

Introduction to PPP


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Why These – after 58 Years?



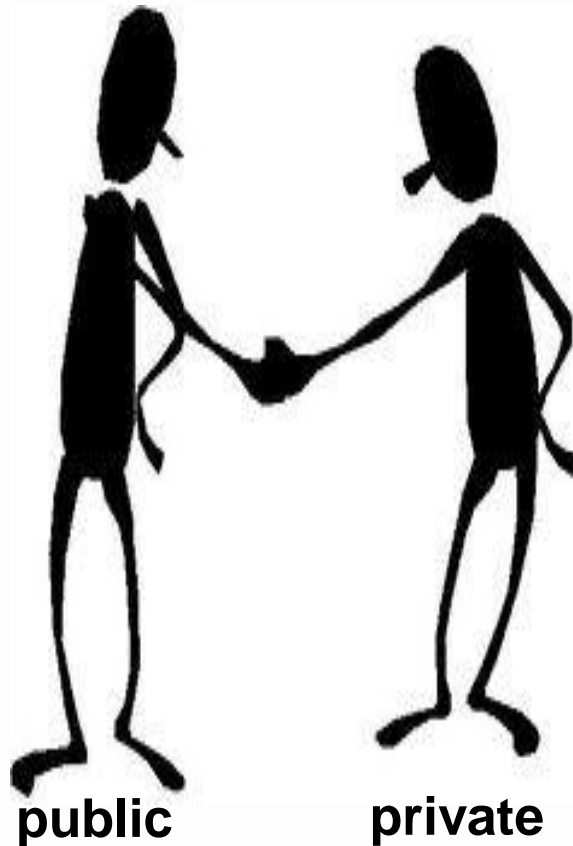
Background

- The situation before the introduction of PPPs
 - Why PPP?
 - Limited Government Resources to Finance unlimited projects
 - Huge Infrastructure Gap
 - Inefficiency in project procurement
 - inadequate preparation of public projects prior to implementation
 - Lower-middle Income status of Ghana
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Definition of PPP

- A PPP is a **contractual arrangement** between a public entity and a private sector party, with clear agreement on shared objectives for the **provision of public infrastructure and services** *traditionally provided by the public sector.*
- Usually, in a PPP arrangement, the private sector party performs part or all of a government's service delivery functions, and *assumes the associated risks for a significant period of time.*

Definition of PPP (cont.)



Agreement


- The private sector is paid from (according to predefined performance criteria):
 - government budgets
 - end user charges/service tariffs
 - a combination of the above

WHAT A PPP IS **NOT**

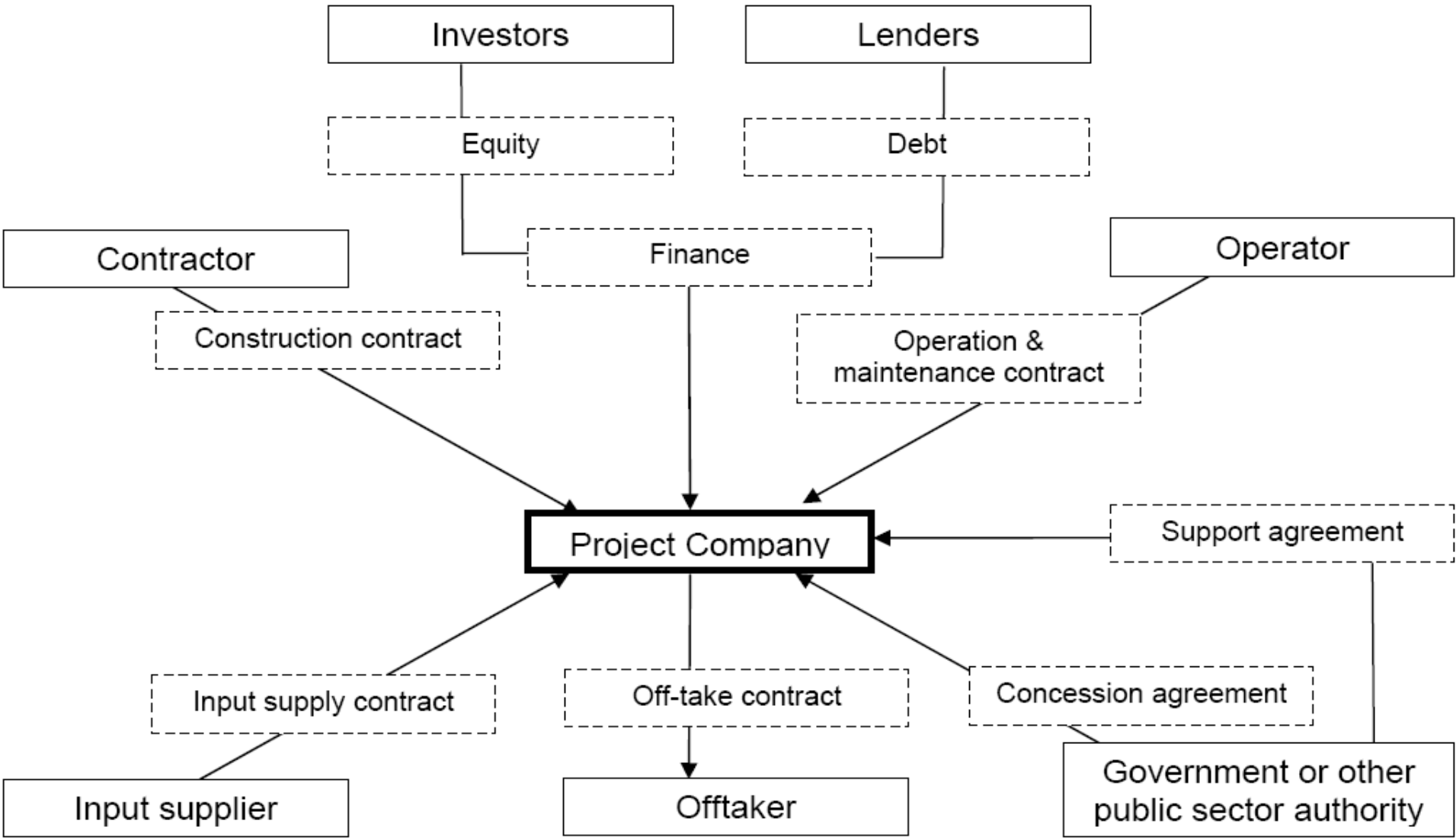


- A simple outsourcing of functions where substantial financial, technical & operational risks are retained by the public institution;
- A donation by a private party for a public good;
- The 'commercialization' of a public function by the creation of a state-owned enterprise;
- Does **not** constitute borrowing by the state;
- A simple joint-venture investment between the public and private sectors unless this is linked to a PPP contract;
- Privatization of state assets and/or liabilities;

PPP Contractual Arrangements – ‘Alphabet Soup’

- Build-Lease-and-Transfer (**BLT**)
 - Build-Lease-Operate and-Transfer (**BLOT**)
 - Build-Transfer-Lease (**BTL**)
 - Build-Operate-and-Transfer (**BOT**)
 - Build-Own-and-Operate (**BOO**)
 - Build-Transfer-and-Operate (**BTO**)
 - Build-Own-and-Operate-Transfer (**BOOT**)
 - Design-Build-Finance-Operate-and-Transfer (DBFOT)
 - Design-Build-Finance-Maintain (or-manage)
 - Rehabilitate-Operate-and-Transfer (**ROT**)
 - Rehabilitate-Own-and-Operate (**ROO**)
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Contractual structure for PPPs



Why are PPPs relevant for Ghana?

- Funding constraints
 - ▣ Funding gap of USD1.5 billion per year
 - ▣ Government is fiscally constrained
- Capacity constraints
 - Can draw in managerial and technical capacity from a wider pool
 - Allows MDAs to concentrate scarce capacity on core business
- Infrastructure & service delivery deficiencies:
 - High inefficiencies in traditional procurement
 - Private sector efficiency in service delivery

Benefits

- Accelerated delivery of needed infrastructure and public services on time and within budget.
 - Encouraging the private sector to provide innovative design, technology and financing structures.
 - Increased international and domestic investment.
 - Risk sharing by government with private sector partners.
 - Ensuring good quality public services and their wider availability.
 - Real financial benefits reflected in reduction in the initial public capital outlay, and a better utilization and allocation of public funds.
 - Economic growth and increased and wider employment possibilities.
 - Technology transfer and capacity building
 - Improved operation and maintenance of public infrastructure
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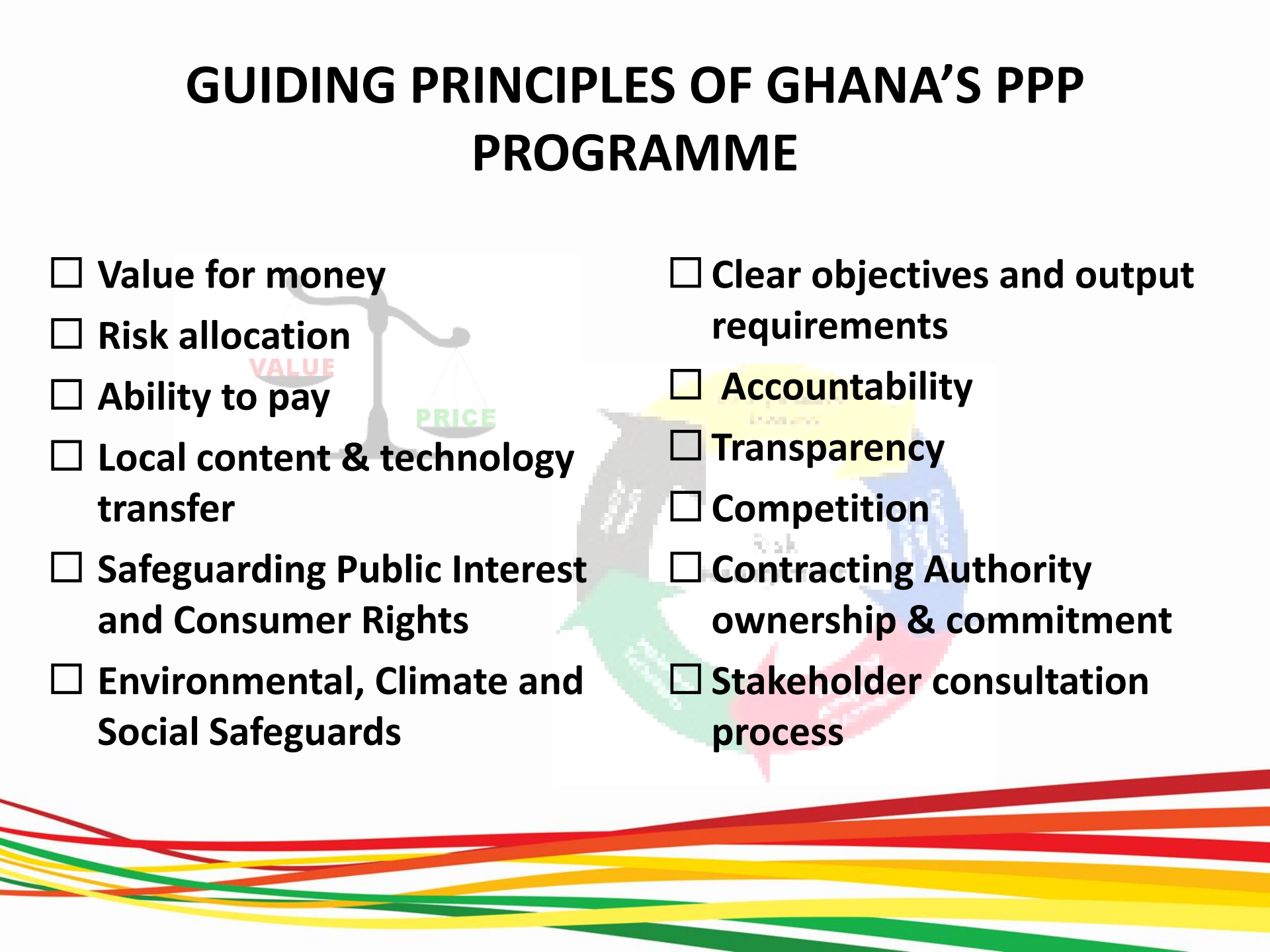
Objectives of Ghana's PPP Programme

- Leverage public assets and funds with private sector resources from local and international markets to accelerate needed investments in infrastructure and services;
- Encourage and facilitate investment by the private sector by creating an enabling environment for PPPs where value for money for government can be clearly demonstrated;
- Increase the availability of public infrastructure and services and improve service quality and efficiency of projects;
- Ensure attainment of required and acceptable local and international social and environmental standards
- Protect the interests of all stakeholders including end users, affected people, government and the private sector;

Objectives of Ghana's PPP Programme

- Set up efficient and transparent institutional arrangements for the identification, structuring and competitive tendering of PPP projects;
- Provide a framework for developing efficient risk sharing mechanisms;
- Encourage and promote indigenous Ghanaian private sector participation in the delivery of public infrastructure and services

GUIDING PRINCIPLES OF GHANA'S PPP PROGRAMME

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- Value for money
 - Risk allocation
 - Ability to pay
 - Local content & technology transfer
 - Safeguarding Public Interest and Consumer Rights
 - Environmental, Climate and Social Safeguards
 - Clear objectives and output requirements
 - Accountability
 - Transparency
 - Competition
 - Contracting Authority ownership & commitment
 - Stakeholder consultation process

Institutional Roles

Line Ministries & Municipalities

- ❖ PPP project owners;
- ❖ PPP teams;

National Development Planning Commission

- ❖ National Development Plans, etc

General Assembly of MMDAs;

- ❖ approving authority for PPP projects carried out by MMDAs;

Public Procurement Authority

Ministry of Trade & Industry

Cabinet

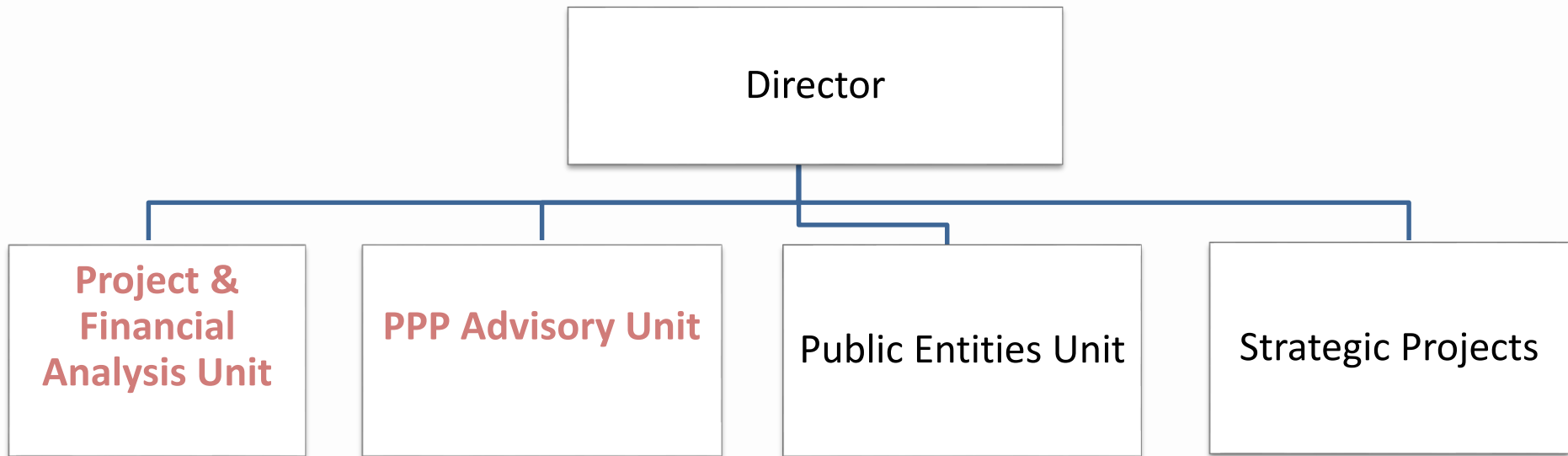
Parliament

Institutional Roles

- PPP Approval Committee**
- Attorney General's Department**
- Regulatory Authorities (e.g. Public Utilities Regulatory Commission, Water Resources Commission, Ghana Railway Development Authority etc.)**


ROLE OF MOF - PID

- Public Investment Division (PID) established in 2010 to take a lead role over the PPP Programme in Ghana;
- Has both ***Technical Assistance (advisory) & Regulatory Roles (gate keeping)***;




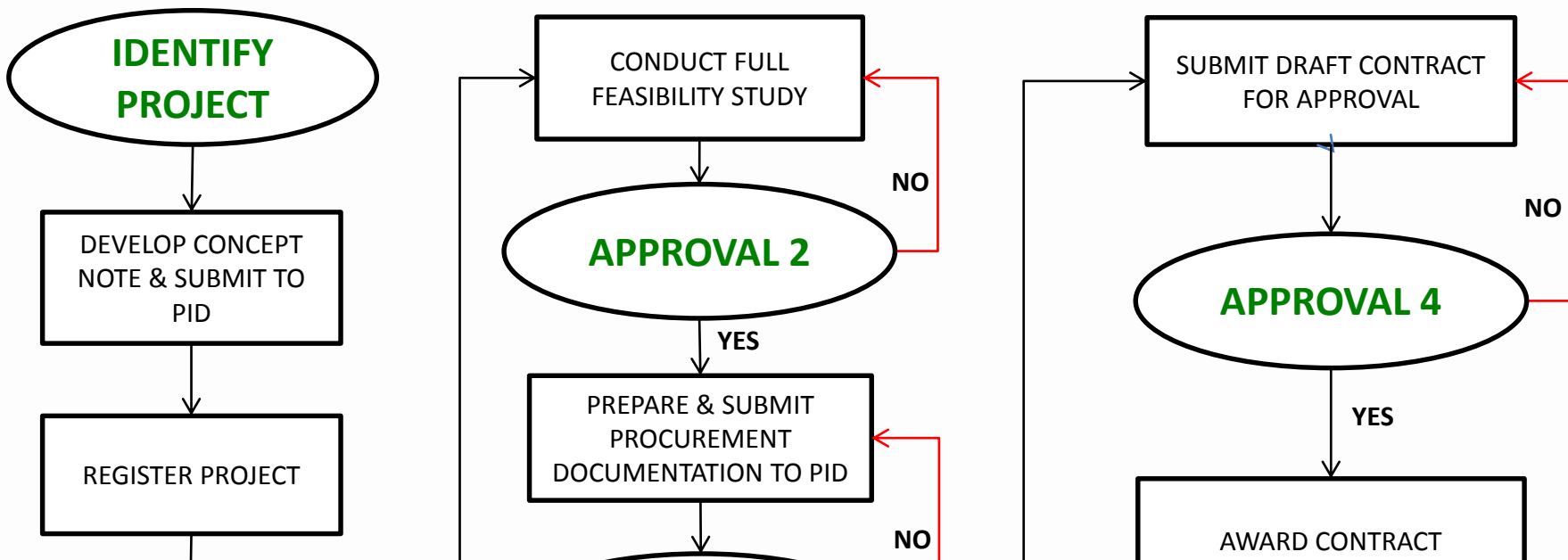
ROLE OF PID (cont.)

- **Technical Assistance:**

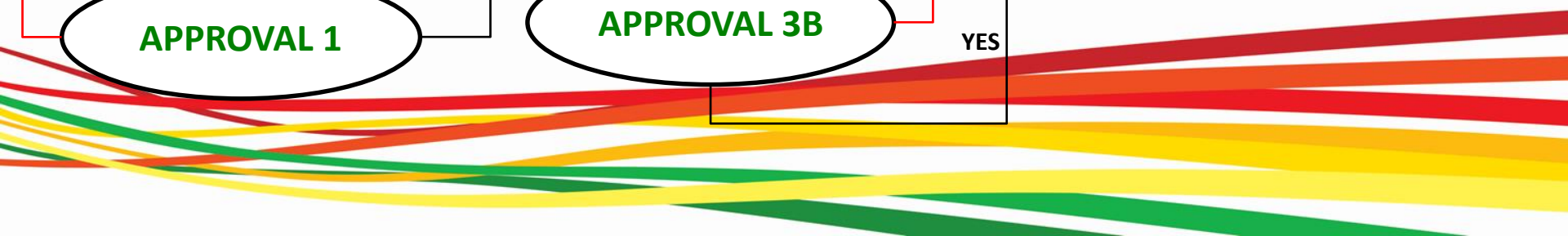
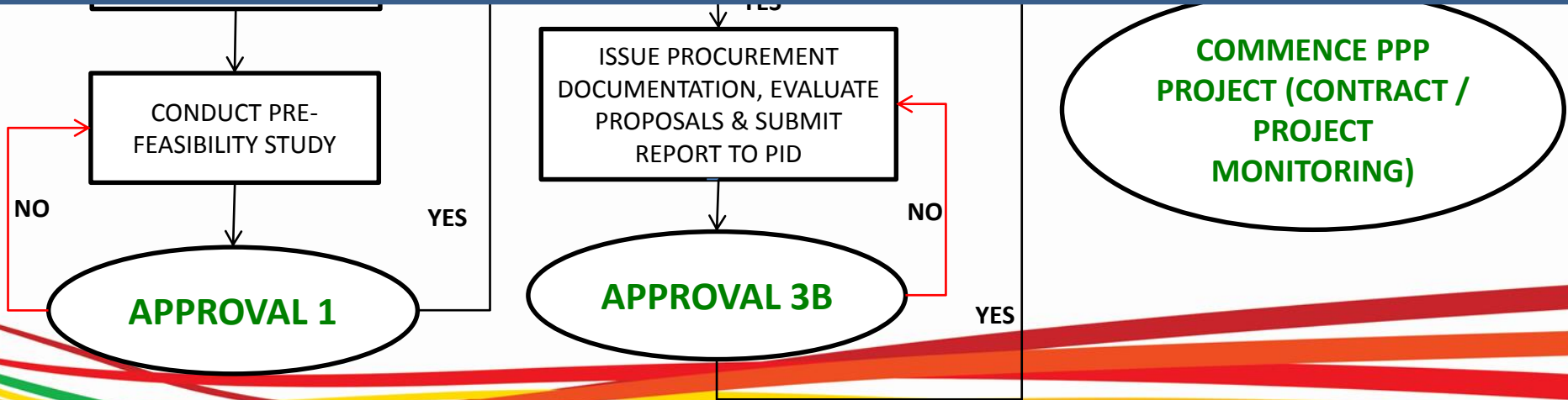
- Provide value added project development advice and project transaction support to MDAs, MMDAs
 - Promotion and Sensitization
 - Act as a centre of excellence for PPPs in Ghana
 - Build capacity in relevant public/private sector institutions
 - Assist MDAs, MMDAs & other Contracting Authorities in understanding approval requirements of the PPP process and developing necessary documents for review
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ROLE OF PID (cont.)

- **Regulatory role:**
 - Serve as secretariat to the PPP Approval Committee
 - Review of fiscal impact and appropriateness of guarantees and other kinds of government financial support;
 - Screen PPP projects to ensure consistency with gov't policy;
 - Ensure compliance with administrative procedures, required contents of documents submitted, etc.;
 - Ensure adherence to good PPP procurement practices;
 - Broad value for money (net economic benefit to society) of PPP projects;
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PPP CYCLE



Unsolicited Proposal Definition

- Proposal made by a private party to undertake a PPP project (even where the project is identified in the approved Public Investment Plan or any such national/sectoral plans), ***submitted at the initiative of the private firm***
- Rather than in response to a request from a government MDA/MMDA through an open competitive tendering process.

Unsolicited Proposal Procedures

- **Step-One:**

- The private party or proponent first submits an unsolicited proposal in the form of an *initial business case* regarding the proposed project to the appropriate MDA or public contracting authority.

Unsolicited Proposal Procedures...

- **Step-Two:** The MDA shall review and establish that the Unsolicited Proposal:
 - a) is not currently on its list of investment projects already being considered
 - b) offers innovation in design and an innovative approach to project development and management
 - c) is consistent with the national development agenda
 - d) presents a new and cost-effective method of service delivery
 - e) is aligned with the MDA's policy priorities & long-term sector plans

Unsolicited Proposal Procedures...

- f) avoids onerous conditions upon government
- g) is in accordance with the guiding principles for PPPs as outlined in the National Policy on PPP
- h) any follow-up requirements for completeness of proposed further work.

Unsolicited Proposal Procedures...

- **Step-Three:** If the MDA decides to *reject the Unsolicited Proposal*, it must-
 - a) notify in writing the authorised representative of the Unsolicited Proposer that the MDA has rejected the Unsolicited Proposal
 - b) ensure that the MDA does not make use of any of the intellectual property or proprietary data in the Unsolicited Proposal
 - c) return to the Unsolicited Proposer all documents received in the Unsolicited Proposal including any copies of these documents.

Unsolicited Proposal Procedures...

- If the MDA decides to consider the Unsolicited Proposal, it must –
 - a) notify in writing and accompanied by the initial business case prepared by the private proponent as well as the MDA's review mentioned in Step-Two register the project with MOFEP's PID confirming the decision & reasons for consideration of the Unsolicited Proposal
 - b) proceed to step five.

Unsolicited Proposal Procedures...

Step-Four: Following the decision to consider the Unsolicited Proposal, the MDA shall request in writing, the private party or proponent to undertake a full feasibility studies including any such relevant studies for submission to the MDA.

Unsolicited Proposal Procedures...

- **Step-Five:**

- MDA shall recruit a TA to prepare a pre-feasibility & full feasibility studies from the perspective of government in accordance with the National Policy on PPP;
- Studies would be used as benchmarks to independently review the initial business case & full feasibility studies submitted by the private party as part of the Unsolicited Proposal.
- TA required to further assist the MDA to plan, structure and undertake a competitive procurement process that would include the Unsolicited Proposer.

Significant Process...

- **Buy-in and Leadership**
 - PPP “Champion” appointed
- **Policy**
 - A National PPP Policy approved by Cabinet in June 2011
 - Provides for the envisaged concept; PPP process, Roles and Responsibilities, PPP contract management, and Review
- **Legislation**
 - PPP Legislation currently under preparation
- **Institutional Structure**
 - Institutional structure for delivery of PPPs:
 - PID-Gate keeping functions(PFA Unit); Advisory support (PPPAU)
 - PPP Cell(s) at MDAs/MMDAs
- **Project Pipeline**
 - Project pipeline is gradually being built in the ports, roads, water, health, sports sectors

THANK YOU

