

GHANA PPP WORKSHOP

PROSPECTS FOR PPP IN INFRASTRUCTURE (ROADS SUBSECTOR)


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Areas of Discussion

- Objectives for PPP
- Legal and Regulatory framework
- Institutional Arrangements
- Human Resource Capacity
- Scope of Services , Project Identification and Preparation
- Challenges

Objectives for PPP

- Access to private financing for infrastructure
 - Improved levels of public service delivery
 - Enhanced management and maintenance of public facilities
 - Innovation, technology and skills transfer
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Legal and Regulatory Framework

- There is no umbrella legislation for PPP in Ghana.
- The Policy Guidelines for the Implementation of PPP in Ghana remains an administrative document with no legislative support.
 - It however provides for the use of the existing laws on public procurement
- The Public Procurement Act does not cover procurement under PPP.
- The principle of transparency, fairness, integrity and accountability.

GOVERNMENT OF GHANA

**MINISTRY FOR PRIVATE SECTOR
DEVELOPMENT AND PSI**

**Policy Guidelines For The Implementation
Of Public-Private Partnerships In Ghana**



Legal and Regulatory Framework

- Existing legislation covering commercial dealings with Government such as;
 - the Loans Act, Tolls Act, Constitution of Ghana, Financial Administration Act, ++
 - Respective legislation establishing the Agencies
 - Ghana Highway Authority Act 1997, Act 540
 - Driver Vehicle and Licensing Authority Act)
 - Entities established under the Companies code (Ghana Railway Co Ltd, Ghana Airport Co. Ltd,)

Legal and Regulatory Framework

- The use of existing legislation in some instances poses difficulties/ ambiguities which have to be removed:
 - GHA Act and the Road Fund Act.
 - Collection of tolls by a concessionaire and the GHA and Road Fund Acts
 - Ability to fix tolls on a PPP road project and the provisions of the Tolls Act

Legal and Regulatory framework

- Regulation by contract
- In the absence of institutions, Ministries have assumed the role of regulators

Institutional Arrangement

- The Legal framework will also define the institutional arrangement for undertaking the PPP process.

- The Guidelines:
 - Encourages wide consultation
 - Requires that Approvals be obtained from relevant Tender Boards
 - Parliament where tax exemptions are required
 - Project approval from appropriate authority

Institutional Arrangement


➤ Pertinent issues:

- What is the process for project identification, who should be involved?
- Role of key institutions such as:
 - MoFEP, (Project Financial Analysis Unit)
 - Ministry of Justice
 - Public Procurement Board
- Are the current procurement structures adequate?
- Are additional levels of approvals required during the procurement process?

Human Resource Capacity

- Capacity is required at:
 - Project Identification and Preparation
 - Procurement process
 - Contract management
 - Contract monitoring and evaluation
- There exist a nucleus of a PPP Unit in the road subsector - not adequate
- PFA Unit in the MoFEP
- Transaction Advisors

Scope of Services in the Road Sub sector

- Provision of transport infrastructure and services
 - Construction (trunk roads, bridges, bus terminals, car parks)
 - Maintenance (periodic and routine maintenance of the facilities)
 - Operation and Maintenance (infrastructure and services s.a bus companies)
 - Financing
 - All of the above
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Scope of Services in the Road Sub sector

➤ PPP Options

- Service contracts
- Management contracts
- Build Operate Transfer (BOT)
- Rehabilitate Operate and Transfer (ROT)
- Maintain Operate and Transfer (MOT)

Project Identification and Preparation

- Project identification currently rests with the Implementing Agencies and their respective Ministries
- Pre/Feasibility studies have been undertaken (e.g Accra-Cape Coast trunk road, Ghana Roads Concessionary Study)
- In the absence of prepared projects, unsolicited proposals abound

Project Identification and Preparation

➤ Road Projects

- Break-even traffic on asphaltic concrete roads
 - MOT : 1350 – 2070 vpd
 - ROT : 9000 – 10,700 vpd
 - BOT : ~ 23,500 vpd (12,750 @ 2 US cents per km for cars)

Road Projects

➤ Assumptions:

- 1 US cent per km
- 3.5 US cents per km for medium vehicles
- 7 US cents for heavy vehicles
- 12% interest rate, for 3-5 years
- Debt :Equity ratio of 50:50 (70:30 for BOT)
- Rate of return on equity, 25%
- Concession period of 10-20yrs (ROT, MOT)
- Concession period of 30yrs (BOT)
- Traffic growth rate of 5% per annum

Source: Ghana Concessionary Study (PWC)

| Item No. | Project Description | PPP method | Status | Transaction Advisor/ Funding |
|----------|--|--------------------|-----------------|---------------------------------|
| 1 | Accra – Kumasi Trunk road | BOT | In progress | PwC |
| 2 | Various road segments s.a Tema-Akosombo, Kumasi-Mampong Yamoransa-Anwiankwanta | MOT, MOT ROT | | |
| 3 | Service delivery for BRT for UTP (provision of rolling stock and management) | ??? | Yet to commence | IDA |
| 4 | Development & Mgmt of car park in the Ministries Area (MWH&WR) | BOT | Advertised | ??? |
| 5 | Service delivery for Vehicle inspections, testing and vehicle emissions (DVLA) | | | |
| 6 | Collection of road and bridge tolls | Mgmt | In progress | |

Challenges

- Current tolling regime – rates are low
- Legislation on fixing toll rates
- Traffic volumes – data on traffic volumes
- Acceptance
- Affordability
- Delays in payment – PPP support fund
- Unsolicited Proposals – Value for money assessment

THANK YOU



- The Ghana Road Fund Act 536 was enacted in 1997 and has been mandated to, ‘arrange for the collection of monies assigned to the Fund’.

- Legislation allows the GHA to,
 - ‘negotiate concession agreements with private sector entities to enable them finance, build and operate selected trunk roads as toll roads under conditions to be agreed with the Ministry’.

- Ghana Ports and Harbors Authority; established under PNDC Law 160 of 1986 with responsibility to plan, build, develop, manage, maintain, operate and control ports in Ghana.

- Current legislation requires GPHA to wholly undertake all services and also permits GPHA to,
 - ‘enter into any agreement with any person:
 - (i) for the supply, construction, manufacture, maintenance or repair by that person of any property which the Authority may require; and

 - (ii) for the operation or provision of any port facilities which the Authority by this Law is empowered to operate or provide;

ROAD FUND REVENUES (1996-2000) in US\$

| | 1996 | 1997 | 1998 | 1999 | 2000 | TOTAL | % |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-----|
| Fuel levy | 34,160,154 | 44,167,263 | 72,927,278 | 69,819,508 | 42,499,690 | 263,573,894 | 92% |
| Veh Reg Fees | - | - | - | 4,115,990 | 1,630,624 | 5,746,613 | 2% |
| Road Use Fees/Veh. Exam fees | 1,075,132 | 940,205 | 3,213,744 | 2,731,300 | 1,634,456 | 9,594,838 | 3% |
| Road & Bridge tolls | 964,713 | 1,562,532 | 2,150,737 | 2,128,960 | 1,724,514 | 8,531,456 | 3% |
| Int. Transit fees | - | - | 8,240 | 204,242 | 120,716 | 333,198 | 0% |
| | 36,201,996 | 46,671,997 | 78,301,998 | 79,001,999 | 47,612,000 | 287,789,990 | |