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**PROJECT PERFORMANCE ASSESSMENT REPORT**

**REPUBLIC OF GHANA  
GHANA TRADE AND INVESTMENT GATEWAY PROJECT  
(IDA-31140, IDA-3114A)**

**December 11, 2013**

**IEG Public Sector Evaluation**  
*Independent Evaluation Group*

## Currency Equivalents (annual averages)

*Currency Unit = GHS*

1998	US\$1.00	GHS0.23	2005	US\$1.00	GHS0.91
1999	US\$1.00	GHS0.27	2006	US\$1.00	GHS0.92
2000	US\$1.00	GHS0.54	2007	US\$1.00	GHS0.94
2001	US\$1.00	GHS0.72	2008	US\$1.00	GHS1.06
2002	US\$1.00	GHS0.80	2009	US\$1.00	GHS1.41
2003	US\$1.00	GHS0.87	2010	US\$1.00	GHS1.43
2004	US\$1.00	GHS0.90	2011	US\$1.00	GHS1.51

## Abbreviations and Acronyms

CAS	Country Assistance Strategy
CEPS	Customs, Excise and Preventive Service
FDI	Foreign Direct Investment
GCNet	Ghana Community Network Services Limited
GDP	Gross Domestic Product
ICR	Implementation Completion and Results Report
IDA	International Development Association
IEG	Independent Evaluation Group
PAD	Project Appraisal Document
PPAR	Project Performance Assessment Report
PRSP	Poverty Reduction Strategy Paper
UNCTAD	United Nations Conference on Trade and Development

## Fiscal Year

Government: January 1- December 31

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<p>This report was prepared by Xubei Luo, Task Manager and David Parish, Consultant, who assessed the project in June 2012. The report was peer reviewed by John S. Wilson and panel reviewed by John Eriksson. Carla F. Chacaltana and Vikki Taaka provided administrative support.</p>
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## Principal Ratings

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	Moderately Satisfactory
Risk to Development Outcome	Moderate	Moderate	Moderate
Bank Performance	Satisfactory	Unsatisfactory	Moderately Unsatisfactory
Borrower Performance	Satisfactory	Moderately Unsatisfactory	Moderately Satisfactory

\* The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEG product that seeks to independently verify the findings of the ICR.

## Key Staff Responsible

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Division Chief/ Sector Director</i>	<i>Country Director</i>
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To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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**Outcome:** The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

## Preface

The \$56 million Ghana Trade and Investment Gateway Project was approved on July 9, 1998, financed by an International Development Association (IDA) credit of US\$50.5 million equivalent. The final project cost was \$56.8 million, of which \$52.4 million was financed by IDA. Appreciation of the Special Drawing Right vis-à-vis the dollar accounts for the fact that more US dollars were disbursed; two percent of the original IDA credit was cancelled. The original, planned closing date was December 31, 2005. After three extensions the project closed on December 31, 2009.

The objectives of the project were to attract a critical mass of export oriented investors to Ghana to accelerate export-led growth and to facilitate trade. The project had two main components. The first involved the development of an area of land in Tema, Ghana as an industrial estate. Initially reserved for export oriented companies, after project restructuring, the site was opened up to any company type in order to stimulate additional interest from investors. The project helped finance infrastructure both around the site (for example improvements to the port of Tema) and on site. The second component involved support to various organizations such as the Customs, Excise and Preventive Service, Ghana Immigration Service, Ghana Ports and Harbours Authority, Ghana Investment Promotion Centre, and Ghana Free Zones Board to improve their services to foreign investors.

This report was prepared by Ms. Xubei Luo, Sr. Economist, IEG, and Mr. David Parish, IEG Consultant. The report presents findings based on review of the Project Appraisal Document, the Implementation Completion and Results Report (ICR), aides-memoire and supervision reports, project files, and other relevant material. The evaluation team visited Ghana in June 2012 to interview government officials, representatives of relevant agencies, and other stakeholders. Bank staff members were interviewed at headquarters and in the Accra country office.

The decision to conduct this in-depth assessment was motivated in part by significant differences of view that emerged between IEG and the project team in the course of IEG's review of the ICR. These differences of opinion centered on the extent to which the project fulfilled its development objectives. This assessment aims, first, to serve an accountability purpose by verifying whether the operation achieved its intended outcome. Another, equally important, motivating factor was the belief that an in-depth assessment of the Gateway project would impart useful lessons pertinent to the design and implementation of similar projects in other countries, particularly in Africa. Following standard IEG evaluation procedure, the report will be shared with the government of Ghana for comment. The comments received will be included in the report as Annex E.



## Summary

In the mid-1990s, Ghana undertook significant legal and regulation reforms in order to promote investment and facilitate trade. With the implementation of the Investment Promotion Centre Act of 1994 and the Free Zone Act of 1995, the entire country was treated like a free zone. Firms that met the free zone criteria – exporting at least 70% of their goods and services -- were provided fiscal incentives no matter where they were located in Ghana.

The original objectives of the project were “to implement measures designed to attract a critical mass of export-oriented firms and facilitate trade in the territory of the Borrower to accelerate growth.” The project had two components. Component A supported a number of reforms at key Ghanaian institutions to improve the services to foreign investors. Component B helped to finance the development of an enclave at Tema, originally for export-oriented companies but subsequently made available to all companies. The finance for the enclave included support for: (i) a well-targeted international marketing plan for attracting an international developer and (ii) off-site infrastructure links with the enclave including water, sewage, solid waste treatment, electricity, access roads and an environmental assessment and mitigation plan.

The Project also supported minor improvements to the port to enhance operations, such as cargo handling, in particular by relocating the devanning area outside of the port area. At restructuring, the objectives “to attract a critical mass of export-oriented firms and facilitate trade in the territory of the Borrower for accelerated growth” were retained but the components were revised. The revised component A included the provision of funding for capacity building at an additional institution, the Ghana Investment Advisory Council. The revised component B extended the scope of infrastructure that could be financed under the project and made the site available to all companies as a multi-purpose industrial park, rather than restricting use to companies that qualified for Free Zone incentives.

The project met with mixed success. Throughout the project life-span, the objective of attracting export-oriented firms and facilitating trade were well served by the activities undertaken by Component A. Thanks to the changes made at the Customs, Excise and Preventive Service, the Ghana Immigration Service, and the Ghana Ports and Harbors Authority, the quality of services provided to investors and exporters improved significantly. Through the creation of Ghana Community Network Service Limited (GCNet), many customs and import processes were automated, simplified and improved. This has contributed to cost savings to businesses, better collection of customs revenues and speedier processing of container traffic through the port of Tema. Immigration procedures also improved, making passage through Accra airport easier and faster and facilitating visa on arrival arrangements. Charges at Tema port are now competitive with other ports in the region and container traffic is moving through the port more quickly with more streamlined inspections. Transshipment procedures have been improved for transit traffic to neighboring countries, such as Burkina Faso and Mali. These are considerable accomplishments with relatively small investments. Various stakeholders felt that the achievements would not have happened without the Gateway project.

However, the activities under the original Component B of the project had limited impact on promoting exports. Only one export-oriented company was attracted to the Free Zone enclave before restructuring. After the project was restructured the Free Zone enclave became a multi-purpose industrial park for all types of companies. In addition, the project provided on-site infrastructure in the enclave. At the time of the IEG field visit, the enclave had some fifty companies operating within its boundaries. There are several sites where construction was in progress as well as further interest from investors.

In the context of Ghana where the fiscal incentives of Free Zones apply to the entire country, the original concept of the Free Zone enclave did not work. The enclave can only be attractive if it provides a better business environment besides the fiscal incentives, such as infrastructure, as export-oriented firms can benefit from the same incentives elsewhere in the country. The lack of flexibility in the original project design and the undue reliance on the performance of a single private developer are among the key factors that contributed to the limited success before restructuring. Legal challenges further protracted the process of the replacement of the private developer. The restructuring took longer than expected and project activities came to a virtual standstill while the restructuring was being considered, which hindered the efficiency of the project. After restructuring, the project successfully addressed the main constraints of on-site infrastructure and balanced the responsibilities of public and private sectors. The project met its objectives in attracting both export-oriented and non-export-oriented firms to the enclave.

In light of the above, this evaluation rates the project outcome as rated as *moderately satisfactory*. The relevance of the objectives is rated as substantial, but the relevance of the design was modest. The achievement of the development objectives of attracting export-oriented investment and facilitating trade was substantial. However, the project's contribution to the objective of accelerating economic growth was at best modest. This rating reflects, on the one hand, the achievements under the development of services for investors through, in particular, the development of GCNet. On the other hand, the rating also reflected delays in attracting investors to the enclave at Tema, the long process to restructure the project, and eventual success in achieving the project objectives.

Bank performance is rated *moderately unsatisfactory*, mainly reflecting the mixed quality at entry and quality of supervision. The design of the institutional component was of good quality but the design of the free zone enclave component was deficient; restructuring eventually helped achieve the objectives but rigidities in the project design resulted in a prolonged restructuring period. Borrower performance is rated *moderately satisfactory*, both for the government and the implementing agencies.

The assessment identified three lessons to be learned from the Gateway project.

- Free Zones are more likely to be inefficient where fiscal incentives are nationwide. A Multi-purpose industrial park, which targets all types of investors instead of only export-oriented companies, is a more suitable model in the context of Ghana. The provision of on-site infrastructure, along with secured land rights, is important to help address the business environment constraints and to attract investment and stimulate growth.

- Effective market research and flexible project design are crucial elements for the success of public-private partnership projects. Market research can identify areas where the project can draw on private finance. However, to address the uncertainties of the external factors, such as a foreign private investor which conditions the success of the project, the built-in flexibility of project design is important so the project can swiftly switch gear when required.
- Institutional reforms and trade logistics improvement can play a significant role in facilitating trade. The Ghana Community Network Services Limited, which operates an electronic system for processing trade and customs documents, has contributed to transforming customs and import procedures in Ghana. The significant improvement in efficiency lowers the clearing and forwarding costs for importers and contributes to port reforms on freight rates. It merits considering the possibility of applying the GCNet approach in other countries with similar context.

Caroline Heider Director-  
General Evaluation



## 1. Background and Context

1.1 Ghana's economy has expanded steadily over the past twenty years, yet it remains a low income country. The structure of the economy has not changed substantially - agriculture accounts for 40 percent of gross domestic product (GDP) and 50 percent of employment, and traditional exports of cocoa and gold account for 55 to 75 percent of total exports. The industrial sector remains relatively small and is dominated by firms with low productivity. With a population growth rate of about 3 percent per annum, an average annual GDP growth rate of less than 5 percent during the previous decade has not been sufficient to reduce poverty levels significantly.

1.2 Ghana initiated structural adjustment programs in 1983 and carried out sustained economic reforms over the next fifteen years. During this period, fiscal and monetary policy performance was mixed and interest rates continued to remain at unacceptably high levels. But tax revenue collection improved and public investment expenditures were rationalized. In the early stages, growth was satisfactory in aggregate output, mining, and services, but not in agriculture and manufacturing. Savings and private investment remained low.

1.3 In 1994, Ghana, the second largest cocoa producer in the world, opened domestic cocoa marketing to private operators and producers began to receive up to half of the free on board (fob) price of cocoa. The liberalization of cocoa marketing led to a significant attitudinal change towards the private sector. The links between private investment, accelerated growth and poverty reduction were acknowledged. As a result, the policy environment for the private sector started to improve and the public-private sector dialogue initiated in 1991 was broadened and strengthened through the Private Sector Roundtable and the Private Enterprise Foundation. Changes in policies included the Statutory Corporations Act, under which public corporations were converted into companies with saleable shares. Ghana's privatization effort, after many years of unsatisfactory performance, started to pick-up.

1.4 To achieve accelerated growth, the government reaffirmed its intention to make the private sector the engine of economic growth. It was also acknowledged that the ability of the private sector to take on this role depended on how rapidly medium term macro-stability could be achieved and measures taken towards addressing other key constraints such as institutional weaknesses and inadequate infrastructure.

1.5 Ghana undertook significant legal and regulatory reforms by enacting the Investment Promotion Centre Act of 1994 and the Free Zone Act of 1995. The Ghana Free Zones Board was established on August 31, 1995 by an Act of Parliament - the Free Zone Act, 1995 (Act 504). The Board was set up to enable the establishment of free zones in Ghana for the promotion of economic development, the regulation of activities in free zones, and for related purposes. These acts were designed to promote investment and to provide fiscal incentives to enterprises (especially free zone companies that export over 70 percent of their production) while setting out the rules and regulations governing the private sector. The incentives included extended tax holidays, accelerated depreciation, and the right to sell up to 30 percent of the value of free zone products in the domestic market.

1.6 Some companies moved quickly to take advantage of these incentives and the first three licences were issued in 1996 (to enterprises from South Africa, the United States and Ghana). In addition, the Ghana Government acquired an industrial site in a high potential business area (in the environs of the capital and near to Tema port and other transport facilities). It planned to make sites on the enclave available through a private developer to companies which qualified for Free Zone incentives.

1.7 It was in this environment that the Ghana Gateway Project was designed and appraised in 1998, with the expectation that it could address three key development constraints. First, private sector leadership to develop and operate the free zones to attract export-oriented manufacturing tenants. Preliminary indications were that such a Free Zone operator could be attracted to Ghana, but only with credible assurances that some key, off-site infrastructure and institutional issues would be addressed first. Support by the International Development Association (IDA) for the Gateway Project would provide the requisite assurances.

1.8 Second, complementary physical investments off-site in areas such as power, water, waste-treatment and telecommunications hook-ups, and a short road from the Free Zone to Ghana's existing transport infrastructure. In the ordinary course of events, it could have taken many years for these to be made available by Ghana's infrastructure providers. The Gateway Project aimed to accelerate this process by providing targeted resources to cover the costs of investment in the off-site infrastructure required for the success of the Zone. Based on the original project design, it is the responsibility of the private operator to provide for financing, constructing, maintaining and operating all on-site infrastructure investments.

1.9 Third, complementary trade facilitation service. In order for the Free Zone enclave to be a successful platform for attracting export oriented manufacturing investors, a variety of complementary trade facilitation services needed to work effectively (for example, port and transport, customs and immigration). While institutional reforms were underway in public agencies, it would take many years for their service standards to meet international standards. In the interim, to ensure that trade facilitation for the Free Zone enclave worked smoothly, the Ghanaian authorities developed very precise performance benchmarks that the Gateway Secretariat would require from the country's customs, immigration, and investment promotion agencies. The authorities also established clear mechanisms for holding these agencies accountable for performance. The project provided financial support to underpin efforts to meet the benchmarks.

## 2. Objectives, Design, and their Relevance

### Objectives

2.1 The project's objectives, as stated in the Project Appraisal Document (PAD), were "to attract a critical mass of export oriented investors to Ghana to accelerate export-led growth as well as facilitate trade" (World Bank 1998a, p. 8). In the Development Credit Agreement, the stated objectives were consistent as follows: "to implement measures designed to attract a critical mass of export-oriented firms and facilitate trade in the territory of the Borrower to accelerate growth through: (a) the development of off-site infrastructure for a privately financed Free Zone; and (b) the improvement of the quality and standards of services delivered to investors and to exporters by the Borrower's institutions and agencies responsible for trade and investment" (World Bank 1998b, p. 8). The intended outcomes in the Appraisal Document and Credit Agreement were nearly identical – the main difference being that the former pointed to *export-led* growth, while the latter to growth in general. The other main difference is that the Credit Agreement's statement of objectives explicitly mentioned the means to achieve those objectives, the project's two components.

2.2 The articulation of the objectives and the components were formally revised in 2005 through a Board-approved restructuring. The revised objectives were: "(a) the development of a multi-purpose industrial park; and (b) the improvement of the quality and standards of services delivered to investors and to exporters by the Borrower's institutions and agencies responsible for trade and investment aiming to attract a critical mass of export-oriented firms and facilitate trade in the territory of the Borrower for accelerated growth." In this articulation, the means (components) are expressed first, in order to achieve the three outcomes that comprise the objectives.

2.3 Both before and after the restructuring, the stated objectives in the Credit Agreement are a combination of objectives and means. The intended outcomes – attracting a critical mass of export-oriented investors, accelerating growth, and facilitating trade – remained the same. The means to achieve those outcomes did change, from a Free Zone to a Multipurpose Industrial Park. In paragraph 3 of the Board Report that accompanied the restructuring request, this is described as "a paradigm change" and the report goes on to say "There is a substantial difference between the Free Zone concept and the Multi-Purpose Industrial Park" (paragraph 8). The Free Zone was restricted to exporting companies that qualified for fiscal incentives whereas the Industrial Park was opened up to all company types with no requirements about export orientation that qualified to use the site. The restructuring therefore reduced the emphasis on export oriented companies as a source of growth and gave greater encouragement to companies serving the local market, which also have the potential to stimulate trade and to export. As such, restructuring drew a different balance between export oriented firms and trade facilitation, although the desired outcomes were unchanged.

2.4 The geographic reach of the two components of the project - trade facilitation and development of a Free Zone/Multipurpose Industrial Park - differs. Measures to improve the quality and standards of services to investors are relevant at a national level. The development of the free zone/industrial park enclave is specific to the area near Accra

where the site is located. The project envisaged that the concept could be subsequently extended to other sites throughout the country.

## **Relevance of the Objectives**

2.5 The original and revised objectives were consistent with government and Bank plans at the time of approval and have continued to be consistent with both poverty reduction strategies and country assistance strategies over time. In its Interim Poverty Reduction Strategy Paper (PRSP) in 2000, the Government stated that overall policy “will continue to focus on creating an enabling environment for private sector growth. Policies have been instituted to ensure increased private sector participation and growth in the real sectors to create employment thereby ensuring improved standards of living for the large majority of the population who are dependent on those sectors.” In the 2003 PRSP, the Government commits “to strengthen the private sector in an active way to ensure that it is capable of acting effectively as the engine of growth and poverty reduction.” The 2006 PRSP reaffirmed the commitment to the private sector, stating: “It is important that the momentum that is being generated with respect to establishing the private sector as the engine of sustained growth and poverty reduction be maintained.”

2.6 At entry, IDA's Country Assistance Strategy (CAS) for 1998 to 2000 defined poverty reduction as its central goal. The CAS recognized that one of the key requirements for sustainable poverty reduction is higher rates of economic growth, which can be achieved by restoring sustainable fiscal balance and promoting private investment for exports. It estimated that an annual GDP growth rate of 8-10 percent would be required for significant poverty reduction. In order to achieve the level of investment required to obtain the targeted growth rate, Ghana needed to consciously develop and consolidate its "competitive advantages" and cater to export markets. The project aimed to remove constraints to the development of trade and exports, and to attract direct investments for industrial and infrastructure development. Ghana's "Vision 2020" also saw the Project as a mechanism through which Ghana could achieve middle-income country status. The project continued to be relevant to the World Bank's Country Assistance Strategies. The Strategy for 2004 - 2007 emphasized helping Ghana “to improve access and security of land, to improve legal and judicial systems as well as the business regulatory framework and reduce the time and cost of business registration, and to help ensure provision of a reliable and cost-effective framework of minimum infrastructure and services.” Private sector competitiveness is one of the three pillars of The Ghana Joint Assistance Strategy for 2007 – 2010, which again emphasized improving the enabling environment for business.

2.7 Overall, the relevance of the original and revised objectives is assessed as substantial.

## **Design**

2.8 The project had two components and both were modified at restructuring.

## ORIGINAL COMPONENTS

### 2.9 **Part A. Investment promotion and removal of administrative bottlenecks.**

There was a range of activities under Part A which were aimed to address the most binding sector constraints on trade. In general terms, the activities were designed to define and implement reforms in quality control and the methods, processes, and procedures used by the Ghana Free Zones Board, Ghana Investment Promotion Centre, the Ghana Immigration Service, Customs Service, Ports and Harbours, Civil Aviation, and Immigration in their dealings with investors and exporters. At the Free Zones Board, the priorities were designing information systems and capacity building to enable the Board to attract an investor to manage the Free Zone enclave at Tema (see below) and offering high quality and proactive services to investors in general. At the Investment Promotion Centre, the project offered support for corporate planning, staff training, and investment promotion activities. For the Ghana Immigration Service, the plans involved staff retraining and process and technology improvements. At the Ghana Ports and Harbours Authority, the aim was to increase private sector participation in the management and to convert the Authority into a Landlord Port Authority with operations outsourced to the private sector. For Customs, Excise, and Preventive Service, the project aimed to develop simple and effective cargo clearance procedures and customs/shipper information interfaces and to simplify tariffs and valuation procedures and reduce the number of commodity descriptions and detailed schedule applications. The plans for the Ghana Civil Aviation Authority envisaged developing a strategic framework for the Ghana's Civil Aviation Sector. The reformed Civil Aviation Authority would have full charge of safety regulations; pilot, carrier, and facility licensing; and air navigation and air traffic control, while airport operations and development would be under the control of an independent airport authority. Total costs of part A were estimated at US\$14.70 million.

2.10 **Part B. Infrastructure Investments.** The investment component of the Project was designed to facilitate the development of a privately-financed and owned Free Zone. The government had allotted 1,200 acres of land near Tema for its development. Under the Project this land would be leased to a suitable private investor/developer, selected by international competitive bidding. The Project would finance: (i) a well-targeted international marketing plan for attracting an international developer and (ii) off-site infrastructure links with the Free Zone, including water, sewage, solid waste treatment, electricity, access roads, and an environmental assessment and mitigation plan. The Project would also support minor improvement to the port to enhance operations, such as break bulk and cargo handling, in particular by relocating the devanning area outside of the port area. Total costs of part B were estimated at US\$38.90 million.

## REVISED COMPONENTS

2.11 There were major changes in the two components at restructuring and a minimal reallocation of funds with an unallocated amount added to the funds for Part B.

2.12 **Part A. Trade Facilitation and Investment Promotion.** The change to this part of the project provided funding for capacity building at an additional institution, the Ghana Investment Advisory Council. The Council was a consultative group composed of private sector Chief Executive Officers that provided feedback on implementation of

government trade facilitation and investment climate reforms. The other institutions continued to be funded by the Project as under the original Part A.

**2.13 Part B. Development of a Multipurpose Industrial Park.** The main change to this part of the Project was the change in status of the enclave at Tema from a Free Zone to a multipurpose industrial park. The site was therefore opened up to all manufacturers and not just those in receipt of fiscal incentives as exporters. Moreover, the original Free Zone had restricted the use of World Bank funding to the development of off-site infrastructure and in particular the development of a devanning area at the port. The devanning area was developed by the private sector without recourse to IDA funding. After restructuring, funds were reallocated and the project permitted the development of onsite infrastructure. A section of the site was serviced with power, water, sewerage, and roads. The plots on this part of the site were then offered to all potential investors, whether or not they qualified for free zone incentives. Finance was also included in the project for various road and bridge investments in the vicinity of the site.

## **M&E DESIGN**

**2.14** The indicators before restructuring were well thought through, capable of measurement, and related to the areas of performance that were targeted through the Gateway program. They related to both the outputs from the project and the anticipated outcomes. Baseline values were available for outcome indicators measuring the costs of loading import containers, the speed of unloading containers, and the average dwell time for imported containers. Targets were set for the “critical number of export-oriented firms” to be attracted. There was also a target set for increasing ‘net export revenues’, but no baseline level of net export revenues was provided. Nor was it clear whether the increase in export revenues referred to the enclave at Tema, all companies which received Free Zone incentives, or the country as a whole. Many of the targets related to the institutional improvements that were major components of the project. Some of these targets were achieved before restructuring. The indicators are shown in Annex C. The collection of data was coordinated through the Gateway secretariat, with essential inputs from the various beneficiary organizations.

## **IMPLEMENTATION ARRANGEMENTS**

**2.15** The implementation arrangements for the project were complex, reflecting the number of agencies which were involved in delivery. The Ministry of Trade and Industry was the main implementing agency. It was overseen by a Gateway Oversight Committee that was chaired by the vice president. This provided the necessary high level commitment to ensure action from the various agencies involved. Day to day coordination was provided by the Gateway Secretariat, which acted as the Project Coordinating Unit and had some fifteen staff. The development of the enclave Free Zone/industrial Park was the responsibility of the Ghana Free Zones Board. A Malaysian company, Business Focus, was appointed as manager of the enclave with responsibility for attracting clients but failed to do so. Consequently part of the zone was subsequently allocated to a local company.

## Relevance of Design

2.16 Part A addressed major constraints in the business environment facing exporters and the business community as a whole in Ghana. Services such as ports, customs, and immigration were widely recognized as unsatisfactory. The objectives of the project in attracting export oriented investors, accelerating growth, and facilitating trade required actions in these areas. For instance, the actions at the port were well designed to ensure a more effective operating structure and the actions to improve performance at customs addressed the excessive number of checks, targeting a reduction to a single check. The actions were structured in a way that enabled success across a number of entities by ensuring high-level involvement in the project from the vice president.

2.17 Part B as originally conceived was only modestly relevant to achieving the objectives. There are important distinctions among the various ways in which government and the World Bank may promote investment and, in particular, export oriented investment. These are:

- Through financial incentives, such as tax breaks.
- Through the establishment of a supportive enabling environment, for example, enabling investors to obtain visas easily, having good customs procedures and putting in place arrangements that ensure potential investors are aware of investment opportunities and officials in the public sector are aware of the requirements of investors.
- Through the establishment of serviced industrial plots that may be available to investors to establish their enterprises. Such plots should have power, water, and telecommunications available and good connections to local and international transport networks.

2.18 Financial incentives were already in place under the Investment Promotion Act of 1994 and the Free Zone Act of 1995. Investors who met the criterion of exporting 70 percent of their output could set up as a free zone company anywhere in the country. The Ghana Gateway project focused on the second and third of the investment promotion methods outlined above. These incentives attract overlapping but different investor groups. Some investors who are attracted by fiscal incentives may not be interested in a serviced plot and may elect to choose their own preferred location for their operations. On the other hand, investors who are keen to make use of a serviced plot may not be direct exporters and hence may not qualify for fiscal incentives but may still generate employment and investment; and some may have backward or forward linkages with exporters and generate positive clustering and agglomeration effects for attracting exporters.

2.19 The design of the project before restructuring restricted use of the Free Zone site to companies that qualified for financial incentives as exporters. However, the design did not adequately consider whether there were sufficient numbers of foreign investors who would prefer a serviced plot from a government agency over selecting their own site. No formal market research on the demand side was found. There was evidence, however, that firms often identify their own site. For example the first three companies that

received free zone incentives were licensed as early as 1996, located outside of the enclave and have not change locations afterwards. A total of 19 free zone companies had registered by the end of 1998.

2.20 The intended outcomes of the project were not changed at the restructuring, but the means to achieve them were, signaling a shift in strategy from export-oriented firms to trade facilitation. The activities under Part A remained substantially relevant to the business community as a whole and not just to exporters.

2.21 The change of design had a greater impact on Part B, the Free Zone, which was now open to all investors as a multipurpose industrial park and not just to exporters. Some serviced plots were created at the enclave through financing under the project. With the focus of the project shifted from solely exporters to investors as a whole, the revised design had much better prospects of attracting tenants to the site and hence promoting growth and increased trade. The revisions to Part B improved the relevance of the project's design to its objectives.

2.22 Overall the relevance of the design is evaluated as modest. There is a clear difference between the two components. The design of the measures to improve the quality and standards of services delivered to investors and to exporters by the Borrower's institutions and agencies responsible for trade and investment was well handled. There is also a clear difference for Part B before and after restructuring.

### **3. Implementation**

#### **Planned vs. Actual Expenditure**

3.1 The total cost of the project was estimated at appraisal as US\$ 56 million of which US\$50.5 million equivalent (denominated as Special Drawing Rights, SDR, 37.6 million) was to be funded from an IDA credit and the balance from government resources and the private sector. The actual cost was US\$56.8 million of which US\$52.5 million was funded from the credit. The US\$ value of the credit increased because of the decline in value of the US\$ against the SDR.

3.2 The breakdown of funding between the various agencies that benefited from the project is shown in the two pie charts below (Figures 1 and 2). In terms of the expenditure by component, final expenditure on Part A was \$7.8 million (105 percent of planned expenditure) and on Part B was \$41.6 million (102 percent of planned expenditure).

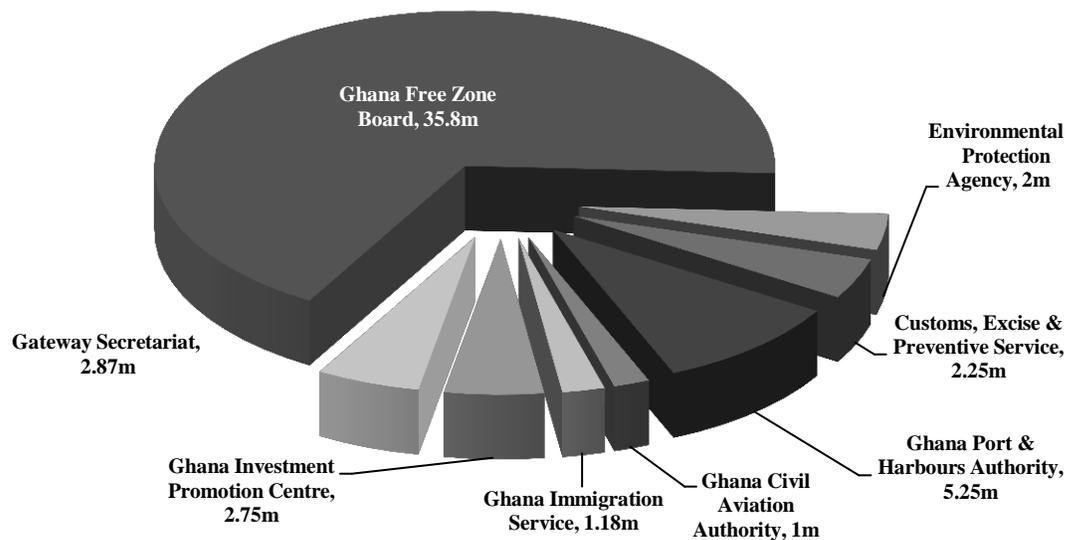
#### **Implementation Experience**

3.3 The project was approved on July 9, 1998, and became effective on January 13, 1999. Problems with procurement and the development of the free zone enclave during the first three years of project implementation were identified during supervision missions. A briefing note prepared in April 2002 for the midterm review identified flooding problems with part of the site, which were subsequently resolved. There were

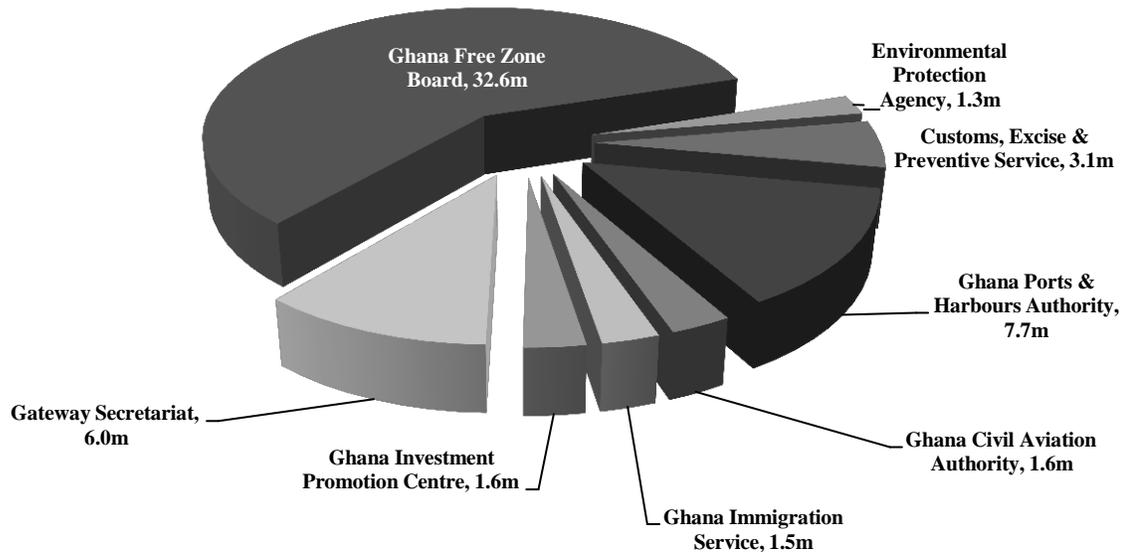
also delays in the procurement process. The records of the Free Zones Board show that many investors were receiving investment incentives but choosing to base themselves at other locations around Tema and Accra rather than at the Tema enclave.

3.4 The design of the project had envisaged a private sector manager for the free zone enclave with international expertise in attracting clients to such sites. A Malaysian company, Business Focus, was appointed as manager in July 1999 but failed to attract clients. The Asian financial crisis, which began in 1997, was put forward by some interviewees as a possible reason for this failure; in fact, it appears the firm had misunderstood the nature of the free zone legislation in Ghana. Project documents dating from August 2003 indicate that the company believed that the government was to enforce relocation of all export producers to the enclave and cease giving licenses to exporters outside the enclave. However, the free zone legislation indicates that free zone companies could locate anywhere in Ghana.

**Figure 1: Planned Disbursement of Project Funds by Agency (US\$ million)**



Source: Gateway Project Coordination Team, Government of Ghana. 2010. Implementation Completion Report

**Figure 2: Actual Distribution of Funds at Project Closure by Agency (US\$ million)**

Source: Gateway Project Coordination Team, Government of Ghana. 2010. Implementation Completion Report.

3.5 The project contributed to the physical development of a free zone enclave by providing off site infrastructure such as access to roads and electricity connection for the site. The development of the infrastructure proceeded broadly in accordance with plans, but one part of the plan was superseded when private finance became available for the development of a container devanning area near the port.

3.6 The midterm review took place on June 3, 2002. At that stage, the Bank team believed the project could still be completed and tenants attracted by the original completion date of December 2005. A new project coordinator had just been appointed. The new government was showing strong commitment to the project. There were several proposed changes to the scope of the works (for example to finance drainage works) at Tema, but the concept of a creating an enclave devoted to companies which qualified for Free Zone incentives was maintained.

3.7 In April 2003, a Government mission visited Washington to discuss progress on the project and, in particular, the slow progress in recruiting tenants for the free zone enclave. The only tenant in the free zone enclave is a company that had moved from elsewhere in Accra to Tema. The government proposed changes to the use of the enclave, to permit development of a garment village, and the use of the credit for on-site infrastructure. Further missions to Ghana in December 2003 and January 2004 introduced a new Task Team Leader to the project and confirmed the low level of interest from exporting firms in locating at the enclave (5 years after project approval). It was at that stage that consideration was first given to moving away from the free zone concept, and by April 2004 the government and the World Bank had agreed on the multipurpose industrial park approach in place of the Free Zone enclave. At the same time, it was

agreed that a two-year extension to the project closing date might be needed. A mission in July 2004 developed the revised concept for the project further, both in relation to the multi-purpose industrial park and other parts of the project.

3.8 The outline of the restructuring was clear by that stage. However, it took until September 2004 for formal proposals to be drawn up for the restructuring and during this period, implementation of the project almost ground to a halt. The restructuring was formally completed on November 23, 2005 (a year later, and over 7 years after the project was approved). In addition to the changes to the components there were two generic changes made at restructuring which affected the project as a whole. The project adopted new World Bank rules on procurement and consultants but the impact of these changes was limited. The key performance indicators were also changed and the details of these changes are discussed further below. The changes included an extension of 18 months in the closing date to June 2007, but this proved insufficient. There were two further extensions to June 2008 and then to December 2009. The Project therefore closed four years later than originally planned, on December 31, 2009.

### **Implementation of Monitoring and Evaluation**

3.9 Monitoring and evaluation of the project was largely carried out by the Gateway secretariat. The secretariat submitted quarterly progress reports and an annual operating plan to the World Bank. These were complemented by bi-monthly audio conferences between the Bank and the secretariat. The secretariat did an effective job of collecting and reporting progress against the various indicators. After restructuring new indicators were put in place and these were much vaguer (e.g., the creation of new economic opportunities for entrepreneurship or the percentage of companies benefiting from improved trade corridor and market access services) and in most cases lacked a baseline value or data collection procedure to enable monitoring. The revised indicators lacked targets and baselines and were exclusively focused on outputs and measures of satisfaction by firms, as opposed to indicators of the outcomes pointed to in the statement of objectives. The secretariat and implementing agencies continued to collect data to monitor against the original indicators. The use of the new indicators was limited and it was unclear how to collect data.

### **Safeguards Compliance**

3.10 The project was classified as category A and triggered an environmental assessment in accordance with Operational Policy 4.01 because of the off-site and on-site infrastructure that was planned at the free zone enclave. These included: (a) water connection; (b) sewage and solid waste treatment for the free zone enclave; (c) electricity link; (d) telecommunication link; and (e) access roads to the Project site. An Environmental Impact Assessment was carried out during project preparation which concluded that there were no major negative environmental problems envisaged from the project. The Assessment included an Environmental Mitigation Plan and Monitoring Plan (EMP) and an Industrial Risk Contingency Plan, clearly identifying the institutional arrangements for the execution of the respective plans.

3.11 The EMP was implemented by the Environmental Protection Agency, to which Government transferred the component. The Government also established a Gateway

Environmental Management Office in Tema and ensured that the requisite human and institutional capacities were provided.

3.12 Operational Policy 4.12 on involuntary resettlement was also triggered but the resettlement issues were addressed by the government before project effectiveness. All safeguards issues were therefore dealt with appropriately.

## 4. Achievement of the Objectives

4.1 The objectives of the project as stated in the Development Credit Agreement are a combination of outcomes and means to achieve them. The three intended outcomes are “creating a mass of export-oriented firms,” “facilitating trade,” and “accelerating growth.”

4.2 It is difficult to establish results chains which link the outputs from the various components with these objectives. The objectives themselves are high level and influenced by many factors which are outside the scope of the project as well as the project activities. The project was undertaken in a dynamic policy environment in Ghana and there were many other factors at work which could have helped to create a mass of export oriented firms or facilitated trade. The appraisal documents do not specify how many firms constitute a critical mass or how much output needs to be exported in order for a firm to be export oriented. The investment incentives that were available to exporters had been created before the project was launched. The procedural reforms at customs and immigration, for example, were made at the same time as a number of reforms which were designed to improve the business environment.

4.3 It is also difficult to establish a proper counterfactual for the investment in the infrastructure at and around the enclave in Tema. It is possible that the enterprises that set up their businesses at Tema could have found sites elsewhere in Ghana in which case the Gateway infrastructure has not increased exports but moved exporting firms from one area to another. Many free zone companies are based elsewhere in the country and in the early stages the enclave could not attract tenants, which strongly suggests that potential alternative sites were available. In the past, cocoa was exported in any event as raw beans. While companies processing cocoa in the Free Zone enclave have high exports, the incremental impact associated with project investment in this instance is the added value of processing alone. Although the links between the project outputs and the outcomes seems plausible, there are inevitably uncertainties over attribution of particular benefits to the project.

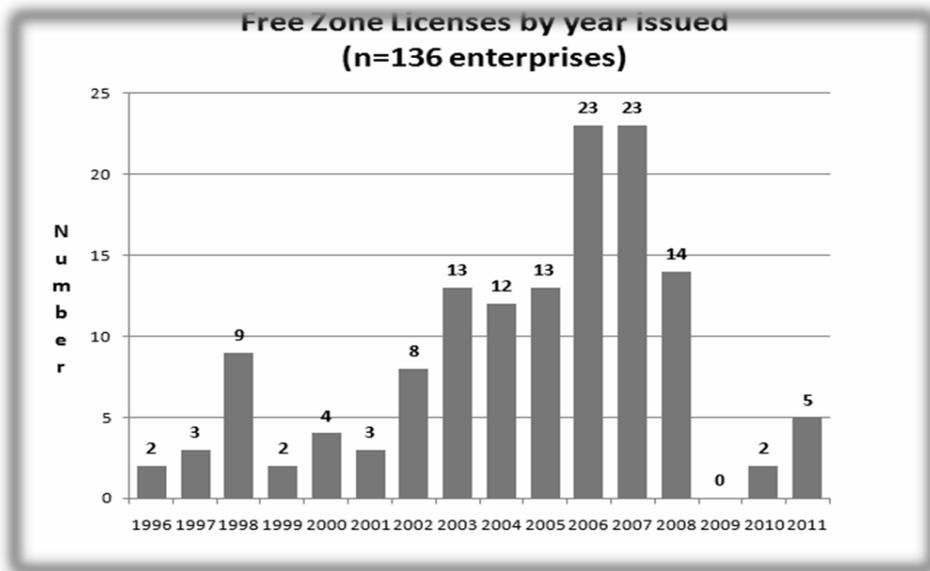
### ATTRACTING A CRITICAL MASS OF EXPORT ORIENTED FIRMS

4.4 **Outputs.** After restructuring, the project delivered clear output through financing the development of on-site infrastructure. Roads were developed and utilities put in place in a limited area of the site. This area was designated as a multipurpose industrial park and made available to investors generally and not just those who qualified for free zone incentives. These two changes – development of on-site infrastructure and transforming the Free Zone to a Multi-Purpose Industrial Park - led to a sharp increase in the number of firms located in the enclave. The enclave became more attractive to investors, with better infrastructure, and more secure land rights compared with locations outside the

park. At project closing, 24 firms were operating in the enclave. At the time of the IEG mission, there were 31 free zone companies based in the enclave of which four were in the areas designated for the industrial park. In addition there were around 15 non-free zone companies in the industrial park. After a slow start, the site is becoming a popular industrial location for all sorts of companies.

4.5 **Outcomes.** Based on data collected from the GFZB website, Figure 3 below provides some details of the numbers of companies which have received free zone licenses, broken down by year.<sup>1</sup> The graph appears to show a steady and growing flow of companies gaining the incentives during the project life span, but no information is found on whether the numbers in the most recent years is complete or updated. However, the data set is incomplete - only 136 out of the 296 companies that have received the incentives are included on the web site.

**Figure 3: Free Zone Licenses by year issued**

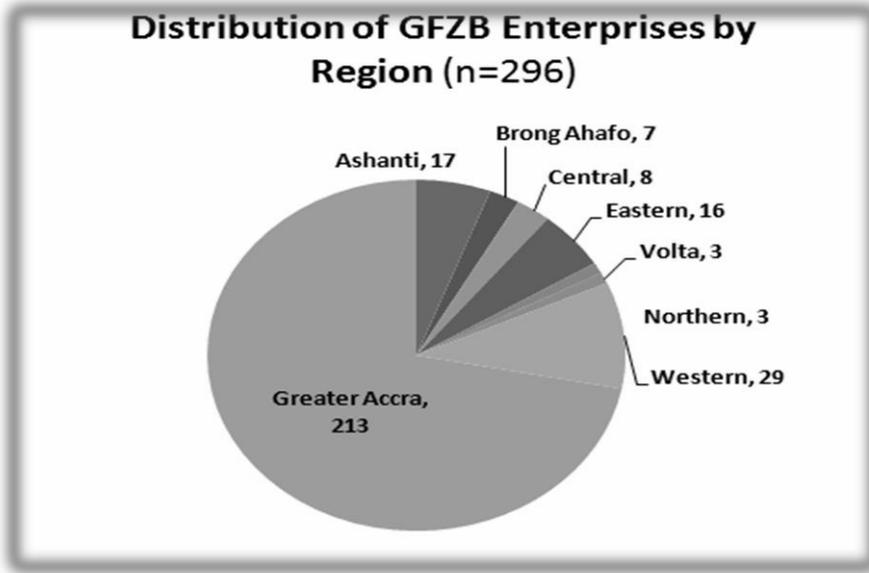


Source: Ghana Free Zones Board

4.6 Figure 4 shows the geographic distribution of free zone licenses. 213 of the 296 licenses were for firms in Greater Accra, and that of the 213, only 42 firms were in the enclave at Tema. Figure 5 shows a further 52 firms were in Tema but outside the enclave, 7 were at the airport, and 112 were elsewhere in Accra.

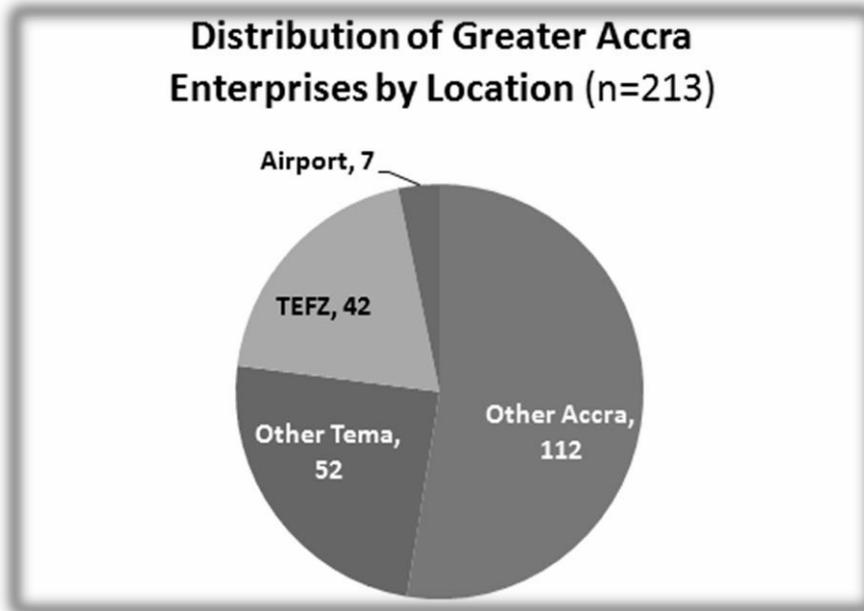
<sup>1</sup> During IEG's mission, interviewees showed reservation on the quality, such as completeness and timeliness, of the data. The results presented in the graphs on the free zone companies reflect the imperfectness of the data, and should be interpreted with caution.

**Figure 4: Distribution of Ghana Free Zone Board Enterprises by Region**



Source: Ghana Free Zone Board

**Figure 5: Distribution of Greater Accra Enterprises by Location**



Source: Ghana Free Zone Board

**Photo 1: Free Zone Enclave at Tema**



Source: Xubei Luo

4.7 The target of 30 export oriented companies at the enclave has now been exceeded, though much later than planned and there is considerable development taking place at the site as well as further interest from investors. A random survey of the tenants conducted by the Free Zones Board concluded they were somewhat satisfied with the services provided and discussions held during the IEG mission suggested that companies were generally satisfied with the services provided in the enclave.

4.8 The original performance indicators for the project were that there should be 10, 20 and 30 firms established and operating in the free zone enclave in the second, third and fourth year after the completion of civil works. It is reasonable to infer that these targets were expected to correspond with a critical mass of export oriented companies by the fourth year. These targets were not met, since only one firm had located in the enclave at restructuring, seven years after project approval.

4.9 During the IEG mission in Ghana it was suggested by several interviewees that land security remains a challenge in Ghana because of the possible competing claims of ownership over individual plots. The availability of a plot through a government agency such as the Ghana Free Zones Board could in fact mitigate the risk. However, the attribution of the results in attracting investment to secure land rights remains inconclusive. First, there is no reference to this in the project appraisal documentation or in subsequent documents such as mission aide's memoire. Second, only 31 (14 percent) of the 221 companies registered at the Free Zones Board with Free Zone status are located in the enclave. Several companies with Free Zone status are located elsewhere in Tema.

4.10 Achievement of the objective of creating a critical mass of export-oriented firms is rated substantial.

## FACILITATING TRADE

4.11 The Ghana Free Zones Board provided some information on employment, capital invested and exports by Free Zone companies operating in the enclave and these are shown in the table 1.

**Table 1: Free Zone Companies Operating in Tema Enclave in June 2012**

<i>Company</i>	<i>Employment</i>	<i>Capital invested</i>	<i>Exports</i>
		US\$	US\$
3F Ghana Limited	69	5,966,540	14,279,223
B D Associates (Gh) Ltd	0	12,834,190	-
Barry Callebaut	100	19,330,862	913,888,017
Bear Machines W/A Ltd	0	294,390	-
Blow-Pak Industries Ltd	75	795,200	9,143,769
Cargill Ghana Ltd	186	85,122,997	507,663,353
Comet Gh Ltd	30	127,000	73,301,115
Commodity Processing Industries Ltd	93	3,588,765	64,312,706
Decorplast Ltd	357	16,270,273	101,547,985
G C Bio Chemicals Ltd	11	662,843	5,090,218
Ghana Speciality Fats Industries Ltd	116	26,977,136	90,079,648
Lewadis Ltd	11	-	2,832,039
Lucky 1888 Mills Ltd	129	225,847	723,550
Niche Cocoa Industry Ltd	0	2,761,583	-
Rebecca Fashion Manufacturing Ghana Ltd	19	5,714,769	54,720
Red Sea Housing Services (Gh) Ltd	716	28,053,071	241,800,104
Sitos Gh Ltd	24	1,854,483	11,362,375
Top Industries Co Ltd	413	16,635,988	72,794,740
Verhad Free Zone Import & Export Co Ltd	23	16,242,223	6,975,234
<b>Total</b>	<b>2372</b>	<b>243,458,162</b>	<b>2,115,848,795</b>

Source: Ghana Free Zones Board.

4.12 These figures are acknowledged by the Free Zones Board to be incomplete. Several companies are omitted and for some of the included companies there are no data on employment or capital invested. The results of interviews during the IEG field mission showed that employee numbers at two of the companies shown in the table had since doubled. The figures show that substantial investment and export activity is coming into the enclave and that employment levels are rising. However, the export figure has to be treated with caution as it shows gross exports from the zone and this will include some products such as cocoa which would have been exported directly in the past. The exports of over US\$2 billion do not therefore enable an estimate of the increase in net exports which will be far lower. But the evidence is at least suggestive of increased export trade

and hence the achievement of one of the project objectives. It is normal for Free Zone enclaves to take some time to take off. Analysis by Farole (2010) has shown that such zones often grow linearly in their early stages before hitting a growth inflection point some five to ten years after becoming operational. There are signs that Ghana has now reached this inflection point.

4.13 The project set a target of increasing net exports revenue by 25 percent, 30 percent and 40 percent. But the baseline was not clear.

4.14 **Outputs.** There were four major categories of service targeted for improvement by the project, in the areas of customs, immigration, the port and airport. In addition to their role in facilitating trade, these activities would also have some impact on attracting export oriented firms. These areas are all important areas for investors and exporters. Ghana has been making efforts to improve its performance across the board in recent years and was rated as one of the top ten reformers in 2006/7 in the World Bank's doing business surveys because of the improvements in its business environment and in its ranking. In 2011, Ghana was ranked 67<sup>th</sup> out of 183 countries in the World Bank's survey on the ease of doing business. This is a substantial improvement over 2006 when it was ranked 82<sup>nd</sup> out of 155 countries. The higher ranking was achieved by substantive reforms in business practices.

4.15 **Customs.** The reforms initiated by the Gateway project (through the creation of the Ghana Community Network Services, Ltd, or GCNet, in 2003) at the Customs, Excise, and Preventive Service (CEPS) has achieved results that go far beyond the original expectations at the inception of the Gateway project. GCNet operates an electronic system for processing trade and customs documents. It collects Import Duties, Import VAT, Export Duty and, Petroleum Tax. The majority shareholder is the SGS group from Switzerland, a major provider of testing, verification and certification services. Other shareholders include CEPS, the Ghana Shippers' Council and two banks. Thirteen former customs and trade processes have been eliminated and the system is now fully automated, including payments. GCNet has transformed customs and import procedures in Ghana resulting in significant increases in government revenues (Table 7) and significant time savings for importers and exporters as well as dividends on the government's shareholding in the enterprise. The Ghana Institute of Freight Forwarders reported that the GCNet system had reduced the processing time for customs documentation from 7 days to 1 day and the overall time for goods clearance from 21 days to 3 days. The benefits started to flow very quickly. As early as 2004, GCNet was included as an example of a success story in a World Bank report on Customs Modernization Initiatives. The report identified higher revenues and faster clearance times as immediate benefits and also identified areas where further progress could be made. The IEG mission has confirmed that these improvements have been sustained and built on. GCNet has since addressed outstanding areas such as customs' valuations and risk assessment.

**Table 2 : Total Import Revenue (current cedi)**

<i>Year</i>	<i>A. Total Imports Revenue (cedi million)</i>	<i>B.Imports of goods and services (Cedi, billion)</i>	<i>Ratio (A/B) (%)</i>
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1999	110.4	1.02	10.81
2000	169.5	1.83	9.28
2001	244	2.47	9.89
2002	328.8	2.68	12.26
2003	493.2	3.75	13.17
2004	633.7	4.82	13.14
2005	755.5	6	12.59
2006	866.7	7.62	11.38
2007	1196.7	9.45	12.66
2008	1533.5	13.4	11.42
2009	1799.4	15.5	11.62
2010	2167.8	19	11.42
2011	3177.6	30.3	10.48

Source: World Development Indicators

4.16 GCNet is now also involved in income tax process automation. During IEG's field mission, interviewees who had knowledge of this component of the project were unanimous in their views that GCNet would not have been created without the Gateway project and the World Bank's involvement.

4.17 The indicators for this part of the project set at entry were (i) Number of examinations at point of entry, of Cargo and documents, are reduced to one; (ii) Cargo examination is reduced from 100 percent to 10 percent for statutory free goods, and 20 percent for all dutiable goods; (iii) Appropriate customs regulation is in place to allow direct delivery of containers between the port of Tema and the free zone enclave no later than end-1999; (iv) A valuation system acceptable to all Stakeholders is established; (v) Number of overland customs check points on the road are reduced to one to Togo; two for Côte d'Ivoire; and two to Burkina Faso; and (vi) free zone customs unit is operational in line with free zone regulations. These objectives were generally met. The number of cargo examinations still exceeds the target (10 percent of all statutory free goods and 20 percent for dutiable goods) but it is based on a reasonable system for classifying cargos into risk categories and the level of examinations should reduce as compliance improves.

4.18 **Immigration.** Support to the Ghana Immigration Service had also achieved substantial results and led to a culture change in the organization, which has become far more welcoming to foreign investors and visitors more generally. Immigration officers were trained and services at entry points consolidated. This was confirmed by a number of the interviewees and by the practical experience of the IEG mission which found a considerable improvement in immigration formalities compared to previous visits. It is viewed as an important accomplishment of the project.

4.19 The indicators for this part of the project were (i) Business and tourist visas issued on arrival upon payment of reasonable fees; (ii) Business/Tourist visas are delivered within 48 hours at all Ghana consular missions abroad, by year-2000; (iii) Services at entry points consolidated by the government into one (Immigration Health and Bureau of

National Investigation) ensuring rapid clearance; and (iv) 100 Immigration officers / consuls trained in the Gateway concept by year 2000. The first of these indicators was met in principle in that it is now possible to obtain a visa on arrival. However, prior approval is required and, as a result, most visitors still obtain visas from Ghanaian embassies. There were also deficiencies on performance in the issue of visas by Ghanaian embassies, over which the agencies involved in the Gateway Project had no control as it was handled by the Foreign Ministry and not the Immigration Service. No progress has been made in reducing waiting times. The procedures require two visits to the embassy and take at least two weeks. It still takes longer than 48 hours to deliver a business visa at Ghanaian embassies and high commissions. Other indicators were met.

4.20 **Ports.** The performance of Ghana's ports has improved considerably since the inception of the Gateway Project. There has been partial progress toward privatization. For example, most stevedoring is now done by private firms but the Ghana Ports and Harbours Authority still selects the firm and there is therefore only limited competition. The paperwork requirements at the port have been simplified considerably as a result of the GCNet initiative discussed above and itself part of the gateway project, which has contributed to faster cargo handling.

4.21 The indicators for this part of the project were (i) Private sector participation in port operations, who will assume investments in both rehabilitation and expansion; (ii) New Ports Act that transforms the Ports and Harbours Authority into a "landlord" structure, and grants greater autonomy to the ports submitted to parliament no later than end-1999; (iii) The devanning area is relocated outside the port no later than end-1999; (iv) A privately developed and financed Electronic Data Interchange is in place; (v) Costs of loading import containers are reduced from S\$168 in 1998 to US\$80 by end-1999 and to international standards by end-2000; (vi) Speed of unloading containers increases from gross 12 boxes per ship hour to 20 boxes per ship hour by end-1999 and 24 boxes by year-2000; and (vii) Average dwell time for imported containers drops from 25 days in 1998 to 15 days by end-1999 and less than 7 days by year-2000. There has been some progress towards a landlord structure and greater private sector involvement. The devanning area was moved and data interchanges established through GCNet. Port charges are competitive with those in neighboring countries such as Abidjan, Lome, and Cotonou. Containers can now be unloaded at up to 35 boxes per hour per vessel. The dwell time for containers is, however, still around 16 days, against a baseline of 25 days and a target of 7.

4.22 **Aviation.** In the aviation sector, the Gateway Project aimed to promote a "liberalized skies policies" that required institutional reform of the Ghana Civil Aviation Authority. The reformed Authority would become a regulator with airport operations and development under the control of an independent airport authority. Legislation to achieve this was passed in 2004 and became effective at the beginning of 2007. It had not become fully effective by the conclusion of the project but far more international airlines were now flying into Accra airport following liberalization.

4.23 The indicators for this part of the project were (i) A future development scenario for the civil aviation sector, reflecting government priorities is adopted by end-1999; (ii) Regulation operationalizing liberalized skies policy is adopted by end-2000; (iii) a Kotoka International Airport management and development concession is signed with a

private operator by end-2000; and (iv) Ghana Airways is privatized by end-1999. These indicators were partly met and many more airlines are now flying into Accra. The management of the airport remains in state hands. The Ghana Airways was liquidated in 2005.

4.24 Achievement of the objective to facilitate trade is rated substantial.

#### **ACCELERATING ECONOMIC GROWTH**

4.25 There are a number of ways in which the outputs from this project might be reflected in macroeconomic statistics. First, more opportunities for exporters should attract firms to invest in Ghana. This would show up as both increased total investment and increased foreign investment. New opportunities would be likely to attract foreign investors in particular, who could have immediate access to capital that might not be available to local firms. Second the increased export activity of these firms should show up in export statistics.

4.26 Evidence from the United Nations Conference on Trade and Development (UNCTAD) World Investment Report for 2011 suggests that Ghana has had some success at attracting foreign investment (investment by foreign investors) in recent years. Table 3 shows the stock of foreign direct investment (FDI) in various West African countries in 1990, 2000 and 2010, along with GDP figures.<sup>2</sup>

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<sup>2</sup> As the statistics for the stock of export oriented firms are not available, FDI is used here as a proxy of measurement.

**Table 3 : Foreign Direct Investment in Various West African Countries**

	<i>FDI Stock (US\$ million)</i>			<i>2010 GDP (US\$ million)</i>	<i>Growth of FDI stock from 2000 to 2010 (per cent)</i>	<i>FDI stock as % of GDP in 2010</i>
	<i>1990</i>	<i>2000</i>	<i>2010</i>			
<b>Benin</b>		213	849	6633	399	12.8
<b>Burkina Faso</b>	39	28	905	8820	3232	10.3
<b>Cape Verde</b>	4	192	1140	1648	594	69.2
<b>Cote d'Ivoire</b>	975	2483	6641	22780	267	29.2
<b>Gambia</b>	157	216	675	807	313	83.6
<b>Ghana</b>	319	1605	9098	31306	567	29.1
<b>Guinea</b>	69	263	1917	4511	729	42.5
<b>Guinea Bissau</b>	8	38	190	879	500	21.6
<b>Liberia</b>	2732	3247	4888	986	151	495.7
<b>Mali</b>	229	132	1234	9251	935	13.3
<b>Mauritania</b>	59	146	2155	3636	1476	59.3
<b>Niger</b>	286	45	2310	5549	5133	41.6
<b>Nigeria</b>	8539	23786	60327	193669	254	31.1
<b>Senegal</b>	258	295	1615	12954	547	12.5
<b>Sierra Leone</b>	243	284	495	1905	174	26.0
<b>Togo</b>	268	427	955	3153	224	30.3
<b>Total</b>	14185	33400	95394	308487	286	30.9

Source: UNCTAD World Investment Report 2011

4.27 The table shows substantial growth in FDI in most West African countries between 2000 and 2010. This suggests that there would have been considerable foreign investment in Ghana even without the gateway project as the region generally was attracting investors. Ghana performed better than the average with an increase in the FDI stock by a factor of over five. The increase may have been influenced by the gateway project but other factors are likely to have played a substantial role as well such as growing international investor interest in Africa generally and the improved overall business climate in Ghana. The ratio of FDI stock to GDP in Ghana is slightly lower than the average in the region. This may well change in the future with the development of the oil industry. But, overall, the data suggest that Ghana has further to go in order to claim success in attracting foreign investors. The CAS for Ghana for 2008 – 2011 concluded that “FDI is relatively low for an economy of Ghana's potential.” The UNCTAD figures do not distinguish between investments to serve the local market and those for export. However, in the country context of Ghana it is reasonable to expect investors to plan to export at least part of their output in order to ensure the repatriation of earnings.

4.28 The creation of new firms, both export-oriented and for local business would be likely to lead to an increase in investment and hence capital formation. Gross capital formation has risen slightly as a percentage of GDP and in an environment where GDP itself has also been growing, as shown in the table 4 below:

**Table 4: Gross Capital Formation**

<i>Year</i>	<i>Gross capital formation as % of GDP</i>	<i>Annual GDP Growth Rate (%)</i>
1998	23	5
1999	21	4
2000	24	4
2001	27	4
2002	19	5
2003	23	5
2004	28	6
2005	29	6
2006	22	6
2007	20	6
2008	21	8
2009	23	4
2010	27	8

Source: World Bank World Development Indicators

4.29 Ghana's export performance has fluctuated considerably in recent years, both in absolute terms and as a percentage of GDP. Export volumes as percent of GDP are shown in table 5. The level of exports is significantly higher at the end of the period than the beginning but sustained higher volumes are only achieved from 2006 onwards. The share of exports in GDP is shown below:

**Table 5: Exports of Goods and Services<sup>3</sup>**

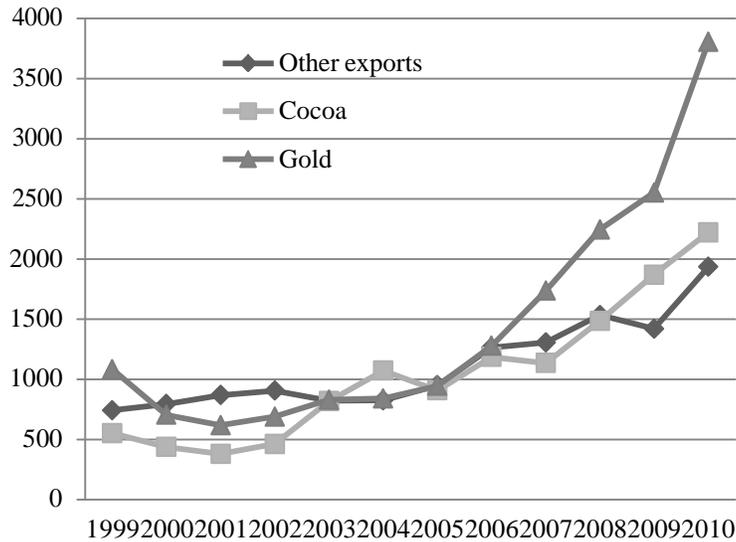
<i>Year</i>	<i>Exports of goods and services as % of GDP</i>
1998	34
1999	32
2000	49
2001	45
2002	43
2003	41
2004	39
2005	36
2006	25
2007	25
2008	25
2009	29
2010	29

Source: World Bank World Development Indicators

<sup>3</sup> The dramatic increase in the exports to GDP ratio in 2000 reflects the significant depreciation of the cedi against the US\$ in that year.

4.30 Over this period, Ghana has continued to be heavily dependent on cocoa and gold as sources of export revenue as illustrated in figure 6:

**Figure 6: Ghana Export Revenues (US\$ million)**



Source: IMF Country reports on Ghana

4.31 The figures for cocoa exports include cocoa products and the value added from the sector increased due to the investment of companies in cocoa processing at the Tema enclave. But, overall, the share of other exports in the total has fallen relative to gold and cocoa over the period of the Gateway project. The reasons for the considerable fluctuations in Ghana export levels relative to GDP are not clear and there is the possibility that there are errors in some of the figures. There is ample scope for agricultural commodities in particular to move undetected across borders in West Africa and this may also be a factor in understating the export value of other goods. Other exports have increased in value substantially over the period of the project; however the economy remains as heavily dependent on gold and cocoa as it was at the start of the project. While diversification of exports was not an explicit objective of the project it is clear that the incentives for free zone investors were targeting new investors and hence could be expected to lead to increases in non-traditional exports. The increase in non-traditional exports may reflect the improving economic environment in Ghana but on the other hand the global economic environment was difficult for parts of this period. The latest Ghana Investment Climate Assessment in 2009 concludes that “The Ghanaian economy changed very little in the last two decades. The economy’s traditional exports have continued to dominate.... With respect to the economic composition of production, the share of industry of total GDP has been steady at 25 percent over the past 25 years.” Most of this industry is domestically and not export oriented. There are no statistics on the number of export oriented companies to show any trends.

4.32 These macroeconomic statistics suggest that, since the Gateway project was approved in 1998, the level of achievement in attracting export oriented firms and

facilitating trade has been substantial. However, the most recent results are more encouraging and this may well show as improved export performance and increased investment in more recent statistics and in the future.

## **Efficiency**

4.33 **Cost-benefit.** Both the Project Appraisal Document and the ICR undertook a cost benefit analysis of the Gateway project. A number of key areas of benefit were identified such as employment generation, foreign exchange earnings and technology transfer to be set against the capital and recurring costs of the project, both on and off site. The analysis considered only increased foreign exchange earnings from exports and the key assumption was that the project would accelerate growth in exports in three years.

4.34 The IEG mission found both these analyses incomplete and unconvincing. The analysis is incomplete because it fails to consider the substantial benefits associated with the various improvements at the Customs, Excise, and Preventive Service, the Immigration Service, and the Ports and Harbours Authority, referred to in the previous section. These institutions have all achieved significant improvements in performance and productivity as a result of the Gateway project and the results are significant. For example, the productivity of the clearing and forwarding sector is now considerably greater because of vastly improved handling of paperwork. Productivity is also higher at the port, where charges are now competitive compared with other ports in the region. The rate at which containers are loaded and unloaded has improved significantly. The experience of passengers at Accra airport is greatly enhanced as a result of the project with time savings that have both GDP and welfare benefits.

4.35 But on the other hand there is little evidence that the expected increase in export earnings from the project – which entered into the ERR calculations -- has materialized. In these circumstances it is questionable whether a cost benefit analysis which focuses on increased exports can accurately measure efficiency because the benefits are too speculative. The unavailability of the information of the amount of rent that companies paid in the free zone enclave also add to the difficulties of the cost-benefit calculation.

4.36 **Cost-effectiveness.** Equally important to the assessment of efficiency is the extent to which project resources were managed economically and the project was implemented at least cost. The project suffered considerable delays both before the mid-term review and subsequent to the mid-term review while restructuring was under consideration. These contributed to the delays in bringing tenants to the project and hence to inefficient use of resources. Overall the efficiency of the project is therefore evaluated as *modest*.

## Ratings

### OUTCOME

4.37 The relevance of the objectives is rated as *substantial*, but the relevance of the design was *modest*. The achievement of the development objectives of attracting export-oriented investment and facilitating trade was *substantial* in both cases with performance on both objectives improving considerably in the later stages of the project. However, at best the project's contribution to accelerating economic growth was *modest*. Overall, the outcome of the project is rated as *moderately satisfactory* due to moderate shortcomings in terms of efficiency, relevance of design, and achievement of the economic growth objective.<sup>4</sup> This rating reflects, on the one hand, the considerable achievements under the development of services for investors through in particular the development of GCNet and on the other hand, the delays in attracting investors to the enclave at Tema, the long process in getting to the restructuring, and eventual success in achieving the project objectives.

### RISK TO DEVELOPMENT OUTCOME

4.38 The risk to the development outcome is rated as *moderate*. Now that the site at Tema is completed a number of firms are operating within it. During IEG's field visit, building works were in progress on a number of empty plots. The mission was also advised that the availability of large plots, of the type that are available in Tema, is limited. Evidence from interviews with representatives of companies based at the enclave suggests they are generally satisfied with the service they are receiving from the developers and the Free Zones Board. The location is also convenient for the port and airport.

4.39 The institutional reforms also appear to be sustainable. The excellent performance of GCNet has ensured that reforms at customs have gone far beyond those envisaged at the time the gateway project was designed. In other areas such as immigration the government and its agencies continue to be committed to the reforms that have taken place and accept that they have been beneficial for the economy. Congestion at the port of Tema continues to be a problem as the volume of trade passing through the port grows and it is clear that further investment will be needed to sustain the performance at the port, but this is an inevitable consequence of economic growth. There are plans in place for the future development of the port.

4.40 One area of concern is the Free Zones Board and Investment Promotion Center have not produced annual reports and accounts in recent years, which reflects inadequate internal controls within these organizations. Information, including that on the companies in the free zone enclave, is not regularly updated. In such an environment the financial sustainability of these institutions is inevitably uncertain. Following the provision by the public sector of internal infrastructure at the industrial park, with World Bank funding, sites in this area were quickly taken up by investors. It is regrettable that a local investor

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<sup>4</sup> Although the project was restructured and the articulation of the objectives was changed, the anticipated outcomes remained the same and these are the benchmarks for the evaluation. Thus, this assessment has not separately assessed the results under the original and revised objectives and weighted the results, per the guidelines for rating projects with formally revised objectives; the ratings for the original and revised objectives would be identical.

has not pursued a similar initiative in another part of the enclave since this would probably lead to sites being occupied more quickly. In the absence of credible information from financial accounts it is impossible to assess the feasibility of such investment.

## **Bank Performance**

### **QUALITY AT ENTRY**

4.41 The **quality at entry** of the Gateway project was rated as *moderately unsatisfactory*. The institutional component of the project was ambitious and sought to achieve major institutional changes in a number of separate agencies including the Customs, Excise and Preventive Service, Ghana Immigration Service, Ghana Ports and Harbours Authority, Ghana Civil Aviation Authority, Ghana Investment Promotion Centre, and Ghana Free Zones Board. The risks of attempting changes at such a large number of institutions at the same time were high but the project was well designed to address these risks with a coordination structure under the vice president. At the time, it was recognized that a number of Ghanaian institutions were not investor friendly and the project tackled these issues head on with a mixture of well thought through support measures and objectives.

4.42 However, the Free Zone enclave component of the project had deficiencies. It attracted only one free zone company to the enclave before restructuring. The project as a whole aimed to promote investment generally, not solely export oriented investment and had, for example, a component for the Ghana Investment Promotion Center, which aims to assist investors who do not qualify for free zone status.

4.43 The initial project design did not have enough flexibility in what could and could not be financed in a project that was at the interface between the private and public sectors. Initially only infrastructure outside the enclave could be financed. However, in practice, part of the infrastructure outside the enclave (the devanning area) proved suitable for private financing while some infrastructure had to be developed by the project within the enclave in order to attract investors to the site. With a more flexible structure at entry some of these problems could have been avoided and one element that led to the long restructuring process could have been remedied more promptly.

### **QUALITY OF SUPERVISION**

4.44 The **quality of supervision** was *moderately satisfactory*. The new design after restructuring was far better with provision for onsite infrastructure and the change from a Free Zone enclave to a multi-purpose industrial park. Once the restructuring was agreed, implementation proceeded rapidly and well. However, it took far too long to recognize that the project was failing to attract investors to the Free Zone enclave and carry out the necessary restructuring. Disbursement ceased for almost two years while restructuring was undertaken.

4.45 Overall the performance of the Bank is rated as *moderately unsatisfactory*.

## Borrower Performance

### GOVERNMENT PERFORMANCE

4.46 The performance of the **government** was rated as *moderately satisfactory*. It was strongly supportive of the project throughout implementation. Most crucially, it established arrangements under the Ghanaian vice president, which ensured that the project's ambitious institutional reforms were followed up and implemented effectively. The main shortcoming on the government side was the continuing disagreements with the Malaysian investor recruited to develop the Free Zone enclave. These disagreements were not solely the fault of the government and they were eventually resolved. But they proved time consuming and caused delays to the project.

### IMPLEMENTING AGENCY PERFORMANCE

4.47 The performance of the **implementing agencies** was also *moderately satisfactory*. The Gateway secretariat reported regularly on the results of the program through quarterly and bi-annual reports. Agencies such as CEPS and the Ghana Immigration Service achieved significant results through the implementation of the parts of the program for which they were responsible. Against this, the Free Zones Board clearly did not perform well in the early stages of the project in that the Board failed to recruit clients for the Tema enclave, although it was more successful after restructuring. Reforms at some other agencies were also not fully implemented, for example in the aviation sector.

4.48 Overall the performance of the borrower is evaluated as *moderately satisfactory*.

### Monitoring and Evaluation

4.49 **Design.** The key performance indicators before and after restructuring are in Annex C. The monitoring and evaluation framework that was set up at entry was limited in scope for the physical component of developing a free zone enclave. There were reasonable indicators for the number of firms basing themselves in the Free Zone enclave. There was an indicator for export performance that could not be measured as no baseline had been set for it. There were no indicators for numbers of employees based in the Free Zone enclave or for levels of investment, although steps were taken to establish indicators and monitor these variables. The framework for the institutional reform component of the project was well designed. The indicators set sensible objectives for the core reforms in customs, immigration, ports and airports.

4.50 After restructuring a new set of monitoring indicators was put in place. Changes were needed in the indicators, but the new set was inferior to those before restructuring. At restructuring, the indicators on numbers of companies in the Free Zone enclave were dropped for no apparent reason. Subsequently, a new target of 30 companies was set. Few of the indicators that were in place after restructuring could be measured and there was not adequate effort to set baseline measures for any of the indicators. Examples are "creation of new economic opportunities for entrepreneurship" and "percent of companies benefiting from improved trade corridor and market access services."

4.51 **Implementation.** Before restructuring only one firm was attracted to the Tema enclave and after restructuring the indicators were too vague to serve a useful purpose.

On the other hand, the indicators for the project's institutional component were effective in helping to manage the reform process.

4.52 **Use of data.** The data for the institutional part of the project were used effectively to manage the project activities in each sector as the steering committee kept these indicators in view as measures of progress in the work of the various institutions. The indicators for the Free Zone/MPIP were not well monitored.

4.53 Overall the monitoring and evaluation framework is rated as *modest*.

## 5. Lessons

5.1 The assessment identified three lessons to be learned from the Gateway project.

- Free Zones are more likely to be inefficient where fiscal incentives are nationwide. Multi-purpose industrial park, which targets all types of investors instead of only export-oriented companies, is a more suitable model in the context of Ghana. The provision of on-site infrastructure, along with secured land rights, is important to help address the business environment constraints and to attract investment and stimulate growth.
- Effective market research and flexible project design are crucial elements for the success of public-private partnership projects. Market research can identify areas where the project can draw on private finance. However, to address the uncertainties of the external factors, such as a foreign private investor which conditions the success of the project, the built-in flexibility of project design is important so the project can swiftly switch gear when required.
- Institutional reforms and trade logistics improvement can play a significant role in facilitating trade. The Ghana Community Network Services Limited, which operates an electronic system for processing trade and customs documents, has contributed to transforming customs and import procedures in Ghana. The significant improvement in efficiency lowers the clearing and forwarding costs for importers and contributes to port reforms on freight rates. It merits considering the possibility of applying the GCNet approach in other countries with similar context.

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## Annex A. Basic Data Sheet

### GHANA TRADE AND INVESTMENT GATEWAY PROJECT (IDA-31140, IDA 3114A)

#### Key Project Data (amounts in US\$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	56.0	56.8	101
Loan amount	50.5	52.5 <sup>a</sup>	104
Cofinancing	-	-	-
Cancellation	-	0.9	-

a. The SDR appreciated relative to the US\$ over the course of the project

#### Cumulative Estimated and Actual Disbursements

	<i>FY99</i>	<i>FY00</i>	<i>FY01</i>	<i>FY02</i>	<i>FY03</i>	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY08</i>	<i>FY09</i>	<i>FY10</i>
Appraisal estimate (US\$M)	5.05	9.12	22.12	34.92	45.56	49.96	50.70	50.70	50.70	50.70	50.70	50.70
Actual (US\$M)	3.07	3.95	6.75	14.38	24.39	28.89	30.23	31.54	36.06	45.88	50.31	52.48
Actual as % of appraisal	61%	43%	31%	41%	54%	58%	60%	62%	71%	91%	99%	104%

Date of final disbursement: May 28, 2010

#### Project Dates

	Original	Actual
Initiating memorandum	July 1, 1997	July 1, 1997
Negotiations	June 1, 1998	June 1, 1998
Board approval	July 9, 1998	July 9, 1998
Signing	October 7, 1998	October 7, 1998
Effectiveness	January 13, 1999	January 13, 1999
Closing date	December 31, 2005	December 31, 2009

**Staff Inputs (staff weeks)**

Stage of Project lending	Staff time and cost (Bank budget only) <sup>a</sup>	
	No. of staff weeks	US\$ 000(including travel and consultant costs)
FY95	2.9	9.1
FY96	1.1	-
FY97	4.7	17.4
FY98	28.0	24.0
<b>Total:</b>	<b>34.6</b>	<b>50.5</b>
<b>Supervision/ICR</b>		
FY99		45.46
FY00	54	109.4
FY01	33	72.64
FY02	31	132.57
FY03	21	79.70
FY04	38	122.74
FY05	36	148.62
FY06	31	94.78
FY07	26	78.62
FY08	30	117.32
FY09		90.00
<b>Total:</b>	<b>300.0</b>	<b>1,091.85</b>

Source: Data on preparation are from the Project Appraisal Document (World Bank 1998a, Annex 7); data on supervision is from the ICR (World Bank 2010). There are many irregularities in the data from the ICR; IEG was unable to confirm its veracity. The project closed in FY10, yet there are no reported expenditures in staff weeks, travel, or consultant costs for that year, nor are there any staff weeks reported for FY99 (the first year of operation) or FY09.

a. Excludes preparation activities funded from Trust Funds.

**Mission Data**

Names	Title	Unit	Responsibility/ Specialty
<b>Lending</b>			
Demba Ba	Country Manager	MNCLB	TTL
Kofi Boateng-Agyen	Senior Operations Officer	AFTFW	TTL
Serigne Omar Fye	Sr. Environmental Specialist	AFTEN	Safeguards
Georgette Johnson	Program Assistant AFTPS		Project Support
<b>Supervision/ICR</b>			
Papa Demba Thiam	Sr. Private Sector Development Specialist	AFTFW	TTL
Chad Leechor	Sr. Private Sector Development Specialist	AFTPS	TTL
Sherri Achondo	Sr. Private Sector Development Specialist	AFTFE	TTL
Sharma	Sr. Private Sector Development Specialist	AFTPS	TTL
Michael Wong	Sr. Private Sector Development Specialist	SASFP	TTL
Kofi Boateng-Agyen	Sr. Operations Officer	AFTFW	TTL
Amos Abu	Sr. Environmental Specialist	AFTEN	Environmental / Safeguard
Adu-Gyamfi Abunyewa	Procurement Specialist	AFTPC	Procurement
Ferdinand Tsri Apronti	Procurement Specialist	AFTPC	Procurement
Andrew Osei Asibey	Sr. Monitoring & Evaluation Specialist	AFTRL	M&E
Sylvester Kofi Awanyo	Senior Procurement Specialist	EAPPR	Procurement
Adu-Gyamfi Abunyewa	Procurement Specialist	AFTPC	Procurement

<b>Names</b>	<b>Title</b>	<b>Unit</b>	<b>Responsibility/ Specialty</b>
Samuel Bruce-Smith	Consultant	AFTFM	Financial Management
Irene F. Chacon	Operations Analyst	AFTFW	Program Support
Wolfgang M. T. Chadab	Senior Finance Officer	CTRFC	Disbursement
Rona P. Cook	Program Assistant	AFTFE	Program Support
Lucy M. Fye	Sr. Private Sector Development Specialist	AFTFW	ICR
Ronald Kopicki	Consultant	AFTPS	
Irene Chacon	Operational Analyst	AFTPS	Operational support
Andrea Vasquea-Sanchez	Sr. program Assistant	AFTPS	Program Support
Manush A. Hristov	Sr. Counsel	LEGAF	Legal
Sidonie Jocktane	Executive Assistant	AFMGA	Program Support
Ronald J. Kopicki	Consultant	EASCS	Transport Logistics
Anthony Mensa-Bonsu	Consultant AFTPC		procurement
Annette E. Minott	Temporary	AFTHD	Program Support
Isselmou Ould Louleid	Junior Professional Associate	AFTPS	Program Support
Lydia Sam	Procurement Asst.	AFCW1	Procurement
Andrea Vasquez-Sanchez	Sr. Program Asst.	AFTFW	Program Support
Melissa Bennet	Private Sector Development Specialist	AFTPS	PPD
Salli Wondergem	Executive Assistant	AFCW1	Program Support
Tony Mensah-Bonsu	Procurement Specialist AFTPC		Procurement
Salli Cudjoe	Program Assistant	AFC10	Program Support
Jessica Dodoo	Program Assistant	AFCW1	Program Support
Frederick Yankey	Sr. Financial Management Specialist	AFTFM	Financial

Source: ICR Review

## Annex B: Ghana Selected Economic Indicators

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>GROWTH</b>																
GDP growth (annual %)	4	5	4	4	4	5	5	6	6	6	6	8	4	8	15	8
GDP per capita (current US\$)	392	416	420	265	275	312	376	426	502	930	1099	1234	1097	1331	1578	1605
GDP per capita growth (annual %)	2	2	2	1	2	2	3	3	3	4	4	6	1	5	12	6
GDP per capita, PPP (current international \$)	864	897	929	961	999	1035	1084	1147	1222	1309	1397	1509	1544	1650	1895	2048
Employment to population ratio, 15+, total (%)	69	69	67	67	66	66	67	67	68	66	66	67	67	67	67	-
<b>INVESTMENT</b>																
Foreign Direct Investment																
Net inflows (% of GDP)	1	2	3	3	2	1	2	2	1	3	6	10	9	8	8	-
Net inflows (BoP, current US\$ millions)	82.0	167.00	244.00	166.00	89.00	59.00	137.00	139.00	145.00	636.00	1,383.00	2,715.00	2,373.00	2,527.00	3,222.00	-
Private Capital Flows																
Total (% of GDP)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (BoP, current US\$ millions)	-	-	-	-	-	-	-	-	-145.00	-636.00	-1,383.00	-2,715.00	-2,366.00	-2,527.00	-3,197.00	-
Gross Capital Information																
(% of GDP)	25	23	21	24	27	20	23	28	29	17	18	17	24	23	19	19
(annual % growth)	-	-	-	-	-	-	-	-	-	-	29	19	-19	8	-4	9
<b>TRADE</b>																
Trade (% of GDP)	85	81	82	116	110	97	97	100	98	66	65	70	72	70	89	96
Service exports (BoP, current US\$)	-	-	-	-	-	-	-	-	1,106.00	1,383.00	1,832.00	1,801.00	1,770.00	1,477.00	1,871.00	-
Trade in services (% of GDP)	-	-	-	-	-	-	-	-	22	14	15	14	18	14	14	-
Exports of goods and services																
(% of GDP)	32	34	32	49	45	43	41	39	36	25	25	25	29	29	38	42
(annual % growth)	-	-	-	-	-	-	-	-	-	-	18	17	8	25	13	15
Imports of goods and services (% of GDP)	53	47	50	67	65	55	57	60	62	41	41	44	42	41	51	54
<b>SECTORS</b>																
International tourism																
Number of arrivals	325,000	348,000	373,000	399,000	439,000	483,000	531,000	584,000	429,000	497,000	587,000	698,000	803,000	931,000	-	-
Receipts (% of total exports)	-	-	-	-	-	-	-	-	22	18	16	14	11	7	5	-
Agriculture																
Value added (% of GDP)	40	40	40	39	39	39	40	42	41	30	29	31	32	30	26	23
Raw materials exports (% of merchandise exports)	12	11	11	10	11	-	10	-	7	4	10	9	6	7	5	-
Raw materials imports (% of merchandise imports)	1	3	3	2	2	2	2	-	1	1	1	1	1	1	1	-
Industry, value added (% of GDP)	29	28	28	28	28	28	28	27	27	21	21	20	19	19	26	27
Manufacturing, value added (% of GDP)	10	10	10	10	10	10	10	10	9	10	9	8	7	7	7	7
Services, etc., value added (% of GDP)	31	32	32	32	33	33	32	31	32	49	50	49	49	51	49	50

Source: World Bank Data Base, DDP

## Annex C. Key Performance Indicators

Indicators before restructuring	Indicators after restructuring
<p><b><u>Attracting export-oriented investment</u></b>  <i>* 10 firms have been established and are operating in second year after completion of civil works; 20 by end-third year; and 30 by end-fourth year.</i></p> <p><i>* Net export revenues are increased by 25% in second year; by 30% in third year; and by 40% in fourth year after completion of the civil works</i></p>	<p>* Creation of new economic opportunities for entrepreneurship.  * % of companies benefiting from improved trade corridor and market access services.</p>
<p><b><u>Free Zone and investment Promotion</u></b>  * Signed contract with developer.  * On-site infrastructure Development plan  * Tenants occupancy plan.  * Completion report.  * 587 targeted workshops 1998-2002, with yield of at least 8% site visits and a yield of \$900 million of investment firmly committed by end-2002.</p>	<p>* Off-site and on-site infrastructure is completed and the multi-purpose industrial park is fully functional in the intervention area  * % of prospective industrial park settlers that are motivated by the new regime  * Free zone Act amended and adopted by Parliament  * Implementing regulations implemented  * % of companies/investors that express satisfaction with the revamped EPZ Act  * Improved capacity of the Ghana Investment Council to provide strategic advice to the government on investment opportunities and policy Initiatives  * % of actual and/or prospective industrial park settlers expressing satisfaction with the quality of services available to them  * Improved trade and investment activities that are directly linked to the quality of services provided to investors through the project.  * Evidence that simplification of customs and immigration procedures has resulted in improved trade and investment flows generally  * % of companies satisfied with the simplification of customs and immigration procedures  * Evidence of improved business activity, increased volume of exports and improved export revenue as a result of the construction of physical infrastructure to ease container storage and transit  * % of companies satisfied with simplification and streamlining of customs procedures  * % of companies satisfied with liberalized stevedoring policy  * Evidence of improved exports that can be directly attributed to improved destination inspection capacity</p>

Indicators before restructuring	Indicators after restructuring
<p><b><u>Organizational restructuring of the Ghana Ports and Harbour Authority is completed</u></b></p> <p><i>* Private sector participation in port operations, who will assume investments in both rehabilitation and expansion.</i></p> <p><i>* New Ports Act which transforms the Authority into a "landlord" structure, and grants greater autonomy to the ports submitted to parliament no later than end-1999.</i></p> <p><i>* The devanning area is relocated outside the port no later than end-1999.</i></p> <p><i>* A privately developed and financed Electronic Data Interchange is in place.</i></p> <p><i>* Costs of loading import containers are reduced from US\$168 in 1998 to US\$80 by end-1999 and to international standards by certification end-2000.</i></p> <p><i>* Speed of unloading containers increases from gross 12 boxes per ship hour to 20 boxes per ship hour by end-1999 and 24 boxes by year-2000.</i></p> <p><i>* Average dwell time for imported containers drops from 25 days in 1998 to 15 days by end-1999 and less than 7 days by year-2000</i></p>	
<p><b><u>Customs procedures are streamlined and efficiency is improved (CEPS)</u></b></p> <p><i>* Number of examinations at point of entry, of Cargo and documents are reduced to one.</i></p> <p><i>* Cargo examination is reduced from 100% to 10% for statutory free goods, and 20% for all dutiable goods.</i></p> <p><i>* Appropriate customs regulation is in place to allow direct delivery of containers between the port of Tema and the free zone enclave no later than end-1999.</i></p> <p><i>* A valuation system acceptable to all Stakeholders is established.</i></p> <p><i>* Number of overland customs check points on road are reduced to 1 to Togo; 2 for Republic of Côte d'Ivoire (RCI); and 2 to Burkina Faso.</i></p> <p><i>* EPZ customs unit is operational in line with EPZ regulations.</i></p>	
<p><b><u>Immigration procedures for investors and tourists are streamlined</u></b></p> <p><i>* Business and tourist visas issued on arrival upon payment of reasonable fees</i></p> <p><i>* Business/ Tourist visas are delivered within 48 hours at all Ghana consular missions abroad, by year-2000.</i></p> <p><i>* Services at entry points consolidated into one (Immigration Health and Bureau National Investigation) ensuring rapid clearance.</i></p> <p><i>* 100 Immigration officers/ consuls trained in the Gateway concept by year 2000.</i></p>	
<p><b><u>Civil Aviation Sector</u></b></p> <p><i>* A future development scenario for the civil aviation sector,</i></p>	

Indicators before restructuring	Indicators after restructuring
reflecting government priorities is adopted by end- 1999. * Regulation operationalizing liberalized skies policy is adopted by end-2000. *Kotoka International Airport, management and development concession is signed with private operator by end-2000. * Ghana Airways is privatized by end-1999.	

## Annex D. List of Persons Met

<u>Name</u>	<u>Title</u>
<b><u>Private Sector</u></b>	
Agamah, Dorilyn	HR Manager, Lucky 1888 Mills
Amoo-Gottfried, Kojo	President, Cargill Ghana Ltd
Amuah, Kingsley	Senior Manager, Ghana Employers Association
Darko, Emmanuel	Deputy General Manager, GCNet
Lopez, Miguel	General Manager, Lucky 1888 Mills
Sackey, Carl	Product Development Manager, GCNet
Wilson, Joseph	Research Officer, Ghana Employers Association
<b><u>Government</u></b>	
Affrifah, Lord	Senior Adviser, Ghana Immigration Service and former secretary to the director of the Gateway project
Apronti, Isaac	Deputy Commissioner, Ghana Revenue Authority
Arhin, Kwesi	Former project accountant, Former Gateway Secretariat
Asante Kwame, Nsiah	Manager-Estates & Enclave Development, Ghana Free Zones Board
Bainiah, Angelina	Assistant Commissioner, Ghana Revenue Authority
Boamah, Andrews	Former assistant to project coordinator, Former Gateway Secretariat
Ghartey, Gladys	Head, World Bank Unit, Ministry of Finance and Economic Planning
Modey, Carl	Acting Commissioner, Ghana Revenue Authority
Ofori, Komia	Principal Engineer, Ghana Ports and Harbours Authority
Okyere, Eugenia	Senior Investment Promotion Officer, Ghana Investment Promotion Centre
Otoo, Augustine	Director of Investor Services, Ghana Investment Promotion Centre
Segbefia, Kofi	General Manager Corporate Planning, Ghana Ports and Harbours Authority
<b><u>World Bank</u></b>	
Boateng Agyen, Kofi	Private Sector, Finance and Energy
Crookes, Yusupha	Country Director
Mossi, Dante	Senior Operations Officer
Thiam, Papa Demba	Senior Private Sector Development Specialist

## Annex E. Borrower Comments

From: Ernest Agyapong <ek\_agyapong@yahoo.com>  
To: "xlou@worldbank.org" <xlou@worldbank.org>, "msundberg@worldbank.org" <msundberg@worldbank.org>  
Date: 12/11/2013 01:23 PM  
Subject: Comments on the Ghana Trade and Investment Gateway Project (GHATIG) Report

Dear Mr. Lou,

I am pleased to forward to you the Ministry of Trade and Industry's comments (please find attached) on the above-mentioned report to you on behalf of the Minister for Trade and Industry, Hon. Haruna Iddrisu. I trust that the comments would be useful.

Thank you.

Ernest Agyapong  
Assistant Programmes Coordinator



Comments on Project Report.docx

**Comments on Project Performance Assessment Report  
GHANA  
Ministry of Trade and Industry**

I wish to indicate that I have reviewed the GHATIG Project Performance Assessment Report as directed by the Hon. Minister and have the following comments to make.

- The report is very detailed as the evaluation team made every effort to establish linkages between the outputs with the intended outcomes. This was however difficult because the real outcomes could have been influenced by external factors following the revision of the components of the project.
- The evaluation team admitted that the project was ambitious as it sought to achieve major institutional changes in a number of agencies. It would have been appropriate for the project to be phased to enable it have the maximum impact. This should therefore serve as a lesson to the design of projects of this nature in future.
- A contributing factor towards the non-achievement of the project's objectives was the fact that the Malaysian company, Business Focus which was engaged to promote and

attract investors into the Industrial Park did not understand the role it was supposed to play. The company therefore failed completely as it was not able to attract companies into the enclave as expected. This should be a lesson to designers of future programmes to ensure that such misunderstandings should not occur.

- It is evident in the report that the projects objectives and outcomes were affected when the components were restructured rendering the baseline data created at the inception of the project less useful. No effort was made to come out with measurable indicators which made monitoring of the project's implementation very difficult. The indicators adopted after the restructuring were too vague to work with. It is important that measures are always taken to address issues of that nature for effective and evidence based monitoring of future projects.

In spite of some challenges encountered during the design, implementation and evaluation of the project, it is important to note that the project made very useful and had an impact on the economy of country. There were significant institutional reforms in some government agencies and the general business environment which all contributed to growth in both domestic and international trade.

I have no doubt about the fact that implementation of a similar project in Ghana in the near future would help move the country to a full middle income status.