

**Component 1:
Institutional Support
and Capacity Building**

Final Draft

**This report contains
restricted information
and is for official use only**

Country:	Ghana
Sector:	Local Government Service
Title:	Institutional Support and Capacity Building Component
National Agencies:	Ministry of Local Government, Rural Development and Environment, Ministry of Transportation, Ministry of Water Resources, Works and Housing
Duration:	5 years
Starting Date:	January 2009
Overall Budget Frame:	DKK 90 million

Description:

The Local Service Delivery and Governance Programme (LSDGP) totalling DKK 600 million will be implemented over five years from 2009-2013. The proposed cornerstone of the Programme is the District Development Fund, which will be the vehicle for financing discretionary investment projects at local government level supported by both Government of Ghana and a number of Development Partners. The Local Service Delivery and Governance Programme comprise three components, these are: 1) Institutional Support and Capacity Building, 2) Support to Service Delivery and Local Governance and 3) Support to Ghana Audit Service. While poverty eradication is the ultimate goal, the overall development objective of the Local Service Delivery and Governance programme (LSDGP) is to contribute to poverty reduction through enhanced service delivery at district level.

Component 1: “Institutional Support and Capacity Building” is aimed at building institutional capacity to support District Assemblies and capacity building for decentralised service delivery with particular emphasis on capacities for devolution of tasks pertaining to water and sanitation, housing and feeder roads. The immediate objective is “to support the capacity of local governments to deliver local services developed in accordance with national policy on decentralization through implementation of the strategy for the Local Government Service and the District Development Fund”. The overall budget estimate of component 1 for 2009-2013 is Dkk 90 million. The component covers the institutional development and capacity building at national, regional and district levels, critical for a successful programme implementation. The component is anchored in the programme of decentralization of the Government of Ghana (GoG) as follows:

- Establishment of key Directorates of LGSS including Quality Assurance and Technical Services Directorate (QATSD) as a fully functioning centre
- Establishment of DWDs
- Support on Operationalization of District Development Funds (DDF)
- Human Resource and Capacity Building.

- National and Regional Level Support to MMDAs
- Harmonization of Best Practices
- Integration of cross-cutting issues
- Monitoring and Evaluation

LIST OF ABBREVIATIONS

CDPF	Comprehensive Decentralization Policy Frame-work
CAGD	Controller and Accountant General Department
CB	Capacity Building
CSO	Civil Society Organization
CWSA	Community Water and Sanitation Agency
DA	District Assembly
Danida	Danish International Development Assistance
DBO	District Budget Officer
DCD	District Coordinating Director
DCE	District Chief Executive
DDF (S)	District Development Fund (Secretariat)
DFO	District Financial Officer
DFR	Department of Feeder Roads
DKK	Danish Kroner
DP	Development Partners
DPCU	District Planning Coordinating Unit
DPIP	Decentralization Policy Implementation Plan
DPO	District Planning Officer
DPR	Decentralization Policy Review
DRH	Department of Rural Housing
DRI	District Response Initiative
DS	Decentralization Secretariat
DWD/ MWD	District (Metropolitan, Municipal) Works Department
DWST	District Water and Sanitation Team
EoD	Embassy of Denmark
EPA	Environmental Protection Agency
FOAT	Functional and Organizational Assessment Tool
GAS	Ghana Audit Service
GGHRP	Good Governance and Human Rights Programme
GHC	Ghana Cedis
GoG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GRF	Ghana Road Fund
GTZ	Deutsche Gesellschaft für Technisches Zusammenarbeit
IEC	Information, Education and Communication
IGFF	Intergovernmental Fiscal Framework
IMT	Intermediate Means of Transport
IPPD	Integrated Personnel Payroll Database
ISA	International Standard Auditing
ISCB	Institutional Support and Capacity Building
IT	Information Technology

JAS	Joint Assistance Strategy
KfW	Kreditbank für Widergebäude
LGS/ LGSS	Local Government Service/ Local Government Service Secretariat
LGSC	Local Government Service Council
LSDGP	Local Service Delivery and Governance programme
M&E	Monitoring and Evaluation
MDBS	Multi-Donor Budget Support
MIS	Management Information Systems
MLGRDE	Ministry of Local Government, Rural Development and Environment
MMDAs	Metropolitan, Municipal and District Assemblies (DAs)
MoFEP	Ministry of Finance and Economic Planning
MoT	Ministry of Transportation
MPSR	Ministry of Public Sector Reform
MWRWH	Ministry of Water Resources, Works and Housing
NDPC	National Development Planning Commission
NGO	Non-Governmental Organisation
NPS	National Programme Secretariat
NPSC	National Programme Steering Committee
O&M	Operation and maintenance
OHCS	Office of Head of Civil Service
PCPBD	Policy Coordination, Planning & Budgeting Directorate
PWD	Public Works Department
QATSD	Quality Assurance and Technical Services Directorate
RAI	Rural Access Intervention
RCC	Regional Coordinating Council
RDE	Royal Danish Embassy
RPCU	Regional Planning Coordinating Unit
RPSC	Regional programme Steering Committee
RWST	Regional Water and Sanitation Team
SPS	Sector Programme Support
SWAP	Sector Wide Approach to Planning
TA	Technical Assistance
ToR	Terms of Reference
TSPS	Transport Sector Programme Support
WATSAN	Water and Sanitation
WSSPS	Water and Sanitation Sector Support programme

MAP OF GHANA



Base 802503 (A00953) 6-96

Table of Contents

1. INTRODUCTION	8
2. DESCRIPTION OF THE COMPONENT	9
2.1. Development and Immediate Objectives	11
2.2. Strategy	12
2.3. Outputs	13
2.3.1. <i>Activities</i>	14
2.3.2. <i>Budget</i>	18
2.3.3. <i>Assessment of Key Assumptions and Risks</i>	20
3. ORGANISATION, MANAGEMENT AND ADMINISTRATION	22
4. FINANCIAL MANAGEMENT AND PROCUREMENT ISSUES	26
5. MONITORING, REPORTING, REVIEWS AND EVALUATIONS	30
6. COMPONENT IMPLEMENTATION PLAN	33

1. Introduction

The Growth and Poverty Reduction Strategy Two, (GPRS II) of the Government of Ghana (GoG) advocates decentralisation as a means of involving local government institutions in the formulation and delivery of policies and programmes for poverty reduction and growth. Ghana's Development Partners through their Joint Assistance Strategy (JAS) and Multi-Donor Budget Support (MDBS) programmes have endorsed this strategic focus and agreed to undertake a Decentralisation Policy Review (DPR) in 2006 as one of the MDBS policy matrix triggers. The DPR analysed the opportunities and constraints for effective decentralisation and agreed on "Decentralisation by Devolution" which required the transfer of powers, functions and resources from central to local government which is in tune with the 1992 Constitution and outlined in the 2007 Comprehensive Decentralization Policy Framework (CDPF).

This policy framework seeks to deepen political, administrative and fiscal decentralisation in Ghana over the coming years through three core features:

1. The focus of decentralisation should be devolution.
2. The decentralised Ministries, Departments and Agencies (MDAs) identified in the Local Government Service Act (Act 656) should be realigned and integrated into the Metropolitan, Municipal and District Assemblies (MMDAs).
3. The direction of fiscal decentralisation as reviewed and proposed by the DPR should be supported and deepened.

The CDPF went on to outline a Decentralisation Policy Implementation Plan (DPIP), with three phases:

1. Preparatory Phase from 2007 to 2008,
2. First Implementation Phase (2008-2012),
3. Second Implementation Phase (2012-2018).

As part of the preparatory phase of the DPIP, the Ministry of Local Government, Rural Development and Environment (MLGRDE) launched the Local Government Service (LGS) and established the Local Government Service Secretariat (LGSS) in December 2007.

The LGS is charged with:

- a. providing technical assistance to the MMDAs and Regional Coordinating Councils (RCCs),
- b. conducting organisational and job analysis for the MMDAs and RCCs,
- c. undertaking management audits for the MMDAs and RCCs,
- d. designing and coordinating MMDAs and RCCs management systems and processes and
- e. assisting MMDAs and RCCs in the performance of their functions.

The Local Government Service Secretariat (LGSS) is charged with implementing the decisions of the Local Government Service Council (LGSC)

Danida has been supporting¹ the decentralisation process, initially through technical assistance to the Decentralisation Secretariat (DS) and more recently through direct support to the LGSS. Thus, the DS has been actively involved in elaborating and implementing a National Decentralisation Action Plan and has helped develop the District Development Fund (DDF) as a means of providing additional discretionary resources to District Assemblies. Importantly, the level of DDF funding depends on the outcome of regular performance assessments through the Functional and Organisational Assessment Tool (FOAT). Under this system, good performance gets rewarded with additional financial resources, while weak performance is responded to by tailor-made capacity building support.

Danida has also provided support to the Transport Sector Programme Support (TSPS) II, the Water and Sanitation Sector Programme Support (WSSPS) II as well as the thematic area of Good Governance and Human Rights Programme (GGHRP). The latter has progressed Danida's decentralisation agenda to the point where Danida sector support has been realigned with the preparatory phase of the DPIP. The passing of the Legislative Instrument for the Local Government Service Act is expected to reassign the responsibilities and functions of Community Water and Sanitation Agency (CWSA), Department of Feeder Roads (DFR), Public Works Department (PWD) and Department of Rural Housing (DRH) to the District Works Departments (DWDs) of the MMDAs and realign the regional management and reporting channels of the decentralized departments and agencies so that their regional offices become departments of the ten RCCs. This will require the newly launched LGSS to strengthen its directorates and assist the MMDAs establish and strengthen their DWD and associated planning and management activities.

To do this there is a need to provide Institutional Support and Capacity Building to the LGSS and related GoG institutions (DFR, PWD, DRH and CWSA, etc) to enable them support the implementation of this programme.

2. Description of the Component

The Institutional Support and Capacity Building Component of the Local Service Delivery and Governance Programme (LSD&GP) is formulated against the background of the Growth and Poverty Reduction Strategy II (GPRS II), the on-going programme of decentralization implementation (including the establishment of the Local Government Service, its mandate, vision and mission)), the Strategic Medium Term Plan of the Local Government Service and the Concept Note for the Local Service Delivery and Governance Programme.

¹ Danida has been actively involved in the JAS/MDBS initiatives as well as providing long term support to the governance, health, transport and water sectors.

The component is aimed at building institutional capacity of LGSS to support MMDAs and RCCs. It also aims at capacity building for decentralised service delivery with particular emphasis on capacities for devolution of tasks by related GoG institutions (CWSA, DFR, PWD and DRH), pertaining to water and sanitation, feeder roads and building/housing. The focus of the support will be to strengthen capacity in local governments through implementation of the LGS Strategic Medium Term Development Plan (2008-2010).

The component covers the institutional development and capacity building at national, regional and district levels and the main activities are as follows:

- Establishment of key Directorates of LGSS including Quality Assurance and Technical Services Directorate (QATSD) as a fully functioning centre
- Establishment of DWDs
- Support on Operationalization of District Development Funds (DDF)
- Human Resource and Capacity Building, Support to LGSS and related GoG institutions
- Regional Level Support to MMDAs
- Harmonization of Best Practices
- Integration of cross-cutting issues
- Monitoring and Evaluation

The support will assist the establishment of QATSD and other key Directorates of LGSS. QATSD is to be made up of three divisions namely, Technical Services (value for money - services), Organisational Services and Performance Management (using FOAT). QATSD will review service delivery guidelines and facilitate its publications; conduct management and organization reviews (charts, manuals, etc), monitor and evaluate the performance of RCCs and MMDAs. QASTD will also coordinate, issue standards (works, infrastructure, waste management, environment etc) and disseminate best practices. LGSS/QATSD will manage the Functional Organizational Assessment Tool (FOAT) for Local Government and undertake systems and procedures studies (example, M&E systems). QATSD needs the support of other directorates to be able to carry out its functions and therefore the need to provide capacity development and logistics for their effective operations. LGSS's Organizational Structure is shown as **Annex 1.4**.

All MMDAs will be supported to set up DWDs and staff transferred from central government departments to the LGS after the passage of the LI, will receive training and capacity development to enable them deliver their mandate. Component 1 will assist LGSS and the Decentralization and District Development Fund Secretariats conduct and manage the FOAT. The exercise will reveal the strengths and weaknesses of various MMDAs from which either mandatory or demand driven capacity building training will be organized.

The private sector e.g. Labour Based Contractors, Non-Governmental Organisations (NGOs), Civil Society Organisations (CSOs) and communities will also benefit from the component through capacity building training courses.

Through the institutional support and capacity building aspect of the programme, all best practices and lessons learnt from previous programmes (TSPS II, WSSPS II and GGHRP) will be harmonized and integrated into all infrastructural plans of MMDAs. Assistance will also be given to mainstreaming crosscutting issues into MMDAs annual plans. Particular emphasis will be on gender, environment, HIV/AIDS, road safety and good governance.

Monitoring and evaluation systems will be developed for LGSS, related GoG institutions and RCCs to enable them effectively play their monitoring, coordination and harmonization roles.

Resource persons for capacity building and career development will be mainly from the government institutions that are stakeholders.

2.1. Development and Immediate Objectives

While poverty eradication is the ultimate goal, the overall development objective of the programme is: Contribute to poverty reduction through enhanced service delivery at district level.

The immediate objective of Component 1 is:

“the capacity of local governments to deliver local services developed in accordance with national policy on decentralization through implementation of the strategy for the Local Government Service and the District Development Fund”.

The immediate objective of Component 1 can be achieved through the seven (7) strategic objectives of the LGS Strategic Medium Term Development Plan (2008-2010). The objectives are:

No.	Strategic Objective
A	Establish LGS Secretariat (LGSS) as a fully functioning cost centre
B	Undertake an Organizational Review to ensure that LGSS is structured to deliver on its Mission and Mandate
C	Incorporate the Integrated Personnel Payroll Database (IPPD) into the LGSS management structure
D	Realign the decentralized MDAs at the regional and MMDA level
E	Capacity Building and Technical Support to MMDAs, MDAs and RCCs
F	Assist the District Development Fund Secretariat to operationalise the District Development Fund
G	Inter-Ministerial Co-ordination of the Intergovernmental Fiscal Framework (IGFF) by the LGS

The indicators for measuring the achievements of these objectives can be found in the Logical Framework matrix of **Annex 1.1**

2.2. Strategy

The LGS is established with the mandate to secure efficient and effective management of local governments in Ghana. Its vision is one of a world class service organization through harmonizing and utilizing available material and human resources. The LGS includes persons working in the MMDAs, RCCs and the Secretariat of the Service.

The Local Government Service Council has a tremendous task to manage the transition process involving transfers of staff, designing schemes of services, helping MMDAs integrate sector departments, monitoring and building the capacity of MMDAs.

The LGSS which plays a crucial role in setting up and managing the new LGS mandated through Act 656 is charged with the tasks of :

- a. setting performance standards for the DAs and RCCs;
- b. monitoring and evaluating the performance standards of DAs and RCCs;
- c. developing and coordinating personnel plans and assessing the personnel needs of the DAs and RCCs in consultation with the respective assemblies and RCCs;
- d. developing and coordinating the training implementation plans of DAs and RCCs in consultation with the respective assemblies and RCCs;
- e. developing professional standards and guidelines for staff members of the service.

Although LGSS has been somehow strengthened in the first half of 2008, there is a strong need to support the LGSS through its Strategic Medium Term Development Plan (2008 – 2010). The Strategic Plan has been prepared and is available for financing by the Government of Ghana and its Development Partners (DPs).

With the expected transfer of staff from the civil service to the local government service and subsequent integration of central government departments into the RCCs and DAs, major steps will have been undertaken for capacitating DAs to improve local service delivery. However, these basic organisational realignments have to be fully operationalised by development and effective dissemination of detailed operational and technical guidelines. The DAs and RCCs have to be fully staffed and also provided with equipment, tools, training and adequate financing. This component will contribute to addressing some of these issues, with a focus on the establishment of DWDs and capacity development at all levels. The LGS will for some time to come be responsible for recruiting and managing district staff. During this time, the LGSS could re-allocate staff between the MMDAs. Eventually, after two to three years, the MMDAs will be given full control over their human resources.

With respect to capacity development of DAs, staff of DWDs in particular, the plan is to undertake an organizational review, which will deliver a transition plan, scheme of service, inventory of existing staff, policies for redistributing existing staff, recruitment of new personnel and capacity development for career development of local government services staff. Furthermore, a functional analysis of non-decentralized organisations (such as Community Water and Sanitation Agency) will be undertaken with a view to agree on which will be transferred to LGS.

As part of the fundamental paradigm shift in the implementation of the programme of decentralization, the MMDAs are to establish a number of departments including the DWD and a number of existing government line departments integrated into the new departments. The central government line departments to be integrated in the particular case of the Works Department are PWD, DFR, DRH, CWSA, and the Assembly's own Works Units.

The strategy of the LGS within the framework of its Strategic Medium Term Development Plan is to establish the relevant directorates and departments capacitated enough to deliver on the programme objectives and on their mandates, as well as continue to set up the remaining DWDs in MMDAs nationwide.

QATSD will perform the coordination role between LGSS and related GoG institutions (DFR, CWSA, PWD and DRH). QATSD will organize quarterly coordination and review meetings with its stakeholders (DFR, CWSA, PWD and DRH, etc) to collate information in relation to policies and will rely on them as resource persons in the area of training in capacity and career development for MMDAs, local contractors, CSOs, NGOs and communities. External assistance (consultants) will be engaged to provide specialized technical services.

2.3. Outputs

The Institutional Support and Capacity Building component of the LSDGP is to strengthen the capacity of the LGSS to deliver on its mandate as established by law to perform and serve as the secretariat for coordinating all components of the Programme.

The LGS's strategic objectives and their outputs are as follows:

No.	Strategic Objective	Outputs
A	Establish LGS Secretariat (LGSS) as a fully functioning cost centre	A functioning Local Government Service Secretariat established.
B	Undertake an Organizational Review to ensure that LGSS is structured to deliver on its Mission and Mandate	An efficient and effective LGSS established to meet its mandate
C	Incorporate the Integrated	An Integrated Personnel Payroll database

	Personnel Payroll Database (IPPD) into the LGSS management structure	incorporated into LGS
D	Realign the decentralized MDAs at the regional and MMDA level	Decentralized departments established and integrated into the fold of the RCCs & MMDAs
E	Capacity Building and Technical Support to MMDAs, MDAs and RCCs	MMDA and RCC departments established and functioning. Coordination mechanism set up between LGS and related GoG institutions
F	Assist the District Development Fund Secretariat to operationalise the District Development Fund	LGSS capacity developed and enhanced to handle FOAT/DDF
G	Inter-Ministerial Co-ordination of the Intergovernmental Fiscal Framework (IGFF) by the LGS	LGSS capable of and experienced in monitoring performance and evaluating impact of investment programmes;

The detailed LGS medium term strategic plan is shown as **Annex 1.2A and 1.2B**.

2.3.1. Activities

Based on the above LGS's strategic objectives and outputs, the component will emphasize on the following activities among others:

Establishment of QATSD and Key Directorates of the LGSS

The establishment of the QATSD and key Directorates of the LGSS will involve the recruitment, development and management of staff. It seeks to support the Secretariat to develop effective operation and maintenance policies with respect to the infrastructure at all levels and also support the various directorates with the necessary logistics to enhance the efficiency and effectiveness of the LGSS.

The activities envisaged to be carried out include:

- a. Procure office equipment, IT systems and monitoring vehicles ;
- b. Assist in developing policies for planned preventive maintenance of buildings, equipment, IT Systems, vehicles, etc;
- c. Train LGSS staff ;
- d. Hold consultations with stakeholders to develop Service Delivery Guidelines
- e. Establish a National Programme Secretariat (NPS) at LGSS and appoint a Head/Coordinator

The outputs for these activities are under the Strategic Objectives A and E (listed in LGS-Strategic Plan, Annex 1.2A): a fully equipped and functioning LGSS, capable of and experienced in coordination for the operationalization of the decentralized activities.

Establishment of District Works Departments

Component 1 seeks to establish District Works Departments (DWDs) in all MMDAs. This is to be accomplished through the integration of functions of the existing government line agencies of feeder roads, building, water, and the Assemblies' own Works Units. Its purpose of the establishment of DWD is to create synergy at the district level among works related agencies and to remove duplications and/or overlaps, competition for clientele and to make for integrated development. The component places a lot of responsibilities and demands on the Secretariat in coordination with related GoG institutions to carry out the above through the following activities:

- a. Prepare plans for the establishment of new DWDs
- b. Setting up the Works Departments
- c. Prepare programmes for the phased approach to training of DWDs
- d. Develop operational manuals for works and maintenance of MMDAs infrastructure
- e. Review all technical standards to be used by MMDAs
- f. Support on Operationalization of District Development Funds (DDF)
- g. Coordinate with related GoG institutions (roads, water & sanitation, rural housing and building sectors)
- h. Organize sensitization workshops for MMDAs/DWD staff
- i. Organize capacity development training courses and
- j. Monitoring of training programme etc

The outputs of these activities are under the Strategic Objectives A and E: DWDs of DAs established and capable of managing (planning, implementing and maintaining) integrated district rural infrastructures under decentralized procedures. DWD's Organizational Structure is shown as **Annex - 5**.

Human Resource and Capacity Building

The LGS has a vision to deliver a world class service through the mobilization and utilization of available human and material resources. This is dependent upon the availability of the necessary human resource well capacitated and motivated to perform.

Capacity Building of MMDAs will be addressed through the management of issues emerging from the FOAT exercise in relation to the DDF in the short, medium and long terms; and training on change management, general skills development in respect of the decentralization agenda of the Government of Ghana for the over 30,000 staff to be transferred from the Civil Service to LGS.

The details of the activities to be undertaken with respect to FOAT assessment in relation to DDF include:

- a. co-ordinate all capacity building needs or requirements emerging from the FOAT;
- b. facilitate the development of curricula and training programmes;
- c. monitor the implementation of training by accredited service providers and

- d. assess the impact of capacity building interventions.

With respect to decentralization agenda of the GoG the activities to be undertaken will include:

- a. undertake team building workshops;
- b. undertake change management workshops.
- c. undertake managerial and technical skills development;
- d. undertake curriculum development and technical assistance management;
- e. undertake monitoring and evaluation skills training and other related issues.
- f. develop scheme of service for both professional and non-professional staff of LGS

It is also envisaged that staff will undertake study tours, short courses and employ the services of consultants, etc.

The outputs of these activities are under the Strategic Objectives A, B, C, E and F: an efficient and effective LGS able to meet its mandate with an integrated human resource and personnel function. Policy level institutions will also be strengthened in their decentralized policy formulation, M&E functions.

Regional Level Support to Programme (Roles at Regional Level)

The place of the regional level in Ghana's programme of decentralization cannot be over-emphasized. The regional level, through the Office of the Regional Co-ordinating Council (RCC) and its relevant structures like the Regional Planning and Co-ordinating Unit (RPCU) is assigned very important functions of monitoring, harmonization and co-ordination. It is therefore a vital link between the central and district levels. At the regional level, central government departments (DFR, DRH, PWD and CWSA) integrated into the RCCs also plays an important role of technical backstopping vis-à-vis the DAs.

The regional level as envisaged in legislation and policy will perform activities including the following:

- a. integrate infrastructural sector departments into the RCC;
- b. manage central-local government interface;
- c. undertake co-ordination, harmonization and co-ordination of LSD&GP interventions at the district level;
- d. organize stakeholder forums such as Regional Steering Committee (RSC) meetings at the regional level for the management of the LSD&GP and the sharing of programme experience;
- e. give technical backstopping to MMDAs as at when necessary;
- f. set up of appropriate Monitoring and Evaluation (M&E) systems.

The outputs of these activities are under the Strategic Objectives D, E and G: the RCC Departments established and capable of providing technical backstopping and effective monitoring of MMDAs.

Harmonization of Best Practices and lessons learnt under previous supports

The LSD&GP seeks among other things to set up the DWDs in MMDAs, through the integration of functions of roads, works, building, water, etc, which hitherto benefited from a number of separate programme supports. There is no doubt that there are a number of best practices and lessons learnt from previous programmes which need to be harmonized and shared. Therefore the objective of this component is to provide support to harmonize best practices and share lessons during the transitional period and apply them during the implementation phase.

The output of these activities is under the Strategic Objectives E: MMDAs and RCCs departments established and functioning.

Cross-cutting Issues and socio-economic interventions

This aspect of the LSD&GP is to be managed under the QATSD of the LGSS. QATSD aims to ensure that:

- a. crosscutting issues of gender, environment, good governance, anti-corruption, HIV/AIDS, climate proofing and road safety among others are integrated during project preparation and mainstreamed throughout the project cycle;
- b. lessons learnt from previous and current programmes on socio-economic interventions will be addressed and integrated into the planning and development of infrastructure projects of the MMDAs.

Awareness creation and local adaptive measures of cross-cutting issues and socio-economic interventions will be included in the capacity building of DWDs.

In gender mainstreaming, QATSD will ensure that MMDAs use gender participatory approach in selecting and prioritizing infrastructure developments, encourage women to undertake labour-based road maintenance projects and get them to actively participate in water and sanitation committees. LGS will also ensure that recruitment policies are gender sensitive.

Knowledge in environmental management will ensure that environmental issues are identified at the early stages of project preparation and the necessary impacts assessed and mainstreamed in the project cycle. This will encourage DWDs enforce environmental management plans during project implementation. Further, MMDAs would be encouraged to focus on other issues of the environment including river basin management challenges, promoting the cultivation of vertiver grass for the protection of feeder roads and river basins, environmental/climatic proofing; and support for the establishment of Natural Resources Conservation Departments in DAs.

With regards to HIV/AIDS issues, MMDAs will rely and build on the District Response Initiatives (DRI) to ensure that it is addressed in programmes and projects. Special focus would be on roads, water and sanitation projects that bring in migrant workers.

Good governance will ensure that accountability and corrupt practices are addressed within the decentralized system and sustained.

Road Safety when addressed by the MMDAs will ensure that all departments involved in road safety issues initiate programmes to support it since road traffic crashes and its associated deaths and injuries have become a public health issue.

For the socio-economic interventions, activities to be undertaken involve the training of the DWDs in teaming up with other sections and Departments of the District Assemblies (e.g. Community Development and Social Welfare, Environmental Health etc) in the identification and prioritization of complimentary infrastructure projects to form an integral part of the DWD's work plans and programmes. Some of these complimentary projects are the Rural Access Intervention (RAI) e.g the construction of foot bridges and the provision of intermediate means of transport (IMT) such as donkey carts etc. The support aims to build the capacities of MMDAs in the use of improved local materials for affordable housing. Technology transfer will improve building skills and promote self employment in housing.

The outputs of the above activities include:

- a. Improved capacity in the MMDAs to mainstream cross-cutting issues;
- b. Improved management of the environment;
- c. Improved integration of gender practices into infrastructure projects;

The outputs for cross-cutting issues and socio-economic interventions are under the Strategic Objectives B and E: gender sensitive MMDAs and RCCs departments established and functioning.

2.3.2. Budget

It is envisioned that financial resources to achieve the planned programmes will be provided by the Government of Ghana (GOG) and its DPs. The Strategic Medium Term Development Plan has been designed for a three year period (2008 – 2010) with a budget (See **Annex 1.2A**). A common basket has been established where DPs can source activities for funding of the overall LGS capacity development and human resource development. Presently, it is mainly DANIDA funding for the LSDGP that is secured under the DPs basket fund.

The overall budget estimate for 2008-2010 is GH¢ 41 million (Approx.) and the annual budget estimate for 2009 is GH¢ 19 million (Approx.). (Attached as **Annex 1.2B**)

The table below summarize the overall budget allocation under component 1 and yearly based budget for LGSS.

Table 1: LSDGP Component 1 Budget (DKK million) 2009 – 2013

Component	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>Total</i>
Component 1-Institutional Support and Capacity Building	20	23	17	16	14	90
Proposed Budget under LGSS Strategic Medium Term Plan	23	22	16	15	14	90

2.3.3. Assessment of Key Assumptions and Risks

The following specific assumptions and risks have been identified for Component 1:

Assumptions:

- a. the political commitment of GOG to the implementation of the decentralisation reforms for developing service delivery. Important steps have been taken over the past 3-4 years with regard to the policy framework and associated administrative measures, but important challenges remain, especially concerning political decentralisation and accountability. Statements by the political opposition also express support for the decentralisation process, indicating commitment to decentralisation across the political spectrum.
- b. the LGS Act is yet to be fully implemented. Cabinet approval of the LI for integration of the Central Government Departments into the RCCs and MMDAs is expected in 2008, according to the recent “Road Map” developed by OHCS. It is furthermore assumed that the GOG will make the necessary financial and staffing provisions to make the LGS effective at all levels including the LGSS, the RCCs and MMDAs. This is a necessary prerequisite for Danida support since the LSDGP hinges on the effective functioning of the LGSS.

Risks:

a. Capacity of LGS

The LGSS, RCC and MMDAs have limited capacity for implementing some of the planned key activities. This includes for instance the capacities for comprehensive sector planning at DA level as most activities to date have been undertaken as discrete project interventions. It is clear that the gap between the tasks at hand and the immediate available capacities is substantial, and will require assistance in the form of consultancies and technical advisory inputs.

Mitigation: Based on an institutional assessment of the LGS, a strategy will be developed to tackle key CB restraints, and put in place corresponding assistance and targeted TA to these organisations. The programme through its proposed activities mitigating this risk by facilitating a rapid transfer of high quality staff as soon as sufficient office space is made available by the end of 2008.

b. Non performance of the DDF

One serious risk to the LSDGP strategy is that if the DDF does not perform well, and that funding flows to the districts are either not regular or sufficient to ensure that planning and local sector priorities at DA level are catered for. Furthermore, the DDF could be prone to political prioritisation at DA level, and not necessarily focus on service delivery in the Government priority sectors linked to the attainment of the MDGs. This therefore needs to be monitored closely in the first few years of the implementation of the DDF.

Mitigation: The scheduled review in 2010 will be crucial in terms of deciding if the chosen Programme strategy can be followed from 2012 onwards, or if some

continued earmarking of sector investment funds will be necessary. There will be continued monitoring and development of the DDF-FOAT system through the DDF SC and in the DP decentralisation group.

3. Organisation, Management and Administration

The component will be based at LGSS. The Secretariat has six directorates (details attached as Annex 1.4). All directorates will prepare their annual plans in line with the Medium Term Strategic Plan and these will be collated and finalised by the Policy Coordination, Planning & Budgeting Directorate (PCPBD). QATSD will coordinate with other directorates and related GoG partner institutions for the implementation of Component 1. The quarterly and annual progress reports will be prepared by QATSD/LGSS and submitted to NPS/NPSC.

Programme Steering Committee and Programme Management

The policy and oversight function will be anchored in a NPSC, comprising senior representation from MLGRDE, LGSS, MoT, Ministry of Water Resources, Ministry of Water Resources, Works and Housing (MWRWH), Ministry of Finance and Economic Planning (MOFEP), the Ministry of Public Sector Reform (MPSR), the National Development Planning Commission (NDPC), DFR, CWSA, PWD, DRH, CAGD, GAS, the Office of Head of Civil Service (OHCS), Ghana Road Fund (GRF), the RCCs and the Royal Danish Embassy (RDE).

The main responsibilities of the NPSC will be (i) to provide clear policy guidance and overall strategic direction for LSDGP; (ii) to ensure policy coordination between GOG stakeholders as well as between GOG and other DPs, (iii) to endorse annual work plans and budgets, and (iv) provide strategic management and monitor progress of the whole programme (including the regional level interventions). However, the coordination of the DDF support is as per GOG decision under the DDFS to be located in MLGRDE. It is to be reviewed whether the programme management function can be taken care of by the DDF Steering Committee in 2012-2013.

The NPSC will provide strategic management and progress monitoring for the whole programme including Regional Programme Steering Committees (RPSCs) which will be formed at the regional level to (a) provide managerial support to the DAs; (b) monitor progress of the components, (b) provide technical backstopping support to the DAs, and (c) coordinate and harmonise activities of DAs. The RPSCs will be chaired by the Regional Coordinating Director and include members from the RCC, Regional Economic Planning and Coordination Unit (RPCU), the regional heads of DFR, CWSA, DRH, PWD and the participating DAs comprising the following members; District Chief Executive (DCE), District Coordinating Director (DCD), District Planning Officer (DPO), District Financial Officer (DFO), Head of DWD, District Budget Officer (DBO). The RPCUs of the respective RCC will function as the Secretariat of the RPSCs.

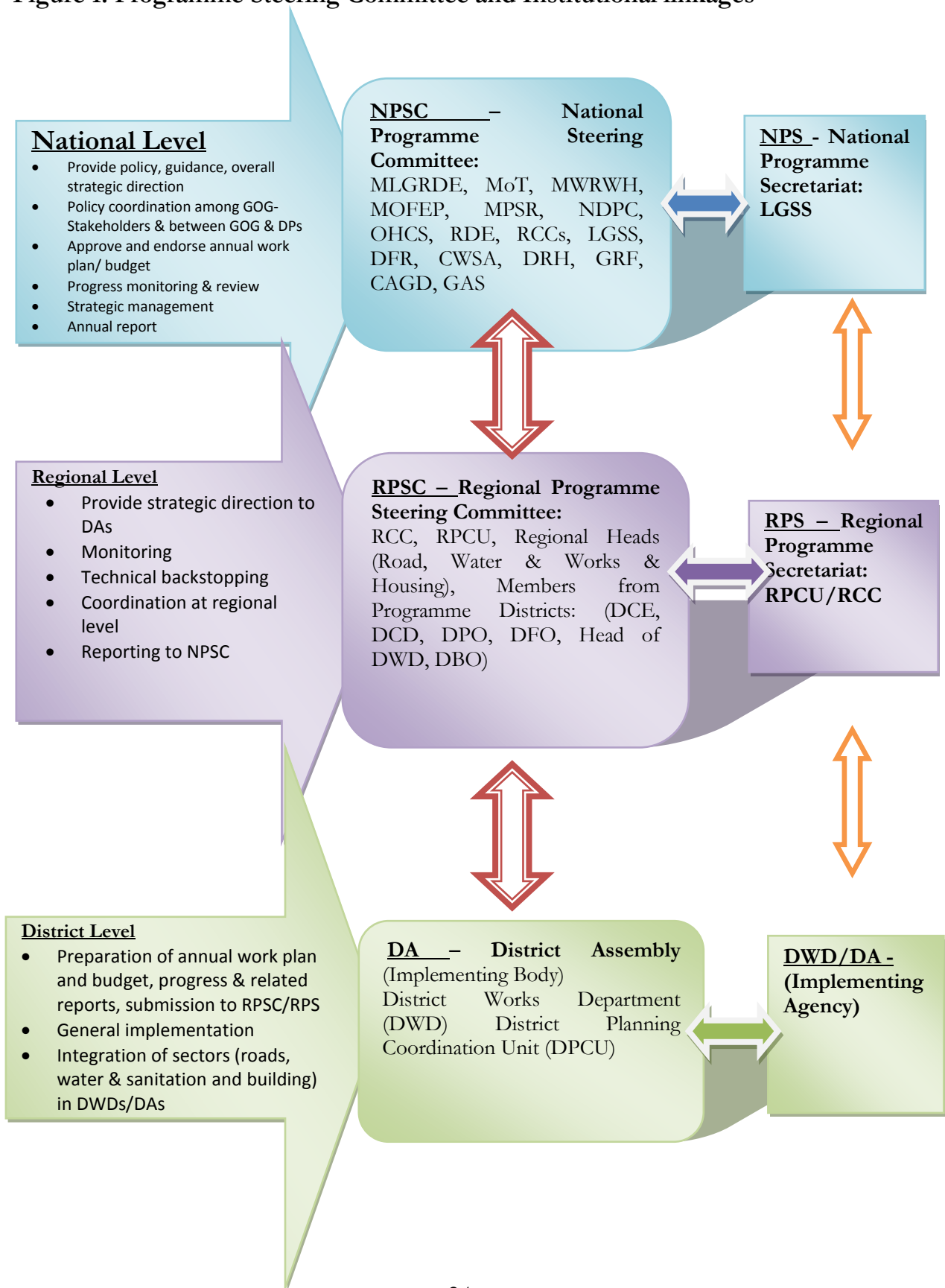
The District Assembly (DA) will be the implementing body and the implementation activities will be co-ordinated by the District Works Departments (DWDs). DAs/DWDs will prepare annual work plans and budget, progress and related reports and submit them to RPSC through the RPS.

National Programme Secretariat (NPS)

A National Programme Secretariat will be set up in LGSS to be responsible to NPSC for the management of the LSDGP (refer to diagram below).

The relationships between the structures are illustrated in the diagram below:

Figure 1: Programme Steering Committee and Institutional linkages



Technical Assistance

Two long-term international Technical Advisers (TAs) are provided for the component:

- One TA in support of design and policy development of the DDF (posted within the DDFS). The funding for the DDFS will also include funds for contracting local consultants for ad hoc assignments.
- One TA in support of Capacity Development activities for DAs/DWDs, RCC and LGSS (posted within the QATSD/LGSS).

Furthermore, 3 local Consultants / Assistant technical Advisers (ATAs) will be placed in the LGSS for the first three years of the programme - i.e. their roles will be to work together with TA-LGSS for the implementation of LSDGP's objectives and outputs in coordination with other components/ institutions (see **Annex 6** for Terms of Reference (ToR)).

4. Financial Management and Procurement Issues

Financial Management

In general, financial management will follow the Government of Ghana regulations and be in conformity with Danida regulations. Wherever applicable expenditures should be on budget and aligned to national rules and procedures. To ensure that the Danish support is on budget and to enhance GOG's overall coordination and management of finances for public institutions, the funds for the programme will be transferred through MOFEP/CAGD. Though the objective is to strengthen MOFEP's coordinating and managing role, the regular GOG transfers to the ministry should, however not be affected by the Danish support.

Flow of Funds

The procedure for managing programme funds commences with the signing of the Programme Agreement. On request of RDE, MOFEP will advise CAGD to establish a separate foreign currency account at the Bank of Ghana for the support to the Local Service Delivery and Governance Programme. The account should be named "LSDGP Account". On the basis of request from component, and according to annual work plan and budgets, the Embassy will transfer funds to the account in BOG. The transfer will be followed by a letter to BOG, CAGD and the sub-component, stating transfer date, beneficiary institution and amount to be transferred. Furthermore, the letter will instruct CAGD to release the funds within 10 working days. When CAGD have released the funds they should send out letters to NPS/LGSS with copy to the embassy, informing them that the funds have been transferred into their programme account.

Furthermore, CAGD shall, at the request of NPS/LGSS, authorise the Bank of Ghana to establish accounts to be operated by the component. For the Bank account the following will apply:

- Approval of annual allocation of funds for Component 1 to be given by the NPSC.
- After approval, funds will be released from the LSDGP account and deposited into the bank account set up by the NPS/LGSS.
- The signatories to this bank account will be the Head of the NPS/LGSS, the Director of Finance Management Directorate (FMD/LGSS) and a Technical Coordinator (QATSD/LGSS).
- Request for payment for any transactions on the Component will have to be approved by the NPS/LGSS.

- The operation of the account will be the responsibility of NPS/LGSS, and they will be expected to employ standard financial management procedures (multiple signatories, submission of financial statements and audits). Information on the balances and disbursements on the account will be submitted to MOFEP on a monthly basis by the BOG, copied to the NPS/LGSS and RDE.
- Bulk funds will be released to the regions and MMDAs for payments (according to the approved annual work plan and budget) to be made for transactions undertaken and these funds will have to be accounted for before reimbursement.

The agreement between the Embassy and MoFEP will be committed to paper in a Government Agreement. The Government Agreement must clearly stipulate the purpose of the account, timeliness and completeness of transfers, sanctions in case of delays and the obligation to submit bank statements to the Embassy.

Procurement

For all components, it is the intention that all procurement will follow national procurement guidelines. However, if the need arises for international TA this may be agreed to be procured in cooperation between GOG and Danida. For support to various institutions for training, workshops etc., reimbursement of costs (e.g. transport, accommodation) to personnel of MDAs engaged to provide capacity building support will have to be in line with the Allowance Practices and Rates Common Framework for Development Partners in Ghana.

Accounting and financial Reporting

Financial reports from the head of each cost centre to whom funds have been released will be submitted on a monthly basis to the Head of the NPS/LGSS through the Financial Management Directorate. The Financial Management Directorate will submit quarterly financial reports to the NPSC (with copy to RDE) through the Head of the NPS/LGSS. The system shall provide efficient control and monitoring of sub-component funds and other assets made available to the component.

The financial reports must contain a breakdown of expenditures to a level of details sufficient to monitor expenditures in relation to output at the same level of breakdown as in the component description. The reports shall include details of the original grant, fund spent until reporting date (current year and in total), funds committed until reporting date, expected additional expenditures until component completion, balance on current year's budget as per reporting date, and remaining balance on the grant for future financial years.

There must be correlation between the annual work plans, budgets and financial reports. The reports shall include explanations of material variations between current year's budget and actual expenditures in relation to planned and achieved activities. Financial implications in relation to the remaining part of the programme period shall be highlighted.

An accounting manual shall be maintained. The manual must describe in detail the accounting procedures, the organisation of the accounting function and the accounting system. The manual shall emphasize the management's responsibility to maintain a proper record keeping system, to control the use of funds in relation to achievements of objectives and to set up internal control functions.

The Financial Management Directorate will submit the annual financial report including internal audit report (according to DANIDA/GoG guidelines) to the NPSC through Head of the NPS/LGSS as part of the documents for the annual review. These quarterly and annual reports will form the basis for the Financial Management Information System.

Auditing

The Audit Service Act, 2000 (Act 658) outlines the task of the Auditor-General in respect of audit of public accounts and the audit limits. The requirement is that audits must be completed within six months after the close of each financial year. The thrust of the operations is to establish whether the accounts have been well kept and rules and procedures followed. Other operations include whether funds have been appropriately expended, records maintained, assets protected and financial operations conducted with due regard to efficiency and effectiveness.

GAS will perform as part of their routine activities, annual operational audits of MMDAs, DACF, MLGRDE, LGSS and MOFEP and any other beneficiary institution or account holder of DDF funds.

The audits shall follow either International Standards of Auditing (ISA) or audit standards issued by the International Organisation of Supreme Audit Institutions. GOG will make sufficient resources available to GAS to complete these tasks within six months after the close of each financial year. If GAS does not have sufficient in-house capacity to carry out these audits there should be the flexibility for GAS to engage external auditors in carrying out the annual operational audits.

Within the envisaged TA support to the DDF implementation, provision is made for GAS to contract external services to aggregate all GAS audit findings related to the DDF management as well as for additional special audits to address problems identified. The

DDF SC will receive the aggregated report of GAS audit findings related to the DDF management latest 9 months after the close of each financial year. GAS will suggest the content of special audits to be funded by TA to the DDF SC and DPs for approval.

The RDE may in consultation with GAS engage an external auditor for specific value for money audits to undertake financial and technical audits for all components of LSDGP. The purpose of this audit is not only to verify the accounts and works carried out but also to monitor the performance of the financial systems. Therefore, the auditors may also be requested to review the systems and procedures and provide recommendations on their improvement.

The NPSC will receive the aggregated report of GAS audit findings related to both the DDF management and to the water and feeder roads grant management latest 9 months after the close of each financial year.

5. Monitoring, Reporting, Reviews and Evaluations

Monitoring

Quality Assurance and Technical Services Directorate (QATSD) together with other directorates and in coordination with related GoG institutions will monitor all programme activities under the LGSS medium term strategic plan.

However, setting up a monitoring system for the whole of LGS and the decentralization process is an output of the component during the programme period.

Reporting

Financial Management Directorate (FMD) will prepare the financial progress reports and QATSD will prepare the physical progress reports for the component. The reports will be submitted to NPS/ NPSC quarterly and annually. The reporting formats will be prepared during the inception phase.

NPS and Monitoring

NPS of the NPSC which is situated in LGSS will also be responsible for the monitoring of all components of LSDGP.

Monitoring and Reporting within the DDF/FOAT system

At the local level, MMDAs will be assessed by the FOAT on an annual basis. In addition LGSS will ensure efficient use of the funds for CB. For the regional and district levels, the NDPC M&E guidelines provide a good guide to MMDAs and the RCC in terms of monitoring and evaluation. The District Planning Coordination Units (DPCUs) and Regional Planning Coordination Units (RPCUs) countrywide have been trained to use this tool.

Regional Level

At the **regional level**, the RPCU team will be required to fulfil their mandate outlined by the guidelines which among other things mandate them to undertake quarterly monitoring of the MMDAs in their regions. The RPCUs will be expected to monitor not only the use of the DDF resources but the overall operations of the MMDAs and submit quarterly reports to the LGSS, MLGRDE and NDPC **and the MMDAs**. The RPCUs will be required to support the MMDAs to meet their reporting requirements especially the M&E Quarterly Reports to the MLGRDE, NDPC and LGSS.

District Level

At the **district level**, similarly the DPCU will undertake routine monitoring on all their projects and programmes in line with monitoring plans prepared for the year. The responsibility of the DPCU outlined in the M&E guidelines is to be complied with. Through the implementation of the Medium Term Development Plans and Annual Action Plans, the MMDAs are expected to meet Core District Indicators outlined by the M&E guidelines. Currently, the MMDAs undertake the M&E and report to the region which reports to the NDPC, LGSS and MLGRDE. Overall, the M&E has been weak.

NDPC, MLGRDE and LGSS will need to ensure that their outfits are able to carry out their responsibility for the monitoring with focus on tracking the responsiveness of the MMDAs to the Core District Indicators.

MMDAs will submit their monthly and annual financial accounts to CAGD. The reporting format will be the format contained in the MMDA financial accounting manual or otherwise determined by the CAGD. CAGD will include – if necessary² – additional reporting requirements approved by the DDF SC in the CAGD standard reporting formats.

In the area of the DDF, the following reporting process has been agreed under the LOI between GOG and the DPs supporting the DDF:

- MMDAs / LGSS will copy the DACF Administrator on their monthly and annual financial accounts to CAGD. The reporting format will be the format contained in the MMDA financial accounting manual or otherwise determined by the CAGD. CAGD will include – if necessary – additional reporting requirements approved by the DDF SC in the CAGD standard reporting formats. The DACF Administrator will transmit the consolidated reports quarterly to the DDFS and prepare a consolidated annual financial report to the DDF SC.
- The DDFS will ensure receipt of quarterly operations reports from MMDAs / LGSS as well as a copy of the consolidated quarterly operations report from RPCUs. The reporting format will be the format prescribed by the MMDA Planning Guidelines and the MMDA M&E Guidelines of NDPC.
- The DDFS will prepare quarterly DDF reports to the DDF SC aggregating and analysing the financial reporting as well as the operations reports. The DDF Secretariat will submit quarterly reports latest 2 months after the end of the each quarter. The annual report will be submitted latest three months after the end of the financial year.
- There will be a joint GOG – DP review of the DDF in 2010 or 2011.

In addition to these requirements, quarterly reports will have to be submitted to the NPSC of the LSDGP from the DDFS.

Reviews and Evaluations

National Level

The LSDGP will be reviewed in end 2010 or 2011 based on the following:

1. Validity of the proposed strategy to phase out of the earmarked investments under the sectors in 2011 and move into full funding through the DDF.
2. Functionality of the DDF and FOAT system.
3. Overall implementation of activities as planned.

² This will depend on the formats in the final Manual being elaborated over the coming weeks by CAGD.

The annual reviews of the implementation of the DDF system will seek to address operational inadequacies and weaknesses. ***The review will be undertaken by the NPSC through the LGSS***, and this will be informed by the reports of the FOAT exercise, GAS, LGS, DACF, MLGRDE and the monitoring observations of the Committee.

Within the agreement between the GOG and the DPs on support to the DDF, it has been decided to have a Mid Term Review in 2010 or 2011. This will involve specific studies to assess the effectiveness or otherwise of the system. The NPSC through the LGSS will have the responsibility of organising the review under the auspices of ***LGSC and MLGRDE***. The evaluation process will seek to engage stakeholders at the policy, regional and district levels for a comprehensive overview.

As part of LSD&GP, the component may be subject to periodical reviews, undertaken jointly by Danida, Ghanaian partners and possibly other donors. Reviews may have a different focus and emphasis from year to year and will not necessarily be full-scale reviews for individual components. In addition to the mentioned reviews, Danida may decide in collaboration with the Steering Committee to undertake technical assessments or evaluations on specific issues at any time during the component period.

District Level

At the district level, there is no specific framework outlined for the DDF document, as such modalities for the evaluation will be in line with the M&E guidelines issued by the NDPC and the FOAT assessment tool, which has a comprehensive annual assessment.

6. Component Implementation Plan

See Annex 1.3.