

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB7547

Project Name	Ghana: Transport Sector Project Additional Financing
Region	AFRICA
Sector	Rural and Inter-Urban Roads and Highways (51%); Urban Transport (36%);Public administration- Transportation (13%)
Project ID	P149444
Borrower(s)	GOVERNMENT OF GHANA
Implementing Agency	Ministry of Roads and Highways
Environment Category	<input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	March 18, 2014
Date of Appraisal Authorization	April 3, 2014
Date of Board Approval	June 24, 2014

A. Country and Sector Background

1. Ghana has experienced rapid economic growth over the past several years resulting in substantial progress in reducing income poverty. Gross Domestic Product (GDP) growth rose from 8.0 percent in 2010 to close to 14.5 percent in 2011, making Ghana's economy one of the fastest growing on the continent. In July 2011, Ghana achieved the per-capita income threshold needed to transition into Lower Middle Income Country status. This transition has been accompanied by a steady decline in poverty as reflected in the number of people classified as poor, which dropped from slightly more than 50 percent of the population in 1992 to about 23.6 percent in 2012. However, inequalities remain widespread and are reflected in significant disparities in access to economic, social and political opportunities. The northern savannah regions (with 25 percent of the country's population) recorded an average poverty rate of 58 percent, compared to 19percent in the rest of the country.

2. Despite the impressive progress noted above, recent macroeconomic challenges are putting at risk the gains realized in poverty reduction. The fiscal deficit reached 12 percent of GDP in 2012 and 10.9 percent in 2013, and the current account deficit reached 13 percent of GDP in both years. Ghana's medium term economic framework, the Ghana Shared Growth and Development Agenda, (GSGDA), 2010-2013, outlines the government's strategies to address some of these challenges and defines the government's development priorities.

3. The 2013 Country Partnership Strategy (CPS) in turn seeks to respond to the Government's priorities of more inclusive economic growth, job creation, delivery of decentralized public services, better accountability to citizens, and provision of skills and education to the population. More efficient delivery of infrastructure services is required to support Pillar 2 of the CPS, Improving Competitiveness and Job Creation, and the CPS calls for processes and systems to ensure adequate monitoring, oversight and implementation support for all major public infrastructure projects with roads and energy sectors in the lead.

B. Objectives

4. The objective of the project has been revised to reflect the targeted project interventions more specifically. The revised project development objective is to improve mobility of goods and passengers on selected roads through reductions in travel time, vehicle operating cost, and enhanced road safety awareness.

C. Rationale for Bank Involvement

5. The main rationale for the Bank's involvement is to provide additional resources necessary to ensure achievement of the original PDOs while modifying some activities due to the evolution of priorities over time. The project contributes to economic growth through improvements in regional corridors which reduce delays in cross-border movements of goods and people while assuring increased access in rural and urban areas to socio-economic activities (increased trips to hospitals, lower costs of travel to markets and welfare facilities), and strengthened governance in the transport sector. Jobs have been, and are continuing to be created, not only through construction activities but through ripple effects in the local economies. This is in alignment with the Bank's twin goals of reducing extreme poverty and shared prosperity.

6. The long history of partnership in the transport sector also places the Bank in a unique position to assist Ghana in tackling its challenges in the transport sector. The TSP additional financing will provide the Government of Ghana with the required funds to meet the financing gap on the project so as to enable the on-going civil works contracts to be fully implemented.

D. Description

7. The original project was approved by the Board on November 2009 for an IDA credit of US\$225million. It has seven components: (a) Support to Ministry of Roads and Highways (MRH); (b) Support to Road Sector and Educational Entities; (c) Improvement of Trunk Roads; (d) Improvement of Urban Roads and infrastructure; (e) Improvement of Feeder Roads; (f) Support to Ministry of Transport (MOT) and Other Transport Sector Entities; (g) Project Management. Almost immediately after effectiveness, in April 2010, the project was restructured to reallocate US\$2 million out of US\$3 million of project funds allocated to the Volta Lake Transport Company (VLTC) for studies to purchase engines for the ferries in order to improve the transport and safety standards for ferry services particularly for the communities along the Volta Lake who depend solely on the ferries for their social-economic activities.

8. The proposed additional financing will support costs associated the implementation of the project's original activities whose scope has been revised to address deficiencies in design which have emerged in the course of implementation of the major civil works contracts. The specific activities are described below:

- a. **Component C - Rehabilitation of Ayamfuri-Asawinso Road.** This component focuses mainly on the construction of the 52.2km Ayamfuri-Asawinso Road which forms a South-North transport corridor western Ghana, linking the timber and mineral rich areas,

and neighboring countries located West and North of Ghana to the deep water port of Takoradi. It is a continuation of the EU funded Tarkwa-Bogoso-Ayamfuri stretch currently under construction, and this corridor is a critical section of the national trunk road network which links the Ashanti and Western Regions of Ghana. The original design of the Ayamfuri-Asawinso road did not adequately address the issues encountered during actual implementation. This has resulted in a review of drainage and pavement structure, as well as provision for slope stabilization leading to an overall additional cost of US\$7.64m including contingencies.

- b. **Component D - Construction of Selected Roads in the Accra East Corridor.** About 15 km of roads (dual carriageways) are being constructed under three separate contracts: Giffard Road (Lot 1) and the Burma Camp Roads Phase 1 and Phase 2, i.e. (Lot 2 and 3).. The roads are part of a network of arterials that link the suburban areas in the eastern part of Accra to the Central Business District and to critical facilities including the Accra Airport and 37 Military Hospital. All three contracts have been awarded (at a total contract price of US\$41.5 million) and are at different stages of implementation since September 2012. However, project implementation in this urban environment has been fairly challenging, and has required changes in the original design. These include: (a) reviewing the provisions for relocation of utilities on Lot 1 with necessary modifications to the road alignment; (b) modifying the design of the railway bridge leading to the Spintex Road on Lot 2; and (c) providing for ground improvements along 1.6 km of soft soil with modifications to the alignment on Lot 3. The updated project cost is now US\$69.4 million, inclusive of contingencies. The cost overrun of US\$27.9 million is partially offset by savings of US\$10 million on the original project allocation for the works and supervision. An additional amount of US\$17.9 million and about nine months of additional time is required to complete the contracted works. The works are currently at about 65 percent of physical progress overall.

9. As part of the processing of the additional financing, the project will also be restructured to modify the following components:

- c. **Component E: Improvement of Feeder Roads.** The implementation of the feeder roads component is in two phases. Implementation of the first phase is completed, and implementation of the second phase, targeted at commercial agriculture is on-going. Funds allocated to the first phase of the works were not fully utilized, and will be allocated to the second phase of the feeder roads implementation. The modified scope will result in a saving of US\$0.5 million, which contributes to the overall mitigation of rising costs under the project.
- d. **Component F: Support to MOT and other Transport Sector Entities.** This component focuses mainly on provision of critical equipment as well as feasibility studies and plans for the transport sector. All the equipment has been procured and 8 out of 10 studies are ongoing. The studies and equipment alone are now at about US\$1.0 million in excess of originally planned costs. GOG has indicated its decision to implement the feasibility study for the dualization of the Tema Meridian Port Road under a different source of funding and therefore this activity (estimated at US\$0.5 million) has been

dropped from the project releasing significant amount of funds to cover cost increases on existing project activities. Detailed design work for Takoradi airport (US\$0.5 million) has also been dropped due to challenges with getting agreement with the military for the needed modifications to the existing infrastructure. The funds for the dropped activities have therefore been reallocated to absorb the additional costs on the studies and equipment procured under this component. These changes are cost neutral with and savings absorbed by the ongoing studies and equipment procured.

10. Implementation of the works is at a critical stage, and unless adequate financing is made available, the pace of project execution could slow down while delays in paying contractors and consultants in a timely manner could be costly to the GoG.

E. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	25.00
Total	25.00

F. Implementation

11. The institutional arrangements for the proposed AF will remain the same as for the original project. MRH will continue to be responsible for the overall project coordination and management of the project including: (a) the management of the designated account; (b) financial management and reporting of the overall project; (c) ensuring the execution of the audit of the project; (d) preparation of quarterly financial and implementation progress reports with inputs from implementing agencies; and (e) oversight of the procurement and contract management activities of the other implementing agencies. Implementation will be carried out based on an Annual Work Plan and Budget prepared by MRH with inputs from the Implementing Agencies.

12. To improve poor intra-agency coordination of technical staff, the Agency Implementation Teams (AIT) composed of core technical staff and led by a designated team leader will be reconstituted. The AITs will take on the responsibilities of the former inter-agency Procurement Team (PT) and Financial Management team (FMT) in relation to their respective components.

13. Additional support for the implementation of the project has been provided under the project. A Contract Management Specialist has been hired for each of the three Road Agencies, and recruitment of a project accountant at the Ministry of Roads and Highways is proposed for Financial Management. MOT also has in place a long term advisor to assist with supervision of implementation including capacity building.

G. Sustainability

14. Sustainability is the cornerstone of the overall project strategy for ensuring quality, continuity and reliability of the institutional, regulatory and infrastructural improvements carried out under the project. The project has been designed with a clear focus on maintenance, capacity building, and improving the governance of all stakeholders in the transport sector. A number of

actions are being undertaken by the government to address issues of sustainability in the sector. The strengthening of the Ghana Road Fund (GRF), both in terms of maintaining cost recovery from the fuel levy, as well as management of the GRF; prioritizing maintenance through an increased share of GRF; adoption of a road traffic act, and implementation an axle load control implementation plan; and strengthening of the business environment in the construction sector to enhance local participation and employment remains critical to government agenda.

H. Lessons Learned from Past Operations in the Country/Sector

15. **The advantages of a participatory design process:** Participatory project design, building on a platform for sector dialogue and exchange of information among all stakeholders at various levels, builds ownership and broad acceptance of the strategy and investment priorities which is critical for effective implementation of projects.

16. **The need for donor coordination and consultation:** The practice of regular consultations (through regular joint missions, monthly and annual meetings), and the stakeholder consultations under the auspices of MRH, has advantages in creation of synergy and collaboration between all actors and interested parties.

17. **The need for comprehensive sector management support:** Meaningful sector-wide management is difficult without coordination and financial discipline at the national government level which focuses on a common agenda and works within an agreed financial envelope.

18. **The importance of accompanying stable maintenance funding with better programming:** A secure and dedicated funding for road maintenance (such as the Ghana Road Fund) is not by itself a sufficient condition that maintenance needs are met and addressed in a prioritized manner. It is equally important to develop a clear work program with planning and management capacity to ensure that maintenance needs are addressed as a first priority and users get the most out of money.

19. **A good project monitoring system is necessary for effective management.** A detailed monitoring and evaluation component, including collection of all baseline data must be designed and built into the project, and monitored periodically and be subject to extensive stakeholder consultation.

I. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	[X]	[]
Natural Habitats (OP/BP 4.04)	[]	[X]
Pest Management (OP 4.09)	[]	[X]
Physical Cultural Resources (OP/BP 4.11)	[X]	[]
Involuntary Resettlement (OP/BP 4.12)	[X]	[]
Indigenous Peoples (OP/BP 4.10)	[]	[X]
Forests (OP/BP 4.36)	[X]	[]
Safety of Dams (OP/BP 4.37)	[]	[X]

Projects in Disputed Areas (OP/BP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

20. The project is rated Category A. GOG has prepared all documents in response to the policies triggered: the Resettlement Policy Framework/Environmental and Social Management Framework and associated Resettlement Action Plans and Environmental and Social Management Plans which are currently under implementation.

J. List of Factual Technical Documents

1. Environmental and Social Framework for the Transport Sector Development Program by Center for Environment and Health Research & Training – January 2007.
2. Resettlement Policy Framework for Transport Sector Development Program by the Ministry of Transportation – January 2007.
3. Environmental and Social Impact Assessment for Accra East Corridor by Municipal Development Collaboration Ltd – June 2008.
4. Resettlement Action Plan for Accra East Corridor by Municipal Development Collaboration Ltd – December 19, 2008.
5. Resettlement Action Plan for Rehabilitation of Ayamfuri – Asawinso Road by Ghana Highway Authority – December 2008.
6. Environmental Impact Assessment for Ayamfuri – Asawinso Road by Ghana Highway Authority – August 2008.
7. Environmental and Social Management Plans (Year 1 Projects) Wet Semi-Equatorial Zone by Department of Feeder Roads – August 2011.
8. Environmental and Social Management Plans (Year 1 Projects) South Western Equatorial Zone by Department of Feeder Roads – August 2011.
9. Environmental and Social Management Plans Year 1 Projects) Tropical Continental Zone by Department of Feeder Roads – August 2011.
10. Abbreviated Resettlement Action Plan (Year 1 Projects) by Department of Feeder Roads – July 2012.
11. Abbreviated Resettlement Action Plan (Year 2 Projects) by Department of Feeder Roads – November 2012.

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

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