

T.I.P.

# Ghana Trade and Investment Reform Program (TIRP)

## Project Final Evaluation

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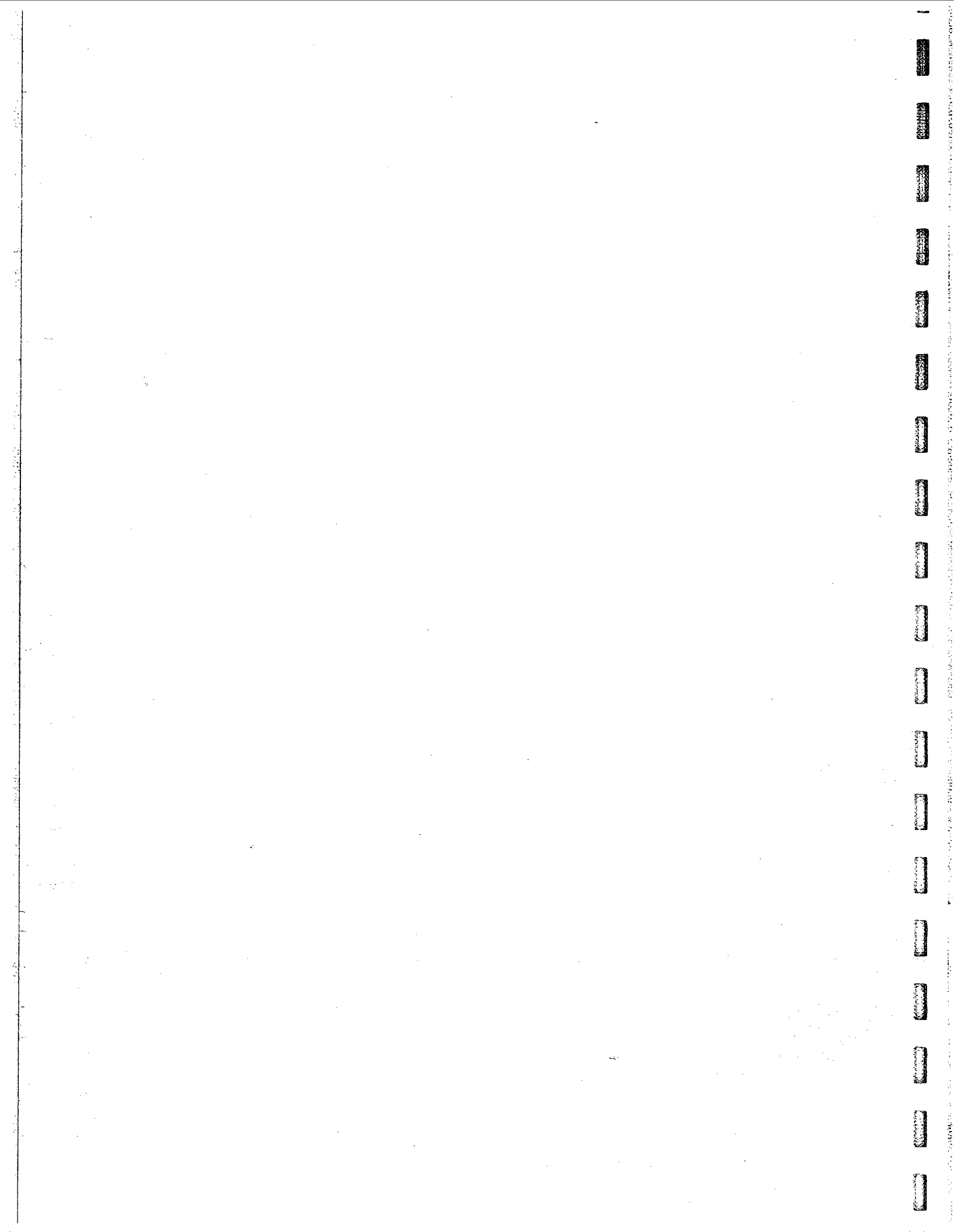
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## ACRONYMS

| Abbreviation | Full Name  |
|--------------|--|
| AGOA         | African Growth and Opportunities Act                   |
| AIRD         | Associates for International Resources and Development |
| AMEX         | AMEX International, Inc.                               |
| ATAG         | Aid to Artisans Ghana                                  |
| ATIRP        | Africa Trade and Investment Program                    |
| BOG          | Bank of Ghana  |
| CARE         | Cooperative Assistance and Relief Everywhere           |
| CEPA         | Center for Policy Analysis                             |
| CEPS         | Customs, Excises, and Preventive Services              |
| CI           | Conservation International                             |
| COLEACP      | Europe-Africa-Caribbean Pacific Liaison Committee      |
| CTO          | Cognizant Technical Officer                            |
| DANIDA       | Danish Agency for Development Assistance               |
| DFID         | Department for International Development               |
| EAGER        | Economic Growth through Economic Research              |
| EMT          | Economic Management Team                               |
| FAGE         | Federation of Associations of Ghanaian Exporters       |
| FIBB         | Forest Products Inspection Board                       |
| FSN          | Foreign Service National                               |
| FTI          | Foreign Trade Institute                                |
| GAJE         | Ghana Association of Jewelry Exporters                 |
| GAP          | Good Agricultural Practices                            |
| GDP          | Gross Domestic Product                                 |
| GEEP         | Ghana Economic Enhancement Program                     |
| GEPC         | Ghana Export Promotion Council                         |
| GHATIG       | Ghana Trade and Investment Gateway Project             |
| GHCT         | Ghana Heritage Conservation Trust                      |
| GIPC         | Ghana Investment Promotion Centre                      |
| GOG          | Government of Ghana                                    |
| GPRS         | Ghana Poverty Reduction Strategy                       |
| GTZ          | The German development agency                          |
| HAG          | Horticulture Association of Ghana                      |
| IMCC         | Inter-Ministerial Committee on Competitiveness         |
| IPEP         | Increased Private Enterprise Performance               |
| IR           | Intermediate Results                                   |
| MDA          | Micro-Enterprise Development Assistance                |
| MDBS         | Multi-Donor Budget Support                             |
| MED          | Micro-enterprise Development                           |
| METF         | Medium-Term Expenditure Framework                      |
| MOF          | Ministry of Finance                                    |
| MOFA         | Ministry of Food and Agriculture                       |
| MOTI         | Ministry of Trade and Industry                         |
| MSI          | Management Systems International                       |

|            |   |
|------------|---|
| NCRC       | Nature Conservation Resource Center                           |
| NDPC       | National Development Planning Commission                      |
| NED        | National Economic Dialogue                                    |
| NEF        | National Economic Forum                                       |
| NGO        | Non-Governmental Organizations                                |
| NPA        | Non-Project Assistance  |
| NRCHP      | Natural Resources Conservation and Historic Preservation      |
| NTE        | Non-Traditional Export  |
| PASA       | Participating Agency Service Agreement                        |
| PEF        | Private Enterprise Foundation                                 |
| PFID       | Partners in International Foods Development                   |
| PL         | Public Law  |
| PMP        | Performance Monitoring Plan                                   |
| PR & FI    | Improved Policy Reform and Financial Intermediation           |
| PSC        | Personal Service Contractor                                   |
| PVO        | Private and Voluntary Organizations                           |
| RAISE      | Rural and Agricultural Incomes with a Sustainable Environment |
| RP         | Results Package   |
| SAPR       | Semi-Annual Portfolio Review                                  |
| SME        | Small and Micro-enterprise                                    |
| SO         | Strategic Objective   |
| SOAG       | Strategic Objective Agreement                                 |
| SOIL       | Strategic Objective Implementation Letter                     |
| SPEG       | Sea-freight Pineapple Exporters of Ghana                      |
| SSNTT      | Social Security and National Income Trust                     |
| TA         | Technical Assistance  |
| TAS        | Technical Advisory Secretariat                                |
| TBD        | To be determined  |
| TEDB       | Timber Exports Development Board                              |
| TIOC       | Trade and Investment Oversight Committee                      |
| TIP        | Trade and Investment Project                                  |
| TIRP       | Trade and Investment Reform Program                           |
| TNS        | TechnoServ  |
| USAID      | United States Agency for International Development            |
| USDA       | United States Department of Agriculture                       |
| VEPEAG     | Vegetable Producers and Exporters Association of Ghana        |
| WEAN       | West African Enterprise Network                               |
| World Bank | International Bank for Reconstruction and Development         |

# Final Project Evaluation: Trade and Investment Reform Program in Ghana

## AEP-I-818-00-00024-00

### I. EXECUTIVE SUMMARY

#### 1.1 Overview

The purpose of this evaluation of the Trade and Investment Reform Program (TIRP) efforts to increase private sector growth is (a) to determine what has worked well and what has not work well, and therefore what lessons can be learned that would be most useful in developing the Mission's next development strategy; (b) to assess progress towards achievement of SO-1 and TIRP results; and (c) to provide an assessment of the economic impact (both macro and micro) of TIRP on private sector growth. The evaluation covers TIRP since implementation began in July 1998 up until the end of September 2002. The estimated completion date for USAID/Ghana's current Strategic Plan is September 30, 2004, so the program has almost two more years to run before a new Strategic Plan is to be in place.

The scope of the evaluation includes SO-1 Results Packages 1 (Improved Policy Environment and Financial Intermediation) and 2 (Increased Private Enterprise Performance). The major emphasis of the evaluation is on providing an analysis that will assist the Mission in developing a vision for future program actions and on providing recommendations for modification of activities and implementation procedures to achieve program objectives under the new strategy. The understanding of the evaluators is that the Mission intends to align its new strategy with the country's overall long-term poverty reduction strategy of achieving growth sufficient to ensure the virtual disappearance of poverty by 2020. The assumption likely to underlie the Mission's new strategy is that the private sector will remain the engine of growth, but with increased emphasis placed on the rural economy and agriculture because of their importance for poverty reduction. Thus, the new SO-1 is anticipated to focus on pro-poor, private sector-led, economic growth.

#### 1.2 Principal Findings, Conclusions, and Recommendations

This section presents a summary of the principal findings, conclusions, and recommendations of the evaluation. Recommendations for the most part apply either to the remainder of TIRP or to the next strategic plan. Further details on findings, conclusions, and recommendations are contained in Section VI.

##### *1.2.1. Improved Policy Participation*

##### **Finding**

Nearly four years passed between the National Economic Forum (NEF) in 1997 and the National Economic Dialogue under the new government in 2001. This was a severe disruption of the participatory policy process envisioned by TIRP, which was supposed to involve actively the private sector. During this period, the major way in which the private sector participated in the policy dialogue was through the conferences, workshops, and civic education programs that were

organized by Sigma One to build consensus on a consistent policy framework. Notable successes were the work done by Sigma One in support of the revision of Ghana's labor law and the work of the Financial Sector Consultative Committee leading toward the preparation of the Financial Sector Strategic Plan.

### Conclusion

There were a considerable number of problems encountered in trying to promote participatory policy change. One of the most important was that the National Economic Forum was to a large extent externally imposed and was not part of the normal Ghanaian policy-making process. Although the working groups set up by the Forum put together detailed proposals for policy reform, these were never fully incorporated into the Government's decision making. Although there were a number of useful recommendations for policy and regulatory reform coming out of the 2001 NED, no institutional mechanism has been put in place to follow up these recommendations and ensure their implementation. It does not appear that a NED Secretariat will actually be established and funded, even as a transition mechanism. Instead the policy agenda is likely to be taken over by the Technical Advisory Secretariat of the Economic Management Team.

### Recommendations

#### *Remainder of TIRP*

USAID and the TIRP program should support the Government's existing mechanism for economic decision-making, the Economic Management Team (EMT), and make it more responsive to private sector needs rather than attempt to replace it, even during a transition period, with a NED Secretariat. Specifically, TIRP should be used to support capacity building in the EMT's Technical Advisory Secretariat, which will assist the EMT with analysis of economic proposals submitted from the ministries and other sources before they go to Cabinet. Priority items from the NED policy agenda should be submitted to the EMT, and its Technical Advisory Secretariat, for consideration as agenda items for Cabinet.

#### *Next Strategy Plan*

Support for private sector participation in policy making should be channeled via existing avenues rather than used to create new channels. Existing channels include the Ministry for Private Sector Development (MPSD), the Foreign Investment Advisory Service (FIAS), and the Ghana Investor Advisory Council (GIAC).

#### *1.2.2 Inter-Ministerial Committee on Competitiveness*

##### Finding

The IMCC, which was established in September 1998 and was supposed to meet quarterly, failed to meet again until September 1999 and only met one or two times thereafter before falling into complete disuse. No Secretariat was appointed to support the Committee by preparing the agenda and providing follow-up. Thus there was no clear inter-ministerial mechanism within the Government for guiding TIRP, for implementing policy and regulatory changes, for



recommending policy and implementation actions to other responsible parties, for monitoring the Government's performance in meeting these conditions, and for reporting on the status of compliance. These responsibilities fell solely to the Minister of Finance, who was absorbed by many other concerns, some of which were perceived to be of greater priority than TIRP.

### **Conclusion**

The IMCC was a creature of the TIRP program and not of the Ghanaian's own decision-making process. Furthermore, moving the oversight committee from the Ministry of Trade and Industry (MOTI) to the MOF may have brought it closer to the centers of power and influence within the GOG, but it also resulted in it receiving much less attention.

### **Recommendations**

#### ***Next Strategy Plan***

USAID should avoid creating a separate oversight committee in its next Strategic Plan. Instead, any need for oversight should be undertaken within the existing decision-making structure under the Economic Management Team and its Technical Advisory Secretariat (TAS). USAID should be ready to assist the TAS in developing its capacity for policy analysis and monitoring and evaluation.

#### ***1.2.3 Lack of Follow-up and Capacity Building for Implementation***

##### **Finding**

Sigma One accomplished most of its milestones, which included preparation of action and monitoring plans, development of protocols, creation of databases, execution of studies, preparation of briefs and position papers, and drafting of proposed legislation and executive orders. Despite this, there were a number of instances in which decisions were not taken to implement policy reforms.

##### **Conclusion**

Sigma One's performance-based contract did not call for extensive capacity building within the Government through training, purchase of equipment, and other means in order to facilitate implementation of policy reforms. There was a tendency for studies to be undertaken and documents to be prepared by Sigma One, but these would go unutilized because there was no sustained effort at building the capacity for implementation.

##### **Recommendations**

#### ***Remainder of TIRP***

To the extent that resources are available, USAID and the TIRP program should build on several success stories associated with institutional capacity building for implementation of policy reform. One is the work of the Senior Monitoring Economist within the Bank of Ghana (BOG). Another is the work on revenue forecasting in the Ministry of Finance. Still a third possibility is

support for reform in Customs, Excises, and Preventive Services (CEPS). There may be other possibilities in the area of financial intermediation.

### *Next Strategy Plan*

The next Strategic Plan should emphasize institutional capacity building for implementation of policy reform. Important areas in which there are major needs are monetary and exchange rate policy in the BOG; tax policy and administration within the Ministry of Finance, Internal Revenue Service, CEPS, and Revenue Agencies Governing Board; trade policy in the Ministry of Trade and Industry; and numerous regulatory and other agencies (such as SSNIT and SEC) involved with financial intermediation. It is important to maintain a continuing presence within these bodies. This should be done to the maximum extent possible with well qualified Ghanaians, some of whom might be recruited in the United States.

### *1.2.4 Insufficient Institutional Preparation*

#### **Finding**

The first attempt to place a Senior Monetary Economist at the Bank of Ghana (BOG) was unsuccessful. Instead he worked out of the Sigma One office, which reduced his effectiveness in influencing policy. When the new Government came to power, it was possible to hire a well qualified Ghanaian to fill this position as Special Assistant to the Governor from inside the BOG. This advisor is much more effective than his predecessor because he is operating from the inside.

#### **Conclusion**

There must be local ownership of the policy reform process. USAID and its contractors can influence that process most effectively if they are supporting reform from inside. This means identifying, in collaboration with Government, the need for expertise, and then assuring that this expertise is made available in a way that best enables the Government to exercise ownership. Ideally, this means relying to the maximum extent on Ghanaians.

In some instances, the Government will not be in a position to retain all of the expertise it needs on its own staff. It will have to call for assistance from outside. There are a number of research and consulting institutions in Ghana that today have considerable capacity to study policy issues and provide technical assistance to the Government (CEPA, IEA, ISSER, etc.). This capacity should be strengthened by contracting through them as much as is possible.

#### **Recommendations**

USAID should focus as much as possible during the remainder of the program to encourage the Government to take full ownership for the policy reforms that are being undertaken. Ideally, this means relying to the maximum extent possible on Ghanaians inside Government and on Ghanaian research and consulting institutions outside Government. This same set of principles should apply as well to the next strategic plan.

### *1.2.5 Importance of Macroeconomic Policy*

#### **Finding**

Most of the expected results in the area of financial intermediation were not attained.

#### **Conclusion**

The major problem encountered in the area of financial intermediation was the failure of fiscal deficits to be contained, which led to excessive expansion of the money supply, inflation, and high interest rates. Effectively, the Government crowded the private sector out of financial markets, making it extremely difficult to introduce the kinds of innovations in financial intermediation that had been envisioned.

#### **Recommendations**

##### *Remainder of TIRP*

TIRP's focus on macroeconomic policy should be maintained, but it must be coordinated with the Government and other donors through the Multi-Donor Budget Support program and the Medium-Term Expenditure Framework (METF). Even though USAID is prevented by Congress from providing direct, unrestricted budget support to the GOG, it can still participate in the METF process and assure that its resource allocation is consistent with that process.

##### *Next Strategy Plan*

USAID's emphasis on macroeconomic policy and its cooperation with the GOG and other donors through the Multi-Donor Budget Support program and Medium-Term Expenditure Framework should be an integral part of the next Strategic Plan.

### *1.2.6 Usefulness of Non-Project Assistance in Inducing Policy Reform*

#### **Finding**

Non-Project Assistance was a reasonably effective way of influencing policy. Despite delays, occasional superficial compliance, and some credit taken for what may have occurred anyway, there were significant successes – especially given the fact that the amounts involved were relatively small compared with NPA coming from other donors.

#### **Conclusion**

The major challenge facing USAID in its next strategy is how to integrate this form of assistance with the general trend towards direct budget support and joint multi-donor/GOG agreement on the conditions required for this support.

#### **Recommendations**

USAID should continue its disbursements of NPA under TIRP, but conditionality needs to be coordinated with other donors as well as with the GOG as part of the Multi-Donor Budget

Support Program. Non-Project Assistance is an important way in which USAID can contribute budget support to the GOG. It should be continued under USAID's next Strategic Plan

### *1.2.7 Direct Assistance Too Broadly Focused*

#### **Finding**

Direct assistance to firms and producer groups under TIRP has been rather broadly focused. Many of the firms receiving assistance started with the previous program, Trade and Investment Project, TIP (Trade and Investment Project), and have yet to graduate. Furthermore, the process for choosing firms seems to be quite ad hoc. It is generally demand driven. There is no overarching strategy nor selection process directed towards a specific goal, such as expanding nontraditional exports.

#### **Conclusion**

The lack of a clear strategy inhibits the ability to mobilize resources towards a specific goal. There is little momentum towards increased growth and trade. At the same time, exporters often find it difficult to mobilize sufficient volumes of products to satisfy overseas demand. The current small production bases severely limit the ability of exporters to produce sufficient volumes to satisfy orders and take advantage of economies of scale in packaging, transportation, and marketing.

#### **Recommendations**

##### *Remainder of TIRP*

USAID is urged to take a hard look at the nontraditional export sub-sectors it is currently supporting to determine what kind of export payoff is likely if assistance is continued. Perhaps the time has come to declare victory in the textile/garment industry, for example, and to begin to phase out assistance. As part of a possible phase out, USAID might want to identify and support in the next year those garment and textile industry clients who, with USAID support during the remainder of TIRP, could become major players and receive assistance under the Presidential Initiative.

The evaluation team recommends that USAID re-examine the sectors and industries it currently supports to determine those that should be eliminated and those that warrant continued support. AMEX International and TechnoServ/CARE should undertake a comprehensive assessment of the enterprises they have assisted. Criteria should be established to determine what constitutes "graduation" from TIRP and what gaps need to be filled for each client to graduate. Priority should be given to firms that not only will meet the "graduation" requirements, but also have the potential to ramp up production, grow their businesses, and make a real contribution to the growth of their industry.

##### *Next Strategy Plan*

The Mission is urged in its next strategy to consider a more narrow and bolder vision (e.g., Billion Dollar Horticulture Industry) with high goals that will inspire everyone involved. It should aim for real *impact* on economic growth. The evaluation team believes that the Mission

should explore the possibility of narrowing its strategic focus to the expansion of the horticulture industry, where Ghana has a comparative advantage (natural resource base, availability of seaports, low-cost labor, and proximity to regional and foreign markets) and where prospects are good for impact on exports, employment, and poverty reduction.

Any future USAID project in support of Ghana's horticultural exports should include measures that help foster the integration of large numbers of small and medium-scale producers into the export of fresh and processed products. No single development model will help Ghana exploit the opportunities it has to include small-scale producers in the improvement of the horticulture industry, but the wide variety of out-grower schemes that currently exist should be further explored.

### *1.2.8 Need to Support Business Associations and Research/Consulting Institutions*

#### **Finding**

The original intention of the TIRP program was to work to a considerable extent through business associations. This, together with the "push-pull" approach, was supposed to expand the impact of the program well beyond the few firms that could be reached individually. In practice, however, the Contractor/Grantees found it slow and difficult to work through the associations. Frequently, there was lack of trust, and the associations were seen as not providing much in the way of services to their members. Thus except for farmer groups, which was the only way to reach the really small farmers, Contractor/Grantee assistance was for the most part provided directly to firms. USAID provided direct assistance to a number of business organizations, such as PEF, FAGE, AID to Artisans Ghana, and the College of Jewelry. This assistance seems to have been successful.

#### **Conclusion**

Although it is undoubtedly easier to work directly with firms and producer groups than to channel assistance via business associations, the former approach is expensive in terms of the number of firms reached, and there are questions regarding its sustainability, i.e., what happens when the Contractor/expatriate Grantee is no longer there? Sustainability would appear to require that assistance is increasingly channeled through two types of organization. One is the business associations and other non-profit organizations that are capable of supplying services to their members. Some of these services might be more in the nature of advocacy through various lobbying activities. Others can involve the dissemination of market and other kinds of information, as well as technical and management assistance.

The other channel via which assistance can be offered is research and consulting firms and centers. These will have a technical, market, management, or policy focus. They are centers of expertise, which can be drawn upon when there is a need for more specialized assistance.

A major issue is how these various institutions are to be financed. One source is member subscriptions, but this is likely to be quite limited in an underdeveloped economy. Nevertheless, it is an important source of funding, if for no other reason than that it helps to assure that the organization is responding to its members needs. A second source is fee for service. This is especially important when larger firms need specialized services, but even smaller firms should

be encouraged to pay part of the cost. Finally, there are government grants and donor funding. These will be relatively important in the beginning but should decrease over time as the member base becomes stronger and clients are better able to pay for what they need.

## Recommendations

### *Remainder of TIRP*

The importance of having a handful of robust business associations cannot be overstated. In narrowing the focus of its future strategy on fewer industries, USAID should also narrow on two or three associations for possible future assistance. Over the next year, well before any association project takes shape, Mission management, the SO 1 team, and the leadership of AMEX and TechnoServ/CARE should collaborate closely in a protracted dialogue with current and prospective private sector leaders on a wide range of association-related issues. The objective would be to inspire a new vision among these Ghanaians on the role associations could play in support of the private sector. Rather than continue the current demand-driven assistance to associations, the Mission should be investigating the prospects for multi-year institutional development opportunities.

The TIRP project published a large number of reports during the course of the program. These reports constitute a valuable technical resource for the horticulture, wood, and garment/textile industries. USAID should seek to establish a resource center at a suitable institution such as the Center for Policy Analysis (CEPA), where these reports could be archived and made readily accessible to business associations, Ghanaians in both the public and private sectors, and other donors.

### *Next Strategic Plan*

In its next Strategic Plan, USAID should identify and provide focused support to two or three business associations that have potential to become major players in the industries USAID chooses to support. In the case of Ghana's horticulture industry, the organization that is currently best qualified to serve as a model appears to be the soon-to-be merged Horticulture Association of Ghana (HAG) and the Sea Freight Pineapple Exporters of Ghana (SPEG).

### *1.2.9 Performance Monitoring and Evaluation*

#### **Finding**

The only Performance Monitoring Plan that the Evaluation Team could find was dated March 25, 2002 – four years after the project was initiated. This plan contains very little data on baseline or target values for the indicators that are proposed. There are almost no data on actual achievements. Furthermore, the evaluation team was unable to find within USAID any kind of data base upon which such information might be recorded, though according to the former SO1 Team Leader, such a database had once existed.

Performance monitoring occurs at three levels. Contractor performance is evaluated on the basis of the achievement of milestones related to inputs and outputs. Most of these were achieved.

The Contractor also monitors the results expected from these actions. These depend much more on action by the GOG and the private sector. Although there were some delays, many of these results were also achieved. However, those related to financial intermediation were not generally achieved. Finally, the PMP and Contractor monitoring plans call for the monitoring of indicators of the impact of the program on the economy. Most of the data for these indicators have not been collected.

### Conclusion

The Performance Monitoring Plan (PMP) and associated data collection and management needed to be organized much more effectively if it were to serve as a central tool for program management. One problem was that the Management Team was heavily burdened with many tasks, including the administration of numerous small grants, which kept it from doing an adequate job with respect to a more important area of responsibility: performance monitoring and evaluation. The result was a substantial delay in fully developing the PMP, a failure to assure that the contractors and grantees provided the data necessary to implement the plan, and little evidence that the data that were provided were effectively managed by USAID.

Performance based contracts, while very useful in many respects, tend to bias the Contractor's attention towards the achievement of milestones related more to inputs and outputs than to results and impact. This may be appropriate if USAID is actively monitoring the program's results and evaluating their impact on the economy, but if this is not the case, as it has not been with TIRP, then there is a serious management deficiency, which is not consistent with USAID's results based approach.

### Recommendations

#### *Remainder of TIRP*

Immediate steps need to be taken over the remainder of the TIRP program to implement a viable and realistic Performance Monitoring Plan. The current PMP seems to be a good start in this respect, but it must be implemented and used by USAID as a management tool. In this respect, USAID needs to try to distinguish between the impact on the economy of the TIRP program and general trends in the economy over the past few years. The Evaluation Team believes that this can be done through the careful selection of performance indicators (e. g., measurement of spread effects through firm surveys and assessment of policy impact by interviewing those affected). Although disentangling the impact of the program from broader trends in the economy is not easy, it is essential for assuring that the program is contributing to the broader SO and IR goals.

#### *Next Strategy Plan*

Sound performance monitoring and evaluation need to be built centrally into the next Strategic Plan at all three levels: inputs and outputs, expected results, and impact on the SO and IR indicators. Consideration should be given to making contractors responsible to some extent for expected results as well as inputs and outputs. USAID should assume responsibility for

measuring the impact of the program on SO and IR indicators, though the contractor can assist by gathering data and conducting surveys and interviews for this purpose.

#### *1.2.10 Need for Improved Coordination and Streamlined Management*

##### **Finding**

There has been insufficient coordination among the various components of TIRP, and between these components and other organizations.

##### **Conclusion**

The TIRP program suffers from a schism that exists between the two Results Packages and from the fact that there is no formal mechanism for coordinating with other organizations responsible for promoting trade and investment. Some of these organizations, such as the Ghana Export Promotion Council, USAID has supported in the past but now does not utilize. USAID needs to develop a clear vision of how it wants to support trade capacity building in Ghana and how it can organize most effectively for that purpose, taking into account what organizations already exist or are being created under the new Government, e.g., the Ministry for Private Sector Development. Then it needs to determine how it can organize this support most effectively.

##### **Recommendations**

##### *Remainder of TIRP*

To improve SO-wide coordination and collaboration, the Mission should review its approach to managing the multiple activities it organizes under Strategic Objective No. 1. There is a pressing need for greater harmonization of operational and reporting systems among the projects grouped under this SO. Mission management has to play a more active role in securing collaboration among its TIRP-funded activities because it is in the best position to maintain coherence and integrity of the vision that informs the pursuit of this Strategic Objective.

##### *Next Strategy Plan*

It is the evaluation team's opinion that under the next Strategy Plan, USAID should sign a single contract with a consortium to carry out all tasks and activities within this Strategic Objective, including the provision of grants to business organizations and NGOs. The Contractor should then be held responsible for assuring coordination among the various components of the SO and for maintaining close working relationships with other organizations and programs that are pursuing similar objectives. USAID should concentrate on overseeing the work being done by the contractor, on assuring that the monitoring and evaluation program is functioning effectively on using the results of that program as a management tool to see that the SO, IRs, and sub-IRs are being achieved, and on coordinating closely with other donors and the Government.

#### **1.3 Acknowledgements and Problems Encountered**

The evaluation team is very grateful to the many people who cooperated to make this evaluation possible, including USAID staff, contractor and grantee personnel, Government officials, private



business leaders, and many others. Special thanks are offered to Fenton Sands, who left the Mission several months ago but donated his valuable time to fill in a number of important holes.

An important problem encountered by the evaluation team is that many of the people who had been most centrally involved with the project from the beginning had moved on and were unavailable for interviews. This was true of USAID staff, as well as contractor and grantee personnel. As a result the team was forced to rely to a considerable extent on documentation, which in some instances was not very complete.

## II. EVALUATION PURPOSE, METHODOLOGY, AND TEAM COMPOSITION

### 2.1 Purpose

The purpose of this evaluation of the Trade and Investment Reform Program (TIRP) efforts to increase private sector growth is (a) to determine what has worked well and what has not work well, and therefore what lessons can be learned that would be most useful in developing the Mission's next development strategy; (b) to assess progress towards achievement of SO-1 and TIRP results; and (c) to provide an assessment of the economic impact (both macro and micro) of TIRP on private sector growth. The evaluation covers TIRP since implementation began in July 1998 up until the end of September 2002. The estimated completion date for USAID/Ghana's current Strategic Plan is September 30, 2004, so the Program has almost two more years to run before a new Strategic Plan is to be in place.

The scope of the evaluation includes SO-1 Results Packages 1 (Improved Policy Environment and Financial Intermediation) and 2 (Increased Private Enterprise Performance). Two parts of TIRP received funding from Africa Trade and Investment Program (ATIRP): Activity 4 under Results Package 2 (Grades and Standards for Ghanaian Exports) and the West Africa Gas Pipeline and West Africa Power Pool components of the energy results package (RP-3). Since ATIRP is conducting its own separate assessment of these programs, they are excluded from this evaluation. In addition, the Natural Resources Conservation and Historic Preservation Project is also not included in this evaluation because it was evaluated separately in 2001. However, the evaluation does look briefly at the tourism sector and offers a few observations regarding the role it might play in the Mission's next development strategy. The complementarities between TIRP and activities to help improve food security, primarily through PL 480 Title II resources, have also already been addressed in a separate study and are not included in this evaluation.

The major emphasis of the evaluation is on providing an analysis that will assist the Mission in developing a vision for future program actions and providing recommendations for modification of activities and implementation procedures to achieve program objectives under the new strategy. The understanding of the evaluators is that the Mission intends to align its new strategy with the country's overall long-term poverty reduction strategy of achieving growth sufficient to ensure the virtual disappearance of poverty by 2020. The assumption likely to underlie Mission's new strategy is that the private sector will remain the engine of growth, but with increased emphasis placed on the rural economy and agriculture because of their importance for poverty reduction. Thus, the new SO-1 is anticipated to focus on pro-poor, private sector-led, economic growth.

Ghana's Poverty Reduction Strategy (GPRS) emphasizes donor coordination in close collaboration with Government, as illustrated by the Medium-Term Expenditure Framework. The evaluation therefore explores ways in which USAID can participate in the mechanisms that have been established for donor coordination, such as the Multi-Donor Budget Support (MDBS) process, as well as the experience of other donors (DANIDA, DFID, GTZ, World Bank) with similar types of private sector-oriented programs.

## 2.2 Methodology

The basic methodology used for the evaluation consists of:

- Examination of key program documents (Mid-Term Evaluation of the TIP, USAID/Ghana Country Strategy, Strategic Objective Agreement, Performance Monitoring Plan, Semi-Annual Portfolio Reviews, R4 Reports/Annual Reports, contracts and grant agreements, contractor milestone plans, annual work plans, contractor monitoring plans, and contractor reviews of progress towards milestone accomplishment), as well as other important documents of the Government (Ghana Poverty Reduction Strategy).

Interviews with USAID staff, government officials, other donor representatives, contractor and grantee personnel, and business leaders for the purpose of assessing how well the program has worked in practice, what have been the problems encountered, what success has been achieved, and what lessons have been learned.

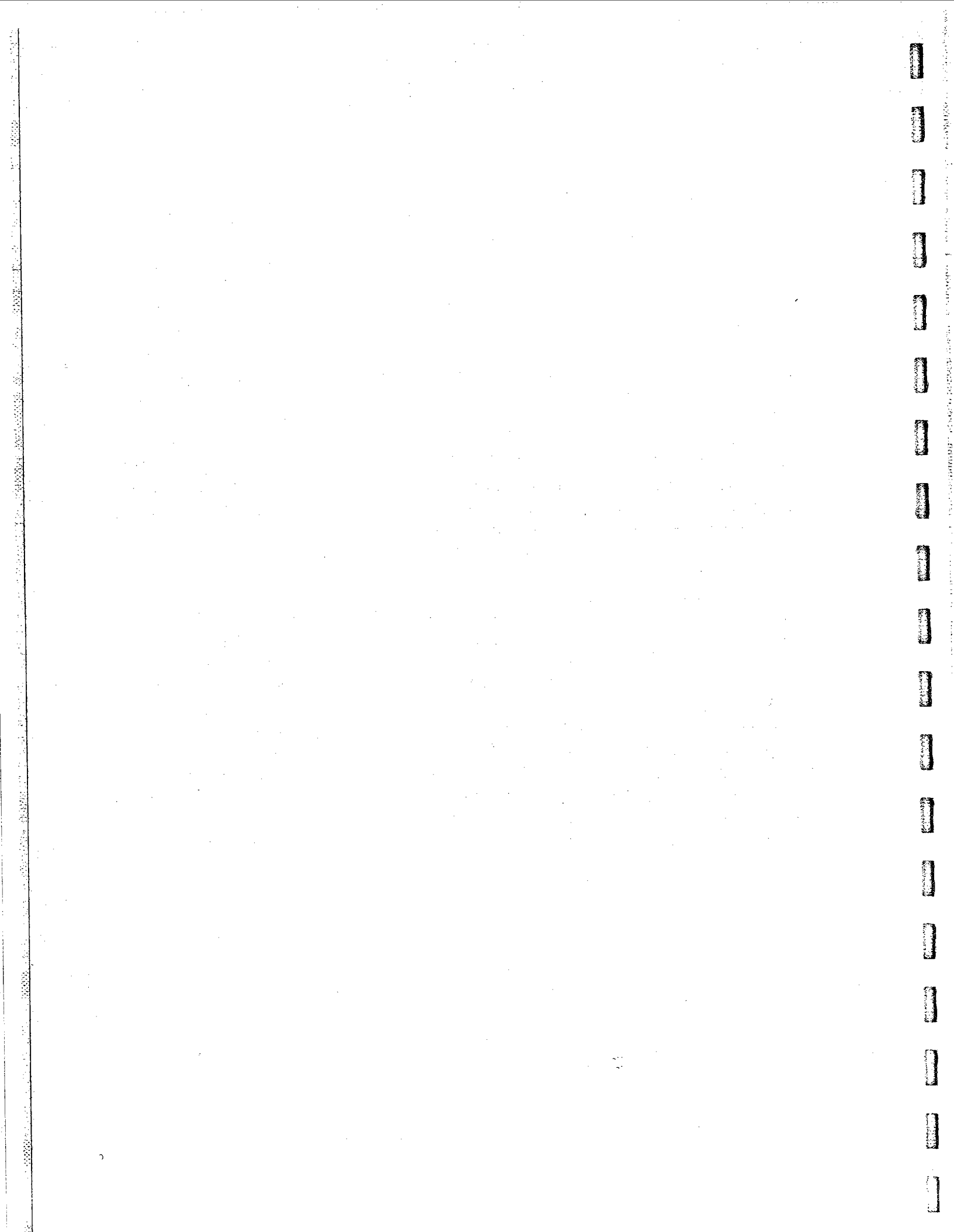
- A survey of 16 firms and professional organizations that have been the recipient of assistance under the program. These firms were selected so as to have a reasonably diversified sample across sub-sectors, geographical regions, and length of period of association with the program. The purpose of the survey was to assess the usefulness of the assistance from the firms' perspective, how important this management and technical assistance has been relative to problems encountered by the firms in the enabling environment, and what have been the principle problems that the firms have experienced with the assistance.
- On the basis of these steps, assessment of the principal findings of fact, conclusions of analysis undertaken on the basis of these findings, and recommendations regarding future actions. These recommendations comprise both longer term recommendations regarding the Mission's next development strategy and shorter term recommendations of what can be accomplished during the remainder of the program in order to make most effective use of the remaining resources and bridge the transition to the beginning of the next strategy.
- Preparation of a draft report, submitted to USAID/Ghana.
- Revision of the draft report, based on the comments received from USAID, and submission of the revised final report to USAID.

The Scope of Work for the evaluation is found in Annex A, while Annex B is a List of Persons Interviewed. Annex C is the SO/IR Framework Table, and the Summarized Profile of Enterprises Surveyed is included as Annex D. Finally, Annex E contains a Report on USAID Assistance to Business Associations.

## 2.3 Team Composition

The Evaluation Team was composed of two sub-teams, each focusing on a different Results Package. The sub-team evaluating Results Package 1 (Improved Policy Environment and Financial Intermediation) was made up of Dirck Stryker, President and Chief Economist of Associates for International Resources and Development (AIRD), and Charles Jebuni, Research Fellow at the Center for Policy Analysis (CEPA). Dr. Stryker, who also acted as Team Leader, has undertaken trade policy analysis and worked on trade capacity building in the developing world for over thirty years. From 1995 to 2001, he was Chief of Party for the Trade Regimes and Growth component of the Equity and Growth through Economic Research (EAGER) project within the Africa Bureau. He has been team leader for evaluations of projects centered on trade and investment policy, poverty reduction, and economic growth. He has worked in Ghana for almost thirty years on agricultural price policy, comparative costs and incentives, monetary and exchange rate policy, and trade tax policy. Dr. Jebuni, one of Ghana's foremost economists, is Chairman of the Board of Directors of the National Investment Bank. A former faculty member in the Department of Economics of the University of Ghana, Legon, he has undertaken extensive research and consulting in the areas of monetary and exchange rate policy, regional integration, international trade agreements, trade policy, export competitiveness, financial systems, agriculture and food security, and industrial competitiveness.

The sub-team evaluating Results Package 2 (Increased Private Enterprise Performance) was made up of James Purcell, MSI consultant; Tawia Akyea, Executive Director of the Foreign Trade Institute (FTI); and Kofi Kwakye, also of FTI. Mr. Purcell served as USAID Foreign Service Officer for 24 years in the positions of Acting Mission Director, Program Officer, Capital Development Office, and Program Analyst. He has extensive experience as Evaluation Team Leader and Performance Monitoring Specialist. He also served within USAID as Private Sector Development Officer. Mr. Akyea was Executive Secretary of the Ghana Export Promotion Council (GEPC) from 1993 until 2001. He has a degree in law with Honours from the University of Ghana, Legon and is a member of the Ghana Bar Association. He has extensive knowledge of the legal, regulatory, and policy environment in Ghana. Dr. Kwakye has a Ph.D. in accounting and finance from the Ahmadu Bello University in Nigeria. He served as Deputy Executive Director of the Trade Promotion Agency and as Director of Finance and Administration with the Ghana Export Promotion Council. He also served as Chairman of the Board of Directors of the Export Finance Company and First Quality Printers.



### III. PROGRAM BACKGROUND

#### 3.1 Historical Context

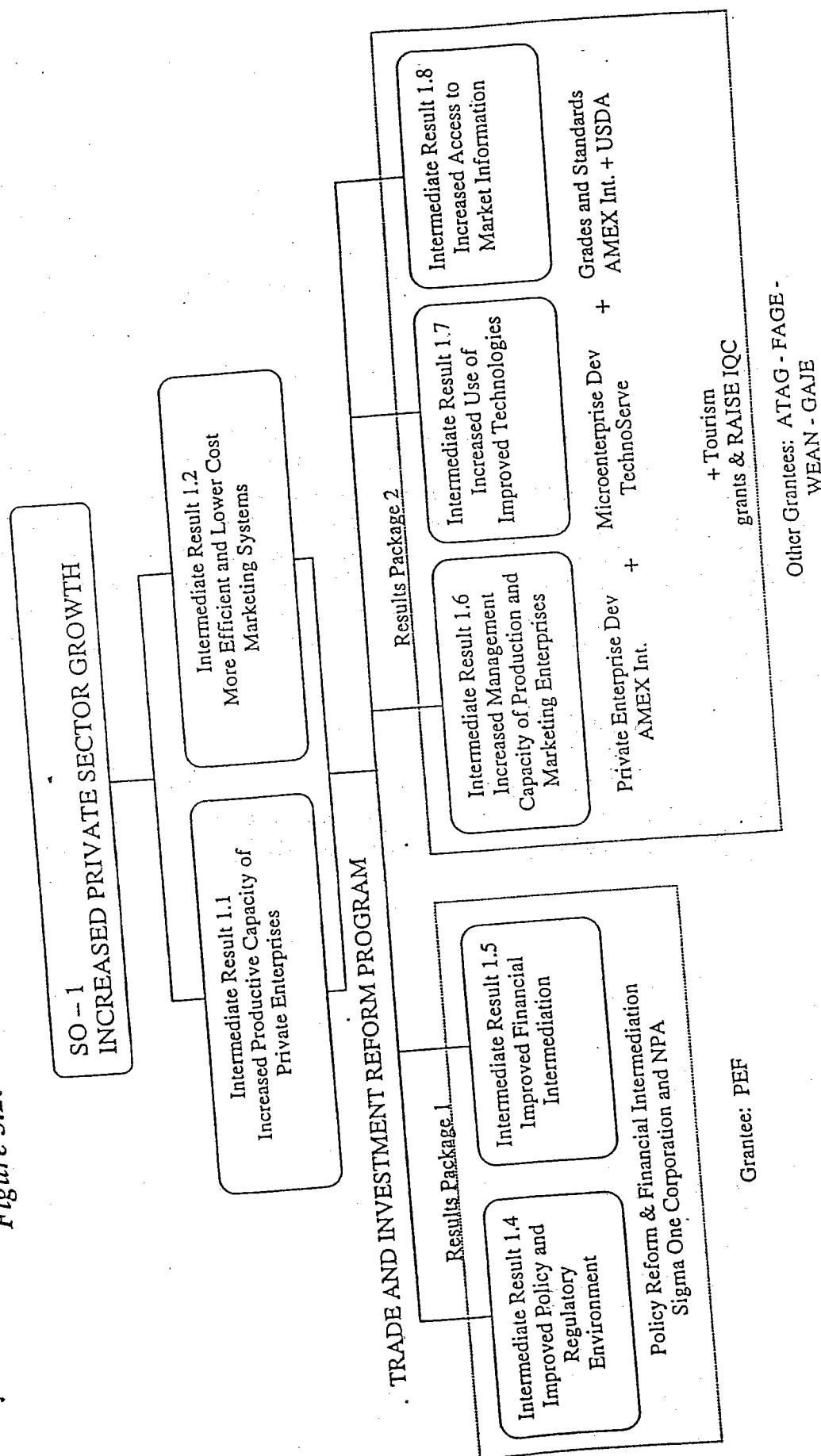
In July 1998, the Government of Ghana and USAID began implementing a new Trade and Investment Reform Program (currently \$74 million) which supports USAID's Strategic Objective No. 1: Increasing Private Sector Growth. The Project Assistance portion of TIRP (\$60 million) seeks to address technical and training needs of both the Government and the private sector related to increasing productivity, marketing, and investment. A \$14 million companion Non-Project Assistance (NPA) portion of the Program supports Government efforts to remove policy impediments to increased trade, investment, and macroeconomic stability.

TIRP builds upon the success of its predecessor, the Trade and Investment Program (TIP), by emphasizing nontraditional exports, a substantial portion of which were agriculturally based products because of the importance of these goods and services as a catalyst for accelerated, broad-based growth. USAID is also building upon its comparative advantage in assisting private enterprise development, and its specific knowledge of micro-enterprises. At the same time, this approach is being complemented by some of USAID's other activities to help to improve food security, primarily through PL 480 Title II resources, while contributing to the diversification of sources of Ghana's foreign exchange earnings and providing a broader base for the development of manufacturing.

#### 3.2 Strategic Objective and Intermediate Results

Figure 3.2 summarizes the hierarchy of Strategic Objectives and Intermediate Results that are relevant for this evaluation. It does not include Results Package 3 (More Sustainable Energy Supply), and its accompanying Intermediate Results, which are not part of the evaluation.

Figure 3.2: Hierarchy of Strategic Objective and Intermediate Results



## IV. PROGRAM DESIGN AND IMPLEMENTATION

### 4.1 Program Design

#### 4.1.1 *SO/IR Framework*

USAID/Ghana's current Strategy is based on the Agency's mission of sustainable development and is directly supportive of four of the Agency's goals: (1) broad-based economic growth achieved; (2) sustainable democracies built, (3) world's population stabilized and human health protected in a sustainable fashion; and (4) environment managed for long-term sustainability. Broad-based sustainable economic growth is the overall goal of the country strategy, with three sub-goals being improved productive capacity, reduced population growth, and continued democratic reform. Vital to economic growth is a productive work force that is educated, healthy, and actively involved in remunerative sectors of the economy. "Increased international competitiveness of Ghanaian products, through continued improvements in policies and enterprise development, is the most promising means of achieving a higher level of economic growth." (USAID/Ghana, 1997, pp. 17-18).

Strategic Objective No. 1 (Increased Private Sector Growth) was elaborated in response to the Mission's overall goal and the requirements for achieving that goal. It was also formulated in response to the challenge laid down by the Government of Ghana in its Vision 2020 to achieve a balanced economy and a middle-income country status and standard of living by the year 2020. The two major themes of this SO were spelled out as two Intermediate Results -- IR 1.1: Increased Productive Capacity of Private Enterprises and IR 1.2: More Efficient and Lower Cost Marketing Systems. This was to be accomplished by providing assistance to improve policies; improve availability of and access to finance; increase access to and use of technology and information; increase the skills of managers, private entrepreneurs, and policy makers; and improve the quality and efficiency of support services. In addition, the approach called for full participation of all segments of Ghanaian society.

In its analysis, USAID identified four major constraints on economic growth: (1) economic policies and regulations that continued to impinge on Ghana's productivity and competitiveness, (2) mechanisms for policy change that had failed to keep pace with democratization; (3) weak mobilization of resources through the financial system, and (4) weak managerial and technical knowledge and capacity of private enterprises. This led to the formulation of two Results Packages. The first, RP 1: Improving the Policy Environment and Financial Intermediation, dealt with the first three of these constraints; the second, RP 2: Improved Private Enterprise Performance, was focused on the last. Within these Results Packages were arrayed the Intermediate Results shown in Figure 3.2. All of these lower-level IRs were considered necessary to the achievement of IRs 1.1 and 1.2, but policy and regulatory reform was considered to be especially critical because without it none of the other results could be accomplished. This, at least in part, explains the role assigned to NPA as a mechanism for facilitating reform.

SO-1 was at first to be focused to a large extent on the agricultural sector. It was realized, however, that it is somewhat artificial to draw a sharp line between agriculture, processing, and marketing, and that the Mission needed to preserve the flexibility required to build the linkages between agricultural and nonagricultural enterprises necessary for economic growth. In addition, it was thought desirable to focus initially on the sub-sectors that had experienced the most rapid growth in recent years under the earlier TIP project – seafood, wood products, horticulture, garments, tourism – or that showed a strong potential for growth – cassava, yams. The Mission resisted the temptation to intervene in sub-sectors such as mining and infrastructure, where other donors had more of a comparative advantage, and instead focused on nontraditional exports (NTEs), in which it had achieved considerable success under TIP. Nevertheless, the TIRP program was not confined to NTEs since it was believed that there might also be important opportunities to produce for the domestic market.

An important dimension of the program's design was to achieve broad spread effects by forging linkages between larger and smaller firms and by assisting cooperation within producer groups. In this way it was anticipated that more than 50,000 enterprises could be aided through outsourcing or distribution networks linked to 10 to 15 larger enterprises and by directly assisting 850 groups of micro-enterprises averaging 60 members per group (USAID/Ghana, 1997, p. 27).

#### *4.1.2 Management Structure*

The general management approach was to maintain an open dialogue between USAID, its contractors and grantees, the Government, the private sector, and civil society – and through this dialogue develop an agenda for policy reform. The reforms would then be implemented by the Government with the assistance of USAID and its contractors and grantees. USAID/Ghana and the Ministry of Finance of the GOG were to have prime responsibility for program management, implementation, and monitoring and evaluation.

Overall program management within USAID was to be the responsibility of the SO1 Management Team under the guidance of the Mission Director and Team Leader. The Team was also to comprise the Mission Program Economist, US PSC Private Sector Advisor, and FSN Private Sector Advisor, Agricultural Economist, Financial Assistant, and support staff, as well as the Mission Contracting Officer, Program Officer, Project Development Office, and Financial Management staff. The SO1 Management Team was to have responsibility for policy dialogue, resource management, program monitoring, reporting, and overall accountability for achieving program results. The Team was also to be responsible for technical evaluation of institutional contract and grant proposals, contract and grant management, decisions regarding annual work plans, budgetary control, submission of required documentation, and evaluation of all SO activities. Finally, the SO1 Management Team was responsible for maintaining a dialogue with the Government, private sector, and development partners.

The Ministry of Finance was to represent the Government of Ghana in coordination and implementation of the program. The Minister of Finance or his designee was to chair the Inter-Ministerial Committee on Competitiveness (IMCC), whose responsibilities were to include:



- Assuring program coordination and implementation
- Developing and implementing plans for broad participation in the formulation of improved economic policies.
- Implementing policy and regulatory changes under the purview of the Committee's members.
- Recommending additional policy and implementation actions to other responsible parties.
- Monitoring and reporting of program performance.

USAID was to coordinate its program closely with the international financial institutions and other donors, especially in the area of macroeconomic policy.

Final work plans and budgets of activities undertaken under the Strategic Objective Grant Agreement (SOAG) were to be reviewed by the SOI Management Team and approved by the GOG, preferably as part of its normal budgetary and planning cycle (USAID-GOG, n.d., Annex I, pp. 15-20).

#### *4.1.3 Contracting, Grants, Non-Project Assistance*

USAID/Ghana has in place a variety of contractual mechanisms for implementing the Program. The basic approach is results-oriented and performance-based. The Program's objectives are to be accomplished through two Results Packages (the third RP is not the subject of this evaluation). The first is to address policy change and improvements in financial markets, while the second seeks to achieve improved competitiveness of private enterprises of all sizes (from the largest firms to the smallest micro-enterprises, with some emphasis on agricultural related enterprises).

Results Package 1 (Improved Policy Reform and Financial Intermediation) of TIRP is being implemented primarily through a competitively-awarded USAID institutional contract to Sigma One Corporation. In addition, the NPA component of this package is being handled directly by USAID with assistance from Sigma One. Results Package 2 (Increased Private Enterprise Performance) is being implemented partially through a competitively-awarded USAID institutional contract to AMEX International, Inc., which is providing technical assistance, advisory services, and training to private enterprises and business organizations. A grant has also been provided to TechnoServ (TNS), a U.S. PVO, to provide direct assistance to micro-enterprises. TNS works in parallel and in linkage with the activities undertaken by AMEX International. CARE International is a sub-grantee of TNS, which works primarily with small farmer groups.

Separate grants have supported conservation and institutional strengthening activities in the Central Region of Ghana under Phase II of the region's Natural Resources Conservation and Historic Preservation Project. A \$2 million endowment grant was made to the Ghana Heritage Conservation Trust (GHCT) to ensure the sustainability of investments at Kakum National Park and at three historic sites in Elmina and Cape Coast. A grant was awarded to a U.S.-based organization -- Conservation International (CI) -- to provide the project implementation bridge plus planning and financial management assistance to strengthen the capacity of GHCT. This grant ended on December 31, 2000. To strengthen local capacity for promoting private sector

growth, separate grants have been awarded to Ghanaian private sector organizations and business associations such as the Private Enterprise Foundation (PEF), Federation of Associations of Ghanaian Exporters (FAGE), Aid-to-Artisans/Ghana (ATAG), and the Ghana Association of Jewelry Exporters. All of these grants, plus the NPA portion of the program, have been administered directly by the USAID mission.

#### *4.1.3 Monitoring, Evaluation, and Reporting*

The SO1 Management Team was to be responsible for results monitoring, evaluation, and reporting. Annual results reviews were to be an integral part of work planning and resource allocation. Contractors and grantees were to collect, analyze, and report on progress in achieving economic growth and development objectives, as well as on conditionalities associated with Non-Project Assistance.

Both the Country Strategy and the Strategic Objective Grant Agreement (SOAG) set out a Results Framework Matrix for Strategic Objective No. 1. This specifies the Narrative Summary for the SO and each IR, provides a number of achievement indicators, presents baseline and target data for each indicator, gives the timeframe over which the target is to be achieved, and assigns responsibility regarding this achievement. Some of this information from the SOAG is presented in Annex C along with whatever information was available to the evaluation team on actual achievements.

The Matrix was supposed to be translated into a Performance Monitoring Plan, but the only PMP that the evaluation team could find was dated March 25, 2002 – four years after the project was initiated. According to the former SO1 Team Leader, however, the first PMP was developed shortly after TIRP began, and the March 2002 version was the last of a series of updates, based on suggestions from the Regional Inspector General's office. Partially as a result of those suggestions, a number of the performance indicators were changed from what was proposed in the original Results Framework Matrix. For example, the Value of All Nontraditional Exports was changed to the Value of Selected Nontraditional Exports, the selection being based on some of the products being produced by the enterprises that were receiving direct assistance from TIRP. Later this indicator was revised to include only the exports of those enterprises. In other cases, indicators were simply dropped. Overall, however, almost as many indicators were added as were dropped.

More important, the March 2002 PMP contains very little data on baseline or target values for the indicators that are proposed. There are almost no data on actual achievements despite the fact that space is provided for this information and the last version of the PMP was prepared four years after TIRP's debut. (The major exception to this is for RP-3, the energy results package). Furthermore, the evaluation team was unable to find within USAID any kind of database upon which such information might be recorded, though the former SO1 Team Leader said that such a database had existed at one point.

Because the two main contracts, with Sigma One and AMEX International, are performance based, the emphasis is on explicit milestones, which are used to measure progress in contract implementation as the basis for fee award. This provides one measure of performance. Because of legal constraints, however, milestones are only established for events over which the

contractor has almost full control. In the parlance of the old "logical framework", milestones relate primarily to Inputs and Outputs and not to Results.

## 4.2 Program Implementation

### 4.2.1 *Results Package 1: Improved Policy Environment and Financial Intermediation*

Results package 1 has been implemented in two ways. The first is through a contract with Sigma One Corporation (1) to support the policy change process and policy reform implementation and (2) to assist in improving financial intermediation. The second, administered directly by USAID in cooperation with Sigma One, is Non-Project Assistance (NPA) designed to encourage policy changes and to support the Government in making these changes.

#### 4.2.1.1 Task 1: Improved Policy Participation

The first task, calling for improved policy participation, involves two activities: (1) promoting participatory policy change as a process involving the private sector, civil society, and research organizations, as well as the Government, and (2) ensuring the adoption and implementation of policy and regulatory reforms affecting monetary and exchange rate policy, fiscal expenditures, tax policy and administration, trade policy, and labor and land markets.

##### 4.2.1.1.1 Activity 1: Promote Participatory Policy Change

#### Approach

The general approach to promoting participatory policy change called for providing technical assistance to the Government's policy makers to review the existing policy framework with a focus on reforms that promote consistency, improve efficiency, and increase international competitiveness. This required the Contractor to engage with the highest levels of Government as well as to assist the private sector and civil society in a process of analysis, review, debate, consensus building, and advocacy of critical public policies affecting economic growth. The Contractor was to "provide USAID with a draft agenda for the first set of reforms resulting from the participatory process, agreed to in writing by the GOG, appropriately prioritized and showing how the reform can reasonably and promptly be accomplished" (USAID-Sigma One Contract, 1998, Section C, p. 5).

Under the TIP project, Sigma One hosted a conference in North Carolina in June 1997, which was attended by many high level Government officials and representatives of the private sector and civil society. This was an opportunity to discuss openly and frankly the major problems constraining investment, trade, and growth in Ghana. Much of the emphasis was placed on fiscal deficits, monetary expansion, inflation, high interest rates, and volatile exchange rates, which many believed to be the most important barriers to economic growth. The North Carolina conference was followed in Ghana by a National Economic Forum, which took place in September 1997 and involved many of the same people. This Forum established a policy reform agenda and set up a number of working groups to develop specific proposals, which were subsequently presented to the Government. This was seen as one important mechanism for promoting participatory policy change and was to continue on an annual basis.

Another mechanism was the Inter-Ministerial Committee on Competitiveness (IMCC). This committee was established in September 1998 under the leadership of the Minister of Finance -- a departure from the Trade and Investment Oversight Committee under the TIP project, which had been jointly chaired by the Minister of Trade and Industry (MOTI) and the Minister of Finance (MOF), but had had its secretariat, the Trade and Investment Management Unit, in the MOTI. This shift reflected the growing concern that macroeconomic problems were having a more detrimental impact on investment, trade, and growth than was trade policy. It also reflected the sense that the MOF played a more central role in policy making than did the MOTI, and that TIRP could be more influential if incorporated more fully into the MOF.

The IMCC was comprised of full members (with voting rights) representing the MOF, MOTI, Bank of Ghana (BOG), National Development Planning Commission (NDPC), and Private Enterprise Foundation (PEF), with all these representatives having decision-making authority. Other participants could be called in as needed. The goal of the IMCC was to assure program coordination and implementation, develop and implement plans for broad participation in the formulation of improved economic policies, implement policy and regulatory changes under the purview of the Committee's members, and recommend additional policy and implementation actions to other responsible parties, including Cabinet, Council of State, and Parliament. The IMCC was to meet quarterly and have a Secretariat. Although the Minister of Finance chaired the IMCC, the Secretariat was to be outside the ministerial structure.

One of the main responsibilities of the IMCC was to review the TIRP policy reform agenda developed by a Technical Committee with the assistance of the Sigma One technical assistance team. Items for this agenda might originate from the agenda developed by the National Economic Forum and its working groups, or they might come directly from the private sector, USAID, Government, technical advisors, and others. Appropriate analyses were to be undertaken by the Technical Committee and its Task Forces before going to the full IMCC. The IMCC was then either to take direct action or to make recommendations to the appropriate bodies. The reform agendas were to be transformed into reform benchmarks, which were to be tied to the release of NPA funds. The IMCC was to ensure implementation of agreed upon policy changes, monitor the Government's performance in meeting these conditions, and report on the status of compliance (Trade and Investment Reform Program (TIRP), n.d.).

A third mechanism for participatory policy change was the assistance that Sigma One was to offer the GOG and private sector organizations in organizing conferences, workshops, and civic education programs to reach consensus on a consistent policy framework focused on international competitiveness. In addition, assistance was also to be provided in preparing briefings for parliamentarians, private sector leaders, and government officials. Sigma One was also to work with interested organizations to develop an annual report on the State of Ghana's International Competitiveness.

### Accomplishments

There were some significant accomplishments under this activity during the first years of TIRP. A draft policy agenda was developed and submitted to the IMCC in the first quarter of 1999 (Sigma One, 1999). This agenda was very comprehensive, covering fiscal planning and

accountability, monetary management and accountability, revenue generation and broad based taxation, trade reform, the role of government, and streamlining the performance of factor markets (labor, land, and financial sector). It included planned actions to achieve improved policy reform and financial intermediation, expected improvements and resulting effects, and recommended priorities for the period October 1998-December 1999. This policy agenda, however, was never formally adopted by the Government. Although the IMCC did approve the annual Work Plans of Sigma One, these were expressed in terms of milestones to be accomplished by the Contractor and not decisions to be taken by Government. The only way that USAID was able to get the Government to agree formally to items on the policy agenda was to incorporate them into Non-Project Assistance conditionality.

The decision was made by the Government not to hold any further National Economic Forums after the one held in 1997 until the year 2001, following the presidential election of December 2000. There were a series of national consultations on key economic issues, the most important of which dealt with the need to change the existing labor law, but there was no overall forum in which to take stock of the economic situation. Following the presidential elections and the change in government, a National Economic Dialogue (NED) was held in May 2001, followed by the creation of a series of task forces, which drafted various policy recommendations. A second NED was held in May 2002, which assessed the progress made on the policy agenda elaborated following the first NED. Sigma One assisted in the preparations for these NEDs. However, there was no formal mechanism established to carry on the day to day business of the NED and to assure adequate monitoring and follow-up.

The IMCC, which was established in September 1998 and was supposed to meet quarterly, failed to meet again until September 1999 and only met one or two times after that before falling into complete disuse. A major problem was the failure to appoint a Secretariat to support the Committee by preparing the agenda and providing follow-up to the meetings. Thus there was not clear inter-ministerial mechanism within the Government for guiding TIRP, for implementing policy and regulatory reforms, for recommending policy and implementation actions to other responsible parties, for monitoring the Government's performance in meeting these conditions, and for reporting on the status of compliance. These responsibilities fell solely on the Minister of Finance. Furthermore, there was no formal channel connected with TIRP through which the private sector could express its opinions – a role that had previously been played within the IMCC by the Private Enterprise Foundation.

One area of considerable success was the role played by Sigma One in helping to support conferences, workshops, and civic education programs to reach consensus on a consistent policy framework. Notable examples were a series of town hall meetings; several workshops on financial innovations; quarterly meetings of the Financial Sector Consultative Committee; a number of consultative meetings on the draft labor bill; workshops and seminars of the Participatory Policy Working Group; and various other workshops, seminars, and conferences held at least annually. Of these efforts at consensus building, at least two stand out.

One was the work done by Sigma One in support of the revision of Ghana's labor law. This began in May 1999 with support for a National Labor Forum involving participants from government, the trade unions, and employers to discuss the proposed new labor law. After the

Forum, Sigma One continued to provide running, guidance, and support plus the organization of a labor mission abroad. Sigma One contributed technical analysis of the issues and its own recommendations, but more important, it facilitated the kind of consensus building that was critical for success. The result is the labor bill now before Parliament.

Another example was the deliberations of the Financial Sector Consultative Committee leading to preparation of a Financial Sector Strategic Plan. This committee included representatives from the Bank of Ghana, Ministry of Finance, Ghana Stock Exchange, regulatory commissions, banking community, insurance and pension companies, research centers, brokerage firms, and other elements of the private sector. They worked together in full committee and as sub-committees, with Sigma One support, for almost two years before producing a Strategy Plan. Though not implemented immediately, this Plan has now been revitalized as an important element of the new Government's policy agenda.

## Problems Encountered

### *National Economic Forum as a Vehicle for Participatory Policy Change*

There were a considerable number of problems encountered in trying to promote participatory policy change. One of the most important was that the National Economic Forum was to a large extent externally imposed and was not part of the normal Ghanaian policy-making process. For example, the North Carolina conference was an inspiration of Sigma One and not of either the GOG or Ghana's private sector. Although the Private Enterprise Foundation (PEF) played an important role in organizing the conference, the PEF was perceived to be largely a creation of USAID and not a totally Ghanaian institution. Furthermore, the agenda of the North Carolina conference was to a large extent dictated by Sigma One and not by the Ghanaians.

This was in many ways a deliberate attempt to move outside the traditional channels of decision making to create a greater role for the private sector. This same principle was to be applied to the National Economic Forum (NEF), held in Ghana several months later. However, this approach to organizing the Forum was perceived by the Government as usurping its authority. As a result, the GOG took over organization of the Forum, making it more of an official event and less an opportunity for the private sector to voice its concerns regarding Government policy. Although the working groups set up by the Forum put together detailed proposals for policy reform, these were never fully incorporated into the Government's decision-making process. For example, matters of economic policy normally are taken up by the Economic Management Team, chaired at that time by the Vice President, before they go to Cabinet. There is no evidence that this happened with the agenda coming out of the National Economic Forum.

The situation was further complicated by the transition from TIP to TIRP and by the Presidential elections in December 2000. Following the NEF, there was something of a hiatus as Sigma One was required to bid for the RP1 contract under TIRP and before its new team was in place. By the time that the next NEF was being proposed for 1999, the Government was already looking forward to the elections and was reluctant to provide an opportunity for the opposition to present its concerns in such a public forum. It therefore decided that any future Forum would have to await the elections. Thus nearly four years passed between the NEF in 1997 and the National Economic Dialogue under the new government in 2001.

The problem of fitting the NED into Ghana's decision-making structure remains. Although there were a number of useful recommendations for policy and regulatory reform coming out of the 2001 NED, no institutional mechanism was put in place to follow up these recommendations and ensure their implementation. The second NED held in May 2002 reviewed the progress that had been achieved since the 2001 NED, but there continued to be a lack of any formal mechanism for monitoring this progress on a regular basis and for assuring sustained follow-up. Under pressure from USAID, as part of the conditionality associated with the disbursement of the second tranche of NPA, the GOG agreed in 2002 to establish a NED Secretariat as a transitional mechanism over the next 18 months, but at the time of the evaluation this Secretariat had not been funded and an Executive Secretary had not been formally recruited. Discussions with government officials in fact revealed a rather different view of how the private sector would be incorporated into GOG decision making. This is discussed further in Section 6, where recommendations are presented as to how USAID's program might best be adopted to the decision-making framework that is emerging in Ghana.

### *Role of the IMCC*

The IMCC was conceived of as playing the role that the Trade and Investment Oversight Committee had played under TIP. In order to have a greater influence over macroeconomic policy, however, it was to be chaired by the Minister of Finance and its Secretariat was to be independent of the ministries rather than come under the MOTI. This meant, however, that it had to compete for the Minister's attention with many other areas of activity, some of which were perceived to be of greater priority than the TIRP. This was true, for example, of the IMF program (Enhanced Structural Adjustment Facility) for SDR 229 million, which was signed in May 1999. In addition, the MOF not only was responsible for preparing the Government's budget, controlling expenditures, collecting revenues, and managing the public debt, but in Ghana also retained responsibility for monitoring all development projects being implemented across all sectors of the economy. While TIRP provided useful training and technical assistance, the NPA of \$14 million paled in comparison with the much larger volume of resources being channeled through the Ministry. Thus it is not surprising that the IMCC did not receive the attention that USAID thought it deserved.

Once the IMCC ceased to function, there was a need for some sort of mechanism to take on the role of monitoring and evaluating the policy agenda arising out of the National Economic Forum in 1997 and revitalized with the National Economic Dialogue in 2001. In USAID's Strategic Objective Implementation Letter (SOIL) No. 15 to the Minister of Finance, signed by both parties on July 11, 2001, it was agreed as part of the conditionality for disbursement of the second tranche of NPA that "an organizational structure would be established to monitor and evaluate implementation of policy reforms agreed to in the NED" and that this structure would replace the IMCC. Subsequently it was agreed (SOIL No. 24, signed August 8, 2002) that such a structure would be a temporary institutional arrangement in the form of a NED Secretariat that would operate for no more than 18 months to temporarily fulfill the role of the Technical Advisory Secretariat (TAS), which was to be created and attached to the Government's Economic Management Team, now chaired by the Senior Minister. Interviews by the evaluation team with GOG officials in December 2002 indicated (1) that the NED Secretariat had not yet been formally staffed or funded, and (2) that there was a perception that this would not be

necessary since the TAS was already being established. Assigning responsibility for the NED policy agenda to the TAS will have the advantage of bringing its implementation much more centrally into the GOG's decision-making process, but it may reduce the importance of the role played by the private sector in that process. The subject is discussed further in Section 6.

### **Lessons Learned**

One of the most important lessons learned by the experience of TIRP under this activity is that it is very important that both the government and the private sector in Ghana have full ownership of the mechanisms in place for participatory policy change. The North Carolina conference and the National Economic Forum were not fully owned by Ghanaians, so in the end their results were not fully accepted. The National Economic Dialogue, on the other hand, appears to be more fully owned by the Ghanaians and is therefore likely to be more successful. This process has taken time and has been interwoven with the political changes that have also been taking place in Ghana.

Second, the IMCC was also a creature of the TIRP and not of the Ghanaian's own decision-making process. Furthermore, moving the oversight committee from the MOTI to the MOF may have brought it closer to the centers of power and influence within the GOG, but it also resulted in it receiving much less attention. The same may also occur now that the NED policy agenda is being taken over by the Economic Management Team. This will make decisions regarding the NED policy agenda easier, but they will have to compete with many other priorities before the EMT.

#### **4.2.1.1.2 Activity 2: Adoption and Implementation of Policy and Regulatory Reforms**

##### **Approach**

The policy agenda arising from the National Economic Forum in 1997 and presented to the IMCC was very broad in scope (Sigma One Corporation, 1999). Many of the steps involved in its implementation were incorporated as milestones in Sigma One's contract (USAID-Sigma One Contract, 1998, and amendments), its monitoring plan (Sigma One Corporation, 1998), and its annual work plans. These milestones involved the preparation of action and monitoring plans, development of protocols, creation of data bases, execution of studies, preparation of briefs and position papers, and drafting of proposed legislation and executive orders. Thus the approach called for Sigma One to assist the GOG as much as possible in the analysis and implementation of appropriate policy reforms as well as to enhance the capacity for policy analysis and dialogue. Sigma One was also to assist USAID in identifying key policy issues that could be part of the conditionality associated with the disbursement of NPA. The approach did not call for extensive capacity building within the Government through training, purchase of equipment, and other means.

##### **Accomplishments**

Sigma One achieved most of its milestones, which paved the way for government action to implement important policy reforms. Some of the major achievements in this area include:



- Action Plan for improved monetary management.
- Document to guide a tripartite review of labor markets and a draft tripartite compact for achieving flexibility in labor markets.
- Database for monitoring international competitiveness.
- Action plan to enforce compliance with BOG policy eliminating foreign exchange declaration for NTEs.
- Document for monitoring expenditure control.
- Proposal for reduced variance and lower average tariffs for consideration by civil society and Parliament
- Study on bans and controls on commodities such as rubber, yarns, and cotton.
- Action Plan to implement revenue sharing from tourist attractions.
- Study of transferable usufruct rights to land.
- Evaluation of revenue increases from pilot testing program for revenue collection.
- Review of operations of duty drawback system.
- Document recommending operational, regulatory, and policy changes to Bonded Warehouse and Free Zones regimes.
- Terms of Reference and Operational Guidelines for a National Audit Task Force.
- Estimates of potential divestiture receipts.
- Support for Senior Monetary Economist position at the Bank of Ghana.
- Installation of and training in Tax Analysis and Revenue Forecasting Program.

## Problems Encountered

### *Lack of Follow-up and Capacity Building for Implementation*

The major problems encountered had to do with the absence of effective means of follow-up after Sigma One had assisted the Government to analyze policy options and to prepare action plans and other documents required for policy implementation. In part this was due to the failure of the IMCC to act as an effective agent for implementation and monitoring. It was also because emphasis was placed in the design of TIRP on the preparation of studies and other documents and not on the sustained building of capacity for implementation.

This can be contrasted with one recent example where greater emphasis has been placed on sustained follow-up and capacity building – the installation of and training in the Tax Analysis and Revenue Forecasting Program. Here the Duke Center for International Development has adapted the program to Ghana, offered a workshop in-country for training government staff in the use of the program, brought senior officials to the United States to participate with officials from other countries in applications of the program, and undertaken follow-up visits to Ghana to fine tune the program and apply it in actual budgeting situations. The result has been the successful transfer of the program to Ghana and the creation of local capacity to employ it.

### *Insufficient Institutional Preparation*

Another problem is illustrated by the first attempt to place a Senior Monetary Economist at the Bank of Ghana. An expatriate candidate was recruited and hired in 1999, but Sigma One was unable to place this person at the Bank of Ghana. Instead he worked out of the Sigma One

office, which reduced his effectiveness in influencing policy. Partly this appears to be because of the long period that elapsed between the time that the BOG was consulted and when the Senior Monetary Economist was ready to go to work. It may have also been because the Governor was not very open to the kind of advice that was being offered. In any event, the person filling this position subsequently resigned.

When the new Government came to power, the Governor of the BOG was replaced. The new Governor was much more open to constructive advice. In addition, it was possible to hire a well qualified Ghanaian to fill this position as Special Assistant to the Governor from inside the BOG. It is the evaluation team's impression from interviews that this advisor is much more effective than his predecessor, in large measure because he is operating from the inside. For example, a Monetary Committee has already been set up, chaired by the Special Assistant, and this is to be supported by a Monetary Policy Analysis Unit within the BOG. This should do much to improve the effectiveness of monetary policy.

### **Lessons Learned**

There are two important lessons to be learned from this experience. The first is that policy reform is a process that requires sustained follow-up and building of capacity for implementation. It cannot be imposed, or even induced, from outside. The role of USAID and its contractors is to offer not only recommendations or conditionality as to what policies make sense but also to assure that there is building of capacity for sustained follow-up and implementation within the Government.

The second lesson is that there must be local ownership of the policy reform process. USAID and its contractors can influence that process most effectively if they are supporting reform from inside. This means identifying, in collaboration with Government, the need for expertise, and then assuring that this expertise is made available in a way that best enables the Government to exercise ownership. Ideally, this means relying to the maximum extent possible on Ghanaians. Given the large number of well qualified Ghanaians in Ghana, or who have been trained in the US and are interested in returning to Ghana, finding such Ghanaians should not be a big problem. Inducing them to work within the government at its salary scales is a problem. The solution of offering to support these people outside the government salary range poses difficulties but it may not be possible to avoid these for now.

### **4.2.1.2 Task 2: Improved Financial Market Instruments**

#### **4.2.1.2.1 Activity 1: Improvements in Regulation and Management of Financial System**

#### **Approach**

This activity was to provide technical assistance to the GOG and BOG in analyzing the regulatory environment for the financial sector, in assessing existing and proposed financing mechanisms, and in making recommendations that would be consistent with sound macroeconomic policy and prudent supervision of the sector in order to safeguard the public interest (USAID-Sigma One Contract, 1998). Sigma One's approach was to allow the financial sector to become increasingly responsive to competitive opportunities and pressures, which

would allow opportunities to emerge for innovation and entry into the system. Technical assistance was to be used for the following:

- To assist Ghanaian public and private sector financial firms and institutions to identify regulatory bottlenecks and practices that impede competitive responses to the improved policy framework and aid them in policy dialogue efforts leading to greater transparency and agility within a legitimate supervisory and regulatory framework.
- To help Ghanaian financial firms and institutions to identify potential innovations in products and services that would serve to induce capital to flow in directions where it would be most productive.
- To act as a conduit to world class expertise and advice from real players in global financial markets (Sigma One Corporation, 1999, p. 12)

### **Accomplishments**

The following were among the major accomplishments of this activity.

- Formation of a financial sector working group and publication by that group of a Financial Sector Strategic Plan. This Plan provides an excellent summary of the actions that need to be undertaken to develop the financial sector. The plan was not implemented under the previous government, but it is currently being updated and is to form the basis for the new government's policy agenda in the financial sector.
- Report on the deficiencies in the regulatory and supervisory practices in the financial sector.
- Review of Ghana's bank supervision regulations and practices in relation to those of the Basle Committee.
- Strategy document for broadening the products listed on the Ghana Stock Exchange.

### **Problems Encountered**

The major problem encountered with this activity was the failure of fiscal deficits to be contained, which led to excessive expansion of the money supply, inflation, and high interest rates. Effectively, the Government crowded the private sector out of financial markets, making it extremely difficult to introduce the kinds of innovations in financial intermediation that had been envisioned. Perhaps the most important accomplishment of this activity -- the preparation of a Financial Sector Strategic Plan -- was not carried to fruition largely because of weaknesses in macroeconomic policy.

Another problem was similar to that experienced in other areas of policy implementation -- lack of follow through and support for the capacity building required for policy implementation. Many of the recommendations contained within the Financial Sector Strategic Plan require the building of capacity for regulation and management of the financial system. Yet this is not a central part of the TIRP project. This problem was cited by many of the persons interviewed who had participated in the development of the Plan.

### **Lessons Learned**

The two most important lessons learned are (1) the critical importance of macroeconomic stability for development of the financial sector and (2) the importance of capacity building in

financial regulation, management, and supervision if regulatory and policy reforms are to be successfully implemented.

#### **4.2.1.2.2 Activity 2: Analysis and Development of Improved Financial Instruments**

##### **Approach**

This activity was to review a range of financial mechanisms that might be suitable for Ghana and to provide technical assistance, organize conferences, facilitate study tours, and develop business contacts as a way of putting Ghanaians in the financial sector in touch with those most conversant with these mechanisms (USAID-Sigma One Contract, 1998). Private firms were to be assisted based on competitive proposals for innovation and their demonstrated willingness to take on the risks of innovation. One particular element of this approach was to be the development of a strategy for mobilizing informal sector financial resources (Sigma One Corporation, 1999, p. 17).

##### **Accomplishments**

There were some noteworthy accomplishments with this activity. One had to do with reorientation of the Social Security and National Income Trust (SSNIT). Sigma One's monitoring plan called for a review of SSNIT and other elements of the pension system with a view to modernization (Sigma One Corporation, 1998). This review was completed in mid-1999, and at a subsequent meeting a number of follow-up actions were identified. The Director General of SSNIT then requested from Sigma One Corporation specific technical assistance. He was informed that this assistance could only be in the form of short-term TA, and would not include equipment or long-term advisors. Nevertheless, SIGMA One financed the services over an extended period of an expatriate investment specialist, who contributed very considerably to building SSNIT's capacity in the area of investment analysis located within a newly created Investment Department.

Other accomplishments included a number of conferences and workshops that explored a variety of financial innovations and some role played by Sigma One in the introduction of a three-year, inflation-indexed bond. The bonds were less successful than they might have been because of a requirement imposed on commercial banks to hold 15% of their official reserves in the new bonds and because the bonds cannot be redeemed at a value that reflects inflation indexing until they reach maturity. The establishment of a National Bond Market Committee, with support from Sigma One, may help to introduce additional innovations.

##### **Problems Encountered**

Some of the same problems that plagued the previous activity also had a detrimental effect on the introduction of financial innovations, i.e., the macroeconomic instability that prevailed was not propitious for financial innovation. In addition, there was insufficient attention to follow-up and capacity building for implementation. The one success in this area, the strengthening of SSNIT, was an exception.

## Lessons Learned

The experience with SSNIT is a prime example of the effectiveness of combining an initial exploratory study with subsequent follow-up and capacity building for implementation. Prior to this effort, SSNIT had paid very little attention to the quality of its investment portfolio and to the possibility of becoming a source of long-term capital for the Ghanaian economy. As a result, SSNIT was in danger of collapse because of some very bad investments, at the same time that its asset portfolio was too concentrated at the short end in Treasury securities. Once its capacity to analyze its portfolio had improved, SSNIT was able both to reduce risk and to extend the maturity of some of its asset holdings.

### 4.2.1.3 Non-Project Assistance Program

#### Approach

Non-Project Assistance was seen as a way of complementing the policy analysis and technical assistance furnished by Sigma One with an inducement for the GOG to undertake reforms in return for budgetary support. This was, in fact, about the only way that the Government would formally sign on to policy reform. Sigma One suggested most of the conditions established for disbursement of the NPA. The IMCC was to be the arena in which these conditions were discussed and agreed to by USAID and the GOG. In addition, a Verification Plan was to be approved by the IMCC and USAID to verify achievement of the policy reform benchmarks.

#### Accomplishments

There were a significant number of accomplishments under the NPA. The following conditions, or Benchmarks, were satisfied under Tranches I and II, leading to the disbursement of \$5 million as of September 30, 2002 (Semi-Annual Portfolio Review, April 1, 2002 – September 30, 2002):

- GOG develops and begins to implement a plan of action to establish a national multi-party consultative process.
- GOG conducts an analysis and develops an action plan to enforce compliance with the Bank of Ghana policy eliminating foreign exchange controls for nontraditional exporters.
- GOG undertakes a study of existing bans and controls on commodities such as rubber, yams, and cotton, and develops an action plan to eliminate the negative impact of such bans and controls on export products.
- GOG, through the Ministry of Finance, puts in place an expenditure control and monitoring mechanism that exercises greater control over spending.
- GOG, through the Ministry of Finance, develops a broad budget for the year 2000.
- GOG, through the Ministry of Finance, oversees a program of tariff reform that reduces the number of exempted and zero-rated items in the tariff code.
- Financial Sector Consultative Committee prepares a strategy for development and introduction of innovative financial instruments needed to measure and manage the risks present in the current financial environment, and provides mechanisms for enhanced financial intermediation.
- Financial Sector Consultative Committee prepares a strategy document to analyze the issue of the rate and pace of exchange control liberalization measures introduced in Ghana.

- Bank of Ghana reviews Ghana's bank supervision regulations and practices in the context of the Basle Core Principles for Banking Supervision and develops recommendations to reduce deficiencies.
- Cocoa Secretariat undertakes an analysis to identify needed corrections in existing financial sector deficiencies and develops new financial policies and instruments to achieve the goals of the Cocoa Sector Development Strategy.

Another Benchmark was postponed until Tranche III: GOG, through the Ministry of Employment and Social Welfare, promotes labor market flexibility with the development and submission to Parliament of draft labor reform legislation that has been arrived at through consultations with principal stakeholders. In its place was put another Benchmark: Following the National Economic Dialogue (NED) held on May 14-15 2002, an organizational structure be established to monitor and evaluate implementation of policy reforms agreed to in the NED. This structure, which is discussed above in Section 4.2.1.1.1, was to replace the NPA program's IMCC.

At the time of the evaluation, Tranche III was just being prepared by USAID.

### Problems Encountered

The major problem encountered with implementation of the NPA was delays in the Government's satisfying of the Benchmarks. For example, the conditions for Tranche 2 were to be met by August 31, 2000, but in fact they were not all met until almost a year later. This resulted in delays in NPA disbursement, which was frequently made as partial payments when some but not all of the conditions for a tranche were satisfied. Some of this delay may have been due to failure of the IMCC to continue to function, particularly regarding the monitoring of compliance. There was also the general problem that many tough decisions were put on hold as the Presidential election neared.

In addition, it is not always clear that the conditions were fully satisfied. For example, the condition that the "GOG, through the Ministry of Finance, put in place an expenditure control and monitoring mechanism that exercises greater control over spending" was satisfied by the preparation in 2001 of monthly and quarterly classifications of expenditures for the period 1994-99. While useful, this hardly could have helped directly in controlling actual expenditures for the current fiscal year, though it did deal with the problem of different classification systems for actual and approved expenditures. Finally, it appears that a number of the conditions were likely to be satisfied even without the NPA. As an example, the condition that the "GOG undertakes a study of existing bans and controls on commodities such as rubber, yams, and cotton, and develops an action plan to eliminate the negative impact of such bans and controls on export products" was satisfied when the GOG simply lifted the bans altogether.

In the final analysis, the NPA program was considered to be sufficiently successful that an additional \$ 4 million was allocated to it from other areas of TIRP.

## Lessons Learned

Non-Project Assistance appears to be a reasonably effective way of influencing policy. Despite delays, occasional superficial compliance, and some credit taken for what may have occurred anyway, there clearly were some significant successes – especially given the fact that the amounts involved were relatively small compared with non-project assistance coming from other donors.

The major challenge facing USAID in its next strategy is how to integrate this form of assistance with the general trend towards direct budget support and joint multi-donor/GOG agreement on the conditions required for this support. This issue is discussed below in the section on recommendations.

### *4.2.2 Results Package 2: Increased Private Enterprise Performance*

At the core of the USAID strategy was concern with the slow rate of economic progress in Ghana. Of particular concern was the poor performance of the food production and manufacturing sectors. USAID realized that even with an enhanced policy environment and greater investment capital, Ghana would need to improve the competitiveness of the private sector. This was particularly true for non-traditional exports, notably horticulture, fish and seafood, wood products, some food crops, and handicrafts. These sectors were dominated by a handful of larger firms and a range of small and micro firms that were inefficient, lacked viable business plans that would support bankable financing proposals, and had little experience meeting the quality and quantity standards required to export. These enterprises needed better management, improved technology, wider access to credit, and strengthened market linkages if they hoped to exploit opportunities to significantly increase nontraditional exports.

Results Package 2 includes two inter-linked sub-components: Activity 1: Promote Sustainable Increases in Private Enterprises Production and Marketing and Activity 2: Improve Services of Private Sector Business Associations. Activity 1 involved three areas of technical intervention: Increased Private Enterprise Performance (IPEP), Micro-enterprise Development (MDA) and Grades and Standards. Since the Grades and Standards program has been evaluated separately, it is not included here.

At the initial stage of the program, business support assistance was to be focused on a few sub-sectors that had previously demonstrated prospects for growth, and which had substantial analysis underpinning their selection. The IPEP and MDA components concentrated on expanding the nontraditional exports of a small group of lead firms and priority products selected through the conduct of market studies at the beginning of the project. Those products originally selected included agriculture, textile/garments, and value-added wood products.

#### **4.2.2.1 Activity 1: Promote Sustainable Increases in Private Enterprises Production and Marketing**

The objective of this project component was to assist the private sector to reduce managerial and technical constraints and promote development and growth in Ghanaian business enterprises.

Implementation of this activity was divided into two components: Increased Private Enterprise Performance (IPEP) and Micro-enterprise Development Assistance (MDA).

On July 1, 1998 USAID contracted with AMEX International for 54 months of technical assistance at a cost of \$ 6.9 million dollars. The contract completion date was December 31, 2003. A \$5.1 million Cooperative Agreement was awarded on July 18, 1998 to TechnoServ Ghana for technical assistance until December 31, 2002.

### Approach

A principal focus of this activity was the establishment of linkages between micro-enterprises and enterprises of larger scale in mutually profitable and sustainable business relationships. Under this approach a limited number of innovative or "lead" firms involved in such areas as seafood, wood products, horticulture, floriculture, garments, staple foods, and tourism services were selected for assistance to "push" them to a higher level of performance and international competitiveness. These were firms involved in the production and marketing of goods and services with the highest potential for increasing revenues and with significant multiplier effect on economic growth. Special attention was to be given to ensuring that activities supported were accomplished in an environmentally sound manner.



### *Push-Pull Approach*

Underlying the approach to technical assistance provided in RP 2 was one of the lessons USAID learned from implementation of the Trade and Investment Program (TIP) project, the predecessor to TIRP. The Mission had concluded that it was "essential to increase the capacity of micro-enterprises to produce and market non-traditional exports as well as domestic products." To increase Ghana's productive capacity and to have an impact on incomes and employment, these micro-enterprises had to be linked into the production-marketing chain.

The so-called "push-pull" approach employed by the technical assistance contractors began with the identification of "lead" firms, which had the greatest potential for and impact on increasing economic generation together with significant multiplier effects. Contractor assistance would assist lead firms to reduce costs and, in effect, "push" them into competitive international markets. In turn, the lead firms would, through their linkages to related micro-enterprises, "pull" these enterprises into the production-marketing chain. "Only such a combination of lead firms with micro producers and processors would result in the desired economic growth." Whereas these linkages occurred only by chance under TIP, establishing them was to be central to the enterprise development strategy of TIRP.

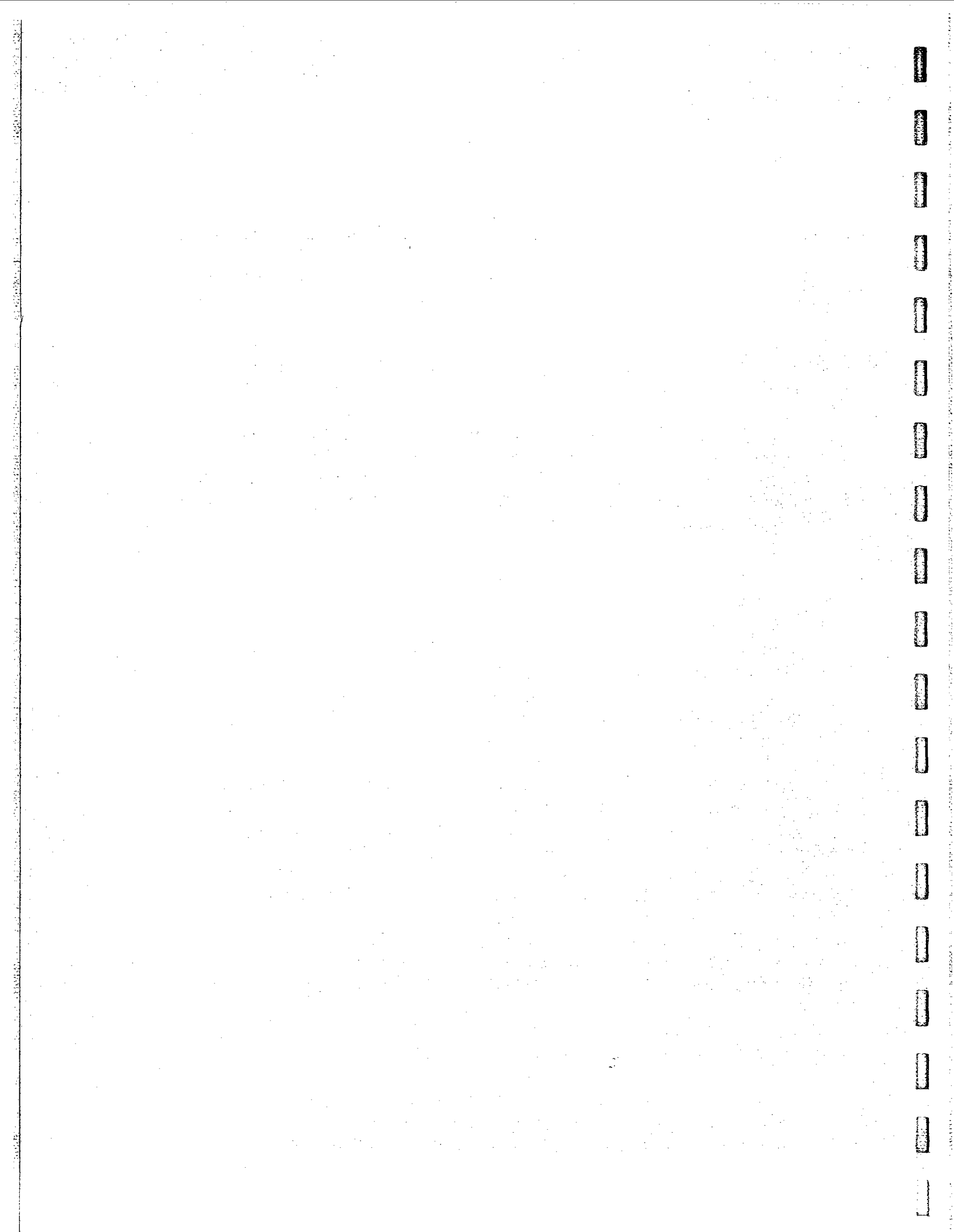
At the core, the objectives of the TIRP program in this area were:

- To establish linkages between larger-scale enterprises and small and micro-enterprises;
- To increase the management capacity of production and marketing enterprises;
- To increase use of improved technologies;
- To increase access to market information and capacity to market selected domestic and nontraditional products; and
- To increase private enterprise access to finance.

AMEX and TechnoServ employ similar approaches in working with prospective clients. To help decide whether or not to assist businesses, TechnoServ has developed seven simple and practical selection criteria that need to be satisfied. This first step in the selection process initiates a 6-part assistance package that eventually produces: an Assessment Report, Client Selection Report, Written Expression of Intent, Scope of Work, Written Report of Results and Invoice for Services. For TechnoServ, about 60 percent of their clients are walk-ins who request assistance after learning of the business advisory services available. TechnoServ considers a client to have "graduated" when the problem they have come in with is solved. The issue of whether as a result of TIRP assistance the enterprise is "sustainable" has never been joined and no criteria have been developed to measure the sustainability of an assisted enterprise.

AMEX gives priority to working with lead firms, which they define as companies:

- With whom they have a formal signed agreement;
- Which have indicated a willingness to work with the "push-pull" concept;
- Which demonstrate a commitment to increase their performance;
- Which are willing to provide requested data and information to AMEX for their performance and monitoring system (such as quarter data on export earnings); and



- Which attend selected meetings.
- From time to time, AMEX has also assisted other firms by including them in training courses, and occasionally offering advice on specific business, management, marketing, or other technical problems.

Since June 1998, TechnoServ has been leading the implementation of the MDA component of RP 2. TNS has for more than four years collaborated with CARE/Ghana and AMEX International. At the time of the evaluation, TNS and CARE were in the process of proposing an extension of their program from January 1, 2003 to September 30, 2004 at an estimated budget of \$2.5 million.

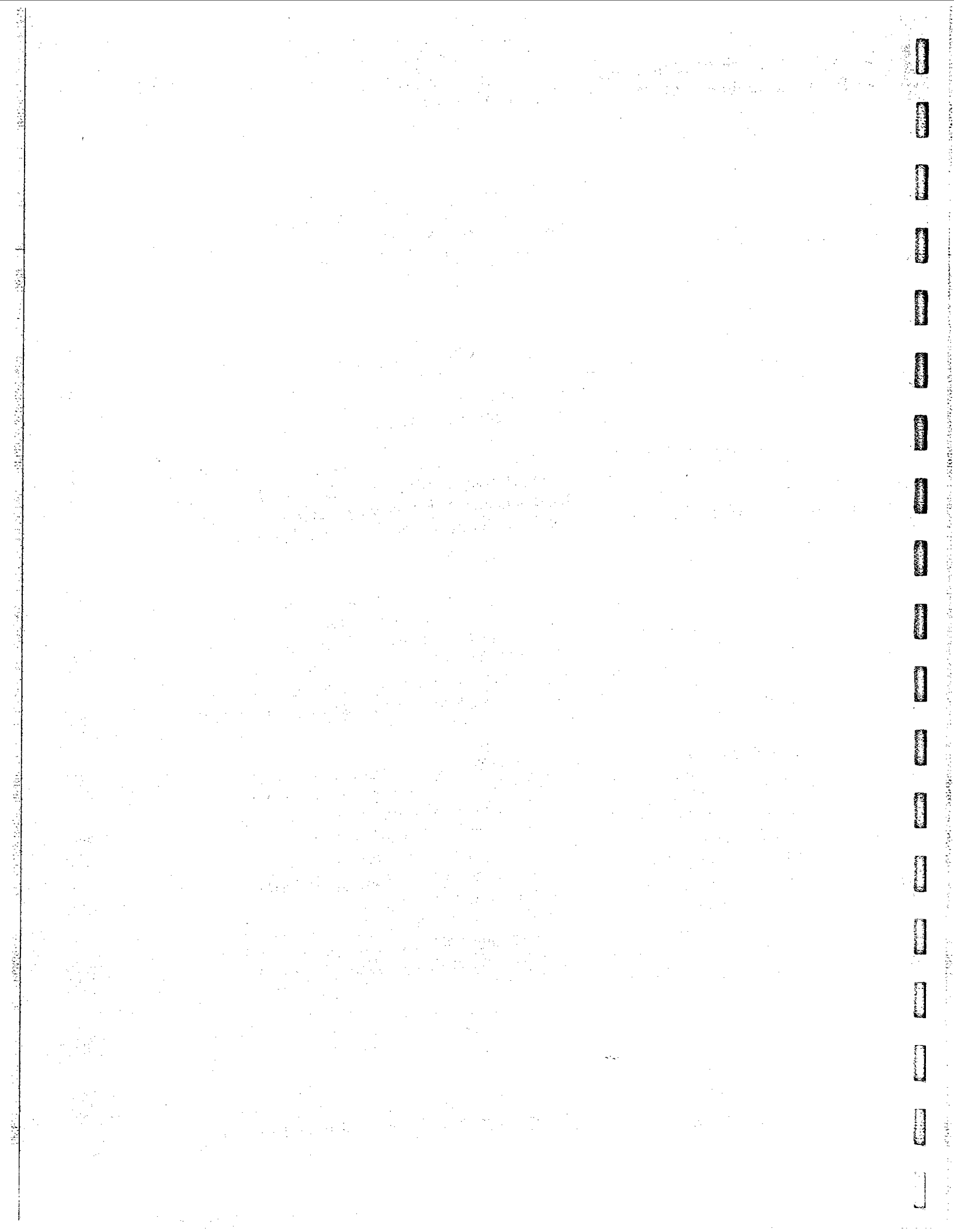
### Accomplishments

The targets that were set for Activity 1 (Promoting Sustainable Increases in Private Enterprise Production and Marketing) have been attained and in many cases surpassed. In the process, these efforts have succeeded in increasing exports, particularly pineapples, and in at least two cases laying the foundation for new export industries from a low or non-existent base.

AMEX is working with several sub-sector associations, including the Furniture and Wood Products Associations of Ghana (FAWAG), the Sea Pineapple Exporters of Ghana (SPEG), the Ghana Association of Fashion Designers and Exporters (GAFDEX) and its regional branches, the Horticulture Association of Ghana (HAG), and the Vegetable Producers and Exporters Association of Ghana (VPEAG).

The impending imposition of the EUREPGAP protocol by European buyers for major food outlets will require the adoption of extensive, well-coordinated measures to enable Ghanaian horticultural industry to meet the necessary standards. Failure to meet those standards will deny Ghanaian horticultural products access to most current European markets and will prevent entry into new EU markets. Therefore, one of the main priorities for the AMEX team working with Ghana's growers must be to prepare as much of the industry as quickly as possible to meet the new standards.

TIRP/AMEX for the past year has been providing EUREPGAP awareness training. SGS, the EUREPGAP certification organization, has participated in this effort. AMEX advisors began this effort by establishing the SPEG/HAG Technical Steering Committee, through which they instructed growers on the specific requirements and regulations of the EUREPGAP environmental standards. This committee has recently undertaken a two-part study to look at the impact of complying with EUREPGAP on Ghana's growers. The effectiveness of the TIRP/AMEX initiative can be summed up by the comment of a prominent pineapple producer when he observed "If they (AMEX) hadn't been so pro-active, I don't know where we would be on EUREPGAP." Implementation of the EUREPGAP program is scheduled to begin in 2003, so it is vital that Ghanaian producers comply with these new standards very quickly.



### *Sea Freight Pineapple Exporters of Ghana (SPEG)*

The Sea Freight Pineapple Exporters of Ghana (SPEG), formed in 1995 by a group of exporters, has 30 members which account for about half of total exports to Europe. Companies that are producers or exporters and export by sea are eligible for membership. Currently there are 16 active (dues paying) members and 14 inactive members. Membership requires a one-time fee of \$2,000 and annual dues of \$200. Funding is also provided from a charge of \$2 per pallet of pineapples exported from the port of Tema. This small association has a four-person governing Executive Council, a General Manager, an office secretary, and 3 personnel at Tema who oversee loading and inventory.

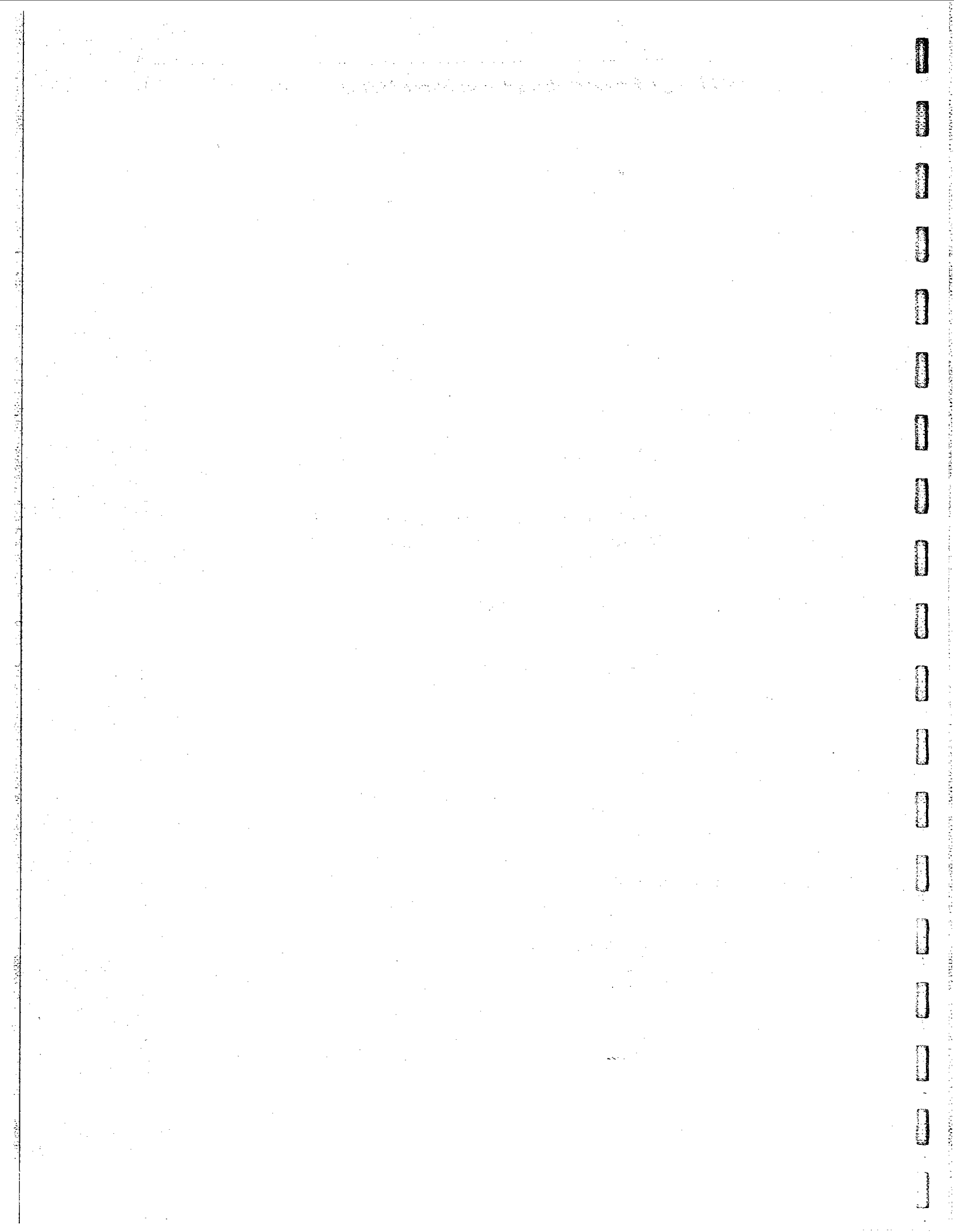
Its basic functions are to (1) arrange sea-freight space on assigned vessels, (2) consolidate pineapple cargo for vessel operators and (3) coordinate shipping arrangements on behalf of its members. Pineapple exports shipped through SPEG since 1998 have reportedly grown from 9,748 tons to an estimated 32,000 in the year 2002. Two vessels depart weekly, one to France and Italy and a second to Belgium. The association also tries to act as a pressure group on government and other service agencies for better facilities for the pineapple industry, and supervises and monitors port operations and activities to ensure that good quality fruits are loaded in vessels.

While SPEG is narrowly focused on facilitating sea shipments, the organization aspires to (1) improve the quality of the fruits through improved post-harvest handling, packing, and loading; (2) ensure that only pineapple of the highest quality are exported from Ghana by maintaining on-farm pre-shipment inspection at various locations; and (3) get its members to cooperate in the marketing of their produce both locally and overseas. To date, no plans have been made to pursue these objectives.

AMEX started in 1998 with organizational support to SPEG

Under the MDA component, TechnoServ created an Innovation Fund for targeted rural micro-enterprises and related organizations to provide incentives for financial institutions to expand their access to credit; test technologies that micro-enterprises could adopt to support joint ventures with interested and credible local and international partners; increase their management capacity; increase their use of improved technologies; and increase their capacity to market selected domestic and nontraditional export products. A grant from the Fund supports a TNS/CARE Micro-enterprise Loan Fund managed and administered by Merchant Bank Limited. This facility offers loan guarantees and direct credit through rural banks.

AMEX has established close working relationships with several banks, that is with specific clients and their bank. Working through the Accra and Kumasi offices of the Merchant Bank (Ghana) Ltd., for example, AMEX has assisted several of the lead firms in obtaining bank financing. As another example, once AMEX had helped ABTS, Berekum develop a financial plan, organize its financial system, and become computerized, the firm received considerable attention from various banks pursuing them for their business. AMEX has also worked with



Prudential Bank Ltd. and the Agriculture Development Bank, and to a lesser extent with the financial institutions of The Trust Bank, Amalgamated Bank Ltd, Standard Chartered, Prudential Investments Ltd., General Leasing & Finance Company Ltd., Cal Merchant Bank Ltd., and Ghana Commercial Bank Ltd.

TechnoServ has been instrumental in the successful development of Farmapine Ghana, Ltd., Ghana's second largest fresh pineapple exporter. With funding provided by the World Bank, TechnoServ successfully employed its Farmer Ownership Model (FOM) to establish a joint-venture pineapple marketing company. This enterprise brought together four pineapple farmer groups that had been receiving TechnoServ assistance with two private pineapple exporters. Since it began business, Farmapine has exported approximately 12,300 MT of fruits valued at \$3.3 million. Another successful model has been Blue Skies, which since 1999 has shipped fresh, cut pineapple and other fruits by air to European markets. Blue Skies' apparent success to date in meeting the demanding quality and health standards of UK buyers like Marks & Spencer and Sainsbury confirms that Ghana is fully capable of competing in international horticulture markets.

TechnoServ has successfully intervened in a number of ways to lay the foundation for a cashew industry in Ghana. It has established cashew processing plants at Nsawkaw, Kabile, and Sampa in the Brong Ahafo region and was prominent in the establishment of a cashew marketing and distribution company, Golden Harvest Limited (GHL), by the three cashew processing cooperatives and a central kernel distributor. GHL provides quality assurance through final processing, packaging, and distribution of the semi-processed kernels bought from the processing plants under the "Golden Harvest" brand name. GHL has, since its establishment in 2000, sold over 12,000 kilograms of cashew kernels valued at approximately \$115,000.

"CARE supported the Vegetable Producers and Exporters Association of Ghana (VEPEAG) to strengthen its capacity to develop into an umbrella organization for Ghanaian vegetable producers exporting to the European market.

## **Problems Encountered**

### *Consistent Quality and Quantity*

The most vexing problem encountered by the TIRP technical assistance teams has been the inability of Ghanaian producers to consistently deliver quality items in quantity and on the schedule requested. Contrary to most expectations, the markets have not been the biggest problem. AMEX and TechnoServ/CARE clients can complete one, two, or three orders, but then somehow they lose consistency and reliability. Some of the agricultural producers who received TIRP technical assistance have been linked with three or more buyers, but then the relationship is upended and new buyers must be found. To be sure, in some cases the buyer has proven unreliable, too. In cases where a Ghanaian firm consistently produces high quality items (garments, vegetables, or wood products), a market can almost always be found. Also, there have been instances where a beneficiary of TIRP assistance produces high quality but small quantities, but buyers are only interested in volume orders. Given these realities, the technical assistance teams have had to stay focused on assisting firms to produce both quantity and quality.





### *Low Trust and Lack of Transparency in Ghana*

Cooperation with other producers and exporters has traditionally been an alien concept in Ghana's private sector. Fellow producers are considered to be competitors who will steal proprietary secrets if you associate with them. Many examples abound of Ghanaians using unethical business practices, which has the effect of mitigating what TIRP is trying to do. AMEX has, for example, experienced the following:

- Apparel producers have copied a full-line of apparel by hiring former staff of the competitor and then displaying the new lower quality product at the same trade show the original designer was attending.
- Boldly learning about a pineapple buyer being serviced by one Ghanaian producer, competitors have contact the buyer with offers of lower prices and then stolen the buyer from the original supplier. European buyers are able to play Ghanaian exporters against each other, depressing prices.
- Companies that have collaborated prior to a trade fair to present a positive view of Ghanaian products have been known to undercut their fellow producers by suddenly and secretly dropping their prices to increase their sales. Then at the next trade show there is increased suspicion and less collaboration.
- Many of AMEX clients do not display their higher valued products in Ghana for fear that they will be copied and sold at much lower prices.
- Firms often do not share information with their association, so that the industry could benefit from trends, practices, or opportunities. This lack of cooperation among producers and exporters, particularly prevalent in the fruits and vegetables industry, has a negative impact on the profitability and sustainability of businesses.

The TIRP project has assisted producers and exporters to identify and negotiate with buyers. These skills have been important in increasing production and export sales. Because of the emphasis on sales rather than marketing, however, most of the larger producers, especially in horticulture, do not have access to an adequate market intelligence system nor have they gained the capability for developing effective medium and long-term strategic marketing planning capabilities. Ghanaian exporters continue, therefore, to be price takers in the world market. In horticulture, products are shipped to European buyers on consignment and prices are determined at the point of entry. Ghana's exporters are left to accept the price offered by the buyer. Moreover, due to their limited production base, most Ghanaian exporters have not been able to mobilize large volumes of product to take advantage of economies of scale in shipping cost and space.

### *Push-Pull Falls Short in Practice*

SO 1 anticipated that RP 2: Increased Private Enterprise Performance would be implemented by two institutional contractors or assistance providers: one for the larger/medium-sized firms and another provider for the small/micro-enterprises. The push-pull approach mandated by the USAID activity design obliged these technical assistance providers to work closely and in a mutually supportive way. Early in implementation this was the pattern, as AMEX worked with the larger/medium firms and TechnoServ/CARE took on small/micro-enterprise clients. Push-pull served as a valuable "concept" to encourage collaboration. As planned, however, AMEX

focused on agriculture, value-added wood products, and the textile/garment sector; there was much less of an industry or sector focus for TechnoServ/CARE. This made linking the two assistance programs relatively difficult. As a result, each tended to go about selecting their clients on their own and without regard to what the other was doing.

Beginning in 2000, TechnoServ switched its strategy and started working with "lead" firms, leaving its sub-grantee CARE to work with micro-enterprises. Recognizing the experience and expertise of AMEX in textiles, handicrafts, and furniture, TechnoServ avoided those sectors to focus on agriculture. The only client overlap between the two providers was limited to fruits and vegetables. In instances where they found themselves dealing with the same client, coordination between AMEX and TechnoServ allowed them to address different aspects of the client's needs.

Another problem with the push-pull concept is that it did not take into account the situation in specific sub-sectors. Some industries, because of the way they were structured, did not lend themselves to the "lead firm" approach. As a result, USAID and its contractors/grantees decided to concentrate more on assisting existing inter-firm relationships rather than developing new ones.

#### *Financing Facilities*

AMEX experienced several problems dealing with Ghanaian banks that required the technical assistance team to become too intimately involved in client-bank transactions. One of the problems with banks stems from the fact that their loan officer know little about agriculture or agribusiness, but are called upon by superiors to answer questions for which they do not have answers. Compounding the problem, the branch offices of the larger banks are not very independent and most of the decision-making is done in Accra. This is a challenge for the growing TIRP firms. Many TIRP clients start out as a one-person operation and then expand, but their relationship with the bank remains small and private until they reach a cash or credit crisis.

Another problem AMEX faced with banks is their wanting the technical advisors to represent the client, i.e., they would tell AMEX things or invite them to a meeting without the client. On those occasions when a TIRP client was unable to keep to a payment schedule or a buyer sent a bad check, the technical assistance team wound up holding the hands of the client, the bank staff and sometimes bank officers, the agent/buyer, and possibly the agent/buyers bank. Days and sometimes weeks have been consumed walking everyone through what is a "normal start-up entrepreneurial moment." This process of dealing with short-term financial challenges and Ghana's banks is similar for clients in agriculture, garments, and textiles. In the end, a lot of advice is provided everyone and many are educated on how small and medium-size businesses work.

Apart from the procedural difficulties involved in dealing with banks, many TIRP clients have struggled to obtain long-term, investment financing. For the first three years of the AMEX contract, normal bank interest rates moved between 35% and 45%, primarily because of the high rates of interest on Government treasury bills that banks bought as a safe, secure investments. Some of the regular, long-term, and well-known clients were able to obtain better interest rates, but many of the TIRP companies are small, do irregular banking, and keep poor records beyond

the current year. While interest rates have declined somewhat recently, many TIRP clients still find it a challenge to obtain letters of credit or any financing longer than three to four months.

#### *Assistance to Ghana Investment Promotion Center (GIPIC) Falls Short*

Efforts to assist the Ghana Investment Promotion Center (GIPIC) to enhance their ability to target investment promotion programs which would result in increased investment capital in Ghana fell short. According to the Chief Executive of GIPC, the surveys of sub-sector opportunities undertaken by AMEX were not useful. There appears to have been a breakdown in communications as to exactly what was being asked for.

#### **Lessons Learned**

There are several areas under this Results Package where TIRP operations could have been improved. Effective coordination between TIRP and other organizations concerned with exports was lacking. Although this type of coordination was not mandated under the project design, cooperating with other relevant organizations would have helped extend the effectiveness of the program.

Most of the assistance provided by AMEX, TechnoServ, and CARE has been directly to enterprises or to groups of farmers rather than through professional associations. This has resulted in excellent progress being made by their producer and exporter clients. However, there is a question of sustainability. The leadership efforts to continue promotion of non-traditional exports must come from within the private sector. The role of the government should be to support and facilitate the efforts of the private sector by establishing an enabling environment, while avoiding any unnecessary interference. If the private sector is to take the lead over the longer run in promoting nontraditional exports and encouraging sub-sectors more generally, this will require the development of viable private sector organizations.

As an example, the private horticulture sector in Ghana, led by pineapple producers, has begun to make advances in status and capability. It now has the potential, and the opportunity, to build a broad-based and profitable industry. To do this, however, the sector will need substantial donor assistance. The goal of such assistance, however, must be to help the private sector develop its own capability rather than to foster continuing dependence on donor mechanisms for providing assistance.

Project design called for reliance on local talent, in order to leave behind a trained cadre of local experts and consultants. One of the more important benefits of TIRP has been the outstanding success of AMEX, TechnoServ, and CARE in recruiting and employing local personnel for their technical teams. Beginning with the sub-sector studies of fish, furniture, garments/textiles, and pineapples, through assistance to individual enterprises, Ghanaian expertise has been used very effectively. What is to happen to these skilled personnel at the end of TIRP is an issue that USAID must address over the next year.

Small-scale growers can be successfully integrated into the export marketing system. Over the past five years, a number of useful lessons have been learned for developing small-scale fruit and vegetable producers into capable, commercially successful, market-oriented enterprises. In fact,

involving small and medium-scale growers in the export sub-sector is more than just another option. It is essential if Ghanaian industry is to reach its full export potential.

Long-term capital investment financing remains illusive to many current and future non-traditional exporters, and considerable work is needed to improve the capacity of Ghana's banking community to facilitate export financing. Experience has shown that the lack of funds for loans to TIRP clients has been frustrating and disappointing. At times, quick loans focused on specific problems would have made life easier for all involved and resulted in some real business being done.

#### **4.2.2.2 Activity 2: Improve Services of Private Sector Business Associations**

##### **Approach**

In addition to activities to promote sustainable increases in the production and marketing of private enterprises, Results Package 2 also aimed to strengthen a group of business associations to effectively promote the interests of private sector exporters, channel services to their members, and play an active role in the formulation of government policies and regulations. USAID expected that stronger business associations would improve the private sector's access to markets, technology, and finance.

The Mission intended to employ a market-led, demand-driven approach in the provision of technical assistance and training to selected associations that focused on nontraditional exports. The kind of assistance USAID planned included help with the design of long-term strategic development plans; preparation of annual work plans, with prioritized lists of activities and measurable performance indicators; strengthening of technical and analytical capacity; and assistance that would enhance the associations as legitimate representatives of the interests of the nontraditional export sector. (USAID SOAG, Amendment 9, page 8)

##### **Accomplishments**

For the better part of a decade, through both TIP and TIRP, USAID has played a significant role in the establishment and development of a wide variety of business and professional associations. The list includes the Private Enterprise Foundation (PEF), the Federation of Associations of Ghanaian Exporters (FAGE), the Ghana Association of Women Exporters (GAWE), Sea Freight Pineapple Exporters of Ghana (SPEG), Vegetable Producers and Exporters Association of Ghana (VPEAG), Horticulture Association of Ghana, the Furniture and Wood Products Associations of Ghana (FAWAG), and the Ghana Association of Fashion Designers and Exporters (GAFDEX). These organizations were established to provide a wide range of services, including advocacy, management and technical training, market information, and marketing services. The objective has been to create sustainable institutions that would continue to provide services to non-traditional exporters after the USAID projects end.

USAID assistance to business associations under TIRP was provided in two ways: through technical assistance and training provided by the AMEX and TechnoServe/CARE teams, and via direct grants to individual associations. Direct grants were provided to the Private Enterprise Foundation (PEF), the Federation of the Associations of Ghanaian Exporters (FAGE), Aid to Artisans Ghana (ATAG), and the College of Jewelry.

### *Private Enterprise Foundation (PEF)*

PEF is a group of private sector associations. The member associations are the Federation of Associations of Ghanaian Exporters (FAGE), the Ghana National Chamber of Commerce and Industry (GNCCI), the Ghana Association of Bankers (GAB), the Ghana Chamber of Mines (GCM), the Association of Ghana Industries (AGI), and the Ghana Employers' Association (GEA). Between November 1999 and November 2002, PEF received grants from USAID amounting to \$500,000 to conduct impact studies, carry out policy analyses, engage in consensus building and advocacy work, and promote business development in the SME sector. According to PEF officials, USAID funding enabled the organization to play a leading role in organizing the national forum on funding tertiary education, which resulted in the acceptance by all stakeholders of the principle of cost-sharing. This support also enabled PEF to increase its visibility through its analysis of the Government's annual budget impact on private enterprise activity. With USAID backing, PEF conducted a series of workshops and training courses targeted at SMEs in all regional centers.

### *Aid to Artisans Ghana (ATAG)*

Aid to Artisans Ghana, the local affiliate of Aid to Artisans of the US, is a Ghanaian non-governmental and non-profit foundation dedicated to providing assistance to artisans and promoting trade in artisanal products. It received a three year grant of \$1.2 million in support of the Artisanal Export Program for Ghana II for the period October 1999 to December 2002. The grant was to provide resources to support activities aimed at increasing exports and employment in the Ghanaian handicraft sector and improving standards of living for producers, exporters, and their families. The specific objectives of the project were to increase exports, develop new products, train crafts people, and create market linkages between Ghanaian exporters and foreign importers.

The USAID grant was to be used to establish a research, resource, and design center; to provide business and management training for artisans and entrepreneurs; to secure and ensure fulfillment of export orders; to establish and operate handicraft retail stores; and to enhance ATAG's organizational capacity to assist craft producers beyond the five-year span of the program.

During the three year implementation period, ATAGE significantly exceeded nearly all of its quantitative targets for exports, new product development, training, and market linkages. For example, under the program, exports exceeded \$10.5 million, some 714 new products were developed, 1,883 men and women were trained, and exporters established 19 new market linkages. The program fell short of the target only in the training of women. Most training workshops that were organized during year 2 and 3 were demand-driven and since most of the training in those years was in wood carving and brass casting, areas dominated by men, the targets for training women were not met.

In addition to these impressive results, a Design Center consisting of a Media Lab (research and resource library) and a Design Workshop were established and made operational. Two additional retail shops were opened in Aburi and Kumasi (in the Eastern and Ashanti Regions

respectively). And good progress was made in the implementation of the ATAG forest plantation project at Kumawu in the Bonfuom Forest Reserves in the Ashanti Region. ATAG was also able to obtain funds from the EU and the Ford Foundation to provide some interventions for wood carvers, basket weavers, cloth producers, potters, and students of the Rural Art and Industry Department.

#### *Federation of the Associations of Ghanaian Exporters (FAGE)*

The Federation of the Associations of Ghanaian Exporters (FAGE), an umbrella organization of the nontraditional export product associations, received a grant of \$351,000 from USAID in August 1999. The grant was intended to provide financial resources to enable FAGE to carry out its Program to Enhance Export Performance through the provision of Association Services (PEEPAS). During implementation (August 1999 to July 2002), PEEPAS focused on building the capacity of FAGE and member associations in association management services, advocacy, and market and trade information services.

In building association management service capacity, FAGE added to its staff a team of competent professionals to deliver value added services to the export community, and it trained 100 association executives in strategic management of exports. With TIRP support, FAGE has improved its advocacy role as a result of its participation in policy making forums, e.g., the President's Special Initiative on Garments, and publication of its new magazine, "Export News." It has also significantly expanded its market and trade information services with the faxed and e-mail distribution of its Weekly Price Bulletin of fruit and vegetable prices in the EU markets. Other market/technical publications, compiled in-house by FAGE or via subscription, provide in-depth market and technical information to exporting firms. Customized market research, including country specific analyses, e.g., "The UK Market for Pineapples", has covered the supply situation in specific markets including profiles of competing top suppliers. In addition, the FAGE website design and hosting service has developed websites for 10 association and corporate members. FAGE members now have access to its in-house library of electronic (CD-ROM) and paper copies of more than one hundred publications. The federation is developing for its members, especially SMEs, electronic tools that facilitate the routine functions associated with export operations, such as software to print export/import forms, calculate cost/margins for shipments, etc.

#### *College of Jewelry*

The College of Jewelry was established by members of the Ghana Federation of Jewelry Exporters to train middle level jewelry producers so the industry could respond to market demand. The college received a USAID grant under TIRP of \$300,000 in February 2000. This amount covered 42.27% of the operational cost of the college for 3 academic years, with the remaining costs covered by members of the college. The grant was intended for the procurement of tools and equipment, for the partial payment of staff salaries, and to finance research.

The college is operational and has already matriculated 148 students. The initial 40 graduates are being integrated into the jewelry industry in Ghana. While students pay academic fees (currently about C 800,000, or about \$100), the college faces a challenge in reaching sustainability. In addition to its fully equipped physical plant, the college has a complement of 25 full-time

employees, including five academic staff and fourteen technical personnel. Research by the Lapidary Research Department has identified sources in Ghana for nine semi-precious gemstones, including garnet, amethyst, and zircon.

The college has been accredited by the National Accreditation Board to offer the Higher National Diploma in Jewelry, and Jewelers of America has granted approval for the college to administer its JA Certification Examinations. Also, the Ghana Chamber of Mines has admitted the college to its Associate Institution Category. The college has established a Production Unit and is participating in exhibitions such as the West African Mining Exhibition and Conference held recently in Accra.

### Problems Encountered

While PEF experienced no problems implementing the USAID grant, the foundation did encounter difficulties obtaining credible information it needed in order to conduct the impact studies and policy analyses to which they were committed. Although it was the Mission's intention that the USAID grant fund technical assistance and training to the association, in reality the grants went to fund PEF assistance to SMEs by way of training activities and advisory services.

Despite its evident success in achieving project outputs with the TIRP grant, FAGE also experienced several problems that are frequently encountered by developing business associations. While the success and sustainability of its program required that a credible client base be created, FAGE was often challenged in dealing with exporters who tend to focus on immediate needs (sales). It was also difficult to get clients to pay for services when the mindset was to obtain free services, especially when it was known that funding was being provided by an external donor. This raises major issues about sustainability for FAGE. In addition, in trying to keep its permanent staff to a minimum, FAGE attempted to outsource resource personnel, but those hired often lacked the orientation of in-house staff. Finally, program implementation was sometimes hampered by delays in the delivery of USAID funds. USAID's time consuming cost-reimbursement procedure often required FAGE to obtain bank credit to carry out an activity, thereby incurring extra costs.

AID to Artisans Ghana also found the procedures for the administration of the USAID grant to be cumbersome and time consuming. The requirement for monthly cost reimbursement rather than quarterly advances, for example, interfered with the planning process. Similarly, the time lapse between the submission of a project proposal and its approval was too long and made some components of the program which are time bound "out of date" by the time the funds were released. In some cases, the specific elements for which the grant was given were unnecessarily restrictive, e.g. funding was provided for computers but not air conditioners that would provide some level of safety and protection for the computers.

Tracking performance under the TIRP grant proved equally challenging for ATAG. In the first instance, because the length of time artisans take to adopt new technologies is often long, the organization had to be patient in measuring results and assessing the impact of the training it provided artisans. Secondly, the reluctance of artisans to release sales information complicated the process of compiling accurate export data that could be attributed to the program.

## Lessons Learned

Based on PEF budgetary reviews and other impact studies published from time to time, as well as its record of facilitating policy review forums, it appears that USAID's financial support strengthened the technical and analytical capacity of the Private Enterprise Foundation. But while this improvement may have benefited the private sector generally, it is less clear that the interests of the nontraditional export sector have also been served. Likewise, there is little evidence that the program supported by the TIRP grant to PEF increased private sector access to markets, technology, and finance, as USAID expected from its efforts to strengthen business associations.

One element of the PEF vision for the future is to achieve sustainability of the organization. PEF believes that its sustainability would be promoted best if future grants were provided in the form of an endowment that would provide the basis for the development of medium to long-term plan to address all elements of its organizational vision.

Prior to its PEEPAS initiative, FAGE focused on advocacy, but had little credibility with or support from the export community because it lacked the resources and organizational capacity to be effective. The implementation of PEEPAS has enabled FAGE to develop a broader and more appropriate mix of products and services. It has been able to participate in and represent Ghanaian exporters at a number of international forums and events in Ghana and abroad; to develop the necessary organizational capacity and human resource base to enable it to identify and address the needs of the export community from a private sector perspective; and to develop and strengthen linkages with a network of partners and collaborators locally and internationally including other donor agencies.

In terms of approach, USAID support to FAGE appears to have involved little or no direct technical assistance for the institutional development of the Federation itself. Nonetheless, the USAID grant appears to have strengthened the technical and analytical capacity of the organization and helped establish FAGE as a legitimate representative of the interest of the nontraditional export sector. In this regard, USAID partly achieved its objective of having at least one private sector business organization effectively supporting and articulating the interest of firms involved with exports. FAGE estimates that more than 1,000 firms and individuals, more than 90% of whom are exporters, have benefited from its services as a result of the implementation of PEEPAS. While it is difficult to judge the direct impact of PEEPAS in quantitative terms, such as export sales, there is good reason to believe that the program has made a significant contribution towards enhancing the performance of nontraditional exports in Ghana. Furthermore, the FAGE experience suggests that stronger business associations can indeed improve private sector access to markets and technology. Whether this also applies to improving access to finance remains to be seen.

While ATAG is not a business association, it has become, thanks to the USAID grant, an effective provider of business advisory and support services to the handicraft sub-sector. Considering the effectiveness of its marketing support (trade fair attendance), product development (design support), and training activities (workshops), ATAG has demonstrated that organizations other than associations can also develop the capacity to improve private sector



links to markets, technology, and finance. Furthermore, there appears to be no reason why such organizations cannot also become articulate advocates for the sectors in which they are engaged.

Compared to the TIRP grants to business associations, USAID support to the College of Jewelry was less demand-driven and focused instead on institutional development. Clearly the TIRP grant helped to establish the College of Jewelry as a credible source for training middle-level manpower for the jewelry sector. The college is looking forward to expanding its curriculum, bringing in state-of-the-art technology, introducing diamond cutting, and establishing access to the internet. While the college is not a business association, its connection to the Ghana Federation of Jewelry Exporters and expanding links to the jewelry industry outside Ghana is opening potential new access to technology and markets.

### 4.3 Performance Monitoring

In this section performance monitoring is examined in relation to the March 2002 Performance Monitoring Plan (PMP), which is the latest version of the PMP.

#### 4.3.1 SO Level

Aside from indicators related to tourism, the only SO1 indicator included in the PMP is Value of Selected Nontraditional Exports. This value was tracked regularly, though as noted in Section 4.1.3, its definition was changed several times. The Value of Selected Nontraditional Exports declined from \$43.5 million in the base year (1998) to \$38.8 million in 2001, though the major reason for this decline was a fall in prices and not in quantities exported, which actually rose. The original indicator target was a rise in total nontraditional exports from \$160 million in 1995 to \$605 million by the end of the project (USAID-GOG, n.d., Annex I, p. 23). This goal is far from on track, since all nontraditional exports totaled only \$418 million in 2001, and growth of these exports was virtually flat from \$402 million in 1998.

There were many factors responsible for this stagnation. One was the price decline on the world market associated first with the global financial crisis and then with world recession. This led not only to a direct loss of export value but also to an indirect loss associated with the resulting disincentive effect. Second, there were severe problems at home in terms of macroeconomic instability: fiscal deficits, inflation, and highly volatile interest and exchange rates. Finally, it is clear that Ghana still faces many problems in its effort to be competitive on global markets (World Bank, 2001). Thus the TIRP program has faced very significant challenges not only in its implementation but also in trying to demonstrate a positive impact on the Strategic Objective, given the many other negative influences at work.

Strategic Objective No. 1 is defined as "increased private sector growth". It is curious, therefore, that this growth is not identified as one of the SO performance indicators. The SOAG, in fact, includes Value of Sales of Goods and Services as an indicator, and specifically identifies Selected Domestic Goods and Services as well as Nontraditional Exports. Yet this indicator was dropped in the PMP and in the various reporting requirements. Normally this information could be obtained from the national accounts, albeit with some delay.

### 4.3.2 *Intermediate Results Level*

There appears to have been no monitoring of the various indicators contained in the PMP for IR 1.1: Increased Productive Capacity of Private Enterprises and IR 1.2: More Efficient and Lower Cost Marketing Systems. The indicators included in the PMP, but without any baseline or target values, include Percentage of USAID-Assisted Firms Increasing Value of Production by at Least 6% Annually, Value of Production per Full-Time Equivalent Employee for USAID-Assisted Enterprises, Value of Exports and Domestic Sales of USAID-Assisted Enterprises, and Percentage of USAID-Assisted Enterprise Reporting Annual Sales Increases of at Least 25%.

#### 4.3.2.1 Results Package 1

##### Performance Indicators

The situation is considerably better at the level of the Results Packages. For example, Sigma One submitted to the IMCC, as one of the performance milestones included in its contract, a proposed monitoring plan for measuring progress on the policy reform agenda. This plan calls for the measurement of progress at three different levels. The first comprises the milestones that are used as the basis of fee awards. These are largely under the Contractor's control. The second refers to actions taken by the GOG or Ghanaian private sector that result in changes in policy or other events that help to improve the policy and regulatory environment. These are largely outside the control of the Contractor and therefore are not usually included among the performance award milestones (in Sigma One's case there are a few exceptions). Finally there are indicators that demonstrate the impact that these actions have had on the economy, such as growth of nontraditional exports.

There are over 150 milestones included in Sigma One's contract and its amendments. Most of these relate to inputs, such as having the Chief of Party in place, or outputs, such as having completed a study. Since the fee award is based on completion of these milestones, the Contractor has an incentive to focus more on this than on whether these actions are having the intended results.

The second indicator level is more results oriented, as shown by the following list (Sigma One, 1998):

- A viable reform agenda to increase international competitiveness.
- Ongoing participation of private sector in the policy dialogue and change process.
- Increased public knowledge of policy reforms.
- Implementation plans for agreed-upon policy reforms.
- Streamlined procedures for importation of agricultural and industrial inputs.
- Improved policies for the export of specific products such as wood, cotton, yams, etc.
- Elimination of export bans for products: cotton lint, natural rubber, scrap metal, yams.
- Enforced compliance with BOG policy eliminating foreign exchange controls for exporters of nontraditional products.
- More aggressive and competitive financial services sector.
- Increase in net domestic credit provided to the private sector.
- Decrease in enterprises citing self-financing as principal source of funds for expansion.
- Increased linkages between Ghana's financial sector and global financial markets.

- Expansion of viable financial instruments used in Ghana.

Specific indicators are proposed to monitor progress in achieving each of these results. In some cases, this requires gathering additional data and in others the results can be monitored satisfactorily by measuring completion of milestones.<sup>1</sup>

A number of indicators are proposed for measuring the impact of policy and regulatory reform activities, as well as financial intermediation improvements and instruments. These include GDP and GDP per capita, exports and imports, tariff schedules, agricultural and industrial production, reforestation, infrastructure development, privatization, tourism numbers and revenue, employment and unemployment, wages and fringe benefits, inflation, exchange rates, interest rates, taxes and expenditures, public debt, savings and investment, and foreign direct investment (Sigma One, 1998, pp. 22, 24). These data were to be entered into a database to facilitate monitoring and analysis of the impact of policy and regulatory reform on the Ghanaian economy.

Subsequent reporting puts much more emphasis on the achievement of milestones than on the impact that these milestones have on the economy. There is some attention to the second level of progress in achieving the policy reform agenda -- actions taken by the GOG or Ghanaian private sector that result in changes in policy or other events that help to improve the policy and regulatory environment. This shows up primarily in the Contractor's annual internal Review of Progress Toward Milestones Accomplishment and Achievement of TIRP Results. However, these reports only come out annually and sometimes with a long delay. There is no evidence that they influenced either the GOG or USAID to any great extent, partly because the IMCC failed in its responsibility to monitor implementation of the policy agenda. The one area where policy results were monitored effectively was where these were part of the conditionality associated with NPA disbursement.

The third level of impact indicators received even less attention. A report was submitted on "Monitoring and Measuring International Competitiveness" in fulfillment of the milestone to develop a database for monitoring competitiveness, but there is no indication that the database was maintained and used for impact assessment. The only review of these data that the evaluation team could find was that undertaken by the internal evaluators in their annual Review of Progress Toward Milestones Accomplishment and Achievement of TIRP Results. Even here there is evidence that data were gathered independently by the evaluators rather than obtained from a program databank.

### **Accomplishments in Relation to Performance Indicators**

In general, accomplishments were quite good in relation to performance indicators. Most of the milestones were achieved, especially where the milestone was marked in terms of a single event. Where milestones were defined in terms of repeated actions, performance was somewhat less satisfactory. For example, as has already been discussed, the National Economic Forum was not held in every year. Nor was monitoring and evaluation carried out as regularly as had been planned. After June 1999, there were no quarterly briefs on monitoring and evaluation events in

<sup>1</sup> This was the original list of results taken from Sigma One's technical proposal. Several other results were added to the Monitoring Plan based on Sigma One's Best and Final Offer, but these seem to have been subsequently dropped.

relation to targets of the IMF and other donors (Milestone 2.8). There were also some delays in milestone implementation due to the collapse of the IMCC, the uncertainties associated with the Presidential election, and the coming to power of a new government. However, following the NED in 2001, there was an acceleration in the pace of implementation in relation to milestone targets, as well as the setting of new milestones in response to requests by the new Government.

There were also substantial accomplishments in terms of the results that were to be achieved under CLIN 1 (Promote Participatory Change) and CLIN 2 ((Adoption and Implementation of Policy and Regulatory Reform), although there were a number of important delays, given the need for action by the Government. For example, a "viable reform agenda to increase international competitiveness" was formulated early in the program but implementation of this agenda lost momentum in 2000 and was not resumed until after the new Government was in place. The same was largely true of "ongoing participation of private sector in the policy dialogue and change process" and "implementation plans for agreed-upon policy reform". Success was better and more sustained with "increased public knowledge of policy reforms" because the result was more under the control of Sigma One through its publications, workshops, seminars, and conferences. One result that has still not been achieved, but is being worked on, is "streamlined procedures for importation of agricultural and industrial inputs."

Performance was less satisfactory for CLIN 3 (Improvements in Regulation, Management, and Supervision of the Financial System) and CLIN 4 (Analysis and Development of Improved Financial Instruments). Heavy borrowing by the GOG frustrated efforts to develop "a more aggressive and competitive financial sector," to gain "an increase in net domestic credit to the private sector," and to witness "a decrease in enterprises citing self-financing as a principle source of funds for expansion." There is also no evidence that there have been "increased linkages between the Ghanaian and global financial systems," given that foreign direct investment, the principle indicator of this result, has actually declined (Sigma One Corporation, October 2002, pp. i-iii).

Although few data were systematically gathered on the various indicators that were to show the impact of the program on the Ghanaian economy, those that are available suggest that trends were not what had been hoped for. The period from 1998 to 2002 was characterized by generally high inflation, highly volatile nominal and real exchange rates, widening interest rate margins, declining share of credit going to the private sector, little economic growth, declining foreign direct investment, and stagnate nontraditional exports. The new Government is taking strong steps to reverse this situation, but it is still too early to witness most of the effects of this action.

### **Linkages between Program Implementation and Performance Indicators**

The linkage between program implementation and performance indicators is strongest for the milestones, less strong for the results, and weakest for the indicators of impact on the economy. This is due primarily to the degree of control which the Contractor and USAID have over the decisions that are taken. Where that control has been strong, as with the milestones, performance has been good. Where that control is weak, as with the impact indicators, performance has not been good, though this situation may change with the action being taken by the new Government.

The question arises as to whether the poor performance of the economy has been because outside factors overwhelmed the favorable impact that TIRP would have otherwise had or whether the design of the program was fundamentally flawed from the beginning. As professionals in the area of international development, we would like to think that it is the former, but this conclusion rides more on faith than on evidence, at least in Ghana. Part of the problem is that USAID was not systematically collecting the data that would have enabled it to make this distinction. Most of these data requirements are presented in the PMP, but the data were not collected and analyzed, so it is very difficult to separate the effects of the program from what was going on elsewhere in the economy.

Perhaps more fundamentally, the program was designed and implemented in a way that put much more emphasis on inputs and outputs, using the logical framework terminology, than on results. For example, although new milestones were added once the new Government was in power, there were no additions or changes to the results expected. Logically, then, the Contractor could be expected to pay much more attention to achieving milestones than to what result these were having, much less what their impact was on the economy.

The major exception to this was the use of NPA conditionality to assure certain results. This conditionality, especially that associated with Tranche II, reflected to a much greater extent than did the results included in the Sigma One's original monitoring plan the changing orientation of TIRP towards greater emphasis on fiscal and monetary policy. Presumably, the conditions for Tranche III can be related to new results expected following adjustments in the work plan stemming from GOG requests.

#### 4.3.2.2 Results Package 2

##### Performance Indicators

Both technical assistance teams, AMEX and TechnoServ/CARE, developed and effectively employed appropriate data collection systems to monitor and track performance against projected targets (milestones) for TIRP Results Package 2. To their credit, both groups also recognized the challenge of measuring adoption and utilization rates and took that into account in their monitoring efforts.<sup>2</sup> In addition, through surveys and diagnostic consultations, good baseline data have been collected for the enterprises they assisted. AMEX and TechnoServ/CARE have also maintained useful databases of services provided to clients. Annex D, which summarizes assistance provided, was prepared from these sources along with a survey of 16 of the clients.

In addition to the usual monthly expenditure reports, and life-of-project and annual work plans, AMEX International submits quarterly Performance Monitoring Reports (PMRs) summarizing progress of the major activities in relation to milestones, which are tied to the contract fee

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<sup>2</sup> TechnoServ/Ghana defines "adoption or utilization" of a recommended practice when at least fifty (50%) of the assisted businesses have applied and implemented the proposed practice.

<sup>3</sup> TechnoServ/Ghana defines "adoption or utilization" of a recommended practice when at least fifty (50%) of the assisted business has applied and implemented the proposed practice.

schedule. Because this is a performance-based contract, the COTR conducts periodic performance reviews to monitor the progress of work based on targets specified in the performance milestone plan. There are 73 milestones in 9 broad categories: (management, agriculture, wood products, textiles/garments, marketing/business development, other sectors training/study tours, and equipment)<sup>4</sup> for which AMEX International is accountable.

TechnoServ has tracked a total of thirteen performance indicators for TIRP since they signed their USAID Cooperative Agreement on June 18, 1998. Seven were taken directly from the Mission's SO 1 Results Framework and the other six indicators were suggested by the TNS as being able to measure progress toward achieving the overall TIRP objectives.

#### TIRP Performance Indicators from SO 1 Results Framework:

- Percentage of assisted enterprises increasing value of production by at least 6 percent annually
- Percentage enterprises reporting annual sales increase of at least 25 percent
- Percentage of assisted enterprises adopting recommended management and marketing practices
- Percentage of assisted enterprises adopting recommended technological improvements
- Percentage of assisted enterprises utilizing recommended sustainable resource management practices
- Percentage of assisted enterprises utilizing pest management practices
- Percentage of assisted enterprises using market information

#### Additional TIRP Performance Indicators:

- Number of assisted small businesses
- Number of associated micro-entrepreneurs (disaggregated by gender)
- Value of production of assisted enterprises
- Number of small and micro-enterprises accessing credit and pre-financing
- Amount of credit and pre-financing leveraged
- Number of financial institutions providing credit to assisted enterprises.

The specific indicators used to monitor progress focus on outputs and inputs. These are shown in Table 4.3.2.2.

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<sup>4</sup> The ninth category of milestones relates to AMEX assistance in Grades and Standards under ATIRP.

<sup>5</sup> A ninth category of milestones relates to AMEX assistance in Grades and Standards under ATIRP.

Table 4.3.2.2 Performance Indicators for AMEX International and TechnoServ

| Contractor   | Target     | Actual to Date | Percent Achieved |
|--|------------|----------------|------------------|
| <b>AMEX International</b>                            |            |                |                  |
| - Firms diagnostic report                            |            |                | 73%              |
| - Lead firms identified                              | 99         | 72             | 73%              |
| - Firms linked                                       | 1270       | 1720           | 135%             |
| - Number of firms assisted                           | 505        | 935            | 185%             |
| - Number of firm operators trained                   | 600        | 1601           | 267%             |
| - Export earnings increased (\$million)              | 60         | 70             | 116%             |
| - Firms using new management/marketing practices     | 124        | 154            | 124%             |
| - Firms using new technology                         | 50         | 115            | 230%             |
| - Install marketing information system               | x          | x              |                  |
| - Provide system training                            | x          | x              |                  |
| - Produce info product                               | x          | x              |                  |
| - Develop web sites                                  | x          | x              |                  |
| - Develop promotional material                       | x          | x              |                  |
| - Support GIPC corporate planning                    | x          | x              |                  |
| - Lending directory report                           | x          | x              |                  |
| - Develop business plans                             | 40         | 37             | 93%              |
| - Prepare bankable projects                          | 50         | 40             | 80%              |
| - Expand marketing capability of enterprises         | 95         | 201            | 212%             |
| - Develop market intermediaries                      | 15         | 29             | 193%             |
| - No. firms using new market information system      | 95         | 230            | 242%             |
| - Develop new furniture lines                        | x          | x              | Ongoing          |
| - Develop new garment lines                          | x          | x              | Ongoing          |
| - Number of new-to-Ghana buyers                      | 47         | 60             | 128%             |
| - Franchising training                               | 4          | 2              | 50%              |
| - Quality control workshop                           | 3          | 3              | 100%             |
| - Apprenticeship seminar (agribusiness, others)      | 8          | 4              | 50%              |
| - Technology workshop (agribusiness, others)         | 3          | 2              | 67%              |
| - Training workshop                                  | 4          | 6              | 150%             |
| - WITC training                                      | 0          | 0              |                  |
| - Technology workshop (value-added wood)             | 3          | 6              | 200%             |
| - Pattern/sample training                            | 3          | 4              | 133%             |
| - Shop floor training                                | 3          | 2              | 67%              |
| - Management training                                | 1          | 4              | 400%             |
| - Apprenticeship seminar (garment)                   | 0          | 2              | Ongoing          |
| - Software training                                  | 2          | 6              | 300%             |
| - Web site maintenance training                      | 5          | 2              | 40%              |
| - GIPC staff workshop                                | 5          | 0              | 0%               |
| - Business planning workshop                         | 8          | 8              | 100%             |
| - MAS (banks) workshop                               | 2          | 2              | 100%             |
| <b>TechnoServ/CARE</b>                               |            |                |                  |
| - Number of assisted businesses                      | 95         | 103            | 108%             |
| - Number of associated micro-entrepreneurs           | 4,350      | 3,254          | 75%              |
| - Number of associated women entrepreneurs           | 1,653      | 1,064          | 64%              |
| - Value of production of assisted businesses (C'000) | 21,000,000 | 23,050,661     | 110%             |
| - Number of assisted businesses increasing value of  | 65         | 22             | 34%              |

| Contractor  | Target     | Actual to Date | Percent Achieved |
|---|------------|----------------|------------------|
| production by at least 6% annually  |            |                |                  |
| - Value of sales by assisted businesses via TNS/CARE initiated market linkage (C'000) | 10,500,000 | 22,917,851     | 218%             |
| - Number of assisted businesses developing and using business plans                   | 21         | 11             | 52%              |
| - Number of small and micro-enterprises accessing credit and pre-financing            | 120        | 94             | 78%              |
| - Amount of credit and pre-financing leveraged  | 11,500,000 | 3,511,078      | 31%              |
| - Number of financial institutions providing credit to assisted businesses            | 10         | 19             | 190%             |
|   |            |                |                  |

Sources: AMEX International, Quarterly Report, July – September 2002; TechnoServ/Ghana: TIRP Annual Work Plan – Year Five

### Accomplishments in Relation to Performance Indicators

It is clear from Table 4.3.2.2 that both AMEX and TechnoServ have made substantial progress in achieving the milestones set out in their contract/grant agreement. In most cases, AMEX has come very close to or exceeded its targets. TechnoServ's record has been more uneven, but it has made notable progress in achieving or surpassing several of its targets.

The record is less successful concerning achievements not directly under the contractor/grantee control, for example, the number of small and micro-enterprises accessing credit and pre-financing. Performance has also fallen short for at least one of the indicators used to measure progress in achieving Intermediate Result 1.1 : Increased Productive Capacity of Private Enterprises (percentage of USAID-assisted firms increasing value of production by at least 6% annually). No data are presented for the other indicators for IR 1.1 and for all the indicators for IR 1.2: More Efficient and Lower Cost Marketing Systems. Thus, once again, the indicators that are available tend to be related more to the inputs and outputs achieved as milestones, rather than the influence that these achievements have had either on actions taken by private firms or on these firms' success.

### Linkages between Program Implementation and Performance Indicators

The Results Framework for SO1, which presents the causal relationships between various components of the USAID strategy for Ghana, hypothesizes that private sector growth will be achieved through increases in productive capacity and improved market efficiency (IR 1 and IR 2). The Framework also defined six outcomes (also identified as IRs) that represent results enroute to IRS 1 and 2 that would influence and drive changes in the productive capacity of private enterprises and improve the efficiency of markets, leading to progress in private sector growth. These outcomes include: Improved Policy and Regulatory Environment; Improved Financial Intermediation; Increased Management Capacity of Production and Marketing Enterprises; Increased Use of Improved Technologies; Increased Access to Market Information, and Improved Infrastructure (TIRP was not expected to contribute to IR 1.8 Improved Infrastructure.)

The linkage between the program achievements of AMEX and TechnoServe/CARE and performance indicators is strong for both the milestones of the implementing organizations and



for the three outcomes (IRs 1.5, 1.6, 1.7) included in Results Package 2. In fact, eight of the eleven performance indicators chosen for RP2 at the outcome and IR levels are reported on quarterly by the TIRP implementing organizations and, therefore, closely reflect AMEX and TechnoServe/CARE implementation progress. Two of the five indicators at the IR level, namely the value of production per full-time equivalent employee for assisted enterprises and the value of non-traditional exports through border crossings, seems to have fallen below the radar screens of the implementing groups and the USAID Mission.

In the implementation of TIRP the selection of performance indicators and reporting on program implementation is driven less by the needs of project management than by the reporting requirements and dates of the old R-4 and now the Annual Report for USAID/W. Reportedly, this is the main use of the TIRP performance information. The information on program implementation is also used in Semi-Annual Portfolio Reviews to assess progress and determine what if any mid-course corrections are warranted. In cases where no data was available on a performance indicator, they would not be used to report to USAID/W and, therefore, they received much less attention.

#### *4.3.3 Lessons Learned*

The Performance Monitoring Plan (PMP) is a central tool for program management and must be implemented effectively given the resources available. It needs to be elaborated early in the program, and data collection systems must be established that correspond to the indicators included in the Plan. Although data collection systems were put in place by the contractors, they were relatively weak at the IR 1.1 and 1.2 level. Furthermore, much of the data collected by AMEX International and TechnoServe/CARE were not called for in the PMP, and data were not collected for some of the indicators that were included in the Plan. Finally, the quantitative data on the various indicators collected by the contractors do not seem to have been managed very effectively by USAID's Management Team. At least, there is little trace of this today.

One problem, highlighted elsewhere in the report, is that the Management Team was heavily burdened with many tasks, including the administration of numerous small grants, which kept it from doing an adequate job with respect to a more important area of responsibility: performance monitoring and evaluation. The result was a substantial delay in fully developing the PMP, a failure to assure that the contractors and grantees provided the data necessary to implement the plan, and little evidence that the data that were provided were effectively managed by USAID. Accordingly, the PMP never really became a management tool.

Another important lesson is that performance based contracts, while very useful in many respects, tend to bias the Contractor's attention towards the achievement of milestones related more to inputs and outputs than to results and impact. This may be appropriate if USAID is actively monitoring the program's results and evaluating their impact on the economy, but if this is not the case, as it has not been with TIRP, then there is a serious management deficiency that is not consistent with USAID's results based approach.

#### 4.4 Highlights of Implementation Experience

*Table 4.4: Major Successes and Shortfalls in Implementation*

|   |
|---|
| Major Successes   |
| Created a viable framework for public-private policy dialogue   |
| Large number of very useful technical studies on policy reform issues                                 |
| Highly competent short-term technical assistance  |
| Developed very important Financial Sector Strategy Plan   |
| Good Performance Monitoring Plans developed   |
| Most milestones achieved  |
| Major Shortfalls  |
| Policy dialogue not sufficiently imbedded in national decision making                                 |
| Lack of sufficient follow-up for implementation via capacity building                                 |
| TA is more effective if can be owned by local officials from inside                                   |
| Implementation of Financial Sector Strategy Plan frustrated by weak macroeconomic policy environment  |
| USAID's PMP was developed too late and was not implemented  |
| Impact on policy decisions, enterprise achievements, and the economy generally failed to meet targets |

### V. ASSESSMENT OF PROGRAM MODEL AND HYPOTHESES

#### 5.1. Program Hypotheses Articulated in Activity Documentation

In its analysis, USAID identified four major constraints on economic growth: (1) economic policies and regulations that continued to impinge on Ghana's productivity and competitiveness, (2) mechanisms for policy change that had failed to keep pace with democratization; (3) weak mobilization of resources through the financial system, and (4) weak managerial and technical knowledge and capacity of private enterprises. Among these, policy and regulatory reform was considered to be especially critical because without it none of the other results would be effective. The overall hypothesis associated with this assessment was that these constraints could be eased first by creating a policy reform agenda through an open dialogue between USAID, its contractors and grantees, the Government, the private sector, and civil society, and, second, by implementing this agenda through a combination of technical assistance to policy makers, NPA conditionality, maintenance of a forum for continuing public-private oversight, allowing the financial sector to become increasingly competitive, and providing direct assistance to firms in the areas of management and technology. Easing of these constraints would then lead to private sector growth through greater productive capacity and more efficient and lower cost marketing.

Emphasis was to be placed on the sub-sectors that had experienced the most rapid growth in recent years under the earlier TIP project – seafood, wood products, horticulture, garments, tourism – or that showed a strong potential for growth – cassava, yams. Although the major

focus was to be on nontraditional exports (NTE), which had achieved considerable success under TIP, the TIRP program was not to be confined to NTE since it was believed that there might also be important opportunities to produce for the domestic market. An important dimension of the program's design was to achieve broad spread effects by forging linkages between larger and smaller firms and by assisting cooperation within producer groups and professional associations. The hypotheses underlying this approach were (1) that past experience was a good guide to the future and (2) that concentration of effort was important in achieving results with linkage effects being used to offset any undesirable distribution effects.

## 5.2 Exogenous Events Influencing Program Implementation and Impact

The most important exogenous event influencing program implementation and impact was the precarious macroeconomic situation in Ghana from mid-1999 until well after the election in December 2000. This resulted primarily from fiscal imbalances, which created a highly uncertain environment for business trade and investment.

Second was the postponement until after the election of many policy decisions and the meeting of the National Economic Forum. This put on hold implementation of much of the policy agenda and the public-private policy dialogue that was to take place.

Third was the failure of the IMCC to fulfill its role in implementing the policy agenda. This resulted in decisions being delayed, lack of ownership of those decisions by government agencies and stakeholders, and the failure to monitor policy implementation.

## 5.3 Realization of hypotheses

Given the exogenous events that intervened, the hypotheses underlying the Country Strategy were generally not realized or were only partially realized. Once the overall structure of decision making that had been envisioned broke down, progress in achieving policy reform was very much relegated to undertaking studies and providing technical assistance. The National Economic Forum ceased to be a viable mechanism of public-private dialogue. Little if any progress could be made in promoting greater competition in the financial sector. Less effected was the assistance being offered directly to firms.

## 5.4 Sustainability

The issue of sustainability was discussed above in Section 4. The major concern regarding Results Package 1 is whether the public-private institutions and innovations that have been put in place are sustainable. The answer is clearly no regarding the IMCC, which was without any Secretariat and did not have the unqualified support of the GOG. Although the National Economic Forum appears to have more support from the new Government, it is still not clear whether it will be seen as the best way of involving the private sector given the number of alternative channels, such as the Ministry for Private Sector Development, which is represented on the EMT; the Foreign Investment Advisory Service, which is examining the costs of doing business in Ghana and has a Steering Committee made up of top government officials and a counterpart committee comprising representatives from the private sector; and the Ghana Investor Advisory Council, which has a secretariat and reports directly to the President.

More sustainable appear to be some of the policy and other reforms that have been undertaken, especially where the GOG has assumed full ownership. Examples include the reforms outlined earlier in trade policy, customs duties, revenue forecasting, SSNIT's investment policies, and labor legislation. It also seems likely that significant reforms have been and will be undertaken in the areas of monetary policy and financial intermediation as a result of the shift towards supporting reform from inside the public institutions involved (e.g., Bank of Ghana) and by developing broad consensus among the principal stakeholders involved (e.g., Financial Sector Consultative Committee).

It is uncertain at this juncture whether the TIRP achievements affecting those beneficiaries who were the recipients of technical assistance under the IPEP and MDA components, namely large and small/micro scale producers, have been sufficiently institutionalized so that they will be sustainable once TIRP is completed. There appears to be a very large and continuing demand, from existing and newer exporters and producers, for the technical services provided by AMEX, TechnoServ, and CARE. These organizations have obviously been filling an otherwise unmet need. But the range of their clientele has been limited, and the goal of achieving a broader impact via linkage effects appears to have been abandoned. Many of the TIRP initiatives in support of nontraditional exports, including those in the areas of technology transfer and market development, will only be sustainable and reach a broader audience after TIRP if business associations such as HAG, SPEG, VEPEAG, and their affiliated associations are able to step in and fill this void. But these associations are currently very weak and will continue to require support for some time.

The most valid indicator of the sustainability of private sector initiatives in TIRP would be the growing capability of industry associations to assume service responsibilities for the horticulture, wood, and garment/textile industries – sub-sectors in which TIRP has concentrated. However, the evaluation did not find evidence that the technical assistance activities being carried out by AMEX, TechnoServ, and CARE for the benefit of non-traditional exporters have been taken over by any of these business associations. In fact, they may even have substituted for efforts of the associations as well as of consulting firms and others involved in providing technical and managerial assistance to firms – though whether this capability exists at present is open to question. It is the judgment of the evaluation team, however, that only with continuing support from USAID in the next several years will any of these business associations mature into a position of leadership that will enable them to carry forward most of the private sector TIRP initiatives.

## VI. PRINCIPAL FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This section presents the principal findings conclusions and recommendations of the evaluation. Recommendations apply either to the remainder of TIRP or to the next strategic plan.

### 6.1. Improved Policy Participation

#### Finding

Nearly four years passed between the NEF in 1997 and the National Economic Dialogue under the new government in 2001. This was a severe disruption of the participatory policy process envisioned by TIRP, which was supposed to actively involve the private sector. During this period, the major way in which the private sector participated in the policy dialogue was through the conferences, workshops, and civic education programs that were organized by Sigma One to build consensus on a consistent policy framework. Notable successes were the work done by Sigma One in support of the revision of Ghana's labor law and the work of the Financial Sector Consultative Committee leading toward the preparation of the Financial Sector Strategic Plan.

#### Conclusion

There were a considerable number of problems encountered in trying to promote participatory policy change. One of the most important was that the National Economic Forum was to a large extent externally imposed and was not part of the normal Ghanaian policy-making process. This was in many ways a deliberate attempt to move outside the traditional channels of decision making to create a greater role for the private sector. Although the working groups set up by the Forum put together detailed proposals for policy reform, these were never fully incorporated into the Government's decision making. The situation was complicated by the Presidential elections in December 2000, but the problem of fitting the NED into Ghana's decision-making structure remains even today under the new Government. Although there were a number of useful recommendations for policy and regulatory reform coming out of the 2001 NED, no institutional mechanism has been put in place to follow up these recommendations and ensure their implementation. It does not appear that a NED Secretariat will actually be established and funded, even as a transition mechanism. Instead the policy agenda is likely to be taken over by the Technical Advisory Secretariat of the Economic Management Team, which is likely to be much more central to the GOG's decision-making process, though the NED policy agenda will have to compete there with many other priorities.

#### Recommendations

##### *Remainder of TIRP*

USAID and the TIRP program should support the Government's existing mechanism for economic decision-making, the Economic Management Team, and make it more responsive to private sector needs rather than attempt to replace it, even during a transition period, with a NED Secretariat. Specifically, TIRP should be used to support capacity building in the EMT's Technical Advisory Secretariat, which will assist the EMT with analysis of economic proposals submitted from the ministries and other sources before they go to Cabinet. Priority items from

the NED policy agenda should be submitted to the EMT, and its Technical Advisory Secretariat for consideration as agenda items for Cabinet.

#### *Next Strategy Plan*

Support for private sector participation in policy making should be channeled via existing avenues rather than used to create new channels. Existing channels include the Ministry for Private Sector Development (MPSD), which is represented on the EMT; the Foreign Investment Advisory Service (FIAS), which is examining the costs of doing business in Ghana and has a Steering Committee made up of top government officials and a counterpart committee comprising representatives from the private sector; and the Ghana Investor Advisory Council (GIAC), which has a secretariat and reports directly to the President.

USAID should be ready to assist the Technical Advisory Secretariat of the Economic Management and other existing public-private institutions (MPSD, FIAS, GIAC) in developing their capacity for policy analysis and monitoring and evaluation.

### 6.2 Inter-Ministerial Committee on Competitiveness

#### **Finding**

The IMCC, which was established in September 1998 and was supposed to meet quarterly, failed to meet again until September 1999 and only met one or two times thereafter before falling into complete disuse. No Secretariat was appointed to support the Committee by preparing the agenda and providing follow-up. Thus there was no clear inter-ministerial mechanism within the Government for guiding TIRP, for implementing policy and regulatory changes, for recommending policy and implementation actions to other responsible parties, for monitoring the Government's performance in meeting these conditions, and for reporting on the status of compliance. These responsibilities fell solely to the Minister of Finance, who was absorbed by many other concerns, some of which were perceived to be of greater priority than TIRP.

#### **Conclusion**

The IMCC was a creature of the TIRP program and not of the Ghanaian's own decision-making process. Furthermore, moving the oversight committee from the MOTI to the MOF may have brought it closer to the centers of power and influence within the GOG, but it also resulted in it receiving much less attention. The same may also occur now that the NED policy agenda is being taken over by the Economic Management Team. This will make decisions regarding the NED policy agenda easier, but they will have to compete with many other priorities before the EMT. Nevertheless, the GOG will have ownership of the policy agenda and will consider it within its decision-making structure.

#### **Recommendations**

#### *Next Strategy Plan*

USAID should avoid creating a separate oversight committee in its next Strategic Plan. Instead any need for oversight should be undertaken within the existing decision-making structure under

the Economic Management Team and its Technical Advisory Secretariat (TAS). USAID should be ready to assist the TAS in developing its capacity for policy analysis and monitoring and evaluation.

### 6.3 Lack of Follow-up and Capacity Building for Implementation

#### Finding

Sigma One accomplished most of its milestones, which included preparation of action and monitoring plans, development of protocols, creation of databases, execution of studies, preparation of briefs and position papers, and drafting of proposed legislation and executive orders. Despite this, there were a number of instances in which decisions were not taken to implement policy reforms. Examples include the failure to streamline procedures for the importation of agricultural and industrial inputs, lack of action to complete liberalization of the foreign exchange market, and the absence of significant measures to control fiscal spending. In addition, until the new Government came into power, there were no efforts to implement the Financial Sector Strategy Plan.

#### Conclusion

Sigma One's performance based contract called for the Contractor to assist the GOG in the analysis and implementation of appropriate policy reforms. Sigma One was also to assist USAID in identifying key policy issues that could be part of the conditionality associated with the disbursement of NPA. The approach did not call for extensive capacity building within the Government through training, purchase of equipment, and other means in order to facilitate implementation. There was a tendency for studies to be undertaken and documents to be prepared by Sigma One, but these would go unutilized because there was no sustained effort at building the capacity for implementation through training and other measures. Two notable exceptions were the work done on revenue forecasting and the assistance given to SSNIT.

#### Recommendations

##### *Remainder of TIRP*

To the extent that resources are available, USAID and the TIRP program should build on several success stories associated with institutional capacity building for implementation of policy reform. One is the work of the Senior Monitoring Economist within the Bank of Ghana. Another is the work on revenue forecasting in the Ministry of Finance. Still a third possibility is support for reform in Customs, Excises, and Preventive Services (CEPS). There may be other possibilities in the area of financial intermediation.

##### *Next Strategy Plan*

The next Strategic Plan should emphasize institutional capacity building for implementation of policy reform. Important areas in which there are major needs are monetary and exchange rate policy in the BOG; tax policy and administration within the Ministry of Finance, Internal Revenue Service, CEPS, and Revenue Agencies Governing Board; trade policy in the Ministry of Trade and Industry; and numerous regulatory and other agencies (such as SSNIT and SEC)

involved with financial intermediation. It is important to maintain a continuing presence within these bodies. This should be done to the maximum extent possible with well qualified Ghanaians, some of whom might be recruited in the United States.

#### 6.4 Insufficient Institutional Preparation

##### **Finding**

The first attempt to place a Senior Monetary Economist at the Bank of Ghana was unsuccessful. Instead he worked out of the Sigma One office, which reduced his effectiveness in influencing policy. The person filling this position subsequently resigned. When the new Government came to power, it was possible to hire a well qualified Ghanaian to fill this position as Special Assistant to the Governor from inside the BOG. This advisor is much more effective than his predecessor because he is operating from the inside.

##### **Conclusion**

There must be local ownership of the policy reform process. USAID and its contractors can influence that process most effectively if they are supporting reform from inside. This means identifying, in collaboration with Government, the need for expertise, and then assuring that this expertise is made available in a way that best enables the Government to exercise ownership. Ideally, this means relying to the maximum extent on Ghanaians. Given the large number of well qualified Ghanaians in Ghana, or who have been trained in the US and are interested in returning to Ghana, finding such Ghanaians should not be a big problem.

In some instances, the Government will not be in a position to retain all of the expertise it needs on its own staff. It will have to call for assistance from outside. But this does not necessarily mean from outside Ghana. There are a number of research and consulting institutions in Ghana that today have considerable capacity to study policy issues and provide technical assistance to the Government (CEPA, IEA, ISSER, etc.). This capacity should be strengthened by contracting through them as much as is possible.

##### **Recommendations**

##### ***Remainder of TIRP***

USAID should focus as much as possible during the remainder of the program to encourage the Government to take full ownership for the policy reforms that are being undertaken. USAID should collaborate with the GOG in assessing the need for expertise, and then assuring that this expertise is made available in a way that best enables the Government to exercise ownership. Ideally, this means relying to the maximum extent possible on Ghanaians inside Government and on Ghanaian research and consulting institutions outside Government.

##### ***Next Strategy Plan***

This same set of principles should apply as well to the next strategic plan.



## 6.5 Importance of Macroeconomic Policy

### Finding

Most of the expected results in the area of financial intermediation were not attained.

### Conclusion

The major problem encountered in the area of financial intermediation was the failure of fiscal deficits to be contained, which led to excessive expansion of the money supply, inflation, and high interest rates. Effectively, the Government crowded the private sector out of financial markets, making it extremely difficult to introduce the kinds of innovations in financial intermediation that had been envisioned. Perhaps the most important accomplishment of this activity -- the preparation of a Financial Sector Strategic Plan -- was not carried to fruition largely because of weaknesses in macroeconomic policy.

### Recommendations

#### *Remainder of TIRP*

TIRP's focus on macroeconomic policy should be maintained, but it must be coordinated with the Government and other donors through the Multi-Donor Budget Support program and the Medium-Term Expenditure Framework (METF). Even though USAID is prevented by Congress from providing direct, unrestricted budget support to the GOG, it can still participate in the METF process and assure that its resource allocation is consistent with that process.

#### *Next Strategy Plan*

USAID's emphasis on macroeconomic policy and its cooperation with the GOG and other donors through the Multi-Donor Budget Support program and Medium-Term Expenditure Framework should be an integral part of the next Strategic Plan.

## 6.6 Usefulness of Non-Project Assistance in Inducing Policy Reform

### Finding

Non-Project Assistance was a reasonably effective way of influencing policy. Despite delays, occasional superficial compliance, and some credit taken for what may have occurred anyway, there were significant successes -- especially given the fact that the amounts involved were relatively small compared with NPA coming from other donors.

### Conclusion

The major challenge facing USAID in its next strategy is how to integrate this form of assistance with the general trend towards direct budget support and joint multi-donor/GOG agreement on the conditions required for this support.

### *Remainder of TIRP*

USAID should continue its disbursements of NPA under TIRP, but conditionality needs to be coordinated with other donors as well as with the GOG as part of the Multi-Donor Budget Support Program.

### *Next Strategy Plan*

Non-Project Assistance is an important way in which USAID can contribute budget support to the GOG. It should be continued under USAID's next Strategic Plan. However, it is important that USAID's disbursements and conditionality be coordinated with other donors, as well as the GOG, as part of the Multi-Donor Budget Support Program.

## 6.7 Direct Assistance Too Broadly Focused

### *Finding*

Direct assistance to firms and producer groups under TIRP has been rather broadly focused. Sub-sectors have included textiles, clothing, handicrafts, wood products, pineapples, processed vegetables, cashews, and other agricultural products. Many of the firms receiving assistance started with the previous program, TIP, and have yet to graduate. Furthermore, the process for choosing firms seems to be quite ad hoc. It is generally demand driven. There is no overarching strategy and selection process directed towards a specific goal, such as expanding nontraditional exports..

### *Conclusion*

The lack of a clear strategy inhibits the ability to mobilize resources towards a specific goal. There is little momentum towards increased growth and trade. At the same time, exporters often find it difficult to mobilize sufficient volumes of products to satisfy overseas demand.. The current small production bases severely limit the ability of exporters to produce sufficient volumes to satisfy orders and take advantage of economies of scale in packaging, transportation and marketing, thus lowering costs.

### *Recommendations*

#### *Remainder of TIRP*

USAID is urged to take a hard look at the nontraditional export sub-sectors it is currently supporting to determine what kind of export payoff is likely if assistance is continued. Perhaps the time has come to declare victory in the textile/garment industry, for example, and to begin to phase out assistance. International competition in garments and textiles is fierce and recent changes in the international trade environment will only make matters worse for Ghana. After more than a decade of USAID support under TIP and TIRP, garment exports in 1999 amounted to only \$2.7 million (IBRD, Ghana Competitiveness, p. 34). As part of a possible phase out, USAID might want to identify and support in the next year those garment and textile industry

clients who, with USAID support during the remainder of TIRP, could become major players and receive assistance under the Presidential Initiative.

The Mission is encouraged to use the next year to consolidate the achievements under the IPEP and MDA components of TIRP and to lay the groundwork for new approaches that will impact nontraditional exports. Assuming that going forward the Mission seeks greater impact from future programs than has been achieved under TIRP, the evaluation team recommends that USAID re-examine the sectors and industries it currently supports to determine those that should be exited and those that warrant continued support. A good starting point would be for AMEX International and TechnoServ/CARE to undertake a comprehensive assessment of the enterprises they have assisted. Criteria should be established to determine what constitutes "graduation" from TIRP and what gaps need to be filled for each client to graduate.

In this vein, the assistance providers should be guided by a well-considered definition of what is needed to sustain the changes brought to each enterprise. Decisions on the nature and quantity of assistance to both existing and new clients should be guided by whether or not TIRP changes will be sustained. More importantly, such a comprehensive evaluation should group clients into categories: (1) firms where sustainability is unlikely and therefore should receive no further assistance; (2) firms that require additional assistance to meet the new "graduation" requirements; and (3) firms that not only will meet the "graduation" requirements, but also have the potential to ramp up production, grow their businesses, and make a real contribution to the growth of their industry. Those in the last category should be given priority for assistance from AMEX and TechnoServ/CARE.

#### *Next Strategy Plan*

The Mission is urged in its next strategy to consider a more narrow and bolder vision (e.g., Billion Dollar Horticulture Industry) with high goals that will inspire everyone involved. It should aim for real *impact* on economic growth not simply many outputs. Ideally, such a strategy should call for intervention(s) that can really *drive* the economy. Future support to the private sector could include the following:

- A sharper strategy that focuses resources and attention rather than a broad-based one that reduces impact.
- Focus from the top down on an industry or two rather than focusing at the level of the firm. Establish targets for the industry as a whole and then assist those firms that will contribute to achieving industry targets.
- Target major regional and international markets rather than niche markets where growth prospects are limited.
- Be realistic and accept the fact that producing internationally competitive products will take years and that most producers will first have to meet raised domestic market requirements, then regional markets, and later international markets. As product quantity and quality improves, exporters can look to markets within the Economic Community of West African States (ECOWAS) and perhaps eventually within the European Union (EU). USAID should recognize that despite some successes in industries like pineapples, Ghana will be able to develop a competitive position in international markets only after its product quantity and quality improve.

The next strategy should avoid dabbling in too many industries, a practice that tends to dissipate efforts and resources. It should focus, instead, on industries that have good prospects of producing at least \$100 million of exports. Producing consistent quantity and quality is the sine-quo-non of success in exporting to regional and international markets.

Build toward a "tipping point" where the pace of innovation takes on its own momentum and in the process stimulates growth in related industries like packaging and transportation.

The evaluation team believes that the Mission should explore the possibility of narrowing its strategic focus to the expansion of the horticulture industry, where Ghana has a comparative advantage (natural resource base, availability of seaports, low-cost labor, and proximity to regional and foreign markets) and where prospects are good for impact on exports, employment, and poverty reduction. To assist Ghana to fully capitalize on opportunities to produce and export high value horticultural products, a USAID project could conceivably include interventions to address a raft of significant constraints. These might include:

- Lack of access to land;
- Lack of access to technology, particularly on the part of small and medium-scale growers;
- Ineffective horticultural extension services;
- Lack of linkages between research and extension and between producers and researchers;
- Shortage of semi-skilled and skilled workers and managers at all levels of the industry;
- Absence of post-harvest facilities and a proper cold chain;
- Inadequate feeder roads, and transport and logistics;
- Inadequate market information and market intelligence systems; and
- Mistrust and lack of cooperation within the private horticulture sector.

Any future USAID project in support of Ghana's horticultural exports should include measures that help foster the integration of large numbers of small and medium-scale producers into the export of fresh and processed products. No single development model will help Ghana exploit the opportunities it has to include small-scale producers in the improvement of the horticulture industry, but the wide variety of out-grower schemes that currently exist should be further explored. For example, in addition to expanding upon the "push-pull" approach employed under TIRP, the Mission should consider supporting replication of other reportedly successful models such as those of Farmapine Ghana Ltd. and Blue Skies in Ghana, as well as Fundacion Chile in Chile and Central America. Wider application of these models will help produce larger volumes of export quality horticultural products and increase family incomes of small producers.

## 6.8 Need to Support Business Associations and Research/Consulting Institutions

### Finding

The original intention of the TIRP program was to work to a considerable extent through business associations. This, together with the "push-pull" approach, was supposed to expand the impact of the program well beyond the few firms that could be reached individually. In practice, however, the Contractor/Grantees found it slow and difficult to work through the associations. Frequently, there was lack of trust, and the associations were seen as not providing much in the

way of services to their member. Thus except for farmer groups, which was the only way to reach the really small farmers, Contractor/Grantee assistance was provided directly to firms.

USAID also provided direct assistance to a number of business organizations, such as PEF, FAGE, AID to Artisans Ghana, and the College of Jewelry. This assistance seems to have been pretty successful. The FAGE experience, for example, suggests that stronger business associations can indeed improve private sector access to export markets and technology. The USAID grant appears to have strengthened the technical and analytical capacity of the organization and helped establish FAGE as a legitimate representative of the interest of the non-traditional export sector.

### Conclusion

Although it is undoubtedly easier to work directly with firms and producer groups than to channel assistance via business associations, the former approach is expensive in terms of the number of firms reached, and there are questions regarding its sustainability, i.e., what happens when the Contractor/expatriate Grantee is no longer there? Sustainability would appear to require that assistance is increasingly channeled through two types of organization. One is the business associations and other non-profit organizations that are capable of supplying services to their members. Some of these services might be more in the nature of advocacy through various lobbying activities. Others can involve the dissemination of market and other kinds of information, as well as technical and management assistance.

The other channel via which assistance can be offered is research and consulting firms and centers. These will have a technical, market, management, or policy focus. They are centers of expertise, which can be drawn upon when there is a need for more specialized assistance.

A major issue is how these various institutions are to be financed. One source is member subscriptions, but this is likely to be quite limited in an underdeveloped economy. Nevertheless, it is an important source of funding, if for no other reason than that it helps to assure that the organization is responding to its members needs. A second source is fee for service. This is especially important when larger firms need specialized services, but even smaller firms should be encouraged to pay part of the cost. Finally, there are government grants and donor funding. These will be relatively important in the beginning but should decrease over time as the member base becomes stronger and clients are better able to pay for what they need.

### Recommendations

#### *Remainder of TIRP*

The importance of having a handful of robust business associations cannot be overstated. While recognizing that the private sector of Ghana is littered with the remains of many failed attempts to develop such organizations, the evaluation team urges USAID to profit from the mistakes of the past and to continue to focus on business support organizations. Working with a dozen or so associations is unrealistic, but in narrowing the focus of its future strategy on fewer industries, USAID should also narrow in on only two or three associations for possible future assistance. Over the next year, well before any association project takes shape, Mission management, the SQ 1 team, and the leadership of AMEX and TechnoServ/CARE should collaborate closely in a

protracted dialogue with current and prospective private sector leaders on a wide range of association-related issues. The objective would be to inspire a new vision among these Ghanaians on the role associations could play in support of the private sector. Any organizational capacity assessments of business associations should await the outcome of this dialogue. Rather than continue the current demand-driven assistance to associations, the Mission should be investigating the prospects for multi-year institutional development opportunities.

The TIRP project published a large number of reports during the course of the program. AMEX alone has produced nearly 40 such documents. These reports constitute a valuable technical resource for the horticulture, wood, and garment/textile industries. USAID should seek to establish a resource center at a suitable institution such as the Center for Policy Analysis (CEPA), where these reports could be archived and made readily accessible to business associations, Ghanaians in both the public and private sectors, and other donors. With a modest USAID investment of local currency, such a center should be encouraged to establish a database of TIRP and TIP reports and to consider putting the reports on CDs. The use of CDs to reproduce the TIRP publications and data would enable multiple copies to be made at a relatively low cost.

#### *Next Strategy Plan*

In its next Strategy Plan, USAID should identify and provide focused support to two or three business associations that have potential to become major players in the industries USAID chooses to support. One possible approach to facilitating the further development of Ghana's horticulture industry, for example, will be to organize the industry through an effective business association. This will necessitate replacing the current demand-driven approach in the provision of assistance to these associations with a new focus on long-term institutional development support. The most effective means of rapidly doing this will be to utilize an existing association as a model. In the case of Ghana's horticulture industry, the organization that is currently best qualified to serve as that model appears to be the soon-to-be merged Horticulture Association of Ghana (HAG) and the Sea Freight Pineapple Exporters of Ghana (SPEG).

### 6.9 Performance Monitoring and Evaluation

#### **Finding**

The only Performance Monitoring Plan that the Evaluation Team could find was dated March 25, 2002 – four years after the project was initiated. This plan contains very little data on baseline or target values for the indicators that are proposed. There are almost no data on actual achievements despite the fact that space is provided for this information. Furthermore, the evaluation team was unable to find within USAID any kind of data base upon which such information might be recorded, though according to the former SO1 Team Leader, such a database had once existed.

Performance monitoring occurs at three levels. Contractor performance is evaluated on the basis of the achievement of milestones related to inputs and outputs. Most of these were achieved. The Contractor also monitors the results expected from these actions. These depend much more on action by the GOG and the private sector. Although there were some delays, many of these

results were also achieved. However, those related to financial intermediation were not generally achieved. Finally, the PMP and Contractor monitoring plans call for the monitoring of indicators of the impact of the program on the economy. Most of the data for these indicators have not been collected.

## Conclusion

The Performance Monitoring Plan (PMP) and associated data collection and management needed to be organized much more effectively if it were to serve as a central tool for program management. One problem was that the Management Team was heavily burdened with many tasks, including the administration of numerous small grants, which kept it from doing an adequate job with respect to a more important area of responsibility: performance monitoring and evaluation. The result was a substantial delay in fully developing the PMP, a failure to assure that the contractors and grantees provided the data necessary to implement the plan, and little evidence that the data that were provided were effectively managed by USAID. Accordingly, the PMP never really became a management tool.

Performance based contracts, while very useful in many respects, tend to bias the Contractor's attention towards the achievement of milestones related more to inputs and outputs than to results and impact. This may be appropriate if USAID is actively monitoring the program's results and evaluating their impact on the economy, but if this is not the case, as it has not been with TIRP, then there is a serious management deficiency, which is not consistent with USAID's results based approach.

## Recommendations

### *Remainder of TIRP*

Immediate steps need to be taken over the remainder of the TIRP program to implement a viable and realistic Performance Monitoring Plan. The current PMP seems to be a good start in this respect, but it must be implemented and used by USAID as a management tool. In this respect, USAID needs to try to distinguish between the impact on the economy of the TIRP program and general trends in the economy over the past few years. The Evaluation Team believes that this can be done through the careful selection of performance indicators (e. g., measurement of spread effects through firm surveys, assessment of policy impact by interviewing those affected) and that this will be important in setting the stage for the next Strategic Plan. Although disentangling the impact of the program from broader trends in the economy is not easy, it is essential for assuring that the program is contributing to the broader SO and IR goals.

### *Next Strategy Plan*

Sound performance monitoring and evaluation need to be built centrally into the next Strategic Plan at all three levels: inputs and outputs, expected results, and impact on the SO and IR indicators. Consideration should be given to making contractors responsible to some extent for expected results as well as inputs and outputs. USAID should assume responsibility for measuring the impact of the program on SO and IR indicators, though the contractor can assist by gathering data and conducting surveys and interviews for this purpose.

## 6.10 Need for Improved Coordination and Streamlined Management

### Finding

There has been insufficient coordination among the various components of TIRP, and between these components and other organizations. For example, by concentrating on direct assistance to firms and producer groups, AMEX and TechnoServ/CARE did not relate to the efforts of other organizations such as FAGE and the Ghana Export Promotion Council, which were working to expand nontraditional exports. For this reason, too, USAID's program of grants to business organizations was not related to the work being done by AMEX and TechnoServ/CARE. Efforts to assist the Ghana Investment Promotion Center (GIPIC) to enhance their ability to target investment promotion programs fell short because of an apparent breakdown in communication. Nor did Sigma One coordinate with the Gateway project, which is funded by the World Bank and located physically in the Ministry of Trade and Industry, and which has as its purpose to create a user-friendly environment for investment and trade. Finally, there was little effort to coordinate the two Results Packages. For example, while many of their clients cited the external environment as a continuing barrier to business expansion and investment, this information was not regularly communicated to Sigma One to help shape its program. The World Bank's report on Ghana's international competitiveness lists many constraints that do not seem to have been identified within the TIRP program (World Bank, 2001).

### Conclusion

The TIRP program suffers from a schism that exists between the two Results Packages and from the fact that there is no formal mechanism for coordinating with other organizations responsible for promoting trade and investment. Some of these organizations, such as the Ghana Export Promotion Council, USAID has supported in the past but now does not make use of. USAID needs to develop a clear vision of how it wants to support trade capacity building in Ghana and how it can organize most effectively for that purpose, taking into account what organizations already exist or are being created under the new Government, e.g., the Ministry for Private Sector Development. Then it needs to determine how it can organize this support most effectively.

One useful example of the need for close coordination is in the area of finance. Most firms in the survey cited lack of availability and high cost of short and medium-term finance as the most important constraint on business expansion. This problem needs to be tackled on several fronts. First, direct assistance to firms can aid them in properly preparing credit applications and in strengthening their own internal accounting systems. Second, technical assistance can be offered to bank staffs, accountants, and others to strengthen their capacity to assist firms in preparing credit applications and in satisfying the various requirements for obtaining loans. Third, technical assistance and capacity building can be offered to financial institutions and regulatory authorities in order to strengthen the system for financial intermediation, including efforts to introduce new and innovative financial instruments.



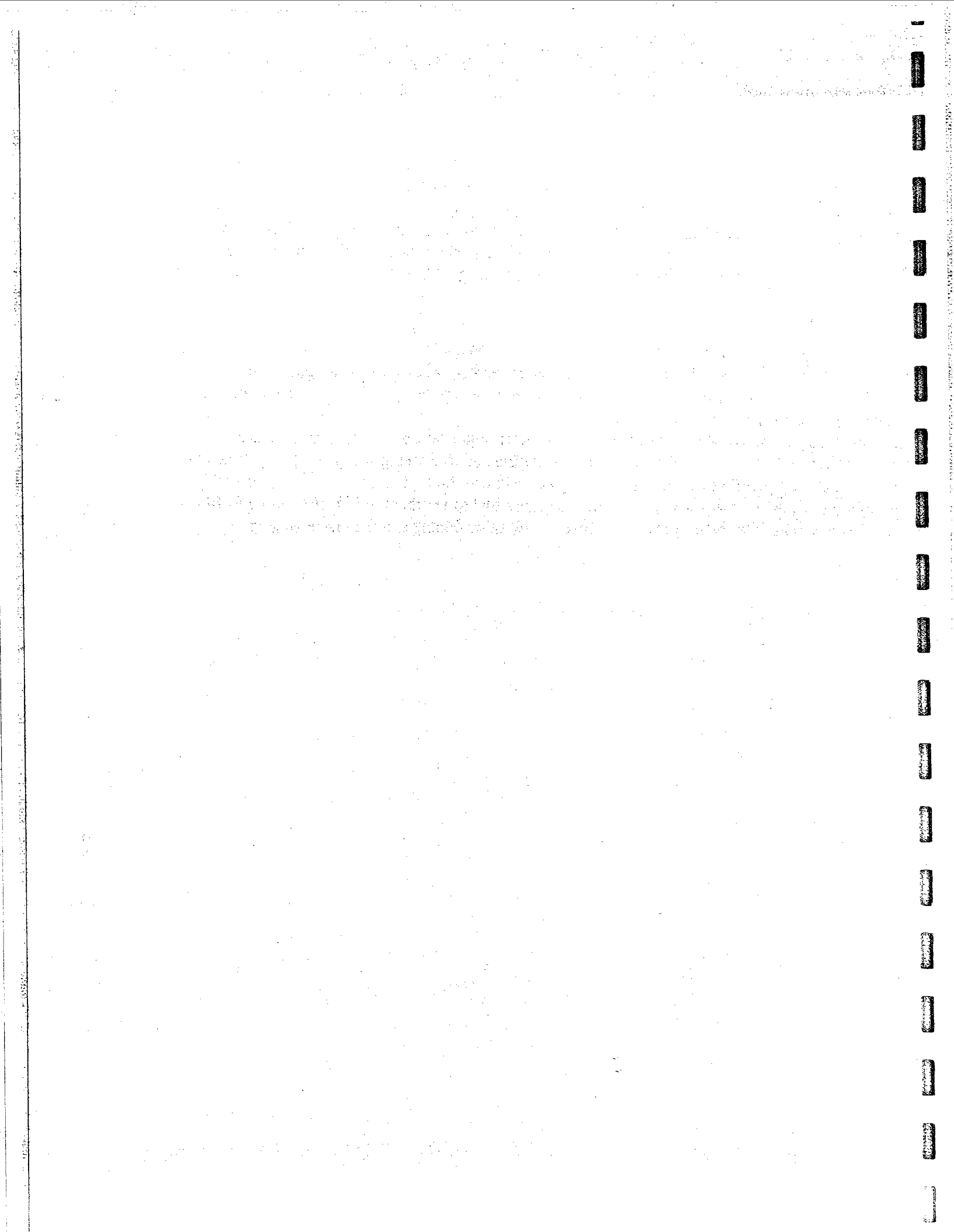
## Recommendations

### *Remainder of TIRP*

To improve SO-wide coordination and collaboration, the Mission should review its approach to managing the multiple activities it organizes under Strategic Objective No. 1. There is a pressing need for greater harmonization of operational and reporting systems among the projects grouped under this SO. Mission management has to play a more active role in securing collaboration among its TIRP-funded activities because it is in the best position to maintain coherence and integrity of the vision that informs the pursuit of this Strategic Objective.

### *Next Strategy Plan*

It is the evaluation team's opinion that under the next Strategy Plan, USAID should sign a single contract with a consortium to carry out all tasks and activities within this Strategic Objective, including the provision of grants to business organizations and NGOs. The Contractor should then be held responsible for assuring coordination among the various components of the SO and for maintaining close working relationships with other organizations and programs that are pursuing similar objectives. USAID should concentrate on overseeing the work being done by the contractor, on assuring that the monitoring and evaluation program is functioning effectively, on using the results of that program as a management tool to see that the SO, IRs, and sub-IRs are being achieved, and on coordinating closely with other donors and the Government.



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# ANNEXES



## Annex A: Evaluation Scope of Work

### BACKGROUND

USAID/Ghana has a requirement to conduct the evaluation of the Trade and Investment Reform Program (TIRP). Mission seeks proposals from potential contractors, which detail their approach to undertake the evaluation. The contractor shall be responsible for all contract implementation, including but not limited to the proposed personnel and other support.

In July 1998, the Government of Ghana and USAID began implementing a new Trade and Investment Reform Program (currently \$74 million) which supports USAID's Strategic Objective No. 1: Increasing Private Sector Growth. The Project Assistance portion of TIRP (\$60 million) seeks to address technical and training needs of both the Government and private sector related to increasing productivity, marketing and investment. A \$14 million companion Non-project Assistance (NPA) portion of the Program supports Government efforts to remove policy impediments to increased trade, investment and macroeconomic stability.

Since USAID is using a results-oriented, performance-based approach, the Program's objectives are to be accomplished through three main initiatives called "results packages". The first addresses policy change and improvements in financial markets, while the second one seeks to achieve improved competitiveness of private enterprises of all sizes (from the largest to the smallest microenterprises, with an emphasis on agricultural related enterprises). This approach places emphasis on improving trade and investment policies and developing business capacity among microenterprises -- smallholders, producers and market intermediaries. The third initiative aims at improved energy supply and demand management (not a main part of this evaluation).

The Improved Policy Reform and Financial Intermediation (PR & FI) Component of TIRP is being implemented primarily through a competitively-awarded USAID institutional contract to Sigma One Corporation. Another competitively-awarded USAID institutional contract to implement the Increased Private Enterprise Performance (IPEP) Component has been awarded to AMEX International, Inc. which is providing technical assistance, advisory services and training to private enterprises and business organizations. A grant has also been provided to TechnoServ (TNS), a U.S. PVO, to provide direct assistance to micro-enterprises in a Micro-enterprise Development (MED) Component. TNS works in parallel and in linkage with the activities undertaken by AMEX International.

Separate grants supported conservation activities and institutional strengthening activities in the Central Region of Ghana under Phase II of the region's Natural Resources Conservation and Historic Preservation Project. A \$2 million endowment grant has been made to the Ghana Heritage Conservation Trust (GHCT) to ensure the sustainability of investments at Kakum National Park and at three historic sites in Elmina and Cape Coast. The Trust secretariat will receive planning and financial management assistance to strengthen its capacity to manage the endowment fund. A grant was awarded to a U.S.-based organization -- Conservation International (CI), to provide the project implementation bridge plus the planning and financial management assistance to strengthen the capacity of GHCT. This grant ended December 31,

2000. To strengthen local capacity for promoting private sector growth, separate grants have been awarded to Ghanaian private sector organizations and business associations such as the Private Enterprise Foundation (PEF), Federation of Associations of Ghanaian Exporters (FAGE), Aid-to-Artisans, Ghana (ATAG) and the Ghana Association of Jewelry Exporters.

TIRP builds upon the success of its predecessor, the Trade and Investment Program (TIP) by -- emphasizing nontraditional exports, a substantial portion of which are agriculturally based products, because of the importance of these goods and services as a catalyst for accelerated, broad-based growth. USAID is also building upon its comparative advantage in assisting private enterprise development, and its specific knowledge of microenterprises. At the same time, this approach is being complemented by some of USAID's other activities to help to improve food security, primarily through PL 480 Title II resources, while contributing to the diversification of the sources of Ghana's foreign exchange earnings, and providing a broader base for the development of manufacturing.

USAID/Ghana has a long illustrious and highly successful history of providing support in the energy sector. This contribution, while previously not programmed with Mission's strategic framework, has been quite substantial, not just in a financial sense; but also in significant real non-incidental staff time. With the advent of the 1998 energy crisis, USAID/Ghana was ushered into an expanded energy sector role. The crisis presented an excellent opportunity for furthering fundamental reforms in Ghana's energy sector that will establish conditions for greater operational efficiency and competition, private sector participation, and development of an arm's length approach to regulation.

Given the fact that the unifying objective of USAID/Ghana's Strategic Objective One (SO-1) is to improve Ghana's international competitiveness, providing assistance in the energy sector presented an additional opportunity to provide leadership and resources to help Ghana reach the next level of economic performance. This resulted in the development of this new results package. Results Package Three (RP3) focuses on developing a more sustainable efficient energy supply and improved demand management in promoting increased private sector competitiveness. Another consideration that drives this activity is the fit of this Results Package in USAID's Regional Strategy of economic integration and cooperation objectives. The focus of RP3 is on a very discrete package of activities resulting in: (1) increased regional cooperation; (2) improved energy demand management capacity in Ghana; and (3) improved energy policy and regulatory reform in Ghana.

The success of TIRP was considered dependent on an effective partnership among USAID, the Government of Ghana, the private sector, the institutional contractors employed to implement TIRP, many assistance recipients, and other development agencies involved in similar program activities. Thus, the general approach was to program implementation focused on collaboration and consensus building among the relevant stakeholders and cooperation in completing TIRP's work. This involved a team approach to program management and implementation.



## B. STATEMENT OF WORK

The Contractor shall provide services to evaluate TIRP's efforts to increase private sector growth. The purpose of the contract is to (a) determine what has worked well and what has not worked well to provide lessons-learned for incorporation into the Mission's next development strategy; (b) assess progress towards achievement of SO-1 and TIRP results; and (c) provide an assessment of the economic impact (both macro and micro) of TIRP on private sector growth.

### 1. Scope

The evaluation is to cover TIRP since implementation began in July 1998 up until July 2002. The scope of TIRP includes SO-1 Results Packages #1, #2 and #3, but with a few exceptions mentioned below. The general breakdown of the most important activities or components under each Results Package is as follows:

#### Results Package #1:

- Policy Reform and Financial Intermediation Component
- Non-Project Assistance (NPA) Program

#### Results Package #2:

- Increased Private Enterprise Performance (IPEP) Component
- Micro-enterprise Development (MED) Component
- Grades and Standards
- Promotion of Tourism-led Economic Growth
- Guarantees -
  - o Private Enterprise Foundation (PEF)
  - o Aid to Artisans-Ghana (ATAG)
  - o Federation of Agricultural Exporters
  - o EnterpriseWorks
  - o Ghana Economic Enhancement Program (GEEP)
  - o Ghana College of Jewelry (GAJE)
  - o Nature Conservation Resource Centre (NCRC)

#### Results Package #3:

- West Africa Gas Pipeline
- West Africa Power Pool
- Other activities

Three parts of TIRP received funding from ATIRP: Activity 4: Grades and Standards for Ghanaian Exports and the West Africa Gas Pipeline and West Africa Power Pool components of RP-3: the Energy Results Package. Since ATIRP is conducting its own separate assessment of these programs, they are excluded from this evaluation. In addition, the Natural Resources Conservation and Historic Preservation Project is also not included in this evaluation because Development Alternatives, Inc. evaluated it in 2001. The complementarities between TIRP and

the activities to help to improve food security, primarily through PL 480 Title II resources has already been addressed in another separate study.

### Emphasis of the Evaluation

The Mission is mainly interested in using the analysis to develop a vision for future program actions and receiving recommendations for modification of activities and implementation procedures to achieve similar program objectives in a new Mission strategy. The Mission's new Goal is likely to change from a focus on broad-based sustainable economic growth to one aimed at alleviating poverty (related to the country's HIPIC requirements) or the creation of wealth (following the vision of the new government) – with these two goals being mirror images of each other. The Mission intends to align its new strategy with the country's overall long-term poverty reduction strategy to achieve growth that will ensure the virtual disappearance of poverty by 2020. This translates into the need to attain an overall average GDP growth of at least 6 percent per annum and the implementation of public policies for drastic spatial reorganization of investment for economic activity and social protection. Clearly, the private sector remains the engine of growth with increased emphasis placed on the rural economy and agriculture. Thus, the new SO-1 is anticipated to focus on a pro-poor, private sector-led economic growth strategy.

There are certain general issues for this evaluation, and some more specific issues related to each of its components. Below are some of the key issues along this line:

#### 2.a. General Issues:

At a minimum the contractor shall assess the following:

- Are the goals, purposes, results, and end-of-project status as stated still reasonable and practical? In what ways is the original design no longer valid in light of present circumstances?
- What major changes have occurred in the overall political/economic environment that have affected the prospects for success of the TIRP program? How well did TIRP modify implementation to account for those changes?
- Has TIRP's monitoring and evaluation plan been appropriate to gauge progress in achieving project results?
- Which TIRP components have most effectively contributed to the growth in NTEs in particular and Ghana's private sector in general?
- Which components have not performed as expected and what adjustments, if any, would need to be made?
- How well did the performance-based contract clins, milestones, and benchmarks system mesh with the realities of implementing a project in a dynamic and fluid development environment?

- Should more emphasis be placed on the public or private sector components? On policy and regulatory reform or on more directed technical support to private enterprise?

The TIRP program is a complex undertaking in terms of both the number of institutions involved and the range of activities being carried out. Should TIRP continue to implement all activities as envisaged, or would it be more desirable to concentrate resources in areas where activities have been more effective?

- Are there any environmental concerns resulting from the TIRP project (e.g., possible negative impact caused by project-assisted agribusiness in environmentally fragile regions) which should be investigated?
- What has been the impact of TIRP on private and public sector investments?
- What has been the impact on employment and on income generation opportunities?
- What has been the impact on small and medium scale enterprises?
- What has been the impact on foreign exchange earnings?
- What has been the impact on capacity building?
- How useful and effective has the application of a cost-sharing principle been on achieving results?
- Has flexibility in interpreting institutional contractor (subcontractor) mandates been positively related to TIRP's ability to respond to windows of opportunity, shift priorities, and achieve results?
- What are some of TIRP's best success stories?

## 2.b Policy Reform:

The evaluation should focus on whether USAID's approach was successful at: 1) strengthening the capacity of local institutions to advocate and participate in the policy change process; 2) assisting the GOG to review and analyze policies; 3) enhanced public-private consensus on critical policy changes; and 4) getting the GOG to adopt and implement policy and regulatory reforms.

Has TIRP's NPA policy reform efforts been effective in assisting the GOG to focus on critical policy constraints limiting the enabling environment for economic growth? The TIRP NPA program has had difficulty with the institutional framework for directing and implementing the policy reform process. Is the current structure effective and sustainable?

## 2.c Private Enterprise Component:

A principal focus of the private enterprise activity was to establishment linkages between microenterprises and enterprises of larger scale in mutually profitable and sustainable business relationships. The approach being promoted has been characterized as "*push-pull*". A limited number of innovative or "lead" firms involved in such areas as seafood, wood products, horticulture, floriculture, garments, staple foods, and tourism services were to be selected for assistance to "*push*" them to a higher level of performance and international competitiveness. These would be firms involved in the production and marketing of goods and services with the highest potential for increasing revenues and significant multiplier effects on economic growth. Special attention was to be given to ensure that activities supported are accomplished in an environmentally sound manner.

In the process of increasing their production and revenues these firms were to develop linkages with microenterprises and in effect, "*pull*" them into the production and marketing chain. At the same time, assistance was to be provided to help "*push*" microenterprises into higher levels of performance beyond subsistence and local markets with value-adding activities and broader market participation (national, regional and international). How well has this "*push-pull*" concept worked and is it a useful model to continue? In this same vein, how well have other similar design concepts worked, such as micro-enterprise clusters and franchise development?

Efforts to increase NTEs has been a major part of TIRP. Has the approach been effective in strengthening the capacity of firms to export, including their increased ability to produce to export market requirements? Since TIRP has been mainly market-oriented, to what extent have production and management limitations been important constraints on export growth?

The following hypotheses or assumptions for continuing to use the approach of TIRP's private enterprise activities should be tested as to their accuracy and validity:

It is essential to identify lead firms with which to work that have the greatest potential for rapid growth and having significant multiplier effects. It is also imperative that these firms be linked with micro-enterprises which have the potential to increase the supply base of the economy and have an impact on incomes and employment. While the program was to assist lead firms to reduce their cost and 'push' them into competitive international markets, they in turn are expected to 'pull' related micro-enterprises into the production marketing chain.

Working with too large a number of lead-firms and diverse sub-sectors can result in a "wide and shallow" situation rather than a "narrow and deep" situation – thereby diluting the possibility of achieving good results.

The division between agricultural sub-sector activities and "other" sub-sector activities is neither necessary nor effective.

Much as TIRP acknowledges the importance of micro-enterprises and the need to involve them, it is essential to focus only on those that can effectively be linked to the lead firms and have the greatest impact on the economy. Thus, micro-enterprises would be selected only after it is clear what sectors and which lead firms would be assisted.

Firms face multiple problems, and technical assistance must be provided in such a way as to best address the most pressing issues. Locally hired, full time professional sector specialists who deal with a range of firms in the priority sectors has proven effective in the past. At the same time, outside experts assigned to specific lead firms for periods ranging from a few to several months will be critical in a number of cases. The Institutional Contractor, and in some cases in conjunction with a local bank, should assess such assistance needs of lead firms. Such experts would be provided on a cost-sharing basis, and in some cases firms might pick-up full costs to retain the experts for longer periods.

Business associations can play an important role in the provision of technical assistance and training on a commodity/product specific basis and promote dialogue with various sub-sectors for advocacy on policy related issues. Collaborative relationships with other PVO/NGOs have also been observed to contribute remarkably to achieving results.

The lead firms chosen must be willing to enter into a written agreement to assist micro-enterprises in the production-marketing chain. Such agreements are an indicator of the realization by lead enterprises that smaller firms were importance for the success of their ventures.

The entire process must be market-driven. For all product areas in which the program becomes involved, the market is the place to begin. A key task will be to provide information concerning the market and buyers to producers/exporters. Buyers are able to supply quality specifications and other market requirements that are essential to production. Fulfillment of these requirements result in increased sales.

Lessons learned from the current enterprise development program suggest an increase in emphasis on the grades and standards program in order to respond positively to market demands. The fact that some potential exporters have recognized and accepted the challenges of improving production and marketing standards makes the timing appropriate for an expanded program in grades and standards.

It is important for the agricultural program to rapidly increase pineapple exports but that should not overshadow support to other products especially those that have been proven to be profitable for small farmers in Northern Ghana e.g., paprika.

With regional integration gaining prominence in the development process of Africa, it is appropriate to use the next phase of the program to develop trade links within the sub-region of West Africa.

## **2.d Promotion of Tourism-led Economic Growth Through the Private Sector**

Now that the Central Region NRCHP Project is over, USAID/Ghana wants to continue its involvement in tourism. The mission wants to harness the tremendous direct and indirect impact the industry can have on broad-based economic growth with a private sector-led implementation strategy in the sector. The evaluation should assess the Mission's strategy under SO-1 Activity

#3 to support a variety of creative and innovative approaches to solutions to these problems through awarding small grants to organizations that presented acceptable proposals in five areas of intervention.

### 3. Future Development Options

After taking all of the above into consideration, describe options for USAID development assistance, with consideration of USAID's comparative strengths/weaknesses, including an analysis that prioritizes these options.

### C. REPORTS AND OTHER DELIVERABLES

The subcontractor shall submit to MSI a report that addresses all the issues contained in sections 2. Emphasis of the Evaluation and 3. Future Development Options. The subcontractor along with the contractor MSI shall submit 10 copies of the final report in English as well as an electronic version in Microsoft Word.

### D. ESTIMATED DELIVERY SCHEDULE

|               |  |
|---------------|--|
| Nov. 25-27:   | Preparation and Team Planning Meeting in Washington.   |
| Dec 3:        | Consultants arrive in Ghana.   |
| Dec 4-6:      | Consultants meet with local counterparts and USAID. Establish detailed schedule and list of people to contact. Obtain documentation. |
| Dec 6-7:      | Meetings with USAID, consultations of documentation, scheduling of appointments.   |
| Dec 8-15:     | Interviews with government officials, Ghanaian private sector, and other donors.   |
| Dec 15:       | Meeting with USAID to discuss progress and resolve issues.   |
| Dec 16-21:    | Continue interviews. Commence drafting of report. Debrief to Mission. Consultants depart Ghana.                                      |
| Dec 23-30:    | Draft report finalized.  |
| Dec 30:       | Draft report submitted to USAID/Ghana.   |
| Dec 31-Jan 7: | USAID to produce comments to the draft.  |
| Jan 14:       | Submission of final assessment report to MSI.  |

## Annex B: List of Persons Interviewed

| Name                           | Organization/Title   |
|--------------------------------|--|
| Charles K. Asare               | Financial & Investment Consultant  |
| Lorraine Ansah                 | Afrique Dezinehaus/ Managing Director  |
| C. David Esch                  | AMEX International, Inc./ Chief of Party   |
| Matthew Armah                  | AMEX International, Inc./ Deputy Chief of Party  |
| Kwame Nyamekye-Boamah          | AMEX International, Inc./ Agriculture Department   |
| Josh Glover-Tay                | AMEX International, Inc./ Agriculture Department   |
| Kwesi Korboe                   | AMEX International, Inc./ Agriculture Department   |
| Emmanuel Y. Akoto              | AMEX International, Inc./ Wood Department  |
| Grace Otoo-Kwadey              | AMEX International, Inc./ Textile/Garments Department  |
| Prince Ofosu – Adjei           | AMEX International, Inc./ Accounting & Management  |
| Awura Abena                    | Awura Abena/ Managing Director   |
| Mahamudu Bawumia               | Bank of Ghana/ Special Assistant to the Governor   |
| Teresa Efua Ntim               | Bank of Ghana/ Director  |
| Frank S. Tawiah                | Bibiani Logging & Lumber Co. Limited/ General Manager, Finance & Administration                      |
| Rubi Sugana                    | BRI Indonesia, Harvard Project   |
| Linda Y. Ampah                 | CADLING Fashions/ Chief Executive Officer  |
| Reuben Mawuli Coffie           | CARE/ Program Manager – MDA  |
| Evans Klutse                   | C.E.P.S., Ghana/ Chief Collector   |
| Comfort Bookene-Osafa          | Customs, Excise & Preventive Service/ Deputy Commissioner  |
| Paul Walters                   | DFID/ Economist  |
| Graham Glenday                 | Duke Center for International Development (DCID)/ Professor of the Practice of Public Policy Studies |
| G.P. Shukla                    | Duke Center for International Development (DCID)/  |
| Elinam Djentuh-Wellington      | Elinams Collection/ Managing Director  |
| Wim Olthof                     | European Union/ Economic Adviser   |
| Professor Bohsiako Omane-Antwi | FARMAPINE Ghana, Ltd./ Managing Director   |
| Albert Datsa                   | FARMAPINE Ghana, Ltd./ Export Manager  |
| Thomas Ocran                   | FARMAPINE Ghana, Ltd./ Field Production Manager  |
| Richard Attipoe                | FARMAPINE Ghana, Ltd./ Field Production Manager  |
| Joseph Osei-Wusu               | FARMAPINE Ghana, Ltd./ Senior Field Production Manager   |
| Mohammed Abse                  | FARMAPINE Ghana, Ltd./ Assistant Accountant  |
| Eric Koko                      | FARMAPINE Ghana, Ltd./ Quality Control Manager   |
| Tawia Akyea                    | Foreign Trade Institute (FTI)/ Executive Director  |
| Kwesi Appiali                  | Frank Global Garments/ Assistant Manager   |
| Nour EL-Galil Hassan           | GANNAT Farms Ltd./ Managing Director   |
| Ladi Nylandes                  | Getrade/ Chairman & Managing Director  |
| Kwasi Abeasi                   | Ghana Investment Promotion Center (GIPC)/ Chief Executive  |
| Nii Ankrah Aryee               | Getrade/ General Manager   |
| Gheysika A. Agambila           | Ghana Ministry of Finance/ Deputy Minister   |

|                         |   |
|-------------------------|---|
| Anthony Akoto Osei      | Ghana Ministry of Finance/ Special Assistant to the Minister of Finance                             |
| Joe Amoako-Tuffour      | Ghana Ministry of Finance/ Coordinator, Consultative Group Secretariat                              |
| Daniel Kwasi Berkoh     | Ghana Ministry for Private Sector Development/ Director PDME  |
| K. Agyepong             | Ghana Ministry of Trade and Industry/ Ag. Chief Director  |
| George Kobbina Fynn     | Ghana Ministry of Trade and Industry/ Principal Commercial Officer                                  |
| Stephen Asamoah Boateng | Ghana Office of the President/ National Economic Dialogue (NED) Coordinator                         |
| Sammy Osei-Bonsu        | Ghana Office of the Senior Minister & Economic Management Team/ Technical Advisor/Special Assistant |
| Harry Owusu             | Ghana Revenue Agencies Governing Board/ Executive Secretary   |
| Martin Mireku           | Ghana Tourist Board/ Ag. Executive Director   |
| E.Y. Sarpong-Kumankomah | Ghana Tourist Board/ Research, Statistics, & Information Manager                                    |
| Kwaku Duah              | Ghana Trade & Investment Gateway Project/ Project Coordinator                                       |
| J.A. Ollennu            | Ghana Trade & Investment Gateway Project/ Programme/Project Secretary                               |
| George Kporye           | Horticulture Association of Ghana/ former Vice-President, E.K. Executive Secretary                  |
| George Prah             | IKON Limited/ Director  |
| Edwin Acquaye           | IKON Limited/ General Manager   |
| Enrique G. De La Piedra | International Monetary Fund/ Resident Representative  |
| Ivy Amy Lawson          | IVAL Ventures, Ltd./ Chief Executive Officer  |
| John K. Opoku-Acquah    | John Lawrence Farms, Ltd./ Managing Director  |
| Kwaku Agyei-Sika        | Kas Fashion House Ltd./ Managing Director   |
| N. Pollee Boateng       | Kas Fashion House Ltd./ Administration Manager  |
| Kwame Dabanka Frimpong  | Mankwadaf Farms Co. & Trading, Ltd./ Managing Director  |
| George Gyan-Baffour     | National Development Planning Commission (NDPC)/ Senior Technical Advisor                           |
| Samuel K. Mensah        | Osaam Designs/ Managing Director  |
| Victor Peasah           | Pioneer Quality Farms Limited/ Director & Chief Executive Officer                                   |
| J.E. Anie-Budu          | Precision Plus, Ltd./ President & CEO   |
| Ofori Kwapong           | Precision Plus, Ltd./ Production Manager  |
| Dan Frimpong Tenkorang  | Precision Plus, Ltd./ General Manager   |
| Moses K. Agyemang       | Private Enterprise Foundation (PEF)/ Senior Economist   |
| Osei Boeh-Ocansey       | Private Enterprise Foundation (PEF)/ Director-General   |
| Thomas Baffoe           | Processed Foods & Spices Enterprise/ Production Manager   |
| Alex A. Asibuo          | Ras Wood Products (Gh) Ltd./ Managing Director  |
| Roland Waardenburg      | Royal Ahold/ Program Director Ghana   |



|                         |  |
|-------------------------|--|
| Suzanne 't Hooft        | Royal Ahold/ Intern  |
| Erik Rasmussen          | Royal Danish Embassy/ 1 <sup>st</sup> Secretary                          |
| Salma Salifu            | Salma/   |
| Stephen Mintah          | Sea-Freight Pineapple Exporters of Ghana/ General Manager                |
| Sam Mensah              | SEM Financial Group Limited/ Chief Executive Officer                     |
| Abrar A. Sattar         | Sigma One Corporation/ Technical Director                                |
| Curtis E. Youngblood    | Sigma One Corporation/ Senior Economist                                  |
| Esther A. Ofosuapea     | Sigma One Corporation/ Office Manager                                    |
| Owusu Stephen           | Skod Timber Products/ Accountant   |
| Nana Dwomoh Sarpong     | Sunstex Company/Managing Director  |
| Kwasi Nkrumah           | Target Garment Mfg. Ltd./ Managing Director                              |
| Edward Adanse Bona      | Taysteps, Ltd./ Production Manager                                       |
| Nicholas Railston-Brown | Technoserve/Country Director   |
| Anthony Kwamena Cobbah  | Technoserve/ Deputy County Director                                      |
| Scott Clark             | Technoserve/ Program Director  |
| Romeo O. Adomah-Darteh  | Technoserve/ Program Coordinator   |
| Charles Ofori Addo      | Technoserve/ Business Director   |
| Fenton Sands            | Former USAID/Ghana/ Chief, Office of Trade, Agriculture & Private Sector |
| Cleveland O. Thomas     | USAID/Energy, Trade and Investment Programs/ Project Manager             |
| Timm Harris             | USAID/Ghana/ Program Officer   |
| Jerre A. Manarolla      | USAID/Ghana/ Chief, Office of Trade, Agriculture & Private Sector        |
| Raymond L. Edler        | USAID/Ghana/ Supervisory Contracting Officer                             |
| Albert O. Yeboah        | USAID/Ghana/ Economic & Policy Adviser                                   |
| Adeline Ofori-Bah       | USAID/Ghana/ Program Management Specialist                               |
| Kwabena Appenteng       | USAID/Ghana/ Program Management Specialist                               |
| Cephas Ametefe          | Vegetable Producers and Exporters Association of Ghana/ Vice President   |
| Nimako-Boateng          | Vegetable Producers and Exporters Association of Ghana/ Executive Member |
| Darkey _____            | Vegetable Producers and Exporters Association of Ghana/ Executive Member |
| Daniel K. Boakye        | The World Bank/Economist   |



**Annex C: SO/IR Framework Table (from Strategic Objective Agreement No. 641-0136/0137,  
Increased Private Sector Growth, Amendment 9)**

| Objective/<br>Activity  | Indicator  | Baseline  | End of Project<br>Target | Accomplishment        | Data<br>verified? <sup>6</sup> | Explanation<br>for Variance | Target<br>Met? |
|---|--|---|--------------------------|-----------------------|--------------------------------|-----------------------------|----------------|
| <b>SO 1: Increased private sector growth</b>                        |  |   |                          |                       |                                |                             |                |
|   | Value of sales of selected goods and services  | \$1,072 million                                     | \$ 1,480 million         |                       |                                |                             |                |
|   | Value of sales of selected goods and services on domestic markets                            | \$971 million                                       | \$ 1,179 million         |                       |                                |                             |                |
|   | Value of non-traditional exports   | \$160 million                                       | \$621 million            | \$418 million (2001)  | Y                              |                             |                |
|   | Earnings from tourism  | \$237 million                                       | \$420 million            |                       |                                |                             |                |
|   | Private investment as share of GDP   | 5.3%  | > 10%                    |                       |                                |                             |                |
| <b>IR 1.1: Increased productive capacity of private enterprises</b> |  |   |                          |                       |                                |                             |                |
|   | % of assisted firms increasing value of production by at least 6%                            | NA  | 80%                      | 34% (TechnoServ/CARE) |                                |                             |                |
|   | % increase in value of production per full-time equivalent employee for assisted enterprises | NTE: \$6,000 per FTE (large \$9,000, small \$2,700) | 2% per year              |                       |                                |                             |                |
| <b>IR 1.2: More efficient and lower cost marketing systems</b>      |  |   |                          |                       |                                |                             |                |
|   | Producer: consumer price ratios for maize, cassava, pineapples                               | 71%, 87%, 37%, 48%                                  | TBD                      |                       |                                |                             |                |

<sup>6</sup> "Y" if data were verified by evaluators and "N" if it was not possible for evaluators to substantiate project team data.

| Objective/<br>Activity                                    | Indicator  | Baseline                        | End of Project<br>Target      | Accomplishment      | Data<br>verified? <sup>6</sup> | Explanation<br>for Variance              | Target<br>Met? |
|---|--|---------------------------------|-------------------------------|---------------------|--------------------------------|--|----------------|
|   | Value of non-traditional exports through border crossings  | \$32.4 million (Jan-Sept, 1996) | \$120 million                 |                     |                                |  |                |
|   | % of assisted enterprises reporting annual sales increase of at least 25%                          | NA                              | 80%                           |                     |                                |  |                |
| <b>IR 1.3: More sustainable energy supply</b>             |  |                                 |                               |                     |                                |  |                |
|   |  |                                 |                               |                     |                                |  |                |
| <b>IR 1.4: Improved policy and regulatory environment</b> |  |                                 |                               |                     |                                |  |                |
|   | Milestones for participatory development and implementation of a policy change framework           | NA                              | See Sigma One Monitoring Plan | Mostly accomplished | Yes                            | GOG refusal to hold NEF, failure of IMCC |                |
|   | Streamlined procedures for importation of agricultural and industrial inputs                       | NA                              | Full implementation           | Not accomplished    | No                             | Slowness in implementation               |                |
|   | Improved policies for exportation of wood products   | NA                              | Full implementation           | Not accomplished    | No                             | Strategy brief not yet circulated        |                |
|   | Elimination of export bans for products such as cotton lint, natural rubber, scrap metal and yarns | Bans in place                   | Elimination in practice       | Accomplished        | No                             |  |                |
| <b>IR 1.5: Improved financial intermediation</b>          |  |                                 |                               |                     |                                |  |                |
|   | % of net domestic credit of banking system provided to private sector                              | 33%                             | 60%                           | Not accomplished    | Yes                            | Adverse macro policies                   |                |

| Objective/<br>Activity   | Indicator  | Baseline | End of Project<br>Target | Accomplishment   | Data<br>verified? <sup>6</sup> | Explanation<br>for Variance | Target<br>Met? |
|--|--|----------|--------------------------|------------------|--------------------------------|-----------------------------|----------------|
|  | Decline in % of enterprises citing self-financing as principal source of funds for expansion | 65-85%   | 35%                      | Not accomplished | No                             | Adverse macro policies      |                |
| <b>IR 1.5: Improved financial intermediation</b>                                     |  |          |                          |                  |                                |                             |                |
|  | % of assisted enterprises adopting recommended management and marketing practices            | NA       | 90%                      | 124% (AMEX)      |                                |                             |                |
| <b>IR 1.6: Increased management capacity of production and marketing enterprises</b> |  |          |                          |                  |                                |                             |                |
|  | % of assisted enterprises adopting recommended management and marketing practices            | NA       | 90%                      | 124% (AMEX)      |                                |                             |                |
| <b>IR 1.7: Increased use of improved technologies</b>                                |  |          |                          |                  |                                |                             |                |
|  | % of assisted enterprises adopting recommended technological improvements                    | NA       | 90%                      | 230% (AMEX)      |                                |                             |                |
|  | % of assisted enterprises utilizing recommended sustainable resource management practices    | NA       | 90%                      |                  |                                |                             |                |
|  | % of assisted agricultural enterprises utilizing integrated pest management practices        | NA       | 80%                      |                  |                                |                             |                |

| Objective/<br>Activity                         | Indicator  | Baseline   | End of Project<br>Target | Accomplishment | Data<br>verified? <sup>6</sup> | Explanation<br>for Variance | Target<br>Met? |
|--|--|------------|--------------------------|----------------|--------------------------------|-----------------------------|----------------|
| IR 1.8: Increased access to market information |  |            |                          |                |                                |                             |                |
|  | % of assisted enterprises using market information from public agencies, business associations or private sector providers | NA         | 75%                      | 242%           |                                |                             |                |
|  | # of subscribers of Internet Service Providers in Ghana  | 800 - 1500 | 5,000                    |                |                                |                             |                |

## Annex D: Summarized Profile of Enterprises Surveyed

### Introduction

1.1 Part of the evaluation is to make an assessment of the impact of TIRP on private sector growth. This is within the context of the program's Strategic Objective One (SO-1) which is to improve Ghana's international competitiveness. It was to achieve this that USAID awarded contracts to AMEX, Technoserve, and subsequently CARE to implement aspects of the Increased Private Enterprise Performance (IPEP) component.

1.2 Under the IPEP, the contractors (Amex, Technoserve, CARE) were to provide technical assistance, advisory services, and training to private enterprises and business organizations. A principal focus of this activity was to establish linkages between micro-enterprises and large-scale enterprises in mutually profitable and sustainable business relationships. This is characterized as the "push-pull" approach.

In organizing the assessment of the Private Enterprise component, interviews were conducted with key staff of AMEX, Technoserve and CARE. Based on lists of beneficiary companies obtained from the contractors, a random list of firms were selected to be interviewed by the evaluators. In making the selection of firms, consideration was given to geographical locations, products sector and firms classified either as lead or other firms. Furthermore, in order that the information to be obtained would be standard and comparable, a questionnaire was developed and used in all the interviews (See schedule I attached herewith).

The lists of beneficiary firms received from the contractors were as follows:

a)

AMEX –

Sector Firms

|                                  |     |
|----------------------------------|-----|
| i) Garments/Textiles/Handicrafts | 126 |
| ii) Wood                         | 39  |
| iii) Agric                       | 39  |

Technoserve –

|                          |   |
|--------------------------|---|
| i) Processed Vegetables  | 2 |
| ii) Vegetables           | 2 |
| iii) Pineapples          | 1 |
| iv) Processed Pineapples | 1 |
| v) Cashew                | 4 |

Detailed list of the firms is attached herewith as Appendix C.

1.4 This presentation sets out a summarized profile of information obtained from the firms based on the standard questionnaire earlier referred to.

## 2.0 Summarized Profile of Firms Interviewed

### Background

This report covers a total of 16 firms and organizations interviewed within the period 9 – 17 December 2002. The full list of the firm interviewed is set out in Annex F. Of this total, 2 (12.5%) were in the Agricultural sector, 4 (25%) were in the wood sector, 8 (50%) were in the Garment/Textile sector, 1 (6.25%) was in the processed Food sector, and 1 (6.25%) firm was in the handicraft sector (see Appendix B2). In considering the firms, it was decided to classify them as micro, medium or macro enterprises based on number of employees (see Appendix B3).

## 2.2 Findings & Comments

### 2.2.1(a) General (Findings)

It was observed that many of the beneficiary firms and organizations had began receiving assistance under TIP from the contractors, principally AMEX and Technoserve, prior to the commencement of TIRP in 1998 (see Appendix B5). While new beneficiaries were admitted into the program under TIRP, the assistance which began under TIP continued. It was also observed that a majority of the beneficiary firms (55.3%) approached the contractors for assistance rather than the other way round. Additionally a majority of firms seeking assistance under the program expected to enter into exports (56.3%) and most of them (77.8%) did succeed in breaking into export.

### 2.2.1(b) Comments: Selection of Beneficiary Firms

The interviews suggest that most beneficiary firms approached the contractors, in particular AMEX. In the process, no clear criteria for selection of participating firms is evident. Given the program objective, to seek to enhance NTE performance as a means for achieving enterprise level competitiveness, one would have expected that the contractors would use existing data bases, such as the NTE Performance Reports generated by GEPC to conduct a more focused, rigorous and result oriented assistance program than has occurred in the past.

### 2.2.2(a) Impact (Findings)

The nature of the assistance provided under the program was mainly technical assistance. This came in the form of preparation of business plans, training, production, improvement, marketing, access to export markets, operational and management improvement, and strengthening of business associations, among others. The interviews disclosed that, as a general rule, most beneficiaries received some training in entrepreneurial development (how to run your business) whereby they were introduced to good business and management practices such as improved record keeping. With respect to the different product groups, specific and relevant assistance was offered. For example, for the Textiles and Garments group, training and awareness assistance was provided for colour selection, seasonality of garments and fabric selection for the North American and other export markets. And in the wood sector some of the firms were



introduced to good production and finishing methods such as would be required by export markets. Assistance was also provided to some firms to access finance (Skod Timber Products Ltd. and Gannat Farms Ltd.). The interviews disclosed that a majority of firms were of the view that they experienced the greatest impact in improvements in production and marketing while registering the least impact in gaining access to new or less costly capital. Infact in one case of the garment manufacturer (KAS Fashions House Ltd.) an application for credit valued at less than 10,000 USD has been pending for 2 years, even though the credit is offered under a donor funded credit scheme operated by public sector business development agency (GTZ/NBSSI).

#### 2.2.2(b) Impact (Comments)

In trying to determine the impact of the assistance given under this program, it has been necessary to resort to a lot of subjective conclusions. But given a business related program like this, a more precise scheme of measurement could have been instituted to make the evaluation more specific, scientific and objective. Result oriented growth indicators could have been inserted in the assistance program for both the beneficiary and the contractor to follow and use as performance determinants.

#### 2.2.3(a) Cost Sharing (Findings)

The program envisaged that assistance would be provided on a cost shared basis, between the contractor and the beneficiary firm. A majority of the firms surveyed indicated that they contributed to the cost of assistance extended to them by the contractors, especially AMEX. The level of contributions by the beneficiaries raised in relation to the type of activity, ranging from 10% per workshops to 50% for foreign trade shows. However the cost sharing appear to have been determined by the contractors. Most firms could not think of alternative sources from which they could obtain technical assistance and training of the nature they had received under the program.

#### 2.2.3(b) Cost Sharing (Comments)

While the survey disclosed that beneficiary firms actually contributed to sharing of the costs involved in providing assistance to them, it was nevertheless difficult to ascertain the levels and values of their contribution as there appeared to be no formal scheme, arrangement or record covering these transactions. It would be useful to spell out the contributions of all parties for each activity in future.

#### 2.2.4(a) Enabling Environment (Findings)

The survey disclosed that for most beneficiary firms, internal constraints to their businesses reduced considerably after the interventions provided by the Contractors under the Program. On the other hand, their external constraints remained high. More specifically, most respondents indicated that the cost and availability of long term capital and short term credit were the most challenging and intractable constraints confronting them in the external environment.

#### 2.2.4(b) Enabling Environment (Comments)

Clearly the credit constraint has become an intractable issue in the area of enterprise development in Ghana. One can hardly recommend that assistance programs such as is provided under TIRP should include in the package a financing facility. Yet the lack of credit in the system deprives the program of the levels of success that should ordinarily have been achieved. Perhaps, changes could release resources to feed this long felt need in the business sector.

#### 2.2.5(a) Policy Dialogue (Findings)

Most respondents indicated they were members of one business (product) association or the other. Most of them affirmed that they would turn to their association for help in dealing with chronic problems caused by the enabling environment in Ghana. This was notwithstanding that they acknowledged that the associations were not as effective as they could be.

#### 2.2.5(b) Policy Dialogue (Comments)

There was an expectation that the program would encourage dialogue between the private and public sectors for an improvement in the policy formulation and implementation process. To this end, private sector business associations were to provide the channels through which this dialogue could be conducted. However, the survey suggests that the associations are not as effective as they should be in representing the interests of their constituents. To address this problem, it may be necessary to assist the associations to focus on advocacy rather than on commercial operations. A second response for addressing the problem may be to assist the associations to build up their capacity further. In this regard, they may be encouraged to use external consultancy/professional services more.

Another aspect of the policy dialogue relates to the tendency for associations and official regulatory bodies to seek to impose standards and conditionalities on export firms. Practical experience suggests that the market is well able to impose its own standards (Skod Timber Products Ltd.). It is in this sense that the Horticulture industry is responding to the requirement of Euro-GAP.

#### 2.2.6(a) "Push - Pull" approach (Findings)

The survey disclosed that most of the Lead firms did sign written agreements with the contractors, especially AMEX, to assist smaller and micro-enterprises in the production / marketing chain. However, none of them admit to having received any assistance or training to help them develop the "push-pull" linkages. The interviews showed a lack of formal arrangements between the lead firms and the micro-enterprises.

#### 2.2.6(b) "Push - Pull" approach (Comments)

The "Push-Pull" approach is a credible enterprise development concept which deserves support. In implementing assistance to achieve the full effects however, it is necessary to adopt rigorous trading systems such as can identify and measure the benefits clearly. Farmapine provides a good example of the approach in the agricultural sector. This could be enhanced and multiplied

by replication to impact substantially on growth in selected sectors. The weak management of this aspect suggested in the survey should evoke a strong management response.

### 3.0 Conclusion

While this report is only a segment of a main report to be prepared, one may venture an observation for consideration in conclusion. A general perception persists, that the program activities are too widespread in terms of product selection. Perhaps, it is time to focus attention on one product/industry attention group with a view to building this up into a substantial contributor to export revenues within a given time frame. It would appear that the Horticulture or Fresh produce sector offers such an opportunity. Such a strategic shift however should not result in abandoning other sectors that have been developed so far, such as the textiles and garments sector.



## Annex E: Report on USAID Assistance to Business Associations

As part of the evaluation of the TIRP, it became necessary to review and evaluate USAID assistance to business associations and organisations which received grants under the TIRP. While the main evaluation work was done late in December 2002, the evaluation of the business associations was done in February, 10-19, 2003.

The decision to evaluate association assistance under TIRP was taken early in January 2003. However initial meetings with USAID/Accra could not come on until 30 January 2003. The period between then and the interviews and Some source documents from USAID/Accra were received on Tuesday 4 February 2003 were used to review the documents supplied by USAID and to set up appointments for the interviews.

Interviews were held with the Chief Executive Officers of the Private Enterprise Foundation, (PEF) on 12 and 13 February 2003, Aid to Artisans, Ghana (ATAG) on 13 February; Federation of the Associations of Ghanaian Exporters (FAGE) on 14 February 2003; and College of Jewellery on 17 February 2003.

A simple questionnaire (copy attached and marked Schedule II) was submitted to each association/organisation to form the basis of the interviews.

A report of the outcome of the interviews held at each association is provided under schedule I (also attached herewith). The questionnaire was designed to assist in evaluating the activities prescribed in the USAID Results package under TIRP, aimed at increasing private enterprise performance.

Activity 2 of the Results package states that USAID will provide technical assistance and training to strengthen selected business associations that focus on non-traditional exports. A market-led, demand-driven approach will be adopted by USAID in the provision of assistance to these associations. Assistance may include help with:

- the design of long-term strategic development plans;
- preparation of annual work plans with prioritized activities and measurable performance indicators;
- strengthening of technical and analytical capacity and
- promotion of the associations as legitimate representatives of the interest of the NTE sector.

The objective will be to have a number of private sector business associations that can effectively support and articulate the interests of firms involved with exports. The organisations will promote the interest of private sector exporters channel services to their members and participate in discussions and forums regarding the formulation of policies and regulations by the government.

Stronger business associations will improve private sector links to markets, technology and finance.

This report will address:

- the approach (as described above),
- accomplishments,
- problems encountered, and
- lessons learned.

## Conclusions

USAID provided grants to support the work program delivery of some private sector organisations including: PEF, FAGE, ATAG, and the College of Jewellery. While PEF, FAGE and to some extent the College are private sector associations, ATAG is not. And while PEF is more concerned about the Private sector in general, the others are more concerned about exports. Based on the research and interviews all the beneficiaries of the grants seemed to have made some impact, though not easy to specify. But what stands out as a challenge to all of them is the sustainability issue. Would these associations survive or even be able to maintain the services they have developed if there is no grant? The response to this cannot be a resounding yes. This is perhaps the basis for USAID adopting the demand-driven approach with the understanding that the services would be required and therefore would be paid for by the consumers. In reality however, this may happen not immediately but in the medium to long term when the consumers have become better established and better renowned. This is particularly true in respect of the NTE sector in Ghana, which essentially is only now being developed. If the NTE sector is the focus, then the assistance objective should be capacity building directed at the service providing organisations in which case the demand driven approach may have to be discounted.

To sum up, the approach may have to be revised, accomplishments were substantial, problems encountered related mainly to the late release of funds and re-imbursement arrangements. The key lesson is to arrange resource releases in a tenuous fashion.

### Annex F: Firms Interviewed

#### TRADE & INVESTMENT REFORM PROGRAMME (TIRP) EVALUATION ENTERPRISE SURVEY QUESTIONNAIRE: LIST OF ORGANIZATION COVERED UNDER THE EXERCISE

| Name of Organization   | Sector   | Program | Contact Person(s)   | Telephone Numbers                                    | Day                  | Time             |
|--|--|---------|---|--|----------------------|------------------|
| 1. Vegetable Producers & Exporters Association of Ghana (VEPEAG) | Agric (Vegetables)                                   | TIRP    | Messrs.<br>(a) Nimako-Boateng<br>(Executive Member)<br>(b) Darkey<br>(Exec. Member)<br>(c) Cephas Ametefe<br>(Vice-President) | 021-675580<br>024-363777                             | Thursday             | 2.30pm<br>4.15pm |
| 2. Gannat Farms  | Agric (Fresh Fruits and Vegetables)                  | TIRP    | Mr. Nour EL-Galil<br>Hassan<br>(Managing Director)  | 021-761470<br>020-8125557                            | Thursday<br>12/12/02 | 1.00pm<br>2.05pm |
| 3. Getrade   | (Assorted handcrafted products; health, beauty aids) | TIRP    | Messrs.<br>(a) Ladi Nylandes<br>(Chairman & Managing Director)<br>(b) Nii Ankrah Aryee<br>(General Manager)                   | 021-221752<br>021-244047<br>021-221752<br>021-248113 | Thursday<br>12/12/02 | 4.50pm<br>6.10pm |
| 4. Osaam Designs   | Garment/Textiles                                     | TIRP    | Mr. Samuel K. Mensah<br>(Managing Director)   | 024-282645   | Monday<br>16/12/02   | 5.05pm<br>6.15PM |
| 5. Kas Fashion House Ltd.  | Garment/Textiles                                     | TIRP    | Messrs<br>Kwaku Agyei-Sika<br>(Managing Director)<br>N. Pollee Boateng<br>(Admin. Manager)                                    | 051-23045<br>051-36819                               | Monday<br>16/12/02   | 3.00pm<br>4.05pm |

| Name of Organization                | Sector                              | Program | Contact Person(s)                             | Telephone Numbers                      | Day                 | Time                |
|-------------------------------------|-------------------------------------|---------|---|--|---------------------|---------------------|
| 6. Skod Timber Products             | Wood                                | TIRP    | Mr. Owusu Stephen<br>(Accountant)             | 051-21423<br>024-259929                | Monday<br>16/12/02  | 10.45pm-<br>11.50pm |
| 7. Afrique Dezieheaus               | Garment/Textiles<br>(Leisure Wears) | TIRP    | Ms. Lorraine Ansah<br>(Managing Director)     | 051-32625<br>024-254970<br>0242-269660 | Tuesday<br>17/12/02 | 10.30am-<br>12.10pm |
| 8. Ellinam Collections              | Garment/Textile<br>(Agrocentric)    | TIRP    | Mrs. Elinam Wellington<br>(Managing Director) | 051-28144                              | Monday<br>16/12/02  | 3.50pm-<br>4.45pm   |
| 9. Processed Foods & Spices<br>Ent. | Processed Foods                     | TIRP    | Mr. Thomas Baffoe<br>(Production<br>Manager)  | 022-206618                             | Monday<br>09/12/02  | 2.45pm-<br>4.25pm   |