group. The AM will coordinate directly with the COR for this mechanism.

Each country will establish a POC team, consisting of one USG POC in Washington, one USG POC in the field, and one national government POC. The POC teams for each country will be responsible for communications with the AM.

The USG-POCs in Washington DC will help the evaluation teams liaise with all relevant stakeholders within the U.S. inter-agency community at headquarters. The USG-POC based in the partner country, either within the U.S. Embassy or in another U.S. Agency there, will help the evaluation team reach all relevant USG stakeholders in country. The national government POC will help the evaluation team reach all relevant stakeholders within the country.

IV.e Planning for Data Collection

The PFG Ghana has been divided into two technical teams, namely Power and Access to Credit. The technical team for Power is spearheaded by the Ministry of Energy while the Access to Credit team is led by the Ministry of Finance. The technical team for Power draws it membership from the Ministry of Energy and its affiliate institutions for Ghana, then the MCC and staff of the USAID for the USG. The Access to Credit side has members coming from the Ministry of Finance and the Bank of Ghana for Ghana as well as USAID staff for the USG.

To help coordinate the activities of the PFG, a PFG secretariat is being set up at the Ministry of Finance. The secretariat will be staffed by a coordinator, two administrators, two representatives from the technical committees and three support staff. The deliverables of the secretariat will include monthly/quarterly/annual updates on the PFG work plan, updated M&E framework, Updated balance score card among others.

One week of field work in Washington DC is estimated in the present scope of work so the evaluation team can meet with the USG Washington-based Goal Leads and other Washington-based PFG stakeholders. The field work in Washington DC should take place before the field work in country.

In addition to the monitoring data on program activities normally collected by U.S. government and national government agencies during the course of implementation, PFG's emphasis on shared responsibility with the national government and public transparency has resulted in an additional layer of periodic monitoring data that will be available to the evaluation team, such as the scorecards (see description above) and other host country data systems.

The three evaluation POCs identified in section IV.d will provide the evaluation team with access to all existing PFG program monitoring data. The format, frequency and type of monitoring data collected by the governments of Ghana and Tanzania may be significantly different from the formats and types used by the U.S. government.

The evaluation team will process the information and identify information gaps and data quality concerns in an inception report, to guide additional data collection required as part of the evaluation.

Once the gaps in monitoring information are identified, the evaluation team will fill out the "Pre-Field Visit Data Needs and Analytical Guide" below and discuss the recommended approach with the COR to negotiate a final guide to be used once the team is in country.

Template: Pre-Field Visit Data Needs and Analytical Guide
Cross-Cutting Questions

Evaluation Questions	Type of Answer Needed (e.g. descriptive, normative, cause-effect)	Data Collection Method(s)	Gender Disaggregation of Data, where Possible	Sampling or Selection Criteria	Data Analysis Method(s)
1. What are the advantages and/or disadvantages of the PFG whole-of-government approach to development assistance?					
2. To what extent has Partnership for Growth affected the workload on national government and U.S. government staff, as compared to the workload created by traditional forms of development assistance delivery?					
3. What contribution has non-assistance made to the PFG process and how can it be utilized moving forward?					

Ghana Country-Specific Questions

Evaluation Questions	Type of Answer Needed (e.g. descriptive, normative, cause-effect)	Data Collection Method(s)	Gender Disaggregation of Data, where Possible	Sampling or Selection Criteria	Data Analysis Method(s)
1. The constraints analysis does not identify remedies to address the binding constraints to growth. For each of the constraints, are the goal-level commitments set forth in the JCAP alone capable of achieving the constraints-level objectives and outcomes?					
2. The PFG model places an emphasis on evidence-based decision-making and fact-based monitoring. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?					
3. At the mid-term, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcomes?					
4. If performance is not on target or creating the outputs necessary to achieve the desired outcomes, why?					

Tanzania Country-Specific Questions

Evaluation Questions	Type of Answer Needed (e.g. descriptive, normative, cause-effect)	Data Collection Method(s)	Gender Disaggregation of Data, where Possible	Sampling or Selection Criteria	Data Analysis Method(s)
1. The constraints analysis does not identify remedies to address the binding constraints to growth. For each of the constraints, are the goal-level commitments set forth in the JCAP alone capable of achieving the constraints-level objectives and outcomes?					
2. The PFG model places an emphasis on evidence-based decision-making and fact-based monitoring. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results?					
3. At the mid-term, are the performances of the selected PFG interventions on target and creating the necessary outputs to achieve the desired outcomes?					
4. If performance is not on target or creating the outputs necessary to achieve the desired outcomes, why?					

V. EVALUATION PRODUCTS

The set of evaluation milestones/products required are detailed below:

1. [*Written Document*] **Work Plan**

   Due to the COR within the first 5 business days after start of the evaluation.

   The work plan will detail the Evaluation Team's schedule in weekly blocks of time for the various tasks and deliverables, including desk review, inception report development, evaluation design, interviews (in the U.S., Ghana and Tanzania), data collection, data analysis and preparation of initial evaluation results, report writing, briefings and presentations.

2. [*Written Document*] **Inception Report and Preliminary Evaluability Assessment**

Due to the COR within 3 weeks after the start of the evaluation.

The **inception report** is a desk review of all existing documentation and monitoring data relevant to the specific PFG evaluation in question. The PFG evaluation places added emphasis on the inception report to ensure that all available monitoring and program data has been received, read and analyzed by the evaluation team prior to approval of field work.

A useful template and guide for the inception report is provided by the UNODC at http://www.unodc.org/documents/evaluation/IEUwebsite/Chapter_4_C.pdf. The current scope adopts the UNDP's definition of an inception report:

> "Evaluation inception report—An inception report should be prepared by the evaluators before going into the full-fledged evaluation exercise. It should detail the evaluators' understanding of what is being evaluated and why, showing how each evaluation question will be answered by way of: proposed methods; proposed sources of data; and data collection procedures. The inception report should include a proposed schedule of tasks, activities and deliverables, designating a team member with the lead responsibility for each task or product. The inception report provides the programme unit and the evaluators with an opportunity to verify that they share the same understanding about the evaluation and clarify any misunderstanding at the outset." (source: http://web.undp.org/evaluation/handbook/Annex3.html)

The preliminary **evaluability assessment** should use the available program information to assess the ability of the JCAP projects to demonstrate in measurable terms the results they intend to deliver (See section III.a "Evaluation Purpose" for details regarding the expectations and scope of the preliminary evaluability assessment.) The contractor should propose a methodology for sampling LOA for review in order to ensure that the scope of the evaluation and field work is manageable and cost-effective while retaining its ability to provide a general assessment of the PFG effort and provide actionable recommendations for the Steering Committees, partner governments and US interagency going forward.

3. Updated Methodology and Evaluation Plan

Once a final sampling strategy has been decided, the detailed evaluation methodology should be updated based on the preliminary review of all available JCAP and PFG data. The updated methodology should include a Pre-Field Visit Data Needs and Analytical Guide Report, which includes information on data gaps, sampling strategy, pre-tested interview questionnaires and data collection timeline.

See section IV.e for the basic template, which can be adapted to country-specific needs with COR agreement.

The contractor **must** provide a statement explaining how data collection methods will conform to the Common Federal Policy for Protection of Human Subjects in research evaluations (often called the "Common Rule." For more information see 22 CFR 225, Annex B, part 1, and http://www.access.gpo.gov/nara/cfr/waisidx_06/22cfr225_06.html. Even those evaluation activities with a non-research determination should ensure ethical conduct of data collection involving human subjects.

4. **End of Field Visit Debrief**

Debrief to national and U.S. governments in Ghana and Tanzania, including Washington, DC PFG staff via teleconference.

This will be delivered prior to departing the country while there to conduct the field visit. This presentation will update the team on the status of evaluation progress, identify any outstanding data or information, and describe any preliminary evaluation findings to date.

5. **Draft Evaluation Reports** *(See Deliverable Six for types and quantities of reports)*

Draft reports will be provided for all final reports outlined in deliverable seven.

Draft reports "a" and "b," as described in deliverable six, are due to the COR within four weeks after the end of the field visit.

Draft report "c" is due two weeks after the presentation (deliverable seven) of report "b."

The evaluating findings shall be treated as an independent assessment and opinion of the contractor. USAID, Ghana and Tanzania government stakeholders will review the draft evaluation report with the expressed and sole objective of reviewing the factual accuracy of any information contained therein and to indicate areas where further clarifications are warranted. The contractor should attempt to understand these concerns, making adjustments where appropriate, while continuing to maintain the report's independence and objectivity.

The evaluation reports should include but may not be limited to the following elements:

1. Executive Summary
2. Objectives of the evaluation, including evaluation questions
3. Methodology used and limitations of study
4. Results of analysis, assessment of performance against evaluation questions, and to what extent results can be attributed to the actual interventions

5. Key lessons learned and recommendations

6. **Final Mid-Term Evaluation Reports**

The contractor will provide three Mid-Term Evaluation Reports:

a. A mid-term evaluation report covering the country-specific and cross-cutting findings, lessons learned and recommendations for Ghana;
b. A mid-term evaluation report covering the country-specific and cross-cutting findings, lessons learned and recommendations for Tanzania;
c. And, a report that compares and contrasts the findings, conclusions and recommendations from the cross-cutting questions in Ghana and Tanzania, to identify commonalities in the PFG process regardless of the location of its implementation.

Report "c," in the list above will be issued after the completion of both the Ghana and the Tanzania fieldwork.

Reports will be due to the AM within 1 week of receiving AM written feedback on the draft evaluation report (see schedule below for total estimated time line). Reports must adhere to the evaluation report requirements outlined USAID's ADS chapter 203.3.1.8.

7. **Evaluation Report Presentations:**
   a. Due within 1 week after the delivery of the accepted final report "a" under deliverable six, the proposer will deliver an in-person presentation in Washington, DC, to Washington-based USG PFG staff and to national and U.S. government personnel in Ghana, who will participate via video or teleconference.

   b. Due within 1 week after the delivery of the accepted final report "b" under deliverable six, the proposer will deliver an in-person presentation in Washington, DC, to Washington-based USG PFG staff and to national and U.S. government personnel in Tanzania, who will participate via video or teleconference.

V. TEAM COMPOSITION

For the life of the contract, the team will contain two permanent staff members, the Evaluation Team Leader and the Data Methods Specialist. For each country, two additional evaluation specialists with sector-specific experience will be added for those portions of the contract. For example, the Ghana evaluation will require an evaluation specialist with experience in electric power and an evaluation specialist who has a background in public finance and credit. The Tanzania evaluation will require an evaluation specialist with a background in electric power and another with a background in rural roads.

The Offeror is encouraged to consider the inclusion of country nationals or regional country nationals to the evaluation team. In addition to their core technical specialties, country nationals are instrumental in ground-truthing information analyzed during the evaluation and helping the rest of the team see the larger picture and put things in perspective.

The Offeror must verify the availability of any personnel working on the evaluation for more than 60 days. Please include letters of availability for all applicable personnel when submitting the proposal. Submissions not including letters of availability will not be considered for the award.

Evaluation Team Leader

a) An advanced degree in Economics, Business Administration, Statistics, Economic Development, or a related field;
b) At least 15 years professional experience in evaluation, including in overseas settings;
c) Experience managing teams and working with USG and international governments;
d) Proven ability to design and implement quantitative and qualitative research instruments and methodologies;
e) Ability to communicate in English.

Data Methods Specialist:

a) An advanced degree in social science, statistics or mathematics;
b) At least 7 years technical experience with qualitative and quantitative study design, questionnaire development, data collection, quality control, coding and analysis;
c) Ability to design, manage, and implement qualitative and quantitative field-based data collection for evaluations;
d) Proven competency in the use of data management software for evaluation;
e) Ability to communicate in English.

The following are suggested specialists required for each country:

Ghana

Electric Power Evaluation Specialist

a) An advanced degree in Economics, Business Administration, Statistics, Economic Development, Law, Criminology or a related field;
b) Five years professional experience in evaluation, including in overseas settings preferred;
c) At least 5 years of experience in the field of electric power;
d) Proven ability to implement quantitative and qualitative evaluation instruments and methodologies;
e) Ability to communicate in English.

Public Finance and Credit Evaluation Specialist

a) An advanced degree in Economics, Business Administration, Statistics, Economic Development, or a related field;
b) Five years professional experience in evaluation, including in overseas settings preferred;
c) At least 5 years of experience in the fields of public finance and credit;
d) Proven ability to implement quantitative and qualitative evaluation instruments and methodologies;
e) Ability to communicate in English.

Tanzania

Electric Power Evaluation Specialist

a) An advanced degree in Economics, Business Administration, Statistics, Economic Development, or a related field;
b) Five years professional experience in evaluation, including in overseas settings preferred;
c) At least 7 years of experience in the field of electric power;
d) Proven ability to implement quantitative and qualitative evaluation instruments and methodologies;

Rural Roads Evaluation Specialist

a) A law degree plus an advanced degree in economics, business administration or public policy
b) Five years professional experience in evaluation, including in overseas settings preferred;
c) At least 7 years of prior technical experience with a focus on rural roads;
e) Proven ability to implement quantitative and qualitative evaluation instruments and methodologies;

VI. EVALUATION MANAGEMENT

A) Logistics

The various POCs listed above will provide logistical support in terms of providing the team with the necessary U.S. and host-country contacts, contact information and required background information. Other logistics required for the execution of the evaluations will be the responsibility of the contractor. See section IV.d for additional information.

B) Scheduling

The contract is expected to begin in ______________ and run until __________. The Tanzania portion of the evaluation will precede the Ghana portion, while the cross-cutting elements will be spread across both. An evaluation schedule follows:

SEE ACCOMPANYING SPREADSHEET

Level of Effort

The USG has anticipated that the evaluation will require 526 personnel days to complete. An USG estimate of the time LOE by personnel is provided below, but the level and type of staff and their days is at the discretion of the Proposer.

TASKS (DAYS)	Team Leader	SME (1)	SME (2)	DMS
1. Work Plan –	3	1	2	3

2.Inception Report/ Preliminary Evaluability Assessment	**10**	**5**	**10**	**12**
3.Updated Methodology /Evaluation Plan.	**5**	**2**	**4**	**3**
4. Interviews in DC	**3**	**2**	**4**	**3**
5. Field Work	**18**	**18**	**36**	**18**
6. Field Visit Debrief	**2**	**2**	**4**	**2**
7. Draft Evaluation Report	**20**	**15**	**30**	**20**
8. Final mid-term Evaluation Report	**5**	**2**	**4**	**5**
9. Cross Cutting report	**5**	**2**	**4**	**3**
10. Evaluation Report Presentation	**2**	**4**	**4**	**2**
Per Country Totals	**73**	**53**	**102**	**71**
Additional Days for the Follow up	**2**	**2**	**4**	**2**
Additional Cross-Country Report	**10**	**0**	**0**	**10**
TOTAL LOE	**158**	**108**	**108**	**152**

SME = Subject Matter Expert
DMS = Data Methods Specialist

ANNEX 2. CASE STUDY: POLICY, STRATEGY, AND PLANNING, AND INSTITUTIONAL, REGULATORY AND STRUCTURAL REFORM IN THE POWER SECTOR

Introduction

Objectives of the Case Study

This case study reviews the implementation at mid-term of the PFG measures selected to strengthen Ghana's power sector and specifically address the issue of unreliable and inadequate supply of electrical power. The following two goals were selected to review in detail:

- Goal 1: Policy, Strategy, and Planning to support the continued development of energy sector plans, policies, and strategies to improve private investment in the power sector and to develop a transparent framework for natural gas resources; and
- Goal 2: Institutional, Regulatory and Structural Reform to enhance the financial viability, operational efficiency, and sustainability of power sector utilities.

The case study presents the process and conclusions of the PFG constraint analysis, the measures delineated in the JCAP, implementation progress to date, achievements at mid-term (end 2014-early 2015) regarding PFG Goal 1 and Goal 2, conclusions from the analysis and suggestions going forward.

Ghana PFG Timeline

The Ghana PFG initiative streamlined timeline is provided in the following table. The initiative was planned to be implemented over the 2013-2016/17 period.

ACTIVITY	COMPLETION/ISSUANCE DATE
Ghana Shared Growth and Development Agenda (GSDA)	September 2010
Ghana Constraints Analysis	Issued August 2011
Joint Country Action Plan (JCAP)	Issued February 2013
Monitoring and Evaluation (M&E) Addendum	Issued 2013
First Score Card	Issued and discussed at the PFG Joint Steering Committee covering the March 2013-February 2014 period
Second Score Card	Issued and discussed at the PFG Joint Steering Committee covering the March 2014-February 2015 period

Organization of Ghana's Energy Sector

Since the unbundling of the Volta River Authority (VRA) in 2008 the Ghana energy sector (power and natural gas) has undergone significant transformation. This reform and transformation process is ongoing. Ghana's power system has evolved from a fully integrated power utility (VRA, 100 percent state own) into an unbundled power system including private independent power producers (IPPs), transmission and distribution utilities and natural gas producers and infrastructure providers. A significant change in the fuel mix is underway with the development of domestic natural gas resources and the likely introduction of liquefied natural gas (LNG). The stakeholders in the electricity and gas sectors are discussed below.

Policy, strategy and implementation coordination are carried out and coordinated by the Ministry of Power, the Ministry of Petroleum, and the Energy Commission (also intervening as the technical regulator of Ghana's electricity and natural gas industry, and of the renewable energy industry).

The unbundled power sector comprises the following corporate entities:

- Generation: currently three thermal IPPs (TAQA located at Takoradi (220MW), Sunon-Asogli located in Tema (200 MW with a planned extension to 360MW) and CenPower located in Tema (126MW), Bui Power (hydro) and Volta River Authority (the state-own generator operating the Akosombo hydro infrastructure and some thermal and renewable units, particularly in Takoradi). There are a number of IPPs notably Sunon Asogli, TICO and Cenit.
- Transmission activities are carried out by the state-own GridCo.
- Distribution activities are carried out by the Electricity Company of Ghana (ECG) the largest distributor, and by Northern Electricity Development (NEDCo), focused mostly in the northern areas of the country.

Natural Gas extraction activities are taking place in the Jubilee, and the Guye Nyame fields, and processing in the Atuabo gas processing plant and Ghana National Petroleum Company (which took over operations of the Gas National Gas Company). Natural gas is also transported by WAPCO from Nigeria through the regional West Africa Gas Pipeline.

Regulatory activities for electricity and gas operations are carried out by the multi-sectoral Public Utility Regulatory Commission (PURC) – economic regulation, and by the Energy Commission – technical regulation.

A joint Steering Committee chaired by the Ministry of Finance Coordination oversees the implementation of the PFG initiative. A Power Technical Working group has also been established comprising representatives from the relevant energy entities. This technical group reviews progress and prepares the PFG scorecards.

Long term advisors (financed by USAID and Power Africa) are embedded in the Ministries of Power and Petroleum. Short term advisors are also participating.

Current Issues in Ghana's Energy Sector

Over the past five years Ghana's energy sector has registered some progress but has also been plagued by serious problems. Progress in the electricity sector is illustrated by the following:

- In power generation through the commissioning of IPPs (Suno-Asogli was commissioned in 2009) CenPower is yet to be commissioned), the development of a robust portfolio of private sector sponsored generation projects (including renewables), and the commissioning of the Bui hydroelectric project;
- In distribution through the progressive implementation by ECG of an advance metering system and the installation of prepayment meters; and
- Significant progress made regarding the domestic production of natural gas (from the Jubilee field and the Atuabo processing plant) and the completion of the gas master plan and gas pricing strategy in 2014.

However, particularly in the first part of 2015 the available generation capacity supplying the interconnected power system at the VRA Takoradi thermal units could not be dispatched because of plant maintenance and lack of access to liquid fuel leading to extensive load shedding. The GOG was aiming to resolve the substantial gap of 500-600MW between available generating capacity and demand by the end of 2015 as the GOG is actively negotiating with suppliers for additional thermal capacity. However, given the magnitude of the task and the difficult negotiations this now seem very unlikely. Further, this may have a long term cost-increasing impact on Ghana's power sector as these units are most likely not part of the least-cost solution and not planned as part of the national budget.

Ghana's energy sector faces serious challenges. These include:

- Insufficient available generating capacities creating extensive and costly load shedding;
- End-user tariffs significantly below an efficient cost-of-service, and relatively inefficient distribution entities unable to raise sufficient revenues to pay the generators (and indirectly the fuel suppliers) and transporter, and to carry out appropriate maintenance and customer service;
- Long deferred investment adversely impacting the quantity and quality of service; and
- Significant accumulated arrears and debt in particular of the main distributor (ECG), reflecting years of poor sector management and electricity bill payments both by private and public ECG customers.

Relevance of the Constraint Analysis for Ghana's Power Sector (2011)

To fully understand the pace of progress made over the last few years in Ghana's energy sector, it is important to note the macroeconomic and political context in which the energy sector has been and is currently operating. The CA concluded that Ghana had made noteworthy progress in promoting development on both political and economic fronts. Although the economy grew at a reasonable rate over the last decade, continuing at this pace will not however deliver Asian Miracle-type growth or the pace of transformation that Ghana is seeking, even with domestic production of oil. Growth and structural change have been mainly driven by public investment (financed from international aid); whereas private investment has been slow to respond. The fiscal and debt situations remain worrisome, with internal budgetary slippages and continued pressure for increases in recurrent spending. Sustaining Ghana's growth and development will require significant increases in the level of private investment.

Among the constraints preventing higher and sustainable growth, the CA concluded that the evidence shows that the supply of power has not kept pace with the demand as evidenced by the declining electricity production per capita. Meanwhile, high transmission and distribution losses cause the effective supply to economic agents to fall significantly short of the production capacity that exists. Furthermore, the available power supply is highly unreliable, with frequent and prolonged outages disrupting production, damaging equipment, and forcing firms to rely on generators to provide standby power. The CA concluded that insufficient and unreliable power is causing losses of at least 5.6 percent of GDP. Firms are pointing to power as being the most important constraint to their growth. The CA study therefore argued that unmet demand and unreliable power is a binding constraint to growth in Ghana.

As indicated above, there is a consensus among the GOG, energy sector entities, USG entities, and in the development community in general, that the Ghana joint CA appropriately selected one of the key binding constraints to sustainable economic and social growth in Ghana. The abovementioned large amount of load shedding in mid-2015 is a strong reminder of the importance of a well-functioning power sector and of the need for actions that support a technically and financially resilient power sector.

Furthermore, based on the interviews carried out by the evaluation team, there is a consensus that the Ghana JCAP identified key underlying problem areas that contribute to the limited and unpredictable power supply and need to be addressed for an efficient performing sector. As defined in the JCAP the following five PFG goals should be pursued: 1) Policy, Strategy and Planning; 2) Institutional, Regulatory and Structural Reform; 3) Electricity Demand and Generation Capacity; 4) Transmission and Distribution Infrastructure and Operations; and 5) Electricity Access in Rural Areas.

In addition to the PFG initiative, Power Africa, MCC Compact II, USAID, other US agencies, and bilateral and multilateral donors are providing significant financial resources and advisory support to address the power and gas sector constraints directly through investment financing or through budgetary support.

Implicit Theory of Change for the Energy Sector

Whereas a developing country like Ghana faces many economic and development challenges, not all challenges are equally restrictive to economic and social growth. Conceptually a growth strategy focused on alleviating the most binding constraints should therefore have the greatest impacts. As indicated above, the CA concluded that insufficient and unreliable electrical power was one of the binding constraints for Ghana's economic and social development.

The ensuing JCAP did not lay out a theory in support of the actions selected to address the binding issue of unreliable and inadequate supply of electrical power in Ghana, nor was a comprehensive logical framework developed, systematically linking development objectives with power sector outcomes, outputs and inputs, and more importantly, detailing the assumptions, risks and risk mitigation strategies.

The implicit theory of change in the Ghana JCAP (similar to diagnostic and approaches in other developing countries) was that an adequate and reliable supply of electrical power in Ghana would result if a series of problems – planning, regulatory framework, electricity pricing, investment, management performance – that have long plagued Ghana's energy sector (including the electricity and the gas sub-sectors) were dealt with, with the understanding that other reforms would also need to be forthcoming.

The JCAP determined that the lack of adequate and reliable supply of electrical power was due to several and inter-related factors summarized in the JCAP. These included:

1. A policy, strategy and planning process that needed to be enhanced (in the electricity, natural gas and renewable energy areas);
2. Inadequate electricity tariffing (as tariffs were covering about 75-80 percent of the (efficient) costs of services but also with respect to periodic adjustments reflecting changes in costs);
3. Poor distribution performance (transmission and distribution losses above industry standards and poor revenue collection for Aggregate Technical and Commercial Losses (ATC) of about 30-35 percent for ECG and 40-45 percent for NEDCo;
4. Inadequate investment in generation, transmission and distribution and in natural gas areas, and maintenance leading to poor reliability and quality of service;
5. Reliance on the national budget to finance through subsidies the operating deficits and some essential investment;
6. An energy mix too reliant on domestic hydroelectricity putting the country at risk;
7. Untapped energy efficiency and demand management potential; and crucially,
8. Insufficient participation of the private sector at all levels of the energy chain (investment in generation, transmission, distribution and in off-grid rural electrification and in the operational segments of the industry) as domestic public financing and development finance is and will continue to be insufficient.

The main tenets of the implicit theory of change for the Ghana’s power (and energy) sector were that the implementation of the JCAP measures addressing both policy, strategy planning and the regulatory framework, improving utility performance, and investment would in a sustainable way: 1) improve and ensure sustainably performing energy utilities which would entice investment financing notably from the private sector; and 2) through private sector investment and resources, limit dependence on scarce national budget resources.

Key assumptions and risks not explicitly mentioned (but certainly considered) in the PFG JCAP were: 1) a continuing performing macro framework; 2) the appetite and capacity of the international and domestic private sector to quickly react to changes in electricity tariffs or in the regulatory framework; 3) the perception of country risks and uncertainties (such as elections); and 4) The feasibility of the rapid changes at the technical and human resource levels expected within a four to five year period (2013-2016).

Implementation Arrangements and Evolution of the PFG

The PFG has been implemented by a joint team including representatives of GOG's Ministry of Finance, Ministry of Power, Ministry of Petroleum, Energy Commission, electricity sector entities in particular VRA, GRIDCo, ECG, NEDCo, natural gas entities (Petroleum Commission, Ghana National Petroleum Corporation), energy regulator PURC, and USG team lead by USAID including Power Africa, MCC, DOE, EXIM, USTDA, U.S. Treasury, and U.S. contractors, some embedded in the ministries of Power and Petroleum.

On the USG side, PFG provides the vehicle to coordinate the various USG agencies energy efforts in particular USAID, Power Africa and MCC (Compact II) and to interact with the Ministry of Finance.

PFG overall coordination is ensured by a Joint Steering Committee chaired by the Minister of Finance with a one-person Secretariat and is convened annually. A PFG power technical working group oversees the activities as per the JCAP and prepares the PFG scorecard.

PFG Monitoring and Evaluation Mechanism

The M&E Addendum issued in 2013 delineated three different monitoring levels and indicators for the 2013-2018 period: 1) macro-level indicators including: a) common program goals and b) constraints-specific goals; 2) goal-level indicators; and 3) lines of action or activity-level indicators. Monitoring at these three levels would provide information for plan management as well as information to the public about actual progress. The M&E Addendum also provided baselines (in general for 2012 or 2013) and targets (2018). The METSS was contracted by USAID to support the M&E system, mostly by collating and organizing the relevant information. With the participation of Power Africa and MCC (Compact II), the M&E mechanism is enhanced with relevant indicators (such as available generating capacity, actual and required reserve margins) and data collection support.

JCAP and Lines of Action Regarding Goal 1: Policy, Strategy and Planning and Goal

Institutional, Regulatory and Structural Reform and Findings

The following sections discuss the implementation of the JCAP measures associated with Goal 1: Policy, Strategy, and Planning supporting the continued development of energy sector plans, policies, and strategies to improve private investment in the power sector and to develop a transparent framework for natural gas resources; and with Goal 2: Institutional, Regulatory and Structural Reform to enhance the financial viability, operational efficiency, and sustainability of Ghana's power sector utilities.

Overview of the Ghana Joint Country Actions Plan (JCAP)

PFG Five Goals and Indicators for the Power Sector

The following table provides a summary of the five PFG goals and the indicators used to track progress. Goals 1 and 2 address the enabling environment (policy, strategy, planning and the regulatory framework); Goals 2 and 3 investment needs and implementation in power generation, transmission and distribution; and Goal 5 addresses Rural Access. According to the latest scorecard (February 2015), three of the five goals are on track and two of the goals - Goal 1: Policy, Strategy and Planning; and Goal 4: Transmission and Distribution Infrastructure and Operations are behind schedule.

GOAL 1. Policy, Strategy, and Planning - support the continued development of energy sector plans, policies, and strategies to improve private investment in the power sector and to develop a transparent framework for natural gas resources 1A. Cohesive power sector reform strategy which provides an overarching framework for improving utility operational and financial performance developed and implemented 1B. Long-term reliable gas supplies available for the operation of thermal power plants with a transparent framework for gas pricing and allocation developed and implemented 1C. Implementation of an integrated power sector master plan that builds upon existing sub-sector master plans and provides guidance for future investment plans 1D. Clear public policy and framework implemented for private sector participation in the power sector	***Behind Schedule***

Key Indicators:

- Consistent adherence or progress on implementation of sector policy and strategy milestones (P6)
- Proportion of gas-based generation as a percentage of thermal generation (P7)
- Absolute value and ratio of private versus public investment in electricity (P8A-B)

Goal 2: Institutional, Regulatory and Structural Reform - enhance financial viability, operational efficiency, and sustainability of power sector utilities 2A. Clear and distinct roles and responsibilities of policymaking, regulation, ratemaking, ownership, and operations in the gas sector	***On Track***

2B. Well-functioning processes of policymaking, regulation, and ratemaking that serve to attract investment into the sector and improve delivery of service and needed maintenance 2C. Improved management, operations and financial viability of operating entities in the power and gas sectors	

Key Indicators:

- Cost recovery of tariff (P9)[45]
- Average selling price of electricity (P10 A-B)
- Consistent application of automatic tariff adjustment schedule (P11)

Goal 3: Electricity Demand and Generation Capacity - support GoG capacity to improve energy security and growth through expansion and diversification of supply to include gas and renewable energy 3A. Prepare demand outlooks based on sound economic planning and modeling and which take into consideration efficient use of energy 3B. Expand generation to meet demand for power (including acceptable reserve margins) so as not to hinder economic activity and growth (expansion plans should consider demand side management and exploit environmentally friendly and sustainable options for power generation 3C. Further diversify generation types (including renewables) to minimize risks from low rainfall, fluctuations in oil prices, and other external shocks	***On Track***

Key Indicators:

- Megawatts of new IPP generation (P12)
- Electricity demand coverage ratio (P13)

Goal 4: Transmission and Distribution Infrastructure and Operations - improve utilities' performance and infrastructure, reliability of supply, and ability to support demand growth 4A. Improved network operations to meet suppressed demand and forecasted growth and improve quality of supply 4B. Increased efficiency and cost effectiveness of transmission and distribution assets 4C. Improved financial viability of companies in the sector 4D. Reduce commercial losses	***Behind Schedule***

[45] Percentage of generation, transmission and distribution costs recovered through tariff

Key Indicators:

- Operating cost coverage for state owned utilities (P14A-D)
- Quick ratio ECG (P15)
- Aggregate Technical, Commercial and Collection Losses, by ECG and NEDCo (P16A-B)
- Transmission losses GRIDCo (P17)
- Total duration of outages, by rural, urban, ECG and NEDCo (P18A-F)
- Frequency of outages rural, by rural, urban, ECG and NEDCo (P19A-D)

Goal 5: Rural Access - improve rural access to power and effective management thereof 5A. Expanded electricity service access for rural communities 5B. Sustainable management and operation of rural electricity systems (Still Under Review)	***Ahead of Schedule***

Key Indicators:

- Rural access rate (P20)
- Off-grid generation (P21)

Monitoring Indicators: Three Global Indicators (G1-G3) are tracking GDP growth (G1); private fixed investment as a percentage of GDP (G5); and the ease of doing business (G6). Five macro constraints/issues specific to the electricity sector are also monitored: percentage of firms citing electricity as a major obstacle to doing business (P1); sale losses due to power outages (P2); diesel fuel consumption of firms (P3); electric power consumption per capita (P4); and the number of ECG and NEDCo customers (P5A-B). Progress regarding the five goals is tracked through 16 indicators (P6 to P21). Two PFG scorecards were prepared for Ghana's power sector, one for the March 2013 to February 2014 period, and the second for the March 2014 to February 2015 period.

Description of the LOAs corresponding to Goal 1 and Goal 2 selected for the Case Study (based on scorecard #2)

The following sections discuss the evaluation of the PFG joint implementation team regarding the program and macro goals and sector Goals 1 and 2, as described in scorecard #2. Program and macro goals are discussed here as they are important for general understanding.

Together the combination of the leadership at the highest levels of the GOG and USG and the resources made available through these initiatives appear capable within a two to three-year timeframe of resolving the binding constraints identified in Ghana's power sector.

It should be emphasized however that correcting such long standing issues requires: 1) a good macroeconomic and fiscal environment; 2) a significant amount of time most likely beyond the five year PFG completion horizon of 2016; and 3) as highlighted in the constraint analysis and in the JCAP, is dependent upon a substantial increase in private sector investment, which requires time. Private sector decisions and implementation timeframes are not just dependent on sector issues such as electricity and gas policy and strategies, regulatory framework, credible off-takers, tariffs and cost-recovery matters, but also on macroeconomic and political factors and real or perceived risks (such as elections, etc.).

Program and Macro Goals

The second scorecard assessment regarding the program and macro goals is presented below:

PFG PROGRAM GOALS	

Key Indicators

- GDP growth (G1)
- Private Fixed Investment as a percentage of GDP (G5)
- Ease of Doing Business Score (G6)

Ghana's economy continues to develop at a brisk pace with GDP increasing an average of eight percent since 2008, and an unprecedented 15 percent in 2011, due to commencement of full scale production of its offshore petroleum and natural gas reserves. As a consequence, Ghana was ranked the fastest growing economy in 2012, far surpassing its African counterparts to top the global rankings. While growth in GDP in 2012 and 2013 fell short of targeted levels, the country's economy continued to expand at an average rate of seven percent, maintaining its position as one of the fastest growing global economies. Foreign Direct Investment (FDI) as a percentage of GDP in Ghana according to the World Bank's development indicators was stable between 2011 and 2012 at 8.1 percent. Though this was a positive aspect of Ghana's economic picture, actual GDP growth in 2013, estimated by the IMF at 5.5 percent, was off its eight percent target. Budget deficits and macroeconomic imbalances were largely responsible. As a consequence, Ghana was downgraded in 2013 by international credit rating agencies Moody's Investors Services and Standard & Poor's Rating Services. In its 2014 budget, the GOG enumerated a number of fiscal policies aimed at curbing the budget deficit and stimulating growth by increasing revenues and focusing expenditures in the most productive sectors of the economy.

According to the World Bank's annual survey, based on the 2015 "Ease of Doing Business Index", Ghana is in the 70th position (69th position in 2014) out of a total of 189 countries and is the first ranked in West Africa.

MACRO CONSTRAINT **Unreliable and Inadequate Supply of Electric Power**	

Key Indicators:

- Percentage of firms citing electricity as a major obstacle to doing business (P1)
- Sale losses due to power outages (P2)
- Diesel fuel consumption of firms (P3)

- Electric power consumption per capita (P4)
- Number of Customers, by ECG and NEDCo (P5A-B)

The last Scorecard review and the monitoring indicators for Goal 2 are provided below:

- PFG Indicators P1, P2: The World Bank Enterprise Survey for Ghana for the Year 2013 19 percent of all firms indicated provision of electricity as the second major constraint in doing business, second only to access to finance which is cited by 50 percent of the firms as the most-important constraint. Data for base year (2012) or for 2014 is not available. The World Bank Enterprise Survey for Ghana for Year 2013 estimates the sale loss due to electricity at 11.5 percent of total sales.

- PFG Indicator P3: Diesel fuel consumption by firms is not available in the World Bank Enterprise Survey, but may need to be estimated exogenously by conducting a sample survey.

- PFG Indicator P4: Electricity consumption per electrified customer has been compiled for ECG, NEDCO and VRA (for direct customers such as mines, etc.).
  - ECG: Planned per capita energy consumption for ECG in 2013 was 2,500. However, the actual per capita consumption was 2,487. The negative variance of actual to target (0.52 percent) was primarily due to a shortfall of generation due to the shattering of the West African Gas Pipeline which occurred in 2012 and continued until August 2013. Because of the performance and persistent challenges in 2013, the planned per capita consumption for 2014 was revised down to 2,213. Actual performance for 2014 was however 2,146. The negative variance of actual to target of 3.02 percent was primarily due to a generation shortfall which necessitated load management. Inadequate rainfall over the past two years in the north impacted negatively on hydro generation.

  - NEDCO: In 2014, electricity consumption per capita in the NEDCo service area increased marginally by around 3.1 percent above the 2013 baseline value (105kWh vs. 102 kWh). This increase was based on the assumption that the total population of the area has not increased since the 2010 census.

- PFG Indicator P5: New customers are steadily being connected to the national grid network via the National Electrification Program in line with the GOG's policy of achieving universal access by 2016. The National Electrification Program is being implemented through a number of projects in both ECG and NEDCo areas.
  - Total ECG customer numbers at the end of 2014 were 2,952,146 compared to the 2013 value of 2,612,017, an increase of 3.06 percent. Again, the achieved 2,958,631 fell short by 0.23 percent against the annual target of 2,980,000 as a result of a number of completed Self Help Electrification Projects (SHEP) yet to be captured in the ECG database. A substantial number of customers were connected through rural electrification projects such as the Ghana Energy and Development Access Project (GEDAP) grid extension and intensification projects, as well as through SHEP. The customer base is expected to continue to grow.

- NEDCo had 595,903 customers at the end of 2014, a 15.1 percent increase over the 2013 baseline value of 517,711. This substantial increase is due principally to ongoing electrification projects sponsored by the GOG in NEDCo's operational areas.

Goal 1 Implementation: Policy, Strategy and Planning

The following table provides a description of the activities under PFG Goal 1 and an assessment of results.

GOAL 1. POLICY, STRATEGY AND PLANNING - support the continued development of energy sector plans, policies, and strategies to improve private investment in the power sector and to develop a transparent framework for natural gas resources 1A. Cohesive power sector reform strategy which provides an overarching framework for improving utility operational and financial performance developed and implemented 1B. Long-term reliable gas supplies available for the operation of thermal power plants with a transparent framework for gas pricing and allocation developed and implemented 1C. Implementation of an integrated power sector master plan that builds upon existing sub-sector master plans and provides guidance for future investment plans 1D. Clear public policy and framework implemented for private sector participation in the power sector	***Behind Schedule***

Key Indicators:

- Consistent adherence or progress on implementation of sector policy and strategy milestones (P6)
- Proportion of gas-based generation as a percentage of thermal generation (P7)
- Absolute value and ratio of private versus public investment in electricity (P8A-B)

The last Scorecard review and monitoring indicators for Goal 2 are provided below:

- PFG Indicator P6. During the March 2014-February 2015 period the PFG/JCAP provided the framework for sustainable development of the energy sector through the implementation of reforms, increasing the generating capacity through facilitation activities under 'Power Africa', and bringing about efficiency improvements through Private Sector Participation (PSP) in electricity distribution under the MCC second Compact.

- Progress on the implementation of sector policies and strategies is slow. The following key activities are pending to be implemented: 1) competitive acquisition of power; 2(b) clearing of circular debt/public-sector arrears; 3) private sector participation in the distribution entity (ECG); and 4) efficiency improvements in the overall operation of the sector. The resolution of the handling of Ghana's legacy hydro resource is also behind schedule.

- PFG Indicator P7: Total thermal generation for 2013 was 4,664 GWh of which 1,1810GWH (25.3 percent) was from natural gas and 3,476.7GWh and 6.9GWh were from light crude oil and diesel, respectively – together making 74.54 percent of the total thermal generation. In 2014, of the total thermal generation of 4,597.8 GWh, 2,271.8 (49.41 percent) was from natural gas and 2,325.9 GWh (50.59 percent) was from light crude oil. A comparison of the 2013 and 2014 generation figures shows a 15.80 percent increase in gas-based thermal generation in 2014. This was as a result of the improved supplies from Nigeria and the completion of the Atuabo Natural Gas Processing Plant.

- PFG Indicator P8A-B: CenPower received an investment of about $900 million for a new IPP. Total public investment from VRA, GRIDCO, and ECG in 2014 amounted to close to $379 million. Therefore, the ratio of private sector investment in 2014 was 2.369.

Evaluation Team's Comments Regarding Goal 1 Progress: Policy, Strategy, and Planning

As indicated earlier, while it is acknowledged that some PFG activities are behind schedule and currently the available power generation capacity is insufficient to meet the demand (with an estimated gap of 300-400 MW), over the past two years Ghana's energy sector has made significant progress. The development of domestic production of natural gas available for power generation is notable. The commissioning of two IPPs and the expressions of interest manifested by private sector investors in grid and off-grid power generation should be noted along with progress in reducing technical and commercial losses.

The evaluation team broadly agrees with the scorecard conclusion regarding Goal 1 that progress with respect to the goal of improving the policy, strategy and planning aspects is slow. Therefore Goal 1 may be assessed as being behind schedule. However, it is important to note that implementation of the PFG initiative only commenced in 2013. Realizing significant changes in policy, strategy and implementation involving multiple institutions and actors requires more than just two years. Many of the specific milestones recorded over the past two years may be considered positive forward looking indicators towards realizing Goal 1 over a longer period of time.

The evaluation team conclusions on this goal are presented below including the team's ranking of achievements and under-achievements:

Main Achievements under Goal 1

Overall, over the two-year period of PFG implementation significant progress has been made particularly regarding the diversification of the energy matrix through the increased role of natural gas in power generation, the increased participation of large IPPs, and the decision regarding private sector participation in ECG. However, several strategy and planning issues have not been completed. These include the development of the electricity sector master plans including regulations to assist with the assessment of large investment decisions, competitive procurement, and renewable energy and pricing policies (for example, a REFIT tariffing, and auctioning mechanisms).

- *Diversification of the Energy Matrix:* With the development of domestic gas resources with respect to power generation, the diversification of the energy matrix away from hydro and liquid fuels is a critical development for the sector. The development of renewable generation for grid supply should contribute towards increased diversification of the energy matrix in the future.

- *Role of private sector expanding:* Two large IPP projects have recently been developed successfully. There are also potential opportunities for private participation in electricity generation, transmission, and distribution.[46] There is also substantial demand for private sector investment in the development of renewable energies, particularly in solar. However, translating potential demand into new private investment requires improvements in the regulatory and business environment. The framework in place for developing IPPs requires however further review. There is also a lack of clarity around contracting procedures and uncertainty around the credit quality of power purchasers which further constrain private sector involvement in the power sector.

- *Private Participation in ECG*: In May 2015, the GOG announced that after a review of feasible alternatives (partial privatization of ECG, concession with private sector participation.) it decided to proceed with private sector participation in an ECG concession. IFC was selected as the transaction adviser (financed through Power Africa and MCC Compact II).

Under-Achievements under Goal 1

Mid-way through the PFG initiative the main under-achievements under Goal 1 are in the areas of: planning for power generation, competitive acquisition of power, availability of power sector master plans, planning for transport of gas, gas sector regulatory framework and the renewable energy policy and pricing framework.

- *Planning Power Generation Availability:* The extensive electricity load shedding (estimated generation capacity gap of 200-250MW) illustrates some fundamental issues facing Ghana's electricity sector: 1) a lack of attention to generation availability (as compared to generation installed capacity) and to contingency planning (reserves margins); indicators on available generation capacity and reserve margin should therefore be added into the M&E mechanism; 2) a lack of comprehensive control of the inter-related components of the unbundled power system (generation, transmission and distribution); 3) the availability of the energy supply (hydro, gas, liquid fuels related in part to liquidities; and 4) comprehensive maintenance planning.
- *Competitive Acquisition of Power*: Decisions regarding new generation are not made on the basis of transparent competitive procurement practices. The lack of clarity around contracting

[46] See the brochure by Norton Rose Fulbright, Investing in the African electricity sector: Ghana Ten things to know. http://www.nortonrosefulbright.com/files/investing-in-power-in-ghana-100588.pdf

procedures and uncertainty around the credit quality of power purchasers further hinders private sector involvement in the power sector. There are potential opportunities for private participation in electricity generation, transmission, and distribution.

- *Power Sector Master Plan(s)*: The power sector master plan(s), particularly with respect to generation and transmission, has not been prepared. (It is understood that Nexant will initiate this activity in the second half of 2015.) Such a plan is important as it will provide a guide for the development of the sector and be the reference document for competitive bidding in generation and transmission (see above). It will also identify the transmission network bottlenecks and the investment requirements.

- *Gas Transport:* Discussions are ongoing regarding the development of the gas transport network including the role that the offshore West African Gas Pipeline could play in transporting gas from west to east, or if a new onshore pipeline should be built.

- *Transparent framework for natural gas resources*: Development of thermal generation is hampered by the lack of clear guidance from the GOG regarding the commercialization and pricing of natural gas. Without clarity on who will have access to natural gas and at what price, development plans for new thermal generation plants will continue to face delays. Development of thermal generation is also impacted by the absence of a clear strategy with respect to use of resources (e.g., gas, water) for power.

- *Renewable Energy policy and Pricing Framework*: Private sector appetite to develop Ghana's renewable energy resources has been demonstrated. However, while different proposals have been discussed, no clear policy or pricing decisions have been made regarding the broad policy, pricing, and selection of the investors in order to move forward.

- *M&E Indicators:* As indicated above, assessing existing and planned available generating (as well as transmission capacity) is critical. Currently, the tracking is focused on installed capacity. An indicator should be added.

Goal 2: Institutional, Regulatory and Structural Reform

PFG Power sector Goal 2 is presented below:

Goal 2: Institutional, Regulatory and Structural Reform - enhance financial viability, operational efficiency, and sustainability of power sector utilities 2A. Clear and distinct roles and responsibilities of policymaking, regulation, ratemaking, ownership, and operations in the gas sector 2B. Well-functioning processes of policymaking, regulation, and ratemaking that serve to attract investment into the sector and improve delivery of service and needed maintenance	***On Track***

2C. Improved management, operations and financial viability of operating entities in the power and gas sectors	

Key Indicators:

- Cost recovery of tariff (P9)
- Average selling price of electricity (P10 A-B)
- Consistent application of automatic tariff adjustment schedule (P11)

A power sector institutional reform program was initiated in the 1980s with the support of donors. Despite some progress notably unbundling the power sector into autonomous corporate entities, there are still problems that negatively impact the financial viability, operational efficiency, and sustainability of power sector utilities. With high losses and inadequate resources to maintain and expand electricity infrastructure, sector performance will likely worsen, ultimately further constraining economic growth and investment. Underlying causes include:

- *Underpriced electricity services*: Although PURC increased tariffs significantly in 2011, the new levels still did not support full cost recovery. For example, ECG's average total cost is 0.14 US$/kWh while the average effective tariff is 0.096 US$/kWh. VRA is also running a deficit due to the escalating cost and growing role of expensive thermal power. The problem is magnified because new thermal generation facilities are coming into the system at a higher cost than older hydro-based generation facilities, increasing financial losses over time. As a result, revenues of established public utilities are falling short of expenses and the resulting losses create a situation where there are not enough funds available to maintain or expand the current system. Furthermore, such pricing makes it uneconomical for the private sector to invest in the Ghanaian power sector.

- *Unresponsive tariff review and non-transparent tariff policy*: There are still problems with the implementation of the tariff regime, the GOG's subsidized tariff policy, and lack of a responsive appeals system for utilities. In addition, revenues from tariff increases may not be allocated efficiently among sector entities.

- *Poor utility operational and financial performance:* Relatively high system losses and low cost recovery have led to deterioration of the financial viability of the sector and hindered the utilities' ability to invest in network maintenance and expansion.

- *Weak utility financial performance impeding PPAs:* ECG and VRA are counterparties to long-term PPAs with IPPs. Although ECG and VRA prioritize generation payments, their weakening financial viability may eventually jeopardize payments to PPAs. This is further compounded by a high level of arrears by the GOG to the utilities.

- *Ineffective regulatory body*: Weak human resource capacity, high staff turnover, and financial constraints make it extremely difficult for PURC to completely fulfill its mandate. In addition, the governance structure of state-owned enterprises should be streamlined and depoliticized.

The last Scorecard review and monitoring indicators for Goal 2 are provided below:

- PFG Indicator P9: During 2014, PURC approved and published four quarterly adjustments. The major tariff was published in October 2014. PURC fully implemented the AAF in 2014. The automatic adjustment is a pricing mechanism which takes into account key variables in the pricing of electricity and water. The AAF is driven by the following key variables – exchange rate, inflation, crude oil and natural gas, power purchase cost, demand forecast, fuel mix, etc.

- PFG Indicator P 10 A. The impact of ECG price increases has been significant to both the distributors and customers. The average selling price of electricity increased from US$0.0815 in 2013 to US$0.1282/kWh in 2014 reflecting a price increase of eleven percent. This also exceeded the 2014 target of US$0.0983/kWh by seven percent.

- PFG Indicator P10 B. NEDCO's average selling price also increased in a similar manner from US$0.1151/KWh in 2013 to US$0.12246/KWh in 2014. However, one needs to take into account the sharp depreciation of Ghana Cedi vis-a-vis the U.S. dollar during the year, which constrained the purchasing capacity of the utilities with respect to imported distribution materials (conductor, transformers, meters, etc.). It is worth noting that most of NEDCo's customers fall within the lifeline tariff bracket (monthly consumption not exceeding 50kWh) contributing largely to the lower average selling price.

- PFG Indicator P11: Four tariff determinations for end-user tariffs were made by PURC in 2014 as per the agreed AAF, and took into account inflation, price of crude oil and natural gas, fuel mix (crude oil, natural gas, and distillate fuel, generation mix (hydro and thermal), and power purchase cost. The first such automatic adjustment went into effect January 1, 2014 with an average increment of 9.73 percent for the first quarter of 2014. There was a third tariff review of 12.09 percent in the third quarter of 2014 i.e., July to September, 2014. The four quarterly tariff determinations were made, published by PURC, and prices were subsequently passed on to the end-consumers as stipulated.

Evaluation Team's Comments Regarding PFG Goal 2

Institutional, Regulatory and Structural Reform

The evaluation team agrees with the overall scorecard assessment of implementation of Goal 2 being on-track. This is however an overall assessment for the goal (as noted in the scorecard) with positives and negatives.

Main Achievements under Goal 2

The main achievements under Goal 2 appear to be the decision to bring private sector participation into ECG, the electricity tariff adjustment mechanism, reduction of losses, and mobilization of Power Africa and MCC II financing:

- *Private Participation in ECG*: The GOG announced in May 2015 that after a review of a few options for private participation in ECG, the concession approach was selected.

Power Africa appointed the IFC to be the transaction advisor (the process will likely take 12-18 months). This is a significant sector development as ECG is the core entity for billing and revenue collection in the power sector.

- *Electricity Tariff Adjustment Mechanism*: A periodic (quarterly) adjustment mechanism is in place. However, the average revenue set by the regulator (PURC) is not adequate to reach cost-recovery (the average tariff is indicated to represent about 70 percent of a technically and economically efficient cost of service).

- *Reduction in Technical and Commercial Losses and Improvement in Revenue Collection:* During the period, progress have been made regarding ECG and NEDCo technical and non-technical losses, in particular through the continued installation of smart metering and prepaid meters.

- *Power Africa and MCC II financing:* A very important development in Ghana's power sector has been the participation of Power Africa and MCC (in particular through Compact II) with the ability to bring significant technical and financial support to Ghana's energy sector, not available under the PFG initiative.

Under-Achievements under Goal 2

Mid-way through the PFG initiative, the main under-achievements under Goal 2 are related to: the gap between current electricity tariff and cost-recovery levels, ECG credibility as the main off-taker of electricity, ECG arrears, the operational efficiency of the distribution utilities, and PURC effectiveness and processes.

- *Cost-recovery tariffing*: One of the key power sector issues relates to the end-user tariff which remains far (20-25 percent) below the "efficient cost-of service". Despite some tariff adjustments the average electricity tariff is estimated to represent about 70 percent of the cost of service. Furthermore there is no agreed path towards realizing cost recovery tariffs. A recent cost-of-service study is not available.

- *ECG credibility as the main provider*: In part because current electricity tariffs are significantly below cost, but also because of the relatively poor revenue collection by ECG and its accumulated arrears, ECG is not perceived as a financially credible provider. Investors in the electricity and gas sectors continue to rely on sovereign guarantees.[47]

- *ECG arrears:* ECG arrears are large. Although options have been discussed, a plan to resolve ECG arrears, particularly in the context of private sector participation in ECG, has not yet been approved.

[47] In the Memorandum of Economic and Financial Policies, 2015-2017 attached to the IMF 3 Year Arrangement under the ECF, the GOG agreed to quantitative targets for the contracting or guaranteeing of new external non-concessional debt (a ceiling of $1000m).

- *Operational efficiency of distribution utilities:* While there was some reduction in the technical and non-technical losses of ECG and NEDCo, their levels remain high. Further efficiency gains are expected through better metering, improved maintenance and private sector participation in management and operational activities.

- *PURC effectiveness and processes:* Questions have been raised about the ability of PURC to effect power tariff adjustments to reflect cost changes and about the tariff determination process.

- *M&E indicators for Goal 2:* Under PFG Goal 2, two additional indicators could be considered: 1) the path towards full cost-recovery based on tariffs adjustments; 2) the reserve margin indicator (ratio of available capacity vs. the demand taking into account that an economy normally wants to cover the loss of their biggest generating unit – n-1 scenario and sometimes n-2, this can be reduced with an effective regional power pool).

ANNEX 3. CASE STUDY: ACCESS TO FINANCE

Introduction

OBJECTIVES OF THE CASE STUDY

According to the PFG Ghana Constraints Analysis of August 2011, Ghana has made "noteworthy progress" on both political and economic fronts, and although the economy is growing at a "reasonable rate" (GDP growth rate at about three percent per annum), Ghana will not deliver the "Asian Miracle-type" rate of transformation and the current economic growth rate remains precarious. Growth and structural change have been driven by public investment while private investment has been slow to respond. With increasing budgetary slippages and growing pressure for increases in government spending, expanding private sector investment is essential to enabling Ghana to realizable sustainable growth. The Ghana CA examines and identifies the binding constraints to private sector investment and economic growth in Ghana.

This case study is a mid-term review of the measures that were initiated to address one of the root causes or binding constraints of Ghana's economic malaise, lack of access to credit for SMEs.

OVERALL CONCLUSIONS OF THE GHANA CONSTRAINT ANALYSIS (2011)

Macroeconomic Factors

a) From the 1990's Ghana has benefited from economic reforms implemented through its adoption of reform packages supported by the IMF and the World Bank. Major components included liberalization of exchange rate policy, privatization, and reforms in fiscal, monetary and trade policy. Based on CA report, in the 2000s Ghana's per capita growth rate of 3.5 percent per year placed Ghana near the top of the "modest growth" range and just short of the four percent threshold classified by Lant Pritchett as the minimum required for the rapid growth range.

b) In 2008 the Commission of Growth and Development (Spence Commission report) found that countries that achieve rapid and sustained growth typically invest 25 percent or more of national income financed via domestic savings rather than through foreign borrowing or foreign aid. Ghana's rate of domestic savings is quite low, averaging about 5.2 percent of GDP.

c) The Constraints Analysis was comprehensive in that it identified a broad range of issues that hampered economic growth in Ghana. Binding constraints are identified as principal barriers for a particular country at a particular time that to prevent the country from achieving and sustaining faster economic growth.[48] The binding constraints are believed to affect growth by preventing private investment and entrepreneurship from reaching levels they would attain in the absence of the constraints. The constraints to growth in Ghana were identified as the following:

Ghana Growth Constraints

Binding Constraints	• Credit • Power • Insecure property (land use) rights.
Severe Constraints	• Urban water systems • Road transport
Other Constraints	• Geography, human capital, taxes, corruption and macroeconomic risk

d) The CA discussed Ghana's current economic situation and provides analysis for why private investment in Ghana is low. According to the CA, Ghana's rate and composition of growth is improving since the 1980's economic collapse. The growth has averaged about three percent in real per capita terms with labor accounting for two-thirds of the growth and capital stocks accounting for one-third of the growth. Despite the growth rate, Ghana still lags behind comparator countries.[49]

e) According to the World Bank (2011), Ghana's rate of private investment to GDP is 12 percent, which is low particularly relative to most of its comparators.

CONSTRAINT ANALYSIS CONCLUSIONS REGARDING GHANA'S CREDIT SECTOR

a) Credit to the private sector in Ghana is low compared to other countries. Although Ghana's investment rate of about 25 percent is relatively high, its domestic savings rate is relatively low. The low savings rate can be partly explained by Ghana's high and persistent fiscal deficits, crowding out the private sector.

b) The fiscal situation, an outcome of high levels of public spending, perpetuates the savings-investment gap by keeping the interest spread very high. This keeps borrowing for investment purposes at low levels.

c) Credit is a major constraint to private sector investment as the limited credit that is provided to the private sector is primarily short term in nature and not suitable to finance medium and longer term capital investments.

[48] Binding constraints definition was developed by Hausmann, Rodrik, and Velasco (2005) "growth diagnostics" and since elaborated by the United States Millennium Challenge Corporation (MCC).
[49] Comparator nations include: nations with similar Gross Nation Income (GNI) per capita to Ghana- include Bangladesh, Benin, Kenya, Senegal, and Tanzania; A second set- the 'near term goal comparators- include Cape Verde, Mongolia, Morocco, Sri Lanka, and Vietnam; Ghana's "long term goal comparators-include Botswana, Ecuador, Korea, Malaysia and Thailand.

d) The constraint analysis shows that the high borrowing costs reflected in high interest rates and collateral requirements were key constraints to economic growth because they reduced access to credit and competitiveness, particularly in the SME sector.

e) Public sector arrears lead to high levels of non-performing loans (NPLs), which have increased risks in the financial sector and have led to banks increasing provisions for those NPLs, which in turn has stimulated higher interest rates.

f) High NPLs are also associated with weak SME capacity, which has increased lending risk. Banks have compensated with higher interest rates and stringent lending standards.

g) The financial system was exposed to risks that require a more effective regulatory and supervisory capacity within the GOG.

h) Limited development of the financial sector infrastructure has reduced efficiency in the financial system, which raises transaction costs thus increasing borrowing costs.

i) Lack of availability of non-bank financing mechanisms reduces competition for banks and leads to higher interest rates and interest rate spreads.

j) The size and financing of the government fiscal deficit, the level of Treasury bill rates, the level of inflation and the level of the reserve requirement all contributed to increasing the interest rate spreads. (CEPA Study, 2015)

k) Lowering interest rates are considered a key requirement for fostering broad-based economic growth.

OVERVIEW OF THE GHANA JCAP

Ghana was selected as a PFG country in 2012. The GOG was engaged in extensive analysis and consultation with the USG in developing the five-year JCAP completed in February 2013. The JCAP outlines the goal of the partnership and joint priority areas of focus. Thus through the JCAP, the goal of the PFG is to assist Ghana to sustain and broaden its economic growth by addressing key constraints that impede private sector development in the Ghanaian economy. Under the PFG initiative, the two main goals selected for Ghana to improve its economic growth performance are: 1) Strengthening the Power Sector and 2) Improving Access to Credit and Strengthening the Financial System.

As a result of the joint efforts that led to the Ghana CA, several constraints were identified as key and binding constraints to private sector economic growth and investment in Ghana: unreliable and inadequate supply of electric power and lack of access to credit. It was identified and agreed that the high borrowing costs reflected in high interest rates and collateral requirements were key variables that negatively impacted private sector access to credit.

In light of the credit related constraints outlined in the credit sectors CA above, the JCAP states that "PFG's goal will be to enable efficiency, expansion, and diversification of the Ghanaian financial sector to support increased growth in lending to the private sector with particular focus on small and medium enterprises."

Under the PFG-Improving Access to Credit, the USG and GOG will work jointly in partnership to pursue the goal by taking action in the following key areas:

1. Reduce Government Engagement in the Banking Sector
2. Strengthen Regulation and Supervision within the Financial Sector
3. Strengthen Financial Sector Infrastructure
4. Broaden and Deepen the Financial Sector
5. Support SME Access to Credit and Encourage Development Finance

Currently, three of the five goals (Goals two, three and four) are considered to be "on track" while two goals (Goals 1 and 5) are considered to be "not on track".

IMPLICIT THEORY OF CHANGE FOR THE CREDIT SECTOR

If performance is not on target or creating the outputs necessary to achieve the desired outcomes, the assumptions under theories of change are not working.

Theory of Change #1: Government Budget Deficit and Banks' Behavior

JCAP Goal 1 (Reduce Government Engagement in the Banking Sector) is grounded in well-established economic theory and practice. The theory is that if a government is financially undisciplined, a situation which often occurs in many developing countries, especially during election years and Ghana is no exception, it creates excessive deficit and must borrow excessively beyond its borrowing limit (if a limit exists) to finance the deficit. The deficit is funded by selling government securities to the public and the banks are the ones with the most liquidity to buy them. For the government to be able to sell the securities, interest rates rise and the private sector is crowded out. Non-performing loans at the banks increase. The public sector may also experience arrears in the payment of its financial obligations, including those to contractors and other providers of goods and services. Ghana's present situation matches the foregoing.

In monitoring the above problem in Ghana, the key indicators that the Ghana JCAP mentions that should be followed are:

- Government deficit;
- Government within statutory borrowing limits;
- Public sector borrowing from the banking sector;
- Value and ratio of public sector arrears as a percentage of expenditures; and
- Percentage of non-performing loans at the banks.

To address the situation, the key assumption is that GOG will adhere to JCAP's requirement that GOG will be restrained from excessive deficit. To achieve this, economic authorities recommend that government reduces its engagement in the Banking sector. This includes putting a restraint on GOG so that: 1) it stays within its statutory borrowing limit (see Senchi Consensus[50]), 2) limits public sector borrowing from the banking sector, 3) limits value and ratio of public sector arrears as a percentage of expenditures, and 4) limits the percentage of non-performing loans at banks.

In situations where governments own banks, as is the case in Ghana with the Agricultural Development Bank (ADB) and the National Investment Bank (NIB), there has been a record of excessive public sector lending which reduces the bank's profitability and may lead to insolvency. Financial sector reform led by the IMF and the World Bank has routinely advised Governments to divest for being state owned banks by bringing in private sector investors. The GOG has been advised to reduce its ownership in both the ADB and the NIB.

Whether GOG will be able to address its current economic/financial predicament depends on the political will to limit its budget deficit especially with elections coming in 2016. It is for this reason that when the respondents in the mid-term evaluation survey were asked to what extent are the goal-level commitments set forth in the JCAP capable of achieving the constraint-level outcomes, their opinions ranged from pessimistic statements like "not much", to conditional optimistic statements such as "capable of achieving the constraint level objectives and outcomes …but to what extent, he is not sure" and "capable….but is concerned about the extent of commitment by the GOG".

Ghana's economic problems are not solely due to fiscal mismanagement, exogenous factors including drought, and declining commodity prices have played a role. Whether the banks in Ghana will bring their interest rates down when government deficit goes down depends on their organizational structure and behavior, and the efficacy of the banking supervision regulations. The JCAP assumes that the banks will begin to reduce their interest rates when government deficit comes down. The dependence of the GOG on short term financing from issuing Treasury Bills in the domestic market effectively sets the floor for interest rates to the private sector. An on-going interest rate study, funded by USAID and carried out by CEPA aims to help address this issue. The first part of the study was presented at the March 16, 2015 PFG Steering Committee meeting.

Theory of Change #2: Financial Infrastructure and Banks' Behavior

The financial infrastructure in Ghana is being developed with the hope that they would reduce risk in the financial sector and bring down the cost of financial intermediation. Financial institutions which strengthen financial sector regulation and supervision such as BOG, SEC, NPRA and the insurance commission are examples of institutions which reduce risk. Other institutions and facilities in Ghana which reduce risk in the financial sector include Collateral Registry, Credit Bureau registry, Credit Bureaus, Eximguaranty, Venture Capital Trust, e-Zwich and GIFMIS.

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[50] Agreed at the National Economic Forum, May 2014.

To improve opportunities for greater SME access to credit, it would appear that improving risk management should be an important element for increasing their financing, not only from the perspective of better risk management by the SMEs themselves, but also from the ability of potential lender to estimate the riskiness of potential loan to SMEs. Much of the recent work by the Alliance for Financial Inclusion (AFI) in conjunction with the IFC of the World Bank Group has focused on improving SME access to finance, seeing it as the "missing middle" between microfinance and large scale commercial finance. Moreover, this work has included a significant number of case studies developed by officials from various AFI member countries, as well as by the IFC, that show specific approaches that have been used to improve SME access to finance.[51] Among the variety of approaches shown to facilitate risk management involves the use of information about borrowers' histories of loan repayment as, with such information, lenders can more readily make informed decisions about the riskiness of making a particular loan, especially when considering the likely costs of other approaches to acquiring useful information about an SME's potential riskiness. Moreover, the recent expansion of credit bureaus in Ghana and their use suggest that this potential is beginning to be realized in Ghana, perhaps for SMEs in particular.

A second theory of change relevant in addressing the question in this section is that with the development of these institutions and facilities (i.e. the financial infrastructure), the risk facing banks and other lending institutions and their costs of operation will go down. As above, it is also assumed that the banks and the other lending institutions will pass on the savings to their customers in the form of lower interest rate and there will be increase in the volume of credit.[52] If these two assumptions do not hold, performance will not be on target or PFG will not be creating the outputs necessary to achieve the desired outcomes.

IMPLEMENTATION ARRANGEMENTS AND THE EVOLUTION OF PFG

The PFG is to be implemented using a WGA by both the GOG and the USG. The "Whole of Government Approach concept denotes public services agencies working across portfolio boundaries to achieve a shared goal and an integrated government response to a particular issue."[53,54] WGA has been utilized widely due to its several benefits. For example, WGA has been recognized as a system for enhancing "the quality of services and benefit[ting] participating organizations by offering better processes, improved relationships, and greater capacity to respond to local needs, as well as more efficient use of resources."[55]

[51] GPFI and the SME Finance Forum (managed by IFC), "Enhancing SME Access to Finance: Case Studies," 2014

[52] The economic theory that underlines supply and demand under uncertainty is based on articles such as one by George Akerlof with the title "The market for lemons: Quality Uncertainty and the Market Mechanism". See the Quarterly Journal of Economics, Vol. 84 No. 3 (Aug 1970) pp 488-500

[53] Australian Management Advisory Committee's Connecting Government report (2004)

[54] Ling, Tom. (2002). Delivering Joined-Up Government in the UK: Dimensions, Issues and Problems. *Public Administration*. 80 *(4)*: 615 – 42

[55] Humpage, L. (2005). Experimenting with a 'Whole of Government' Approach: Indigenous Capacity Building in New Zealand and Australia. *Policy Studies*, 26*(1)*: 47-66

a) From the GOG side, the drivers of PFG are the BOG and the Ministry of Finance (MOF) as those two entities were taking the lead in arranging meetings and dispersing information. Although other GOG ministries and agencies like the SEC and NPRA had occasionally been part of meetings, they were less involved and relied on the MOF and BOG to lead. On the USG side, the PFG effort is being led by USAID and the Department of State via the U.S. Ambassador to Ghana's office. There has been occasional support from the Department of Treasury and the SEC. There has been less support from the USG side due to the lack of a discrete program or financial support tied to PFG with the U.S. government agency. However, the USG has financed a study by CEPA to assess and report back to the PFG leadership on the cause of the high interest rate spreads in Ghana and has arranged for its METSS to review and implement the scorecards for monitoring progress on the access to credit goals.

b) In addition to the WGA approach, the PFG also utilizes a concept called "non-assistance" in which the USG does not provide monetized assistance for its policy actions but relies more on non-assistance tools like diplomatic engagement. Unlike the power constraint, which receives monetary assistance via the MCC program, the credit constraint does not receive any significant monetary assistance. The SME access to credit root goal does receive some small support via USAID FinGAP, which provides technical assistance and financial incentives to assist agricultural SME's gain access to financing for agriculture value chains of rice, maize and soy in northern Ghana.

c) The JCAP goals and proposed contributions by USG and GOG were meant to address the various root causes associated with the access to cCredit constraint. Prior to PFG the GOG conducted FINSSP II to address many aspects of the five goals. The solutions that were recommended in the FINSSP II report were to be adopted according to the JCAP. However due to a lack of monetary support, many of these solutions were not adopted. This has been a source of frustration to GOG. There has been a decline in participation among GOG ministries and agencies as a result of the non-assistance policy of the PFG. Below is a table which shows the overlap of FINSSP objectives and the PFG access to finance goals.

FINSSP II Objectives with the PFG Access to Finance Objectives

FINSSP II Objective		PFG Access to Finance
1	The domestic financial sector to be the preferred source of finance for Ghanaian Companies	Goal 1 Reduce government engagement in the banking sector and Goal 5 Encourage development finance and support SME access to finance
2	Promote efficient savings mobilization	Goal 4 Broaden and deepen the financial sector, and Revised Goal 4 Reduce Interest Rates
3	Enhance the competitiveness of Ghanaian Financial Institutions	Goal 2 Strengthen Financial Sector Regulation and Supervision, and Goal 3 Develop the Financial Sector Infrastructure
4	Ensure a stronger and more facilitative regulatory regime	Goal 2 Strengthen financial sector regulation and supervision
5	Achieve a diversified and competitive domestic financial sector	Goal 4 Broaden and deepen the financial sector which references many of the FINSSP objectives

FINSSP II Objective		PFG Access to Finance
6	Promote education, public awareness, capacity building and financial literacy	Goal 4 Broaden and deepen the financial sector

The JCAP indicates that PFG aims to support measures that enable Ghana to join the ranks of the high performing emerging economies. Assistance is to focus on implementing reforms that improve key factors of production and costs, enhance Ghanaian competitiveness, and support broad-based economic growth. The enhanced engagement should measure and evaluate progress along such lines of goals and objectives set in individual programs.

With regard to the lack of access to credit constraint, as Ghana pursues the modernization of its infrastructure and develops and diversifies its economic base, it is critical that there is greater access to finance to support the necessary long-term investment in public and private sectors. In particular the private sector will pay a pivotal role in Ghana's development and modernization and access to finance must be available at all levels.

Benchmarks and Indicators-Access to Credit

The GOG and USG will work together to assure that an evidence-based M&E Plan framework will be put in place. The framework will identify key performance indicators for each JCAP goal. The following are the key indicators for the five goals associated with lack of access to credit and financial system strengthening in the JCAP. According to the JCAP, these are the PFG benchmarks and indicators that align with the priority elements of the GSGDA on the country's path towards: inclusive growth; higher GDP growth; a decline of poverty incidence, annual growth of more productive (i.e., formal sector) employment; and increased GDP per capita. These benchmarks will be used to assess progress towards alleviating binding constraints and achieving the overarching PFG goal of accelerated economic growth.

a) Reduce Government Engagement in the Banking Sector

Key indicators may include:

- Percentage decline in state and parastatal ownership in Ghanaian banks
- Percentage decline of NPLs in banks with state and parastatal ownership
- Decline in real interest rates
- Reduction in government borrowing from the banking sector

b) Financial Regulation and Supervision

Key indicators may include:

- Implemented plan to strengthen Bank Supervisory Department
- NPRA fully functional and effective in providing oversight to the pension industry
- Percentage reduction in NPLs

c) Financial Sector Infrastructure

Key indicators may include:

- Decline in real interest rates
- Decline in net interest margin
- Increased deposit mobilization
- Usage rate of e-Zwich payment system

d) Broaden and Deepen the Financial Sector

Key indicators may include:

- Growth in private sector credit as a percent of GDP
- Decline in the net interest margin (spread)
- Increase in percentage of total financial sector assets held by NBFIs
- Number of banks having SME units
- Increase in the percentage as well as absolute increase of credit provided to SMEs
- Operationalization of plan to broaden and deepen financial sector
- Growth of secondary market trading
- Lengthening of the tenor for benchmark government bonds

e) Development Finance and SME Access to Finance

Key indicators include:

- Increased availability of long term credit for SMEs, housing and other targeted finance objectives
- Growth in the number of issuances and capital raised by SMEs listed at the GSE
- Operationalization of plan to sustain and coordinate key GOG development finance institutions
- Sustained increase in financial literacy

Monitoring and Evaluation

The JCAP includes a rigorous M&E process. This process is meant to evaluate progress on each constraint to growth, as well as the PFG effort as a whole, and includes the following activities: semi-annual performance reporting that is public and based on chosen indicators and benchmarks; an annual high-level bilateral review that is accompanied by a public forum, and a rigorous mid-term and final implementation evaluation conducted by a third-party.

Progress on the commitments made in the JCAP will be subject to evidence based monitoring and evaluation by the GOG and USG. In a desire for evidence-based decision-making and fact-based monitoring, quantitative and objectively verifiable Information is to be used to manage JCAP Implementation in order to achieve and measure results. This is done through the use of indicators accessed based on data that comes from financial and economic institutions and a scorecard, which is produced using the indicators. Based on the achievement of a set of indicators ascribed to a goal, one can determine if the goals are on target or behind target. The scorecard, which is color- coded and indicates if the goal is behind schedule (yellow), on track (light green), ahead of schedule (dark green) or completed (blue).

METSS has taken charge of the M&E plan. However, METSS itself states that the PFG Secretariat prepared the M&E plan and METSS is helping to implement it, implying that METSS accepted the M&E plan as it is. METSS was given this responsibility only recently (at the end of February 2015). It is not clear from the scorecard what the exact indicator scores were and the source of the information that went into the indicator score. From discussions with several agencies like GSE and Venture Capital Trust Fund, it was evident that they were not aware of the role of PFG and that their performances fed into a PFG scorecard.

Scorecard Performance

The latest (March 2015) Annual Access to Credit scorecard for 2014 indicated that two goals were not on target and three goals were on target.

<u>The three goals considered to be “on track,” were:</u>

- Strengthen financial sector regulation and supervision
- Develop the financial sector infrastructure and
- Broaden and deepen the financial sector

<u>The two goals considered to be behind schedule were</u>:

- Reduce government engagement in the banking sector
- Encourage development finance and Support access to finance for SMEs

JCAP and LOAs Regarding Root Cause 1: SME Lack of Access to Credit and Encourage Development Finance.

The Ghana JCAP dated February 1, 2013 covers the 2013-2018 timeframe. It is a bilaterally coordinated five-year action plan developed in partnership and includes policy decision-making, resource prioritization, coordinated implementation and evaluation, and a mechanism for dialogue driven adjustments. The main goal of the JCAP over the five-year period is to unlock the five constraints outlined in the JCAP covering lack of access to credit. This section of the report focuses on goal five in the JCAP or the SME Lack of Access to Credit and Weak Development Finance Institutions.

At the mid-term, three of the five goals are considered to be on track, while the other two are considered behind schedule. Those that are behind schedule are: Reduce Government Engagement in the Banking Sector and Encourage Development Finance and Support SME Access to Finance. Because of the added value of contributing to helping activities that are behind schedule, these clearly should be among the areas selected for focus. For a variety of reasons, including a current world-wide view of the importance of expanding financial inclusion, involving the challenge presented by SME finance in particular, the fifth goal, "encouraging development finance and supporting SME access to finance" has been selected for the present case study.

Root Cause 1: SME Lack of Access to Credit and Weakness of Development Finance
Under the PFG JCAP for access to credit, the three activities listed below would lead to the achievement of the SME access to finance goal:

- Improve access to finance and improve the management and operational capability of SMEs.
- Promote financial literacy among small and medium scale enterprises.
- Ensure the sustainability and optimal efficiency of key development finance institutions such as Rural Banks, Eximguaranty, Venture Capital Trust Fund and Agriculture Investment Fund.[56]

Proposed GOG Actions

As discussed above the action goals were derived from the GOG work done via FINSSP, which was completed by the GOG in April 2012. Thus many of the actions were taken directly from the FINSSP strategy document.

- Develop within one year and implement over four years an Action Plan to improve access to finance for small and medium enterprises government and donor funded SME support initiatives (operating on commercial principals and building upon successful governmental small and medium business development initiatives in other countries) including the potential for a 'one-stop shop'. (MOTI)
- Continue to support financial literacy. (MOFEP/BoG) (FINSSP recommendation 86)
- Develop within six months and implement over the next four years an Action Plan to ensure the sustainability, coordination and optimal efficiency of key development finance units as well as new independent development financial institutions to support targeted economic diversification growth sectors. (MOFEP)

[56] The main role of Eximguaranty is to assist SMEs in accessing credit through substituting for the lack of collateral, initially working most often in the agricultural sector but now mainly in construction. Loan guarantees have a maximum of 75 percent of the loan, and processing fees range from 3.5 to 5.5 percent. While these guarantees may help with access to credit, they do not reduce the interest rates charged.

The Venture Capital Trust Fund (VCTF) was established in 2006 and has provided long-term, low-cost funding to 47 SMEs in the healthcare, agribusiness, and hospitality sectors in amounts ranging from US$29,000 to US$500,000, with start-ups representing 60 percent of the enterprises supported. Under the proposed program the VCTF is to receive both financial and technical support to achieve its increased responsibilities to support SMEs. In its web-site, the VCTF indicates that a main thrust will also be in the power sector, Ghana's other priority sector.
The Export Development and Investment Fund (EDAIF), established in 2000, provides financing for the development and promotion of Ghana's exports and was amended in 2001 to include financing for agriculture and agro-processing. It provides loans at low interest rates (currently 12.5 percent) to SMEs through 28 partner banks and has reached some 800 SMEs. The loans are short-term up to 2 years, medium-term up to 5 years, and long-term up to 10 years, and are processed by partner banks that apply their own appraisal systems. Funds are also provided for grants for trade missions, business associations, and free zone operations.

- Develop a strategy to address the serious capacity constraints in the rural banks focusing on technical capacity development, reform of ownership to expand their geographic scope and establishment of prudential lending practices. (MOFEP, BOG)

Proposed USG Actions

- Support for a work plan to coordinate and strengthen the sustainability of SME focused and other specialized development finance institutions (such as housing finance) and small business support services. (USAID, SBA)
- Support for establishment of a balanced scorecard/dashboard indicator, which would assist government policy-makers in tracking economic performance. (USAID and UST)
- Support for financial literacy. (USAID)
- Potential support for rural bank capacity building. (USAID)

PFG Scorecards

According to a draft of the M&E Addendum to the JCAP, the following were to be the quantitative measures for the scorecard rating of Encourage Development Finance and Support SME Access to Credit.

No	Indicator Name	Definition	Unit	Baseline Year	2013 Target	2013 Actual	2014 Target	2014 Actual
C23A	Private Credit to SMEs	Number of individuals with access to private credit	Number	N/A	N/A	N/A		
C23B		Number of firms with access to private credit	Number	N/A	N/A	N/A		
C24	SME Credit from DFIs	Number of SMEs supported by DFIs (to be set up in 2014)	Number	TBD	TBD	TBD		
C25	NPL's in Rural and Community Banks	Percentage of non-performing loans in rural and community banks, excluding universal banks	%	9.5% 2012	TBD	10.86%	N/A	10.6
C26	Volume of Credit Extended by Rural Banks	Volume of credit extended by rural banks	GHS	623.10 million	30% increase over baseline	761.8 million (22% over)	N/A	777.52 million (24.7% over)
C27A	SMEs of Stock	Number of issuances by SME's listed	Number	TBD	TBD	Not yet in operation	N/A	1

No	Indicator Name	Definition	Unit	Baseline Year	2013 Target	2013 Actual	2014 Target	2014 Actual
	Exchange	at the GSE						
C27B		Value of capital funds raised by SMEs on the GSE	GHS	TBD	TBD	Not yet in operation	N/A	38.6 million
C28A	Number of Employees	Number of Employees employed by SMEs	Number Male	TBD	TBD	N/A		
C28B			Number Female	TBD	TBD	N/A		

As discussed above the annual scorecard for 2014 indicates that goal five is behind schedule. According to the scorecard, the indicators that were reviewed included the following:

- Private credit to SME's, number and value (C23A-B)
- SME credit from Development Finance Institutions (C24)
- Non-performing loans in rural and community banks (C25)
- Volume of credit extended by rural banks (C26)
- SME's on Stock Exchange (27A-B)
- Number of SME employees (C28 A-B)

The review in the scorecard, explaining the behind schedule score was as follows:

"*There is an improvement over the 2013 behind schedule mark. This is as a result of the launch and listing on the Ghana Stock Exchange Alternative Exchange (GAX). Izwe Loans (pty) Ltd., a local Ghanaian company listed GHS 38.6 million corporate bonds on the GAX. The volume of credit extended by the rural banks to the private sector also marginally improved by GHS 761.8 million in 2013 to GHS 777.52 million in 2014. There are on-going measures such as the developed to support SME's to raise funds under a different tier and requirements. Secondly, a diagnostic study of the SME sector under the PFG-SME Task Force has been completed. This study is to identify potentials and challenges that confront the SMEs with the view to informing the design of the SME authority under consideration.*"

Mission Findings: Goal 5 - Lack of SME Access to Credit

1. Improve access to finance and improve the management and operational capability of SMEs.

Evaluation Team Findings:

1.1. The PFG SME Task Force produced an SME Support Services Strategy document in October 2014. The implementation plan has two phases. The first phase involves setting up an SME coordinating authority. This process will include consultation with major SME stakeholder and other related ministry and governmental officials and laying out all regulatory requirements for establishing the coordinating authority for SME development. The second phase involves establishing a work plan for implementing the SME strategy. The strategy has three overall strategic goals:

- Enhance national capacity to develop, implement, monitor, and evaluate SME development strategies and programs;
- Improve SME contribution to sustainable economic growth and to job creation in Ghana; and
- Improve access to financial and non-financial services and support that are demand driven, sustainable, and affordable for female and male SME owners in selected economic sectors.

1.2. The indicators and benchmarks used in the scorecard for Lack of SME Access to Credit are not well conceived or presented in a way to truly assess performance. In several cases the baseline data point is listed as “not available” or “to be determined” (TBD). Target levels for 2013 and 2014 for several of the indicators are not provided, just the performance. Explanations are not given when performance does not meet the target.

1.3. Although the goal is called “Improve Access to Finance and Improve the management and operational capacity of SMEs”, there are no indicators that measure SME management or operational capability and PFG does not appear to have a program to improve SME management and capability.

1.4. There is no clear line of responsibility for the integrity of the information provided in the scorecard. Although the card indicates the source of the data, in some cases (GSE and Apex Bank) the source organization is not aware that this information is being used by PFG and is part of a monitoring and evaluation.

1.5. There is a belief that in order for SMEs to receive consistent and sustainable attention that a governmental agency needs to be established to focus on the SME’s needs. Two structures were discussed. One would be to create a new agency similar to the U.S. SBA that would have as its mission to assist SME’s in gaining business management and capacity building skills and financing via loan guarantees or direct financing programs to appropriate and creditworthy SMEs. The second consideration would involve taking an existing agency like NBSSI and repurpose or change its mission to include SME’s into its existing mandate. Both scenarios should be assessed to determine which structure is optimal. The SME Support Services Strategy (2015-2020) produced by the PFG–SME Task Force supports the establishment of a new coordinating authority for SME support services established and equipped with human and financial resources, functioning and managing the implementation of the SME strategy.

2. Promote financial literacy among small and medium scale enterprises.

Evaluation Team Findings:

2.1. PFG does not have any specific programs targeted to the promotion of financial literacy among SMEs. NBSSI has a technical assistance element to their program but since its mandate is to focus on micro enterprises, its technical assistance is not available to the small and medium sized enterprise. It is not clear if NBSSI has the capacity in its current configuration to provide the appropriate assistance SMEs whose needs are considerably different from micro enterprises.

3. **Ensure the sustainability and optimal efficiency of key development finance institutions such as Rural Banks, Eximguaranty, Venture Capital Trust Fund and Agriculture Investment Fund.**

   Evaluation Team Findings:

   3.1. Development financial institutions like the Agriculture Development Bank and NIB operate like Universal Banks in terms of risk management and lending practices. As a result, they no longer provide the services, risk taking and patient financial roles that is typically part of a development bank's mission.

   3.2. Program/activity implementers agencies such as the Apex Bank for Rural Banks, Eximguaranty, Venture Capital Trust, GSE, and others were interviewed to assess their roles with the PFG initiative. When respondents of program/activity implementers were asked to what extent are the activities they implement guided by the Goal-Level Commitments set forth in the PFG/JCAP, their responses revealed that at the end of two years, only six out of fifteen institutions or divisions of institutions (i.e. 40 percent) are familiar with the PFG program. Nine 60 percent which potentially could benefit from the PFG program say they are not familiar with JCAP or do not know how they fit into the PFG program. Only three out of the fifteen institutions or divisions of institutions (SEC, BOG[57] and FinGAP) have received or receiving PFG support. The SEC is in active collaboration with its USG counterpart. Two studies (interest rate study and the SME strategy study) have also been funded.

Summary, Conclusions, and Recommendations in the Context of Case Study I

Recommendation 1
There are insufficient projects focused on addressing the Action Items. FinGAP is the only USAID project in the access to finance area and it addresses one of the five goals. The USG in conjunction with the GOG should consider identifying the goals in the access to credit where a program can be designed, similar to FinGAP, to address some of the challenges outlined in the SME goal of supporting access finance for SMEs. For example, there is no program targeted to addressing the lack of financial literacy for the owners of SMEs and as a result there has been no progress towards achieving this goal. Targeted programs can be helpful in addressing specific challenges and engage with USG departments to bring their expertise to the PFG process as envisioned in the WGA.

[57] BOG's support was minor.

Recommendation 2
PFG should initiate greater linkages and transparency with other donor and development organizations like GIZ DFID, or the Swiss Embassy that are all engaged the with the Government of Ghana on the Access to Finance agenda.

Recommendation 3
Commit to closer coordination on the access to finance agenda between USAID and other US government departments (Treasury, SBA, SEC, Commerce). USAID is on the ground in Ghana and is effectively running the PFG initiative. Closer and tighter coordination is necessary to incorporate the various USG departments and agencies into the process and to make sure that PFG goals are being addressed and met. USAID should bring other USG departments in to specifically address the tasks. A review of the SME Support Services Strategy drafted by the PFG SME Task Force presents a plan to establish an SME focused coordinating authority. This could be an opportunity for the U.S. SBA to assist the GOG deciding the best organizational structure for meeting the needs of assisting SME's, either expanding the mandate of an existing organization like NBSSI or creating an organization similar to the U.S. SBA.

Recommendation 4
Slow progress on the action items under the access to credit constraint were, in the opinion of many respondents, largely related to the limited financial funding available to support implementation. Most stakeholders from both the USG and GOG believe that some financial assistance should be considered and provided to complement non-assistance. The PFG should explore ways to provide some funding for specific projects that have a great chance to benefit the "Support SME Access to Credit." Initially, the GOG and USG should review the JCAP and FINSSP II to determine if there are SME access to credit activities or goals that can be refocused to drive a positive outcome in the remaining time for the PFG.

Recommendation 5
More proactive engagement with the private sector is required. The evaluation team believes that private sector has not been adequately engaged in PFG access to credit component. (In one interview with a GOG leader, the reaction to the suggestion to work with the private sector was negative.) The evaluation team interviewed one commercial bank that knew very little about the PFG program and its goals.

Recommendation 6
A strategic review of the indicators associated with Goal 5 should be undertaken. It is not clear that the indicators adequately monitor and evaluate the goals. In other cases, it is apparent that some of the indicators are of limited use for monitoring purposes (since the data are only available after a multi-year lag).

Recommendation 7
PFG should support institutions, which lower risk in the financial system by prioritizing further development of credit bureaus. A meeting with the senior management of the leading credit bureau in Ghana indicates the growing importance of credit bureaus in Ghana, as evidenced by the rapid increase in the number of credit checks reported by the BOG. Despite the advances made in collecting information on borrower's identity, details of their loans including amounts,

maturity, interest rate and repayment behavior, a credit scoring system has not been created due in part to an inability to correctly identify borrowers. PFG with the GOG may be able provide assistance and leadership in resolving the identity challenges in Ghana.

ANNEX 4. DATA COLLECTION INSTRUMENTS

Stakeholder Types

Leadership – Interview Guide 1

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 1 are current and former USG and GOG officials who have held or hold leadership positions within the PFG initiative, particularly POCs and others at their level who will be more informed of the implementation of PFG.

Architect/Designer – Interview Guide 2

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 2 are stakeholders directly involved with the design and planning of the Ghana PFGs, or whose inputs were sought after for these processes. The stakeholders mainly include USG and GOG officials (current and former), representatives from private sector and other civil society organizations, as well as independent experts.

Goal Lead – Interview Guide 3

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 3 are active and former GOG and USG Goal Leads who have directly worked on respective goal(s).

LOA Implementer – Interview Guide 4

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 4 are the implementers of all or selected lines of action (LOA) under the selected goals. The interview will be performed primarily with the chiefs of party, directors, and/or coordinators or their representatives.

Independent Expert – Interview Guide 5

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 5 are independent experts. Experts include academics, subject matter experts, journalists and others who contribute to public debate on the PFG in general or specific areas of the PFG, but are not responsible for directing or implementing components of the PFG. The guide includes cross-cutting questions (to gauge changes in the operational efficiency, selection, coordination, design, and management of development interventions under the PFG strategy as compared to previous / other approaches) as well as goal and LOA level related questions (the latter in particular will be contextualized for the specific area of expertise of the interviewee at hand).

ANNEX 5. SEMI-STRUCTURED INTERVIEWS

Interview Guide 1 - PFG LEADERSHIP

Background Information: The Partnership for Growth (PFG) aims to achieve accelerated, sustained, broad-based economic growth in partner countries, including Ghana and the Republic of Tanzania, in Africa through bilateral agreements between the United States Government (USG) and the partnering countries' national governments. Using principles set forth in President Obama's September 2010 Presidential Policy Directive on Global Development, the PFG requires rigorous, joint analyses of countries' individual constraints to growth in order to develop joint action plans to address the most pressing of these constraints and to establish high-level mutual accountability for the goals and activities selected to alleviate them. This interview guide was designed to collect information on cross-cutting questions about the program.

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 1 are current and former USG and GOG officials who have held or hold leadership positions within the PFG initiative, particularly POCs and others at their level who will be more informed of the implementation of PFG.

Central Focus of Questions: This guide includes (i) cross-cutting questions on the PFG Whole of Government Approach (WGA), changes in operational efficiency and work load, as well as on non-assistance; and (ii) Ghana specific questions on the remedial capacities of the JCAP, on M&E issues, and on the mid-term performance of selected goals as related to the desired outcomes. The interviewer will note whether the term Whole of Government Approach is not known to all parties, especially in Ghana and be prepared to probe with the terms inter-agency cooperation or inter-agency coordination.

Methodology. Semi-structured interview. Approximately 1 hour.

Respondent Background Information

Date and Time of Interview:

Name of Interviewer:

Interviewee Name:

Interviewee Stakeholder Type:

Interviewee Occupation:

Job Title:

Overall or "Goal Specific":

Length of Involvement with PFG:

Terminology Used

- **Constraints –** these refer (as referenced in the JCAP and SOW) to the two main constraints – Power and Access to finance – that have been identified by Ghana to be tackled in order to remove economic constraints

- **Root Causes –** these refer to the five broad topic areas that have been identified within each of the two main constraints. In the power sector they include:

    - (1) Improve Strategy and Planning;
    - (2) Strengthen Institutional, Regulatory and Structural Reform;
    - (3) Meet Electricity Demand and Increase Generation Capacity;
    - (4) Improve transmission and distribution infrastructure and operation
    - (5) Expand rural access.

- **Goals —** given that the SOW requests a goal-selection process, the 31 indicators provided in the SOW and viewed as outputs for the Ghana PFG initiative under each of the root causes listed under Constraint 1, inadequate and unreliable power, will be referred to as goals.

- **Activities and projects:** Activities that are conducted to address these goals will be referred to as activities and projects and Lines of Action.

INTERVIEW QUESTIONS

A. CROSS-CUTTING

Advantages and disadvantages of the PFG approach in general

1. Based on your role in the PFG Presidential Initiative, has the PFG approach resulted in changes in the way responsibilities and leaderships are shared or exercised within or among the USG agencies directly involved in the implementation of activities you manage? YES or NO
   - **a.** If Yes, how? What are the principal advantages and disadvantages of these changes?

2. Has the PFG resulted in changes in the implementation coordination process between USG and GOG agencies? YES or NO.
   - **a.** If yes, how? What are the main advantages and disadvantages of these changes?

The following questions seek responses concerning the PFG process – in particular the Constraints Analysis (CA) and the Whole of Government Approach (WGA) – and whether these new approaches have demonstrated improvements over pre-PFG assistance approaches.

Information obtained within this section will feed into CCQ1 (advantages/disadvantages of the PFG approach to development assistance), CCQ2 (PFG impact on workload, and CCQ3 on the role of "non-assistance").

Regarding the WGA (to USG ONLY)

The Whole of Government Approach (WGA) is relevant to identifying areas for assistance, selecting interventions, and determining implementation coordination. The approach reflects efforts to align each agency's activities to achieve a common objective.

3. In your opinion, has the WGA led to change in the way the USG delivers development assistance in GOG? YES or NO?
   - a. If yes, what kind of change? Please provide specific example(s).

4. In your opinion, compared to previous forms of development assistance, has the WGA approach in relation to the Government of Ghana (GOG) led to:
   - a. Change(s) in design of development initiatives? (Please provide examples)
   - b. Change(s) in management and coordination of development initiatives? (Please provide examples)
   - c. Change(s) in operational efficiency? (Please explain and/or provide example(s))

Regarding the WGA (to GOG ONLY):

The Whole of Government Approach (WGA) is relevant to identifying areas for assistance, selecting interventions, and determining implementation coordination. The approach reflects efforts to align each agency's activities to achieve a common objective, hence promoting inter-agency coordination and collaboration

NOTE FOR THE INTERVIEWER: Interviewers should prompt with "interagency efforts/collaboration" since WGA is not a widely used term.

5. Is WGA being implemented within the Government of Ghana? YES or NO.
   If yes, how is the WGA being implemented within the Government of Ghana?

6. In your opinion, compared to traditional forms of development assistance, has the WGA led to *(if answer to the previous question is Yes)*:
   a. Change in design of development initiatives? (Please provide examples)
   b. Change in coordination of development initiatives? (Please provide examples)
   c. Change in operational efficiency? (Please provide examples)
   d. Change in workload? (Please provide examples)

On non-assistance (Both USG and GOG)

"Non-assistance" tools include diplomatic engagement, convening authority, and other forms of non-monetized assistance to engage both governmental and non-governmental stakeholders in support of catalytic policy change and development priorities.

Note to Interviewer: Consider the following terminology "non-aid assistance; "use of the Good Offices"…, if the interviewee is confused by the term.

7. What contribution has non-assistance made to the PFG process in Ghana? Please provide specific examples.

8. How can non-assistance (within the context of Ghana) be best utilized moving forward?

Ghana - SPECIFIC QUESTIONS

The following questions seek responses concerning whether the PFG has been developed in such a way to allow for an effective impact on the identified constraints and production of the desired outcomes.

[Information obtained will feed into CSQ2 (if JCAP goal level commitments are capable of achieving the constraint level objectives and goals].

Joint Country Action Plan (JCAP)
As you know, the Constraints Analysis (CA) was centered on identifying the central binding constraints to growth, but did not identify remedies to address these. The remedies were developed in the **JCAP**.

9. What indications do you have that the JCAP is performing its central task of guiding the PFG to perform and move in a direction that will solve the problems identified by the constraints analysis?

10. To what extent are the goal level (*objective-level)* commitments set forth in the JCAP capable of achieving the constraints-level objectives and outcomes?

11. Are the objectives and activities in the JCAP well defined remedies to overcome the constraints? YES or NO
To the interviewer – objectives are goals, based on the terminology explanations above

12. Were there additional objectives ***(to the interviewer – these are goals, based on the terminology explanations above)*** and activities that you think should have been included in the PFG that do not already exist? Or were there objectives and activities that should not have been included? If yes, please list and explain.

Technical Working Groups:
The GOG PFG M&E Plan, to the JCAP requires two Technical Working Groups to be established to assess/conduct analysis of sector performance and overall performance in each of the two major program areas –name power and rural roads. Each of the Accra based TWGs, co-chaired by the GOG and USG has primary responsibility for coordinating on-the-ground activities for implementing the JCAP.

13. To your knowledge, have these TWG been fully established? YES or NO
    a. If yes, have they contributed to the implementation and monitoring of projects?
    b. How often have they met?
    c. In your opinion do the appropriate officials attend?
    d. How active are the members from the Private Sector Task Force in the TWG?

Evidence-Based Decision-Making and Fact-Based Monitoring

The following questions are in reference to PFG's overarching goal of promoting evidence-based decision-making and fact-based monitoring.

[Information obtained will feed into CSQ2 (PFG emphasis on quantitative and objectively verifiable evidence feeding into decision-making and fact-based monitoring].

14. The PFG model places specific emphasis on [1] **evidence-based decision-making** and [2] **fact-based monitoring**.

    a. Is quantitative and objectively verifiable information being used to manage JCAP implementation in order to achieve and measure results? YES or NO. Please explain why *(whether Yes or No)*

    b. How is evidence-based **decision-making** part of managing PFG? (Please illustrate and/or provide an example).

    c. How is "fact-based **monitoring**" designed and managed under PFG? (Please illustrate and/or provide an example).

The GOG M&E Plan to the JCAP requires the involvement of the private sector, through the Private Sector Task Force, in the design and implementation of PFG. Particularly for: selection of benchmarks and indicators, as well as in developing plans to collect M&E data.

15. Has the private sector been involved in the design and monitoring strategy of PFG? YES or NO?
    a. Please explain how, and provide specific examples.

16. As stated in the GOG PFG M&E plan, monitoring of the JCAP occurs on two levels: (1) macro-level indicators, and (2) sector theme-specific programs and activities

    a. How has monitoring occurred at these two levels?
    b. What role do the scorecards play in monitoring, if any?
    c. Which people or committee(s) is tasked with conducting this monitoring?

17. From your point of view, are Scorecards used within the PFG initiative as a monitoring tool? YES or NO.
    a. If Yes, how do you assess the role of the PFG scorecards in monitoring performance and make sure the necessary outputs are produced to achieve the desired PFG objectives?
    b. If No, are you aware of why scorecards are not used?

18. Given that the PFG includes multiple objectives/goals and numerous activities and projects under each objective/ goal, how do you identify under-performing activities, and what systems are used to assess their impact on outcomes?

19. The PFG M&E Plan also states that high level representatives of both governments will perform **a yearly "general review of JCAP implementation"** (each July from 2013 to 2017).
    a. Have the yearly meetings occurred? YES or NO

b. If yes, what format did the yearly July reviews of 2013 and 2014 take? What information was reviewed? Who participated?
c. If no, why did they not occur?
d. What decisions were identified as a result of these meetings, and who were they shared with?

20. Which indicators were reviewed to gauge progress towards successfully addressing the two constraints? How were the activity level indicators taken into account for the 2013 and 2014 July reviews?

21. Did the conclusions of the review lead to specific actions (e.g. to overcome an obstacle identified during the review)? YES or NO.
    a. If "yes", what were these actions and how have they been enacted?

Note to interviewer – Skip this question if not applicable to the interviewee

22. The PFG M&E Plan states that progress **on the underinvestment in the power sector sub constraint would be assessed by the following indicators** (List)

    Was a written review of these indicators produced for the July 2013 and July 2014 reviews? YES or NO
    a. If No, how was the review of these indicators performed?

Note to interviewer – Skip this question if not applicable to the interviewee

23. The PFG Monitoring and Evaluation Plan states that progress **on the access to credit sub constraint would be assessed by the following indicators.** (List)

    Was a written review of these indicators produced for the July 2013 and July2014 reviews? YES or NO
    a. If no, how was the review of these indicators performed?

Note to interviewer – Skip this question if not applicable to the interviewee

24. The PFG M&E Plan states that progress **on the inadequate institutional and technical capacity in the power sector** would be assessed through the following indicators

    Was a written review of these indicators produced for the July 2013 and July2014 reviews? YES or NO
    a. If no, how was the review of these indicators performed?

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25. The PFG M&E Plan states that progress **on the inadequate access to finance and credit** would be assessed through the following indicators.

Was a written review of these indicators produced for the July 2013 and July2014 reviews? YES or NO

a. If no, how was the review of these indicators performed?

Being on target, course-corrections, and moving forward

[Information obtained will feed into CSQ3 (if selected interventions are on target and creating the necessary outputs to achieve the desired outcomes)].

26. Today, at the mid-term of implementation of the PFG approach, what evidence exists to demonstrate whether the **overall GOG PFG performance** is on target and creating the necessary outputs to achieve the desired outcomes?

27. For each of the two constraints, and for each of the **selected objectives (goals)** ***[interviewer should name the objective/goal that is applicable to the respondent, if respondent does not work with a specific goal, ask question in general]***, are the various interventions GOG and USG committed to in the JCAP on target? YES or NO
    a. If yes, provide examples.
    b. If No, can you share reasons why they are behind?

28. In practice, under each constraint, and for the **selected objectives/ goals** ***[interviewer should name the goal that is applicable to the respondent, if respondent does not work with a specific goal, ask question in general]***, which M&E mechanisms are used to evaluate if interventions are on target or below target?

<u>Interview Guide 2 – PFG ARCHITECTS/DESIGNERS</u>

Background Information: The Partnership for Growth (PFG) aims to achieve accelerated, sustained, broad-based economic growth in partner countries, including Ghana and the Republic of Tanzania, through bilateral agreements between the United States Government (USG) and the partnering countries' national governments. Using principles set forth in President Obama's September 2010 Presidential Policy Directive on Global Development, the PFG requires rigorous, joint analyses of countries' individual constraints to growth in order to develop joint action plans to address the most pressing of these constraints and to establish high-level mutual accountability for the goals and activities selected to alleviate them. This interview guide was designed to collect information on cross-cutting questions about the program.

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 2 are stakeholders directly involved with the design and planning of the Ghana PFG, or whose inputs were sought after for these processes. The stakeholders mainly include USG and GOG officials (current and former), representatives from private sector and other civil society organizations, as well as independent experts.

Central Focus of Questions: The focus of the interview questions is on the PFG overall objectives, the role that Whole of Government Approach (WGA); Constraint Analysis (CA), Joint County Action Plan (JCAP), non-assistance, monitoring and evaluation (M&E), and yearly performance reviews, play in the PFG performance.

Methodology: Semi-structured interview. Approximately 1 hour.

<u>Respondent Background Information</u>

Date and Time of Interview:

Name of Interviewer:

Interviewee Name:

Interviewee Stakeholder Type:

Interviewee Occupation/ Title:

Overall or "Goal Specific":

Length of Involvement with PFG:

Terminology Used

- **Constraints** – these refer (as referenced in the JCAP and SOW) to the two main constraints – Power and Access to finance – that have been identified by Ghana to be tackled in order to remove economic constraints

- **Root Causes** – these refer to the five broad topic areas that have been identified within each of the two main constraints. In the power sector they include:

    - (1) Improve Strategy and Planning;
    - (2) Strengthen Institutional, Regulatory and Structural Reform;
    - (3) Meet Electricity Demand and Increase Generation Capacity;
    - (4) Improve transmission and distribution infrastructure and operation
    - (5) Expand rural access.

- **Goals** — given that the SOW requests a goal-selection process, the 31 indicators provided in the SOW and viewed as outputs for the Ghana PFG initiative under each of the root causes listed under Constraint 1, inadequate and unreliable power, will be referred to as goals.

- **Activities and projects:** Activities that are conducted to address these goals will be referred to as activities and projects and Lines of Action.

INTERVIEW QUESTIONS

On the WGA:

The Whole of Government Approach (WGA) is relevant to identifying areas for assistance, selecting interventions, and determining implementation coordination. The approach reflects efforts to align the activities of each agency in order to achieve a common objective"

1. Have any changes been realized with how the design of development assistance initiatives (particularly in Ghana) has been approached as a result of the initiation of the WGA approach? YES or NO
    a. If yes, what are the changes?
    b. Please cite specific examples

2. Have there been distinctive differences between the PFG approach and other economic-growth development approaches? YES or NO
    a. If yes, please cite examples

On the JCAP

The Ghana CA was centered on identifying the central binding constraints to growth, but not on identifying remedies to address these. To address these remedies, the JCAP was produced. Is the JCAP fulfilling its role?

3. Are there any indication that the JCAP is leading towards the achievement of constraints-level objectives and outcomes?

4. Is there any evidence that the goal-level commitments set forth in the JCAP have been effective in achieving the constraints-level objectives and outcomes?

On non-assistance

"Non-assistance" tools include diplomatic engagement, convening authority, and other forms of non-monetized assistance to engage both governmental and non-governmental stakeholders in support of catalytic policy change and development priorities.

Note to Interviewer: Consider the following terminology "non-aid assistance; "use of the Good Offices"…, if the interviewee is confused by the term

5. What contribution (if any) has non-assistance made to the PFG process, in relation to Ghana?

6. How can non-assistance (within the context of Ghana) be best utilized moving forward?

On evidence-based decision-making and fact-based monitoring

The PFG places specific emphasis on evidence-based decision-making, fact-based monitoring, and quantitative verifiable information.

7. With the initiation of the PFG, have changes been realized in terms of improving monitoring systems?

8. How was evidence-based decision making designed for the PFG initiative? What mechanisms were included in the design to inform its appropriate implementation? Please illustrate and/or provide an example.

9. How are 'fact-based monitoring' designed and managed under the PFG? What mechanisms were included in the design to inform its appropriate implementation? (Please illustrate and/or provide an example).

The M&E Addendum also states that high level representatives of both governments will perform a yearly **"general review of JCAP implementation"** (to be completed from the M&E).

10. What was envisioned to be the outcome of these yearly meetings? Please provide specific examples.

On the PFG Main Constraints
Progress on the Power constrain would be gauged in particular through the following indicators

11. What was the rationale for choosing these indicators among others?

Progress on the rural roads constraint would be gauged in particular through the following indicators

12. What was the rationale for choosing these indicators among others?

On the PFG at Mid-Term

13. Today, at mid-term, is there any evidence that the overall Ghana PFG performance is on target and creating the necessary outputs to achieve the desired outcomes?

14. The Constraints Analysis identifies challenges including corruption. What risk does this pose for PFG performance, if any?

15. If there are risks, what mechanisms is the PFG using to diminish these risks?

Interview Guide 3 - PFG Program Managers/ CORs

Background Information: The Partnership for Growth (PFG) aims to achieve accelerated, sustained, broad-based economic growth in partner countries, including Ghana and Tanzania, through bilateral agreements between the United States Government (USG) and the partnering countries' national governments. Using principles set forth in President Obama's September 2010 Presidential Policy Directive on Global Development, the PFG requires rigorous, joint analyses of countries' individual constraints to growth in order to develop joint action plans to address the most pressing of these constraints and to establish high-level mutual accountability for the goals and activities selected to alleviate them. This interview guide was designed to collect information on cross-cutting questions about the program.

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 3 are active and former GOG and USG Program Managers who have directly worked on respective goal(s).

Central Focus of Questions: This guide includes cross-cutting questions to gauge changes in the operational efficiency, selection, coordination, design, and management of development interventions under the PFG strategy as compared to previous / other approaches.

Methodology: Semi-structured interview. Approximately 1 hour.

<u>Respondent Background Information</u>

Date and Time of Interview:

Name of Interviewer:

Interviewee Name:

Interviewee Stakeholder Type:

Interviewee Occupation/ Title:

Overall or "Goal Specific":

Length of Involvement with PFG:

<u>Terminology Used</u>

- **Constraints –** these refer (as referenced in the JCAP and SOW) to the two main constraints – Power and Access to finance – that have been identified by Ghana to be tackled in order to remove economic constraints

- **Root Causes –** these refer to the five broad topic areas that have been identified within each of the two main constraints. In the power sector they include:

    - (1) Improve Strategy and Planning;
    - (2) Strengthen Institutional, Regulatory and Structural Reform;
    - (3) Meet Electricity Demand and Increase Generation Capacity;
    - (4) Improve transmission and distribution infrastructure and operation
    - (5) Expand rural access.

- **Goals —** given that the SOW requests a goal-selection process, the 31 indicators provided in the SOW and viewed as outputs for the Ghana PFG initiative under each of the root causes listed under Constraint 1, inadequate and unreliable power, will be referred to as goals.

- **Activities and projects:** Activities that are conducted to address these goals will be referred to as activities and projects and Lines of Action.

INTERVIEW QUESTIONS

Advantages and disadvantages of the PFG approach in general

1. Based on your role as a Program Manager (in charge of implementing mechanisms) within the PFG initiative, has the PFG approach resulted in changes in the way responsibilities are shared or exercised among the USG agencies directly involved in your goal? YES or NO.
    a. If yes, how?
    b. What are the principal advantages and disadvantages of these changes?

2. Has the PFG resulted in changes in the implementation coordination process between USG and GOG agencies? YES or NO
    a. If yes, how?
    b. What are the main advantages and disadvantages of these changes?

The following questions seek responses concerning how the Whole of Government Approach (WGA) and Joint Country Action Plans (JCAP) have demonstrated improvements (or not) over pre-PFG assistance approaches

Regarding the WGA:
The Whole of Government Approach (WGA) is relevant to identifying areas for assistance, selecting interventions, and determining implementation coordination. The approach reflects efforts to align each agency's activities to achieve a common objective, hence promoting inter-agency coordination and collaboration

[NOTE FOR THE INTERVIEWER: Interviewers should prompt with "interagency efforts/collaboration" since WGA is not a widely used term.]

3. Are you aware of the WGA as described?

4. In your role as a Program Manager or COR, have you experienced how the WGA is being implemented within the PFG initiative? YES or NO
    a. If yes, please provide specific examples.

[*NOTE FOR INTERVIEWER: If the interviewee is not aware of the WGA under his/her goal: skip to question 6*]

5. In your opinion, compared to traditional forms of development assistance, has the WGA led to:
    a. Change(s) in the design of development initiatives? (Please provide examples)
    b. Change(s) in the coordination of development initiatives? (Please provide examples)
    c. Change(s) in operational efficiency? (Please explain and/or provide example)

6. Has the WGA impacted the performance of the activities you are directing as a Program Manager or COR? YES or NO
   a. If yes, please explain and provide examples.

Changes in development approach due the introduction of the Joint Country Action Plan (JCAP):

As you know, while the Constraints Analysis identified the central binding constraints to growth, the Joint Country Action Plan (JCAP) defines the remedies to address these.

7. What indications do you have that the JCAP is performing its central task of guiding the PFG to perform and move in a direction that will solve the problems identified by the constraints analysis?
   a. How are these tied to your goals and activities/ projects you oversee?

8. As a Program Manager, do you consider that the JCAP is performing its central role in guiding the PFG to perform and move in the right direction?

9. For your goal, does the JCAP provide sufficient guidance on performance benchmarks for the activities?

On non-assistance as an inherent part of the PFG:

"Non-assistance" tools include diplomatic engagement, convening authority, and other forms of non-monetized assistance to engage both governmental and non-governmental stakeholders in support of catalytic policy change and development priorities.

10. What role is non-assistance playing under your goal? Please provide an example.

11. Please provide examples of specific cases, e.g. of enhanced goodwill, access, receptivity, collaboration or additional or different resources (non-monetized ones, local level ones, etc.)

12. How can non-assistance be best utilized under your goal going forward?

On evidence-based decision-making and fact based-monitoring:

As you know, the PFG model places specific emphasis on [1] evidence-based decision-making and [2] fact-based monitoring.

13. For your goal, how do you use quantitative and objectively verifiable information to manage implementation in order to achieve and measure results?

14. For your goal, please provide examples of evidence-based decision-making? What role (if any) does "quantitative verifiable information" play in this decision-making?

15. Is there a specific M&E plan for your goal as a whole? Is there an M&E plan for each of the activities under your goal? When and how were these formulated?

16. Do you use a PFG-issued or a goal-specific M&E indicator system? How do your activities feed into this? How does your system feed into the PFG system in general?

The PFG produces **semi-annual scorecards** per goal.

17. For your goal, how is consensus reached on the scorecard, given that various agencies and two governments are involved? If there was lack of consensus, how was it overcome?

Note to interviewer – Skip this question if not applicable to the interviewee

The PFG M&E Plan states that progress on the access to finance constraint would be gauged in particular through the following indicators (refer to M&E Addendum):

18. To what extent do these indicators reflect performance under your goal?

19. If any, which other indicator would you like to see included or removed, as related to your own goal?

Note to interviewer – Skip this question if not applicable to the interviewee

The PFG Monitoring and Evaluation Plan states that progress on **Improving access to credit and strengthening the financial system** would be assessed through the following indicators:

20. To what extent do these indicators reflect performance under your goal?

21. If any, which other indicator would you like to see included or removed, as related to your own goal?

Note to interviewer – Skip this question if not applicable to the interviewee

The PFG M&E Plan states that progress in the **energy sector** would be gauged in particular through the following indicators: cost recovery tariffs; IPP generation; installed generation capacity as a ratio of peak demand; reduction in the number and duration of outages; and increased cost coverage for the state owned utilities; and increase rural access and off-grid generation.

22. To what extent do these indicators reflect performance under your goal?

23. If any, which other indicator would you like to see included or removed, as related to your own goal?

Progress on the institutional and technical capacity for robust energy sector planning and management root cause would be gauged in particular through the following indicators: (List indicators).

[This question is only for stakeholders involved in this constraint].
Note: insert similar questions for the rural roads constraints and indicators

24. To what extent do these indicators reflect performance under your goal?

25. If any, which other indicator would you like to see included, as related to your own goal?

On being **on-target and creating the necessary outputs to achieve the desired outcomes:**

26. At mid-term of PFG implementation, is there any evidence that the overall PFG performance is on target and creating the necessary outputs to achieve the desired outcomes? Please provide specific example(s).

27. Is your goal(s) on target (or behind target)? Which M&E mechanisms are used to evaluate if goal(s) are on target (or behind target), beyond the scorecards?

28. Please provide examples of successes made and challenges faced with implementing your goal(s).

29. In what way do you coordinate with implementing partners within your goal to ensure that the performance of your goal is on target?

Interview Guide No. 4 – PROGRAM/ ACTIVITY IMPLEMENTERS
(only for selected objectives/ goals)

Background Information: The Partnership for Growth (PFG) aims to achieve accelerated, sustained, broad-based economic growth in partner countries, including Ghana and Tanzania, through bilateral agreements between the United States Government (USG) and the partnering countries' national governments. Using principles set forth in President Obama's September 2010 Presidential Policy Directive on Global Development, the PFG requires rigorous, joint analyses of countries' individual constraints to growth in order to develop joint action plans to address the most pressing of these constraints and to establish high-level mutual accountability for the goals and a selected to alleviate them. This interview guide was designed to collect information on cross-cutting questions about the program.

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 4 are the implementers of all or selected activities under the selected goals. The interview will be performed primarily with the chiefs of party, directors, and/or coordinators or their representatives.

Central Focus of Questions: The guide includes questions regarding the performance of PFG, the monitoring of activities, evidence based decision making, non-assistance, and beneficiaries.

Methodology: Semi-structured interview with COP / director / coordinator. Given the detailed questioning, the COP will most likely be joined by team members, or part of the interview will be realized with team members directly. About 1 hour (per team).

Overall Note to Interviewer: *Some of the Goal Leads are activity Implementers. Therefore there will be the need to ensure that repetitive questions are not asked. The evaluation coordination team will ensure that the appropriate guide is provided to the interviewer.*

<u>Respondent Background Information</u>

Date and Time of Interview:

Name of Interviewer:

Interviewee Name:

Interviewee Stakeholder Type:

Interviewee Occupation:

Job Title:

Overall or “Goal Specific”:

Length of Involvement with PFG:

<u>Terminology Used</u>

- **Constraints –** these refer (as referenced in the JCAP and SOW) to the two main constraints – Power and Access to finance – that have been identified by Ghana to be tackled in order to remove economic constraints

- **Root Causes –** these refer to the five broad topic areas that have been identified within each of the two main constraints. In the power sector they include:

    - (1) Improve Strategy and Planning;
    - (2) Strengthen Institutional, Regulatory and Structural Reform;
    - (3) Meet Electricity Demand and Increase Generation Capacity;
    - (4) Improve transmission and distribution infrastructure and operation
    - (5) Expand rural access.

- **Goals —** given that the SOW requests a goal-selection process, the 31 indicators provided in the SOW and viewed as outputs for the Ghana PFG initiative under each of the root causes listed under Constraint 1, inadequate and unreliable power, will be referred to as goals.

- **Activities and projects:** Activities that are conducted to address these goals will be referred to as activities and projects and Lines of Action.

INTERVIEW QUESTIONS

The following questions seek responses concerning whether the PFG has been developed in such a way as to allow for the eventual determination of their impact on addressing the identified constraints and desired outcomes.

On the JCAP

1. To what extent are the activities you implement guided by the goal-level commitments set forth in the JCAP?

2. What indications do you have that the activities you and your team are implementing contribute to the corresponding goal as established in the JCAP?

Technical Sub-committees:

3. The GOG PFG M&E Plan, to the JCAP requires Technical Sub-committees to be established to assess/conduct analysis of sector performance and overall performance of programs and how these contribute to PFG goals
   a. To your knowledge, have these Sub-committees been fully established and have they contributed to the implementation and monitoring of projects?

The following questions seek responses concerning evidence based decision-making and fact based-monitoring.

4. As you know, the PFG model places specific emphasis on **[1] evidence based decision-making and [2] fact-based monitoring.**
   a. Do your activities have a specific M&E plan? YES or NO?
   b. If yes, when and how were these formulated?

5. How is progress measured for your activities? Do you have set indicators for measuring progress? Please explain and provide specific examples.

6. Have any changes been made to your activity targets, if yes, what are these and why were the changes made?

7. The PFG is producing **semi-annual scorecards** per goal. Activity-level indicators are meant to feed into these.
   a. Are you aware about whether your activities are included in scorecard reporting? YES or NO?
   b. How do your activities and M&E processes feed into the scorecards?

8. The PFG M&E Plan also states that high level representatives of both governments will perform **a yearly "general review of JCAP implementation"** (each July from 2013 to 2017).

    a. Have the yearly meetings occurred? YES or NO?
    b. If yes, what format did the yearly July reviews of 2013 and 2014 take? What information was reviewed? Who participated?
    c. If no, why did they not occur?
    d. What decisions were identified as a result of these meetings, and who were they shared with?

The following questions seek responses concerning beneficiaries:

12. How are the beneficiaries of your activity defined?

13. How do you monitor and evaluate the effectiveness of your activities towards targeted beneficiaries?

14. Do your activities include systematized monitoring strategies? YES or NO?
    a. If yes, is the monitoring strategy defined generally by a PFG methodology or does each project have its own specific methodology tied to your clients M&E process (e.g. USAID policy)?

15. Is gender equality and/or gender mainstreaming among beneficiaries considered as a measure? If yes, how are you working towards attaining this measure? And how is gender equality measured for each activity?

Interview Guide No. 5 – INDEPENDENT EXPERTS

Background Information: The Partnership for Growth (PFG) aims to achieve accelerated, sustained, broad-based economic growth in partner countries, including Ghana and Tanzania, through bilateral agreements between the United States Government (USG) and the partnering countries' national governments. Using principles set forth in President Obama's September 2010 Presidential Policy Directive on Global Development, the PFG requires rigorous, joint analyses of countries' individual constraints to growth in order to develop joint action plans to address the most pressing of these constraints and to establish high-level mutual accountability for the goals and activities selected to alleviate them. This interview guide was designed to collect information on cross-cutting questions about the program.

Respondent Type: The targeted respondents for this semi-structured Interview Guide # 5 are independent experts. Experts include academics, subject matter experts, journalists and others who contribute to public debate on the PFG in general or specific areas of the PFG, but are not responsible for directing or implementing components of the PFG. The guide includes cross-cutting questions (to gauge changes in the operational efficiency, selection, coordination, design, and management of development interventions under the PFG strategy as compared to previous / other approaches) as well as goal and activity level related questions (the latter in particular will be contextualized for the specific area of expertise of the interviewee at hand).

Methodology: Semi-structured interview with independent experts, approximately 1 hour.

<u>Respondent Background Information</u>

Date and Time of Interview:

Interviewee Name:

Interviewee Stakeholder Type:

Interviewee Occupation/ Job Title:

Overall or "Goal Specific":

Length of Involvement with PFG:

<u>Terminology Used</u>

- **Constraints** – these refer (as referenced in the JCAP and SOW) to the two main constraints – Power and Access to finance – that have been identified by Ghana to be tackled in order to remove economic constraints

- **Root Causes** – these refer to the five broad topic areas that have been identified within each of the two main constraints. In the power sector they include:

    - (1) Improve Strategy and Planning;
    - (2) Strengthen Institutional, Regulatory and Structural Reform;
    - (3) Meet Electricity Demand and Increase Generation Capacity;
    - (4) Improve transmission and distribution infrastructure and operation
    - (5) Expand rural access.

- **Goals** — given that the SOW requests a goal-selection process, the 31 indicators provided in the SOW and viewed as outputs for the Ghana PFG initiative under each of the root causes listed under Constraint 1, inadequate and unreliable power, will be referred to as goals.

- **Activities and projects:** Activities that are conducted to address these goals will be referred to as activities and projects and Lines of Action.

INTERVIEW QUESTIONS

Advantages and disadvantages of the PFG WGA:

The Whole of Government Approach (WGA) is relevant to identifying areas for assistance, selecting interventions, and determining implementation coordination. The approach reflects efforts to align each agency's activities to achieve a common objective

NOTES TO INTERVIEWER:

- ***it is likely that the independent experts will not know too much about WGA, so when interviewing be careful to denote if there is confusion with the response, for analysis purposes]***
- ***Interviewers should prompt with "interagency efforts/collaboration" since WGA is not a widely used term.***

1. Are you familiar with the PFG-WGA? YES or NO ***(if no, skip to question #4)***

2. From your point of view, has the PFG WGA in Ghana led to change coordination between the Government of Ghana (GOG) and the U.S. Government (USG) on selecting, planning and implementing growth-oriented development programs? YES or NO.
   a. If yes, what changes in leadership, coordination and distribution of responsibilities have you observe? Please provide specific examples.

3. What are the principal advantages and disadvantages of the PFG Initiative and approaches to development? Please provide specific examples.

The role of "non-assistance" under the PFG:

"Non-assistance" tools include diplomatic engagement, convening authority, and other forms of non-monetized assistance to engage both governmental and non-governmental stakeholders in support of catalytic policy change and development priorities.

Note to Interviewer: Consider the following terminology "non-aid assistance; "use of the Good Offices"…, if the interviewee is confused by the term.

4. In your opinion (if you are aware of this concept), what contribution has non-assistance made to the PFG process in Ghana? Please provide specific examples. ***(If they do not know what non-assistance is then skip to question 7).***

5. How do you think non-assistance has contributed to the PFG initiative in Ghana?

6. How do you think PFG can best measure "non-assistance" and its contribution to reaching its overall objectives for the PFG initiative in Ghana?

Constraint selection and performance

The PFG initiative in Ghana identified two binding constraints to growth – inadequate power and access to finance and credit. Within these constraints, the underlying problems that contribute to both the limited and unpredictable power supply and inadequate access to credit are each organized around 5 broad headings. For example, in the power sector: (i) improve policy, strategy and planning; (ii) institutional, regulatory and structure reform; (iii) increase generation capacity to meet demand for electricity: (iv) improve transmission and distribution infrastructure and operation; and (v) improve rural access. Under these 5 development interventions there are 16 goals and 59 specific Lines of Action (LOA) that aim to address the constraints.

7. Based on your observations of the PFG initiative in Ghana, what is your opinion on the effectiveness of the program in responding to these constraints? Please provide specific examples.

On JCAP Goal-Level Commitments

As you know, the Constraints Analysis (CA) was centered on identifying the central binding constraints to growth, but did not identify remedies to address these. To address these remedies, the **Joint Country Action Plan (JCAP)** was produced.

8. In your opinion, to what extent are the goal-level commitments set forth in the JCAP capable of achieving the constraints-level objectives and outcomes?

9. Were there additional goals and activities that you think should have been included in the Initiative that do not already exist? YES or NO.
    a. If yes, please list and explain.

The use of quantitative, objectively and verifiable information to achieve and measure results:

10. How do the PFG performance indicators and its M&E methodology compare to practices used in pre-PFG approaches?

11. In your opinion or within your expertise, how relevant, objective and verifiable are the quantitative indicators the PFG is using? Please provide specific examples if known.

On being on target and creating the necessary outputs to achieve the desired outcomes:

12. Are you familiar with the PFG scorecards? YES or NO. ***(if No, skip this the next question)***

13. From your point of view, how do you assess the role of the PFG scorecards in monitoring performance and making sure the necessary outputs are produced to achieve the desired PFG objectives?

14. Which indicators or measuring instruments other than the scorecards (if any) would be best suited to monitor the development activities, goal-level commitments and constraint level objectives and outcomes?

ANNEX 6. CONFIDENTIAL ONLINE SURVEYS

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Dear Respondent,

You are receiving this questionnaire because of your general affiliation with and/or knowledge of the Partnership for Growth program (PFG) initiative between the Governments of Ghana and the United States of America.

This is a confidential survey and your identity will be known only to the evaluation team and will not be shared. All survey responses are treated by the International Development Group, LLC as strictly confidential. None of the individual responses will be reported or made public. All the information obtained from the online questionnaire will be used in an aggregate format that will not allow for any individual response to be identified. This is to ensure that your responses can be as frank as possible, without concern for the possible sensitivities of any other parties.

It is a brief questionnaire that should take less than 20 minutes to complete. Your participation is absolutely voluntary. If you wish not to answer a question, simply skip it and move to the next one. By participating in this survey you are giving your informed consent.

The confidential information you provide will be invaluable to the successful conduct of the PFG evaluation. Please complete the survey no later than Friday, March 27, 2015. If you have any questions or concerns, please contact IDG at pfgsurvey@internationaldevelopmentgroup.com.

Please read the response options very carefully before making your selections.

Thank you in advance for your cooperation.

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The Partnership for Growth (PFG) was initiated in 2011 through bilateral agreements between the United States Government (USG) and partnering countries' national governments (Ghana and Tanzania) with the aim of achieving accelerated, sustained, broad-based economic growth in partner countries. The PFG requires the identification of countries' constraints to growth in order to develop a joint plan to address the most pressing of these constraints. It also requires transparency, mutual accountability and fact-based monitoring and evaluation. The following questions request information on the PFG's ability to meet these goals.

This section of the survey asks questions concerning your affiliation.

Q1. What is/was your role on the PFG? Select all that apply.

- Leadership
- USG Contracting Officer's Representative (COR)
- Government of Ghana (GOG) Project/ Program Manager
- Project Implementer
- Other

If you selected "Other", please describe:

Q2. Are you presently/currently involved with PFG?

- Yes
- No

Q3. If no, were you involved with PFG in the past?

- Yes
- No

This section of the survey asks questions concerning your assignment and workload on PFG.

Q4. To the best of your recollection, when did you begin work on PFG?

- ☐ More than 2 years ago
- ☐ Between 1 and 2 years ago
- ☐ One year ago or less

Q5. The Whole-of-Government approach encourages inter-agency coordination so that the resources and knowledge bases of different agencies can be brought to bear on a development issue within the purview of their expertise. Does the PFG initiative that you are currently or previously worked on aligned with the Whole-of-Government Approach (WGA)?

- ☐ Very poorly aligned with WGA
- ☐ Poorly aligned with WGA
- ☐ Adequately aligned with WGA
- ☐ Well aligned with WGA
- ☐ Very well aligned with WGA

Q.6 Please explain why the initiative is not better aligned with WGA.

Q7. For your agency/ institution, did you have a role in the planning and development of PFG in/for Ghana?

- ☐ Yes
- ☐ No

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Q8. For approximately how many weeks were you involved in the planning and development of PFG?

(Please enter a non-negative, numeric value only, e.g. 1, 2, 3, 3.5, 4.75, etc.)

[ ] weeks

Q9. During the PFG planning and development stages, approximately how many hours per week, on average, did you dedicate to these tasks?

- ○ Zero
- ○ 1 to 5 hours
- ○ 6 to 10 hours
- ○ 11 to 15 hours
- ○ 16 to 20 hours
- ○ More than 20 hours per week

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Q10. Do you have experience planning, implementing or monitoring development projects outside of PFG?

- Yes
- No

Q11. Like all activities, PFG has costs and benefits. Compared to other development projects outside of PFG with which you are familiar, would you consider PFG to have:

- Benefits considerably less than costs
- Benefits somewhat less than costs
- Benefits about equal to costs
- Benefits somewhat greater than costs
- Benefits considerably greater than costs

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Q12. As a result of your involvement with PFG, did your workload

- (●) Increase significantly
- ( ) Increase somewhat
- ( ) Stay about the same
- ( ) Decrease somewhat
- ( ) Decrease significantly

Q.13 What non-PFG responsibilities and activities have been/were affected by the changes in your PFG responsibilities and activities? Please describe.

Q14. On average, about how much time per week do/did your PFG responsibilities require?

- ( ) Zero
- ( ) 1 to 5 hours
- ( ) 6 to 10 hours
- ( ) 11 to 15 hours
- ( ) 16 to 20 hours
- ( ) More than 20 hours per week

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Q15. As a result of your involvement with PFG, for each of the tasks in the table, did your workload change?

	Increase significantly	Increase somewhat	Stay about the same	Decrease somewhat	Decrease significantly
PFG task coordination with colleagues within my government	☐	☐	☐	☐	☐
PFG task coordination with colleagues in other (partner) governments	☐	☐	☐	☐	☐
Monitoring progress (indicators, site visits, milestones) of PFG tasks	☐	☐	☐	☐	☐
Communicating on PFG with my superiors and senior leadership in my government	☐	☐	☒	☐	☐
Managing PFG activities	☐	☐	☐	☐	☐
Designing and/or procuring PFG activities	☐	☐	☐	☐	☐
Other administrative tasks	☐	☐	☐	☐	☐

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Q16. On average, about how many hours per week are/were dedicated to the PFG tasks in the table?
(Please enter non-negative, numeric values only)

	Average Hours per Week
PFG task coordination with colleagues within my government	
PFG task coordination with colleagues in other (partner) governments	
Monitoring progress (indicators, site visits, milestones) of PFG tasks	
Communicating on PFG with my superiors and senior leadership in my government	
Managing PFG activities	
Designing and/or procuring PFG activities	
Other administrative tasks	

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We would like to ask you a few brief questions about your perceptions of the PFG approach in Ghana.

Q17. In your opinion, compared to other approaches to development assistance intended to affect economic growth, does the PFG represent …

- A significant step backwards
- A step backwards
- No change
- An improvement
- A significant improvement
- Don’t know

Q18. Do you agree or disagree with the following statement: PFG is on track in meeting its objective of achieving higher, sustained and more inclusive economic growth in the Ghana.

- Strongly disagree
- Disagree
- Neither disagree nor agree
- Agree
- Strongly agree
- Don’t know

Q19. Do you agree or disagree with the following statement: The Whole-of-Government Approach embodied in PFG appears to be more effective in advancing economic growth in the Ghana as compared to more traditional development approaches.

- Strongly disagree
- Disagree
- Neither disagree nor agree
- Agree
- Strongly agree
- Don’t know

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Q20. One of PFG's goals is to employ "non-assistance" development tools. "Non-assistance" tools include diplomatic engagement, convening authority, and other forms of non-monetized assistance to engage both governmental and non-governmental stakeholders in support of catalytic policy change and development priorities. Have you seen non-assistance tools being used in the PFG Ghana activity you are or were involved with?

- Yes
- No
- Not sure

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Q21. Can you briefly describe the non-assistance tools/approaches you have seen in Tanzania, and how they were used?

Example no. 1:

Example no. 2:

Example no. 3:

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Q22. To what extent do you agree with the following statement? "The implementation of the Joint Country Action Plan (JCAP) in Ghana is adequately monitored by quantitative indicators".

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

Q23. In your opinion, are appropriate indicators being used to guide transparent, accountable and fact-based monitoring of the PFG in Ghana?

- ☐ The best available indicators are not being used
- ☐ Some of the best available indicators are being us
- ☐ The best available indicators are being used
- ☐ Not sure how to judge the appropriateness of indicators
- ☐ Not aware of which indicators are being used / Not applicable

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Q24. Can you provide some examples of alternative indicators to guide transparent, accountable, fact-based monitoring of the PFG in Ghana?

Example no. 1:

Example no. 2:

Example no. 3:

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Q.25 Below we present some general statements made to the evaluation team by some of your colleagues. To what extent do you agree or disagree?

	Strongly agree	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
PFG in Ghana needs a committed management structure	○	○	○	○	○
The Joint Technical working groups in PFG in Ghana have been effective in managing JCAP implementation	○	○	○	○	○
The PFG Steering Committee should take a stronger role in monitoring progress towards meeting the objectives of the PFG initiative in Ghana	○	○	○	○	○
The PFG process was marked by speedy implementation of projects and activities	○	○	◉	○	○
The goals/activities established by the JCAP fully address the binding constraints to growth in Ghana as identified by the	○	○	○	○	○

PFG constraints analysis.

	◯	◯	◯	◯	◯

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Q26. In your opinion, what are the main strengths of PFG initiative in Ghana?

Q27. In your opinion, what are the main weaknesses of PFG initiative in Ghana?

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Survey Completed

Thank you for your valuable contribution to the PFG evaluation.

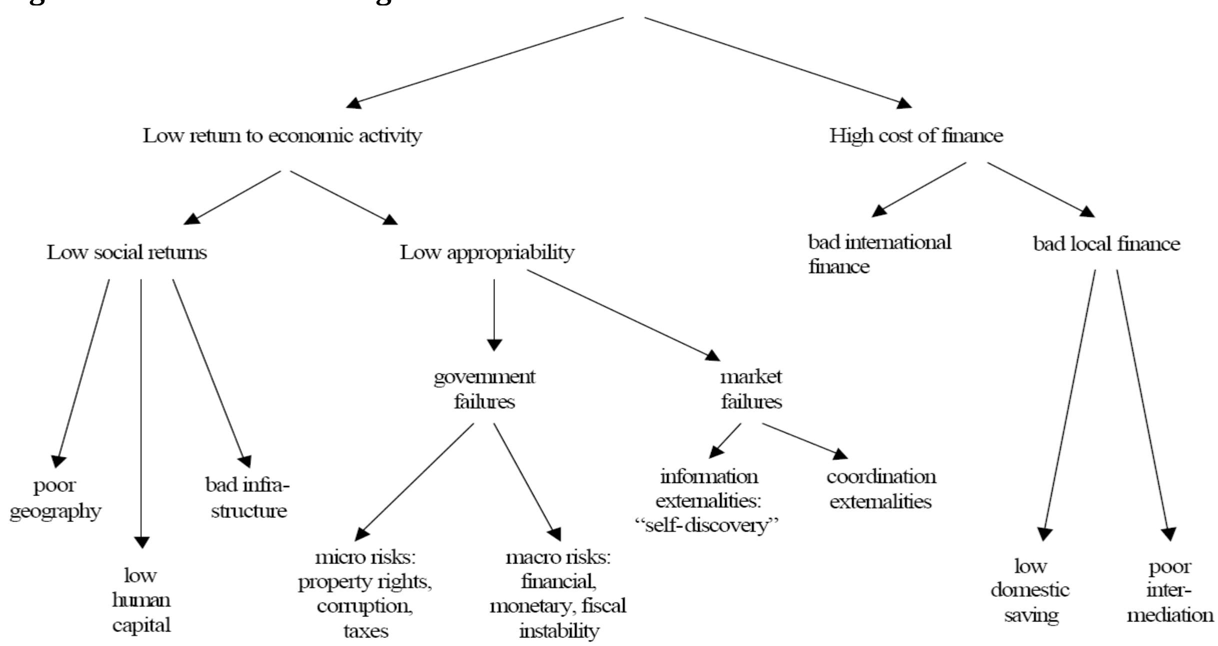
ANNEX 7. OVERVIEW OF GROWTH DIAGNOSTIC APPROACH DEVELOPED BY HAUSMANN, RODRIK, AND VELASCO (2005)

The HRV approach builds on the neoclassical growth model, the theory of second best, and endogenous growth. Identifying binding constraints starts with examining the determinants of economic growth defined as returns to accumulation, returns to the private investor and the cost of financing. Starting with these three broad areas, the analyst then moves down the decision tree identifying the causes of low accumulation, low returns to private investment and low investment. For example, low private returns might be due to poor property rights and contract enforcement, high taxation, political uncertainty over changes to the investment regime, etc. The decision tree is illustrated below.

Identifying the binding constraints requires a detailed knowledge of the country context. The analyst looks for evidence of factor price distortions, strategies to get around the distortions and private sector responsiveness to price adjustments. The "four criteria", or questions that are used for identifying the binding constraints, are shown in the text box.

Growth constraints analysis is country specific, enables prioritization, and targets reforms to maximize impact. The growth constraints analysis recognizes that identification of key constraints will be contingent on country specifics and that it is not possible to address all of the needs and constraints at the same time – the country must prioritize. Further, it recognizes that all policy/regulatory/administrative changes require political capital which highlights the importance of focusing on implementing reforms that bring the largest returns.

Figure 1: HRV Growth Diagnostics Problem: Low Level of Private Investment



Source: HRV (2005), Growth Diagnostics

Box 1: HRV Criteria for Identifying Binding Constraints

High economic price – If a constraint is binding, the factor will experience excess demand which will result in the shadow or true economic price being high. For example, if limited access to finance is a binding constraint on growth, interest rates are likely to be high relative to comparator countries.

Impulse-response – If a constraint is binding, measures to reduce the burden of the constraint should stimulate additional investment and growth. In Ghana firms point to the lack of reliable power as the most importance constraint to their growth.

Circumvention – When a constraint is binding, investors/businesses should try and bypass the constraint. For example, unreliable power supply, with frequent and prolonged outages, disrupts production and forces firms to rely on high priced generators to provide standby power.

Constraint-intensive actors (businesses) are weak or not present – Investors or businesses that depend heavily on the constraint will be small in size or absent while those that are not impacted by the constraint will prosper. In an economy where finance is expensive (high interest rates) there will be relatively few firms operating in activities that rely heavily on external finance.