



Effective project preparation – the launchpad to effective PPP projects in Ghana

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The recent spurt of PPP pipeline projects in Ghana is an encouraging reflection of the increasing engagement between the public and private sector to meet the country's significant infrastructure challenges. The range of projects being explored in the ports, transport, healthcare, markets and other infrastructure sectors should result in a marked improvement in the country's infrastructure landscape in the near future. The potential for the current pipeline and future projects to effectively attract local and international private sector investors and development depends on our ability to effectively prepare and package these projects.

Many infrastructure projects across the African continent often fail to move beyond the conceptualisation phase of the project development cycle; this points to a need for improved project preparation. **'Project preparation'** is a process which comprises the entire set of activities undertaken to take a project from conceptualization to actual implementation. Effective project preparation can assist in alleviating the African infrastructure backlog by improving the number and quality of projects in the pipeline. Hence, in order to improve infrastructure development in Ghana and across the continent, a renewed focus on project preparation is required.

Project preparation can be broadly delineated into two categories – project development and project appraisal. Project development relates to the set of activities spanning the generation of a project concept through to formalising this in an initial concept note and securing approval from the Public Investment Division (PID) at the Ministry of Finance to proceed with further preparation of the project as a potential PPP project. The project concept should capture the project background and objective and outline a summary description of the technical, financial, institutional and socio-economic components of the project. Importantly the project concept note should include an initial list of the important stakeholders and possible risks to the project getting out of the blocks. Developing the project concept serves as the first screening tool, both for the project sponsor and PID to critically assess the potential for attracting private sector investment into the project.

The heart of project preparation involves the project appraisal. The appraisal process, which entails a detailed technical, financial, legal and economic assessment of the proposed project, aims to thoroughly evaluate whether there is value to both the public and private sector in collaborating to finance and implementing the project. For the public sector, value means that the provision of a public sector function by a private party results in a net benefit to the public sector, defined in terms of cost, price, quality, quantity, risk transfer, or a combination of these. For the private party, the value generated is essentially a financial return commensurate with the risks undertaken by the private party in designing, financing and operating the infrastructure service.

Project preparation is a complex process and involves inputs from several key stakeholders such as governments, domestic and international financiers and technical specialists, as well as specialised project preparation facilities. Essentially however, the responsibility for project development rests with the MDAs and MMDAs that originate the project. Whilst usually seen as a laborious process aimed at 'ticking the boxes', an effectively development project concept and appraisal will ensure that a well packaged and bankable project is taken to the market for private sector investment.

While project preparation is generally accepted as valuable best practice, it is often ineffectively carried out, or circumvented for a variety of reasons, mostly linked to capacity and resource constraints. Most public sector institutions lack the technical capacity in-house to effectively develop and appraise their project concepts. This is worsened by financial constraints limiting their ability to engage external technical experts to prepare their projects for private sector investment.

Beyond the stumbling blocks of technical and financial capacity, it is important to narrow in on one element crucial to maintaining the recent momentum in developing PPP projects in Ghana and other African countries – political support. Over and above the implementation capacity of government agencies, political commitment is the key to a successful project preparation process. Strong political commitment at the level of the national government, and equally strong bureaucratic support within the sponsor government agency, are necessary conditions for successful project preparation.

It has been encouraging to observe the commitment of the National Government, MDAs and MMDAs to enhancing their technical capacity to identify, prepare and implement PPP projects. The 3rd Global PPP Conference was one such successful initiative targeted at developing the technical capacity of MDAs and MMDAs for PPP project development. This is a commendable push in the right direction, and with further initiatives to enhance the financial capacity, coupled with strong political commitment, the future landscape of PPP projects should reflect well prepared, bankable projects that will attract private sector investment.

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