

Annex C The Theory of Change – Testing the Causal Chain

Grant project theory of change

1. Organisations that received BUSAC grants and applied the grants to fund advocacy activities according to the BUSAC advocacy model will strengthen their capacity to advocate.

Key assumptions: i) the organisation will be strengthened to the point that it is able to advocate in the future to a high standard without external financial assistance; ii) the persons who are benefitting from the advocacy capacity strengthening stay with the organisation.

This important step in the theory has not been effectively achieved. Capacity has been built in many cases but is insufficient for sustainability. In general the Evaluation has determined that as little as 10% of the 700 or so grantees have been strengthened to point that they are able to advocate using the BUSAC model without financial assistance. Several instances were noted during the Evaluation to suggest that some of the BUSAC-funded activities, especially the research, were absorbed by the BSPs and other externals, and hence capacity building was limited. The traditional structure of many advocating Ghanaian organisations including almost all smaller organisations and many middle-sized organisations does not provide for full-time executives to carry out tasks, instead relying on the capacity of elected officials who may well be in office for a limited period, hence advocacy capacity may not last for any significant period.

2. The issues that are advocated, if agreed by decision makers (called duty bearers in Ghana), will economically benefit or are in the best interests of the members of the organisations that advocate.

It is assumed that (i) the advocated issues will not benefit specific members of the advocating organisation at the cost of other members; (ii) there is sufficient financial resources to implement the agreement.

A sufficient proportion of funded projects achieved the stated objectives. The Evaluation did not discover any grant projects where there the imbalance in benefits was apparent. There were many instances where agreement was reached with duty bearers but cannot be implemented because of lack of finance. Approximately 39% of grant projects achieved all of the stated objectives, and a similar number partially achieved objectives, and a proportion of these were due to a lack of financial resources to implement agreed changes.

3. The economic benefits from successful advocacy will strengthen the contract between a representative organisation and its constituents, resulting in increased membership and payment of membership dues.

It is assumed that i) the advocacy had the support of the members; ii) non-members will know of the efforts of the advocacy body and feel inclined to join the organisation; iii) members pay their subscription and other fees in appreciation of the benefits obtained from the advocacy.

There is mixed evidence to suggest that this part of the ToC is sound and that assumptions were met. A key component of the BUSAC advocacy model requires advocating organisations to build consensus within their membership through sensitisation of the advocated issue, and sensitisation took place on substantially all grant projects. The findings of the UCC impact study suggests that

membership of BUSAC grantees increased in 64% of their sample, but decreased in 26%. Non grantees did not show this level of increase, only 39% showing an increase while 44% showed a decrease. The study attributes the increases in membership observed to the successful advocacy action. Increased fee income was observed in 60% of the sample of grantees, and it appears that this was attributed to improved financial management, a key BUSAC advocacy project activity. The improvements were noted in only 25% of the non-grantee sample.

Two statements in the Jeavco sustainability study provide contrast to this regarding umbrella organisations “By the operational objective of the Fund, the capacities of the umbrella organisations are not built” and “A major assumption of the Fund is that, once an advocacy action achieves its objective, the umbrella organisations will grow in membership. It was found from the study that the size of the membership of the umbrella organisation does not grow irrespective of the level of the achievement of the advocacy action. It is further assumed that after the attainment of an advocacy objective, businesses of the individual entrepreneurs will grow thus empowering them financially to contribute to the growth of their organisations by paying their dues. Unfortunately, it is not the case as the study found. For example, after an advocacy effort, a gari processing group had the opportunity to supply their products to a secondary school for the next one year. However, they could not take advantage of the market because they did not have the financial capacity to supply the product” (both p. 13).

4. The economic benefits of a piece of successful BUSAC II- supported advocacy contribute positively to the Ghana economy.

It is assumed that i) the benefits are measurable; ii) other economic actors do not suffer as a result through diversion of funds that were earmarked for their benefit.

The evidence on this link is mixed and discussed under project impact. Economic additionality and cost benefit analyses are not techniques that are used in the concept selection process and there have been no attempts ex post to measure economic benefits. There is evidence that some small rural advocacy projects were relatively successful in benefitting their members, but the economic impact is much smaller than the cost of the advocacy process.

Programme level theory of change

1. If activities in BUSAC contribute to building capacity in many stakeholders who are involved with business advocacy then the quality of advocacy will be maintained.

The major assumptions here are i) that sufficient numbers of organisations that carry out business advocacy, and the members of those organisations, use or are aware of the BUSAC advocacy model and are convinced by its cost effectiveness; ii) a sufficient number of duty bearers are aware of the benefits of listening to business advocacy and the importance of inclusive decision-making; iii) advocating organisations are able to fund these advocacy efforts going forward; and iv) lasting capacity is built in the associations to enable high quality advocacy actions in the future.

The evidence for this soundness of this link is mixed. BUSAC has attracted applications from most advocating organisations and hence the methodology is well known. There appears to be sufficient capacity in Ghana in business development services to support quality advocacy exercises, although who pays for that is key. Capacity to advocate as measured using the Irwin Grayson advocacy model has increased among grantees, although other evidence suggest that only 70 or so organisations are capable to advocate without external financial support as discussed above under the grant project ToC.

In the Ghanaian civil service, duty bearers move jobs relatively frequently, and individual advocacy initiatives as well as government's advocacy-sensitive capacity can be decimated as a result.

2. If the quality of business advocacy and dialogue improves then the business environment should improve.

The primary assumptions are: i) the advocated issues, if implemented, would result in a better business environment; ii) that decision makers are able and willing to listen to advocates and appreciate the evidence presented by them and make balanced decisions relating to the issues based on persuasive and sensible arguments and the supporting evidence; iii) if decision makers are convinced of the advocates arguments, to make the funding and support available to enable these changes; iv) the changes are made and produce the desired results.

The evidence around this link is poor. Very few BUSAC projects have been targeted to improve the general business environment and even fewer are targeted at those considered to be critical by external commentators such as the World Bank DB process, and the general business environment priorities of the private sector, which focus around access to finance and electricity. The failure of the Government to implement PSDS II is seen as symptomatic.

3. Building consensus on priority business environment areas for improvement and funding projects that advocate successfully for improvements will improve the business environment.

The primary assumptions are: i) advocating organisations can identify and agree on the issues that need to be addressed to improve the business environment; ii) the advocacy will provide additional compelling evidence for action that the Government is not already aware of; iii) the change actions that arise from agreement with Government are affordable and are funded; iv) the changes result in improvements for businesses operating in the environment.

The evidence to support this link in the ToC was not found. This link is relatively new aspect, as BUSAC II has provided a small number of grants on an invitational basis to tackle issues that stakeholders feel are critical. Very few national level advocacy issues that are being funded through grants do not relate to the macroeconomy, and the government is already aware of the issues there, but is not able to successfully overcome them. There are several issues dealing with economic sub-sectors but it is too early to tell if these will be successful.

4. If the business enabling environment improves then this will support and accelerate private sector growth.

There are many risks that relate to the fragility of the economy as listed in Table 1.

Table 1 - Primary risks to the theory of change relating to the fragility of the economy

Agriculture	Industry	Services	Cross sectoral
High operating risks, especially climate-related and disease, leading to uncertain yields	Many small inefficient players	Insufficient personal incomes suppress demand and limit diversification of services	Young fast-growing population
Relatively poor financial returns on private investment	Incentives to formalise businesses undermined by high formal sector		High health risks to people, especially malaria

	costs, including taxation		
Short-term investment horizon	Lack of suitably zoned and endowed industrial land		Challenges in preparing and educating the population for non-agricultural work
The fear of jobless or job-loss growth from efficiency initiatives			Poor physical infrastructure, especially electricity and roads
			Lack of access to credit
			Lack of enforcement of regulations and abuse of regulated inspection powers

Several of the risks provide a daunting prospect that will only be partly overcome. The Government has set itself an agenda for reform of the economy, which is based on growth of oil and gas exploration and exploitation, and the increased revenues from this to fund higher value addition in agriculture and more robust manufacturing capacity. There are issues around realising this agenda in a poor macroeconomic environment. The investment needs for electricity generation and distribution and road infrastructure development are great. However, most economic commentators are positive around economic growth for Ghana in the near to medium term.

5. If there is private sector growth then poverty should reduce.

Primary assumptions are that growth will create jobs, although there are significant risks around jobless or even job-loss growth and around a low or containable inequity in incomes that allows the poor to benefit.

Ghana faces issues around poverty reduction in the future, with 80% of employment in the informal sector, and much of this in primary agricultural production that is vulnerable to price, climate and disease shock.