

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC65394

Project Name	
Region	AFRICA
Country	Ghana
Lending Instrument	IPF
Project ID	P160138
Borrower Name	Ministry of Finance
Implementing Agency	Kumasi Metropolitan Assembly
Environment Category	U - Not Rated (for all adjustment operations except for SECA)
Date PID Prepared	16-May-2016
Estimated Date of Approval	30-Dec-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Following prolonged periods of economic stagnation and decline during the first quarter century after independence, Ghana entered a period of sustained economic growth from the early 1980s. Increasing political stability, accompanied by market reforms (most notable in the early stages were the cocoa market and exchange rate reforms, followed by more broad-based market reforms) resulted in a gradually improving growth performance, with the long term growth trend in GDP accelerating appreciably after the early 2000s. The only dips in the rising post-2000 growth record took place in 2009 as the global financial and economic crisis hit most countries hard. In 2012, growth reverted to its long term trend after the start of commercial oil production in 2011. Recent growth in productivity has been high by Ghanas historic standards, but it is still substantially lower than that experienced by countries that have enjoyed sustained high growth rates.

Ghanas sustained economic growth has been accompanied by rapid urbanization. GDP annual growth rate averaged 7.29 percent from 2000 to 2015, and 51 percent of the 24.7 million Ghanaians are living in urban areas, compared to 44 percent in 2000, according to the 2010 Census. The provision of basic services, however, has not kept up with the rapid urban population growth, and particularly affects people living in low-income areas.

Sectoral and Institutional Context

In Kumasi, Ghanas second largest city with a population of 2 million and 5.4% population growth rate, it is estimated that 58% of households do not have access to personal toilets. These households either share facilities with other households, use one of the city's 321 public toilet facilities, or resort to open defecation.

Public toilets have historically been financed through municipal budgets. As part of the private sector strategy, the government is looking to attract the private sector and other non-state actors to finance and operate viable public services, including toilets. In Kumasi, the KMA would like to involve the private sector in the rehabilitation, construction, maintenance and operation of public toilets under a Build, Own, Operate, Transfer (BOOT) arrangement. BOT contracts with current operators are poorly structured, so KMA sought technical assistance to establish a rigorous process for structuring and implementing a Public Private Partnership (PPP) to manage public toilets.

At the request of the KMA, the PPIAF and the Water and Sanitation for the Urban Poor (WSUP) supported a pre-feasibility study (2013-14) to determine the viability of employing private operators to build and operate quality public toilet facilities in Kumasi. The study analyzed the capital costs of rehabilitating the existing facilities and the costs of continued operation against current usage levels and tariffs. It concluded that to make the project financially viable, attractive to private sector investors, and to keep the public sanitation service affordable for the low income consumers of Kumasi, a capital cost subsidy is required.

Relationship to CAS/CPS/CPF

The World Bank Groups FY13-16 Country Partnership Strategy (CPS) for Ghana makes specific reference to the countrys lack of progress in meeting the Millennium Development Goal for improved sanitation methods. Data from the 2010 census indicates that 61% of Ghanas rural and 82% of its urban population do not have access to acceptable sanitation methods. The GPOBA project supports improved access to sanitation, which is a core component of the CPS under Pillar 3: Protecting the Poor and Vulnerable. The project also supports use of PPPs to improve public infrastructure provision, which is a core component of the CPS under Pillar 2: Competitiveness and Job Creation.

This project falls under Target 6.2 of the Sustainable Development Goals: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations. Under the newly approved target public toilet facilities are classified as ?shared? sanitation, i.e. sanitation facilities of acceptable type shared between two or more households and are tracked by the UNICEF/WHO Joint Monitoring Program. Public toilets. They, however, do not count toward the ?safely managed? or ?basic? sanitation that would count toward the goal. Nonetheless, the project is still of priority to the government given the large population that it services, a population for whom household sanitation still remains out of reach.

The structuring of the proposed PPP will be supported by the IDA-financed Adaptable Program Loan for the Ghana PPP Project (P125595), and results achieved from structuring the PPP process will count towards that project. This Ghana PPP Project (US\$30 million) was launched to assist the GoG to increase the quality of infrastructure and social services by mobilizing private sector participation. USAID has also indicated its willingness to provide additional funds to further develop the concept and support awareness raising through education, sensitization, and community participation.

II. Project Development Objective(s) Proposed Development Objective(s)

The project development objective is to increase access to clean, convenient and safe public toilets for the population of Kumasi.

Key Results

1. 108 public toilet facilities in Kumasi built through a PPP arrangement
2. Over 20,000 customers use clean, convenient and safe public toilet facilities on a daily basis

III. Preliminary Description

Concept Description

The project will have two components:

Component 1: OBA subsidy to support construction and rehabilitation of public toilets by private operators (US\$ 3 million). This component will subsidize the cost of converting 70 public toilet facilities to water closet technology (by means of demolishing the old facilities and building the new ones) and rehabilitation of existing 38 public toilet facilities that use water closet system but require renovation to meet the service standards.

Under this component, KMA will contract private operators to convert (demolish old facilities and construct new ones) 70 public toilets to water closets and rehabilitate existing 38 water closets in various parts of Kumasi. The client feels this is a reasonable number of toilets to pilot the PPP arrangement. Based on the pre-feasibility study, it is assumed that the project will be implemented under a BOOT arrangement. KMA will compile site packages (lots) of toilet facilities in urban and residential areas. The facilities in each lot will range from poor residential areas to more affluent urban areas with various levels of customer traffic to ensure fair distribution of lots that combine sites with both high and low revenue potential. The high revenue sites are expected to compensate the low revenue sites through some degree of cross-subsidization, but as overall coverage is needed, operators will not be allowed to bid for individual sites. Bidders will submit business plan proposals for one or several contracts which will include estimates of project cost and the level of subsidy required to build and operate the facilities under the BOOT arrangement. The final selection of private operators will be made by KMA, and is likely to be based on an assessment of value for money, such as lowest bid as calculated by project cost multiplied by percentage subsidy required. The bids will also be assessed for technical feasibility, commercial viability, operator's experience of similar projects, ability to raise required capital, etc. The technical assistance for structuring and evaluating the PPP process will be provided by IDA-supported PPP Project. The screening criteria and project implementation support arrangements will be finalized during project preparation.

Component 2: Independent Verification (US\$ 200,000). This component will support the establishment of baseline and targets for private operators applying for OBA grants. The IVA will assist in the setting of output targets; conduct output verification according to the technical standards specified by KMA, including verifying billing and revenue collection at facilities under operation; prepare output verification reports recommending subsidy payments to operators meeting targets; and analyze socio-economic indicators before and after subproject investments.

Under this component, KMA will procure the IVA to verify that the outputs under the project meet the technical standards. The Output Verification Reports (OVRs) prepared by the IVA will represent the basis for disbursement. The OVRs will include information on public toilets design and construction, operation and maintenance that will allow KMA to ensure that the private operators meet the minimum technical specifications and quality service standards.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04			x
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	3.2	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Global Partnership on Output-based Aid			3.2

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