



## Ghana - PPP Project (P125595)

AFRICA | Ghana | Finance, Competitiveness and Innovation Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2012 | Seq No: 12 | ARCHIVED on 11-Jun-2018 | ISR31205 |

Implementing Agencies: Government of Ghana, Public Investment Department, Ministry of Finance

### Key Dates

#### Key Project Dates

Bank Approval Date:27-Mar-2012

Effectiveness Date:26-Dec-2012

Planned Mid Term Review Date:28-Feb-2015

Actual Mid-Term Review Date:01-Jun-2015

Original Closing Date:31-Aug-2016

Revised Closing Date:30-Jun-2018

### Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The objective of this Adaptable Program Lending (APL) Phase I project is to improve the legislative, institutional, financial, fiduciary and technical framework to generate a pipeline of bankable PPP projects.

The overall objective of this Adaptable Program Lending (APL) two-phased initiative is to assist the GoG to increase targeted infrastructure and other social service levels and quality by mobilizing private sector participation through a public-private partnership (PPP) model. Leveraging greater volumes of private sector investment in infrastructure provision is a critical Program end-objective. The two-phased APL is designed to promote the creation of a sustainable and cost-effective PPP market in Ghana.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

### Components

Name

Institutional, Fiduciary, Legislative and Financial Capacity Building:(Cost \$10.00 M)

PPP Pipeline Preparation and Transaction Advisory Support:(Cost \$18.50 M)

Project Management and Monitoring & Evaluation:(Cost \$1.50 M)

### Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Unsatisfactory
Overall Implementation Progress (IP)	● Moderately Unsatisfactory	● Unsatisfactory



Overall Risk Rating

● Substantial

● Substantial

## Implementation Status and Key Decisions

The Project Development Objective (PDO) is to improve Ghana's legislative, institutional, financial, fiduciary and technical framework to generate a pipeline of bankable PPP projects. Key Performance Indicators at the PDO level are: (i) Expressions of Interest (EOIs) issued to prospective sponsors for three transactions after relevant due diligence; (ii) PPP Law enacted; and (iii) associated PPP Regulations approved in accordance with the PPP Law.

The first PDO indicator focuses on the quality of project preparation. The indicator is unlikely to be achieved. Five EOIs and one request for qualification (RFQ) were issued (RFQs were recently issued for two of the PPPs that had issued EOIs). Of these, only two (against a target of three) were issued after completion of relevant due diligence; the Securities Exchange Building and the Takoradi Port Integrated Terminal. Unfortunately, inadequate attention was paid to meeting Project requirements for safeguards and establishing PPP viability. The Government of Ghana (GoG) is employing an adaptive approach that is seeing substantive project preparation continue after procurement has commenced. Key issues will need to be resolved during procurement and the negotiation of a PPP agreement with the private partner. This contrasts with the emphasis of the Project on addressing issues up-front so PPPs are fully prepared before they are procured. The extent of the departure from good practices has become pronounced over the last six months.

Additional due diligence would have improved the identification, allocation and management of project risks, and enhanced project viability and the achievement of value-for-money (VfM). While an early start to procurement may look like a way to speed up a project, it can be counter-productive because delays are likely during the procurement and negotiation of agreements as unresolved issues are addressed. If these issues are only faced after a preferred bidder has been chosen, the competitive pressures needed to drive VfM are dulled. Issues remaining to be resolved for the PPPs under procurement include securing access to land, the level of user charges (e.g., tariffs, tolls and fares) and how these will adjust over time, the allocation of demand risk, the availability of government financial support, and key performance indicators of the private partner (i.e. the PPP's output specification). The procurement of a PPP before project preparation is complete raises the prospect the GoG will enter PPP agreements that lack adequate protection of the government's budget and of the interests of users and local communities.

The issuance of an EOI in January 2018 for the proposed Eastern Rail Line PPP followed by an RFQ in April 2018 is of considerable concern. This rail project is a nationally significant, large, and complex PPP. It faces potentially significant resettlement along the entire corridor. Preparation is incomplete, with economic, financial and fiscal viability yet to be firmly established, and the Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) still to be finalized. These safeguards instruments still need to be prepared and implemented to international standards. There has also been a significant departure from the Project's requirement for competitive procurement of the private partner. GoG recently endorsed the sole-sourced concession agreement issued by the Ghana Ports and Harbors Authority (GPHA) for the Takoradi Port Integrated Terminal. The competitive tender of this PPP under the Project, which was unilaterally terminated by GPHA, would have offered better VfM and transparency. There is also a risk this project might set a precedent for sole-sourcing other PPPs.

The remaining two PDO indicators rest on the approval of a PPP law. While expected to be achieved when last rated six months previously, the two indicators are now unachievable. A PPP bill was debated by the relevant Parliamentary committee in 2016, but passage was not possible prior to the 2016 elections. The Cabinet has since considered the PPP bill twice and it remains on Cabinet's agenda. Approval to submit the bill to Parliament is yet to be secured. The PPP Law is intended to provide a sound and sustainable basis for improving PPP preparation, procurement and safeguards management. The absence of the law has impaired efforts to deliver such improvements under the Project. The firm central coordination and supervision that many countries have found essential to success with PPPs, and especially to protection against fiscal risks, has been lacking.

Nine of the Project's 14 indicators are nonetheless achieved or achievable before the Project closes in June 2018. And substantial progress was made in generating the pipeline of PPP projects sought under the PDO. The proposed value of investment in PPPs under transaction advisory was almost \$2.0 billion by mid-2014, and reached more than \$3.5 billion in early 2017. While each PPP has taken longer than anticipated to prepare, and some have been cancelled or stalled, the momentum and profile of PPPs required by the Project's results chain has been generated.

GoG has made progress in recent months to address some key performance issues, and if this progress continues, there is time to improve the final rating of the Project before it closes in June 2018. The World Bank Team continues to actively support GoG's efforts to reach the Project objectives.

## Risks



## Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● High	● High
Macroeconomic	--	● Substantial	● Substantial
Sector Strategies and Policies	--	● Moderate	● Moderate
Technical Design of Project or Program	--	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	--	● High	● High
Fiduciary	--	● Moderate	● Moderate
Environment and Social	--	● Substantial	● Substantial
Stakeholders	--	● Moderate	● Moderate
Other	--	--	--
Overall	--	● Substantial	● Substantial

## Results

### Project Development Objective Indicators

#### ► PPP Law enacted (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

#### Comments

Passage of a PPP Law is central to the Project. A law is needed to solidify PPP preparation, procurement and approval practices, and to protect government and the reasonable rights of private partners and their financiers.

The PPP Bill was originally submitted to Cabinet in August 2014, however Cabinet raised reservations regarding the Bill, particularly regarding required approval processes and the long-time period required to prepare PPP. The Bill was subsequently redrafted and resubmitted to Cabinet. The Bill was considered by the Joint Parliamentary Committee on Finance and Constitutional, Legal and Parliamentary Affairs in 2016, but was not passed before the general elections took place in December 2016. The bill was then (i) revised to align with the views of the previous Joint Parliamentary Committee on Finance and Constitutional, Legal and Parliamentary Affairs as well as the policy intents of the new management of MoF, (ii) submitted to the new Cabinet in October 2017, (iii) considered by Cabinet Subcommittees, in line with internal protocol, (i) revised by MoF with the Office of Attorney General, along with the revised PPP Policy, in response to instructions from Cabinet in January 2018 to revise the PPP processes (v) resubmitted, along with the PPP Policy, by MOF to Cabinet in February 2018, and (vi) considered, along with the PPP Policy, by the relevant Cabinet Subcommittees. The revised Bill and Policy are currently at Cabinet.

Cabinet's recent discussions on the Bill have focused on the length of the PPP project cycle, whether PPPs could instead be delivered through existing legislation, and ensuring local content in PPPs. MoF is supporting dialogue on these issues, but more time is needed for the Cabinet to familiarize itself with PPPs. Given the time required to secure Parliamentary approval of a law, approval of the PPP Law is unlikely before the Project closes.



The PPP Policy approved in 2011 has taken on the role a PPP Law and its regulations would otherwise fill, guiding how PPPs are prepared, procured and approved. The policy applies some good practices from other countries, but it lacks the breadth and strength of a PPP law and regulations. MDAs now have considerable room to chart their own course, and the quality controls typically provided by a central PPP unit are dulled. This has resulted in costly and unnecessary prolonged procurement delays which has diminished scarce public resources, private sector confidence, and public support for PPPs. Uncertainties in the project cycle and gaps in information sharing between agencies have contributed to shortcomings in preparation, procurement and safeguards management.

► Associated PPP Regulations approved in accordance with PPP Law. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

Comments

MoF's PID initiated the procurement process for consultants to prepare the PPP regulations on a sole source basis, as a follow-on of earlier work by the consultant firm. Agreement could not be reached and the sole-sourcing was subsequently abandoned. Engagement of a consultant firm was deferred given the delay in passage of the PPP Law. In late 2017, it was decided to proceed with the procurement in tandem with ongoing efforts to have the PPP Law passed, and PID expedited the procurement process. The consultant was engaged in February 2018 and regulations are expected to be drafted by June 2018. The regulations can only be submitted for approval after passage of the PPP Law.

► EOIs are issued for prospective sponsors/concessionaires for three PPP transactions after due diligence. (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	3.00	1.00	3.00
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

Comments

Five Expressions of Interest (EOIs) have been issued; Takoradi Port Dry Bulk Terminal, Takoradi Port Integrated Terminal, Boankra Inland Port, Eastern Railway, and SEC Building. One Request for Qualification (RFQ) was issued; Accra-Tema Motorway. In addition, RFQs were recently issued for two of the PPPs that had issued EOIs

The PDO target for PPP preparation had quantity, quality and time dimensions. The Project set a PDO target of 3 EOIs issued to prospective sponsors after due diligence by FY18 (adjusted through restructuring from 1 in FY14, 2 in FY15 and 3 in FY16). The Project Appraisal Document (PAD) explained that "EOIs are issued after the relevant due diligence takes place, namely pre- and full feasibility studies that are approved by the relevant authorities as per the PPP Policy. Thus, the EOIs are issued following appropriate approval procedures, fiscal risk assessment, procurement guidelines and specifically competitive treatment of unsolicited bids."



A feasibility study should assess all dimensions of feasibility, including technical, economic, financial, fiscal, environmental, social, and legal. These dimensions are interrelated. For example, economic viability can only be assessed after the environmental and social costs and benefits are established, and the assessment of financial viability also needs to factor in the cost of mitigating adverse environmental and social impacts. A feasibility study should complete the design of a PPP so that the government can reliably assess feasibility and make a fully informed decision to proceed to procurement. Ideally the feasibility study should allow a high-quality draft PPP agreement to be prepared for inclusion in bid documents without additional analytical work.

A FFS can thus, as set out in the PAD, only be considered final following safeguards due diligence. This is both normal practice for public investment and essential to meet GoG's commitment of the PPP Policy to: "ensure that PPP activities conform to the environmental laws of Ghana and the highest standards of environmental, climate and social safeguards." The need to fully consider environmental and social impacts is clarified in the application of World Bank Safeguard Policies to the Project. An ESMF and RPF were prepared to guide safeguards due diligence.

The Environmental and Social Safeguards Guidelines for the Project provide further clarification, including that: "Full feasibility will thus include full Environmental & Social Impact Assessment (ESIA), preparation of Environmental & Social Management Plan (ESMP) and a Resettlement Action Plan (RAP) of appropriate detail." This reflects the responsibility of GoG for safeguards, as stated in the Guidelines: "the preparation and implementation of ESIA (including ESMP) and RAP as well as the obtaining of environmental permits is a risk to be borne by the public entity/MMDA."

Of the six EOIs/RFQs issued, two were issued after relevant due diligence was completed; SEC Building and Takoradi Port Integrated Terminal. Four EOIs/RFQs were issued prematurely, as defined in the PAD.

Four were issued prior to completion of the feasibility study and/or finalization of the safeguards instruments; Accra-Tema Motorway, Takoradi Port Dry Bulk Terminal, Boankra Inland Port, and the Eastern Railway. The required GoG approvals to commence procurement were issued, but the approvals were issued prematurely when seen against the requirements of the Project. In most cases additional safeguards due diligence is needed to meet the requirements of the Project. The results of the safeguards due diligence would ideally feed back into the FFS to complete the FFS.

Some of the four PPPs that issued an EOI/RFQ also require more attention to non-safeguard issues before due diligence can be considered complete. For example:

- The determination of toll charges and hence financial viability of the Accra-Tema Motorway is in the early stages of assessment;
- The economic viability of the project of the Accra-Tema Motorway is yet to be established. The FFS omitted quantitative economic analysis of the project that is necessary to establish the project offers an acceptable economic rate of return; and
- The fiscal affordability of the Boankra Inland Port and Eastern Railway PPPs is yet to be established. The FFS concluded that project options were only financially viable with GoG support, but lacked an assessment of fiscal affordability. The market sounding for the PPPs highlighted this as a key challenge to bankability.

Of the four PPPs that issued an EOI/RFQ prematurely, three had an EOI/RFQ issued within the last five months (as of April 2018): Accra-Tema Motorway, Boankra Inland Port, and the Eastern Railway. Boankra Inland Port and the Eastern Railway have issued an RFQ following the issuance and evaluation of EOIs. The departure from good practice emerged in 2017 and widened further recently.

### Overall Comments

PPP transactions gathered momentum over 2016, 2017 and into 2018. A total of nine PPPs were under preparation over the period with a total investment value of \$3.4 billion. The most advanced PPPs, the Takoradi Port Dry Bulk Terminal and the SEC Building, could reach contractual close (i.e. sign PPP contracts) within 12 months.

With one notable exception, the Takoradi Port Integrated Terminal, all PPPs supported by the Project have employed competitive procurement methods. In July 2017, the Ghana Ports and Harbors Authority (GPHA) unilaterally terminated a competitive procurement process supported by the Project that had attracted several reputable and well-qualified bidders. With an authorization from the procurement authority of sole-sourcing, GPHA entered into a 25-year concession agreement with a local contractor. The sole-sourced concession was entered without prior consultation with the Bank. On December 29, 2017 the Minister of Finance directed GPHA to suspend the sole-sourced concession for the Takoradi Port Integrated Terminal at no cost to GoG. The suspension did not proceed. Construction of the terminal has commenced and is approximately 18 months away from completion.



Shortcomings in PPP preparation have, however, become apparent as procurement of the private partner commenced. Four of six EOIs/RFQs were issued before the due diligence process was complete, when seen against the requirements of the PAD. Notably, several EOIs/RFQ were issued before safeguard instruments were completed. In response, actions were agreed between the GoG and the Bank to prepare the missing safeguard instruments and to ensure feasibility studies offer a rigorous assessment of all aspects of PPP viability, including environmental and social impacts.

The absence of a PPP law has impacted Project performance. Eight of the Project's 14 performance indicators are linked to passage of the PPP Law. Only one of these 8 indicators have been achieved, with three more achievable by Project close. The absence of a law has impaired the efficacy and efficiency of the transaction-based activities that account for most of the Project's expenditure.

### Intermediate Results Indicators

#### ► PPP Bill submitted to Cabinet (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	yes	Yes	Yes
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

#### Comments

The PPP Bill was originally submitted to Cabinet in August 2014, and subsequently redrafted and resubmitted to Cabinet. The Bill was considered by Parliament in 2016, but could not be passed before the general elections took place in December 2016. A revised Bill that incorporated Parliament's feedback was submitted to Cabinet in October 2017. A further revised Bill was submitted to Cabinet in February 2018.

#### ► Draft Regulations submitted to Parliament (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	N	N	Y
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

#### Comments

Engagement of a consultant firm was deferred given the delay in passage of the PPP Law. In late 2017, it was decided to proceed with the procurement in tandem with ongoing efforts to have the PPP Law passed, and the Ministry of Finance's Public Investment Division (PID) expedited the procurement process. The consultant was engaged in February 2018 and regulations are expected to be drafted by June 2018. The regulations can only be submitted for approval after passage of the PPP Law.



► Establishment and operationalisation of PPP Approval Committee (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	26-Dec-2012	14-Aug-2017	13-Apr-2018	28-Feb-2018

Comments

Ghana's PPP Policy provided for establishment of a PPP Approval Committee. It was envisaged as an inter-ministerial committee with permanent secretary and CEO-level members that will steer the PPP process outlined in the National Policy on PPP. The committee began operations in 2013. The draft PPP Bill provides for its formal establishment. Until the PPP Law is approved, the committee relies on the authority provided its members by other legislation.

► Establishment of the VGS (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

Comments

A framework has been prepared and was approved by the previous Minister of Finance. But it can only be made effective after the PPP law and regulation provide for establishment of the VGS.

► Pre-feasibility studies completed (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	7.00	8.00	8.00
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

Comments

Eight prefeasibility studies have been completed: the Accra-Takoradi Motorway, Accra-Tema Motorway, Takoradi Port (covering a Dry Bulk Terminal, Integrated Terminal and Bulk Liquids Terminal), the NSC-Sports and Residential Facility, Boankra Inland Port, Eastern Railway, Securities Exchange (SEC) Building, and the Office of the Head of Local Government Services (OHLGS) Office Complex.



► Full Feasibility studies completed (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	3.00	4.00	4.00
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

Comments

Six feasibility studies were submitted; Takoradi Port Dry Bulk Terminal, Takoradi Port Integrated Terminal, NSC Sports and Residential Facility, Boankra Inland Port, Eastern Railway, and SEC Building. Four of these are complete; SEC Building, Takoradi Port Dry Bulk Terminal, Takoradi Port Integrated Terminal, and National Sports College.

► Line Agency nodal units established and operationalised with dedicated staff (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	3.00	6.00	3.00
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

Comments

Although support from Ministries, Departments and Authorities (MDAs) was not immediate at the onset of the Project, several MDAs are now active and enthusiastic participants in implementation of the National PPP Policy, and have expressed the usefulness of PPP training and support.



► PPP Fiscal Commitment and Contingent Liability Framework approved by the Minister of Finance (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	26-Dec-2012	29-Oct-2017	13-Apr-2018	30-Jun-2018

Comments

Procurement of a Fiscal Commitment and Contingent Liability (FCCL) Advisor has been canceled and an internal FCCL technical expert from the World Bank is providing assistance to complete the FCCL manual and operationalize the FCCL framework.

► Safeguards Guidelines developed for undertaking PPPs in Ghana (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	--	No	Yes
Date	26-Dec-2012	--	13-Apr-2018	30-Jun-2018

► PPP Project Guidelines developed (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	--	No	Yes
Date	26-Dec-2012	--	13-Apr-2018	30-Jun-2018

Comments

Engagement of a consultant firm to prepare PPP project guidelines was deferred given the delay in passage of the PPP Law. These guidelines are to encompass what were originally conceived as stand-alone guidelines for unsolicited bids (USBs). The project guidelines are now under preparation and are expected to be drafted by June 2018. Municipal PPP guidelines had been drafted under separate World Bank support for strengthening the role of PPPs in revenue collection in municipalities.



► Ghana Infrastructure Investment Fund (GIIF) made operational (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	--	Yes	Yes
Date	26-Dec-2012	--	13-Apr-2018	30-Jun-2018

Comments

The Ghana Infrastructure Investment Fund (GIIF) was established under the GIIF Act, 2014, Act 877 and capitalized by the GoG at US\$250m with the mandate to originate, structure and invest in infrastructure-related projects across Ghana. GIIF is a permanent corporate entity, not strictly an investment fund, and is currently 100% publicly owned. The infrastructure sectors covered by GIIF are broadly defined and include all basic infrastructure, social infrastructure and tourism. GIIF can fund PPPs, SOEs, and purely private projects. GIIF has at its disposal a wide range of financial instruments including debt, equity and guarantees, and may fund projects directly or channel funding to projects through private investment funds managed by a separate fund manager.

Overall Comments

## Data on Financial Performance

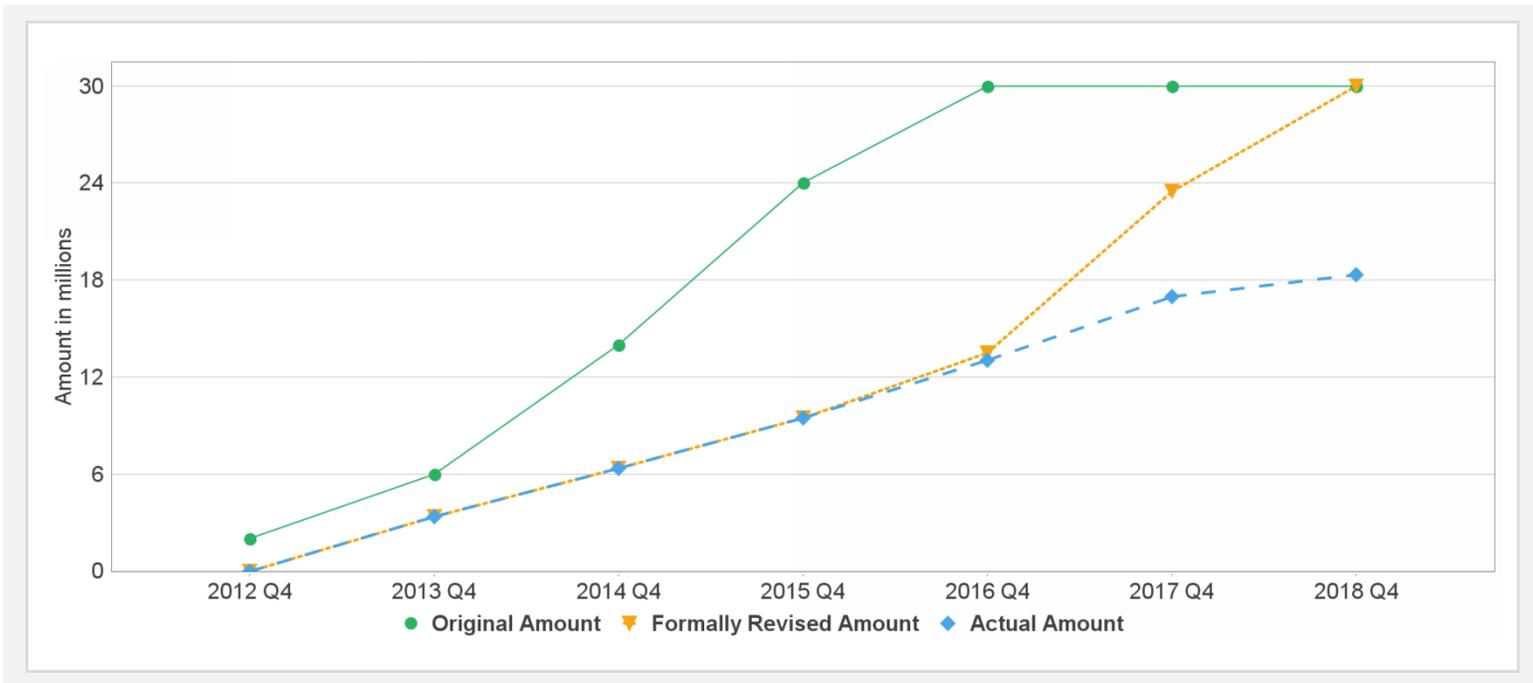
### Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P125595	IDA-50970	Effective	USD	30.00	30.00	0.00	18.34	9.66	 66%

### Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P125595	IDA-50970	Effective	27-Mar-2012	22-Nov-2012	26-Dec-2012	31-Aug-2016	30-Jun-2018

### Cumulative Disbursements



### Restructuring History

Level 2 Approved on 09-Jul-2015 ,Level 2 Approved on 08-Nov-2017

### Related Project(s)

There are no related projects.