I. Introduction and Context

Country Context

1. Ghana experienced strong economic growth over the past decade resulting in substantial progress with poverty reduction. The 2015 World Development Indicators show that the national poverty headcount reduced from 39.1 percent of the population in 2005 to 24.2 percent in 2012. Ghana also transitioned into Lower Middle Income Country status in 2011. The Gross National Income per capita (Atlas method) was US$1,660.00 in 2014, a slight decrease from the 2013-figure of US$1,770.00 per capita. The 2008/2009 Financial Crisis and the recent lower commodity prices on international markets, with the lower oil and gas prices being the major factors for lower earnings, negatively impacted this growth trend. Gross Domestic Product (GDP) growth has slowed from the high 14.0 percent in 2011 to 4.2 percent in 2014, putting a strain on available Government resources. Ghana had a fiscal deficit of 11.5 percent of GDP in 2012 and 10.1 percent in 2013 with the current account deficit reaching 12 percent of GDP in both years. Government implemented
strict measures to minimize the negative impact of the increased deficits.

2. Poverty inequality remains both across regions and across urban and rural areas. There are significant disparities in access to economic, social, and political opportunities. The Ghana Poverty and Inequality Profile (June 2015) shows two spatial trends. Compared to 1991, poverty remains a rural phenomenon and is more endemic in the three Northern regions. Rural poor accounted for about 80% of the total poor population in 1991 and 2012. In 1991, though, 25 percent of the poor lived in the North and in 2012 this share increased to about 40 percent, even with the Northern population stabilizing at around 17-18 percent over the period.

3. The Ghana Statistical Service produced two poverty maps, one for 2005 and one for 2012, respectively using data from the most recent Census and Living standards surveys. These maps show the decrease in poverty incidence throughout Ghana over time. The northern part of Ghana had the smallest decrease with the largest number of poor (about 20.8 percent or 1.3 million of the total) residing in the Northern Region. The same Report also plotted the poverty map with the proximity to roads and maize yield respectively and showed a high correlation between the presence of road infrastructure and low poverty rates. South-western Ghana, where poverty is below 20 percent in most districts, has the best road network; the nearest road is, on average, less than an hour away. In the north, the average distance to the nearest road increases and poverty rates increase.

4. Despite this impressive progress, the recent macroeconomic challenges are putting at risk the gains realized in poverty reduction. Ghana’s recently completed medium-term economic framework, the Ghana Shared Growth and Development Agenda, (GSGDA), 2010-2013, as well as the GSGDA II, 2014-17, define the Government’s development priorities and outline the Government’s strategies to address some of these challenges. There is a strong focus on supporting additional development activities, as reflected in the National Medium Term Development Plan (NMTDP) 2014-2017. This Plan focuses on generating employment and improving the standards of living especially the marginalized and the disadvantaged.

5. Up to 2005 the largest contributor to GDP was agriculture when it was replaced by the service sector. However, farming activities are still the main employment and income provider in most Regions. The rapid rate of urbanization and the growth of employment opportunities in the informal sector reduced the dependence on the agricultural sector in the south and central areas of Ghana. However in the north agriculture still remains the major employer with up to 50 percent of the labor force employed, mostly as small landholders (Ghana Poverty and Inequality Profile, June 2015).

**Sectoral and Institutional Context**

6. The Transport Sector is managed and overseen by two Ministries;

(a) The Ministry of Transport (MOT) is responsible for policy and oversight of the sector in general. The MOT also has responsibility for managing the outcomes of several Agencies; among these, the Ghana Ports and Harbours Authority (GPHA); Ghana Airports Company (GAC); Drivers and Vehicle Licensing Authority (DVLA); and, National Road Safety Commission (NRSC).

(b) The Ministry of Roads and Highways (MRH) is responsible for the provision and maintenance of the classified road network through the Ghana Highways Authority (GHA); responsible for the trunk road network, and the Departments of Feeder and Urban Roads (DFR and DUR).
Government’s Decentralization Policy will have a major impact on the responsibilities of, especially, the DFR and DUR with the management of many road links earmarked for transfer to the local authority level. The Road Fund, responsible for providing funds for maintenance and rehabilitation of classified roads, also reports to the MRH. The Road Fund has been able to fund only about 60 percent of the maintenance needs and a very small part of the rehabilitation needs from the various road user charges.

7. The National Transport Policy (2008) guides the management of the Transport Sector while an Integrated Development Plan (2008) was initially used to guide the development and rehabilitation of transport infrastructure. Government does not have an up to date National Multimodal Transport Master Plan (NMMTMP) to guide overall strategy leading to overlapping sub-sectoral development initiatives. In addition, the implementation of the Policy has been partially successful to date.

8. The road sub-sector accounts for the bulk of land transport services, constituting over 95 percent of all land transport operations in Ghana. The classified road network of about 71,063 km, of which about 30 percent is paved, provides good national coverage, and is made up of 14,873 km of trunk roads, 14,000 km of urban roads and 42,190 km of feeder roads. Currently, 45 percent of the road network is in good condition, 25 percent is in fair condition, and 30 percent is in poor condition. The strong development of Ghana resulted in an increase in vehicle ownership and freight and passenger services demand. Government invested strongly in road capacity expansion, especially in urban areas where traffic congestion became more acute over time. In addition, the lower than required funding allocations from the Road Fund led to a maintenance backlog with the road network condition deteriorating over time.

9. Due to the increased transportation demand and the costly investments required for transport infrastructure improvements, Government adopted and is studying further Public Private Partnership (PPP)-options in the port, railway and road sub-sectors. In both the Ports of Tema and Takoradi there are already concessions in place. The Bank is supporting several Feasibility Studies under an ongoing PPP-Project, most notably, the expansion of the Accra-Tema-motorway, the Accra-Takoradi Road, the Eastern Railway Line and Boankra Inland Port, as well as other potential activities.

10. The maritime sector is dominated by the GPHA that manages and operates the two deep sea ports on the Atlantic Ocean at Takoradi and Tema, providing gateways to the landlocked countries, particularly Burkina Faso, Mali, and Niger, and to the imports and exports of Ghana. Since 2003 throughput increased significantly and in 2013 Tema recorded about 12 million tons of traffic with about 840,000 TEUs and Takoradi recorded about 5 million tons with about 52,000 TEUs respectively (GPHA Web site). Recent developments in the oil and gas sectors are leading to the expansion of both ports. Inland water transportation is largely focused on the Volta Lake where the Volta Lake Transport Company (VLTC), owned by the Volta River Authority, the Ghanaian energy producer in charge of the hydropower facilities at Akosombo, is responsible for the management of all transport. The freight and ferry services of the VLTC deteriorated significantly over time.

11. Civil aviation demand increased significantly over the last five years with the GAC reporting serving about 1.7 million international and about 720,000 domestic passengers and handling about 162,000 tons of cargo in 2013. Domestic air traffic increased with increased scheduled services between Accra, Takoradi, Kumasi, and Tamale airports. The expansion of
scheduled airline services is hampered with high airport usage charges while Government is considering the creation of a new national airline.

12. The existing railway network is made up of three narrow gauge lines, the Western, Eastern, and Central lines that, together with some branch lines, extend for approximately 940 km. Over the years the railway network and rolling stock deteriorated due to lack of utilization and maintenance. The Eastern and Central lines are mostly in a condition of disrepair with the southern part of the Eastern line used for urban passenger services and a part of the Western line still being used for ore exports.

13. Overall, Ghana is positioning itself as a competitor for international transit traffic to and from the landlocked countries to its north. Competition comes from the transport corridors and ports in neighboring Côte d’Ivoire and Togo. The Bank assisted with the improvement of the Abidjan-Lagos and Central (Accra-Burkina Faso-border) Corridors with Government investing in the Eastern and Western Corridors. There is still a long way to go to become truly competitive. Among others, the World Development Indicators, 2015, shows that the Logistics Performance Index: Quality of trade and transport-related infrastructure, changed little over the last ten years, from 2.3 to 2.7 out of a maximum score of 5.0.

14. Drawing from the NMTDP, both the MRH and MOT developed their sector medium term development plans (SMTDP) for 2014-17. Both Ministries report regularly on the progress made to implement these Plans. The SMTDP for MRH outlines the following priorities: (i) Asset preservation, (ii) road rehabilitation and internationalcorridor development, (iii) Improved Financing and Cost recovery, (iv) Install and utilize planning and budgeting systems, (v) Improvement in Road Management, (vi) Capacity Building, (vii) Mainstreaming of crosscutting issues, (viii) Pro-poor Programs, and (ix) Collaboration with other sectors.

Relationship to CAS

15. The proposed Project is consistent with two of the three pillars of the Ghana Shared Growth and Development Agenda II (GSGDA II) – 2014-17.

(a) Pillar Two aims to build a strong and resilient economy. The accelerated modernization of agriculture is identified as a key thematic area.

(b) Pillar Three aims to expand infrastructure as an enabler of economic development. This includes the introduction of PPP for the provision of transport infrastructure, prioritizing the maintenance of existing road infrastructure, improving accessibility to key centers of population, production and tourism; and institutional strengthening of the transport sector agencies for enhanced delivery of infrastructure and services.

16. The World Bank’s Country Partnership Strategy (CPS) for Ghana (2013-2016) is also closely aligned to the Government’s GSGDA I and 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.

17. More efficient delivery of infrastructure services is required to support Pillar 2 of the CPS, including improved Competitiveness and Job Creation. The CPS calls for processes and systems to monitor and provide implementation support for all major public infrastructure projects with roads
and energy sectors in the lead. This pillar supports Government’s goal of increased liberalization of markets, especially in the more deprived areas, through improved road, rail, air and maritime services.

18. The proposed project will support the CPS and, consequently, the GSDA II by focusing on three areas; (i) strengthening institutions and sectoral management; (ii) improved road asset management to strengthen service delivery and to support the accelerated modernization of agriculture; and (iii) improved road and vehicle safety to reduce the negative impact of crashes on the economy.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

19. The proposed project development objective is to improve the management of Transport Sector and improve road asset management of the classified road network. This will be achieved through targeted institutional and expenditure reviews, the introduction of performance-based road contracting on selected roads and selected coordinated road safety activities.

Key Results (From PCN)

20. The results framework will be developed during project preparation. The selected indicators would be a mix of the mandatory Transport indicators and those identified in the support provided under the ongoing Transport Support Project (TSP).

21. The current coordination between DFR and Ministry of Food and Agriculture (MOFA) led to agreement to select, improve and maintain feeder road networks, identified as critical to support the implementation of the Ghana Agricultural Sector Investment Program (GASIP). These road networks would be used as a basis to design a comprehensive socio-economic impact evaluation in the form of a baseline study prior to works commencing, and two surveys thereafter. Given the limited influence the proposed Project will have on the overall outcomes of GASIP, there may be no additional indicators to measure the cross-sectoral impact of the investments.

III. Preliminary Description

Concept Description

22. Overall, the Project aims to support achieving the following outcomes;

(a) Improved Transport Sector Oversight: Government wishes to modernize management and oversight of the Sector. While several Agencies were established to take up certain functions and responsibilities, several problem areas developed over time. A major issue is the allocation and utilization of funds in the road sub-sector. A Public Expenditure and Institutional Review of the Transport Sector will review these issues and will, with the review of the implementation progress of the 2008 National Transport Policy, provide good guidance on how to adjust current practices. The proposed NMMTMP, including the development of an updated Integrated Development Plan, will give overall guidance on where and when transport infrastructure and services investments should be made to accommodate future transportation demand.

(b) Improved Road Sub-sector Management: The Road Sub-sector is currently managed through several Government Departments and Agencies, among these the DFR, DUR, GHA and the Ghana Road Fund. Since the establishment of the Road Fund Board in 1997, Government agreed to
implement a Decentralization Policy impacting the overall management of the national road network. Government is also considering the strengthening of GHA to become more autonomous and self-financed. The mission agreed to assist Government in financing studies to review the current status and to advise on the best way to incorporate these policy changes and improve overall sub-sector management efficiency.

(c) Improved Road Asset Management: To date the respective road infrastructure agencies applied the traditional contracting methodologies where a Consultant designs and prepares bid documents to implement the design. This approach led to many delays, cost overruns, and it does not ensure complete preservation of the road network. Government wishes to introduce performance-based contracting methodologies on Trunk, Feeder, and Urban roads under the Project to strengthen road asset management and preservation. Each road type has its specific user characteristics and the methodology has to be adapted accordingly. Performance-based contracting is of particular interest to Government, as the design and construction risks are transferred to the Contracting Entity who will be paid a lump sum amount to provide (and maintain) the road at specific levels of service.

23. While working towards these outcomes, the works activities are selected to provide maximum support to Government’s initiatives to develop the northern part of Ghana.

(a) The Feeder Road networks consist of the feeder road links prioritized by MOFA as essential to the implementation of the GASIP. This Program, funded by IFAD and implemented by MOFA, provides a basis to scale up investments in private sector-led pro-poor agricultural value chain development. Key areas of intervention are (i) value chain development through agribusiness linkages development, rural financial services and resilience to climate change; (ii) supporting rural infrastructure including productive infrastructure facilities and public enabling infrastructure such as roads, farm tracks and rural electrification; and (iii) knowledge management, policy support and coordination. GASIP is a long-term program that will be implemented in cycles of three years each. With the proposed Project taking responsibility for providing good connectivity between farms and markets, the funds available under the GASIP could be focused on improving farming operations and inputs as well as strengthening the individual farmers.

(b) The improvement of roads in the north will generally improve accessibility and lower transport costs for the rural poor.

(c) While Government already placed a strong development focus on the north-south corridors (Western, Central and Eastern) the East-West links, required for trade flow across the country, have been neglected. The project’s support to the road between Tamale and Tatale will provide a good quality link between the largest town in the Northern Region and Togo while also crossing the Eastern and Central corridors.

24. The road safety activities as well as the support to the DVLA will assist to make road transportation safer and will contribute to the reduction of crashes and associated fatalities and injuries.

25. The Project will comprise of the following four components:

26. Institutional Strengthening and Capacity Building (Estimated cost: US$12.5 million): The MOT and MRH will collaborate on various initiatives to improve the current Transport Sector
management in Ghana. The findings from these studies will identify opportunities for improving the management of the Transport Sector and assist with the restructuring of the current Agencies and Ministries. To this end the Project will support the following activities:

- Public Expenditure Institutional Review (PEIR) of the Sector.
- Review the implementation progress made with the National Transport Policy (2008) to identify potential adjustments to the current implementation activities.
- Review the current status of Road Sub-Sector management and identify the best manner in which to improve and modernize the current Agencies and consider the benefits of establishing the National Road Authority, as identified in the National Transport Policy.
- Develop a NMMTMP for Ghana to guide investment and policy decisions to satisfy the future transportation demand within Ghana and that generated by neighboring countries.
- Assist the MOT to implement a comprehensive Transport Sector Data Management System.
- Support the review of the Ghana Tolling Policy and the GHA Design Standards to provide guidance to and support the establishment of future Toll Roads under PPP-principles.
- Capacity Building of the respective institutions in support of the planned activities.

27. Road Asset Preservation (About US$125.0 million): The works packages already identified for support, are all in the Northern part of Ghana focusing on (i) improving regional connectivity, (ii) supporting agricultural development, and (iii) improving access in selected urban areas. This Component will support the introduction of Performance-based contracting on road links of the GHA, DFR, and DUR. The methodology will be rolled out on both paved and unpaved roads. These contracts are based on Design-Build-Operate-Maintain-Transfer (DBOMT) contracting principles and will include the initial rehabilitation works and maintenance services in lump sum contracts where payments are based on achieving performance targets. Based on experience gained elsewhere the duration of these contracts would be between 7 and 10 years for paved and about 5 years long for unpaved roads.

The following activities have already been identified:
- The rehabilitation, where required, and bringing to standard, the road linking Tamale-Yendi-Zabzugu-Tatale in the Northern Region. The road link consists of about 118 km of paved and about 63 km of unpaved roads with several temporary bridges needing replacement with permanent structures. This road link forms an important part of the East-West trunk road links of Ghana and is a good candidate for a longer term performance-based contract.
- There is agreement to support the Axle Load Program being implemented by GHA. The specific support packages will be finalized during preparation.
- The preparation of four performance-based works packages for the rehabilitation and maintenance of about 595 km of Feeder Roads in four Regions in the north of Ghana. These are Brong Ahafo, Northern, Upper East, and Upper West Regions. With the available funding only one works package in one Region (about 150 km) would be supported.
- Socio-economic Impact Assessment measuring the impact of the longer term support to the road sector and other GASIP-activities. This assessment study will include the development of an initial baseline, prior to the works contracts commencing, and two surveys, one about one year and the second about three-four years after the initial rehabilitation works have been completed.
- Improve selected urban roads in and around Tamale, including the provision of sidewalks, road safety features, and good quality access to local markets. The planned works would incorporate design-build methodologies and the possible use of labor-based construction through the use of interlocking bricks as road surfacing.
28. Safer Road Transportation (About US$8.0 million): This Component will support activities related to improving road safety in Ghana. The National Road Safety Commission (NRSC) will coordinate these activities, ranging from the establishment of a crash data base to coordinating with other Agencies to support the improvement of pedestrian and other facilities and emergency services along selected road links. The Project will also support the DVLA with the implementation of selected programs like (i) the improvement of the curriculum of driving schools, (ii) driving instructor training, especially including hazard perception, and (iii) the roll-out of private sector operated vehicle inspection facilities.

29. Project Implementation Support (About US$4.5 million): This Component will provide for part of the operational costs for all MRH and MOT implementing agencies to implement the Project.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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