

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

Report No.: AB5758

Project Name	eGhana Additional Financing
Region	AFRICA
Sector	General public administration sector (75%); General information and communications sector (25%)
Project ID	P120942
Borrower(s)	REPUBLIC OF GHANA
Implementing Agency	
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	Ministry of Finance and Economic Planning
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	May 18, 2010
Date of Appraisal Authorization	May 4, 2010
Date of Board Approval	June 22, 2010

1. Country and Sector Background

Ghana is emerging out of a difficult macro-economic situation brought on by a series of internal and external shocks and high inflationary pressures – global financial crisis, rapid fiscal expansion, combined with floods, droughts, petroleum price increases, and increases in public sector wage bill - which resulted in widening fiscal imbalances. There are signs of stabilization. The IMF estimates that the economy expanded by 3-4 percent in 2009, down from 7.3 percent in 2008, and 6% during the period 2006-2008. For 2010, a modest upturn in growth to the 4-5 percent range is projected, boosted by investments linked to the offshore oil sector, which will come on stream in 2011. The Government's efforts at imposing greater fiscal and monetary discipline to bring back the macroeconomic framework into greater balance is paying off. The budget deficit was reduced to 9.7% of GDP in 2009, in line with program target, and expected to reach of 3-5% in 2011-12. A 2010 end of year inflation rate of less than 10% which was set as part of the convergence criteria to be met for the West Africa Monetary Zone (WAMZ), is likely to be met by the Government given the trend of consecutive fall in inflation which reached 13.32% in April.

The recent discovery of oil in Ghana is likely to have a significant impact on the country's agriculture sector which has until now been the dominant sector, accounting for around two-thirds of employment and around 40 percent of total GDP. The sector is predominantly small-scale and is concentrated on cocoa and staple food crops. Given the high social return and pro-poor impact of investing in agriculture, greater than ever attention should be paid to support its growth. Services comprise the second largest sector in the economy, accounting for an increasing

share of GDP. Exports are still centered on traditional commodities such as gold and cocoa, even though nontraditional exports have been growing sturdily, and estimated to be bringing in about US\$1.5 billion per annum over the past few years. There is a relatively small industrial sector, while Ghana's financial sector continues to grow to the extent that plans are well advanced for the establishment of an off-shore banking sector in the country.

The country continues to strengthen its democratic traditions and institutions, with the smooth transition of power between political parties since 1992 and the establishment of an effective legal and institutional framework for fiscal management and accountability. In 2008 Transparency International rated Ghana 3.9 for a ranking of 67th on its Corruption Perception Index.

Sector context

At the ICT sector level, the increasingly competitive environment has resulted in an impressive growth of the sector over the past three years, with an explosion in telephone penetration from about 25% in 2006 to 68.5% as at end of February, 2010. Competition at the domestic level (6 mobile operators – 2 within the last 3 years), and international level (liberalization of the international gateway and landing rights provided to 2 new submarine cable providers) continues to improve access and price of communications, and is very much in line with GoG's commitments in the Sector Development Policy Letter of 2006. The IT and IT Enabled Services Sector has been one of the primary beneficiaries of this competitive and vibrant telecommunications sector, benefiting in particular from the creation, under eGhana, of dedicated institutions in both the public and private sector to support sector growth, and the recent reduction of bandwidth prices by more than 50% which promises to further accelerate the development of this industry. In 2009, Ghana moved 12 steps up from No. 27 to No. 15 (out of 50 countries) on the A.T. Kearney Global Services Location Index, and Accra was rated one of 50 top emerging cities for outsourcing.¹

Leveraging the improvement in the ICT sector, the GoG has since embarked on wide ranging reforms in the area of Public Financial Management (PFM) that will use ICT as a platform. The reforms were initially premised on the 5-year Integrated Public Financial Management Reform Program (PUFMARP) that was launched in 1996 to address certain PFM weaknesses. Despite all its efforts to realize lasting outcomes, the challenges remain for the Government to strengthen its financial governance across all government formations. It was for these challenges that the GPRS II introduced a key component as part of its reform support pillar – “improving governance and accountability” - aimed at strengthening public financial management.

While the reforms have focused on addressing fiscal policy management, budget formulation and implementation, payroll and personnel management, aid and debt management, revenue management, and capacity building, it also emphasizes the critical need in the short term, of an (a) IT-based Budget and Public Expenditure Management System (BPEMS), (b) Integrated Payroll and Personnel Database (IPPD2), integration of the MTEF into the IFMIS platform, and (d) Treasury Realignment. In addition, the consolidations of the successes achieved by the

¹ Global Services Media

internal Audit Agency as well as the Public Procurement Board were highlighted as key to supporting the accountability and transparency aspects of the reform.

The GoG has recently approved a PFM Improvement Charter – called the Ghana Integrated Financial Management Information System (GIFMIS) Charter – that calls for the reinvigoration of a country-wide budget management system that is premised on (a) the need to capture all public finances at the center and across all local governments; (b) a uniform chart of accounts (for budgeting, accounting, and reporting) that is compliant with IMF GFSM2001; (c) developing and implementing re-engineered business processes that are best practice; (d) integration of applications, including personnel management and payroll databases, on a single upgraded Oracle Financials platform; and (e) the need to consolidate the reporting of all government finances across the 5 funds. This should provide a good foundation for more robust public financial management system.

2. Objectives

The objective of the eGhana Project, which remains unchanged, is to assist the Republic of Ghana to generate growth and employment by leveraging ICT and public-private partnerships to: i) develop the IT Enabled Services industry, and ii) contribute to improved efficiency and transparency of selected government functions through e-government applications. The principal development outcomes anticipated from the project include: i) increased employment and income generation in ICT/ITES sector, ii) increased competitiveness of the ICT/ITES industry in Ghana and opportunities for local businesses, iii) increased human capacity in the ICT/ITES sector, iv) Increase in ICT/ITES led export revenues, v) increased contribution of the ICT/ITES sector to GDP, vi) more effective, transparent and accountable government, vii) Increased engagement of the private sector with the government, and viii) strengthening of the policy and regulatory framework to support increased competitiveness, decreased telecommunication costs and improved telecommunications services. The new GIFMIS component therefore will greatly contribute to achieving objective (ii) as well as in development outcome (vi) above.

3. Rationale for Bank Involvement

Besides the compelling rationale provided in the original eGhana project - which continues to be valid - the introduction of a new component (GIFMIS) will contribute substantially to sound public financial management in Ghana. This is in alignment with the key high level development hypotheses for Bank's engagement in Ghana that include achieving better governance, improving the efficiency and effectiveness of public expenditures, increasing the potential for economic growth and poverty reduction . The proposed additional financing is also fully consistent with the priority interventions of the Bank as defined in the Bank's FY07-11 Country Assistance Strategy (CAS) as well as the J-CAS FY07-11, both of which envisioned the strengthening of economic governance, with clear indicators relating to the Paris Declaration. GIFMIS, as a component of eGhana, will make government more accountable and its processes transparent and thereby contribute to the development agenda. The proposed new component will be a key cross-cutting vehicle for securing the required level of transparency in public finance management, and the Bank, together with key development partners in Ghana, is seen as a credible partner that can engage in the PFM sector, and to support reforms within a wider

country context with the use of ICT. The additional financing will be completed within three years of the closing date of the principal project, eGhana, as required under OP/BP 13.20.

The enhancement of Ghana's PFM systems is particularly imperative at this point in time when a new freedom of information bill has been tabled for debate in Parliament and is expected to be passed latest by end of 2010. This fourth component, therefore, is intended to also help boost and prepare government information management systems in time to facilitate the implementation of the freedom of information act.

4. Description

The original eGhana project has three components (Enabling Environment, Support to Local ICT Businesses and ITES in Ghana, and e-Government Program). Proposed additional funds would be used to (a) meet the financing gap under the original eGhana project components, arising from the modification and restructuring of project activities and will include the enhancement of the e-Government applications, and development of Community Information Centers to disseminate e-Government Services, and Business Process Offshoring Center. The new fourth component (GIFMIS) is proposed to have about 3 key sub-components as follows: (1) PFM Information Systems (including financial accounting, budgeting, and reporting systems, HR and payroll systems, and asset management and control systems); ((2)PFM Business Processes and Control Systems (including budgetary planning tools and MTEF, PFM business processes engineering and regulations, and treasury and cash management, internal audit and control); and (3) Project Component Management. The GIFMIS component entails the use of information technology to integrate the whole of government budget compilation, accounting and reporting processes for 92 MDAs, 10 Districts, and 170 MMDAs. Included in this component are the acquisition, installation and implementation of hardware and software to develop a platform for the government's budget management, and to establish links and interfaces with other government applications where necessary, based on best practice PFM system's principles and standards.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	44.7
UK: British Department for International Development (DFID)	15.05
EC: European Commission	12.27
Total	72.02

6. Implementation

The implementation arrangements of the eGhana restructured components (1, 2, & 3) and their related additional financing will remain the same as for the principal e-Ghana project. However the proposed new component 4 – GIFMIS – will be managed under a pooled-funding arrangement, with disbursements made through a sub-account of the government's consolidated fund. The funding for component 4 will be limited to only those partners who have already committed to funding the Government GIFMIS). Three donor partners (IDA, DFID and EU)

will jointly finance component 4 through co-financing arrangements. To this end, there shall be a Memorandum of Understanding signed between the participating donors and the GoG which will spell out the co-financing arrangements and the specific and general responsibilities of each of the donor partners and the government in supporting project implementation. It is conceived that the Bank's procurement guidelines will apply as this arrangement will ensure the application of a transparent and fair procurement process during project implementation.

The GIFMIS component will be implemented under the auspices of a Project Director (already appointed) in the Controller and Accountant General's Department. Institutional and implementation arrangements for the project component will build on and strengthen the arrangements used for the erstwhile Budget and Public expenditure Management Systems project – the predecessor to the GIFMIS. The GoG has set up a PFM Reforms (Revenue and expenditure) Steering Committee (GSC), chaired by the Minister of Finance and Economic Planning that will oversee the implementation of the first 3 components of eGhana (in respect of revenue agencies) as well as the fourth component (GIFMIS). This arrangement would ensure strong linkage and coordination in the implementation of all components of the restructured eGhana project.

7. Sustainability

A key concern in the design and implementation of an IFMIS, as experienced across the world, is normally the risk of lack of sustainability of systems and practices soon after the project implementation ends, especially where design was not all inclusive in terms of: readiness in defining functional specifications; adequate stakeholder ownership and commitment; a robust change management and communication strategy; adequacy of training and capacity building initiatives; prioritization and sequencing; appropriate implementation timeline. The sustainability of the GIFMIS component is shaped by the government's commitment to the PFM reform and reinvigoration program and by the quality of the government's institutional and implementation arrangements being put in place. The continued high level commitment to GoG, supported by the establishment of a well founded exit strategy for the DPs, through government provisioning the payment of post-project recurrent costs from its own budget, is one sure attempt to secure sustainability of the project's outcomes. The determination of the GoG to ensure that the project is not consultant driven - but driven by public servants with support from consultants – coupled with the strong capacity building efforts built in the project design, will assure the availability of internal capacity to move on the reforms. Sustainability of the other 3 components of the project are assured by the joint commitment of the GoG and the Public Private Partners' to a joint program of ICT development as well as the alignment of the ICT platform of the program to the required Ghana Revenue Service requirements, among others.

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

The lessons learned in the implementation of the predecessor BPEMPS project and factored in the design of the additional financing operation include the importance of (i) strong political and executive commitment and ownership; (ii) recognizing failures of inherent fragmentation of applications to prepare and execute budget in an orderly manner; (iii) over-customization of the Oracle Financials application to supporting business processes; (iv) organized coordination and

communication strategy; (v) a well articulated and adequately-funded cultural change management activity that supports the transition process from use of manual to IT-based systems; (vi) a strong technical capacity to implement and maintain the system, coupled with a key focus on capacity building. In respect of the principal project (eGhana), the lessons learned include the need to cultivate improved procurement planning at the design stage to secure timely project implementation and improvements in disbursements.

9. Safeguard Policies (including public consultation)

There are safeguard policies (OP 4.01 and 4.12) triggered by the additional financing. The Environmental category assessed for this project will therefore change from a C to a 'B'.

Under components 1 and 2, it is envisaged to include the establishment of Community Information Centers (CICs) and a BPO Center respectively. Both facilities will be part of Public Private Partnership arrangements; and while the Government has communicated its intention to locate the Centers on existing Government property, the exact location or mode of construction of the both the CICs and the BPO Center will only be confirmed when the actual location is identified. Given that these locations are not confirmed, the government has prepared an ESMF which includes an RPF to provide a mitigation plan in the event that squatters are on identified properties. The ESMF will be disclosed at the Infoshop and in country prior to negotiations. If the CICs and BPO Center involves construction or location in new buildings outside government premises, then location selection and construction will be subject to a no objection from the World Bank and confirmation that safeguards policies like the OP 4.12 are satisfactorily addressed (eg. involuntary resettlement due to the possible acquisition of land for the construction activities, restriction of access and impacts on livelihood should these lands be pre-occupied for other uses). In compliance with the Bank's policy, no construction would proceed until the safeguards instruments required under OP 4.01 (e.g., an Environmental Management Program - EMP) and OP 4.12 (e.g. RAP) have been prepared by the borrower, approved by the Bank, and properly disclosed.

The impact of the establishment of CICs and a BPO requiring refurbishment of existing buildings has triggered OP 4.01 and 4.12. An EIA and EMP will be carried out by the Borrower's Environmental Protection Agency and a draft report will be available for review for consistency with the ESMF to see if it includes: (a) adequate mitigation measures; (b) costs; (c) assignment of roles and responsibilities for follow up and reporting of environmental issues within the PIU/PMU/Gov; (d) laid out reporting schedule; (e) a screening mechanism for the contractors if available; (f) a determination of what the contractors are going to be responsible for vis a vis the project.

The EPA of the Borrower has adequate capacity to support the comprehensive monitoring of the safeguard concerns and enforce remedial measures consistent with the Framework.

The Ministry of Communications (MoC) has significant capacity and will take custody of this ESMF which includes an RPF and will play a lead role under the guidance of a consultant in ensuring that the appropriate environmental assessment and social and mitigation plans are integrated into the project framework.

The MoC and the District Assemblies are the main implementers of the project of the Regional Innovation Centers. For the BPO Center, the Private Sector IT Association established under the eGhana Project will be the main counterpart for implementation. The other institutions and agencies whose functions relate to the project in terms of project design, technical support and project environmental and social approvals include the Safeguards Specialist from EPA, project consultants, contractors and the Ghana Association of Software and IT Companies for the BPO Center.

The Ministry of Communication has held preliminary consultations with Regional Coordinating Directors from all 10 Regions to explain the concept of the Regional Innovation Centers and to solicit their support in the identification of potential Government Properties for location of such centers. Additional consultations will be required with the communities surrounding the locations which are likely to be part of the program. For the BPO, the Private IT Association, GASSCOM, created under the eGhana Project has been actively engaged with the MoC in exploring options for meeting the sector's need for Grade A facilities for BPO transactions, including for possible location of BPO center.

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]
Indigenous Peoples (OP/BP 4.10)	[]	[x]
Physical Cultural Resources (OP/BP 4.11)	[]	[x]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]
Forests (OP/BP 4.36)	[]	[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]

10. List of Factual Technical Documents

Project Appraisal Document – eGhana
 ESMF on eGhana Additional Financing – Ghana
 Project Paper – eGhana Additional Financing

11. Contact point

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* *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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