

Component 2: Support to Service Delivery and Local Governance

Final Draft

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September 2008

Country	Ghana
Title of Programme	Local Service Delivery and Governance Programme 2009-2013
Title of Component	Support to Service Delivery and Local Governance
National Agencies	Ministry of Local Government Rural Development and Environment, Ministry of Transport, Ministry of Water Resources, Works and Housing
Duration	Five years
Starting date	January 2009
Overall Budget Frame	DKK 475 Million

Description:

The *Support to Service Delivery and Local Governance* component will provide funds for service delivery at the district level. Earmarked funding for rural roads and water and sanitation will be phased out along with the establishment and strengthening of the District Development Fund, which will be the vehicle for financing discretionary investments at local government level. A review which is planned for the end of 2010 will decide on the specific areas of activities to be covered during the last two years of the programme in as much as it deviates from the proposed programme strategy of using the District Development Fund as the only funding modality post 2011. The District Development Fund will ensure additional discretionary funding for local service delivery, stronger Metropolitan, Municipal and District Assemblies incentives and coordinated, demand driven capacity building. The Support to Service Delivery and Local Governance component has three sub-components:

Sub-component 2.1: *Support to the District Development Fund* aims at will contribute to closing the gap between local expenditure needs and revenue capacity. The District Development Fund, which is discretionary, will provide the District Assemblies with increased opportunity to prioritise and plan for themselves, while at the same time increase harmonisation and alignment. Last, but not least, the District Development Fund introduces performance-incentives and allocations to the districts are based on an annual nationwide assessment of the districts called the Functional and Organisational Assessment Tool.

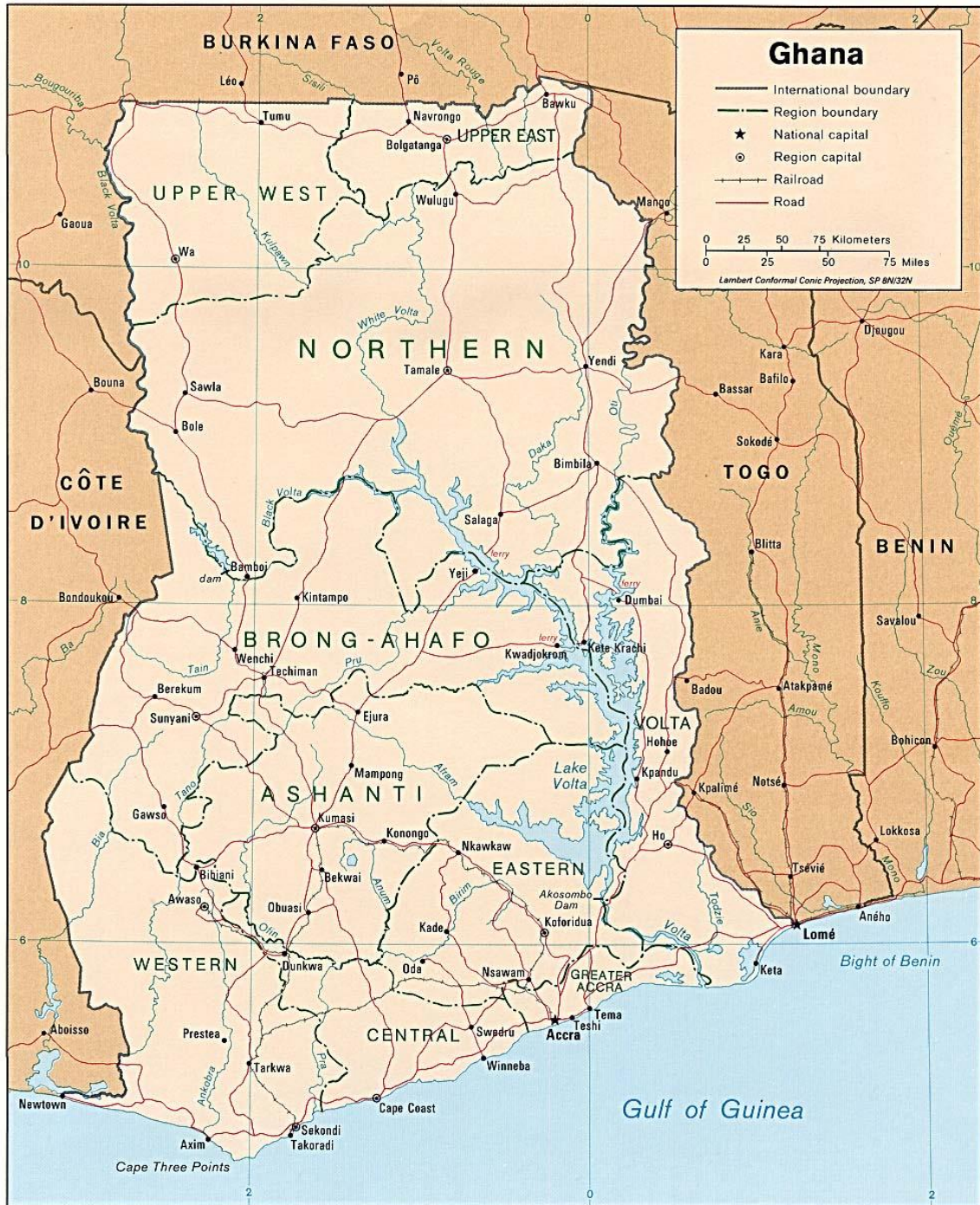
Sub-component 2.2: *Support to Rural Feeder Roads* aims at strengthening effective and responsive service delivery by Metropolitan, Municipal and District Assemblies (MMDAs) through earmarked funding for feeder roads in up to 36 districts in five regions for the first three years of the programme. These districts were selected based on certain criteria including poverty figures, specific sector needs within feeder roads, water supply and sanitation, other Development Partner (DP) support and ensuring continuity of on-going support at the DA level. Investment funding for spot improvement works will be provided by Danida while GoG through the Road Fund's own generated resources will provide funds for routine and recurrent maintenance of the improved roads. The feeder roads improvement will be complemented by community specific socio-economic interventions such as rural access interventions, intermediate means of transportation, etc.

Sub-component 2.3: *Support to Community Water Supply and Sanitation* aims at contributing to

poverty reduction by supporting an improvement in health and living conditions in communities through the provision of improved water and sanitation facilities coupled with hygiene promotion & education and by enhancing decentralisation through strengthening the capacity of DAs and mainstreaming water supply and sanitation activities into the planning and budgeting process of the DAs. The strategy adopted is aligned with the national strategies for demand-responsive, decentralised water supply and sanitation and based on 'best practices' from the Danida supported WSSPS (Water and Sanitation Sector Programme Support) phase I & II as well as from other donor-supported Water and Sanitation programs. The sub-component will be implemented in a number of preselected districts in four regions. Furthermore, the sub-component will provide capacity building to DWDs (District Works Departments) in the districts to be selected and support to NGOs (Non-government Organisations) in the water and sanitation sector.

This document compiles the three Sub-component descriptions.

Map of Ghana



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Table of Contents

Map of Ghana	2
Abbreviations	5
SUB-COMPONENT 2.1 SUPPORT TO THE DISTRICT DEVELOPMENT FUND	9
1. Introduction	12
1.2 The Purpose of this Manual	13
1.3 The Structure of the Manual	13
2. Links between the FOAT, the DDF and Capacity Building Support	14
3. Oversight and Coordination of the DDF-FOAT System	16
3.1 Overall Framework	16
4. Overview of FOAT and the Process	18
4.1 Objectives	18
4.2 Key Characteristics of the FOAT	18
5. FOAT Management and Administration	23
5.1 Operational Detail of Pre-Assessment Activities	23
5.2 Operational Detail of Actual Assessment Activities	24
5.3 Operational Detail - Post Assessment Activities	26
6. Management of the Capacity Building Component	29
6.1 Introduction	29
6.2 Components of the Capacity Building Support	29
6.3 Consolidation of Capacity Building Needs	30
6.4 Disbursement of Funds for the Capacity Building Support	30
6.5 Management of the Capacity Building Grant	31
6.6 Accreditation of Service Providers	32
6.7 Mechanism for Monitoring and Evaluation of Service Providers' Performance	33
7. DDF Financial Management Guidelines	36
7.1 Introduction	36
7.2 Governance and Management of the DDF	36
7.3 Roles and Responsibilities of National Institutions	37
7.4. Roles and Responsibilities at the District Level	40
7.5 Auditing	42
7.6 Flow of Funds	42
8. Reporting, Monitoring and Evaluation	45
8.1 Reporting Schedule	45
8.2 Roles and Responsibilities	45
SUB-COMPONENT 2.2 SUPPORT TO RURAL FEEDER ROADS	48
Executive Summary	51
1. Introduction	53
2. Description of the Subcomponent	55
2.1 Aim	55
2.2 Scope	55
2.3 Levels of support	55
2.4 Main Content	56

3. Logical Framework Analysis	57
3.1 Development and Immediate Objectives	57
3.2 Strategy	57
3.3 Outputs	58
4. Activities	60
4.1 Spot Improvements	60
4.2 Routine Maintenance	60
4.3 Socio-economic Interventions	61
4.4 Cross cutting issues	61
5. Organisation, Management and Administration	63
5.1 Management of subcomponent	63
5.2 Financial Management and Procurement Issues	66
6. Budget	70
6.1 Detailed Budget	70
7. Monitoring, Reporting, Reviews and Evaluations	71
8. Sub-component Implementation Plan	73
SUB-COMPONENT 2.3 SUPPORT TO RURAL WATER AND SANITATION	74
1. Introduction	76
1.1 Rural water	78
1.2 Environmental sanitation	78
1.3 NGOs in the water and sanitation sector	79
2. Description of the sub-component	80
2.1 Focus of the sub-component	80
2.1.1 Rural water supply	80
2.1.2 Environmental sanitation	81
3. Logical Framework Analysis	82
3.1 Intermediate and immediate objectives	82
3.2 Outputs	82
3.3 Activities	83
3.4 Inputs	84
3.5 Assumptions, risks and preconditions	85
4. Organisation, management and administration	86
4.1 Management of the sub-component	86
4.2 Procedures for implementation	87
4.3 Financial management and procurement issues	90
5. Budget	93
5.1 Overall Budget	93
5.2 Detailed Budget	93
6. Monitoring, reporting, reviews and evaluation	94
6.1 Indicators	94
6.2 Reviews and evaluations	95

Abbreviations

AAP	Annual Action Plan (district level)
AFD	Agence Francaise de Development
ATA	Assistant Technical Advisor
BOG	Bank of Ghana
BOO	Build, Own, Operate
CAGD	Controller and Accountant Generals Department
CB	Capacity Building
CBG	Capacity Building Grant
CBRDP	Community-Based Rural Development Programme
CCC	Component Coordination Committee
CDO	Community Development Officers
CDPF	Comprehensive Decentralisation Policy Framework
CEC	Conditional Entitlement Component
CHRAJ	Commission for Human Rights and Administrative Justice
CIDA	Canadian International Development Agency
CONIWAS	Coalition of NGOs in Water and Sanitation
CSO	Civil Society Organisations
CWSA	Community Water and Sanitation Agency
CWSP-2	Community Water & Sanitation Project, Phase 2
DA	District Assembly
DACF	District Assembly Common Fund
DANIDA	Danish International Development Agency
DBO	District Budget Officer
DBWSC	District Based Water and Sanitation Component
DCD	District Chief Director
DCE	District Chief Executive
DDF	District Development Fund
DDFS	District Development Fund Secretariat
DECSEC	Decentralisation Secretariat
DEHU	District Environmental Health Unit
DESSAP	District Environmental Sanitation Strategy and Action Plan
DFID	Department for International Development Cooperation
DFO	District Financial Officer
DFR	Department of Feeder Roads
DKK	Danish Kroner
DOM	District Operational Manual
DP	Development Partner
DPCU	District Planning Coordination Unit
DPIP	Decentralisation Policy Implementation Plan
DPO	District Planning Officer
DPR	Decentralisation Policy Review
DRH	Department of Rural Housing
DS	Decentralisation Secretariat
DTO	District Treasury Office
DWAP	District Wide Assistance Project

DWD	District Works Department
DWST	District Water and Sanitation Team
EC	European Commission
EDF	European Development Framework
EHA	Environmental Health Assistants
EHO	Environmental Health Officers
EHSD	Environmental Health and Sanitation Directorate
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
FAA	Financial Administration Act, 2003 (Act 654)
FAR	Financial Administration Regulations, 2004 (LI 1802)
FOAT	Functional and Organisational Assessment Tool
GAS	Ghana Audit Service
GES	Ghana Education Service
GG	Good Governance
GGHRP	Good Governance and Human Rights Programme
GHC	Ghana Cedis
GOG	Government of Ghana
GPRS	Growth and Poverty Reduction Strategy
GRF	Ghana Road Fund
GSS	Ghana Statistical Service
GTZ	Deutsche Gesellschaft für Technisches Zusammenarbeit (German Technical Cooperation)
GWCL	Ghana Water Corporation Ltd.
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAAA	Internal Audit Agency Act, 658, 2003
IAS	International Standards of Auditing
IAU	Internal Audit Unit
IDA	International Development Association
IEC	Information, Education and Communication
IFDF	The Intergovernmental Fiscal Decentralisation Framework
IGF	Internally Generated Funds
IGFF	Inter-Governmental Fiscal Framework
IMCC	Inter-ministerial Coordination Committee
INTOSAI	International Organisation of Supreme Audit Institutions
IWRM	Integrated Water Resources Management
JAS	Joint Assistance Strategy
JICA	Japan International Cooperation Agency
KAPB	Knowledge, Attitudes, Practices and Beliefs
KFW	Kreditanstalt für Wiederaufbau (German Development Bank)
KVIP	Kumasi Ventilated Improved Pit latrine
LG	Local Government
LGA	Local Government Act, 1993 (Act 462)
LGS	Local Government Service
LGSA	Local Government Service Act, 2003 (Act 656)
LGSC	Local Government Service Council
LGSS	Local Government Service Secretariat

LI	Legislative Instrument
LOI	Letter of Intent
LSDGP	Local Service Delivery and Governance Programme
MC	Minimum Conditions
MDA	Ministries, Departments and Agencies
MDBS	Multi Donor Budget Support
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MFA	Ministry of Foreign Affairs
MIS	Management Information Systems
MLGRDE	Ministry of Local Government, Rural Development and Environment
MMDA	Metropolitan, Municipal and District Assemblies
MOFEP	Ministry of Finance and Economic Planning
MOWAC	Ministry of Women and Children's Affairs
MOT	Ministry of Transportation
MOFEP	Ministry of Finance and Economic Planning
MP	Members of Parliament
MPSR	Ministry of Public Sector Reform
MTDP	Medium Term Development Plan (district level)
MTEF	Medium Term Expenditure Framework
MWH	Ministry of Works and Housing
MWRWH	Ministry of Water Resources, Works and Housing
NALAG	National Association of Local Authorities in Ghana
NAT	National Assessment Team
NDAP	National Decentralisation Action Plan
NDPC	National Development Planning Commission
NESPoCC	National Environmental Sanitation Policy Coordinating Council
NGO	Non Governmental Organisation
NPS	National Programme Secretariat
NWP	National Water Policy
OAG	Office of the Auditor General
ODACF	Office of the District Assemblies' Common Fund
OHCS	Office of the Head of Civil Service
O&M	Operation and Maintenance
OM	Operational Manual
PBGS	Performance Based Grant System
PM	Presiding Member
PMs	Performance Measures
PO	Partner Organisation
POM	Project Operational Manual
NPSC	National Programme Steering Committee
QATSD	Quality Assurance and Technical Services Directorate (LGSS)
RCC	Regional Coordinating Council
RDE	Royal Danish Embassy
REHU	Regional Environmental Health Unit
RFP	Request for Proposal
RPCU	Regional Planning Coordinating Unit

RPS	Regional Programme Secretariat
RPSC	Regional Programme Steering Committees
RTTP	Rural Travel and Transport Programme
RWST	Regional Water and Sanitation Team
SC	Steering Committee
SEA	Strategic Environmental Assessment
SHEP	School Hygiene Education Component
SIP	Strategic Investment Plan
SPS	Sector Programme Support
SWAP	Sector Wide Approach to Planning
TA	Technical Assistance
TNA	Technical Needs Assessment
TOR	Terms of Reference
TSPS	Transport Sector Programme Support
USAID	United States Agency for International Development
USD	United States Dollar
WATSAN	Water & Sanitation Committee
WB	World Bank
WID	Women in Development
WRC	Water Resources Commission
WSDB	Water and Sanitation Development Boards
WSS	Water Supply and Sanitation
WSSPS	Water and Sanitation Sector Programme Support

Local Service Delivery and Governance Programme

Sub-component 2.1 Support to the District Development Fund

Final Draft

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COVER PAGE													
Country:	Ghana												
Sector:	Decentralisation												
Title:	Support to District Development Fund												
National Agencies:	Ministry of Local Government, Rural Development and Environment, District Development Fund Secretariat												
Duration:	3 years												
Starting Date:	January 2009												
Overall Budget Frame:	DKK 305 million												
<i>Description:</i>													
<p>The establishment of the District Development Fund will contribute to closing the gap between local expenditure needs and revenue capacity. The District Development Fund, which is discretionary, will provide the District Assemblies with increased opportunity to prioritise and plan for themselves, while at the same time increase harmonisation and alignment. Last, but not least, the District Development Fund introduces performance-incentives and allocations to the districts are based on an annual nationwide assessment of the districts called the Functional and Organisational Assessment Tool.</p> <p>The intention is to use the District Development Fund as a pivotal funding mechanism. Efficient local government service delivery in Ghana has been impeded by a number of challenges of which the following five are of pertinent importance:</p> <ol style="list-style-type: none">1. Lack of funding to bridge the gap between expenditure needs and fiscal potential.2. Lack of sufficient strong incentives to improve the District Assemblies’ performance as funds are flowing regardless.3. Multiple funding flows each with their own planning, budgeting and financial management modalities reducing the possibilities for coherent planning and increasing the transaction costs for all tiers of government.4. Lack of capacity at all tiers of government to implement the reforms.5. The non-establishment of the departments at District Assembly level, i.e. institutional shortcomings. <p>The District Development Fund is designed to address the four first challenges by increasing the discretionary funds available for District Assemblies for local service delivery in development oriented areas.</p> <p>The strategy for this component is to gradually increase the level of discretionary funding available for District Assemblies. While there at the start of the Local Service Delivery and Governance Programme will be a focus on improved feeder roads, water & sanitation infrastructure, there will through this sub-component at the same time be a focus on strengthening the general intergovernmental fiscal transfer system through gradually increased support to the District Development Fund.</p> <p>The budget for Support to District Development Fund is as follows (mill DKK):</p> <table><tr><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>Total</th></tr><tr><td>30</td><td>45</td><td>65</td><td>75</td><td>90</td><td>305</td></tr></table> <p>The flow of funds will be in accordance with the Operational Manual for the DDF</p>		2009	2010	2011	2012	2013	Total	30	45	65	75	90	305
2009	2010	2011	2012	2013	Total								
30	45	65	75	90	305								

Operational Manual for the DDF

MINISTRY OF LOCAL GOVERNMENT, RURAL DEVELOPMENT AND ENVIRONMENT



OPERATIONAL MANUAL FOR THE IMPLEMENTATION AND ADMINISTRATION OF THE DISTRICT DEVELOPMENT FUND

June 2008

1. Introduction

1.1 Background

Under the Government's decentralisation and local government reform initiative, the Metropolitan, Municipal and District Assemblies (MMDAs) have been assigned a wide range of responsibilities, including the provision of basic social services and infrastructure. In addition, the MMDAs are responsible for the coordination of local economic development. The MMDAs thus have a critical role in addressing national poverty reduction objectives and, as such, in achieving the Millennium Development Goals.

Although over the years, there has been a gradual increase in the volume of fiscal transfers to local governments, this increase has not always been in line with the growing demand for services. At the same time, the potential for internally generated funds (IGF) as a source to finance service delivery has also not been fully exploited. Finally, the increase in investment flows has not always been met with adequate resources for maintenance. MMDAs are thus faced with a financing gap that hampers their overall performance and the implementation of their development plans in particular. In response, MMDAs have been regularly agitating for an increase in the resources transferred to them.

The performance of the MMDAs is further constrained by numerous administrative, reporting and implementation arrangements associated with "projectised" financial and/or capacity building support from Development Partners. This situation poses increasing concerns about the financial management capacity of MMDAs and the judicious and efficient use of resources at the district level. These concerns have affected the granting of greater budget autonomy to local governments. In this respect, the lack of linkage between performance assessments and additional funding is of special concern to the central government and development partners.

In order to bridge the financing gap and to improve the performance of the MMDAs, the Government introduced a performance based grant (the District Development Funding modality) where access to additional development funds¹ is linked to regular performance assessment under the Functional and Organisational Assessment Tool (FOAT). The government and its key development partners supporting decentralisation have earmarked part of their support for the implementation of the performance based funding to local governments.

Under this system, good performance is rewarded with additional financial resources, while weak performance is responded to by tailor-made capacity building support. The PBGS has three components (performance assessment, funding and capacity building) which are designed as harmonised modalities, fully operating within Government's existing legal, regulatory and policy frameworks. The disbursements to the MMDAs under the District Development Funding modality (DDF) are based on the outcome of an annual assessment (FOAT). The performance of the MMDAs

¹ Preference is given to the term **development** funds over **investment** funds, because the latter tends to be equated with pure capital expenditure or even the buying of investment instruments (e.g., Treasury Bills).

The term **development funds** is used to denote the multi-sectoral nature of the DDF, which distinguishes it from the wide array of conditional, sector specific grants that are currently transferred to the district level. It is, however, important to note that there are no constraints on the use of the DDF to the extent the expenditures are covered under allowable items under the DDF. First and foremost, these constraints are provided by legal and regulatory framework for financial management and administration, including those relating to the preparation of Medium Term and Annual Action Plans. The Development Menu (see Section 7.2.2) which identifies eligible types of expenditure under the DDF provides further constraints.

is measured using a number of performance indicators agreed upon by Government of Ghana (GoG) and Development Partners.

The objectives of the DDF modality based on FOAT are to:

enhance the role of the MMDAs in achieving the MDGs through the provision of additional investment fund

introduce a performance incentive structure in the MMDAs system.

Harmonise implementation modalities and administrative requirements currently associated with projectised capacity building and capital support for MMDAs into one coherent system, fully anchored in GoG's legal and regulatory framework.

1.2 The Purpose of this Manual

The purpose of this Manual is to provide operational guidance for the management, implementation and administration of the FOAT and DDF.

1.3 The Structure of the Manual

The remainder of the Manual is structured as follows:

Section 2 Links between the FOAT, the DDF and Capacity Building Support

Outlines the link among the three components of the performance based grant system (PBGs) and gives an overview of each of them.

Section 3 Oversight and Coordination of the DDF-FOAT System

Describes the institutional set-up for oversight and coordination of the system and identifies the specific responsibilities of the Steering Committee and the Decentralisation Secretariat.

Section 4 Overview of the FOAT and the Process

This section presents an overview of the assessment process and explains the role of Minimum Conditions and Performance Measures in the system.

Section 5 FOAT Management and Administration

Describes in detail the range of activities involved in the FOAT process at the national and district levels. It also outlines the roles and responsibilities of the various actors involved with the assessment.

Section 6 Management and Administration of the DDF

Stipulates the management and administration of the DDF at both the national and MMDA level. Since the DDF is managed and administered fully within the existing legal and regulatory framework for public financial management, this section mainly provides a summary of relevant established procedures.

Section 7 Management of the Capacity Building Component

Provides the framework for the management and administration of the capacity building component.

Section 8 Monitoring and Evaluation

Describes the roles and responsibilities in this important area for national, regional and district level institutions connected with the system.

2. Links between the FOAT, the DDF and Capacity Building Support

The FOAT is part of the performance based grant system (PBGS) that has been developed to provide well-coordinated institutional and financial support to the MMDAs. The system comprises three interlinked components:

1. Performance Assessment (FOAT)
2. Funding (DDF)
3. Capacity Building

In this system, the performance assessment has a dual function - it informs the annual allocation under the DDF as well as identifies capacity building needs for individual MMDAs. The MMDAs are assessed in the following broad areas:

1. Management and Organisation
2. Human Resource Development
3. Planning and Budgeting
4. Financial Management and Administration, Accounting and Auditing.

Because the assessment takes place using a common set of indicators, it generates a systematic body of data that allows for a comparison of performance among the MMDAs. The availability of this type of data will also provide an opportunity to strengthen the policy dialogue on decentralisation and local government reform by giving it a more factual basis.

The focus and thematic coverage of the FOAT will evolve in line with developments in the ongoing process of decentralisation and the performance leverage of the PBGS. In line with the process of functional integration and the pending fiscal reforms, it is expected that the FOAT will get a more specific service delivery focus with time.

In order to respond adequately to capacity gaps at the MMDA level, MLGRDE has developed training modules for areas covered by the FOAT. Each module comes with a more detailed menu of training options so as to accommodate district specific needs. The actual training will be supplied by service providers certified by the Local Government Service (LGS).

The incentives approach is reflected in the structure of the grant, which has three components:

1. A conditional entitlement component (*50% of the overall pool*);
2. A performance component (*40% of the overall pool*);
3. A capacity building component (*10% of the overall pool*).

The **conditional entitlement component** (CEC) is allocated on the basis of a simple formula, comprising an equal share factor, a population factor and a land area factor (the size of the MMDA territory). The weighting of the factors is as follows:

- Equal share: 10%
- Population: 80%
- Land area: 10%

The CEC is shared among only districts which meet **all the minimum conditions**. The basis for the sharing is as follows:

Equal Share (10%): shared equally among the number of districts passing in any particular year.

Population (80%): shared based on the proportion of the district's population to the total population of the districts that fulfilled all the minimum conditions.

Land Area: shared based on the proportion of the district's land area to the total land area of districts that fulfilled all the minimum conditions.

The **performance component** is allocated as an addition to the entitlement component for the district that fulfilled all the minimum conditions. The amount allocated is based on the score range as follows:

Score Rating	Allocation Rating
Weak Performance	-50% of per capita
Below Average Performance	-35% of per capita
Average performance	Per capita
Above Average Performance	+35% of per capita
Very Good Performance	+50% of per capita

The per capita is obtained by dividing the performance allocation (40% of the pool) to be shared, by the total population of districts that passed all the minimum conditions. District performance allocation is obtained by multiplying the district population by the allocation rating. For example if the total population of all districts that fulfilled all the MCs is 840,000 with a performance component of DDF also being \$1,140,000, then the per capita will be \$1.36. Assuming the population of district A is 70,000 with a performance rating as *Weak*, district A's allocation rating will be \$0.68 (minus 50% of per capita-\$1.36) therefore its performance allocation will be \$47,500 (70,000 multiplied \$0.68).

The **capacity building component** will be used to finance capacity building support as well as the cost of the performance assessment itself. MMDAs will thus be given the opportunity to address institutional weaknesses, logistics needs and skills inadequacies in their operations in a regularised and well-coordinated manner.

Ten percent (10%) of the annual overall resource pool will be ring fenced to finance the annual assessment and the capacity building support under the system. Details of the capacity building component are provided in Section 6 of this Operational Manual.

A crucial feature of the FOAT is the difference between **Minimum Conditions (MCs)** and **Performance Measures (PMs)**. The MCs constitute the basic prerequisites that must be fulfilled by MMDAs in order to receive the conditional entitlement component of the DDF. Any MMDA that fails to meet any of the MCs will not receive any investment (development) funds or the conditional entitlement and the performance allocations for the year the assessment results are to be used for disbursements, but will receive capacity building support. Scores on the PMs determine whether an MMDA will receive in addition to the conditional entitlement, *a deduction or a top-up on an average performance allocation*, when an MMDA has fulfilled the MCs. It is important to note that the actual allocations made under the DDF are dependent on the size of the overall pool.

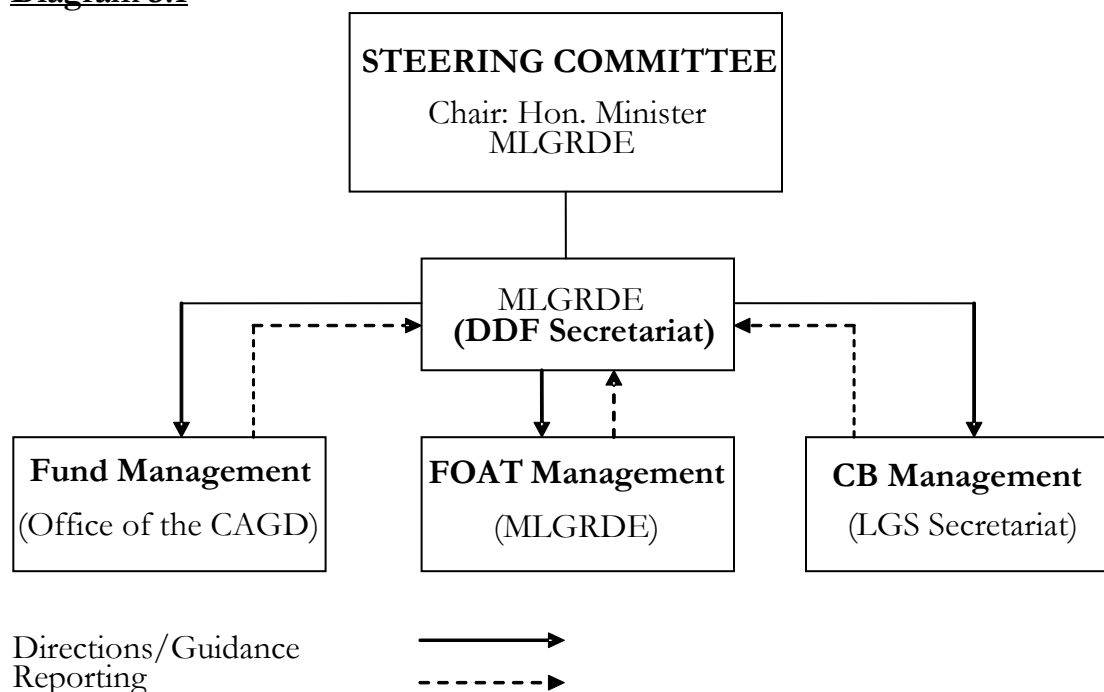
The management of the system is anchored in well-worked out institutional arrangements at the national level (*discussed in more detail in Section 3*).

3. Oversight and Coordination of the DDF-FOAT System

3.1 Overall Framework

The overall framework for the management of the FOAT and DDF is depicted in the diagram below:

Diagram 3.1



3.1.1 *The Steering Committee*

The Steering Committee (SC) will comprise representatives of relevant ministries, departments and agencies. The Minister of Local Government, Rural Development and Environment (MLGRDE) will chair the Committee. The membership of the Steering Committee will be as follows:

1. Minister – MLGRDE as chairperson
2. Representative of MLGRDE
3. Representative of Ministry of Finance and Economic Planning
4. Representative of the Controller and Accountant General's Departments
5. Representative of National Development Planning Commission
6. Head of the Local Government Service
7. The Administrator of the District Assemblies' Common Fund (DACF)
8. Representative of National Association of Local Authorities in Ghana
9. Representatives of DPs supporting party to the co-financing agreement on DDF (observer capacity only)
10. Representative of Civil Society

3.1.2 *Responsibilities of the Steering Committee*

The responsibility of the SC will be to:

- Provide overall policy guidance and directives for the implementation of the FOAT and DDF;
- Review the merits of MMDAs complaints on the assessment and the remedial action taken by the DDF Secretariat;
- Based on DDF allocations, approve DDF transfer request to MoFEP;
- Consider remedial actions in case of weaknesses of the system (this includes endorsement of adjustments to the FOAT indicators & DDF allocation formula);
- Review reports and financial information of the relevant institutions – CAGD, ODACF, the DDF Secretariat and LGS;
- Approve FOAT results and DDF allocations and ensure their publication;
- Endorse Work Plan and budgets for the management and implementation of the FOAT and DDF; and
- Undertake mid-year review of the implementation process of the DDF.

The SC will have two regular meetings per year, which will take place in February and August. The Steering Committee will establish rules of business that will govern its operations and these will be subjected to periodical review.

The DDF Secretariat of MLGRDE will provide support to facilitate the work of the SC. The DDF Secretariat's support will include:

- Provide administrative support to the operations of the SC, including organisation of meetings and document proceeding of meetings among others;
- Communicate decisions of the SC to the relevant institutions for action;
- Verification of FOAT reports submitted by consultants;
- Consolidation of the FOAT results and determination of allocation in collaboration with ODACF
- Coordinate activities of the involved institutions and ensure that they discharge their responsibilities in accordance with the time-table and decisions agreed by the SC;
- Gather and manage information, including the collation of all relevant reports from Controller and Accountant-General's Department (CADG), the DACF Administrator, the LGS and other relevant institutions;
- Preparation of yearly consolidated report for the DDF-FOAT;
- Preparation of quarterly and annual progress report for the DDF;
- Any other function that will be delegated to it by the SC.

The Secretariat will facilitate the public procurement process for the FOAT exercise. Overall responsibility for the execution of DDF related activities will rest with the Coordinator of the Decentralisation Secretariat.

A consolidated Annual Plan of Operations, capturing the activities of all actors is provided in Annex 1.

4. Overview of FOAT and the Process

4.1 Objectives

The objectives of the FOAT and the assessment process are to:

- Verify the compliance of MMDAs with existing provisions in laws, regulations and national binding guidelines;
- Inform the DDF allocation to a specific MMDA;
- Identify the capacity building needs of MMDAs through identification of the major functional and organisational gaps;
- Harmonise the current disjointed approaches to performance assessment.

4.2 Key Characteristics of the FOAT

4.2.1 *Guiding Principles*

The following principles apply to the FOAT and the Assessment Process:

- The MMDAs are strictly assessed against their legal obligations and issues that fall within their direct span of control;² Consequently, all indicators are anchored in existing legal, regulatory and policy frameworks;
- The indicators acknowledge the specific legal, political/administrative and fiscal environment in which MMDAs operate;³
- The indicators capture both the administrators and the elected representatives in the MMDA structure;
- In order to minimise discretion in the assessment process, the indicators are objectively verifiable and simple to assess;
- The assessment process facilitates a clear translation of identified capacity building needs into corresponding institutional strengthening requirements;
- The assessment process ensures that capacity building is fully integrated into the budgeting cycle of the MMDAs.

A final tenet of the FOAT is the aforementioned distinction between **MCs** and **PMs**. In the actual assessment of the MCs and the PMs, the broad thematic areas have been broken down further into sub-themes.

The **MCs** have been classified under the following five sub-themes:

1. Development Planning
2. Financial Management and Accounting
3. Public Procurement
4. Implementation Capacity
5. Functioning of the Assembly

² As confirmed by international experiences with similar tools, this is a fundamental prerequisite for the credibility of the assessment process and the performance based funding system as a whole.

³ Methodologically this is important, because a number of well-documented constraints at the MMDA level fall within the scope of responsibility of the central government.

The MCs to be fulfilled are as follows:

Primary

1. Functional DPCU
2. Annual Action Plan formulated
3. Annual Statement of Accounts prepared
4. No adverse audit comments bordering on dishonesty
5. Procurement plan prepared
6. Minimum number of Assembly meetings held
7. Progress reports on projects

Details of the MCs in terms of the associated requirements are outlined in Section 5.2.1 and Annex 2.

The **PMs** which constitute the second segment of the FOAT have:

- detailed indicators to measure performance;
- sources of information;
- basis of assessment; and
- a scoring system for each indicator ranging from zero (0) to three (3). The scoring system limits the degree of subjectivity since assessment teams are required to give exact scores for each indicator with requirements justification.

The PMs are also classified under eight sub-themes as follows:

1. Management and Organisation
2. Transparency, Openness and Accountability
3. Planning System
4. Human Resource Management
5. Relationship with sub-district structures
6. Financial Management and Auditing
7. Fiscal Capacity
8. Procurement

A summary of the thematic areas and the maximum scores that can be obtained is presented in Table 1.

Table 1: Summary of Scores for each Thematic Area

Performance Measures	Maximum Score
Management and organisation	15
Transparency, openness and accountability	10
Planning system	16
Human resource management	10
Relationship with sub-district structures	9
Financial management and Auditing	20
Fiscal capacity	10
Procurement	10
Total	100

4.2.2 *The Assessment Process*

The FOAT exercise will be managed by the DDF Secretariat of MLGRDE. This management role will involve coordinating and ensuring the integrity of the execution of the activities of the FOAT Assessment. The actual assessment of the MMDAs will be undertaken by the private sector contracted through a competitive bidding process⁴.

There are three main activity blocks in the annual plan of operations for the assessment namely:

1. Pre-assessment activities
2. The actual assessment
3. Post-assessment activities

Key activities that will be executed under each of the above headings are outlined below:

The Pre-assessment activities are as follows:

- Management and coordination of the procurement process. The steps and timing of the procurement process is dictated by the requirements of the Public Procurement Act, 2003 (Act 663). Standard Government Request for Proposal formats are available. This requires about 6 months duration to complete but new contracts will need to be awarded by February of any particular year.
- Letter to MMDAs informing them about the timing of the assessment, the specific documents that need to be available when the National Assessment Team (NAT) arrives as well as an overview of the Minimum Conditions and Performance Measures (*February*);
- Consultative meeting between the MLGRDE and the NAT to discuss and respond to any operational bottlenecks and/or FOAT design issues identified during the last round of implementation (*March*);
- Provision of the necessary logistics to the NAT (*March*).

The actual assessment activities include:

- NAT undertaking assessment in MMDAs assigned to them.
- MLGRDE monitoring of compliance of the NAT to the assessment requirements through spot checks on each of the teams. A representative of the MLGRDE undertaking monitoring of the assessment will not interfere with the work of the NAT. However, the monitor may have meetings with the assessment team to discuss the progress of work and the emerging challenges. Relevant observations made will be collated by the monitors of the DDF Secretariat as part of the composite report on the assessment.

The activities for Post-assessment are:

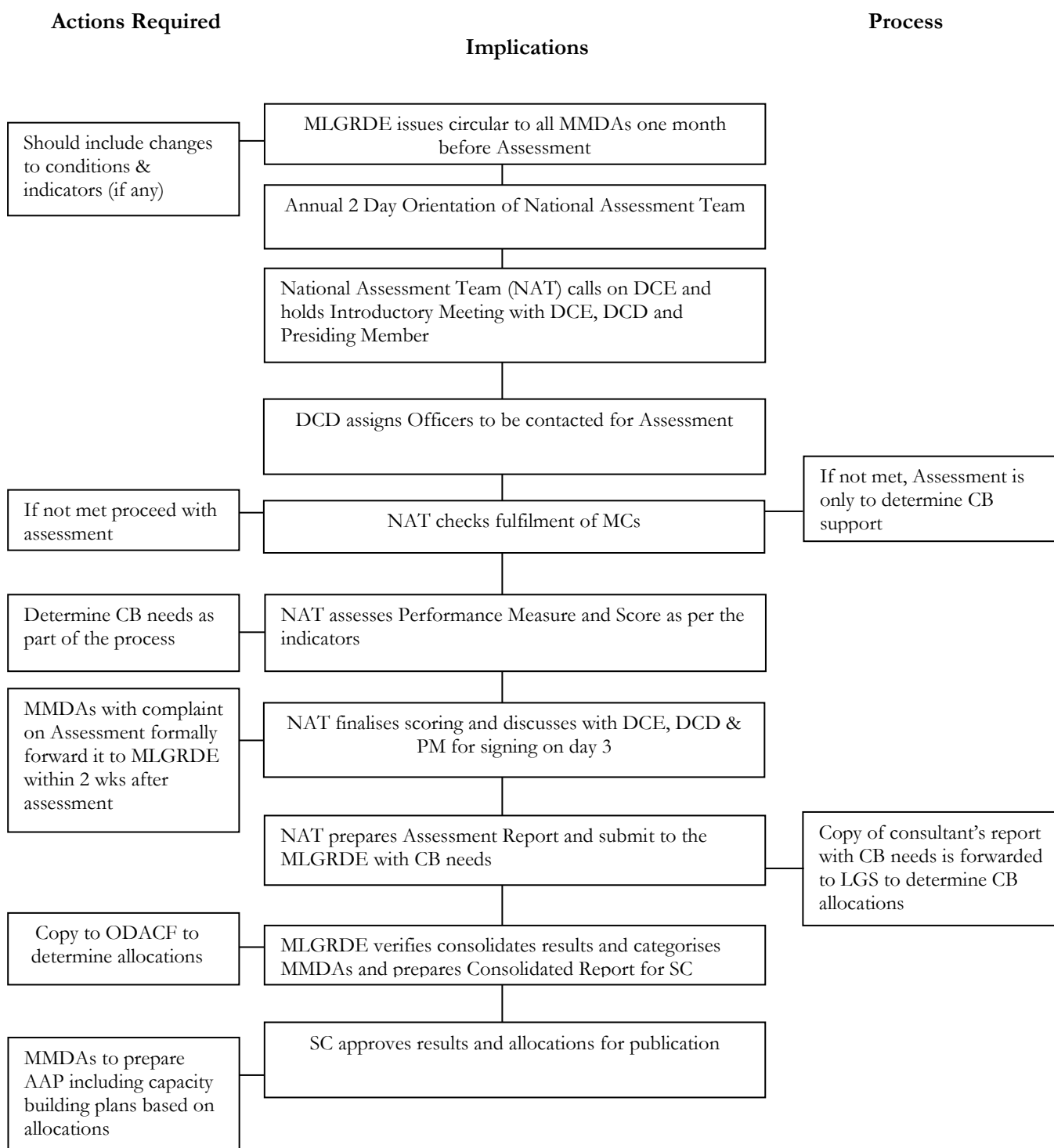
- Processing of complaints from MMDAs by the MLGRDE (*June*);
- Verification of the assessment reports submitted by consultants (*July*)
- Consolidation of FOAT results (*July*)
- Calculation of DDF allocations per MMDA (*July*);
- Consolidation of capacity building needs by LGS (*July*);
- Determination of capacity building allocations by DDF in collaboration with the ODACF(*July*);
- Preparation of Consolidated Assessment Report (*July*);
- Submission of the consolidated Annual Assessment Report including allocations to the Steering Committee (*July*);

⁴ Procurement will be done within the framework of the Public Procurement Act 2003 (Act 663)

- CAGD, LGS and MLGRDE will prepare the coming year's Work Plan and Budget for submission to the Steering Committee (*July*);
- Annual Steering Committee meeting (*August*);
- Dissemination to the MMDAs, the endorsed FOAT results and the corresponding DDF allocations (*August*);
- Public dissemination of the FOAT results and corresponding DDF allocations (*September*).
- Transfer of DDF allocations to MMDAs (*January*)

Details on the activities in the assessment process are provided in Sections 5.1.2 to 5.3.5. A diagrammatic overview of the key activities of the assessment process is outlined below:

4.1 Diagrammatic Overview of the Assessment Process



5. FOAT Management and Administration

This section of the Operational Manual discusses the operational detail of the key activity blocks of the FOAT process namely - Pre-Assessment, Actual Assessment and Post Assessment stages.

5.1 Operational Detail of Pre-Assessment Activities

5.1.1 *Procurement of the National Assessment Team*

As earlier mentioned, the MLGRDE will manage the implementation of the FOAT through the DDF. The Secretariat will facilitate the procurement of the National Assessment Team from the private sector within the framework of the Public Procurement Act, 2003 (Act 663). To allow early completion and effective management of the assessment, the country is divided into a manageable number of zones. This may be revised over time as efforts are made to improve upon the assessment.

It is envisaged that each of the firms will be contracted for a one year period, subject yearly re-tendering or renewal. The Steering Committee reserves the right to exclude non-performing firms from the re-tendering or renewal processes.

The National Assessment Team (NAT) to be assigned to each MMDA will consist of four (4) persons including one designated Team Leader. Each of the assessment teams should represent expertise in the thematic areas outlined below:

1. Management and Organisation
2. Human Resource Development
3. Planning and Budgeting
4. Financial Management and Administration, Accounting and Auditing.

The selection and composition of the individual assessment teams must ensure that team members are impartial and independent. Besides each team of four persons having a Team Leader, each of the contracted firms is expected to have an overall Team Leader.

5.1.2 *Communication to the MMDAs: Timing of the Assessment and Information Requirements*

To allow MMDAs adequate time to prepare for the assessment every year, MLGRDE will communicate in a circular, the FOAT timing and requirements a month before the NAT starts the assessment.

As per the letter issued by the MLGRDE, MMDAs will be required to have a range of documents ready by the time the Assessment Team arrives at their Assemblies. The list of documents is provided in Annex 4A. MMDAs will also be provided with an overview of the MCs and the PMs. This is to give them the opportunity to properly prepare for the assessment.

5.1.3 *Orientation on the FOAT*

a. Orientation of MMDAs

MMDAs will be oriented on the FOAT requirements yearly especially in situations where there are changes in the indicators and other dimensions of the Tool.

b. Orientation of the National Assessment Team

Prior to the commencement of an annual assessment, MLGRDE will facilitate a two-day orientation session for teams constituted by the contracted firms for the assessment. The logistics' arrangements for the NAT will be outlined during the 2 day session. Subsequent to this orientation, the respective firms are to hold an in-house session for all team members. The purpose of this orientation is to afford the opportunity for detailed discussions on the indicators and the assessment processes including modalities for reporting, the role of the team leaders and members among others.

At the two-day Orientation Session, the NAT will be informed of relevant legislations and official documents that constitute the basis for the application of the indicators. The documents required for the assessment include the following:

- Financial Memoranda issued by the MLGRDE (Gazette Number 35, 2004);
- Local Government Act, 1993, Act 462;
- National Development Planning Commission Guidelines for the preparation of Medium Term Development Plan;
- Public Procurement Act, 2003, Act 663;
- Procurement of Works, Small Contracts (Small Value, Short Duration and Low Risk), Public Procurement Board - October 2003;
- Financial Administration Regulation, 2004 (LI 1802);
- Financial Administration Act, 2003, Act 654;
- Internal Audit Agency Act, 2003, Act 658;
- Audit Service Act, 2000, Act 584;
- Public Records Archives and Administration Department (PRAAD) Guidelines on filing and documentation;
- The Local Government (Urban, Zonal, Area, Town Councils and Unit Committees); Establishment Instrument, 1994 (LI 1589/LI1615);
- Office of the Head of Civil Service Guidelines on filing of vacancies, staff performance assessment and staff development.
- Guidelines for Operationalisation of the District and Regional Planning Coordinating Units, November 2003.
- NDPC Guidelines for the Preparation of District Monitoring and Evaluation Plans under the GPRS II, (2006-2009), October 2006

The assessment team will make reference to the relevant sections of the documents for clarity and objectivity in the assessment process. Provision has been made in Annexes 2 and 3 as to where in the legal, regulatory or policy documents the MC and PM indicators can be found.

5.2 Operational Detail of Actual Assessment Activities

The assessment should be conducted between April and May. As a general rule, MMDAs must fully cooperate with the NAT. Failure to do so will result in disqualification. The execution of the assessment entails the following four (4) steps:

- Step 1: Implementation of the Assessment
- Step 2: Identification of capacity building needs
- Step 3: Complaint Procedures
- Step 4: Reporting

5.2.1 *Step 1 - Implementation of the Assessment*

Introductory Session with MMDAs

There will be an introductory meeting between the Assessment Team and key district officials including at least the District Chief Executive (DCE), the District Coordinating Director (DCD) and Presiding Member (PM). The purpose of the meeting is to set the agenda and agree on time schedules for the assessment. As a follow up to this introductory session, the DCD is required to facilitate subsequent meetings and provide the required documentation. Refer to Annex 2, 3 and 4A for details on the information required.

MMDAs that provide false information or refuse to provide the required information will be disqualified from the assessment for the year and treated as if they had failed to meet the Minimum Conditions.

It is of key importance that the assessment is undertaken in an interactive and friendly atmosphere. The exercise should NOT take the form of an inquisition.

Assessment of Minimum Conditions:

The NAT will first administer the questionnaire on the Minimum Conditions. Where an MMDA does not meet any of the Conditions, the Team will have to explain the circumstances to DCE, DCD and PM but continue with the assessment to determine the capacity building needs in full. *Annex 2 and 4B provides a comprehensive list of the MCs.*

Fulfilling the MCs will qualify an MMDA to have access to the Conditional Entitlement Component of the Development Grant.

Assessment of Performance Measures

The scoring on the PMs determines the upward or downward adjustment to the average performance allocation under the DDF. However, if an MMDA is disqualified from receiving the conditional entitlement component of the Fund then automatically the MMDA will also not receive any performance allocation. Details of the performance indicators have been provided in Annex 3.

The NAT is expected to go through the indicators for the PMs with the respective officers as the DCD will direct and score appropriately according to the scheme. Under no circumstance is an NAT member expected to use discretion for the scoring apart from what has been outlined by the scheme for the PMs in Annex 3 and Annex 4C. The team is to transfer the total score on each thematic area to the form provided in Annex 4D.

Team work

At the end of each working day, the Team Leader has to call for an internal wrap-up meeting with his/her team to reconcile the various pieces of information received from different sources and consolidate the findings on each of the specific indicators (MCs and PMs). The meeting will also outline missing information and data to be collected the subsequent day(s).

Duration of Assessment

Each team is expected to spend 3 days in each MMDA conducting interviews and reviewing documentation. The MLGRDE may allocate more or less time for the different types of MMDAs.

Technical Notes

1. *With regard to the link between Annual Action Plans and Budgets, MMDAs will not be held responsible for budget re-appropriations that have been imposed by the central government.*
2. *On the collection cost of Internally Generated Funds (IGF), the NAT should observe the following and sum up to arrive at the cost of revenue collection:*
 - *Salaries of revenue staff on central government payroll.*
 - *Commission received by revenue collectors*
3. *One of the MC relates to the absence of adverse comments bordering on dishonesty in the Audit Report. At the moment, the Ghana Audit Service (GAS) is confronted with a backlog. However, the GAS has*

prepared Draft Audit Reports and Management Letters which are to be used by the team to assess the relevant MC on audit.

5.2.2 *Step 2 – Identification of Capacity Building Needs*

Derivation of capacity building needs of the MMDAs is a key element of the FOAT exercise. As part of the assessment of the MCs and PMs, the NAT will assist the MMDAs to determine their capacity building needs. The NAT will facilitate the derivation of CB needs through the following:

- Identify logistics, skills and organisational gaps based on the FOAT. The NAT is expected to ask further questions to establish the specific CB needs.
- When the CB needs of an indicator have been identified, the NAT member is expected to record them against the indicator in question in the Response Column provided in Annex 4C.
- This process is to be followed by all NAT members working on separate thematic areas.
- On the third day of the assessment in an MMDA, the NAT will document all the capacity needs in the format provided in Annex 4E for debriefing and prioritisation by the MMDA leadership.

Subsequent to the annual FOAT exercise, each MMDA will ensure that the demand driven capacity building needs forms an integral part of the Annual Action Plan for implementation the following year when the allocations are communicated to them by MLGRDE. This process implies that demand driven capacity building needs identified by the assessment of any particular year will be planned for implementation in the following year. The process for preparing the capacity building plan is elaborated in Section 6 of this manual.

5.2.3 *Step 3 - Complaint Procedures*

If an MMDA does not agree with the outcome of the assessment on the basis of factual inaccuracies or any other omissions in the process, a complaint should be submitted to the Coordinator, DDF Secretariat (MLGRDE) not later than two weeks after the assessment in an MMDA.

When submitting the complaint, the MMDA must enclose any relevant documentation in support of the issues in question. The evidence submitted will be examined and the necessary action taken by the DDF Secretariat within one month after receipt of the complaint. See Annex 4F for the complaint form.

5.2.4 *Step 4 - Reporting*

At the end of assessment in each MMDA, the NAT will meet the MMDA top management to present the findings and the summary of scores. Following the presentation any inaccuracies will be addressed and the Assessment Report Form (Annex 4G) signed by the DCE, the DCD, and the NAT members. In case of a disagreement on the outcome of the assessment, the Assessment Report will still have to be signed by the DCE, DCD and the team members. However, the Assessment Report will include an explicit reference to the nature and substance of the disagreement using Annex 4E.

The Overall Team Leader (lead consultant) should prepare and submit a report on each of the assigned MMDAs to the DDF Secretariat (MLGRDE) using the format provided in Annex H which include the list of persons met using the format in Annex I. The report must be submitted three weeks after the completion of fieldwork for the assessment by the consultant.

5.3 **Operational Detail - Post Assessment Activities**

5.3.1 *Examination of Complaints*

The examination of the complaint will lead to one of the following results:

1. correction of errors;

2. re-assessment in case of laxity by the assessment team;
3. rejection of the complaint.

The DDF Secretariat will prepare a full report of all complaints and the outcome thereof for the consideration of the Steering Committee.

5.3.2 *Verification of FOAT Report and Consolidation of FOAT Results*

THE DDF Secretariat upon the receipt of the FOAT reports from the consultants will verify the accuracy and consistency of the responses to the indicators.

Following the verification and subsequent submission of the final reports by the consultants, the results and capacity building needs of the MMDAs will be consolidated by the DDF Secretariat.

5.3.3 *Overall Rating of Performance Score*

The DDF Secretariat subsequent to the consolidation of the results will identify all MMDAs that have fulfilled all the MCs. The outcome of the scores will be used to rank the MMDAs in five clusters:

1. Weak Performance
2. Above Average Performance
3. Average Performers
4. Above Average Performance
5. Very Good Performance

To infuse a strong sense of competition in the local government system, ranking the MMDAs is done by looking at how well they have performed **relative to each other**. The steps in the ranking are as follow:

- Collation and consolidation the FOAT results;
- Identification of the highest and lowest scores and determination of the difference;
- Division of the difference by 5 to give the range per cluster;
- Clustering the MMDAs accordingly.

As an example, assume the highest score is 80 and the lowest score is 30. The difference is thus 50. Dividing by 5 gives 10, gives the range for each cluster as shown:

<i>Very Good Performance:</i>	<i>all scores between 71- 80</i>
<i>Above Average Performance:</i>	<i>all scores between 61- 70</i>
<i>Average Performance:</i>	<i>all scores between 51- 60</i>
<i>Below Poor Performance:</i>	<i>all scores between 41- 50</i>
<i>Weak Performance:</i>	<i>all scores between 30-40.</i>

The final step is to translate the clusters into corresponding allocations under the DDF. The allocation model provided in Annex 5 illustrates how each cluster gets translated into DDF allocations to individual MMDAs, assuming an average allocation of USD 1.25 per capita (or a total pool of USD 30 million⁵).

The DDF Secretariat in collaboration with the ODACF will determine the development allocations based on the allocation formula. In addition, the LGS will analyse the demand-driven and mandatory capacity building requirements and work together with the DDF Secretariat to determine the allocation

⁵ Reflecting ongoing co-financing discussions between Government and Development Partners.

for CB per MMDA. Details of the allocation of the capacity building needs are provided in Session 6 of this manual.

5.3.4 Preparation of Consolidated Annual Assessment Report

The DDF Secretariat will prepare a FOAT Consolidated Report based on the consolidated results and the reports received from the consultants. The Consolidated Reports will be submitted, together with the individual Assessment Reports of all MMDAs prepared by the consultancy firms for final approval by the Steering Committee.

5.3.5 Dissemination

Each of the assessed MMDAs will receive a copy of their Assembly's specific report, and table it before the General Assembly for discussion. To ensure full transparency and accountability in the system, a wide-public dissemination of the FOAT results and the corresponding DDF allocations is critical. The public dissemination will be done through publication of the results and allocations in the print media after these have been endorsed by the Steering Committee.

6. Management of the Capacity Building Component

6.1 Introduction

The capacity building component is aimed at supporting a systematic and coordinated approach to addressing capacity building needs of the MMDAs to enable them to fulfil their mandate. It seeks to sanitise the current uncoordinated and project-driven inputs⁶ to the MMDAs by ensuring:

- tailor made and need based support that has a direct link between the annual FOAT exercise and capacity building;
- that local governments on a continuous basis identify and prioritise their capacity building requirements;
- a harmonised approach to capacity building nationwide for efficiency and economies of scale for mandatory and demand driven CB needs.

Overall the CB support under the DDF involves a process of improving the capability of the MMDAs to effectively and efficiently deliver their service and governance mandates. Since improving performance of local government operatives cannot be wholly met with capacity building efforts under the DDF, it is envisaged that other government initiatives to address issues of motivation and leadership among others will be promoted. Capacity building although has different meanings and coverage, under the DDF modality it is restricted to the provision of training and logistics as well as support to address organisational gaps.

Provision of **training support** will be limited to *skills development* for local government actors. Skills development support is responded to with training manuals developed by MLGRDE in line with requirements of the FOAT minimum conditions and performance measures.

The organisational strengthening aspect of the CB support will focus on developing the right organisational systems for the effective operation of MMDAs. These will include among others, strengthening of the operational relationships between the Assembly and its sub-structures, data gathering and management systems, revenue generations and mobilisation systems among others.

Logistics support will cover office equipment justified by the outcome of the annual assessment. Logistics exclude stationery items such as paper, files etc;

The above areas of CB are grouped into two broad areas - mandatory and demand driven support.

6.2 Components of the Capacity Building Support

As discussed in Section 2, the Capacity Building Grant (CBG) will annually constitute 10% of the DDF pool. The CBG will be split into 40% and 60% mandatory and demand driven capacity building support respectively.

The **40% mandatory proportion** to be managed by the LGS and the DDF Secretariat will be used to fund the following:

- annual FOAT assessment;

⁶ For a detailed overview of the current situation in the field of local government capacity building, see: Comparative Assessment of Local Government Capacity Building Initiatives and Institutional Service Providers (1999-2004), MLGRDE / Decentralisation Secretariat, September 2004

- Annual two day orientation sessions of the National Assessment Teams;
- Orientation of the Service Providers on the training manuals developed for the thematic areas of the FOAT. This will include review meetings between the LGS and the Service Providers delivering service contracts to the MMDAs; and
- Delivery of **mandatory capacity building needs** identified by the LGS and generic trainings emanating from the FOAT exercise. The mandatory support will be targeted at training identified by the Local Government Service (LGS) for delivery to all MMDAs based on the outcome of the FOAT or reviewed and new instruments with relevance for local governments among others. **It is envisaged that over time the role of the LGS in managing mandatory capacity building needs on behalf of the MMDAs will be drastically reduced.**

The **demand-driven proportion of 60% of the CBG** will cover specific training, logistics and organisational strengthening needs confirmed by the FOAT exercise. An equal sharing arrangement for the CB funds will be applied in the first few years of the implementation of the system.

6.3 Consolidation of Capacity Building Needs

The process for the identification of capacity needs of MMDAs has been elaborated under Step 2 of the assessment process in Section 5.2.2. Upon submission of FOAT reports by the consultants and subsequent verification by the DDF Secretariat, the LGS will consolidate and harmonise the capacity building needs of all the MMDAs.

The harmonisation of the CB needs should be guided by the eligible target groups for the support. Intended beneficiaries include staff of the District Administration, Decentralised Departments, Sub-districts and Revenue Collectors. In addition, the elected and appointed politicians of the Assembly will be also covered by training programmes.

The range of skills development and organisational strengthening needs for all MMDAs is to be tabulated according to the following thematic areas:

1. Management and Organisation
2. Human Resource Development
3. Planning and Budgeting
4. Financial Management and Administration, Accounting and Auditing.

Determination of Mandatory Capacity Building Needs by LGS: Following the collation and tabulation of the capacity building needs, the LGS will extract the needs to be delivered from the national level.

The rest of the needs will fall into the demand driven capacity building needs to be addressed from MMDA sources.

6.4 Disbursement of Funds for the Capacity Building Support

The DDF Secretariat will receive funds annually for the implementation of the FOAT from the 40% CB allocations. The rest of the 40% will be available for delivery of mandatory CB need by the LGS.

The procedure for the release of the CBG will follow Generally Accepted Accounting Practices. Upon the approval of the DDF allocation by the SC, MLGRDE will direct the CAGD to transfer the investment as well as the **Demand Driven Capacity Building allocations** into sub-consolidated fund of the respective MMDAs. **For Mandatory Training Requirements**, MLGRDE

will direct the CAGD to transfer such funds into the DDF account of the LGS and the DDF Secretariat.

6.5 Management of the Capacity Building Grant

The CBG will be managed at two levels – national and district.

At the **national level**, the LGS will be responsible for the overall coordination and management of the CBG. In addition, the LGS will manage and organise the mandatory training needs. Management of the mandatory capacity delivery will involve the following:

- a. Preparation of work plan and budget for mandatory CB (training session/workshop);
- b. Procurement of service delivery institutions/firms;
- c. Orientation of Service Providers;
- d. Review of training manuals;
- e. Selection of the appropriate target groups for each of the training sessions to be organised;
- f. Determination of unit cost for the delivery of the modules;
- g. Organisation, coordination and evaluation of training sessions/workshop;
- h. Preparation of quarterly progress reports including training and trainer evaluation;
- i. Preparation of CBG utilisation report for submission to CAGD.

At the **district level**, the LGS will inform the MMDAs of the CB needs to be provided from the national level. This will enable the MMDAs to plan for the rest of the CB needs based on the direct allocation made to them. The MMDAs will then develop detailed capacity building activities for inclusion in their Annual Plans and Budgets (see Annex 6 for the format). Subsequently, the DDF allocations released annually will be for both the Development Grant (conditional entitlement plus performance) and CBG.

The LGS will annually prepare costing guidelines for MMDAs reflecting cost per training modules for training to be delivered at the regional and MMDAs levels.

The MMDAs will address their demand driven capacity building need (skills development, logistics and organisational issues) by going through the procurement process. MMDAs, in selecting a service provider will consider their experience, proximity and accessibility as well as cost of service delivery. MMDAs in a region may collaborate to procure Service Providers for efficiency and economies of scale consideration. Information on districts with similar CB needs can be obtained from the LGS web-site. The regions will play a facilitating role to guide the MMDAs for sessions to be held at the regional level.

As part of the implementation of the Annual Action Plans and Budgets, MMDAs will report on the implementation of CB activities as part of their quarterly reporting to the NDPC, MLGRDE and LGS. In addition, the MMDAs will report on the CBG utilisation report to the CAGD with copy to the ODACF.

The Role of the Region in facilitating capacity building plan preparation and training delivery: Before the MMDAs prepare their capacity building plans and budgets:

- a regional meeting of the DCDs, Planning Officers and the District Human Resource Officers, the Regional Coordinating Director and Regional Human Resource Officer will be held. This meeting is to agree in each region which training sessions are to be

implemented at the regional and district levels and who will facilitate procurement of service providers for the regional training sessions.

- the choice of whether a training session should be held at the regional or district level should be guided by the cost considerations.

This means that economies of scale will have to be exploited if and where possible. If analysis of the FOAT results shows, for example, that specific training needs occur frequently across a region, the possibility of regional rather than district training sessions must be considered.

6.6 Accreditation of Service Providers

Service Providers to deliver skills development training to MMDAs will be accredited to ensure that the MMDAs source qualified firms and institutions. The Management and Technical Services and the Human Resource Directorates of the LGS will jointly undertake the accreditation of the service providers across the country. The accreditation system for Service Providers will pre-qualify firms and institutions on the basis of:

- Legal status
- Income tax clearance certificate
- SSNIT clearance certificate
- Track record in specific thematic areas
- availability of qualified personnel to undertake assignment

The competences of the facilitator will be evaluated in terms of Positive behaviour, Effective communication, Classroom management, Knowledge of adult learning and Technical knowledge.

Monitoring and evaluation of training providers will take into account the following:

- key indicators to measure the impact of the training programme on participant's knowledge or attitudes towards specific work behaviours;
- selected indicators to monitor the efficiency of the implementation process; and
- plans prepared showing how and when to collect data to measure these indicators so as to reliably measure changes.

The development of an accreditation system for service providers will take into account the thematic areas of the FOAT and the Training Modules, in addition to efficiency concerns relating to the use of service providers across the country. The following will also have to be developed as part of the accreditation system to guide the MMDAs and LGS.

- Standardised costing of the delivery of the different Training Modules at the district and regional levels for each of the regions to guide the districts.
- Mechanisms for evaluating the performance of the accredited providers. The evaluation function will be carried out by the Regional Coordinating Council and the LGS.

The firms and institutions accredited will be given generic training tools to ensure delivery is also standardised as much as possible across MMDAs.

Following the pre-selection process, the LGS will establish a database of the firms and institutions as well as communicate it in writing to all MMDAs. The database will also be web-based to allow easy and continuous access.

6.7 Mechanism for Monitoring and Evaluation of Service Providers' Performance

Activities of service providers occur at two levels: **At national and District levels.**

At national level, capacity building will generally take the form of training (workshop, sensitisation, orientation, induction, experiential learning, seminars, meetings etc.) aimed at improving the skills and performance of MMDA actors.

At the District level, the capacity building needs will take the form of provision of (a) skills development through training (workshop, sensitisation, orientation, induction, seminars, meetings etc), coaching, experience sharing, attachments, understudies, study tours etc. (b) organisational strengthening and (c) logistics.

The management activities involved in training as a capacity building activity include:

1. **coordinating** the actual training
2. **monitoring** the responsiveness of the training delivery; and
3. **evaluating** the impact of the training on participants' knowledge and behaviour.

To monitor capacity building at both the MMDA and national level the following Key M&E indicators are required:

- a. Publication of CBG to allow for transparency;
- b. **Key outputs (reports):** Existence of relevant reports showing valid evidence and compliance status constitutes key indicators;
- c. **CBG accountability:** This financial statement coupled with bank reconciliation statement show how the allocation disbursed to the recipient has been utilised.
- d. **Timely utilisation of CBG:** The timelines of incurring and paying for expenditure allows for early translation of the effect of the training into behavioural change;
- e. **Improved performance in Financial management, Planning and procurement:** This is an indicator for lack of transparency and accountability;
- f. **Improved service delivery in MMDAs:** This is the ultimate and an invaluable mark for downward accountability;
- g. Other key gaps.

6.7.1 *Evaluating Training Effectiveness*

Three major levels of training evaluation will be considered by LGS:

1. **Pre-activity Level:** which shows the objectives and relevance of the course, suitability of the service provider, training materials and the methodology to be applied by the training provider;
2. **Reaction Level:** focuses on how participants reacted to the training programme;
3. **Organisational/Functional Level (Results);** Organisational impact addresses whether the applied knowledge and skills positively affected the organisation's desired results.

The above are presented below:

Table 6.1 Monitoring and Evaluation at the National Level

Stage to Monitor	What to monitor	Person/Institution responsible	Evaluation tool to use
<i>Pre-Activity Level</i>	<ul style="list-style-type: none"> FOAT and comprehensive capacity building plan. Comprehensiveness of other CNA Progress Report 	Training providers	Evaluation of training proposal. Pre-training questionnaire
<i>Reaction Level (at end of Training)</i>	<ul style="list-style-type: none"> Evaluation report of training providers Review of methodology 	Training providers, LGS	Training Evaluation Report. End of training test, assignment etc Composite report
<i>Organisational/ Functional Level</i>	<ul style="list-style-type: none"> Training report Report on Improvement in performance 	LGS	FOAT assessment

6.7.2 Developing a Detailed Monitoring and Evaluation Plan

Monitoring and evaluation of training programmes will take into account indicators and tools for evaluating the outcomes as listed in Table 6.2 below.

Table 6.2 Monitoring and Evaluation at the MMDA Level

Stage to Monitor	What to monitor	Person/Institution responsible	Evaluation tool to use
<i>Pre-Activity Level</i>	<ul style="list-style-type: none"> FOAT capacity gaps and capacity building plan. Objectives and goals set Appropriateness of training Relevance of course content Suitability of service providers, training materials and methods 	LGS, RCC (HRM Unit)	Evaluation of training proposal. Pre-training questionnaire
<i>Reaction Level (at end of Training)</i>	<ul style="list-style-type: none"> Effectiveness of delivery Appropriateness of materials Effectiveness of methodology Attitudes of trainees about trainers Usefulness of subject matter 	Training provider, Organiser , DPCU, RCC (HRM Unit), LGS	Training Evaluation Report. End of training test, assignment etc
<i>Organisational/ Functional Level</i>	<ul style="list-style-type: none"> Review of intervention at organisational stage Outcomes Contribution of training to organisation's performance 	LGS, RCC(HRM Unit)	FOAT assessment

As part of the process of M&E it is important to measure changes in knowledge and attitudes. And these can be achieved through the following:

- a pre and post questionnaire, administered before and after training, measuring knowledge about key facts;
- an evaluation form on which each participant has an opportunity to rate and comment on the training (See Annex 7);
- baseline and follow-up in-store surveys (similar to the surveys carried out during the assessment phase) that measure certain aspects of knowledge, access to information etc.;

- follow-up focus group discussions of trainees to examine experiences with the new behaviours or reasons for failure to change behaviour.

6.7.3 *Reporting by Trainers*

The trainers will produce a report for each session which describes:

- the trainer who conducted the group, and when and where it was held;
- the number and background of participants, as well as those who were invited but did not participate;
- the cost of conducting the group, including transportation, lodging, room rental, materials, etc.;
- key positive or negative issues that were raised by participants in regard to the behaviours recommended in the training;
- measures of participants' knowledge of key facts about the subject matter before and after the training;
- evaluation by participants of the strengths and weaknesses of the training, and the usefulness of its contents;
- the trainer's comments about positive or negative aspects of the session.

7. DDF Financial Management Guidelines

7.1 Introduction

This section presents an overview of the public financial management arrangements pertaining to the DDF. It is important to emphasise that the DDF is to operate fully within the existing legal and regulatory framework for public financial management and administration. Consequently, the activities and processes discussed in the overview below are not DDF-specific, but are also relevant to all funds that are charged to the Consolidated Fund.

The guidelines are based on the activities and time-table presented in the consolidated Annual Plan of Operations for the DDF-FOAT system (*included as Annex 1*) and draws on guidelines from initiatives anchored on the legal and regulatory framework such as the District Wide Assistance Project (DWAP) and the Community Initiated Food Security (CIFS) project.

In FY 2008, the DDF will operate as a separate single funding stream to MMDAs, in addition to the DACF, as government explores possibilities of integrating the two streams in the coming years. Each MMDA will receive funds each year depending on how it performs. DDF will operate on an annual programming cycle of MMDAs as a result effort will be made to align it with the cycle of planning and budgeting at the district level.

7.2 Governance and Management of the DDF

7.2.1 *The Legal and Regulatory Framework for Financial Management and Administration*

The current public financial accountability arrangements, namely accounting, reporting and auditing derive from the 1992 Constitution and are also specifically covered under the Financial Administration Act (FAA), Act 654 of 2003; Financial Administration Regulations (FAR), L.I. 1802 of 2004; Financial Memorandum for Municipal and Urban Councils of 1961 and update in 2004; The Local Government Act, 1993, Act 462; the Audit Service Act, 2000, Act 584 and the Internal Audit Agency Act 658 of 2003.

The Financial Administration Regulation (FAR), L.I. 1802 details out matters such as the responsibilities of government officers, budget process, virement authority, government accounts, supplies and stores, expenditure control, and financial and accounting records.

These legal and administrative regulations create a framework for assessment of **accountability and transparency in financial management**. For downward accountability and transparency, beneficiaries are challenged to participate in the identification of local priorities for planning, budgeting, implementation and project monitoring. In addition to presenting the plan and budget at the General Assembly meeting, the MMDAs are required to publish the financial information (the budget the receipt of fund and financial statements) either on notice boards or through public hearing.

7.2.2 *The Development Menu for the DDF expenditures*

The Development Menu for the DDF defines the types of expenditure the grant can be accessed for. It is important to emphasise that the DDF does not come with sector specific conditionalities but to implement development priorities within MTDPs and Annual Action Plans and Budgets and thereby promote budget autonomy at the district level.

The basic frame of reference for the Development Menu therefore is the existing classification of expenditures under the Medium Term Expenditure Framework (MTEF). Since the DDF is introduced as a performance based development grant, it can be used for expenditures under MTEF Item 2 (Maintenance of Furniture and Fixtures, Machinery, Plant and Equipment, and Buildings); Item 3 (HR capacity building – Training/Workshops/conferences) and Item 4 (Construction works and Rehabilitation expenses on Plants and Buildings).

The allowable and non-allowable expenditures are outlined below:

a) Allowable Expenditure to be financed from DDF

Generally, allowable expenditure shall include social infrastructure construction such as Education, Health, water and sanitation.

As a guiding principle, any expenditure from the DDF should benefit the communities at large in a given district.

- Maintenance (MTEF Item 2: Administration)
MMDAs may use 10% of the annual DDF allocation for maintenance purposes, provided that this use is backed up by a maintenance plan and budget. Allowable expenses relate to maintenance of furniture and fixtures, plant and machinery and general equipment – **all of which are not for residential or office use.**
- Capacity Building Component (MTEF Item 3: Service Activity Expenses)
DDF expenses such as for training/workshop/seminar/conferences/meetings and advertisement to procure service providers are allowed but will need to be justified by the FOAT exercise.
- Construction works (MTEF Item 4: Investment /activity Expenses)
Relevant expenses include: construction of new projects (Consultancy fees; Contractors fees; Site Preparation; Permits and legal fees; Construction materials; Sanitation facility, and Water System); and Rehabilitation expenses on buildings and plant and machinery. Others are purchase of plant and equipment, furniture, motor bikes, and bicycle. New projects such as educational facilities, health infrastructure, markets etc. are strongly recommended. (See Annex 8 for MTEF Chart of Account details).

b) Disallowable Expenditure

Items that cannot be financed from the DDF include:

- investments outside of the MTDPs and Annual Plans;
- investments of a private nature; and
- purchase of cars and similar consumption expenditure.
- purchase of plants and equipment; furniture; motor bikes; computers and accessories; other capital expenditure, unless these are otherwise justified by the FOAT exercise.
- Construction and furnishing of District Administration offices and residential accommodations.

Note: The CAGD will always accompany each DDF release with this section (7.2.2) to each MMDA

7.3 Roles and Responsibilities of National Institutions

The roles and responsibilities of GoG institutions involved in DDF implementation including the MLGRDE, MoFEP, Controller and Accountant General's Department (CAGD) the Office of the District Assemblies Common Fund (DACF), the Ghana Audit Service (GAS), the Regional Planning and Coordination Unit (RPCU) are outlined subsequently.

7.3.1 Ministry of Finance and Economic Planning (MoFEP)

MoFEP is the principle signatory to the DDF Co-funding arrangement and is responsible for the flow of funds through the GoG system. MoFEP will also play a major policy-making role as a member of the Steering Committee. MoFEP's operational duties will comprise the following:

- Participate in ongoing policy and operational dialogue with DPs and MLGRDE;
- Ensure timely transfer of DDF resources to the CAGD;
- Ensure that appropriate financial systems are in place for the accounting of funds, which meet both GoG and DPs requirements;
- Ensure that the Ghana Audit Service is sufficiently resourced to conduct annual audit assignments promptly.

7.3.2. *Ministry of Local Government, Rural Development and Environment*

MLGRDE has operational responsibility to coordinate the activities of all DDF participating agencies and to take whatever measures necessary to ensure that the DDF operates within established legal and regulatory procedures.

Its mandate is to oversee the operations of the regions and districts as institutions. In this role, MLGRDE will play an overall monitoring and coordinating role for DDF in order to identify and resolve implementation problems. MLGRDE key responsibilities include:

- Chair the Steering Committee;
- Ensure that the Local Government Service (LGS) is well resourced to deliver on its mandate in respect of the DDF;
- Liaise with MoFEP to ensure that DPs receive any information from the GoG relating to financial policies and procedures that could impact on the DDF.
- Through the SC assess DDF implementation performance and whether adjustments to policies and procedures are required.
- Procure of firms for the FOAT assessment;
- Orient the Assessment Teams annually;
- Coordinate FOAT implementation and consolidate assessment results and reports;
- Work in collaboration with ODACF based on the five scoring categories to determine allocations for each MMDA;
- Cooperate with other stakeholders in any activities relating to monitoring and evaluation of DDF implementation activities.

7.3.3. *The Local Government Service*

The Local Government Service Act (Act 656) establishes the Local Government Service and provides for the objects, functions, administration of the Service and related concerns. The functions of the Service include the provision of technical assistance to the DAs and RCCs to enable them to effectively perform their functions and discharge their duties; conduct organisational and job analysis; design and coordinate management systems and processes. Others include the execution of management audits of RCCs and the MMDAs to improve overall performance of the Service and assist the RCCs and MMDAs to perform their statutory as well as related responsibilities.

The Local Government Service is responsible for:

- collate and consolidate capacity building needs from the FOAT;
- derive the capacity building allocations to be received by each MMDAs;
- prepare budget for the proportion of the 40% of the CBG meant for the delivery of mandatory capacity building needs to MMDAs; and
- prepare reports covering its operations for the consideration of the SC.

7.3.4 *Controller and Accountant General's Department*

The Controller and Accountant-General's Department is the department under the Ministry of Finance and Economic Planning (MoFEP) charged with the responsibility of managing all government and donor funds in the country. It is the unit responsible for the existing public financial accountability systems and has overall responsibility for maintaining professional accounting standards, ensuring that departments have efficient accounting systems and are compiling as well as submitting financial statements for government as a whole. At the end of the year the CAGD draws up, signs and sends to the Auditor-General and the Chairman of the Public Accounts Committee a set of consolidated public accounts and financial statements for the government as a whole. The Financial Administration Regulations, 2004 (FAR), specifies the role of the Controller and Accountant General as both Chief Adviser on government accounting and as head of the Accounting Class.

As one of the strategies to improve financial management in the Public Sector, the CAGD undertook Treasury Realignment Reforms which sought to:

- ❑ operationalise the concept of integrated financial management so that the treasuries become an integral part of the MDAs and MMDAs as the manager assures control over all resources including human,
- ❑ streamline the current disbursement process in order to facilitate **fiscal decentralisation**,
- ❑ shorten the procedures for accessing and disbursing funds.

Treasury alignment is to operationalise the new concept of integrated financial management, and address organisational as well as systemic issues. The treasury realignment has brought the whole system of disbursement, accounting and reporting under the direct control of the Head of the MDA.

Receipt and disbursement of District Development Fund by CAGD

- MLGRDE will advise CAGD to establish a DDF-Dollar Account with Bank of Ghana (BOG) as well as a DDF- Cedi Account within the BOG Consolidated Fund.
- The CAGD will by a standing order request the BOG to convert donor funds in the DDF-Dollar Account into the DDF-Cedis Account as and when the donor funds are available.
- Based on the approved allocation and subsequent issuing of directives by MLGRDE, the CAGD will transfer funds into the SUB CONSOLIDATED FUND ACCOUNT when they have fulfilled all reporting obligations.
- Upon advise from MLGRDE (Chairman of SC) MoFEP will issue warrants for the 40% CB component of the DDF to LGSS and DDF Secretariat. CAGD will respond appropriately.
- Finance Officer will submit WEEKLY transaction data on receipts and payments along the same lines as with Central budgetary allocation.
- MMDAs and other participating agencies will submit monthly and annual report on receipt and utilisation of DDF to the CAGD with copies to ODACF in accordance with the formats in the CAGD-approved District Accounting Manual and the requirements of the Financial Administration Regulations (L.I. 1802) respectively. (Note: MMDAs are required to incorporate DDF fund receipts and utilisation in the financial returns for submission).
- CAGD, on monthly basis, submit Fund Receipts, Disbursements, and Utilisation Reports to SC.
- Establish database on district monthly financial reports and submit recommendations on performance to the MLGRDE.
- Support and participate in processes associated with monitoring, analysis of DDF utilisation and the formulation of policy recommendations.

NOTE: THERE WILL BE NO DEDUCTIONS AT SOURCE FROM MMDAs' DDF ALLOCATION.

Accounting: The CAGD will also ensure that accounts are kept in accordance with the requirements of the FAA and FAR. All accounting and reporting will comply with GoG-approved Accounting Standards in force.

7.3.5 Office of the District Assemblies Common Fund (ODACF)

The Administrator of the office of the District Assemblies Common Fund (ODACF) will:

- a. assign designated staff to handle the DDF.
- b. advise MoFEP to release GoG portion of the DDF to the DDF-Cedi Account held with Bank of Ghana.
- c. receive copies of financial reports from the districts;
- d. Ensure that there is an effective information management system in place. The information management system is to ensure effective data management by tracking yearly allocations, projects implemented and financial data on a continuous basis;
- e. Undertake surveillance monitoring of DDF resources.

Reports and Reporting: For the DDF, the ODACF will:

- receive copies of financial reports from the districts;
- prepare and provide the following reports with respect to its activities and responsibilities for DDF:

- Analyse and document the findings from the reports and monitoring visits for the attention of MLGRDE, and make timely recommendations with respect to variances or irregularities identified quarterly.
- Support and participate in processes associated with monitoring, analysis of DDF utilisation and the formulation of policy recommendations.

7.3.6 *Ghana Audit Service (GAS)*

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, 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.

As part of their routine activities, Ghana Audit Service (GAS) will perform annual operational audit of all MMDA and other beneficiary agencies. In addition they will perform special audits to address problems identified through regular monitoring. As an ex-post review of financial statements, financial systems, records, transactions and operations of organisations, it will seek to identify weaknesses in internal controls and financial systems and make recommendations for improvements. The main function of the GAS therefore is to establish acceptable levels of compliance with legal and regulatory framework.

The GAS annual audit reports will provide a summary of findings and recommendations revealed through the audit, and it is expected that the DDF resources made available to the MMDAs will be part of this annual audit. The audits shall follow either International Standards of Auditing (ISA) or audit standards issued by International Organisation of Supreme Audit Institutions (INTOSAI).

7.3.7 *Regional Planning and Coordinating Unit (RPCU)*

The main roles and responsibilities of the Regional Planning Coordinating Units (RPCU) with respect to the implementation of DDF are:

- Coordinate and provide technical support for the preparation of annual plans and budget including capacity building plans to ensure that they are in line with the MTDPs and its associated guidelines.
- Monitor and evaluate the implementation of Annual Action Plans and Budgets of the districts.
- Produce quarterly reports on their operations to the LGS, NDPC and MLGRDE.

7.4. **Roles and Responsibilities at the District Level**

Districts will plan, implement and account for funds in accordance with GoG planning, budgeting and financial management systems. To facilitate the annual assessment process, the MMDAs shall establish an effective data bank to facilitate swift retrieval of data for assessment purposes. As final implementing units, the MMDAs will prepare detailed annual activity plan and budget in line with their MTDPs based on planning cycle. Thus, the DDF cycle is tied to the annual planning cycle of the MMDAs.

Receipt of Funds: The MMDAs will need to comply with the readiness criteria to be established for the purposes of operationalising the Fund. This will include:

- Evidence of the availability of a management team, a financial management system and identified location. Provision of data on the **District's sub-consolidated fund account** for the purposes of the transfer of DDF resources into such account.
- A designated DDF Ledger account to be opened and the necessary additional accounting records to be established, awaiting the release of funds. **Note: Separate books of accounts will be opened for the DDF.**
- MMDAs in compliance with the legal and regulatory framework will record and acknowledge receipt of funds appropriately.

Utilisation of Funds:

- A short memorandum from the accredited officer will be issued to the DCE (the Authorising Officer) who minutes it to the DCD (the Spending Officer) who is the chief administrative officer requesting a release of funds for budgeted activities;
- The DCD will deal with the remaining steps by instructing the Metropolitan, Municipal and District Finance Officer (DFO) to raise the Payment Voucher for release of fund for implementation of the approved activity.
- Accounts Officer raises a Payment Voucher to be passed for payment by both DFO and the DCD;
- Cheque will be prepared for signing by the designated signatories usually the DCD and the DFO with the DCE endorsing the disbursement forms/warrant and the cheque;
- Cheque will be released after entries have been made in Cash/Cheque Payment Register. Recipient signs both the Payment Voucher (PV) and the register to authenticate collection.

Disbursements for Construction Works

- Payment certificate will be raised by the consultant or engineer;
- Inspection reports will be prepared by the local monitoring team;
- Warrants will be prepared by the Budget Analyst for the DCE's authorisation;
- Disbursement forms will be raised and signed by the DCE, the DCD and the DFO
- Payment Vouchers will be prepared by the DFO, authorised by the DCD for the approval by the DCE;
- The Internal Audit Section pre-audits Payment Vouchers;
- Cheques will be signed by the DCD and the DFO.
- The DFO will prepare the accounting records for the purposes of safeguarding and reporting.

Record Keeping

Accounting record keeping is absolutely indispensable for efficient financial reporting and decision making. For DDF, book-keeping will be structured clearly enough to report according to MTEF Cost classifications for investment activities, capacity building and maintenance expenses. All participating institutions will keep records of receipts and disbursements for the period in accordance with established GoG procedures.

Books of Accounts and Financial Documents to be Kept and Reporting: The books of account and other records to be established in order to account for funds received are:

The Cash Book is to be used to record cash receipts and payments; the structure and design may compare favourable with that used for the recording expenses relating to the utilisation of the District Assemblies' Common Fund.

Expenditure Analysis Ledger will be used for recording the expenses according to classification; Stock Ledger for recording materials and stationeries procured and issued to works etc;

Fixed Assets Register will be used to record all fixed assets and relevant data on them resulting from DDF disbursements;

Fund Ledger for funds received;

Contract Register, this book will be used for keeping account of all contract awarded and payment made;

Working Advances and Payable Ledger: These books will be used for recording mobilisation and owings respectively. They facilitate the accrual basis of accounting.

Other records to be kept include:

- Procurement and contract files;
- Payment Vouchers and Waybills Files;
- Local Purchase Orders, Stores Receipt Vouchers, Stores Issue Vouchers, Files;
- Register of Cheque Released;
- Receipts Books and Other Value Books.

The appropriate books of account and other recording documents will be established to make fund accountability and reports preparation simple and effective.

Regulation 189 of the Financial Administration Regulations (FAR), L.I. 1802 of 2004, mandates the head of the department to submit monthly statement of revenue and expenditure to the Controller and Accountant-General in a form provided for in the Departmental Accounting Instructions. Regulation 190 of the FAR charges the head of department to submit, within three months of the end of each financial year, the accounts of the department.

All **MMDAs** will submit monthly and annual financial reports regularly, to CAGD with copies to ODACF. (Note: for monthly reports, the deadline is by the 15th day following the month to which the report relates; and for annual reports it is by 31st of March following the year to which the report relates).

DDF implementation Progress/Activity reports will be generated on quarterly basis for submission to the MLGRDE, NDPC and the RPCU with copies to ODACF. The outline is provided in Section 8.2.2.

7.5 Auditing

7.5.1 Internal Audit

With the enactment of the Internal Audit Agency Act, 2004 (Act 658), it is envisaged that, all MMDAs will have Internal Audit Units. All transactions relating to the DDF will have to be audited internally alongside regular audits of all district funds. Internal auditing is the independent appraisal of the operations of the organisation by measuring and evaluating the effectiveness of other controls. Under the DDF, typical issues which internal audit will appraise and report on to management will include:

- the effectiveness of accounting, financial, operational controls and any need for their revision;
- the extent of compliance with prescribed policies;
- the reliability of accounting systems, data and financial reports;
- methods of remedying weak controls or creating them when there are none; and
- verification of assets and liabilities.

7.5.2 External Audit:

Districts will on annual basis be audited by the Ghana Audit Service (refer to Responsibilities of the Ghana Audit Service). Districts will ensure that their responses to audit observations during the Exit Interview organised by the Ghana Audit Service are incorporated in the Draft Audit Report received from the External Auditors. By Part 3 Section 29 of the Ghana Audit Service Act 584 of 2000 all districts must respond to audit observations within 30 days. Districts will use their Audit Report Implementation Committees to implement audit recommendations.

7.6 Flow of Funds

National Level Responsibilities

The Ministry of Finance and Economic Planning is charged with the responsibility of mobilising resources required for the DDF. The MLGRDE, MoFEP and DPs will decide on funding proportion for the DDF pool. MoFEP will ensure timely release of funds into the DDF Account opened with BoG.

MLGRDE will advise CAGD to establish a DDF-Dollar Account with Bank of Ghana (BOG) as well as a DDF- Cedis Account within the BOG Consolidated Fund. The CAGD will by a standing order request the BOG to convert donor funds in the DDF-Dollar Account into the DDF-Cedis Account as and when the donor funds are available.

SC approves the allocation to the individual MMDAs as well as the allocations for the 40% CB to LGSS and the DDF Secretariat. The DACF Administrator will advise MoFEP to release GoG portion of the DDF to the DDF-Cedis Account. The MLGRDE (the Chairman of the DDF Steering Committee) will advise the CAGD to release approved allocation of DDF funds directly to the MMDAs using the MMDAs Sub-Consolidated Fund Account. The MLGRDE (Chairman of SC) will advise MoFEP to issue warrants for the 40% CB component to LGSS. The LGSS will draw the funds for the 40% CB component according to financial regulations for Ministries, Departments and Agencies. The flow of funds is presented in Diagram 7.1a & 7.1b:

Diagram 7.1a – Flow Chart under the DDF

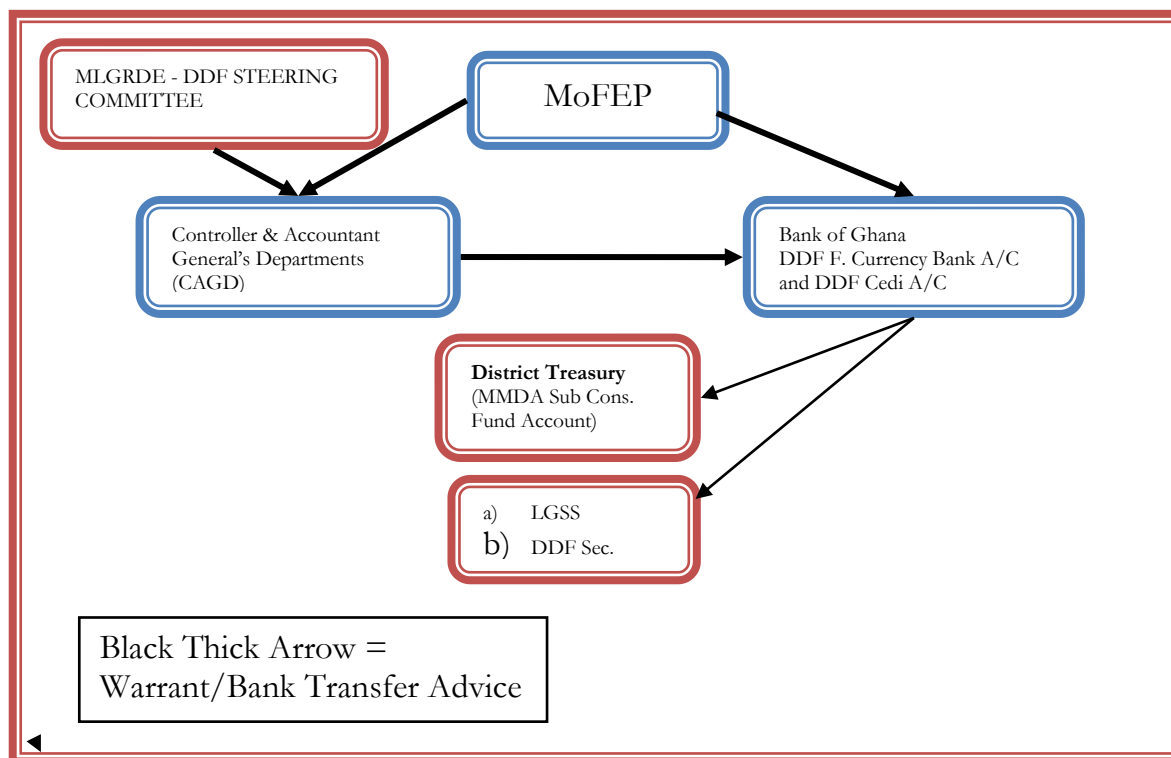
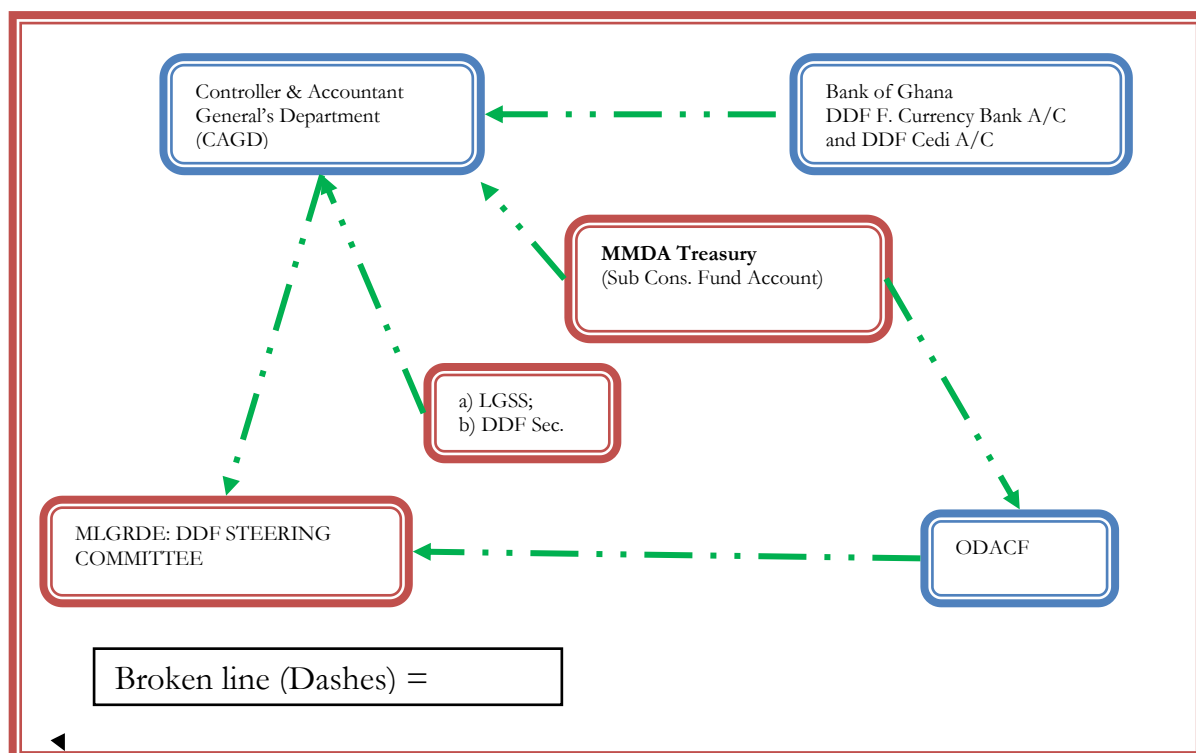


Diagram 7.1b – Flow Chart under the DDF



The step wise process of the flow of DDF resources is outlined in Table 7.1 below.

Table 7.1 Fund Release Time Lines

Activity	Responsibility	Deadline
MLGRDE submits FOAT results to ODACF to compute allocations for attention of the Steering Committee.	MLGRDE	July
The DDF Secretariat submits computed allocations to Steering Committee for final approval.	DDF Sec./ODACF	July
GoG and DPs lodge respective fund in the account	MoFEP	December
MoFEP will inform MLGRDE in writing of fund availability	MoFEP	December
The DDF Steering Committee, based on assessment report, informs MoFEP to transfer fund into DDF bank account held at BoG.	SC/MLGRDE	December
MoFEP to transfer funds into DDF bank account.	MoFEP	December
The Steering Committee now instructs CAGD to transfer allocations to MMDAs after satisfying other financial management requirements	SC/MLGRDE	January
All transfers to MMDAs and LGS completed.	CAGD	January

8. Reporting, Monitoring and Evaluation

8.1 Reporting Schedule

The table below provides the periodic reporting schedule for the DDF.

Table 8.1: Reporting Schedule

Type of Report	Responsibility	Frequency	Recipient
District Financial Reports	Districts	Monthly financial reports, Yearly Summary reports	CAGD, ODACF
MMDAs Activity Implementation Reports	Districts	Quarterly	MLGRDE, RPCU, NDPC
Monitoring Reports	RPCU	Quarterly	MLGRDE/NDPC
Participating Agencies' Financial Reports	RPCU, LGS, GAS, ODACF	Monthly	MLGRDE
Quarterly Financial Report	CAGD	Quarterly	MLGRDE
Annual Financial Performance Report	CAGD	Yearly	MLGRDE
Special Audit Reports	GAS	As requested by Steering Committee	SC, MLGRDE
Scheduled Audit Reports	GAS	As per Audit Work Plan schedule	
Annual Activity Report	MLGRDE	Yearly	Steering Committee

8.2 Roles and Responsibilities

There are a number of institutions with monitoring responsibilities of the MMDAs. These include MLGRDE, LGS, ODACF, NDPC, RPCUs and CAGD. In addition to these, the MMDAs also have responsibility to monitoring their own activities. A quick overview reveals some level of overlap. However, this section seeks to clarify the monitoring responsibilities, the outputs generated and how these will be effectively used at the various levels in compliance with the available framework and mandate of the various institutions involved.

8.2.1 *Monitoring and Evaluation by National Level Institutions*

MLGRDE: The Ministry with overall responsibility for decentralisation policy development and monitoring of the local government system will monitor the operations of the LGS, DACF, RPCUs and MMDAs with respect to compliance with policy directives. Currently, the monitoring responsibilities under MLGRDE are not well coordinated. Institutions involved include the Monitoring Unit, Inspectorate Division and the LGS.

The Monitoring Unit of the MLGRDE currently undertakes monitoring of projectised activities. The Inspectorate Division of the Ministry also monitors the district sources of funding through the submission of financial report, the performance of the IGF of districts and compliance with the gazetted fee fixing resolutions as well as legislative Instruments of the assembly. Their mandate also includes field monitoring.

Under the DDF, the MLGRDE's Monitoring Unit will need to focus more on policy monitoring and work together with the Inspectorate Division towards coordinating activities and producing one report for the attention of the SC at its meeting in August each year. Data emanating from this effort will be used to build a data bank to track improvements of the MMDAs and inform how the FOAT indicators should be strengthened for improved institutional performance and other policy concerns.

LGS: In line with its mandate to undertake performance monitoring of the MMDAs and the RCCs under LGSA, the LGS will undertake regular monitoring of the performance of personnel at the district and regional levels. With the introduction of the FOAT/DDF, the Service will also need to monitor Service Providers delivering training to the MMDAs.

The outcome of the MMDA and RCC monitoring will also inform policy as well as review and implementation of the FOAT/DDF.

DACF: This Unit undertakes financial monitoring of only DACF resources. This happens in two forms – in-house using the reports submitted by the MMDAs and field surveillance monitoring to a selected number of districts in a year to follow up on issues emerging from the financial reports submitted.

National Development Planning Commission (NDPC): NDPC issues guidelines for the preparation of Medium Term Development and Annual Action Plans in line with GPRS II. The Commission issued guidelines for the preparation of District Monitoring and Evaluation Plans in 2006 to ensure that the MMDAs monitor and evaluate the implementation of the MTDPs and AAPs. It is implied that NDPC will monitor the implementation of the MTDPs and AAPs, however, in practice it undertakes beneficiary assessment as a detailed study with validation checks of reports of selected MMDAs. Reports emanating from this exercise together with others will facilitate the Commission's preparation of Annual Progress Reports for GPRS II. This responsibility will continue under the implementation of the DDF/FOAT.

8.2.2 *Monitoring by Regional and District Institutions*

For the **regional and district levels**, The NDPC M&E guidelines provide a good guide to MMDAs and the RCCs in terms of monitoring and evaluation. The DPCUs and RPCUs countrywide have been trained to use this tool.

At the **regional level**, an 11-member RPCU team will be required to fulfil their mandate outlined by the guidelines which among other things mandates 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 LGS, MLGRDE and NDPC. 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 LGS.

At the **district level**, similarly the DPCU has an 11-member team to undertake routine monitoring on all their projects and programmes in line with monitoring plans prepared for the year. The responsibility of the Unit outlined in the M&E guidelines is to be complied with. Through the implementation of the MTDPs and AAPs, the MMDAs are expected to meet Core District Indicators outlined by the M&E guidelines. Currently, the MMDAs undertake the monitoring but reporting to the region, NDPC, LGS and MLGRDE has been weak. NDPC and MLGRDE will need to ensure that their outfits with responsibility for the monitoring focus on tracking the responsiveness of the MMDAs to this requirement.

To facilitate the work of the regions and national level institutions, primary data based on the outline below will be compiled:

Table 8.2 Programme/Project Register Format⁷

1	PROGRAMME/PROJECT NAME
2	GPRS II THEMATIC AREA
3	SECTOR
4	Project Description
5	Project Location
6	Contractor
7	Source of Funding
8	Date started
9	Expected completion date
10	Contract sum
11	Expenditure for the Reporting Period
12	Expenditure to date
13	Project Implementation Status
14	Remarks

The DCD will need to ensure that the DPCU is well resourced to execute its monitoring mandate. The above will be presented in a tabular form to NDPC, MLGRDE, LGS and DACF on quarterly basis as part of the overall District Monitoring and Evaluation Report Outline below:

⁷ NDPC (October 2006): Guidelines for the preparation of The District Monitoring Evaluation Plan under the Growth and Poverty Reduction Strategy (GPRS II) 2006-2009

Title Page

District
M&E Report for (time period)

Introduction

Purpose of the M&E for the stated period
Process involved and difficulties encountered
Status of implementation of the DMTDP

M&E Activities Reports

Programme/Project status report for the quarter or year (same as Table 8.2)
Update of disbursement from funding sources
Update on Indicators and Targets
Update on Critical Development and Poverty Issues
Participatory M&E and other studies

The Way Forward

Key Issues addressed and those yet to be addressed
Recommendations

The Ghana Audit Service will use all these reports generated by the various institutions in the fulfilment of its mandate.

8.2.3 *Evaluation*

Evaluation of the DDF modality will take place at two levels.

National Level

At the national level, evaluation of the system will take two forms. The first will be an annual review of the system, whilst the second will involve a medium term review with a three year time horizon.

The annual reviews of the implementation of the system will seek to address operational inadequacies and weaknesses. It will be the responsibility of the SC to undertake the review, and this will be informed by the reports of the FOAT exercise, GAS, LGS, DACF, CAGD, MLGRDE and the monitoring observations of the Committee.

The three-year review of the DDF will be an entire evaluation of the system, in terms of the design of the funding mechanism, impact on district development agenda, broadening of the scope of the funding modality and indicators for the assessment of performance among others. This will involve specific studies to assess the effectiveness or otherwise of the system. The SC will have the responsibility of organising the review under the auspices of MLGRDE. The evaluation process will seek to engage stakeholders at the policy, regional and district levels for a comprehensive overview.

District Level

At the district level, there is no specific framework outlined for the DDF, as such modalities for the evaluation will be in line with the M&E guidelines issued by the NDPC (or subsequent amendment made by the Commission) for the implementation of District Medium Term Development Plans.

Local Service Delivery and Governance Programme

Sub-component 2.2 Support to Rural Feeder Roads

Final Draft

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September 2008

Country	Ghana
Title of Programme	Local Service Delivery and Governance Programme 2009-2013
Title of Subcomponent	Support to Rural Feeder Roads
National Agencies	Ministry of Local Government Rural Development and Environment, Ministry of Transportation, Local Government Service Secretariat, Department of Feeder Roads
Duration	Three years
Starting date	January 2009
Overall Budget Frame	DKK 70 Million

Description:

The Danish Embassy has over the past ten years supported decentralisation in the transport sector through investments in spot improvement and routine maintenance works of rural feeder roads and also through capacity development of local government institutions. This support has been in accordance with the overall goal of the Government of Ghana (GoG) which is poverty reduction with the Ghana Poverty Reduction Strategy (GPRS) providing the framework for development cooperation. Improved and well maintained feeder roads have had a direct impact on poverty reduction through better access to public service facilities, relatively lower travel costs/times, increases in farm gate prices and consequently increases in rural household incomes, provision of local employment, etc. Pilot systems developed and utilized for disbursing funds from the Ghana Road Fund directly to the District Assemblies to undertake routine/periodic maintenance have also performed creditably well.

This subcomponent aims at strengthening effective and responsive service delivery by Metropolitan, Municipal and District Assemblies (MMDAs) through earmarked funding for feeder roads in up to 36 districts in five regions for the first three years of the programme. These districts were selected based on certain criteria including poverty figures, specific sector needs within feeder roads, water supply and sanitation, other Development Partner (DP) support and ensuring continuity of on-going support at the DA level. Investment funding for spot improvement works will be provided by Danida while GoG through the Road Fund's own generated resources will provide funds for routine and recurrent maintenance of the improved roads. The feeder roads improvement will be complemented by community specific socio-economic interventions such as rural access interventions, intermediate means of transportation, etc. The subcomponent will pay particular attention to local community participation from project identification through implementation while also ensuring effective mainstreaming of crosscutting issues.

The subcomponent will complement the other LSDGP components/subcomponents in particular the capacity development activities under Component 1 which also has the respective Works Departments of the programme District Assemblies as its primary institutional focus. As part of efforts in contributing towards the decentralisation process

the proposed programme strategy of the component is to eventually use the District Development Fund as the only funding modality post 2011. There will therefore be a gradual increase in the level of discretionary funding available for the DAs through the District Development Fund with a corresponding phasing out of the earmarked funding to the sector.

Date: _____

Date: _____

For the Government of Ghana

For the Government of Denmark

Executive Summary

Denmark has been supporting the process of decentralisation in the transport sector in Ghana for over the past ten years as part of the Transport Sector Programme Support (TSPS) Phases 1 & 2. This support has witnessed a deepening from TSPS 1, concentrating initially on the Department of Feeder Roads (DFR), to a wider support to District Works Departments (DWDs) in TSPS 2. One of the key aspects in this gradual move towards decentralisation has been the direct transfer of funds from the Ghana Road Fund (GRF) to the project districts for road maintenance management.

It has been decided by the Government of Ghana and the Danish Government to continue this support through the Local Service Delivery and Governance Programme. This subcomponent – Support to Rural Feeder Roads and District Works Departments (DWDs) – aims at providing investments, relating to feeder roads improvement, to 36 districts in five different regions for the first three years of the programme with a budget of 70 million DKK.

Objective

The immediate objective of the subcomponent is

“To contribute to improved condition of the Feeder Roads Network on a sustainable basis”

This subcomponent is aimed at helping GoG meet its overall goal of reducing poverty. This is because improved and well maintained feeder roads will have direct significant impact on poverty reduction through better access to social and other infrastructural services, relatively lower travel costs/times, increase in farm gate prices and consequently rural household incomes, provision of local employment, etc.

The Strategy

The overall approach of the service delivery component of the programme is to increase the level of discretionary funding available to the District Assemblies (DAs) while phasing out completely from earmarked sector investments (including feeder roads). Consequently earmarked investments in feeder road spot improvements will cease after three years with funding kept either at the same level or below the level of the ongoing Danida funded TSPS II Feeder Roads Component. It must however be mentioned that a joint GoG/DPs mid-term review has been planned for 2010 or 2011 to among others examine the performance of the discretionary District Development Fund (DDF) and as a result test the validity of this strategy.

The subcomponent also has an area-based focused approach covering 36 districts in 5 regions (Greater Accra, Central, Eastern, Northern and Volta). In selecting the districts, districts with on-going support under TSPS were taken as the point of departure. The other districts were selected through an analytical process based on a fact finding report which sought to rank all the regions and districts in the country according to a given criteria. The criteria included poverty figures, specific sector needs within feeder roads, water and sanitation, other Development

Partner (DP) support and ensuring continuity of on-going support at the DA level.

Investment funding for spot improvement works will be provided by Danida while GoG through the Ghana Road Fund's own generated resources will provide funds to meet the district's annual maintenance requirements, including the spot improved roads. The feeder roads improvement will be complemented by investment funding for community specific socio-economic interventions such as rural access interventions (e.g. footbridges), intermediate means of transportation, etc. The subcomponent will also pay particular attention to local community participation from project identification through implementation while ensuring effective mainstreaming of crosscutting issues.

Management and Organisation

Day to day management of the subcomponent will be the responsibility of the District Assemblies. Regional Programme Steering Committees (RPSCs) with core membership from the RCCs will be formed at the regional level to provide managerial support to the DAs and progress monitoring. A National Programme Steering Committee (NPSC) constituting senior representation from MLGRDE, LGS, MOT, MWRWH, MOFEP, the Office of Head of Civil Service (OHCS), the RCCs and the RDE will among others provide policy guidance and overall strategic management and direction for the entire LSDGP including this subcomponent.

To ensure that the Danish support is on budget and to enhance GOG's overall coordination and management of finances for public institutions investment funding for the rural feeder roads and socio-economic interventions will be transferred to MOFEP/CAGD. These funds will subsequently be released to the Ghana Road Fund and disbursed to the districts for implementation of the subcomponent activities in accordance with approved workplan budgets. GoG/GRF funds flow for the maintenance of the spot improved roads will follow the existing national systems and procedures where payment will be effected directly by GRF. Financial reporting on the subcomponent will be undertaken on a quarterly basis by all programme-implementing partners including the DAs and RCCs. In accounting for Danida funds the implementing institutions will conform to the requirements of well performing systems developed under TSPS II. The Ghana Audit Service (GAS) will be responsible for carrying out the annual audit of the subcomponent.

Monitoring

Monitoring of the subcomponent will be carried out partly through annual joint (GoG/DK) sector reviews beginning with an inception review in the first year of the programme. Both SCs will also be engaged in regular physical monitoring of the subcomponent through their periodic meetings and monitoring visits while the DAs/DWDs will, as part of their normal internal management and reporting procedures, undertake the day-to-day monitoring.

1. Introduction

The events and processes leading to the formulation of this subcomponent include: the increased commitment by the Government of Ghana (GoG) to the decentralisation process in recent years including efforts made by the Ministry of Transportation through its departments and agencies in support of decentralisation; continued support to the transport sector by the Government of Denmark through the Transport Sector Programme Support (TSPS) Phases 1 & 2 and the development of a National Transport Policy⁸ (NTP) which will, as part of its strategy, focus on the implementation of decentralised management, financing and maintenance of local transport infrastructure and services through well established consultation mechanisms.

Danida support through the Transport Sector Programme Support (TSPS) 1 & 2 from 2000 and onwards has partly contributed to the decentralisation policy. Special attention has been given to decentralisation with Danida support deepening from TSPS 1, concentrating initially on the Department of Feeder Roads (DFR), to a wider support to District Works Departments (DWDs) in TSPS 2. One of the key aspects in this gradual move towards decentralisation was the direct transfer of funds from the Ghana Road Fund (GRF) to the project districts for road maintenance management.

As a follow-up to a joint GoG-Danida Annual Sector Review 2006, an assessment mission for the Danida funded TSPS II with focus on decentralisation was carried out in March 2007. The assessment revealed that some level of success had been achieved in the areas of 1) capacity creation at the district level (DWDs and small-scale contractors) and 2) district based maintenance under the Feeder Roads subcomponent B. The assessment also revealed that the system put in place for channelling and accounting for funds from GRF to the DAs showed satisfactory progress and good results. As part of recommendations for future Danida support to decentralisation under the Local Service Delivery and Governance Programme the Review highlighted the following core areas:

- Capacity development at LGS, RCC, DA and DWD; and
- Capacity creation within the private sector through the training of district and labour-based contractors.

Prior to the Identification Mission (IM) a two-day multi-stakeholder's workshop, was held in Agona Swedru in July 2007 to provide input for the formulation of the LSDGP. Outputs from this workshop covered such thematic areas as institutional arrangements, financial arrangements, implementation arrangements and cross-cutting issues.

The IM (August 2007) proposed two components for the LSDGP with the rationale being to group areas of intervention according to focus area (building of management capacity and systems, service delivery) rather than according to sector (road, water and decentralisation). The two components proposed were:

⁸ Final Draft White Paper (pending cabinet approval)

- 1) Support to Institutional and Capacity Building; and
- 2) Support to Service Delivery and Local Governance.

Based on Danida's previous support to the decentralisation process in the transport sector (TSPS 1 & 2) and the useful lessons learnt the IM found it prudent that the initial preparations of the LSDGP had taken local service delivery as a point of departure. In addition to this and taking cognizance of the possible risks of delays in the implementation of the District Development Fund (DDF) the IM recommended that earmarked support to Feeder Roads be continued for a period of 3 years.

The IM questioned the Concept Paper's geographical focus and proposed support to 25 districts out of a total of 138 DAs. Contrary to supporting a limited scope in which lacked the needed justification the IM rather recommended that the support be given the widest possible scope.

On the issue of an exit strategy to the earmarked funding for the sector, it was recommended that a mid-term review be carried out after about two years to assess the performance of the DDF. If found satisfactory earmarked support to feeder roads should cease after three years and an additional amount allocated to DDF, on the contrary continued support to feeder roads should be considered.

Subsequent to the IM, quite a number of consultation workshops and stakeholder meetings were held culminating in a three-day workshop at Akosombo (February 2008) to prepare draft component descriptions for the LSDGP as input to the programme formulation.

Programme Formulation was carried out by a team of consultants in late February to March 2008. The Formulation Mission (FM) confirmed the approach of the subcomponent taking the useful lessons learnt from the district level support under TSPS II as its point of departure. Prior to the FM's final report a workshop was held in Accra (May 2008) to receive stakeholder's comments to the draft report and input towards the improvement of the programme.

The appraisal of the LSDGP was carried out in August 2008. It recommended among others, preparation of this subcomponent description, clarity on implementation modalities of the subcomponent and revision of outputs, budgets, etc. Key recommendations made by the Appraisal Mission (AM) included the inclusion of a third component i.e. Component 3: Support to the Ghana Audit Service (GAS), the restructuring of Component 1: Institutional Support and Capacity Building not limited in scope but having nationwide coverage and keeping this sub-component's budget at a level equal to or below the current Danida support to similar activities under the TSPS II (i.e. Feeder Roads Component).

Recommendations from the appraisal were completed in September 2008 and the LSDGP was presented to the Board of Danida in October 2008. LSDGP is expected to commence by 1 January 2009.

2. Description of the Subcomponent

2.1 Aim

The main goal of the Government of Ghana as set out in the Ghana Poverty Reduction Strategy (GPRS) is to ensure “sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralised, democratic environment”. A key objective of the GPRS is that of “increasing physical access to markets through feeder roads and other vital networks”. Thus an improved feeder roads network will seek to enhance social service delivery and more importantly facilitate rural development. This subcomponent therefore aims at providing direct support to 36 selected districts for the improvement and maintenance of feeder roads which are responsive to local needs. Specifically it would adopt a bottom-up approach of consultation with a prioritisation process of identifying, selecting, planning and implementing the works. It must be noted that this support also seeks to build on the useful experiences of TSPS II Feeder Roads Subcomponent B and would go to complement capacity development initiatives to be undertaken under Component 1 of the LSDGP. The District Assembly’s Works Department will be the main beneficiary of the capacity development and will also be directly responsible for the spot improvement and maintenance works to be undertaken in the selected districts.

2.2 Scope

This area-based support which is for a three year period (2009 – 2011) will cover 36 districts in 5 regions (Greater Accra, Central, Eastern, Northern and Volta). The districts were selected through an analytical process based on a fact finding report by a local consultant⁹ and considering a balance between economies of scale in the districts and capacity development effect of the investment activities. In these report criteria for ranking of districts in the whole of the country included poverty figures, specific sector needs within feeder roads, water and sanitation, other Development Partner (DP) support and to ensure continuity of on-going support at the DA level.

2.3 Levels of support

Contrary to TSPS II where the levels of support comprised establishment of the Assembly’s Works Department, capacity development and feeder roads investments (routine maintenance and some level of spot improvements¹⁰), the level of support under this subcomponent would primarily entail the provision of investment funds to undertake spot improvements using appropriate technology including labour based methods. Based on useful lessons learnt in TSPS II and as a demonstration a small amount of investment funding will be set aside to carry out community specific socio-economic interventions such as basic rural access

⁹ Fact Finding and Assessment in Preparation of a Danida Programme for Decentralised Service Delivery in Water, Sanitation and Feeder Roads - Final Report (June 2007)

¹⁰ Spot improvement which the DA had the capacity to manage based on DFR’s assessment

interventions within the area of influence of the improved roads particularly at the sub-district level.

Routine and recurrent maintenance of the feeder roads network including roads spot improved through the investment funding will also be carried out in these programme districts however funding will be provided from the Ghana Road Fund's (GRF) own generated resources. As stated above the DWD will be the main institution responsible for the spot improvement and maintenance works to be undertaken in the selected districts with on-the-job training and technical backstopping to be provided from the respective DFR regional offices and local consultants/assistant technical advisers (ATA).

2.4 Main Content

Under this subcomponent Danida funds will be made available through GRF to 36 selected districts for improvement of the feeder roads network through spot improvements using appropriate technology including labour based methods. After carrying out these spot improvements, it is assumed that sufficient funds from the Road Fund's own generated revenue will be provided to cater for the district's annual maintenance plans which are expected to include the spot improved feeder roads.

Support to capacity development under Component 1 through the Local Government Service Secretariat (LGSS) which includes establishment of DWDs presents a window of opportunity to carry out on-the-job training for DWD/DA staff. A close linkage between this subcomponent and Component 1 of the LSDGP is therefore expected to be established during the programme. It is also envisaged that when operational funds from the discretionary District Development Fund will be set aside in districts other than the 36 programme districts across the nation and also benefiting from the capacity development initiatives.

Cross cutting issues and active involvement of the local communities at all stages of the project cycle from identification to implementation will receive special attention. Building on very useful lessons learnt from TSPS II, DAs will be encouraged to include as part of their annual work plans small but community specific socio-economic interventions which will be undertaken initially as part of the investment funding and later as part of the discretionary financing and investments of DAs. These may include rural access interventions, intermediate means of transport, etc.

3. Logical Framework Analysis

3.1 Development and Immediate Objectives

The development objective of the LSDGP which is also in line with GoG's Growth and Poverty Reduction Strategy is:

"Contribute to poverty reduction through enhanced service delivery and governance at the district level"

The immediate objective of Component 2 – Support to Service Delivery and Local Governance is:

"Improved and more responsive local service delivery by local governments through devolved decision-making on increased local investments."

The immediate objective of Subcomponent 2.2 – Support to Feeder Roads and DWDs is

"To contribute to improved condition of Feeder Roads Network on a sustainable basis."

This builds on work already carried out under TSPS 1 & 2 in establishing a more decentralised management of the feeder roads network with emphasis on the Works Department of the District Assembly and ensuring active participation of the beneficial communities in decision-making processes relating to identification through implementation of the road works.

3.2 Strategy

The overall strategy for Component 2 is to phase out completely from earmarked sector investments (including feeder rural roads) and gradually increase the level of discretionary funding available for DAs depending on the satisfactory performance of the DDF. A joint GoG/DPs mid-term review has been planned for 2010 or 2011 to among others examine the performance of the DDF and consequently the validity of this strategy. In view of this earmarked investments in feeder road spot improvements will cease after three years with funding kept either at the same level or below the level of the ongoing Danida funded TSPS II Feeder Roads Component.

Building on the experiences of TSPS II Feeder Roads Subcomponent B there is strong justification for the establishment of DWDs (which will be undertaken in Component 1) to go hand in hand with investments in feeder roads or other infrastructure for that matter. Under this subcomponent Danida funds will go to support spot improvement work while, in fulfilling its mandate, funding from the Road Fund's own generated resources will be provided to undertake the necessary routine/periodic maintenance on the spot improved feeder roads. This agreed arrangement is expected to among others be a safeguard to Danida's investments.

The approach is to provide investments for feeder road spot improvement through an area-based support taking the districts currently being supported under TSPS II (24No) as the point of departure. TSPS II – support to the decentralisation process – initially began with support to 11 districts in relation to

the establishment of DWDs and carrying out routine maintenance and some level of spot improvements. 13 more districts were later added to the initial 11 districts by the programme's National Steering Committee (NSC) with funding support to help establish more DWDs. As part of preparations for the LSDGP selection of a further 12 districts was done by a committee comprising selected members from the different LSDGP working groups bringing the total to 36 districts. The basis for selection of the districts, in both cases, was the outcome of a fact-finding and assessment study¹¹ to prioritise regions and districts. The study employed the following criteria for the prioritisation process:

- Poverty focus – that is responsiveness to GPRSII and the attainment of the MDG's.
- Specific needs for service delivery in feeder roads and water/sanitation.
- Building on progress in present programme areas.
- The need to concentrate on a geographically limited area to ensure greater impact.
- Other donor programmes in decentralised service delivery and the issues of coordination.
- Capacity of the MMDAs to absorb and manage programme implementation.

As GoG plans regarding the preferred future transfer system in the sector for funding to the DAs are still not developed, investment funding for rural feeder roads will continue to be channelled through the Road Fund to the districts. It is proposed that actual allocation to the districts be determined at the inception phase of the programme since some of the selected districts have already benefitted from different levels of support under TSPS I & II.

Systems developed under TSPS II for channelling and accounting of funds from GRF to the DAs which has been adjudged to be satisfactory will be the funding modality to be employed pending the establishment of GoG's preferred modality for funding in the sector. GoG/GRF funding for the maintenance of the spot improved roads will be done directly by the Road Fund, however identification and prioritisation of the necessary maintenance works together with the related contract management will be undertaken by the DA/DWDs in accordance with procedures developed under the TSPS II.

3.3 Outputs

There are three outputs to achieve the immediate objectives of the subcomponent. These are:

Output 2.2.1 Improved condition of the feeder road network

This output focuses on roads (providing access to rural communities, economic and social services) that have been engineered but neglected over the years or have previously been partially engineered (e.g. through advance culvert works),

¹¹ Fact Finding and Assessment in Preparation of a Danida Programme for Decentralised Service Delivery in Water, Sanitation and Feeder Roads - Final Report (June 2007)

through spot improvement and reshaping. The improvement works to be carried out are likely to include a significant amount of sectional re-gravelling.

Approximately a total of 1,000 km of feeder roads is envisaged to be spot improved from fair to good condition in the 36 programme districts using appropriate technology including labour-based methods. This is based on the assumption of spot improving a target of about 10 km/district/year of feeder roads in all 36 districts for the first three years of the programme at an average unit cost of 59625 DKK/km. However the actual lengths of road to be spot improved per district should be determined at the Inception phase since some districts especially the 11 'old' districts have already benefitted from such spot improvement works.

Output 2.2.2 Increased length of feeder roads maintained using labour based routine maintenance methods.

Based on the district's annual road maintenance plans DA/DWD staff will undertake routine and recurrent maintenance on improved sections of the rural roads network (including those under output 2.2.1) with funding from the Road Fund's own resources (i.e. not Danida funding).

On the basis of DFR's planned target of carrying out routine and recurrent maintenance of about 100km/district/year it is envisaged that a total length of 10,800km of feeder roads will be maintained in all 36 programme districts for the first three years of the programme.

Output 2.2.3 Socio-economic interventions demonstrated

This output is to serve as a demonstration of socio-economic interventions based on very useful lessons learnt during TSPS II. Limited investment funding will be provided to carry out complementary socio-economic interventions within the area of influence of improved rural roads to address the various needs of men and women in the beneficiary communities. Districts will be encouraged to identify and include as part of their annual work plans proposals for small but community specific socio-economic interventions including rural access interventions (e.g. footbridges) intermediate means of transport (e.g. push carts, donkey carts, etc.), provision of non-transport interventions (e.g. market stalls, sanitation facilities, etc.) using rural housing technology, environmental protection/enhancement measures (e.g. dust control, etc.). It is foreseen that through this demonstration such interventions would be undertaken in the future as part of the discretionary financing and investments of the DAs.

4. Activities

4.1 Spot Improvements

Under the investment funding, spot improvement works¹² will be carried out on an initial target of 1,000km of feeder roads that have either been engineered but neglected over the years or partially engineered (through advance culvert works) and requiring earthworks and sectional gravelling to bring them to adequate standard. These spot improvement works will employ appropriate technology including labour based methods.

The selection of roads to be improved will be based on the “*simple version*” of the Road Prioritization Methodology (RPM) developed by DFR with a high degree of stakeholder participation (especially the rural communities who are the primary beneficiaries) and adapted to fit into the multi-sectoral planning process at the district level. DFR’s existing inventory of district roads and associated maps will guide the selection of the project roads.

Similar to the prioritisation process the DWD’s will also be directly involved in the tendering process as works are expected to be within the threshold of the District Tender Board (currently USD 250,000). The District Tender Boards will be responsible for awarding the contracts. A significant number of labour-based contractors benefitted from training under the TSPS Phases 1 & 2 and it is expected that the works will be carried out by these contractors with the help of some light equipment. Payment of work done to the contractors will be done directly by the DAs based on certificates approved by the DWDs who will be responsible for contract administration and management. Danida funds will be transferred to the GRF who will in turn transfer directly to the programme districts based on approved work plans and requests received.

DFR technical manuals for spot improvement will serve as a guide during programme implementation while on-the-job training will also be carried out for DA/DWD staff by the respective DFR regional staff or local consultants. All training will be done under LSDGP Component 1 with LGSS playing the coordinating role.

4.2 Routine Maintenance

Based on annual road maintenance plans prepared by the districts an average of 100km/year/district of road is envisaged to be maintained. This would also include roads that have been spot improved. Similar to the spot improvement works, selection of the roads to be maintained will also be carried out through DFR’s RPM with a high level of stakeholder participation. Software developed to determine and prioritize the maintenance requirements will be employed. The requisite training of DWD staff in the use of this software will be carried out as part of capacity development initiatives under Component 1 of the programme.

¹² Works may entail construction of 2/3No culverts, culvert repairs, sectional regravelling, etc.

Maintenance contracts will be awarded to and carried out by labour based road contractors capable of undertaking feeder road maintenance and repair works using local labour. Procurement of the works/services will be done by the District Tender Board through competitive tendering processes.

Contrary to TSPS II, there is no earmarked Danida funding under this sub-component for routine maintenance and other forms of standard preserving maintenance works. Adequate arrangements for future maintenance, including adequate financial resources, have to be ensured by the GoG. Thus, after improvement, it is assumed that sufficient GoG/GRF funds for proper maintenance of the improved feeder roads will be provided.

As per the current practice all payment for maintenance contracts will be effected directly by the Road Fund after the necessary inspection and certification of the payment claims by the DWDs.

Routine and Recurrent Maintenance Technical Manual prepared in collaboration with DFR under TSPS II will serve as a guide during programme implementation while on-the-job training will be carried out by DFR regional staff or local consultant as part of capacity building for DWD staff under Institutional Support and Capacity Building Component (Component 1). Capacity development will also be carried out for small scale labour based contractors under Component 1.

4.3 Socio-economic Interventions

Complementary socio-economic interventions including improvements in rural access and transport services will be undertaken, as a demonstration, within the area of influence of the improved roads and particularly at the sub-district level. These include rural access interventions (e.g. footbridges), intermediate means of transport (e.g. donkey carts), and environmental protection/enhancement measures (e.g. dust control). These activities will be identified by the local communities who will also be involved in the implementation to enhance ownership. Technical assistance will be provided by the DWDs and the ATA.

4.4 Cross cutting issues

In connection with the implementation of both road works contracts (i.e. spot improvement and maintenance contracts) mainstreaming activities on crosscutting issues i.e. gender, environment and HIV/AIDS will be undertaken in relation to the workers and the possibly affected local communities. The use of female employees and road contractors will be encouraged in both road works contracts which are labour based. Contract documentation will detail methods to facilitate HIV/AIDS awareness and sensitization in addition to the proper use of DFR guidelines on good environmental practice including climate proofing. In the case of the socio-economic interventions effective mainstreaming of crosscutting issues is usually achieved since these activities provide an avenue to address the needs of both men and women in the beneficiary communities.

Assumptions:

- Preparatory activities will be implemented during the second half of 2008.
- Future exchange rates and fuel prices are so stable that the funds provided by Danida will be sufficient to finance spot improvement works on at least km 1,000 of feeder roads spread out in the programme districts.
- Road Fund funding will be adequate, especially for ensuring proper maintenance of the feeder roads sections, which have been spot improved under the sub-component.
- GOG/Road Fund channels its own resources directly to districts (especially the 11 “old” TSPS II programme districts) whose capacity has been proven.
- DFR will increasingly transfer routine maintenance and spot improvement management of rural roads to the DAs when their capacity is proven.
- No Danida-funds are earmarked for the sub-component after 2011.

Risks

- The exchange rates fluctuate so much that this in combination with raising fuel prices would significantly reduce the physical volume of road improvement works which can be carried out within the Danida funds available.
- The above external factors (exchange rate fluctuations, fuel prices) could also undermine the ability of the Road Fund to provide sufficient funding for proper maintenance of the feeder road network.
- The Road Fund will be unwilling to channel its own resources to districts (including the 11 “old” TSPS II programme districts) even though their capacity has been proven.
- DFR is reluctant or unwilling to increasingly transfer routine maintenance and spot improvement management of rural roads to the DAs in spite of proven capacity.
- It will not be possible to ensure transparent tendering at district level either due to vested interest or inadequate capacity.

Mitigation:

These risks can be mitigated through close monitoring by all stakeholders and GOG/MOT acting in accordance with their current policy statements on decentralisation and transportation. Adequacy of funding is seen as a significant risk not only to the subcomponent but to the Transport Sector Development Programme ¹³ (TSDP, 2008-2012) as a whole for both improvement and

¹³ This is the successor to the MoT's Road Sector Development Programme, unlike the RSDP it involves all the various modes of transport i.e. road, rail, water and air.

maintenance works, however this will be closely monitored by the NPSC, MOT and other stakeholders to ensure that major departures from plans are unlikely. GOG's recent renewed commitment to decentralisation coupled with DFR's steady support to developing local capacity at the district level to carry out feeder roads improvement and maintenance point to the permanent establishment of technically competent and financially supported District Works Departments, thus reducing any threat posed to the implementation of the subcomponent. Systems developed in TSPS II for disbursing and accounting of funds will be adopted in addition to annual value for money audits in the selected districts to ensure transparency and proper accountability.

5. Organisation, Management and Administration

5.1 Management of subcomponent

The respective District Assemblies of the programme districts will be responsible for the day to day management of the subcomponent. At this level overall management will be the responsibility of the District Coordinating Director with the necessary oversight provided by the District Chief Executive. The District Works Department will be responsible for the day to day management of the technical aspects of the subcomponent. Technical backstopping and advice will be provided by the regional offices of DFR through the Regional Coordinating Councils and also through the ATAs (see Annex 2).

Regional Programme Steering Committees (RPSCs) will be formed at the regional level to provide managerial support to the DAs and progress monitoring of the subcomponent. It will also provide the forum for reviewing of work plans, budgets, progress reporting and information sharing. The RPSCs will be chaired by the Regional Coordinating Director and will include members from the Regional Economic Planning and Coordination Unit, the regional offices of DFR, CWSA and DRH, representatives of the programme DAs, Civil Service Organisations (CSO) and the Royal Danish Embassy. The Regional Coordinating Council will function as the Regional Programme Secretariat (RPS) to the RPSC.

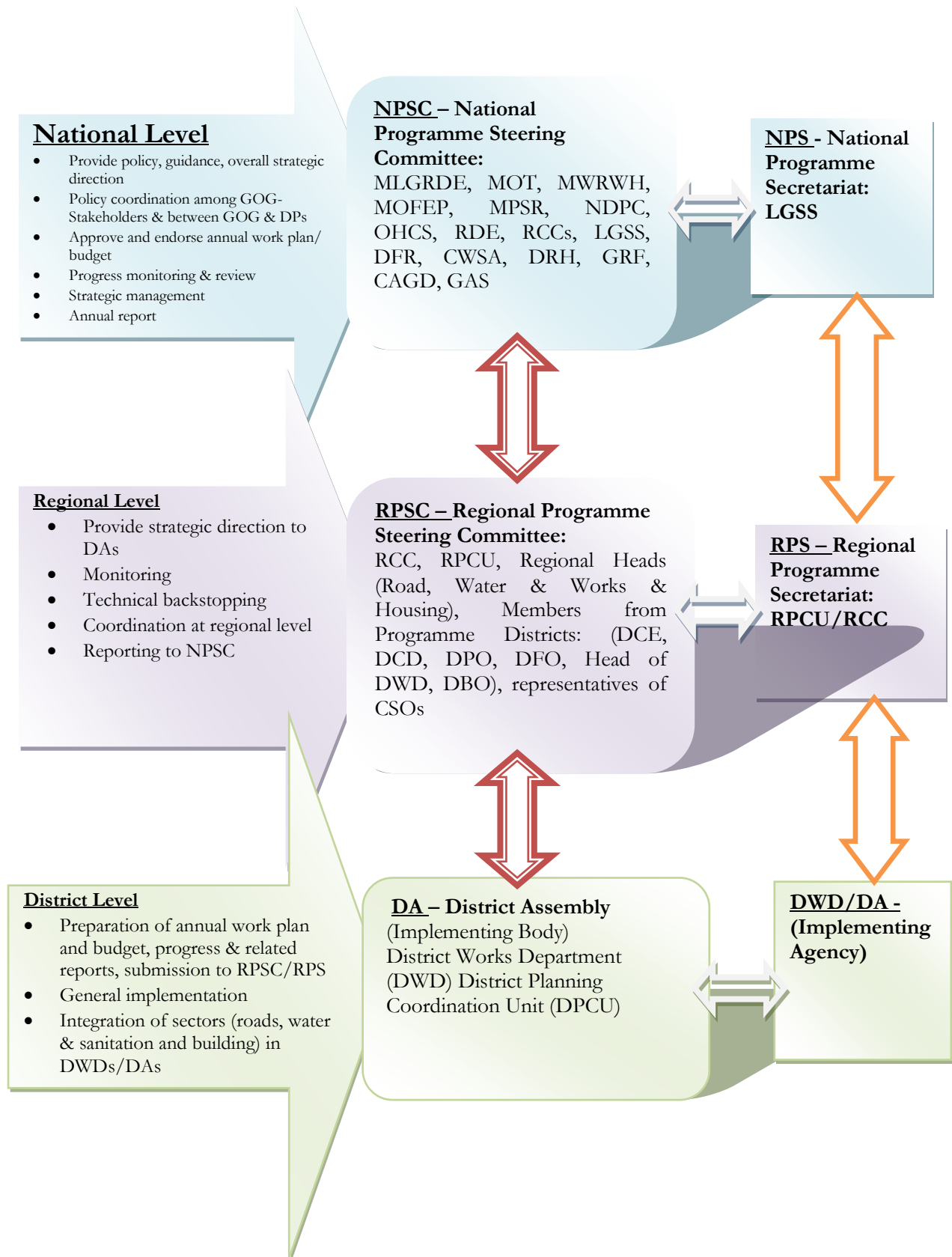
A National Programme Steering Committee (NPSC) will be formed to among others provide policy guidance and overall strategic management and direction for the entire LSDGP. It will be made up of senior representation from MLGRDE, LGS, MOT, MWRWH, MOFEP, the Office of Head of Civil Service (OHCS), the RCCs and the RDE. The LGSS/QATSD will function as the National Programme Secretariat (NPS) to the NPSC (see Fig. 1 overleaf).

Implementation problems within the subcomponent which cannot be solved by day to day management will be brought to the notice of the RPSCs. Issues which cannot be resolved at this level will also be referred to the NPSC. If still unresolved at this level they will be raised at the Annual Review.

Planning at the district level is primarily the responsibility of the District Planning Coordinating Unit (DPCU). District-wide annual plans prepared by the DPCU based on input from each sector including feeder roads will serve as a framework for Component 2 of the LSDGP. Under this subcomponent, annual sectoral plans and budgets for feeder roads spot improvement and routine maintenance in the programme districts will be prepared by the respective DWDs and presented to the RPSC/RPS. To carry this out it is proposed that the DAs/DWDs are assisted by local consultants/assistant technical advisors (LC/ATA) who shall liaise with the DFR regional offices.

Contract documentation for both spot improvement and maintenance contracts will be prepared by the DWDs with assistance from the LC/ATA. Contracts will be packaged so as to fall within the threshold of the District Tender Board who will as a result be responsible for procuring the works/services through competitive tendering processes.

Figure 1: PSC and Institutional linkages



As a rule of thumb both PSCs (i.e. at national and regional level) will ensure that all planned activities are in line with the subcomponent description. Any revision and/or adjustment of the subcomponent including budgetary adjustments will first be discussed at the RPSC and recommendations for approval made to the NPSC. The NPSC would be ultimately responsible in approving any such revisions or adjustments with its associated budgetary adjustments. The NPSC may also discuss any such pending issues with Review Missions to solicit their recommendations. Recommendations by the missions to the NPSC may include adjustments to the immediate objective of the subcomponent possibly as a result of developments in the sector or other critical factors.

Budgeting for the spot improvement works will be according to DFR's current unit cost per kilometre for similar works. DWD staff in the roads section will be primarily responsible for preparing the investment budget with assistance to be provided by the LCs/ATAs and the regional offices of DFR. Budgeting for the socio-economic interventions will basically follow procedures employed under TSPS II. The Works Department will be responsible for preparing budget estimates for these district specific interventions with the funds covering actual works and technical advice/supervision.

5.2 Financial Management and Procurement Issues

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 systems 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.

5.2.1 Flow of funds

The procedure for managing the programme funds commences with the signing of the Programme Agreement. Upon request from the Danish Embassy, 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". Based on request for funds for the sub-component which is according to approved annual work plan budgets, the Embassy will transfer funds approximately every quarter to this account in BOG. The transfer will be followed by a letter to BOG, CAGD and GRF, stating transfer date, beneficiary institutions and the amount transferred. Furthermore, the letter will instruct CAGD to release the funds within 10 working days to the Ghana Road Fund for onward submission to the districts. After releasing the funds CAGD shall formally inform the Embassy and GRF of the transfer. GRF will subsequently transfer these investment funds to the respective DAs. The Ghana Road Fund and the DAs will be required to open bank accounts dedicated for the exclusive use of the subcomponent. Subsequent disbursements by the

Embassy to the initial disbursement will be dependent on satisfactory accounting by the DAs of the expenditure of previously allocated funds. GRF will ultimately be responsible for disbursement and accounting of the funds. An Accounting and Procedures Manual developed for use under TSPS II will be utilized under the subcomponent.

The agreement between the Embassy and MoFEP will be formalised through the Government Agreement. The Government Agreement shall 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.

5.2.2 Disbursement authorisation and implementation procedures

Based on work plans and budgets approved by the NPSC the GRF will disburse funds on a quarterly basis to the DAs for implementation of the works. At the district level nominated DA staff will originate all payments from the accounts following standard Government procedures and documentation. Under the spot improvement works payment certificates/invoices will be prepared by the DWDs for sections of completed work and submitted to the DCE/DCD for direct payment to the contractors/consultants.

Funds from GRF's own generated resources will be utilised for maintenance of the district feeder road network in the respective DAs during the programme period. Disbursement will follow the already established procedure in use by the Road Fund which gives drawing rights to the DAs to commit and spend money in line with the approved annual work plans and budgets. Payment certificates for sections of completed work will then be sent by the DAs to GRF for direct bank transfer of money to the contractors.

5.2.3 Procurement

Procurement of goods, works and services will follow national procurement guidelines as spelt out in the Public Procurement Act (PPA) 2003. The DAs will be responsible for procurement and contracts will be awarded after tendering in accordance with the PPA. In the likely event of the contract amount exceeding the threshold for District Tender Boards, Regional Tender Boards will be involved.

Reimbursement of costs (e.g. transport, accommodation) to personnel of MDAs who may be engaged under this subcomponent will be in accordance with the "Allowance Practices and Rates Common Framework for Development Partners in Ghana".

5.2.4 Bookkeeping and accounting principles and procedures

In accounting for Danida funds the implementing institution (i.e. the DAs and possibly also the RCCs) will conform to the requirements of the Accounting and Procedures Manual prepared under the TSPS II. The accounting manual must be maintained and 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.

5.2.5 Budget follow-up and Financial Reporting

Financial reporting on the subcomponent will be undertaken on a quarterly basis by all programme-implementing partners including the DAs, RPS (RCC/REPCU), LGSS and GRF. The reports will be submitted to LGSS and GRF. GRF will subsequently compile the various reports including those from the LGSS and submit to the RDE and the NPSC.

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 sub-component description. The reports shall include details of the original grant, funds spent until reporting date (current year and in total), funds committed until reporting date, expected additional expenditures until sub-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.

Based on GRF's quarterly financial reporting the NPSC, at its quarterly meetings, will be able to monitor closely the implementation or otherwise of activities described in the DA's annual work plans. This would also inform GRF when deciding on the amount of funds to disburse in the future to any particular sub recipient.

5.2.6 Auditing

Ghana Audit Service will perform the annual audit of the subcomponent, including management of the LSDGP bank account in BOG. GOG will make sufficient resources available to GAS to complete these tasks within six months after the close of each financial year. Under the LSDGP Component 3 support will be given to the Ghana Audit Service (GAS) to ensure timely annual audits of all District Assemblies. GRF will be responsible for submitting to the Danish

Embassy annual audited accounts of Danida funds disbursed through the Road Fund in this subcomponent. The purpose of the audit is to establish whether the accounts have been properly kept and whether rules and procedures have been followed. The annual audit shall include – but not be limited to – inspection of accounting records including examination of documentation for transactions, confirmation of cash and bank holdings, checking of bank reconciliation, verification of physical inventories and fixed assets, and financial operations conducted with due regards to efficiency and effectiveness. The audit shall include a test of compliance with the accounting manual, and an audit of the procurement function. The audits shall follow either International Standards of Auditing (ISA) or audit standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

RDE may in consultation with GAS engage an external auditor to undertake financial and technical audits of the sub-component at any time. 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 for their improvement.

6. Budget

The total budget for the subcomponent is DKK 70.0 million. Table 5.1 shows the detailed output/activity based budget for the subcomponent.

6.1 Detailed Budget

Table 5.1 Output and Activity Based Subcomponent Danida Budget in DKK millions

Output & Budget Outlines	Activity	2009	2010	2011	Total	
Output 1: Improved condition of the feeder road network <ul style="list-style-type: none"> Investments Operation and Maintenance Personnel 	1,000 km of feeder roads spot improved @ average 60,000 DKK/km DWDs & DFR-Regional - running costs and meetings Consultants for prioritizing & SI packaging	 21.0 1.0 2.0	 21.0 1.0	 18.0 1.0	 60.0 3.0 2.0	
Sub-Total		24.0	22.0	19.0	65.0	
Output 2: Increased length of feeder roads maintained using labour based routine maintenance methods ¹⁴ <ul style="list-style-type: none"> Investments Operation & Maintenance Personnel 	Feeder Road Maintenance (GoG/GRF funds for Routine and Recurrent Maintenance works)					
Sub-Total		-	-	-	-	
Output 3: Socio economic interventions demonstrated <ul style="list-style-type: none"> Investments Operation & Maintenance Personnel 		Rural access interventions, Intermediate Means of Transport, etc.	1.5	1.5	1.5	4.5
Sub-Total			0.2	0.2	0.1	0.5
Sub-Total			1.7	1.7	1.6	5.0
Total (Sub-component 2.2)		25.7	23.7	20.6	70.0	

¹⁴ Funds for this output is from GRF's own generated revenue

7. Monitoring, Reporting, Reviews and Evaluations

Periodic joint (GoG/DK) sector reviews will be key to monitoring the entire LSDGP of which this subcomponent forms a part. The scope of these periodic reviews for the subcomponent will among others include:

- Assessment of decentralisation within the transportation sector, sector policy issues, institutions, implications of relevant reform processes within the transport sector with a bearing on the LSDGP;
- Assessment of both physical and financial progress made in the subcomponent since the previous Joint Review vis-a-vis disbursements made in the subcomponent
- Assessment of whether actions recommended and agreed to in the previous JR have been followed through;
- Recommendations on the proposed work plans for the forthcoming year together with the associated budgets;
- Recommendations on revisions and adjustments of the subcomponent as required.

The output of the joint review for the subcomponent will be incorporated into a Review Aide Memoire for the entire LSDGP. The results and recommendations of the review will subsequently be communicated to the relevant stakeholders. It is expected that a specific review of the LSDGP will be conducted at the end of 2010 to assess the functioning of the DDF/FOAT including the validity of the overall strategy of phasing fully out of the earmarked sector investments after 2011 if the DDF is found to be performing well enough.

Regular physical monitoring of the subcomponent will also be done by both the NPSC and the RPSC through their periodic meetings and monitoring visits. At such NPSC meetings representatives of the various RCCs will make submissions of progress in their respective DAs. These reports will be compilations of the progress reports presented by the programme DAs and submitted to their respective RCCs at the quarterly RPSC meetings. Currently sector indicators are not included in the FOAT indicators for MMDAs, however it is envisaged that this will soon be developed. As a result indicators developed together with the relevant stakeholders and specifically for the subcomponent will be employed by the NPSC in its monitoring functions. These indicators have been defined so as to ensure adequate monitoring of impact, context, outcomes, quality, risks and cross-cutting issues, etc. Planned monitoring visits to the project roads will also be undertaken on a periodic basis by selected members of the NPSC/RPSC who will also report their findings and recommendations to the respective Steering Committee. The DAs/DWDs will also undertake day-to-day monitoring of the subcomponent's activities as part of their normal internal management and reporting procedures.

Financial and progress reports for the subcomponent will be prepared, as far as reasonably practical in accordance with national reporting systems. The DAs/DWDs would be chiefly responsible for preparing quarterly reports which will be submitted to the respective RCCs/RPSCs with a copy of the financial report submitted to GRF. The RCCs as secretariat to the RPSC will compile the reports and submit them to the LGSS (serving as secretariat to the NPSC). LGSS will be responsible for submitting quarterly progress reports to the Embassy while GRF will compile and submit quarterly financial reports from the individual DA financial reports to the Embassy. Semi annual and annual progress reports will follow the same chain of reporting. A draft completion report will be prepared by the DAs and RCCs with assistance from the LCs/ATAs at the end of the earmarked investment funding in rural feeder roads, i.e. 2011, which also marks the end of the subcomponent.

Under the TSPS II selected staff of MoT and the Ghana Statistical Service (GSS) received training in the development and use of the social accounting matrix (SAM) as a tool in evaluating the impact of support to the transport sector or to any other sector for that matter. The impact of the subcomponent could be evaluated using the social accounting matrix and other SAM based analytical tools. Training in the use of the SAM could be provided as part of capacity building under Component 1.

8. Sub-component Implementation Plan

Subject to the approval of the Danida Board and the signing of the Government-to-Government Agreement, the implementation of the LSDGP and thus this subcomponent is planned to commence on 1st January 2009. The Bar chart in Table 7.1 provides detailed indication of the programming of key activities based on the outputs of the subcomponent.

Table 7.1 Implementation Plan

Output/ Activities	2009				2010				2011			
	1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q
Sub-component 2.2 – Objective: <i>To contribute to improved condition of the Feeder Roads Network on a sustainable basis</i>												
Output 2.2.1: <i>Improved condition of the feeder road network</i>												
Prepare Annual work plans	**	**	**	**			**	**				
Tender works		**	**	**	**	**	**		**	*		
Supervise works			**	**	**	**	**	**	**	**	**	*
Rural access improvements, etc.			**	**	**	**	**	**	**	**	**	*
Output 2.2.2: <i>Increased length of feeder roads maintained using labour based routine maintenance methods</i>												
Prepare Annual work plans	**	**	**	**			**	**				
Tender works		**	**	**	**	**	**		**	*		
Supervise works			**	**	**	**	**	**	**	**	**	*
Output 2.2.3: <i>Socio-economic interventions demonstrated</i>												
Rural access improvements			**	**	**	**	**	**	**	**	**	
Intermediate Means of Transport			**	**	**	**	**	**	**	**	**	
Monitoring & Review												
Joint Annual Reviews (Inception Review 2009 & Mid-Term Review - 2010)			**					**			**	
Inception Report		*										
Progress & Financial Reporting			**	**	**	**	**	**	**	**	**	**
Annual Report					**				**			
Completion Report												**
Steering Committee Meetings (RPSC/NPSC)	*	**	**	**	**	**	**	**	**	**	**	**

Local Service Delivery and Governance Programme

Sub-component 2.3 Support to Rural Water and Sanitation

Final Draft

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restricted information
and is for official use only.**

COVER PAGE	
Country:	Ghana
Sector:	Water and Sanitation Sector
Title:	Support to Rural Water and Sanitation
National Agencies:	Ministry of Local Government, Rural Development and Environment Community Water and Sanitation Agency, District Assemblies
Duration:	3 years
Starting Date:	January 2009
Overall Budget Frame:	DKK 105,500 million
<p><i>Description:</i></p> <p>This sub-component is a natural progression from earlier support provided by Danida towards increased reliance on local authorities, i.e. District Assemblies (DAs) for implementation of local service delivery. This is the last step in an exit strategy for earmarked funding to water and sanitation in Ghana. The outlined support is planned to be carried out over a period of three years depending on the functionality of the District Development Fund. The sub-component will integrate the perspectives and aims of the water supply and sanitation sub-sector into the multi-sectoral perspectives of decentralized local service delivery by local authorities.</p> <p>The aim of the sub-component is to contribute to poverty reduction by supporting an improvement in health and living conditions in communities through the provision of improved water and sanitation facilities coupled with hygiene promotion & education and by enhancing decentralisation through strengthening the capacity of DAs and mainstreaming water supply and sanitation activities into the planning and budgeting process of the DAs. The strategy adopted is aligned with the national strategies for demand-responsive, decentralised water supply and sanitation and based on 'best practices' from the Danida supported WSSPS (Water and Sanitation Sector Programme Support) phase I & II as well as from other donor-supported Water and Sanitation programs. The sub-component will be implemented in a number of preselected districts in four regions. Furthermore, the sub-component will provide support to NGOs in the water and sanitation sector.</p> <p>The sub-component has two immediate objectives: 1) Improved access to potable water and sanitation facilities in rural communities, and 2) Improved behavioural patterns with respect to use and maintenance of safe water and sanitary facilities in targeted communities and small towns.</p> <p>The sub-component has five outputs related to safe water supply sanitation in the regions of Central, Eastern, Volta, and Greater Accra. The physical targets are 1) to provide up to 264,000 rural people with improved water supply, 2) construct institutional latrines with hand washing facilities in 200 schools, 40 health clinics and 30 public market places and 3) introduce examples of improved environmental sanitation to at least 4 small towns.</p> <p>The sub-component will be implemented by DWDs in DAs, acting as implementers of water supply and sanitation, with Community Water and Sanitation Agency acting as facilitator, and overall administrator. Moreover, the Environmental Health and Sanitation Directorate of the Ministry of Local Government, Rural Development and Environment and NGOs are key actors in the implementation.</p>	

1. Introduction

Danida has been a development partner in the water supply and sanitation sector in Ghana since 1993. In the first phase of the Water and Sanitation Sector Programme Support (1998-2003), Danida support to capacity building was targeting the establishment and strengthening of various sector institutions, which plan and coordinate service delivery. WSSPS I comprised a total of seven major components: Sector Capacity Building Component, Volta Region Phase II, Greater Accra Region Phase I, Eastern Region Phase I, and Support to Water Resources Information Services Institutions. In 2001 and early 2002 respectively, a component to support the Water Resources Commission and a component for small towns water supply were added.

In 2004 WSSPSII (2004-2008) began with the objective to contribute to sustainable reduction of poverty through improved water supply, sanitation and hygiene behaviour as well as increased knowledge and better use of the water resources in Ghana. The WSSPS II was designed to build on achievements made during phase I (especially in capacity building) and to further move towards district based implementation of water supply and sanitation, and local water resource planning. WSSPS II consisted of four components: 1) District Based Water and Sanitation Component, implemented by DAs in selected districts in the regions of Central, Eastern, Volta, and Greater Accra, assisted by CWSA; 2) Integrated Water Resource Management (IWRM) Component, implemented by the Water Resources Commission; 3) School Hygiene Education Component, implemented by Ministry of Education and Sports; and 4) Policy, Monitoring and Management Support Component, implemented by the Water Directorate, and other partner institutions.

The Cabinet approved the National Water Policy in June 2007. The National Water Policy is underpinned by the principles presented and applied in the GPRS II (Ghana Poverty Reduction Strategy), the MDGs (Millennium Development Goals) and the NEPAD ("Africa Water Vision" of the New Partnership for Africa's Development). The policy contains three sections: 1) An overview of Ghana's water sector comprising the state of water resources and management institutions, development priorities, international obligations, broad principles leading to policy formulation, 2) Key policy issues related to the basic principles and challenges confronting water resources management development and use in the three sub-sectors – water resources management, urban water supply, and community water and sanitation, and 3) Proposals and guidelines for implementing the policy including institutional roles and responsibilities, standards, regulations, definitions and references.

The key functions of the rural water supply and sanitation sub-sector institutions and their roles are:

- The Ministry of Water Resources, Works and Housing (MWRWH) is the principal water sector ministry responsible for the overall policy formulation, planning, coordination, collaboration, monitoring and evaluation of programmes for water supply and sanitation. The Water Directorate of the MWRWH is the focal point for coordination of the water and water-related sanitation sector for policy harmonization, sector-wide monitoring and evaluation of GPRS outcomes and MDG targets as well as coordination of foreign assistance.
- The Ministry of Local Government, Rural Development and Environment (MLGRDE) is responsible for implementing the Environmental Sanitation Policy including management and legal regulation of disposal/treatment of solid and liquid waste. Local government bodies under the MLGRDE viz. Metropolitan, Municipal and DAs holds the responsibilities locally.
- The DAs are responsible for the planning, implementation, operation and maintenance of water and sanitation facilities and the legal owners of communal infrastructures in rural communities and small towns. The detailed functions and mandates of Metropolitan, Municipal and DAs are defined in Act 462 (Local Government Act, 1993) and establishment instruments (Legislative Instruments) of the Assemblies.
- The Community Water and Sanitation Agency (CWSA) of the MWRWH emerged from the Community Water and Sanitation Division of the Ghana Water and Sewerage Corporation (GWSC). CWSA is the lead facilitator of the rural water supply and sanitation sub-sector (rural communities and small towns) and is responsible for external liaison and co-ordination of the NCWSP (National Community Water and Sanitation Programme). The key functions of CWSA are set out in the Community Water and Sanitation Agency Act, 1998 (Act 564).

The GoG features water and sanitation issues prominently in its development priorities, which are driving the national goal of achieving sustainable development. The GPRS II (national Growth and Poverty Reduction Strategy II, 2006-2009) recognizes that “improving access to potable water and sanitation is critical to achieving favourable health outcomes, which in turn facilitate economic growth and sustained poverty reduction”. It emphasizes that “improvement in access to safe water enhances school attendance, reduces women’s work load and frees them to participate effectively in economic empowerment and governance activities”.

Furthermore, the GoG endorses the principles of the MDGs, launched in 2000, for achieving poverty reduction and sustainable development. Increased access to potable water is in itself one of the targets of the MDGs and it supports the achievement of other MDGs and, as mentioned above, key development targets of the GPRS II, as well as the progress of public health and the reduction of infant and maternal mortality. The MDG target for rural water supply coverage in Ghana is 76% by 2015.

1.1 Rural water

The coverage with safe drinking water in rural communities and small towns in Ghana is on average 55 % (CWSA, September 2007) and for sanitary latrines approximately around 15-20 %. The main problems are:

- Limited funds and local private sector capacity available at national level to construct new water supply and sanitation installations, keeping up the pace of the growth of the population.
- Insufficient capacity at the district level to plan, implement and maintain water supply and sanitation installations.

The NCWSP was launched in 1994 and CWSA was subsequently established to facilitate its implementation. The NCWSP has the following objectives:

- To provide basic water and sanitation services for communities that are willing contribute towards the capital cost;
- To ensure sustainability through effective community ownership and management of facilities, collection of tariffs for the water to be used for maintenance of the systems, active participation of women, public sector facilitation and private sector provision of goods and services;
- To maximise health benefits through integration of water, sanitation and hygiene education interventions.

The rural water supply and sanitation subsector is still facing major challenges. There is still no SWAP (Sector-Wide Approach for Planning), and this reduces the financial absorptive capacity of the sector as well as aid efficiency, despite the existence of competent technical agencies and a dynamic private sector. Some of the key prerequisites for a national SWAP are in place: the National Water Policy has been launched; the Sector Investment Plan is in place and a Project Operational Manual has recently been introduced. However, 94% of the investments in the sector are funded by the development partners, the sector is to a large extent donor driven, no systematic arrangements for programming the resources that support the sector are in place, or a performance monitoring system that measures progress and strengthens accountability.

1.2 Environmental sanitation

There is a low coverage of environmental sanitation in general, and major problems include:

- Lack of knowledge about links between poor sanitation and health among the rural population.
- Lack of public funding for sanitation infrastructure.

With the improving economy it is inevitable that environmental sanitation issues will come high on the agenda and that people's demands for improved services in that regard will increase.

The GPRS II emphasises the importance of improving environmental sanitation services. A number of reasons have been given for the poor state of environmental sanitation, notable among them the low capacity of MMDAs (Metropolitan, Municipal and District Assemblies) to effectively cope with the challenge and the low public financing of sanitation efforts. Equally important is the observed lack of consistent coordination and programming to meet the GPRS and the MDG targets. There is at this point no coherent strategy and investment planning for meeting the aforementioned targets, but work is on-going concerning the preparation of a Strategic Environmental Sanitation Investment Plan.

The lack of coherence and consistent planning is an important issue in the sanitation sector. A key contributory factor to this has been lack of effective leadership of the sector. Sanitation was transferred to the MLGRDE (Ministry of Local Government, Rural Development & Environment) from the Ministry of Health in 1995. To overcome the sector management the Ministry established the Environmental Health and Sanitation Directorate (EHSD) in 2006 from an existing Environmental Health and Sanitation Unit (EHSU) under its Policy Directorate. Preparatory work towards creating a SWAP for the sanitation sector has been initiated, however, there is still too little local focus and ownership to anticipate that a SWAP will be ready within the next 3-5 years.

1.3 NGOs in the water and sanitation sector

In October 2002, a planning committee representing the national and international NGOs in Ghana started the preparatory work that would eventually lead to the establishment of a formalised coalition of NGOs and a secretariat for the coalition – CONIWAS (Coalition of NGOs in Water and Sanitation). The coalition was formally established mid-2003, and the Policy, Monitoring and Management Support Component of Danida's WSSPS II started supporting the coalition in the beginning of 2004. The support has included:

- Funding to coordinate the deliberative meetings of the coordinating committee.
- Support to operational costs of the coalition's secretariat.
- Continued support and funding for the Mole Series of conferences.

The coalition is growing in strength, but is still not able to finance its own secretariat and operational expenses through member fees. Sensitization events have been made in most parts of Ghana, and the number of members is growing.

The coalition has arranged the yearly Mole conferences every year, and a series of other consultations, which has included topics like the "Management Contract in

the urban sector” (World Bank supported), “Making the MDGs meaningful to citizens: the role of NGOs” and zonal consultations on sanitation have been arranged since 2004 to date. In the context of the GPRS the assumption is that the non-governmental organisations are in a good position to voice the needs and expectations of the poorer segments of the population.

2. Description of the sub-component

2.1 Focus of the sub-component

The aim of the sub-component is to contribute to poverty reduction by supporting improvements in health and living conditions in communities through water supply and sanitation provision, and enhancing decentralisation by strengthening the capacity of DAs and mainstreaming water supply and sanitation activities into the planning and budgeting process of the DAs.

The sub-component is built on the lessons learned from decentralised service delivery in the District Based Water and Sanitation Component of the WSSPS II and carry forward outputs and activities from this component. The sub-component will be implemented in preselected districts in the regions of Central, Eastern, Volta, and Greater Accra. In conjunction with funding activities based on the districts’ rural water supply and sanitation plans, some support will be given to the NGO community in water and sanitation. Furthermore, support will be given to environmental sanitation by supporting the Regional Environmental Health Units, who are responsible for supervising the District Environmental Units.

Based on the “Fact Finding and Assessment in Preparation of a Danida Programme for Decentralised Service Delivery in Water, Sanitation and Feeder Roads”, which was prepared in 2007 and negotiations with the government partners a total of 18 districts in the regions of Central, Eastern, Volta, and Greater Accra has been chosen within the water and sanitation sector.

2.1.1 Rural water supply

Emphasis will be on decentralized provision of water supply and sanitation and hygiene promotion. DWDs and other key DA staff will through the LGSS (Local Government Service Secretariat) be supported in the preparation and implementation of the District Water and Sanitation Plans, as well as mainstreaming of water and sanitation activities into the planning and budgeting process of the DAs.

The water supply facilities to be provided include:

- Boreholes fitted with hand pumps.
- Hand-dug wells fitted with hand-pumps.
- Small towns water supply systems supplied by mechanised boreholes.
- Small towns water supply systems supplied by treated surface water.

- Connection to existing Ghana Water Company Ltd. pipelines.
- Gravity piped schemes.
- Rehabilitation of existing water systems.
- Rainwater harvesting.

Support to CONIWAS include strategic inputs regarding business planning, sensitization of possible new members, funding to cover national consultations on water supply and sanitation issues, support to operational costs of the coalition's secretariat, and continued support for the Mole Series of conferences.

2.1.2 Environmental sanitation

The community lead total sanitation approach will be pursued. It recognizes that sanitation is both a public and a private good, and that individual hygiene behaviour can affect the whole community. The concept is to develop and implement approaches that motivate people to change their hygiene behaviour and to ensure design and construction of facilities that allow for hygienic use.

Sanitation facilities to be provided include:

- Public and institutional KVIP latrines at schools and health clinics.
- Solid waste collection and disposal systems.
- Drains and sewages to be constructed in selected small towns, where there are environmental and health related problems.
- Disposal facilities for liquid and semi-liquid sanitary waste.

A limited number of eight feasibility studies for environmental sanitation in small towns will be carried out, and the recommendations can be implemented in up to four small towns. The environmental sanitation activities will be coordinated by the EHSD of MLGRDE.

3. Logical Framework Analysis

3.1 Intermediate and immediate objectives

The **intermediate objective** of the sub-component is:

“Improved and more responsive local service delivery by local governments through devolved decision-making on increased local investments”.

The sub-component has **two immediate objectives**:

Immediate objective 1:

“Improved access to portable water and sanitation facilities in rural communities”.

Immediate objective no 2:

“Improved behavioural patterns with respect to use and maintenance of safe water and sanitary facilities in targeted communities and small towns”.

The emphasis will be on decentralized provision of water supply and sanitation facilities in order to improve the conditions for the poor. Furthermore, the sub-component will aim at mainstreaming gender, environment, HIV/AIDS, human rights, and good governance aspects into the different outputs and activities.

Sustainability of the investments is secured through user's charges for water. The community Water and Sanitation Boards collect the fees and build up savings for maintenance of the facilities.

3.2 Outputs

All outputs under sub-component 2.3 are related to selected districts in the regions of Central, Eastern, Volta, and Greater Accra. Detailed implementation guidelines for most of the mentioned activities can be found in the Programme Operational Manual, prepared by CWSA in early 2007. For environmental sanitation activities, the MLGRDE and the Environmental Protection Agency has prepared specific guidelines.

The sub-component has following outputs:

Output 1: Strengthening of planning, tendering, and supervision at district level.

Output 2: Introduction of improved hygiene practices in the communities.

Output 3: Water supply installations provided in selected districts.

Output 4: Environmental sanitation installations provided in selected districts.

Output 5: NGOs strengthened through CONIWAS in the water and sanitation sector.

3.3 Activities

The activities, which will lead to the outputs above, are:

Activities related to Output 1:

- 1.1 Districts have updated Water and Sanitation Plans (DWSPs);
- 1.2 Districts have mobilised communities;
- 1.3 Districts actively support community organisations on O&M of water and sanitation facilities;
- 1.4 Districts have capacity to procure for, and supervise construction of facilities;
- 1.5 Districts have provided training of community organisations;
- 1.6 Districts are monitoring and reporting on water and sanitation;
- 1.7 Districts are managing funds satisfactorily.

Activities related to Output 2:

- 2.1 CWSA has defined the appropriate strategy for promotion of hygiene behaviour.
- 2.2 Districts have capacity to carry out hygiene promotion.
- 2.3 Districts have conducted hygiene promotion in communities receiving facilities.
- 2.4 Districts have necessary tools and hygiene promotion materials.
- 2.5 Community-led Total Sanitation concept introduced in 4 small towns and communities;

Activities related to Output 3:

- 3.1. Communities strengthened in implementation and O&M of water supply systems;
- 3.2. 400 new borehole point sources established;
- 3.3. 80 new hand-dug wells established;
- 3.4. 20 new rainwater harvesting schemes established;
- 3.5. 8 new pipe schemes based on groundwater established in small towns;
- 3.6. 4 new pipe schemes based on surface water established in small towns;
- 3.7. 4 pipe schemes rehabilitated;

Activities related to Output 4:

- 4.1. Environmental sanitation problems and solutions studied in 12 communities or small towns;
- 4.2. Environmental sanitation solutions addressed in relevant DWSPs;
- 4.3. 4 small-scale sustainable environmental sanitation schemes constructed in selected communities/small towns;
- 4.4. 100 institutional latrines constructed at schools;
- 4.5. 40 institutional latrines constructed at health centres;

- 4.6. 30 public latrines constructed at market places and successfully placed under private management;

Activities related to Output 5:

- 5.1. CONIWAS supported in business planning, sensitization of new members, and organizational issues
5.2. CONIWAS office space secured for 3 years for secretariat;
5.3. CONIWAS operational expenses supported for 3 years;
5.4. Annual Mole conference supported for 3 years;

3.4 Inputs

Contribution by Government of Ghana

The government of Ghana will provide the following:

- Adequate budgetary provision for CWSA to cover most project-related expenses (excluding logistic support mentioned in budget).
- Adequate budgetary provision for EHSD and REHUs (Regional Environmental Health Unit) in the 3-4 regions (excluding operational support mentioned in budget).
- Funds to cover the salaries and allowances of all members of the Regional Water and Sanitation Teams in the four regions.
- Funds to cover the recurrent expenditure (fuel, maintenance cost of vehicles and equipment etc) of the four regional offices and the head office.
- Adequate budgetary provision to cover the salaries and allowances and operational costs of the DWDs in the four regions.

Inputs by Danida

Danida will provide the following:

- The total cost of the provision of water facilities (community contribution of 5% of the investment costs is compulsory. These funds will be reserved for covering inflation and/or an increased number of installations up and above the sub-component targets).
- The total cost of institutional latrines (50% for private schools).
- Up to 100% of the investments in the environmental sanitation demonstration facilities.
- The total cost for the procurement of the services of local consultants and international technical assistance.
- The cost of one vehicle for each region (in order to secure transport needs of the local consultants and international technical assistance).
- The costs for community mobilisation and training (Incremental costs for the districts for training, promotion, project related operations and administration etc).
- Various sub-component expenses as specified in the detailed budgets.
- Payment of rent of NGO secretariat for 3 years.

- Support to basic operational expenses for (vehicle maintenance, office equipment, stationery, electricity, phone, fax, internet, etc.).

International technical assistance

A total of 18 man-months are budgeted for in order to:

- Provide technical assistance in areas where water resources are limited and individual solutions are needed in order to provide potable water.
- Support to high performance pipe-schemes like e.g. the Damanko or the Three Districts Scheme, which was constructed under the WSSPSII.
- Support to rain water harvesting systems.
- Support the development of the district Environmental Sanitation Strategy and Action Plans.
- Support to the Environmental Sanitation Study and to implement the findings.
- Start up the Total Sanitation Concept in the four regions.
- Support the financial control mechanisms.

National technical assistance

A total of 50 man-months are budgeted for in order to:

- Provide technical assistance in areas where water resources are limited and individual solutions are needed in order to provide portable water.
- Support to high performance pipe-schemes like e.g. the Damanko or the Three Districts Scheme, which was constructed under the WSSPSII.
- Support to rain water harvesting systems.
- Support the development of the district Environmental Sanitation Strategy and Action Plans.
- Support to the Environmental Sanitation Study and to implement the findings.
- Start up the Total Sanitation Concept in the four regions.
- Support to community development/hygiene promotion.
- Support to business planning, awareness raising, event planning, etc.

Short-term international consultants will be contracted by the Embassy of Denmark in Accra based on Terms of References agreed on between CWSA and the Embassy. The local short-term specialists will be contracted directly by CWSA.

3.5 Assumptions, risks and preconditions

Assumptions

The design of the sub-component is based on the following assumptions:

- Enactment of the Legal Instruments for the Local Government Services will place the recruitment, deployment and control of all DA staff under the Local Government Services and subsequently under the individual DAs for a number of staff categories. This will facilitate the capacity development of the DAs through an integrated human resources development plan for the Local Government Services and strengthen the process of preparing and implementing the district water and sanitation plans.
- Adoption of fiscal decentralisation and financial management systems will not be delayed. GoG will take the necessary steps to introduce composite budgeting and ensure training of district staff in composite budgeting. Appropriate financial procedures and mechanisms to ensure transparency and accountability will be implemented.
- Procurement processes introduced by Public Procurement Act 2003 will run smoothly. The provisions in the Act do not recognise the central/regional structure of institutions like CWSA, and require all approval of tender evaluations to pass through the Head Office, which is the “Procurement Entity”.
- The process of promoting good governance and debate on social dimensions of water and sanitation involving civil society and NGOs continues.

Risks

The risks that may affect the achievement of the intended results are:

- Implementation speed is slow due to low capacity of DAs/DWDs or their attitude detrimental to plan and implement the activities as envisaged. CWSA regional offices carry a burden in “facilitating” implementation through the DAs due to limited responsiveness by the DAs. Sometimes it is a genuine lack of capacity at the DA – no staff or inappropriate staff that cannot be changed; sometimes it is the excessive rate of staff rotation at the DAs, which continually makes capacity development in the individual districts difficult.
- The coalition of NGOs in the water and sanitation sector will not be able to maintain its members because of too close relations with Government and agencies, ignoring the role as the critical watchdog of the sector.

4. Organisation, management and administration

4.1 Management of the sub-component

Regional Programme Steering Committees (RPSCs) will be established in the regions where implementation of rural water and environmental sanitation activities will take place to provide managerial support to the DAs and progress monitoring of the sub-component.

The RPSC will be chaired by the Regional Coordinating Director and include members from the Regional Economic Planning and Coordination Unit, the

regional offices of DFR, CWSA, DRH, LGSS, DAs, DCEs, and with participation of the technical Programme Coordinator from the RDE.

Each district is supposed to meet internally on a regular basis, involving the District Planning Officer (DPO), District Financial Officer (DFO), the Head of the DWD, District Budgets Officers (DBOs), preparing their DCE for the meetings in the RPSC.

CWSA will be responsible for the day-to-day management of the sub-component performing the following functions:

- Provide technical assistance and supervise the districts (e.g. in regard to preparation of water and sanitation plans, preparation of tender documents, supervision and monitoring of works).
- Support to mobilisation of communities.
- Participate in tender evaluation at district and regional levels.
- Assisting DAs to prepare investment programmes and review disbursement requests (no objection).
- Ensure that facilities conform to national standards.
- Carry out post-construction monitoring of facilities at regional level.
- Plan and monitor progress in sub-sector at regional level.
- Provide input to LGSS regarding the Inception Report in cooperation with EHSD

Concerning environmental sanitation (feasibility studies and implementation), the Regional Environmental Health Units will have a similar role as CWSA regional offices. They will receive support from the EHSD at Ministry level at the initiation of the sub-component, as they are still poorly staffed and resourced. The funds for the REHUs will be administered by the EHSD in MLGRDE.

4.2 Procedures for implementation

Inception Phase

An inception phase of six months is envisaged with the following main activities:

- Mobilisation of consultants, including tendering and hiring of local and international consultants.
- Review the Logical Framework Analysis of the subcomponent, including indicators and means of verification.
- Review unit costs in order to verify the supplied budget for water supply and sanitation (only latrines) installations.
- Review existing situation in the selected regions to understand the present level of implementation, the available capacity at district level, training needs etc.
- Based on the above, coordinate with LGSS (Component 1) regarding plans for capacity development of DWDs.

- Develop model and criteria for budget allocations and prioritisation projects, based on needs and poverty criteria.
- Review existing knowledge
 - on KAPB (Knowledge, Attitudes, Practices and Beliefs) barriers and assess the motivation for people's acquisition of sanitary latrines.
 - on hygiene behaviours in order to identify critical behaviour, barriers and motivating factors for change of the hygiene related behaviour .
- Based on the sanitation promotion study above, revise the sub-components promotion strategy, including propose pilot testing.
- Review design criteria for water supply in light of the low actual water demand figures.
- Review/revise mobilisation strategy and training materials.
- Review/revise financial management principles.
- Prepare detailed work plans.
- Prepare QA (Quality Assurance) systems as necessary and performance criteria for participating districts.
- Review/propose revision of the sub-component budget.
- Preparation of an Inception report for approval by the National Programme Steering Committee. The preparation will be coordinated by LGSS, with input from CWSA and EHSD

The National Programme Steering Committee can revise the tasks and main activities in the inception phase.

Estimation of unit costs and contributions

Costs and community and district contributions

For the water supply the community contribution will be 5% (or according to the revised percentage set by the MWRWH). At the outset there will be no other user charges applied under the sub-component.

The sub-component's implementation of procedures for district contribution and the level of it, will await a national policy decision on district contributions. A national policy is assumed to be in place within the first year of implementation and it is expected that some level of DA contribution will be made mandatory across the sector.

In order to enable both DAs and communities to assess their willingness and ability to participate in the sub-component activities, the cost implications, i.e. the amount to be mobilised, are to be presented already in the information and selection phases. The implication of this necessity is that contributions will not be determined on the basis of actual construction costs in a specific community, but will have to be calculated before decisions are made by the community based on standard predetermined unit costs as shown in tables below.

Table 1. Unit costs (USD) for water supply

Technology	Unit Costs USD	Basis for Contribution	Contribution 5% ¹⁵ USD	Number of persons served	Contribution per capita USD
Drilled wells with deep-set hand pump	6,500	6,500	325	300	1.1
Shallow well with low lift hand pump	6,000	6,000	300	150	2.00
Hand-dug wells with low lift hand pump	3,000	3,000	150	150	1.00
Small Towns – ground water source	340,000 including boreholes	300,000 excluding boreholes	10,500	6,000	1.75
Small Towns – surface water source	450,000 (incl. intake & treatment)	360,000 (excl. intake & treatment)	15,000	6,000	2.50
Rehabilitated Small Towns system	225,000	225,000	6,000	6,000	1.00

Table 2. Unit costs for sanitation (USD)

Technology	Lined
Institutional KVIP 6 cubicles	8000
Institutional KVIP 10 cubicles	15000

The per capita contribution has been calculated as shown in Table 4.

Table 3. Per capita contribution

System Cost/Contribution	New systems (USD)	Rehabilitated systems (USD)
Cost per capita including boreholes	50	37.5
Estimated cost per capita of boreholes	5	5
Cost per capita excluding boreholes	45	32.5
Cost of system (example 6,000 inhabitants) excluding boreholes	300,000	225,000
Community Contribution 5%	15,000	11,250

School latrines: Current experience shows that demand for school latrines far outstrips supply. To avoid lengthy waiting lists, schools will be allowed to apply directly (independent from community applications) for assistance. Danida will provide the school latrines with hand washing facilities free of charge to public schools. Maintenance will be the responsibility of designated school staff, supported by the school health management committee. Only schools that have or can arrange hand-washing facilities for the use of the students will qualify for a

¹⁵ The 5 % is indicative, as no percentage is set in the Water Policy. The MWRWH sets the contribution level.

latrine. When relevant, some of the latrines to be installed for male students and teachers may be replaced by urinals instead.

Private schools may also be considered for school latrines. However, in this case a 50% contribution by the school will be required.

Health unit latrines: Health units may also request assistance for the construction of latrines and should follow the same procedure as for schools as described above. Maintenance will be the responsibility of designated health unit staff.

Other public latrines: Danida will fund a number of public latrines at markets, bus stops or other highly frequent visited places. No community contribution will apply. The district will, if a contribution is introduced contribute the percentage defined by the national policy. Maintenance will be the responsibility of the designated entity.

4.3 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.

Flow of funds

The procedure for managing programme funds commences with the signing of the Programme Agreement. On request of the Danish Embassy, 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 the sub-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 the embassy and to the institution, informing them that the funds have been transferred into their programme account.

The agreement between the Embassy and MoFEP will be committed to paper in a MoU. The MoU will 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.

Furthermore, the Controller and Accountant-General shall, at the request of the Ministry of Water Resources, Works and Housing, authorise the Bank of Ghana to establish accounts to be operated by CWSA and EHSD, the respective co-ordinating entities for the management of the different water subcomponents of the sub-component. The accounts to be referred to as the 'Subcomponent 2.3 Account' and so forth will be non-domiciled foreign exchange account whose purpose will be to receive transfers from the LSDGP account and make expenditures, including foreign payments. It is therefore vital that the accounts are not fettered by administrative requirements for transferring funds abroad.

The operation of the Subcomponent Accounts will be the responsibility of the CWSA and EHSD, 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 these accounts will be submitted to the Ministry of Finance and Economic Planning on a monthly basis by the Bank of Ghana, copied to the Ministry of Water Resources, Works and Housing and the Embassy of Denmark.

The Component Coordination Committee will approve quarterly budgets based on financial statements prepared by the CWSA Regional Offices and the EHSD, respectively.

Tendering and contracting

The Public Procurement Act (Act 663) of 2003 will be followed, and thresholds set in the act will be respected.

Accounting and auditing

Accounting and Financial Reporting.

The accounting systems of CWSA and the Environmental Health and Sanitation Directorate must provide the NPSC, as well as Danida and the GoG with an up-to-date financial status and quarterly present timely and reliably financial reports to Danida and GoG. The system shall provide efficient control and monitoring of sub-component funds and other assets made available to the sub-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.

Danida holds the right to withhold payment of funds until sufficient documentation has been received on previous expenditures. Ghana Audit Service is supposed to assist in the partner institutions in building adequate financial disbursement and monitoring systems, through the support of component 3.

Auditing

The involved institutions shall be audited annually by an independent audit institution. The requirement is that audits must be completed within six months after the close of each financial year. The purpose of the audit is to establish whether the accounts have been properly kept and whether rules and procedures have been followed. The annual audit shall include – but not limited to – inspection of accounting records including examination of documentation for transactions, confirmation of cash and bank holdings, checking of bank reconciliation, verification of physical inventories and fixed assets, and financial operations conducted with due regards to efficiency and effectiveness. The audit shall include a test of compliance with the accounting manual, and an audit of the procurement function. The audits shall follow either International Standards of Auditing (ISA) or audit standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

Ghana Audit Service will perform the annual audit of the subcomponent, including management of the LSDGP bank account in BOG. GOG will make sufficient resources available to GAS to complete these tasks within six months after the close of each financial year. The modalities for such audits should be arranged in consultation with GAS and if GAS does not have sufficient in-house capacity to carry out these audits within the stipulated period, there should be flexibility for GAS to engage external auditors in carrying out the annual operational audits. Audits should also evaluate the degree to which 'value for money' has been achieved, for example by comparing to standard unit prices.

Submission of final audits will be subject to approval by the EOD's representative prior to submission to Danida. The Embassy reserves the right to commission its own independent audits of any of the sub/components at any time.

5. Budget

5.1 Overall Budget

The overall budget for the sub-component with the relevant MTEF codes are presented below. The prices of units for rural water and sanitation will have to be updated by mid 2008 in order to have a more precise budget.

METF Code		Total
3.1/4.1/4.3	Support to Rural Water & Sanitation	93,500,745
322	TA (int + nat)	3,700,000
	Subcomponent audits	450,000
	Total	97,650,745
	Contingencies (2.4 %)	2,349,255
	GRAND TOTAL	100,000,000

5.2 Detailed Budget

The budget is estimated on the basis of 2007 prices, and needs to be updated before tendering. The total Danida contribution is estimated at DKK 101,361,473. Detailed annual budgets must be prepared for the individual regions in conjunction with the annual implementation plans and presented to the RPSC for approval.

Reshuffling of funds between the major budget lines require approval by the National Steering Committee.

Rural Water and Sanitation Sub-Component Budget

MTEF code	Output/activity	Quantity	DKK	
			Unit cost	Total
	Output 1. Districts strengthened in implementation of water supply and sanitation systems			3,771,200
321	Community mobilisation and training, purely POs(5% of CWSA related investment cost)	5%		2,971,200
	Purchase of vehicles	4	200,000	800,000
	Output 2. Hygiene practices improved at community level			320,000
43	Update of hygiene promotion tools and equipment	10	32,000	320,000
	Output 3. Increased access to safe water for rural communities & small towns			59,424,000
416	Deep wells with hand pumps	400	64,800	25,920,000
416	Shallow wells with hand pumps	80	32,400	2,592,000
416	Hand dug wells with hand pump	80	21,600	1,728,000
416	Rainwater harvesting schemes	20	50,000	1,000,000
416	Small Towns, ground water based	8	1,768,000	14,144,000
416	Small Towns, surface water based	4	2,340,000	9,360,000
416	Rehabilitated Small Towns	4	1.170,000	4,680,000
	Output 4. Increased access to environmental sanitation in communities and small towns			24,388,900
414	Small-scale sustainable environmental sanitation feasibility studies.	12	300,000	3,600,000

414	Small scale environmental sanitation schemes	4	3,000,000	12,000,000
414	School Latrines	100	54,930	5,493,000
414	Health centre Latrines	40	41,200	1,648,000
414	Public latrines	30	54,930	1,647,900
	Output 5. NGOs strengthened through CONIWAS			606,000
	Payment of rent of Office space for Secretariat for 3 years	3	72,000	216,000
31	Basic office equipment and supplies	1	54,000	54,000
31	Basic operational expenses (phone, fax, electricity, water, internet, etc.)	1	150,000	150,000
31	Maintenance and operation of vehicle	3	12,000	36,000
	Support to the Mole Conference series (3 years)	3	50,000	150,000
	CWSA, DA and EHSD investment-related costs¹⁶			4,990,645
3	CWSA operational support (5% of Output 3 budget)		5.00%	2,971,200
3	DA operational support (app. 2% of Output 3 and 4 budget) for app. 20 districts			800,000
3	EHSD operational support (5% of Output 4 budget)		5.00%	1,219,445
	International and national TA			3,700,000
322	International TA pool	18	150,000	2,700,000
321	National TA pool, short term	50	20,000	1,000,000
	Various expenses			450,000
32	Audits & bank charges	3	150,000	450,000
Total Rural Water And Sanitation sub-component				97,650,745

6. Monitoring, reporting, reviews and evaluation

Sub-component performance will be monitored and reviewed against milestones, targets and any specific conditionality to be specified at the onset of the sub-component. However, this progress monitoring is primarily a management instrument, which shall help the management and the NPSC to secure that the activities are on track.

CWSA will submit semi-annual progress reports (standard format to be agreed by all) regarding the implementation of the activities to the Local Government Service Secretariat in its capacity as the secretary to the National Programme Steering Committee. These reports will be presented to the NPSC.

Furthermore, monitoring will be conducted in relation to the indicators to be defined on the basis on the GPRS II.

6.1 Indicators

The indicators for the objectives of the sub-component are presented in the following Logical Framework Matrix:

¹⁶ Operational support is defined as a) maintenance and refuelling of transport used on water & sanitation activities, b) office running costs associated with the w & s activities, and c) other field expenses, travel allowances, clothing, etc incurred on w & s activities.

Development objective	Verifiable indicators	Means of verification
The intermediate objective of the Sub-Component (the immediate objective of Component 2) is: <i>Improved and more responsive local service delivery by local governments through devolved decision-making on increased local investments.</i>	<ul style="list-style-type: none"> Reduced incidence of water and sanitation related diseases from 2008 to 2011 (Incl. guinea worm, diarrhoea, and others) Beneficiaries in targeted communities confirm improved quality of life due to water and sanitation improvements 	1. MOH statistics included in annual progress report 2.a. Beneficiary Assessment carried out twice (2010 and 2011). Assessment of project interventions as perceived by beneficiaries (GoG, DAs, POs, WATSANs, and community members). 2.b. The findings of the BA should be juxtaposed against Statistical Services information, where relevant.
Immediate objectives		
<u>Immediate objective 1:</u> <i>'Districts and their Works Departments have capacity for sustainable water and sanitation planning, implementation, operation and maintenance through support to implementation of a number of District water supply and sanitation plans'.</i>	1. 90% of DWSPs are updated annually and illustrate implementation progress by 2011 and DESSAPs prepared. 2. Procurement is in accordance with PPA. 3. Quality of works is confirmed as acceptable, on time and on budget in 90% of subprojects by 2011 4. O&M performance is acceptable in 90% of W&S projects in 2011 Targets for all three indicators are 70% in 2009, and 80% in 2010	1. CWSA-ROs report to RPSC. Minutes confirm that DWSPs are updated and DESSAPs prepared. 2. RWST assess degree to which DWSPs illustrate implementation progress. 3. Quarterly reports from DAs and CWSA. 4. Inspections by Regional Coordinating Councils confirm quality of works and reports to RPSC biannually 3. Value-for-money audits. 4. CWSA quarterly reports on O&M performance (% of projects with acceptable O&M - based on score for key MOM parameters).
<u>Immediate objective no 2:</u> <i>'Improved behavioural patterns with respect to use and maintenance of safe water and sanitary facilities in targeted communities and small towns'.</i>	<ul style="list-style-type: none"> Monitoring data on water and sanitation aspects in line with GPRS Water and Sanitation Boards in place in the supported communities 	<ul style="list-style-type: none"> Reports Monitoring data provided to CWSA Records of WSB meetings from supported communities

For indicators related to the outputs, see Annex 1: LFA Matrix.

6.2 Reviews and evaluations

As part of LSD&GP, the Sub-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 sub-components. NPSC and Danida may decide in collaboration to undertake technical assessments or evaluations on specific issues at any time during the component period.

A larger technical review of the Sub-Component should be carried out in the third year of the programme in order to decide whether a shift should be made to use the District Development Fund, or a continuation of the described water component should be designed for the remaining part of the programme.