REPORT

MAKING EVERY PESEWA COUNT IN MANAGING GHANA'S OIL REVENUES:

THE ROLE OF VALUE FOR MONEY AUDIT

ACEP
Africa Centre for Energy Policy

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List of Abbreviations

PRMA	Petroleum Revenue Management Act
ACEP	Africa Centre for Energy Policy
ABFA	Annual Budget Funding Amount
PIAC	Public Interest and Accountability Committee
GNPC	Ghana National Petroleum Corporation
GPF	Ghana Petroleum Funds
GoG	Government of Ghana
GIDA	Ghana Irrigation Development Authority
EPC	Engineering, Procurement and Construction
OIP	Okyereko Irrigation Project
OFY	Operation Feed Yourself
WIAD	Women in Agricultural Development
CSR	Corporate Social Responsibility
GNGC	Ghana National Gas Company
BoG	Bank of Ghana
GNA	Ghana News Agency
JISM	Joint Irrigation System Management

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Executive

Oil production does not automatically transmit into development. It is the daily actions and policies that help to channel oil resources and revenues into economic and social development. The 1992 constitution places the ownership of the land and natural resources in the citizens of Ghana. Policy makers are therefore managing these resources on behalf of and for the benefits of Ghanaians. Therefore, the passage of the Petroleum Revenue Management Act (PRMA, Act 815) was timely and necessary to prevent institutional and political lapses that have led to the 'oil curse' in some oil producing African countries and also provide timely information on oil receipts and expenditure. These notwithstanding, it is important to examine the adherence to the principles of the law and ascertain the efficiency and impact of oil expenditure.

The Africa Centre for Energy Policy (ACEP) helps to analyse these expenditures and measures value for money in three main ways: first, ACEP tracks total oil receipts and examine allocations to the Ghana Petroleum Funds, the Ghana National Petroleum Corporation and the Annual Budget Funding Amount annually. Further, allocations from the Annual Budgeting Funding Amount (ABFA) are analysed. Finally, ACEP carries economic and social impacts of the specific projects that were funded from the ABFA in the four priority areas, namely expenditure and amortization of loans, agriculture modernization, capacity building, and roads and other infrastructure.

For the purpose of this value for money audit, ACEP has analysed five projects. In analysing these five projects, the following observations were made:

KEY OBSERVATIONS

I. One major observation during project visits and interactions with the project implementers and communities was that they did not know the projects were funded with petroleum revenues. We interacted with Ghana

Irrigation Development Authority, Women in Agricultural Development (WIAD) Directorate of the Ministry of Agriculture, Highways Authority and the Feeder Roads. All of them were not aware that the specific projects received oil money.

II. Most of the projects suffered delayed release of funds. As a result, the projects suffer time overruns and cost overruns.

III. All the projects receive funds from multiple sources. This makes it difficult to track the performance of the petroleum revenues in the projects. Where funds to a project are diversified, there are no modalities to ensure timely disbursement from those sources to prevent delays and attendant cost overruns.

IV. Oil revenues continue to be spread thinly. The revenues are spread on so many projects, which lead to time and cost overruns.

V. In 2014, there was a total expenditure of GH¢170 million. This amount exceeded the allocation of GH¢136 million in the budget without parliamentary approval.

VI. The Nobi- road was not a priority road in the list of roads identified by the Feeder Roads in the Eastern Region. The project was a political one selected to shore up the electoral fortunes on the then Regional Minister who was contesting for parliamentary election in the constituency. Sources at Feeder Roads in Koforidua (the eastern regional capital) confirmed this information.

VII. The Okyereko Dam relies on the Ayensu River for extra water in years of low rainfall. Water is pumped from the River into the dam for onward irrigation of the rice fields. The electric pump had broken down for two years and GIDA had been waiting for release of funds to pay the contractor to fix the fault. The farmers also complained of high electricity bills when the pump is used to send water into the dam. We found out that investment in solar panels could provide the 10kv of power needed by the electric pump and reduce the huge electric bills on the farmers. However our interaction with the GIDA revealed that they have not averted their minds to alternative solution to reduce the burden of electricity cost on the poor farmers.

VIII. It was observed that most contractors take almost all their employees from Accra to the project sites. This curtails the trickling down effect in terms of higher income through employment for the local people within the project communities.

IX. We also observed lack of integrated planning on the irrigation projects. In Dawa, farmers on the dam have serious postharvest challenges. The community is predominantly into vegetable farming with majority into pepper cultivation. The farmers complain about the difficulty in drying their pepper. The products of their labour are always at the mercy of the weather. They dry their pepper at the shoulders of the dusty road.

The following have been recommended as a way of mitigating the above-mentioned observations:

KEY RECOMMENDATIONS

X. Oil funded projects must be branded or named to show the general public the specific projects which are funded with oil revenues.

XI. PIAC should collaborate with local civil society organizations to periodically monitor the progress of projects in their communities, ascertain causes of project delays and advocate to the relevant authorities to sort out such project delays. In view of this, PIAC must be duly resourced to enable it carry out such duty.

XII. To avoid the thin spreading of oil revenues over so many projects, it is recommended that Government prioritizes two main areas of the economy over a three-year period. This will make it easy to track oil revenue expenditure and assess the impact of oil revenues on the economy.

XIII. To avoid the selection of projects that are politically motivated, project selection should be guided by development priorities and the extent to which those projects can add value to the economy. In addition, the discretionary powers of the Finance Minister should be checked to prevent politically motivated project selection.

XIV. Any extra expenditure to be made which was not captured in the budget must first seek parliamentary approval before actually spent.

XV. Project follow-ups must be carried out periodically to check on project status after they have been implemented. Such follow-ups will ensure, for example, that the electric pump at the Okyereko Dam is repaired or an alternative source of power is used to power the pump.

XVI. As part of a local content policy in these project communities, an employment quota clause can be added to the contracts for oil-funded projects to enhance direct social and economic community benefits.

XVII. For farmers experiencing postharvest challenges (as in the case of the Dawa irrigation project), there must be integrated planning to ensure that some level of processing (at least drying and storing) is incorporated to support farmers in order to boost production.

1. Background

Transparency, accountability and equity are some of the principles that reduce corruption and enhance value for money in executing oil related projects. It is in this regard that several laws and regulations have been passed to enhance value for money and prevent Ghana's oil revenues from going down the drain. Such a law is the Petroleum Revenue Management Act (PRMA) 2011 (Act 815). This has become necessary because oil is a non-renewable resource; and therefore, any unit of oil drawn today reduces the quantity available for tomorrow. Again, the oil curse phenomenon has been mostly associated with oil producing countries in Sub-Saharan Africa. In order to avert this challenge and make the oil resources productive for current and future generations, an oil revenue management law that is grounded on best practices in the industry has been developed for Ghana.

The PRMA sets out guidelines for the efficient management of Ghana's oil revenue. In view of this, three separate accounts have been created. These are Annual Budget Funding Amount (ABFA), Heritage Fund and Stabilization fund. The ABFA is the proportion of oil revenues that is allocated to support Government. The heritage fund was established to save a portion of the oil revenue for future generations whilst the stabilization fund is to smoothen unexpected shortfalls in the ABFA estimate in a particular year.

Although the PRMA is in place to guide revenue management, a number of concerns have been raised concerning how oil revenues are spent. In August 2014, the Public Interest and Accountability Committee (PIAC) issued a statement to express their concern about the manner in which moneys have been transferred from the stabilization fund although oil prices were high. In the 2014 budget, the Minister of Finance (the Minister), capped the stabilisation Fund at US$250 million, consistent with section 23(3) of the Petroleum Revenue Management Act, 2011 (PRMA). As of May 2014, an excess of US$176 million had been realized. Out of this amount, US$16 million (GH¢50 million) was lodged into an established Contingency Fund and the difference of US$159 million was being used for debt repayment. However, in the opinion of the PIAC, the amount that should have been transferred from the Ghana Stabilization Fund must be limited to US$107,457,183.71, which is the difference between the existing balance at the end of 2013, which was US$319,034,153.16 and the amount of US$426,491,336.87 accumulated at the time of the Minister's instruction to the Bank of Ghana through the Controller and Accountant General's Department. In addition, previous value for money analysis done by ACEP highlighted poor governance relative to project selection, late disbursements, and weak monitoring framework for efficient delivery of projects.

These concerns indicate that although laws may be enacted, there is the need for effective monitoring to ensure their implementation. It is in this spirit that the Africa Centre for Energy Policy tracks the progress of oil funded projects around the country. The purpose of this exercise is as follows:

- First, it helps to know the state and the progress of projects
- The monitoring also affords ACEP the opportunity to seek feedback from the communities where the projects are located
- Additionally, it helps to monitor the impact of oil funded projects on gender.
- To examine the social, economic and environmental impact of the project on communities
- To identify the causes of delays, the cost of delays and remedial actions to manage future delays
- To assess the quality of work done
- Finally, to ascertain whether the Government has fulfilled its part of the contract obligation in terms of payment

1.1 Objective of the Petroleum Revenue Management Act (Act 815)

Section 21(2) of PRMA defines spending objectives of petroleum revenues. The portion of the revenue that goes into the budget is guided by the provisions in the law which states that, "The use of the annual allocation of the Annual Budget Funding Amount shall be:

a. *to maximize the rate of economic development* – this implies Efficiency. Inputs translate to more than a proportionate output. The prioritization of the areas for spending should take into account the comparative advantage of the sector or project to accelerate development of the country expressed in the completion of projects on time and on budget with the highest possible output through a transparent contracting process and delivery of high quality work.

b. *to promote equality of economic opportunity with a view to ensure the well-being of citizens-* this implies Welfare. The spending of oil revenues should translate into improving the livelihoods of citizens, creating equal access to opportunities for citizens and ensure that impact of revenue expenditure is not deferred by choice. Welfare also considers attention to the vulnerable in society and deprived communities.

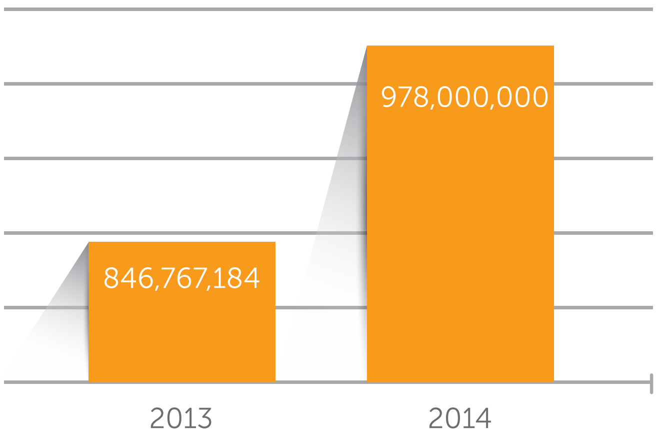
c. *To undertake even and balanced development of the regions' –* this implies Equity in the distribution of benefits. There should be equity in the distribution of revenues to the regions to ensure that development is spread to all parts of the country.

The principles of Efficiency, Welfare and Equity define the key consideration for spending revenues under the PRMA. Therefore expenditure of oil revenues must pass the rigor of these three parameters as defined in the PRMA to be compliant with the law. However this reports focuses on the efficiency of spending and welfare, since the projects under review were not selected across all the ten regions of Ghana.

2. TOTAL OIL RECEIPTS AND ALLOCATIONS FOR 2013/2014

The total petroleum receipt for 2014 was $978 million as against $846,767,184 for 2013. Figure 1 shows the total receipt of both 2013 and 2014.

Figure 1: Total oil receipts 2013 &2014



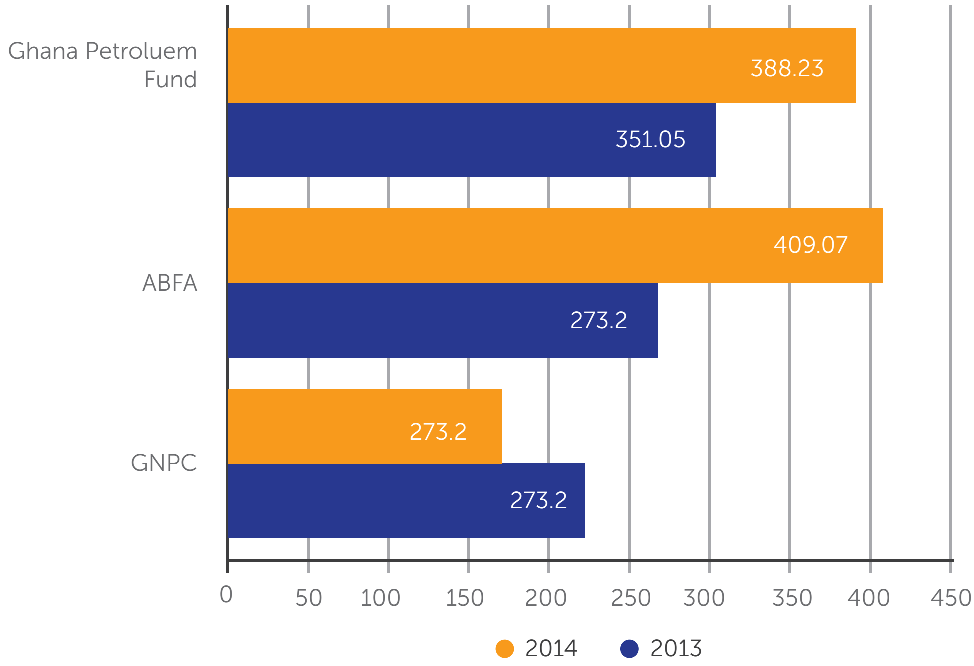
Source: PIAC, 2013 & 2014 annual reports

According to Figure 1, the total receipt for 2014 was 15% higher than that of 2013.

In Figure 2, the allocations of oil receipts to three areas as stipulated under the Petroleum Revenue Management Law are shown. These areas are Annual Budget Funding Amount (ABFA), Ghana Petroleum Funds[1] (GPF) and the Ghana National Petroleum Corporation (GNPC).

[1] The GPF consists of the Heritage Fund and the Stabilisation Fund

Figure 2: Allocations of Oil Revenues to GNPC, ABFA and GPF in 2013 & 2014



Source: PIAC, 2013 &2014 annual reports

Apart from GNPC, the other two areas received higher allocations in 2014 than in 2013.

In 2014, $180.71 million representing 18.48% of the total receipts was allocated to the Ghana National Petroleum Corporation (GNPC). Out of the remaining, $409.07 million representing 51% (of the net) was allocated to support Government budget (ABFA) whilst $388.23 representing 48.69% was allocated to the Ghana Petroleum Funds. In the case of 2013, $222.42 million was allocated to GNPC. The ABFA allocation was $273.20 million representing 32.26% of the remaining amount.

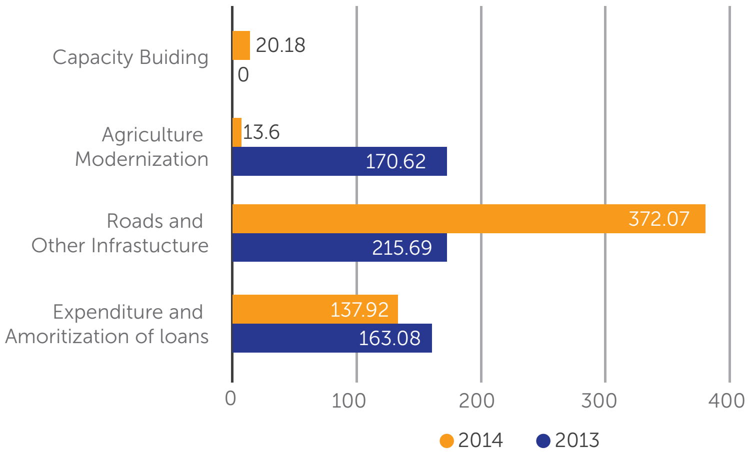
3. ALLOCATION OF ABFA

According to the Petroleum Revenue Management Act (Act 815), the ABFA should not be allocated to more than four sectors in a medium term expenditure framework (every three years). In the period 2014 to 2016 the Minister of Finance repeated the priority areas for the period 2011 to 2013. These are:

I. Expenditure and Amortization of loans
II. Roads and Other Infrastructure
III. Agriculture Modernization
IV. Capacity Building

Figure 3 shows the disbursements to each of the above-mentioned areas for 2013 and 2014 from the ABFA. No funds were disbursed to Capacity Building in 2014.

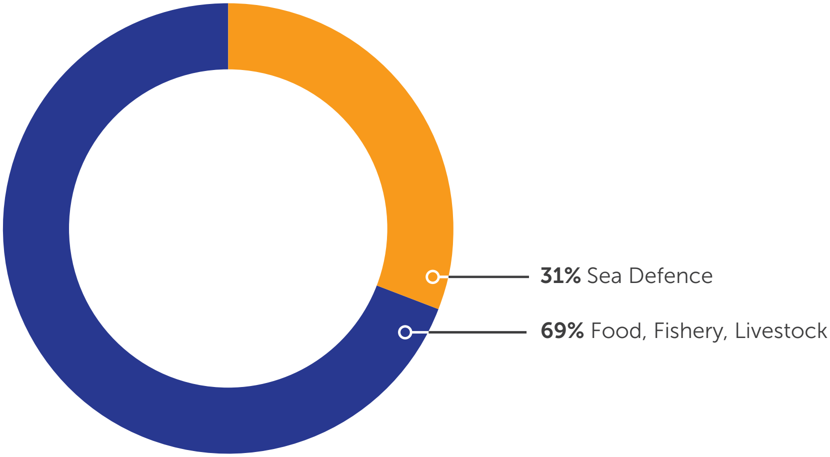
Figure 3: Expenditure of ABFA in 2013 and 2014 in Million Ghana Cedis



Source: PIAC 2013 & 2014 reports.

According to Figure 3, the allocation to agriculture modernization increased by 92% from 2013 to 2014. This may be attributed to increased campaign by civil society organizations for more allocation to agriculture and the fact that petroleum receipts for 2014 exceeded the revenue targets. While increased allocation to agriculture is commendable, the total expenditure of GH¢170 million exceeded the allocation in the budget without parliamentary approval. This reflects an exercise of discretion not granted in law. Also significant quantum of the expenditure on agriculture went to build sea defence wall in the coastal areas of Ghana (see Figure 4). How this impacts on agriculture has not been explained.

Figure 4: Breakdown of agriculture expenditure



In relation to Capacity Building GH¢59 million was allocated 2014, however the Minister did not spend any amount for the year. Civil society organisations have been advocating for a change in the Capacity Building priority area in favour of the education sector as Capacity Building remains vague and subject to extensive discretion of the Minister.

4. METHODOLOGY

The methodology adopted for this value for money audit is as follows:

- Each of the five projects selected was visited
- The contractors on the projects were interacted with and asked relevant questions pertaining to the value for money audit and general conditions of the projects implementation.
- Community indigenes were interviewed on project impact in terms of socio-economic impacts
- Relevant institutions including the Ministry of Roads and Highways, Feeder Roads and WIAD were engaged to acquire any other information that was not obtained at the project sites.
- Based on all information received, the projects were evaluated on economic and social grounds.

4.1 Selection of Oil Funded Projects for Value for Money Assessment

ACEP selected five oil-funded projects for value for money auditing. These projects were selected at random from the list of projects published by the Ministry of Finance. ACEP's previous report on value for money focused on the Northern and Western parts of Ghana. Therefore this current report focused on projects from the other regions, specifically Central, Volta and Eastern Regions. Based on this, the following five projects were selected:

I. Rehabilitation works on Dawa Irrigation Dam
II. Emergency works for Ho-Adidome Road Lot 2
III. Rehabilitation of Okyereko Dyke
IV. Tafo-Nobi-Nwiabeng bitumen surfacing road project
V. Hostel for Nungua Farms Project

5. PROJECT ECONOMICS EVALUATION

5.1 Project: Emergency Works for the Upgrading of Ho-Adidome Road 52.2-67.0 km (Lot 2)

5.1.1 Background

The road, which is packaged in three lots, comprises an 18.6km stretch from Ho to Adaklu-Helekpe for lot one, being executed by Ussuya Ghana Limited; a 14.8km stretch between Adaklu-Helekpe and Adaklu-Ahunda for lot two, being worked on by PMC Constructions and the third lot being constructed by Jani-CORP Ghana Limited is a 15km stretch between Adaklu-Ahunda and Mafi-Kpedzeglo.

5.1.2 Project Cost

In its medium term budget 2013 to 2015, the Government planned to allocate GH¢157, 650 for the project in the 2013 Budget. However, it finally raised the allocation to GH¢174, 102 in the budget, about GH¢16, 450 more than planned.

The interesting issue about this project is that whilst the budget for the project in 2013 was put at GH¢174, 102, a more significant amount of GH¢355, 354.16 was released from the ABFA for the project in the year. Whilst this still fell short of the project cost, it demonstrated lack of fiscal discipline on the part of Government, and raised issues relating to value for money in costing projects. It is also possible that as a result of the fact that the project was considered an emergency one, Government made efforts to fall on ABFA to fund the project originally planned to be funded wholly by Government of Ghana (GoG). This development nevertheless remains a worry as it exposes how the utilization of ABFA is ad-hoc and not comprehensively planned.

Table 1: Emergency works on the upgrading of Ho-Adidome Road – ABFA Allocations

Year	General	LOT2	LOT3
2011	3,271,079.63	0.00	0.00
2012	2,863,039.66	0.00	0.00
2013	2,007,781.98	355,354.16	1,604,042.52
2014	2,874,514.00	0.00	0.00

Source: Reconciliation Report on Ghana Petroleum Holding Fund, 2014, PIAC Report 2013.

5.1.3 Delay in project execution

The road was awarded for construction on 22nd April, 2010 for completion on 16th March, 2011. The completion date of the project was reviewed up to 31st December, 2014 and the contractors were cautioned to ensure that works under the project are completed before the scheduled date of 31st December, 2014. However, by October 2014, the status of completion stood at 48.5% for Lot 1; 50.2% for Lot 2 and 49% for Lot 3.

Several reasons accounted for this delay:

I. Excessive rainfall in the project area
II. Difficulties in acquiring borrow pits
III. Delay in releasing funds from Government - the contractors had complained of delay in honouring their certificates. For instance, PMC had an outstanding certificate worth GH¢1.5 million which was yet to be paid to him[2].

[2] Ibid

5.2 Dawa Irrigation Project

5.2.1 Background

The Dawa Irrigation Project has been on the sketch board of the Ghana Irrigation Development Authority (GIDA) since the early 2008 but the contract was eventually awarded in October 2011. The initial works was completed in 2013; however the heavy rains in 2013 breached the dam which required further work to rebuild the breached part. The contract sum was therefore varied to accommodate the additional works.

5.2.2 Project Cost

In terms of cost, the original cost of the project at the time the contract was signed was put at GH¢1, 696,014.75. The cost of the project has changed significantly due to the breach that occurred. The total value at the time of writing this report stands at GH¢2,403,189.75. The contractor complains of delayed payment, which could also necessitate cost overruns.

5.2.3 Delay in Project Execution

This project has featured in almost all Government budgets since 2011 demonstrating its importance to agricultural development in the area. However several constraints have led to delay in the execution of the project.

In the 2011 budget, paragraph 369 provides that "The Ministry through Ghana Irrigation Development Authority (GIDA) continued with the construction and rehabilitation works on the Dawa, Ave Afiedenyigba, Tono Phase II, Akomadan, Dawenya, Zuedam/Tankase and Koori irrigation projects. When completed, a total of 640 hectares of irrigable area will be available for cultivation".

In the 2012 Budget, paragraph 262 states "In addition, work is on-going on the Dawa dam and the breached dams in the 3 Northern Regions".

Similarly in the 2013 Budget, paragraph 268 states "The Vea Scheme, Dawa dam and the 10 dams in the Volta and Greater Accra Regions will also be rehabilitated".

The three statements above show inconsistencies in the reports on the status of the project. In 2011, the project was on-going, but in 2013, it was being announced to be on Government's plan for rehabilitation. By any imagination, this project has suffered significant time-lag; whilst its project cost has increased over the years as a result.

The project time-lag stems from the fact that the Engineering, Procurement and Construction (EPC) contracts were signed in October 2011. The project was scheduled to complete in September 2012. The Minister of Employment and Social Welfare, Hon. E.T Mensah, signed for the Government, while the Chief Executive Officer of Ablaze Company Limited, Mr. Eric Sorkpor, signed for his company.

The delay in executing the project could not be blamed on the competence of the contractor as the Government conducted due diligence before awarding the contract. As observed by Mr. E.T. Mensah during the signing of the contract "the company had a good verification in construction and would do all it could to grant Ghana its wealth's merit" [3].

5.3 The Okyereko Irrigation Project

5.3.1 Background

The Okyereko Irrigation Project (OIP) originally began in August 1973 and completed in 1976 as part of Government's policy of achieving food self-sufficiency under the grand programme of "operation feed yourself" (OFY).

The dam is built on a tributary of the Ayensu River in the Central Region of Ghana, near Winneba. The project began by mobilising a local work force of volunteers. Land preparation for cultivation delayed until 1983 when the Japanese Government offered support. Actual field cultivation started in 1988 in the form of demonstration farms involving 68 farmers majority of whom worked as volunteers during the inception of the project (GIDA, 1983). A baseline survey was conducted in 1997 and three main problems of inadequate water supply, lack of agriculture machinery and lack of credit or capital were identified which had to be addressed. In 1999, a Japanese grant enabled the dam to be rehabilitated and more land prepared for cultivation. As a result an additional 63 farmers were added to the existing number.

[3] "Dawa Irrigation Project Set Off" – Modern Ghana 4 October 2011. Read more at: http://www.modernghana.com/news/354271/1/dawa-irrigation-project-set-off.html

The scheme is essentially community-based. However, Government announced to the joy of the community members that it wanted to rehabilitate the dam to address the water problem in view of the low level of rainfall in the area.

Currently the project is managed under the Joint Irrigation System Management (JISM) set up by GIDA and made up of representatives and executives of the Okyereko Rice and Vegetable Cooperative Society and GIDA Officers. The executives and sub-committee members of the cooperative bear the collective responsibility of ensuring the efficient operation and maintenance of the project. The cooperative organizes frequent meetings and it is mandatory for the project manager of the scheme to be present at those meetings.

Farmers pay a rent, which is determined by the price of rice on the market. This rent goes back to the landowners. Farmers also pay an irrigation service charge of one GH¢100 per hectare, which goes into an account managed by a joint committee. This is used in the operation and maintenance of the scheme. Government does not give any money to the scheme to cover running cost. The running cost of the entire project is from local resources.

Though OIP did not originate from within or initiated by the local community, it enjoys a great deal of community interest. The project is a community-based problem solving initiative and there are incentives for greater community participation. The local community members who are the ultimate beneficiaries were part of the implementation process. The relatively small scale nature of the project, its essential characteristics and focus necessarily demanded greater community involvement. But it must be emphasised that the arrangements that have been put in place, JISM, and other training programmes have enhanced the capacity of the people to manage the project. These arrangements could serve as a model for not only achieving a sense of community ownership but also empowering local people to manage relatively small scale dam projects.

The need for the rehabilitation of the dyke arose because the dyke at the irrigation dam which prevents farmlands from flooding was broken when River Ayensu, which serves the dam, broke its banks in 2010. Around the same time, the Minister of Agriculture answering questions in Parliament, said

– "On irrigation, Government was in the process of engaging a contractor to de-silt 12 irrigation reservoirs in the country including the Okyereko irrigation facility which according to Mr Ekow Panyin Okyere Eduamoah, Member of Parliament for Gomoa East, needed expansion. Mr. Ahwoi noted that currently the canal connecting the Ayensu River to the pump in-take point and the main reservoir of the Okyereko irrigation facility were heavily silted[4]. The contract was awarded in 2012.

According to the Ghana Irrigation Development Authority, the project consisted of 81 hectares (ha) developed area but only 42 ha was irrigated area. The project is very beneficial to the Okyereko community because the 125 acre rice irrigation scheme which could produce 8,000 bags of rice is now operating at half strength – 4,000 bags[5].

5.3.2 Project Cost

The contract for this project was awarded to Grumah Twins Limited. The original contract price was at GH¢1,624,169.38. This was however revised to GH¢2,526,169.55 indicating a cost variation of about GH¢902,000.17. This cost overrun could be attributed to project delays.

5.3.3 Delay in Project Execution

There was no delay in the delivery of this project. The contractor pre-financed the project subject to reimbursement by Government. What remained to be done at the time of writing this report is the repair works on a pump on the Dam which pumps water from the Ayensu River to the Dam in periods of low rainfall. The pump is critical in ensuring consistent supply of water during the cropping season. The farmers remarked that without the pump they are exposed to the erratic rainfall pattern, which does not guarantee predictable yield.

[4] GNA, 1 July, 2010 Maize production increased by 10% - Minister

[5] Ghana News Agency, 5 October 2012. Irrigation would ensure food security - MOFA told - Read more at: http://www.modernghana.com/news/422142/1/irrigation-would-ensure-food-security-mofa-told.html

5.4 Construction of a Hostel facility for Women in Nungua Farms

5.4.1 Background

This Hostel for women in Nungua Farms Project was randomly selected just like all the others. The project was originally awarded in August 2006 and scheduled to be completed in 8 months (approximately April, 2007).

5.4.2 Project Cost

The project received eighty three thousand, seven hundred and twenty five Ghana cedis, six pesewas (GH¢83,725.06) in 2013 for the constructions work, which had stalled since 2010. The initial contract amount was GH¢248,618.28. In 2011, the initial estimates were revised to GH¢436, 147.18 and further revised to GH¢485, 998.68. This means the initial cost has almost doubled in the past nine years.

5.4.3 Delay in Project Execution

The team visited the project to assess the status of work and track the performance of the oil revenue allocated to the project. The building was found abandoned with no indication of work done in 2013. Interaction with authorities at the school revealed that the contractor had not been to site since 2010. The team followed up to Women in Agriculture Development (WIAD) of the Ministry of Agriculture, who has direct oversight of the project. They confirmed that no money had been received for the project in the year 2013. They had rather been chasing for release of funds to complete the project from the Ministry of Finance. Due to this, the project has stalled and is currently about **58% complete.**

5.5 Tafo-Nobi-Nwiabeng bitumen surfacing road project

5.5.1 Background

The Tafo-Nobi-Nwiabeng road serves the communities of Nobi, Awiabeng, Nwiabeng and other farming villages. The main occupation of the indigenes is vegetable farming mainly garden eggs and green pepper. The communities have no access to electricity, no coal tar and no communication network at the moment.

The essence of the project was to allow farmers to easily transport their vegetables to the market. The communities, especially Nwiabeng, need a bitumen-surfacing road due to unbearable dust emanating from the road usage and the fact that the road becomes difficult to use when it rains.

5.5.2 Project Cost

ACEP faced challenges in acquiring relevant economic data to evaluate the cost and cost overruns of this project. Due to this, the project cost could not be obtained.

5.5.3 Delay in Project Execution

The project was scheduled for completion by November 2014. However, this was not possible as the funds allocated were not sufficient to construct the road with the materials the contractor had selected. The contractor used concrete to complete a hilly part (about1.8 kilometres) of the road instead of bitumen. The explanation was that using bitumen for that section will not last longer since rains will wash it away. Due to this, the contractor does not have enough funds to use bitumen for the other parts of the road. ACEP sought to verify from the Ministry of Roads and Highways if it had granted permission to the contractor to use concrete. However, this was not possible as the required information for this could not be obtained.

Although the economic data could not be obtained for economic evaluation, the social evaluation was conducted (as seen subsequently) based on interviews held with people from the community.

5.6 Project Summary

Table 2: Summary of adherence to budget and timelines

Project	Cost Overrun	Time overrun	Comments
Dawa Irrigation	Yes	Yes	Time overrun of more than 3 years. Cost overrun of 41%
Ho-Adidome Road	Yes	Yes	Time over run of about 3 years.
Hostel for Nungua Farms	Yes	Yes	Time overrun of 9 years and cost overrun of about 95%.
Okyereko Irrigation Dam	Yes	Yes	The project experiences cost overrun of about 97%.

6. SOCIAL EVALUATION

6.1 Employment Creation

All the projects visited provided some direct employment to the communities. The road construction utilized local labour for menial works. The challenge was that skilled workers were not easily found in the communities, which compelled contractors to send workers from nearby cities and most often from Accra where the contractors are based.

There was also indirect impact on employment in the communities. Women particularly along the Ho- Adidomeh road intimated that construction of the road has increased traffic on the road and that has boosted sale of farm produce along the road.

Picture 1: Students improvising when the Okyereko Dam pump broke down to raise financing for secondary education

In Nwiabeng, the small-scale farmers were happy about the graveling of the road and the attendant improved access to transportation to carry their farm produce to the market. Some farmers recounted their plight prior to the resurfacing of the road. According to them their vegetables produced used to get rotten at the roadside because the road was bad. In addition, the road project has had a relatively significant impact on economic activities of women since they will be able to easily transport their output to market. This will however be better if the road was tarred.

The irrigation projects offered most indirect employment. Farmers benefit from all year farming which increases their income. That is the more reason why farmers are unhappy when the dams are not working. In Okyereko, many women owned a piece of the irrigable lands and for many years that has been their only source of livelihood. Therefore when the dam is not functional it affects these women who are also breadwinners. Some young people also depend on the dam to raise their school fees during the cropping season, working as labourers.

6.2 Resettlements

In all 5 projects, resettlement was not necessary since the construction of the road or the dams did not affect private property, habitat or residential area. The road projects are all reconstruction of existing layouts and did not require expansion beyond existing margins.

6.3 Community Compensation

For the road constructions, some farmers complained of losing their farmlands for use by the contractors for gravel at no or little compensation. According to them, promises are always not fulfilled. In Dawa and Okyereko, farmers lost their crops when the dam breached but there was no compensation for their loss. This exposes a certain weakness in planning by GIDA and the Corporative Societies to ensure that some savings are made to compensate farmers in the era of distress. The Assemblyman and elders of Dawa and Okyereko indicated that they have cordial relationship with the contractor. However, work seems to be slow which according to them, the contractor has attributed to inadequate funds. With the other four projects, the communities indicated they have good relationships but do not interact often with the contractor.

6.4 Safety Measures

All the projects visited failed to comply with safety requirements. There was poor signage to signal the road users on what to do on approaching the construction site. The tarred sections were also not properly signed. There were no speed rumps in the towns and villages; as a result, drivers over-speed and kill domestic animals such as goats and sheep. The Roads and Highways Authority has an important role to ensure that contractors properly sign construction sites.

The situation in Dawa and Okyereko irrigation sites were not different. However, the Okyereko dam is properly laid out and makes it easy to access the field with little need for signs. The situation in Dawa is the opposite. Access to the fields is clumsy even though it was constructed three decades after the Okyereko dam.

6.5 Corporate Responsibility

All the contractors did not build into their work any Corporate Social Responsibility (CSR) project. In many projects across the country, it is usual to see companies establish their footprint and relations with communities with projects such as borehole, a school or a health centre. The five projects monitored were small-scale projects and perhaps could explain why CSR was not considered. Also the rate of disbursement to the contractors affects their profitability. All the contractors complained of delays in the release of funds, which keeps them indebted to their bankers.

6.6 Community Engagement

The study finds frequent interaction between the contractor and the community leaders of Dawa and Okyereko. In these communities the assemblyman and the chief of Dawa and Okyereko respectively, took ownership of the monitoring process. In Dawa, the Assemblyman was well informed about the project timelines and the challenges faced by the contractor such as accessing funds on time to complete the project. In Okyereko, the chief is a major stakeholder in the project. He is the seed grower for all the farmers on the irrigation field. This positioned him to interface with the contractor frequently so as to ensure the timely completion of the project.

The contrary was the case for the road projects. The contractors had little engagements with the communities relative to timelines and challenges facing the projects. In spite of that, there was no mention of rift between the contractors and communities apart from the few people who thought they had not adequately been compensated.

6.7 Project Quality

The quality of work done on the Ho-Adidome road was fair. The road looked firm in sections where all the three seal bitumen surfacing had been done. In the sections where compaction was ongoing, it was evident that there will be a good job done.

The challenge was with signage and safety measures for project communities and their livestock. The contractors indicate that speed rumps were not part of their job but had intentions to sign the road properly. The problem however is that while the contractors take all the time to put up safety signs, communities are still in danger of accidents while their livestock are killed very often on the road.

Picture 2: Ho-Adidome road

On the Tafo-Nobi-Samlesi-Nwiabeng road, even though the Ministry of Finance reports that the project is for a bitumen surfacing, the construction work involves no bitumen. The contractor graded the entire stretch of 13km and applied laterite. However a concrete pavement was done on 1.3km section of the road. That section was highly susceptible to heavy erosion, which recurrently made the road not pliable. The problem has been fixed with the pavement on that section of the road. However the remaining stretch, which remains un-tarred, has started deteriorating.

Picture 3: Tafo-Nobi-Samlesi-Nwiabeng, the two sides

7. KEY OBSERVATIONS AND RECOMMENDATIONS

7.1 Observations

I. One major observation during project visit and interaction with the project implementers and communities was that they did not know the projects were funded with petroleum revenues. We interacted with Irrigation Development Authority, Women in Agricultural Development of the Ministry of Agriculture, Highways Authority and the Feeder Roads. All of them were not aware that the specific projects received oil money.

II. Most of the projects suffered delayed release of funds. As a result, the projects suffer time overruns and cost overruns.

III. All the projects receive funds from multiple sources. This makes it difficult to track the performance of the petroleum revenues in the projects. Where funds to a project are diversified, there are no modalities to ensure timely disbursement from those sources to prevent delays and attendant cost overruns.

IV. Oil revenues continue to be spread thinly. The revenues are spread on so many projects, which lead to time and cost overruns.

V. In 2014, there was a total expenditure of GH¢170 million. This amount exceeded the allocation of GH¢136 million in the budget without parliamentary approval.

VI. The Nobi- road was not a priority road in the list of roads identified by the Feeder Roads in the Eastern Region. The project was a political one selected to shore up the electoral fortunes on the then Regional Minister who was contesting for parliamentary election in the constituency. Sources at Feeder Roads in Koforidua (the eastern regional Capital) confirmed this information.

VII. The Okyereko Dam relies on the Ayensu River for extra water in years of low rainfall. Water is pumped from the River into the dam for onward irrigation of the rice fields. The electric pump had broken down for two years and GIDA had been waiting for release of funds to pay the contractor to fix the fault. The farmers also complained of high electricity bills when the pump is used to send water into the dam. We found out that investment in solar panels could provide the 10kv of power needed by the electric pump and reduce the huge electric bills on the farmers. However our interaction with the GIDA revealed that they have not averted their minds to alternative solution to reduce the burden of electricity cost on the poor farmers.

VIII. It was observed that most contractors take almost all their employees from Accra to the project sites. This curtails the trickling down effect in terms of higher income through employment for the local people within the project communities.

IX. We also observed lack of integrated planning on the irrigation projects. In Dawa, farmers on the dam have serious postharvest challenges. The community is predominantly into vegetable farming with majority into pepper cultivation. The farmers complain about the difficulty in drying their pepper. The products of their labour are always at the mercy of the weather. They dry their pepper at the shoulders of the dusty road.

Picture 4: Drying pepper in the dust at Dawa

Everybody eats this, including the policy makers, once it gets to the market

7.2 Recommendations

I. Oil funded projects must be branded or named in a way that shows the general public that such projects are funded with oil revenues.

II. PIAC should collaborate with local civil society organizations to periodically monitor the progress of projects in their communities, ascertain causes of project delays and advocate to the relevant authorities to sort out such project delays. In view of this, PIAC must be duly resourced to enable it carry out such duty.

III. To avoid the thin spreading of oil revenues over so many projects, it is recommended that Government prioritizes two main areas of the economy over a three-year period. This will make it easy to track oil revenue expenditure and assess the impact of oil revenues on the economy.

IV. To avoid the selection of projects that are politically motivated, project selection should be guided by development priorities and the extent to which those projects can add value to the economy. In addition, the discretionary powers of the Finance Minister should be checked to prevent politically motivated project selection.

V. Any extra expenditure to be made which was not captured in the budget must first seek parliamentary approval before actually spent.

VI. Project follow-ups must be carried out periodically to check on project status after they have been implemented. Such follow-ups will ensure, for example, that the electric pump at the Okyereko Dam is repaired or an alternative source of power is used to power the pump.

VII. As part of a local content policy in these project communities, an employment quota clause can be added to the contracts for oil-funded projects to enhance direct social and economic community benefits.

VIII. For farmers experiencing postharvest challenges (as in the case of the Dawa irrigation project), there must be integrated planning to ensure that some level of processing (at least drying and storing) is incorporated to support farmers in order to boost production.

8. CHALLENGES / LIMITATIONS

Even though the Tafo-Nwiabeng Road was selected and visited, we could not obtain the economic data for the analysis after several letters to the Department of Feeder Roads and the Eastern Regional Feeder Roads Office, Koforidua. These letters were not acknowledged or responded to. Therefore the social implications and the project quality have been analysed based on the interviews held with indigenes of Nwiabeng and surrounding villages.

9. CONCLUSION

The purpose of this report was to track oil-funded projects and ascertain how transparency, efficiency and accountability principles have been adhered to in selecting, awarding and executing these projects. The findings seem varied depending on the location of the project, the type of project and the variable being measured. For instance, the Okyereko Dam in the Central Region has been completed within the timeframe allocated, but the same cannot be said of the Dawa Dam in the Greater Accra Region. The extensive variation in cost estimates is also worrying and highlights poor planning of projects and late disbursements, which leads to avoidable time and cost overruns.

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