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**JOINT PARLIAMENTARY MEMORANDUM**

**SUBMITTED BY**

**THE MINISTER FOR FINANCE**

**THE MINISTER FOR LOCAL GOVERNMENT  
AND RURAL DEVELOPMENT**

**AND**

**THE MINISTER FOR GENDER, CHILDREN  
AND SOCIAL PROTECTION**

**ON A**

**PROPOSED SDR 32.4 MILLION (US\$50.00 MILLION EQUIVALENT)  
ADDITIONAL FINANCING FOR THE GHANA SOCIAL  
OPPORTUNITIES PROJECT**

*8011* July, 2014

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**ATTACHMENTS**

*Negotiated Financing Agreement*

*Cabinet Approval*

*This memorandum is sponsored by the Ministries of Finance; Local Government and Rural Development; and Gender, Children and Social Protection*

## 1.0 PARLIAMENTARY DECISION REQUESTED

1. Parliament is respectfully requested to consider and approve a proposed **SDR32.4 million (US\$50.00 million equivalent) Additional Financing** from the International Development Association (IDA) of the World Bank Group to support the on-going Ghana Social Opportunities Project (GSOP). This request is in accordance with Article 181 of the 1992 Constitution and sections 3 & 7 of the Loans Act (Act 335) 1970.

## 2.0 BACKGROUND INFORMATION

2. The Government of Ghana in 2010 secured US\$ 88.60 million credit from the World Bank to support the implementation of the GSOP. The project was designed against the backdrop of:

- i. **Wide poverty gap across regions:** Ghana experienced two decades of sustained economic growth which translated into substantial poverty reduction at the national level from 52% in 1992 to 29% in 2006. The reduction in Poverty levels has however not been uniform throughout the country. Whilst pockets of poverty exist in all regions, the Southern Coastal and Forest Zones have seen rapid poverty reduction compared to the slow reduction in the North, leaving a geographically-based socio-economic gap in Ghana. While the three northern regions made up about 18% of the total population of Ghana, their national share of the poor is about 40%.
- ii. **Greater Exposure to Risks and Seasonal Unemployment:** Within the rural setting in Ghana, most poor persons are engaged solely in subsistence farming and face greater risk from loss of income as a result of erratic and/or less rainfall, greater land and soil degradation, and pre-disposition to droughts and floods. In addition, *most poor farm-based workers face high levels of unemployment during the long dry season of up to five months of the year*, resulting in serious income and consumption shortfalls.
- iii. **Food, Fuel and Financial Crisis:** With the 2007 - 2008 *global food, fuel and financial crisis*, it became extremely imperative to improve agricultural productivity and provide for income earning opportunities for the poor. Studies that were carried out strongly recommended the promotion of pro-poor, broad-based agricultural growth and expansion of social safety nets, so the *country will be prepared to meet not only the then crisis but also similar crises in the future*.
- iv. **Gaps Identified In the Draft National Social Protection Strategy:** The government in the 2007 National Social Protection Strategy recognized the absence of an employment-generating, labor-based public works and a cash transfer programme as major gaps in the overall social protection system's framework. It also recognized that, notwithstanding the multiplicity of social protection programmes (about 45 then), Ghana still lacks a coherent programmatic approach that avoids duplication of efforts and there was the need to look for cost-effective options of delivering the programmes in a fiscally sustainable manner.

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- v. **Support to LEAP:** In 2008, the LEAP cash transfer program was established. It targeted indigent households with social grants. As government faced a major budget deficit of 11.5% due partly to the crises related above and was unable to expand the safety nets necessary to help the population cope with the crisis, it called on the World Bank for support.
3. The project was therefore designed to make a significant contribution to mitigate the adverse impacts of the Global financial, fuel and food crisis by: (i) expanding income-earning opportunities in some of the poorest districts of Ghana; (ii) expanding much needed social assistance cash support to critically vulnerable groups whose well-being would undoubtedly worsen in the absence of such support; and (iii) contributing to government's efforts to rationalize and strengthen the social protection framework so that in the event of any future economic crisis, these safety net programmes would be expanded to mitigate the suffering of vulnerable groups. A summary of the original project design follows below.

### 3.0 ORIGINAL PROJECT DESCRIPTION:

4. **Project Development Objective (PDO):** Based on the above antecedence, the PDO was to improve targeting in social protection spending; increase access to conditional cash transfers nationwide; increase access to employment and cash-earning opportunities for the rural poor during the agricultural off-season; and improve economic and social infrastructure in target districts.
5. **Cost/Duration:** The Project is being financed with US\$88.60 million, IDA credit and was originally scheduled to be implemented over a 5 year period (October 2010 - June 30, 2016).
6. **Project Beneficiaries:** The project benefits the poor and socially vulnerable in society.
7. **Components of the Project:** The project was carved around 5 complementary components as described below:

**Component One: Rationalization of National Social Protection Strategy:** Component one provided support to government to help redirect its social protection expenditures to the most effective areas and reduce those in less effective activities so as to allow greater coverage of the poor within the then fiscal constraints and future economic crises. The component financed technical assistance, studies and training. The Ministry of Finance led the implementation of this component in close collaboration with the Ministry of Local Government and Rural Development (MLGRD) and the then Ministry of Employment and Social Welfare (MESW) and now the Ministry of Gender Children and Social Protection (MGCSP).

**Component Two: Labor Intensive Public Works (LIPW):** The objective of this component was to provide targeted rural poor households with access to employment and income-earning opportunities. This pertains particularly to seasonal labour demand shortfalls during the agricultural off-season from November to June, and in response to external shocks, through rehabilitation and maintenance of public or community assets. The aim is to maximize local employment while rehabilitating productive infrastructure

assets, which have potential to: (i) generate local secondary employment effects and (ii) protect households and communities against external shocks. The scope of works eligible for LIPWs was defined based on labor content and potential to generate significant local employment. 49 Districts benefited from this component. The beneficiary District Assemblies had direct responsibility to implement the sub-projects.

**Component Three: Livelihood Empowerment Against Poverty Program (LEAP):** The objective of this component is to support the full rollout of the pilot phase of the LEAP program by providing incentives to ensure that the annual budget allocations of the Government are sufficient. The component financed incentive payments to the unified treasury account to assure that GoG each year allocates sufficient budget for LEAP to meet its target number of households. Disbursement Linked Indicators are used to reimburse disbursements made by GoG towards LEAP grants each year. The then MESW was responsible for this component and currently the MoGCSP.

**Component Four: Capacity Building:** The component was to create capacity at the national and local levels to implement social protection programs in selected project districts, with the view of enabling a gradual scaling-up and targeting at the national level. Specific activities supported include; (i) establishment of a LIPW policy and institutional framework; (ii) capacity building to support LIPW delivery (iii) capacity building to support LEAP implementation .

**Component Five: Project Management and Coordination:** With the aim of bolstering GoG operations, the project funds costs associated with: project management and coordination; relevant technical assistance; project monitoring and evaluation; communication; equipment; and incremental operating costs.

8. **Institutional And Implementation Arrangements:** The project is being implemented within the country's national institutional framework taking into consideration the existing capacities at all relevant levels. The Ministry of Local Government and Rural Development (MLGRD), which is responsible for Government's decentralization and rural development agenda has the overall coordination responsibility for the project. A National Project Steering Committee (NPSC) is established and chaired by the Minister of MLGRD or his designee to provide guidance on strategic, policy and implementation issues. A National Coordination Office (NCO) has been established under MLGRD to oversee and coordinate project implementation. At the district level, the MMDAs have the full responsibility for project implementation with the RCCs, providing technical backstopping for project implementation and coordination.

#### 4.0 STATUS OF THE PROJECT

9. The project has made tremendous strides in the achievement of its development objectives. Most of the key performance indicators have been realized and the project funds are likely to be completely disbursed ahead of the closing date of June 2016.

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10. As of March 2014, targets set for the Labour Intensive Public Works (LIPW) activities had been exceeded, the LIPW had: generated 4,038,328 person day's employment for 91,718 unskilled works of which 60% are women and disbursed GHS23.08 million at an average wage earning of GHS251.69 per person.

11. The above results were achieved through rehabilitation/construction of 40 social infrastructure projects; 421.3km of feeder roads; 67 small earth dams/dugouts; and 758.6 hectares of climate change interventions. *It was reported that majority of the people (potential seasonal migrants) who participated in the LIPW activities in Northern Ghana did not migrate to the south during the dry season.*

12. The LEAP is currently reaching 74,347 poor households with social grants compared to the 14000 households in 2010. An impact assessment on the programme indicates that the LEAP is reaching the poorest families in targeted communities, has positive impact on education, health, nutrition and local economy. The study revealed that every GHS1.00 paid to a beneficiary has the potential to generate GHS2.50.

13. A rationalization of national social protection strategy study was carried out under component one. The study reviewed some of the key ongoing social protection programmes and the system at large and made recommendations on how to coordinate and harmonize the programmes for maximum benefits. The MGCSP has taken steps to implement key recommendations from that study.

14. The capacity building component of the project has led to a renewed interest in the LIPW method. To date, the project has trained and deployed a number of LIPW practitioners across the country. These include: 45 LIPW coaches from the Ghana Irrigation Development Authority and Department of Feeder Roads. (ii) 89 Field Supervisors mainly from the Works Department of the District Assemblies; (iii) 243 Contractor Supervisors from 95 Firms; (iv) 44 persons, mainly staff of the Ministry of Food and Agriculture (MOFA).

### 5.0 THE ADDITIONAL FINANCING (AF)

15. The project having proven to be one of the effective social protection interventions, the midterm review informed the need for additional activities and restructuring of the project so as to sustain the gains. Thus the project has been redesigned under the additional financing as follows:

- The financing is expected to become effective by 30th June, 2014 and the expected closing date is June 30, 2017
- The PDO has been revised under the additional financing as follows: 'improve targeting of social protection programmes and provide income support to poor households through Livelihood Empowerment Against Poverty grants and the Labour Intensive Public Works infrastructure in targeted districts'.
- **Component 1 - Social Protection Policy and Systems Strengthening**

This component builds on the findings of the rationalization study that was funded under component 1 of the original project which was to rationalize the national social protection strategy. The component will among others support the formulation of a National Social Protection Policy and the establishment of a National Single Registry for the poor which all social protection interventions will be drawing their beneficiaries. This is expected to improve effectiveness and efficiency in targeting the poor.

- **Component 2 – Labour Intensive Public Works Implementation and Capacity Building:** The objective of this component is to provide targeted rural poor households with access to employment and income-earning opportunities. The proposed additional financing will support the scale-up of LIPW to reach more beneficiary households and improve the delivery mechanisms. This component will also continue to finance capacity building for LIPW.
- **Component 3 – Livelihood Empowerment Against Poverty Implementation and Capacity Building:** The original objective of this component to support the full rollout of the pilot phase of the LEAP programme by strengthening its management and administration, providing technical assistance to improve targeting, providing cash transfers to beneficiaries under LEAP is maintained. The only amendment to this component is the dropping of the disbursement link indicators. Funds will now be released directly to the MGCSP for Grants and Capacity Building and not through the unified single treasury account.
- **Component 4 – Project Management and Coordination:** This component remains the same and will continue to finance costs associated with: project management and coordination; relevant technical assistance; project monitoring and evaluation; and training; equipment and incremental operating costs.

## 6.0. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENT

16. The institutional arrangement under the original project will be maintained (ref. paragraph 8). However, the Ministry of Gender, Children and Social Protection (MGCSP) will lead the implementation of components 1 & 3 of the additional financing.

## 7.0 JUSTIFICATION FOR GOVERNMENT ACTION

17. **Alignment with Government Policies, Strategies and Programmes:** Social protection is a key pillar of Ghana's Shared Growth and Development Agenda (GSGDA) which focuses on, (i) ensuring competitiveness and employment (ii) reducing vulnerability and resilience; and (iii) improving governance and public sector capacity. These objectives reflect Governments' strategic goals for diversifying the economy, and sustaining high rates of growth, reducing poverty and inequality in access to basic services and opportunities, and strengthening governance while mitigating risks.

18. Major recommendations from the rationalization study included (i) scaling up the LEAP and LIPW programmes (ii) establishing a harmonized social protection monitoring and

evaluation framework and developing a national social protection policy that gives a basis for assessing government progress and on spending and impacts.

19. **Poor coordination and fragmentation of social protection interventions:** Some social protection programmes in Ghana lack the systematic computerized registry of beneficiaries meaning that no government agency has comprehensive data on actual coverage of beneficiaries. There is also a lack of socioeconomic data on beneficiaries, making monitoring and impact assessment difficult. Due to the lack of defined targeting mechanisms, centralized monitoring as well as strategic monitoring is limited.

e establishment of a single registry for the poor will support improved targeting, maximize coverage of poor households, reduce leakages of resources to non-poor households and increase cost-efficiency and transparency of social protection interventions.

## 8.0 INTER-MINISTERIAL/ STAKEHOLDERS CONSULTATIONS

20. The Project Preparation Team comprised representation from the Ministry of Finance, Local Government and Rural Development, Ministry of Gender, Children and Social Protection, Attorney-General's Department, and MMDAs.

## 9.0 FINANCIAL IMPLICATIONS

21. The credit is concessionary with standard IDA terms as follows:

Loan Amount	:	US\$50.0 million
Repayment period	:	25years
Grace Period	:	5year;
Interest Rate	:	1.25% p.a on withdrawn credit balance
Service charge	:	0.75% p.a on withdrawn balance
Maximum commitment charge	:	0.5% p.a on unwithdrawn credit balance

22. With regards to the project compliance with **Ghana's new debt management strategy**, the project is a social project that would deliver public/merit goods and provide welfare benefits to the poor, vulnerable and excluded in society. The investments are not commercial, therefore, would not be able to generate any revenues for repayment of the credit. A debt sustainability analysis was carried out on the IDA16 allocation prior to government request for the financing and the impact on the overall debt sustainability was negligible.

23. The financing covers the full cost of the proposed additional activities and no counterpart funding or compensation payment is anticipated. However, government will bear the exchange rate risk (gains/losses).

## 10.0 EXPECTED OUTCOMES

24. It is anticipated that the end of project impact would lead to the following:



- Provision of rural poor households with access to employment and income earning opportunities pertaining particularly to seasonal labour demand shortfalls during the agricultural off-season from November to June;
- The provision of cash transfers to extremely poor households with the goal of alleviating short term poverty and encouraging long term human capital development;
- The holding of savings, receiving of gifts and reduction of loan holdings, particularly among female headed households under the implementation of LEAP will be sustained by the additional financing; and
- Harmonization of social protection programmes for greater impact and efficient utilization of government resources to the Social Protection sector.

## 11.0 CONCLUSION

25. Considering the socio-economic benefits to be derived from the implementation of the project, Parliament is hereby requested to consider and approve the proposed Thirty-two million, four-hundred thousand Special Drawing Rights [SDR 32.4 million (US\$50.0 million equivalent)] Negotiated Financing Agreement between the Republic of Ghana and the International Development Association in support of the GSOP.



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