

**WORKSHOP ON PUBLIC PRIVATE
PARTNERSHIPS
FOR OFFICIALS FROM METROPOLITAN,
MUNICIPAL AND DISTRICT ASSEMBLIES**

**STRATEGIES AND PROCESSES IN SELECTING
TRANSACTION ADVISORS**


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Introduction

- Strong relationship between Infrastructure and National Development
 - Difficulty in raising the needed funding for infrastructure provision
 - Adoption of PPPs by Government in 2011
 - The need to prepare PPP projects very well
 - Hence the need for support from TAs
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Who is a Transaction Advisor

A PPP Transaction Advisor means a firm (or consortium of firms) appointed by a Contracting Authority, who has (or have) appropriate expertise and proven track-record to assist, advise and support the Contracting Authorities to undertake PPP project assessment, procurement and/ or conclusion of a PPP agreement. Transaction Advisors usually contain the following specialized skills:

- Project Finance (finance and legal aspects)
 - Financial and Economic Analysis
 - Risk assessment, Risk Mitigation, Risk Allocation, Insurance etc.
 - Environmental Assessment and Management
 - Project Management
 - Procurement Management
 - Relevant Sector and Engineering Expertise
 - Human Resources
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What does TAs do?

Advisors do the following;

- Undertake feasibility studies
- Assist in procurement transaction
- Assist in negotiations, commercial and financial close




Need for TAs


- The provision of infrastructure and services on PPP basis is a complex venture hence the need for Advisors
- The advisors can provide the requisite expertise and experience to ensure the success of the PPP programme
- They assist in preparing the project for the market




Need for TAs 2

- To gain from their experience in similar sectors and transactions
 - To gain access to regional and/ or global best practice (opportunity to develop local advisory market over time – starting from sub-contracting)
 - To mitigate against costly and avoidable mistakes
 - To add specialized technical strength to the public sector project teams
 - To enhance investor confidence – better structured and marketed projects would likely attract top-tier investor interest
 - To gain access to their network and contacts of key market players
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Skills and Experience

- ❑ The skills set of Advisors include the following;
 - **Economic** – Knowledge of economics and especially regulation, pricing and the incentives created by different markets and industry
 - **Financial** – Knowledge of the process of introducing the private sector, the sale or lease of infrastructure assets and the impact of reform decisions on the ability to attract private finance
 - **Legal** – Knowledge of both the local legal framework and best international practice in the drafting of legislation and contracts
 - **Technical** – Knowledge of the engineering, operational and other technical aspects of the infrastructure sector in question, including the ability to divide assets both horizontally and vertically. Engineers will also advise on the condition of existing assets, rehabilitation need and new investment requirements
 - **PPP procurement**: Knowledge in procurement processes and practices
 - **Environmental and Safeguards** – Knowledge of the environment and social issues related to the project under consideration.
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Features of Good Transaction Advisors

- Experience in similar transactions
 - Protection against costly, avoidable mistakes
 - Access to national and international best practices
 - Technical strength to the institution's team
 - Enhancement of investor confidence
 - Opportunity for skills development among government officials
 - Single point of accountability for getting the job done well and on time
 - Opportunity to grow PPP transaction experience in the Ghanaian PPP Market
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Advisors and success of projects

- Private sector participation depends on investors' confidence in both the country and the government
The role of Advisors will have an impact on whether potential investors decide to invest or not.
Appropriate selection and use of Advisors builds confidence in the PPP Process by;
 - **Demonstrating the existence of transparent and fair selection processes from an early stage**
 - Attracting Advisors with a strong reputation
 - Introduction of a well-designed PPP Programme
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Key Issues

- The key issue in successfully managing Transaction Advisors is to focus on their outputs and deliverables, and linking their compensation to the quality and quantity of their deliverables (compensation for each milestone would be a pre-defined percentage of the total Transaction Advisor compensation)
 - The evaluation criteria for selecting Transaction Advisors is key to ensuring that you get quality Advisors. Besides firm experience, one needs to make sure that demonstrably experienced and qualified team members are being proposed (individual experience as important as firm experience, if not more) and that they have explicitly committed to the required time and on-ground presence for the project
 - The Transaction Advisors can be paid a success fee. Some jurisdictions simply call the final payment as the 'success fee' with the deliverable being the signed PPP agreement. Having the private partner/ concessionaire bidders pay as condition of contract effectiveness is always a good idea. In larger more complex transactions where negotiations can drag on, the bid would include 'x' days of negotiations as part of the lump sum with additional fee over the cap that is effort/ time based
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Key questions to consider before selecting Advisors


- Do I need an Advisor?
 - Is it worth appointing an Advisor?
 - How can I raise money required to hire an Advisor
 - Do the benefits of PPPs outweigh the costs of Advisors?
 - How can I ensure that good Advisors are interested in providing good services?
 - How do I determine which Firm is the best for my needs?
 - How should I manage and oversee the Advisor you hire?
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Selecting Advisors

- **Best practice indicates that the selection of Advisors should be guided by the following;**
 - **Transparency** – It eliminates doubts about the quality of the final winning team
 - **Fairness** – All parties should be treated equally
 - **Cost-effectiveness** – Costs should be minimised without sacrificing quality
 - **Freedom from conflicts of interest**- The process should avoid actual and perceived conflicts of interest



Selecting Advisors 2

- **Develop Terms of Reference** – This should include a background, objectives, scope, conduct of the work, expertise (PPP Expert, Legal Project Finance Specialist, Economist, Engineer, Planner, Environmental and Safeguards Specialist, duration, supervision, reporting schedules etc.
 - **Advertise for Expression of Interest** – To receive varied EOIs
 - **Evaluate the Expression of Interest** – Set up a neutral panel to undertake the task
 - **Select Preferred Bidder** – The selection should be based on the evaluation report
 - **Negotiate with Preferred Bidder** – To discuss and agree on the terms,
 - **Award Contract to Preferred Bidder** – Award the contract and sign the agreement for the assignment
 - **Manage the Advisory contract** – To be done effectively by the Contracting Entity (i.e. the MMDA, MDA or any other Public Entity)
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Questions!!!
Clarifications!!!
Contributions!!!

THANK YOU

