Report Number : ICRR0021544

1. Project Data

Project ID	Project Name
P125595	Ghana - PPP Project
Country	**Practice Area(Lead)**
Ghana	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-50970	31-Aug-2016	19,529,108.38
Bank Approval Date	**Closing Date (Actual)**	
27-Mar-2012	30-Jun-2018	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	30,000,000.00	0.00
Revised Commitment	21,975,388.10	0.00
Actual	19,529,108.38	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) was to support the Recipient's efforts to improve the legislative, institutional, financial, fiduciary and technical framework to generate a pipeline of bankable public private partnership projects (Financing Agreement [FA] dated November 22, 2012, p. 5).

At appraisal, this was designed to be a two-phased Adaptable Program Lending (APL) initiative to enhance Ghana's infrastructure and social services through a program of Public Private Partnerships (PPPs), with the objective of leveraging greater volumes of private sector investment in infrastructure provision. Since the World Bank discontinued APL as a financing instrument in June 2015, the second phase did not take place.

There were two restructurings of the project. There were no changes to the PDO in the restructurings, although the results frameworks were changed.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

Component 1: Institutional, Fiduciary, Legislative and Financial Capacity Building: Appraisal estimate US$10 million; actual cost US$10 million.

This component had 5 parts, which were:

- Develop the capacity of the Ministry of Finance and Economic Planning (MoFEP) and other ministries, departments (MDAs) and Metropolitan, Municipal District Assemblies (MMDAs) to identify, assess, develop, implement and manage PPP transactions. This would include: (a) developing the capacity to fully analyze potential projects; (b) developing the capacity to manage and monitor PPP performance; (c) provide training; (d) build the capacity of the private sector for PPP engagement through outreach; and (e) develop in house capacity and operating procedures that would develop projects that were not financially self-supporting, but which were in line with the national development agenda, through the implementation of a Viability Gap Scheme (VGS) that would "operate according to standard operating procedures and guidelines issued for VGS managers and user/beneficiaries." (PAD, p. 83). The VGS would provide rule-based incentives for projects of this type.
- Facilitate the development of PPP legislation
- Develop a framework within MoFEP that would be capable of effective management of fiscal commitments and contingent liabilities for PPP projects
- Enhance the capacity of the Bank of Ghana to undertake fiduciary assistance and to provide operating procedures that would enable it to fulfill its envisaged role as the apex manager that would, among other things, select prospective financial intermediaries that would be recipients of a proposed financial intermediary loan
- Assist with the development of long-term financing capacities and financial instruments to fund infrastructure, which would include bond and equity market development as well as the capacity to undertake due diligence for a potential infrastructure financing facility.

Component 2: PPP Pipeline Preparation and Transaction Advisory Support: (Appraisal estimate US$10 million; actual cost, US$10 million).

This component would develop a commercially viable “government backed pipeline of competitively bid PPP projects and bring them to financial close” (FA, p. 6) through:

- Providing upstream advisory services, including due diligence on safeguards to MDAs and MMDAs for “First Mover PPP Projects (FA. P. 6).
- Providing advisory and technical upstream support on PPP development resulting from unsolicited PPP bids;
- Assisting the Public Investment Division (PID) of the MoFEP to develop a PPP development facility to provide funding for the preparation of PPP projects and advisory services.

Component 3: Project Management and Monitoring & Evaluation: (Appraisal estimate, US$1.5 million; actual cost US$1.5 million)
This component would develop and strengthen the capacity of the PID to implement and manage the project, which would include creating a comprehensive M&E system that would track project effectiveness and assess the development impact of the PPPs that had been developed through the program.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

a. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost: The original amount of the loan was SDR19.4 million (US$30 million equivalent); the revised amount in the first restructuring was US$21,975,388 and the actual amount disbursed was US$19,529,108, or 65% of the total.

Financing: The project was financed by an IDA credit.

Borrower Contribution: The borrower did not contribute.

Dates: The project was approved on March 27, 2012 and became effective on December 26, 2012 with an original closing date of August 31, 2016. It was restructured twice. The first restructuring was on July 9, 2015, when there were changes to the intermediate results framework and the loan closing date was extended to February 28, 2018. The project was restructured again on November 8, 2017 when there was an additional change to the intermediate results framework and the loan closing date was further extended to June 30, 2018, which was the actual closing date. The World Bank did not accede to a request by the Government of Ghana for a further two-year extension of the project.

3. Relevance of Objectives

Rationale

The Project Appraisal Document (PAD) states (p. 5) that up to the time of the project, most PPPs in Ghana had emerged from proposals that had not been solicited, had been primarily through divestures, and had been concentrated in the telecoms sector, arguably one of the less challenging sectors for undertaking PPPs. Additional PPPs had been undertaken in the energy sector. In terms of value, 67% had been accounted for by telecom PPPs and 32% by energy, with the total amount of PPP investment being equivalent to 15% of GDP. The Country Partnership Strategy (CPS) for FY2013-FY2016 points out that in 2010-2011, there had been a successful PPP for a fertilizer import program, which had involved payment of a subsidy to fertilizer importers. The program raise fertilizer use by “commercially viable” farmers that had increased their productivity. World Bank involvement in these projects was limited.

The PAD (p. 20) states that Ghana faced a very large infrastructure gap, which it estimated to be some US$1.5 billion per year, or about 5% of GDP in 2008. Deficiencies existed in almost every area, including electricity generation, a dysfunctional railway system, and a poor road network. Provision of the required funding was beyond the capacity of the state, and it was the government’s view that a project based on PPPs was “both timely and appropriate” (ICR p. 14). At appraisal, it was in accordance with key policy documents such as the Government Coordinated Program for Economic and Social Development, for 2011 – 2014. It was also in accordance with the World Bank CPS for FY2013 – FY2016, which had as an outcome indicator that by 2012, at least 3 PPPs would be established. One of the pillars of the CPS was improving economic institutions, which is broadly in accordance with developing a framework for PPPs. However, this pillar in the CPS places greater emphasis on improving SOEs, which it described as providing “poor service delivery, financial losses, and debt accumulation”. The CPS does not, however, link SOE reform with PPP creation as a solution to these problems. The ICR states (p. 11) that “with hindsight, the project should have been more strongly linked to the SOE reform program”.

There is no discussion in the CPS, nor in the PAD of the complexity of many PPP transactions, particularly within the context of limited capacity within government to prepare, execute and manage PPP projects. While capacity building technical assistance was to be provided, executing PPPs is challenging as noted in the PAD.

Since a new Country Partnership Framework has not yet been developed, the project at closing remained consistent with the goal of developing at least 3 public private partnerships in the FY2013 – FY2016 CPS. Although the ICR (p. 10) indicates that the PDO was relevant, it downgrades the overall relevance of objectives on the grounds that the indicators are poorly designed. While this is the case, the issue of poor indicators should have been addressed in the efficacy and monitoring & evaluation sections (See Section 4, below), not the relevance of objectives.

Given that Ghana has a very large infrastructure deficit and that PPPs are a suitable vehicle for addressing this, relevance of objectives is rated substantial.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
The objective of the Project was to support the Recipient's efforts to improve the legislative, institutional, financial, fiduciary, and technical framework to generate a pipeline of bankable public private partnership (PPP) projects. For the purposes of this assessment, the five complementary activities -- related to legislative, institutional, financial, fiduciary, and technical improvements -- comprise the project's outputs. Given critical governance and political support assumptions (see Figure 1, page 8 of the ICR), outputs from these five activities working together would causally lead to the achievement of the over-arching objective of generating bankable PPPs.

Rationale
Objective 1
The theory of change associated with the PDO is that successful bankable PPPs require a framework that contains the five key factors mentioned above, designed to work together and be mutually supportive in providing a strong framework for PPPs, which usually are undertaken over lengthy time periods. Thus, one aspect of the foundation of the theory of change is that the rights and obligations of both the government and the investor need to be clearly defined as do the legal processes and responsibilities for initiating and developing a PPP project. A strong framework for PPPs requires clear guidelines for project tendering, evaluation and awarding of PPP contracts, which would lead to the pipeline of "bankable" PPP projects. This can be undertaken most effectively through a sound legal framework.

One of the 3 outcome indicators was that a PPP law be enacted. This did not occur. A draft PPP Bill and draft PPP regulations were submitted to Cabinet on four occasions (in 2014, 2015, 2017, and 2018). Since the criteria for the adequacy of the law were not specified in neither the outcome indicator, nor in the output indicators, exactly what constitutes improving the legal framework could have lead to the withdrawal of the PPP bill. This would explain at least partly the withdrawal of the law that had been submitted to Cabinet in 2014 when reform enthusiasm was at its highest. The Borrower's ICR (p. 47) states that the main factor causing the delays and limited progress was the desire by the World Bank and other stakeholders to ensure first that the law was adequate as a robust foundation for PPP transactions.

Problems with passing the legislation continued. Although the Cabinet approved a PPP bill that was then submitted to Parliament in 2016, it could not be passed before Parliament was dissolved while elections occurred and the ICR (p. 12) points out that “during the entire duration of the project, PPP projects were thus initiated and prepared without the benefit of a robust legal framework."

Another outcome indicator was that PPP regulations associated with the legislation be passed. This also did not occur because of the failure to pass the legislation. Furthermore, having the PPP law and the regulations as separate outcome indicators was a serious design flaw (see Section 9, M&E for more discussion.)

The intermediate indicators were that the PPP Bill would be submitted to Cabinet and that draft regulations would be submitted to Parliament. The first of these was achieved as stated above – the Bill was submitted to the Cabinet 4 times. The second indicator appears to be a case of “putting the cart before the horse.” Submitting regulations to Parliament for a Bill that had itself not been submitted to Parliament is not meaningful. Furthermore, government has no control of the legislature; making the passage of the legislation a prior action would have been preferable.

One of the complementary aspects to the legal framework was a sound institutional framework, that would support PPPs. A key part of creating a robust institutional framework for PPPs is the establishment of a PPP unit that is responsible for selecting project ideas initiated by government departments, state-owned enterprises and the private sector. Typically, such units undertake an initial screening and then shepherd approved projects through to the contract structuring stage. This was partly achieved – an intermediate indicator was the “establishment and operationalization of a PPP approval committee” (ICR, p. 16), which was accomplished by mid 2016. However, the next stage, that the unit achieve the capacity to shepherd approved projects to contract, appears not to have occurred. This is confirmed by the failure to achieve the PDO outcome indicator related to a project pipeline, namely that Expressions of Interest (EOIs) are issued for prospective sponsors or concessionaires for three PPP transactions after due diligence. This indicator was put in place because of the World Bank requirement that the due diligence stage be completed prior to the EOI being issued. By project end, two had been completed. The ICR (p. 12) points out that eight PPP transactions had been supported by the project up to the pre-feasibility stage and that these potential transactions amounted to over US$3 billion. Nevertheless, problems surfaced in the form of procurement processes associated with one of the major components of the PPP pipeline, namely the Takoradi Port Integrated Terminal. The Ghana Ports and Harbor Authority terminated the competitive procurement process for the Terminal unilaterally, which constitute a “significant issue for the project” (ICR p. 11).

In terms of strengthening the financial framework for PPPs, it is not mentioned in the ICR and does not appear in high level indicators. This was at least partly because a second phase had been planned – the PAD (p.7) states “the second phase will build on Phase 1 outcomes by providing…catalytic financing through an innovative Financial Intermediary Loan and Viability Gap Scheme mechanisms to assist in bringing bankable transactions with high public priority to financial close”. However, beyond this, what constitutes an improved financial framework is not defined in either the ICR nor in the PAD.

A strong fiduciary framework has a robust place in the theory of change that results in promoting PPPs. While PPPs have the potential to improve productivity and efficiency, they also involve risks that could arise from unsuccessful projects, which could lead to the government having to assume fiscal obligations that arise from the contingent liabilities of a PPP project. The PAD notes (p. 4) that as Ghana expands its PPP program, it could incur potential fiscal commitments in the form of contingent liabilities. The national PPP policy required a system for allocating risk, which would be assessed by the Debt Management Division of the Ministry of Finance and Economic Planning, through evaluating the fiscal sustainability of PPP projects.

The PAD recognized the need for the institutional capacity to deal with contingent liabilities and potential fiscal obligation of the government in the event that PPP operations were unsuccessful. To this end, the PAD specified that an intermediate results indicator involved the requirement that a Fiscal Commitment and Contingent Liability Framework be approved by the PPP Approval Committee. This issue is not discussed in the ICR, apart from including it in the intermediate results table (ICR p. 24). The establishment of the Framework was part of the original targets and the revised targets, but the ICR reports that it was not achieved by completion.

An additional component of improving the fiduciary framework for generating a pipeline of bankable PPP projects was the establishment of a Viability Gap Scheme (VGS) to assist in bringing PPP projects to fruition. The rationale for the scheme was that there were projects that had a high public priority, but the commercial potential of which required substantial initial capital expenditure in order to ‘bring them to market’, which could not be supplied by the private sector. The VGS would establish an operating framework that would assist in rectifying the financing gap. This was to be funded through Phase 2 of the project, which did not occur.

Creating a technical foundation for PPPs is an important part of an environment that promotes their use. Since PPPs in any particular sector are often large scale, frequently, the establishment of PPPs involves activities that are either monopolies or are oligopolies. Without a robust regulatory capacity, awarding PPPs could involve substituting a public monopoly for a private monopoly. A sound competition framework and an effective regulatory body are often prerequisites for effectively functioning PPPs. However, the technical framework issue does not appear in the ICR apart from (incorrectly) placing it as part of the PDO, nor is it defined. It is also not defined in the PAD and no indicators are defined to measure it so that it is not possible to evaluate any progress on this this aspect of strengthening the PPP framework.

Of the 3 outcome indicators for the project, passage of the PPP legislation did not occur, nor were PPP regulations created. The other outcome indicator was that EOIs be issued for prospective sponsors or concessionaires for three PPP transactions after due diligence, of which the ICR reports, two were achieved. With two of the three indicators not being achieved and one only partly achieved, and taking into account outputs achieved, efficacy is rated modest.

Rating
Modest

Rationale
The only objective for the project was rated Modest, thus overall Efficacy is rated Modest.

Overall Efficacy Rating
Modest

Primary reason
Low achievement

5. Efficiency

The ICR does not attempt to calculate a rate of return on the project because of the problems in measuring quantitative outcomes. One of the PDOs was to generate a pipeline of 3 PPP projects but this does not provide a meaningful data set because until the projects are actually underway, no comparison with either local or international data was possible. Therefore, a qualitative approach was undertaken, although the ICR does utilize some quantitative data. It utilizes 5 criteria; the value of project investment potential against project cost; the cost per project; the efficiency in disbursement; time overruns; and staff turnover. However, it is difficult to see the relevance of these criteria. Any measure of project investment potential is speculative, and no credible value can be assigned to the projects in the pipeline. The ICR (p. 14) estimated the value of all projects in the pipeline to be US$4 billion. However, only 2 projects met World Bank criteria for due diligence; the other projects were at various stages behind these in the approval pipeline.

Furthermore, estimating values from expressions of interest is little more than hypothetical. Therefore, the ratios of the value of project investment potential against project cost and the cost per project have little meaning. The efficiency of disbursement indicator, which shows that one third of the loan remained undisbursed is likewise of little relevance. Time overruns and staff turnover also gives no indication of value for money of this project. In any case performance under these criteria was poor.

The ICR (p. 15) rates the efficiency as Substantial but this rating is difficult to justify, even though the ICR states that the project's use of resources relative to the project pipeline is "in line with other PPP programs in Sub-Saharan Africa." (p. 18). Given the very modest achievements under the project, it is quite possible that the same results could have been achieved without the project, since the government was intent on undertaking PPPs as part of its policy.

Efficiency is therefore rated as negligible.

Efficiency Rating
Negligible

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

With sub-ratings of substantial for relevance of objectives, modest for efficacy, and negligible for efficiency, the overall outcome rating is unsatisfactory. The PPP law and regulations, which were meant to provide the institutional foundation for the project and for all future PPP transactions had not been passed by project closing.

a. Outcome Rating

Unsatisfactory

7. Risk to Development Outcome

There are significant risks to development outcomes. The problem with the lack of a robust legal framework is illustrated by the termination of competitive bidding process for the Takoradi Port project, which demonstrates the fragility of the PPP institutions in Ghana. Since several other projects were at critical procurement stages as the project closed, risks to development outcomes are substantial.

8. Assessment of Bank Performance

a. Quality-at-Entry

The ICR points out (p. 18) that at entry, World Bank focus appeared to have been on “the financial and commercial viability of PPP projects”, citing the focus on “bankability” of projects as evidence. The term is defined as the ability of the project to service its debt as specified in PPP contracts. The PAD also specifies commercial viability and investor returns as a key factor in the preparation of PPP projects. The ICR states that this might have led to social, environmental, and resource impacts being ignored as “key indicators of project success” and that “over-focus on a single parameter of financial or commercial viability led to uncertainty with respect to other elements”.

An additional implementation issue of substantial importance related to safeguards, which resulted in confusion regarding the relative responsibilities between the Bank and the Borrower and which placed the goal of mobilizing private sector participation in PPP projects at risk. Furthermore, as is discussed in the Safeguards part of Section 10, other serious problems emerged as the project proceeded because of non-compliance on the part of the Borrower.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

The ICR (p. 14) points out that "initial disbursement challenges" led to a 2 1/2-year delay in project implementation, although disbursements improved in the last 3 years of the project. There were 13 ISRs during the course of the project as well as a mid-term review that included an assessment by an independent PPP expert. The ICR (p. 18) identifies 2 specific issues with implementation:

- Once it was clear that the second operation would not occur as a result of a change in World Bank policy regarding APLs, the Bank initiated a review of alternatives, but decided not to proceed because of performance issues;
- The lack of clarity regarding safeguards and the respective roles of the Borrower and the Bank, discussed in the design section, resulted in substantial issues and disagreements with respect to certain projects.

The ICR (p. 15) also points out that both World Bank and Borrower staff turnover was high. There were delays in the recruitment of key personnel on the part of the Government and over the period of the project. On the Bank side, there were several TTLs which contributed to inefficiency of supervision.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

ICR p. 16 states “The PDO-level results indicators as well as the intermediate-level results indicators were well designed and required simple tracking and performance reporting templates.” This statement is difficult to reconcile with the fact that outcome indicators did not fully relate to the PDO and were seriously inadequate. Furthermore, the results framework for the project had minimal data requirements, that did not allow for effective tracking of progress. The ICR points out (P. 16) that in terms of design, there should have been and indicator to identify progress on strengthening capacity of the PPP counterparts.

b. M&E Implementation

The Ministry of Finance and Economic Planning was responsible for project monitoring, reporting and evaluation.

M&E implementation failed to identify problems that arose during the project as a result of the cancelling of the second phase. Until the final two ISRs, issues of implementation that resulted in the failure to achieve the outcome indicators were not flagged. The ICR (p. 16) also states that no beneficiary assessments were undertaken other than routine monitoring information.

c. M&E Utilization

The ICR points out (p. 18) that although weekly reports were submitted, which met the formal M&E requirements, there was no evidence that any of the information collected was utilized to identify issues that emerged as the project progressed, nor was any of the information collected utilized to strengthen project implementation.

M&E Quality Rating

Negligible

10. Other Issues

a. Safeguards

The safeguard categories triggered by the project were:

- Environmental assessment (OP/BP4.01) Category A
- Involuntary resettlement (OP/BP4.12)

The poor compliance with the project's safeguards compliance framework for the project gave rise to additional problems. Issues arose with respect to the project's environmental and social management framework as well as the resettlement policy framework. The ICR observes (p. 17) that implementing Ministries, Departments and Agencies had poor appreciation of Bank safeguards requirements and there was a lack of capacity within the project unit to engage in safeguard issues. The ICR states (p. 17) that these issues raised "serious reputational and implementation risks for projects that should have been identified and to some extent mitigated, earlier in the project preparation process."
There was no evidence provided in the ICR regarding gender impact, nor was evidence provided on poverty reduction and shared prosperity.

b. Fiduciary Compliance

While there were not reported instances of lack of fiduciary compliance, the unilateral withdrawal of the Takoradi Port Integrated Terminal from the competitive procurement process by the Ghana Ports and Harbor Authority constituted a significant fiduciary issue.

c. Unintended impacts (Positive or Negative)

No unintended impacts were identified.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Unsatisfactory	With substantial relevance of objectives, modest efficacy, and negligible efficiency, overall outcome is unsatisfactory, in line with the Bank's ICR preparation guidelines dated September 27, 2018, Appendix H, page 38.
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---

Quality of M&E	Modest	Negligible	The M&E framework had poorly designed indicators and did not effectively track progress, nor was it used.
Quality of ICR		Modest	---

12. Lessons

The following lessons are taken from the ICR with some adaptation of language:

- Vested interests often oppose PPP projects, which suggests that there needs to be substantial focus on SOE reform and regulation at project outset. Strong links between SOE reform and PPP reform are necessary.
- If a law is essential for project completion, analyzing political economy issues at the outset raises chances for success, especially in those projects involving difficult areas, such as PPPs .If such a law is essential for project implementation having it in place at the outset might be a precondition for proceeding with the project.

IEG adds an additional lesson.

- If multi-phase projects are anticipated, the first project is often designed with the follow-on in mind. If circumstances change and the follow-on is cancelled, major redesign of the first project is often warranted.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR contains useful information and project insights. However, the analytical content of the document is spotty because it fails to sufficiently identify key failings in the project, from design to implementation. Furthermore, discussion of outcome indicators and output indicators is inadequate and at times the ratings in the ICR do not match the narrative and the limited evidence provided.

a. Quality of ICR Rating

Modest