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Road Sector Reform: A Tale of Two Countries (Part I) Ghana: Serendipity or Foresight?

The reform process in Ghana dates back to the early 1970s. In the wake of a study commissioned to propose ways to improve the construction and maintenance of roads, Decree 298 (1974) established the Ghana Highway Authority (GHA) under the Ministry of Works and Housing. The GHA was given responsibility for the administration, development, and maintenance of all public highways and related facilities in Ghana. The GHA took over the trunk roads and rural feeder roads. The rest of the roads were managed by the Cocoa Board, Volta Authority, and timber companies. Urban roads were managed by city and municipal councils under the Ministry of Local Government. These changes reduced the number of institutions responsible for roads to only five agencies under two ministries.

By 1981, further institutional consolidation took place. All feeder roads were placed under the Department of Feeder Roads (DFR) within the Ministry of Works and Housing. In 1982, a new Ministry of Roads and Highways (MRH) was formed from the previous Public Works Department. GHA and DFR were moved, and placed under the authority of the new ministry. In 1988, the responsibility for urban road maintenance was shifted from the local authorities (under the Ministry of Local Government) into the newly created Department of Urban Roads (DUR) in the Ministry of Roads and Highways. Thus, by the end of the 1980s, the institutional structure that exists today was in place, consisting of a single ministry, the Ministry of Roads and Highways, with three specialized agencies that manage Ghana's 22,000 km road network. The process of this institutional development was decidedly evolutionary, determined along the way by various political, social and economic demands of the time. Thus, it could be argued that the current institutional structure is less the result of a planned reform process, than a relatively efficient result of fortunate circumstances.

The creation of the Ministry of Roads and Highways elevated road sector issues to the cabinet level, thereby providing leverage for budget financing through the Ministry of Treasury. The MRH provides unified

This note, Part 1 of 3, is based on a dissemination report prepared by Sam Mwamburi Mwale for a study tour undertaken by a Kenyan delegation to Burkina Faso and Ghana in June 1996. Mr. Mwale is a policy analyst with the Policy Research Group in Nairobi.

This series is intended to share information about issues raised in various SSATP reports. The views expressed in the paper, and in this note, are those of the author, and do not necessarily reflect the opinions of the World Bank Group,UNECA, or any of the RMI stakeholders.

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planning, policy formulation, implementation, and monitoring the sector. The delineation of specialized agencies, such as the GHA for trunk roads, the DFR for feeder roads, and the DUR for urban roads, probably make the specific maintenance of these networks more efficient.

Yet, this process is being challenged by still-changing political, economic and social forces. Both the DFR and DUR face likely decentralization to local and metropolitan or municipal governments, respectively, as a result of the political reforms of the 1990s. The 1996 Civil Service (Ministry of Roads and Highways) Instrument clearly defines the respective roles of the Ministry, the Roads Advisory Board, the DFR and DUR. A separate draft bill, establishing the Ghana Highways Authority, defines the current and future role of the GHA within the MRH, provides for the delegation of authority over roads to district assemblies, provides also for stakeholder representation through a special Board in the GHA, and proposes specific measures for sustainable financing and maintenance of roads by the Road Fund.

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Sustainable Financing

Ghana has one of the oldest road funds in Africa. The Ghana Roads Fund was established in July 1985, and was updated by the 1996 Ghana Highway Authority Act. The main objective of the road fund is to finance routine and periodic maintenance of roads, including assistance to the metropolitan, municipal, and district assemblies in maintaining roads. The fund is financed principally by a fuel levy, with a small additional revenue derived from vehicle inspection fees and tolls from roads, bridges and ferries.

Payments are made into a special account in the Bank of Ghana, which is administered by the Ministry of Roads and Highways. Disbursements must be jointly approved by the Ministry of Roads and Highways and the Ministry of Finance, and are distributed among the Ghana Highway Authority, the Department of Feeder Roads, and the Department of Urban Roads. Although there is no predetermined allocation, on average GHA receives 58 percent of these disbursements, the DFR 20 percent, and the DUR 22 percent. In spite of this fund, the resources available for road maintenance in Ghana remain insufficient. The MRH depends on other sources of funding such as Treasury allocations from the consolidated fund, donor grants, and loans, in order to meet the deficit.

The Contracting Process

All three agencies (the GHA, DFR and DUR) contract up to 90 percent of the routine and periodic maintenance of roads to the private sector. These firms provide both equipment-based and labor-based services. There was initial skepticism towards, and criticism of, this privatization scheme, but early results are convincing the most doubting critics. Private contractors have proven their ability to provide the desired output with efficiency, quality, and timeliness. The management by these agencies has ensured, with sound training and close supervision, work of a similar or superior quality to that formerly performed by force account.

The Ghanaian contracting sector has at least two hundred firms, ranging from small labor-based firms to large, fully staffed firms capable of competing with foreign competitors. Many of these contractors, only recently incorporated, did not initially have skilled technical and managerial staff or systems. One of the longer term objectives of the MRH and its agencies, therefore, has been the training, equipping and employment of local contracting firms through the development of a private-sector capacity for road maintenance across the country, in particular local labor-based contractors.

This effort is being pursued vigorously with intensive training. There are also several Ghanaian engineering consulting firms that are able to provide both technical and supervisory services to the contracting industry. Under the current program, ninety-three contractors have been trained in proper road maintenance techniques. Having completed the training, eligible contractors who lack sufficient equipment are enrolled in a loan-purchase scheme.

The scheme is run jointly by the Government of Ghana, the World Bank, DANIDA, and USAID. The equipment provided by the scheme to each enrollee consists of a tipper truck, three tractors, six trailers, two rollers, one towed water tanker, one water pump, one chainsaw, one set of hand tools, and one pick-up vehicle. The contractor is guaranteed work for 48 months, during which they must repay the loan. Each contractor is guaranteed a minimum of at least US$ 200,000 of work annually for four years.

The contractors are classified according to their assets, experience and equipment. Class A contractors work on roads, while class B contractors work with concrete and sewage systems. Contracts are negotiated with eligible bidders, according to the engineers' estimate. Open bidding is still more the exception than the rule, particularly in the feeder roads program. Contracts are, for the most part, still negotiated, due to the inexperience of most small contractors in setting reasonable and competent bids. Negotiation is also required due to the obligation by the MRH to provide for forty-eight months of work to each of the fifty-four equipment-based contractors in the loan-purchase scheme. Competitive bidding will eventually, however, ensure the lowest cost work, once the contractors attain sufficient knowledge and experience in the process.

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To ensure that contractors are committed to carrying out the job to satisfactory completion, a mobilization fee has been replaced by the requirement that contractors pre-finance their work with their own bank, and sign a performance bond. The contractor can pre-finance the mobilization in this way, using the bank financing, after providing sufficient collateral. The bank is able to call in both the pre-financing and performance bond if the contractor is failing to meet its performance and payment schedules. The road agency purchases and stores bulk materials that it can sell to the contractors at reasonable prices. To ensure that contractors are sufficiently motivated, the financial arrangements of this process have been simplified, and made convenient and prompt. The bank advances, along with monthly certified payments, are all approved at the local regional office. Payments are made within two days after having been approved by the regional minister and regional economic planner.

Is it working?

The main objective of the road sector reform is to have 70 percent of the network in good condition, 20 percent in fair condition, and only 10 percent in poor condition. The question then is whether or not the current institutional arrangement will be able to meet this objective. This is a particularly intriguing question now, since the centralized system is set for yet more change.

Recent legal and institutional reforms point towards a decentralization of the responsibilities of road construction and maintenance, in spite of the fact that the centralized system has thus far delivered on its promises. The devolution of both resources and management of road maintenance to local assemblies, while politically desirable, may not necessarily be an improvement on the current centralized system.

The crux of the matter is that road sector reforms are, to a great extent, operationally defined by the political economy that husbands them. The goal of road sector reform has been sought through a relatively efficient centralized system which is now likely to be decentralized before even being given the chance to reach its goal by the year 2000, as originally promised.

Although the fuel levy is deposited directly into the Bank of Ghana by the fuel companies, this has been no guarantee of the fund's independence from political interference. To strengthen the fund's control over these resources, the 1996 GHA Act provides for a board whose membership will be drawn equally (five plus five) from the private sector and the public sector. The board's composition and functions will allow the road users (the primary stakeholders) to exercise ownership and accountability in the use of the road fund.

This board will be the sole manager of the fund's finances. The board's functions will include managing the road fund, reviewing its operations, monitoring financial inflows, and recommending user charges for approval by a committee of ministers. The board will also review and approve the annual work programs of the various road agencies, along with their financial requirements, jointly with the MRH and its agencies. The board will organize periodic technical and financial audits, and will inform the public of revenue inflows, financial allocations, and the status of work being done. It will also be charged with periodically reviewing the fund's effectiveness.

The stakeholders will play three important roles in the road fund. In their capacity as road users, they will be financing road maintenance through the fuel levy and other instruments. Through their representatives on the road fund board, they will help determine the allocation of the fund's resources to road programs. These representatives will also exercise accountability by requiring periodic technical and financial audits. By these means, stakeholders will ensure that road maintenance is carried out economically, efficiently, and equitably in an open and accountable fashion. Finally, the road fund board will enhance the security of the funds.

Road Management Initiative

The RMI was launched in 1988 by the United Nations Economic Commission for Africa (UNECA) and the World Bank, under the auspices of the Sub-Saharan Africa Transport Policy Program (SSATP). The countries taking part in the RMI are Cameroon, Kenya, Madagascar, Rwanda, Tanzania, Uganda, Zambia, and Zimbabwe. Others receiving assistance from the program include Benin, Ethiopia, Ghana, Lesotho, Malawi, Mozambique, and Togo. RMI is administered by the World Bank's Africa Region, and is co-financed with the governments of Denmark, France, Germany, Japan, the Netherlands, Sweden, Switzerland, and the European Union. France, Japan and Norway provide senior staff members to work on the Program.