

PPIAF Assistance in Ghana

PPIAF has supported the government of Ghana since 2001 when it provided assistance for three transactions in the water sector, with the objective of pioneering private distribution of water supply in the country. PPIAF has since provided funding in the transport sector, which supported a subsequent World Bank-funded Urban Transport Project in Accra, the capital of Ghana. In other sectors, a small activity was funded in 2006 to promote private sector solutions to Accra's housing sector, particularly among low-income residents. Finally, PPIAF recently supported activities that provided policy support to Ghana's nascent public-private partnership (PPP) program, and a study on the effects of the financial crisis on the PPP market in Ghana.

Technical Assistance for Ghana's Transport Sector

PPIAF has supported three activities in the transport sector in Ghana. The first activity focused on the roads sector, while two subsequent activities aimed to improve the provision of urban transport in Accra.

PPIAF Support to the Roads Sector

Since the formal initiation of the Road Sector Development Strategy in 1996, considerable progress has been made in expanding the role of the private sector in the development of the road sector in Ghana. Subject to Ministry of Transport approval, private consultants are now responsible for most road design work, with all construction work carried out by private contractors. The size of contracts that could be handled by local firms steadily increased, and by 2003 around 90–95% of routine and periodic maintenance work was carried out by private contractors, while private companies collected tolls on twelve roads and bridges in exchange for the payment of a fixed monthly fee to the Road Fund. The Road Fund was established in 1977 to finance the rehabilitation, maintenance, and upgrading of Ghana's road infrastructure.

Despite these initiatives, the road network in Ghana had deteriorated substantially over the 1990s, and there was an urgent need to mobilize additional funding for rehabilitation and provide a more sustainable basis for continuing road maintenance. Thus the government of Ghana wished to extend private sector participation further, by linking road construction and maintenance work to the provision of private sector finance, and giving firms more discretion on how they carry out the works. It was hoped that this would result in more efficient construction procedures and more regular, higher quality maintenance that would benefit the society and the economy as a whole through improvement of access and the reduction of transport costs.

In 2003, at the request of the government of Ghana, PPIAF supported the drafting of a new legal framework in the roads sector, designed to encourage private sector participation. Four components were drafted:

- Sample bidding documents for concession-based rehabilitation and operation (management and maintenance) of project roads through competitive bidding, including sample performance specifications
- Explanatory note to the concession agreement to assist the government in understanding the concepts and issues behind the draft concession agreement
- Draft concession agreement relating to the rehabilitation, operation, and maintenance of project roads
- Sample direct agreement, which is a schedule to the concession agreement, between the authority and concessionaire

In addition, PPIAF also provided funding for a roads concessioning study, which determined a series of recommendations to improve the enabling environment for private sector participation in the roads sector. The most important recommendations included:

- Improving the legal framework (specifically the need for reforms to the Ghana Highways Authority Act 1997, the Tolls Decree 1973, and the Public Procurement Act 2003)
- Increasing access to finance available for road construction and maintenance through tolls and other financing schemes
- Identifying suitable projects for private sector participation based on road characteristics, construction/improvement costs, traffic volumes, and suitability for tolling
- Improving the structure of contracts beyond just toll revenues to emphasize performance-related characteristics
- Strengthening institutions to drive reform process and provide the right conditions for private sector participation

A stakeholder workshop was held in late 2005 to discuss these recommendations. Consensus was subsequently achieved on the value of deepening private sector participation in the roads sector, which led to the government endorsing an action plan designed to boost private sector participation. However, the approval of the new concession laws, legislative amendments, and adoption of implementing regulations (all of which were recommendations of the PPIAF study) are still pending as of November 2011.

Nevertheless, some progress has been made. By 2009, toll stations on 29 roads and bridges were operated by the private sector, compared to 12 in 2003. In addition, the Fees and Charges (Miscellaneous Provisions) Act 793 was passed by parliament in December 2009, enabling an increase in road and bridge tolls. In February 2010, for the first time in over 10 years, the government announced new road and bridge toll rates and increased vehicle user fees, which had remained unchanged during the previous eight years.

As a result, the monthly revenues generated from the 29 toll stations has increased from GH¢250,000 to GH¢2.9million. Thus, road and bridge tolls, which used to generate only 2% of the total Road Fund income now constitute about 14% of the total revenue. This will enable the Road Fund to increase the coverage of its roads maintenance program.

The government is still exploring ways to increase the involvement of the private sector in road infrastructure development. Some of the projects currently under consideration include:

- Concrete overlay of the Accra–Tema Motorway
- Dualisation of Accra–Kumasi
- Accra–Tema Motorway Interchange at Teshie Link

PPIAF Support to Urban Transport in Accra

In 2003 the urban transport environment in Accra was characterized by heavy congestion during peak periods, long waiting times, overcrowded buses, weak implementation of traffic management measures, inadequate facilities for pedestrian and non-motorized transport movement, and poor road safety arrangements, leading to high accident rates. Public transport in the city consisted of bus services provided by the publicly-owned City Bus Enterprise, mini buses operated by the private sector, and conventional taxis, controlled and licensed by the Ghana Public Road Transport Union. Inadequate public transport services constrained participation of city residents, especially the women and poor, in employment activities, as well as limited their access to other services (health, education, market, etc.). Private bus services were mainly provided by minibuses with a seating capacity of about 24 persons, and operations were hampered by restrictive operating rules imposed by the trade union and intense traffic congestion.

In order to address the decline of bus transport services, the government was interested in increasing competition in the market in the form of competitively tendered franchises to create an orderly and well-coordinated urban transport sector. As a result, the government solicited PPIAF support to evaluate the policy, regulatory, and institutional options for improving public transport services in Accra.

The PPIAF-funded report analyzed the overall performance of the public and private bus transport operations, specific constraints and issues faced by the private bus operators, the identification of possible suitable franchised routes, and the development of alternative institutional arrangements to coordinate planning, financing, and monitoring of bus transport operations.

Recommendations of this study included the following: revisions to the enabling legislations and regulation; creation of National Urban Transport Commission; creation of the Greater Accra Metropolitan Area Transport Authority; introduction of operator licensing and certificates for professional competence; and the introduction of route tenders for route service contracts and area feeder franchises.

A stakeholder workshop was held and attended by 90 participants, to discuss options for private sector participation in urban transport. Consensus was achieved on the study's recommendations and the importance of increasing private sector participation in urban transport in Accra. It was agreed that the recommendations be carried out by a small, focused urban transport working group, set up by the government, with participation of key agencies, users, and the private sector.

In 2005 PPIAF approved a second activity for Ghana's urban transport sector. This activity was built on the recommendations of the first PPIAF-support study on bus transport, particularly to 1) develop a strategy and the appropriate institutional and regulatory framework to improve service delivery of city bus transport; 2) build the capacity of private operators; and 3) build consensus among key stakeholders on an agreed approach to encourage competition in the provision of public transport.

An analysis of best practice legislative, regulatory, operations, and design options for adapting bus rapid transit (BRT) for Sub-Saharan Africa, drawing on best practice examples of BRT systems around the world was developed as part of this second phase of PPIAF assistance.

The activity then analyzed the regulation of urban passenger transport services in the Greater Accra Area, and subsequently recommended a mechanism for the four Metropolitan, Municipal, and District Assemblies (MMDAs) in the region to progressively register and license all local passenger transport services in their areas, and offer route service contracts. Next, an analysis of the legislative framework for the regulation of road passenger transport services in Accra was performed, which reviewed current transport legislation and its relevance to the bus sector regulatory and institutional framework. This analysis identified the ability to regulate bus services, and in particular to define routes and organize controlled competition for these routes as a critical success factor for any planned BRT corridor.

Another report was then produced to assess the readiness for private sector participation in Accra's urban transport sector, particularly assessing the needs of the MMDAs relating to the regulation of urban passenger transport taking into account the increased responsibility for the planning and regulation of passenger transport that the MMDAs would be expected to take on. Since there was no department or unit with the capacity to plan and regulate urban passenger transport, the report recommended that the MMDAs should establish Urban Passenger Transport Units, to focus exclusively on urban passenger transport regulation.

The report also looked at the challenges and opportunities the Ghanaian transport operators would face as the new regulatory framework was implemented. The report considered the needs of the operators in terms of registering with the MMDAs and being granted licenses and routes, and possible forms of assistance that would assist the smooth implementation of the new regulations and the successful implementation of the planned World Bank-supported Ghana Urban Transport Project.

Finally, the activity analyzed methods for financing new buses for the informal transport sector in Accra. The report recommended a preferred option for supporting bus financing through financial engineering of an operating lease for the supply of the equipment, structured to maximize its affordability at the start of the finance term.

Following on from the two PPIAF-supported activities, a \$95 million project funded by the World Bank, Global Environment Facility, and Agence Française de Développement was launched in 2007 to address

and improve urban transport in Ghana. This project confirmed the government's commitment to creating an accessible, affordable, reliable, and efficient transport system that supports the competitiveness of the city, and creating a vibrant investment and performance-based urban environment that ensures adequate returns for public and private investment in urban transport infrastructure and services.

The project is still ongoing and is scheduled to be extended beyond the current closing date of December 2012. Importantly, the project will take on many of the recommendations made by the PPIAF-supported activities, including institutional development to strengthen the capacity of ministries and agencies concerned with urban transport, and the development of a BRT service that provides “rail-like” service using specialized vehicles, designated stations, frequent scheduled service, and segregated bus-ways. Capital expenditure for the BRT project will be undertaken through public sector financing and the government. The project design includes the management and provision of services under exclusive franchise arrangements with the private sector, as recommended in the PPIAF-funded report, although the contract details are still to be finalized. Construction work on the BRT system began in late 2010. Due to some construction delays it is expected that the system will be operational by 2014. The route is designed to service about 12,000 passengers during peak hours per direction of travel with bus frequencies of about 120 buses per hour at peak periods.

Results of PPIAF's Activities in Ghana's Transport Sector

| Category | Outputs |
|---|--|
| Enabling environment reform | |
| <i>Analyses/assessments prepared</i> | Roads Sector <ul style="list-style-type: none"> • Legal documents for private sector participation in the roads sector, 2005 Urban transport <ul style="list-style-type: none"> • Report on improving urban transport through private sector participation in Accra, 2004 • Analysis on best practice for adapting BRT for Sub-Saharan Africa, 2006 • Analysis on issues for passenger transport sector in Accra, 2006 • Analysis on financing new buses for the informal sector in Accra, 2006 • Needs assessment of the Ghanaian transport operators relating to the regulation of urban passenger transport, 2007 • Needs assessment of the Metropolitan, Municipal, and District Assemblies relating to the regulation of urban passenger transport, 2007 |
| <i>Plans/strategies prepared</i> | Roads Sector <ul style="list-style-type: none"> • Road concessioning study, 2005 |
| <i>Policies, laws, or regulations prepared or recommended</i> | Urban transport <ul style="list-style-type: none"> • Report on the regulation of urban passenger transport services in the Greater Accra Area, 2006 • Legislative framework for regulation of road passenger transport services in the Greater Accra Area, 2006 |

| Capacity and awareness building | |
|--|--|
| <i>Workshops/seminars</i> | <p>Roads Sector</p> <ul style="list-style-type: none"> Stakeholder workshop to discuss activity recommendations on the road concession study, 2005 <p>Urban transport</p> <ul style="list-style-type: none"> Stakeholder workshop to discuss options for private sector participation in urban transport, 2004 |

| Category | Outcomes |
|---|--|
| Enabling environment reform | |
| <i>Plans/strategies adopted</i> | <p>Roads Sector</p> <ul style="list-style-type: none"> Action plan endorsed for increased private sector participation in the roads sector, 2005 |
| <i>Policies adopted, legislation passes/amended, or regulation issued/revised</i> | <p>Roads Sector</p> <ul style="list-style-type: none"> Fees and Charges (Miscellaneous Provisions) Act 793 passed by Parliament, 2009 |
| Project cycle-related assistance | |
| <i>Transaction support</i> | <p>Urban transport</p> <ul style="list-style-type: none"> A BRT system is currently under construction in Accra, and is expected to be operational in 2013. The project design includes management and provision of services by the private sector, as recommended in the PPIAF-funded report. |
| Capacity and awareness building | |
| <i>Consensus achieved</i> | <p>Roads Sector</p> <ul style="list-style-type: none"> A stakeholder workshop was held in late 2005 to discuss the PPIAF study's recommendations. Consensus was subsequently achieved on the value of deepening private sector participation in the roads sector, which led to the government endorsing an action plan designed to boost private sector participation. <p>Urban transport</p> <ul style="list-style-type: none"> Consensus achieved on increasing private sector participation in urban transport in Accra, 2005 |

Technical Assistance for Ghana's Water Sector

In 1998 the government of Ghana adopted an important policy reform that changed the way business was conducted in the rural and small town water and sanitation sectors. It called for new roles for government, both at the central and local levels, and an enhanced role for the private sector. The Community Water and Sanitation Agency was established and made responsible for the management of rural water supply systems, hygiene education, and the provision of sanitary facilities. The central government no longer provided services, but facilitated interactions between stakeholders. In the past, the central government took responsibility for contracting, but with increasing decentralization the communities and local governments controlled the procurement process and guided key investment decisions.

As part of the reform, Ghana invited private sector participation in the operations of its urban water sector. In 1999 the Ghana Water and Sewerage Company was transformed into an infrastructure asset holding

company, Ghana Water Company Limited, and 110 piped water supply systems were transferred to community groups for community management.

In rural areas, the market potential for communities was huge, with an estimated 25,000 point sources (including boreholes and hand dug wells) in operation and an additional 15,000 point sources needed. The government intended that all of these rural services would be requested, co-financed, owned, and managed by the community users associations, leaving considerable opportunity for the local private sector to get involved.

In this context of increasing scope for private sector involvement, small and medium enterprises (SMEs) and communities were to play a stronger role than ever before in such demand-driven investments, delivering goods and services to communities in dispersed rural areas and small towns. Financial support from PPIAF was therefore requested by the government in 2001 to build consensus among key stakeholders to support private solutions to rural and small town water and sanitation, and identify how the private sector could position itself to sustainably respond to the long-term needs of the rural communities in terms of implementing, operating, and sustaining water and sanitation services. In addition, the activity was designed to assist with the design and launch of pilot projects aimed to improve access to water and sanitation services for poor communities in small towns and rural areas in Ghana.

The PPIAF activity identified the strengths and weaknesses of the institutional and management arrangements of the water sector in small towns, and assessed stakeholders' perceptions of private investment and the potential barriers to increased private sector participation (for operations and management). In addition, six small towns were earmarked as potential candidates for pilot projects that would test various private sector participation models.

A follow-up needs assessment was carried out on the technical, financial, and business needs of SMEs, as well as a market analysis to look at the roles of government, SMEs, NGOs, and donors in providing investment in the water and sanitation sector over the following 10 years. It was anticipated that \$400 million of funding could be expected from all sources combined. In addition, an SME capacity strengthening program was developed, focusing on increasing technical capacity, business/entrepreneurial development and business management, and awareness of and understanding of financial support options for facilitating SME growth and investment.

PPIAF also supported local and national consensus building workshops, which led to the development of pilot projects involving local enterprises in small town water supply.

One of these pilot projects was the Wassa Akropong water supply system management contract. PPIAF provided transaction advisory support for the production of information memorandum and bidding documents for the project.

The private sector displayed a high degree of interest in moving into the field of operations and maintenance at Wassa Akropong, and the tendering and selection process was considered successful. Three bids were received for the Wassa Akropong contract.

The Wassa Akropong project was awarded under a five-year contract in mid-2003. Under the arrangement, responsibility for the operation and maintenance of the entire water supply system was transferred to the private operator. The private operator was responsible for the production and distribution of water from source to end-user, whilst ownership and control, policy-making and tariff-setting still resided with the community and District Assembly. The payment of capital expenditures remained the responsibility of the community and the Water and Sanitation Development Board.

The project started with a lot of operational challenges as the system had fallen into disrepair prior to the contract being signed in 2003. The private operator had to rely on the old infrastructure transferred from Ghana Water Company Limited and a technical assessment of the water supply system revealed a long list of short-term rehabilitation needs. In addition, the electricity supply in the community was erratic and

power went off frequently, causing further interruptions in service. The operator was largely blamed for the poor performance of the system.

Furthermore, over 30% of the water consumption was from institutions whose bills were paid unreliably and often late, by central government, leaving insufficient money in the hands of the operator for operations and maintenance. By the second half of 2004 the operator could no longer honor its financial obligation to the Water and Sanitation Development Board and the District Assembly, and when a pump subsequently broke down the operator was not financially able to repair it, causing Wassa Akropong to be without water for one month. By the end of 2004 the Water and Sanitation Development Board resolved to take over the system and the management contract was terminated.

Results of PPIAF's Activities in Ghana's Water Sector

| Category | Outputs |
|---|---|
| Enabling environment reform | |
| <i>Analyses/assessments prepared</i> | <ul style="list-style-type: none"> • Study on private sector participation in small towns water supply, 2001 • Needs assessment and strengthening program for SMEs, 2001 • Consensus building and development of pilot projects involving local enterprises in small town water supply and sanitation in Ghana, 2001 • Summary of role of SMEs in small town water supply in Ghana, 2003 |
| Project cycle-related assistance | |
| <i>Transaction support</i> | <ul style="list-style-type: none"> • Information memorandum and business plan for Wassa Akropong water supply system management contract, 2002 • Information memorandum and business plan for Enchi water supply system management contract, 2002 • Information memorandum for build-operate-own arrangement for the provision of water supply services at Dzemini, 2002 • Bidding documents for Wassa Akropong and Enchi water supply system management contracts, 2002 • Bidding documents for build-operate-own arrangement for the provision of water supply services at Dzemini, 2002 |

| Category | Outcomes |
|---|--|
| Project cycle-related assistance | |
| <i>Transactions facilitated</i> | <ul style="list-style-type: none"> • Wassa Akropong management contract, signed in 2003 but terminated in 2004 |
| Capacity and awareness building | |
| <i>Consensus achieved</i> | <ul style="list-style-type: none"> • Consensus achieved on the value of increased private participation in the supply of water services in rural areas and small towns in Ghana |

Technical Assistance for Ghana's Property Sector

In 1990 Ghana established a housing finance system that was designed to create a sustainable housing finance network. The project was successful, and approximately 4400 homes were financed using the

funds of the Social Security and National Insurance Trust (SSNIT), which were originated and underwritten by the private intermediary the Home Finance Company.

In 2005 an international private sector investor requested political risk coverage from the World Bank Group's Multilateral Investment Guarantee Agency (MIGA) for a housing project involving the development of housing units and related infrastructure in Ghana via a 50/50 joint venture with SSNIT. The joint venture aimed to construct 100,000 homes in different phases. The Home Finance Company was to be involved in the scheme as a mortgage lender and was in charge of retail sales of the housing units, with an initial pilot phase of 2,000 units in Tema.

Consideration of this housing project highlighted the need to develop an institutional and legal framework to better induce new local and foreign private sector actors to enter the sector. It was within this context that the government of Ghana requested PPIAF assistance in 2005.

PPIAF provided funding for two studies that were later published. The first study analyzed housing supply characteristics in Accra to determine whether Accra was suffering the same housing effect as the so-called "superstar cities" in the United States. The term "superstar cities" was coined to describe cities where housing supply is highly inelastic, meaning that limited housing supply has caused high housing prices, but the market has not responded with increased supply to meet excess demand. As a result, housing becomes unaffordable as higher-income families outbid residents, leaving lower-income families with disproportionately poor housing conditions.

The study found that housing supply responsiveness was much higher in other cities in Africa than in Ghana, and as a result, lower-income families in Accra had much poorer housing conditions. This was unusual due to Accra's above-average income levels, which should have translated into consumption of higher levels of housing services, but the study found that in fact, the opposite was happening, due to several factors.

The first explanation was supply. Accra is bound by a coastline, restricting the supply of land close to the center of Accra, which increases transport costs for lower-income families forced to reside further away from Accra's center. In addition, large holdings of public lands further reduce the supply of this already very expensive good.

This situation was compounded by unhelpful legislation and regulation. The government's creation of minimum standards—of plot sizes for new housing, for example—that exceed what most people can afford, had in effect created a very high floor price on new housing, as well as much less dense development at the periphery, thereby placing an additional implicit tax on those who must then commute greater distances.

Finally, there were no clear legal titles to much of the existing stock of housing, and hence it was very difficult for a private investor to step in, despite the high potential for profits from the redevelopment of prime property. As a result, there was a high risk factor being built into prices for land, with buyers prepared to pay a premium for land where security of tenure was likely not to be challenged.

Thus, the analysis concluded that in Accra's case, the price effects of geographically restricted supply and policy-induced reductions in supply elasticity have had significant effects on resource allocation, income distribution, and economic growth, which have also limited private sector participation in the sector to the high end of the market.

The second PPIAF-funded study analyzed the economic effects of restricted housing supply in Accra, where a family home can sell for up to 100 times the average per capita income. The study indicated that lower-income families in Accra had such poor housing conditions because the market was extremely unresponsive to demand, with huge implicit welfare costs. In addition, regressive sectoral policies have prevented remittances and financial sector improvements from contributing as much to growth as they could if they were not fueling asset price increases.

The studies made a series of recommendations for changes in the legal and regulatory framework for the housing sector, which were discussed with government and other stakeholders.

Unfortunately, the housing project that had first led to the government to request funds from PPIAF, in which SSNIT was working with a private sector developer under a proposed MIGA guarantee to develop a large housing unit property in Accra, was eventually abandoned, and the MIGA guarantee was never issued.

Ghana is still facing an acute housing problem with a housing deficit in excess of 500,000 units. The most vulnerable groups are urban and rural poor whose houses are mostly constructed with sub-standard materials with little or no basic services.

To date, the government has not reformed the legislative and regulatory environment for the provision of housing, and as a result, private sector-led housing provision has not reached lower-income families.

Results of PPIAF’s Activities in Ghana’s Property Sector

| Category | Outputs |
|--------------------------------------|--|
| Enabling environment reform | |
| <i>Analyses/assessments prepared</i> | <ul style="list-style-type: none"> • Analysis of housing supply characteristics in Accra, Ghana, 2007 • Analysis of the economic effects of housing supply in Accra, Ghana, 2007 |

Technical Assistance for the Enabling Environment for PPPs in Ghana

Developing a PPP Program in Ghana

By 2008 a number of PPP projects were already underway or at various stages of development in Ghana, and the government wanted to build on these to create an environment that would facilitate a greater role for private sector investors and operators in the financing of infrastructure projects. In order to achieve these goals, the government recognized that it would first have to create an appropriate policy, legal, regulatory, and institutional environment to avoid unsustainable, poor quality projects that could damage investor confidence.

The government therefore expressed an interest in an evaluation of how best to launch a formal PPP program through a diagnostic analysis of the existing legal, institutional, and operational environment. To this end, the government requested support from PPIAF in 2008 to fully assess the feasibility of establishing a new PPP institutional structure in Ghana and to recommend ways to strengthen Ghana’s institutional and financial market capacities.

The resulting PPIAF-funded study began by looking at the policy environment for PPPs in Ghana and found that there was no PPP policy to guide the country’s PPP program. The study recommended that a policy be adopted by Cabinet to serve as a formal PPP policy statement, and that it should drive the country’s PPP program to ensure government commitment and provide comfort to investors. A draft PPP policy was attached as an appendix to the final report.

The study also examined the legislative environment for PPPs in Ghana, and found that while there was a plethora of laws that impact PPPs in Ghana, most were uncoordinated, and the uncertainty of the legal regime for PPPs in Ghana constituted a potential risk that may serve as a disincentive to private sector investors. While international experience indicates that a PPP Law is not essential for a successful PPP program, given the complex legal situation in Ghana the report recommended the development and enactment of a PPP Law, to be driven by a clear PPP policy that would provide specific guidance on the implementation of PPP projects (e.g., PPP procurement).

Finally the study assessed the institutional structure for PPPs in Ghana, and the possibility of incorporating a central PPP unit as a separate legal body reporting to the Ministry of Finance and Economic Planning (MoFEP). The report was cautious about setting up a large institutional bureaucracy to support PPPs at such an early stage of the program's development. Given the size of its economy, it was thought unlikely that Ghana could expect a large portfolio of PPP projects in the near-term.

The report recommended instead the implementation of a short-term transitional institutional solution over a three-year period, whereby the existing Project Finance and Analysis Unit at MOFEP would be expanded to carry out a specific set of functions to address the short-term requirements of the nascent PPP program.

Over the longer term, the report recommended that two separate units should be established: a PPP Center to provide advice and support in the identification, conception, development, and procurement of sound PPP projects; and a PPP Review Unit within the MoFEP to coordinate the review and screening of PPP projects in the public interest.

The report was written in conjunction with a series of training and capacity building workshops designed to boost knowledge and capacity of PPPs. In addition, a stakeholder workshop to discuss the findings of the diagnostic study and the potential design options for the PPP unit was held in March 2010. The workshop was also designed to build technical expertise among government officials to support the implementation of suitable PPP enabling environment reform, and build institutional and technical capacities to facilitate sound investment strategies and cost-effective uptake of key PPP initiatives.

The Effects of the Global Financial Crisis on PPP Viability

In conjunction with this activity, PPIAF also supported a second multi-sector activity in Ghana, which began in 2009 after the MoFEP once again restated its interest in developing a coherent PPP program as a means to overcome Ghana's infrastructure deficit.

In view of the global financial crisis, and in support of the government's evolving policies and programs in support of a PPP market, the government of Ghana once again requested PPIAF support for a systematic analysis of recent financial sector developments, their impact on the local supply of PPP financing, and potential government-supported enhancement options to assist the PPP market. The study was done in conjunction with the previous activity on developing the PPP program and was designed to provide Ghana with a broader perspective on PPP financing circumstances and remedial options. The analysis also benchmarked Ghana against regional competitors including Burkina Faso, Cameroon, and Kenya to offer additional insights on the immediate future challenges that Ghana faced. It also examined ways to address Ghana's infrastructure deficit by assessing whether, post-financial crisis, the private provision of public infrastructure services through PPPs was still a viable option.

The study found that there was an overall shortage of long-term, locally denominated debt financing in Ghana, and while international sources of financing for PPPs offer alternatives to local domestic sources, they cannot replace a strong local financial market. This lack of local financing was not helped by a lack of a good supply of sufficiently strong PPP transactions. In addition, legislation and policies governing PPPs were unclear, inconsistent, and inhibited private sector investors from participating in the infrastructure market. This situation was exacerbated by 1) unclear institutional arrangements on how a PPP transaction is developed, vetted, and implemented 2) and conflicting agendas across government agencies, which had prevented transactions from developing in a timely, efficient, and consistent fashion.

Based on the analysis undertaken, the study provided several recommendations. First, the main constraint inhibiting PPPs was not financing per se, but rather a robust and bankable pipeline of PPP projects. Thus to help increase deal-flow, the report suggested the need for improvements to the legislative and institutional environment for PPPs, and concluded that the public sector should provide tools such as risk mitigation products and financial incentives that could encourage private sector

investors to engage in Ghana’s infrastructure sectors. These recommendations were consistent with the recommendations of the PPIAF activity on the PPP program.

Outcomes

In both the 2010 and 2011 budgets, the government made categorical statements on its preparedness to use PPPs to deliver huge infrastructure and social services and amenities. In June 2011 the Cabinet approved a PPP policy that served as an official government commitment to pursue PPPs as a means of narrowing the country’s infrastructure gap. The government’s adoption of the PPP policy was a direct recommendation of the PPIAF study.

The PPP policy, which will later become law, focuses on general infrastructure such as roads and tourism facilities; utilities such as water, railways, and energy; and social amenities such as schools and hospitals.

At the launch of the policy, Hon. Fiifi Kwetey, the Deputy Minister of MoFEP, announced that the private sector could play a bigger role in the country’s infrastructure development and service delivery system. He added that the policy sought to develop real financial benefits by reducing the initial public capital outlay in infrastructure projects and improving the utilization and allocation of public funds. Hon. Kwetey said the government’s primary responsibility was to create an enabling environment for private sector participation by reducing political and regulatory risk perceptions, something the PPP policy is intended to achieve.

The government also partially accepted the recommendations of the PPIAF report on expanding the role of the Project Finance and Analysis Unit instead of setting up a dedicated PPP unit. Since the completion of the PPIAF study, the Public Investment Division was established within the MoFEP. Within the Public Investment Division, the Project Finance and Analysis Unit’s PPP role has expanded, and the Project Finance and Analysis Unit will have gate-keeping and upstream investment appraisal responsibilities, while the PPP Advisory Unit will support sector ministries in the development and management of prospective PPP transactions. Dependent on the size and success of Ghana’s PPP program, the Public Investment Division may become a stand-alone entity, outside of the MoFEP, at a later stage of the program’s development. This step-by-step approach to the creation of an institutional structure to support Ghana’s PPP program was specifically recommended by the PPIAF-funded report.

Results of PPIAF’s Multi-Sector Activities in Ghana

| Category | Outputs |
|--|---|
| Enabling environment reform | |
| <i>Analyses/assessments prepared</i> | <ul style="list-style-type: none"> • Diagnostic report on the enabling environment for PPPs in Ghana and the design of a PPP unit, 2010 • Draft PPP Policy, 2010 • Towards Better Infrastructure: Conditions, Constraints and Opportunities in Financing Public-Private Partnerships: Evidence from Cameroon, Cote D’Ivoire, Ghana, Kenya, Nigeria and Senegal, 2011 |
| Capacity and awareness building | |
| <i>Workshops/seminars</i> | <ul style="list-style-type: none"> • Stakeholder workshop to discuss findings of diagnostic study and design options for PPP unit, 2010 • Training and capacity building workshop series designed to boost knowledge and capacity of PPPs, 2010 |

| Category | Outcomes |
|---|---|
| Enabling environment reform | |
| <i>Policies adopted, legislation passes/amended, or regulation issued/revised</i> | <ul style="list-style-type: none"> <li data-bbox="623 302 1094 331">• National Policy on PPPs, June 2011 |
| <i>Institutions created or strengthened</i> | <ul style="list-style-type: none"> <li data-bbox="623 401 1386 489">• Following PPIAF recommendations, the Public Investment Division has been established within the MoFEP, tasked with driving forward Ghana's PPP Program |
| Capacity and awareness building | |
| <i>Technical capacity enhanced</i> | <ul style="list-style-type: none"> <li data-bbox="623 569 1419 627">• Increased understanding of PPPs among government officials as a result of the training and capacity building workshop series |
| <i>Consensus achieved</i> | <ul style="list-style-type: none"> <li data-bbox="623 669 1386 728">• Consensus achieved on the correct institutional design of the PPP Unit, 2010 |