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Acknowledgements

The World Bank would like to acknowledge the kind assistance granted to them by the staff of the Public Investment Division and the Fiscal Decentralization Unit at the Ministry of Finance and the Ministry of Local Government and Rural Development.

We would also like to acknowledge Ga East Municipal Assembly for its participation as the selected district of the Pilot activity carried out as part of the project, as well as providing data for the assessment activity.

We must also thank staff at Accra Metropolitan Assembly and Tema Metropolitan Assembly for its participation and provision of data related to the assessment activity in this project.

Any errors of fact or interpretation are ours.

The World Bank
Acronyms/Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assemblies</td>
<td>Metropolitan, Municipal, District Assemblies</td>
</tr>
<tr>
<td>FDU</td>
<td>Fiscal Decentralization Unit</td>
</tr>
<tr>
<td>GoG</td>
<td>Government of Ghana</td>
</tr>
<tr>
<td>IGF</td>
<td>Internally-Generated Fund</td>
</tr>
<tr>
<td>LG</td>
<td>Local Government</td>
</tr>
<tr>
<td>LGCSP</td>
<td>Local Government Capacity Support Program</td>
</tr>
<tr>
<td>MMDA</td>
<td>Metropolitan, Municipal, and District Assemblies</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, Departments and Agencies</td>
</tr>
<tr>
<td>MLGRD</td>
<td>Ministry of Local Government and Rural Development</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>PAU</td>
<td>PPP Advisory Unit</td>
</tr>
<tr>
<td>PFA</td>
<td>Project and Financial Analysis Unit</td>
</tr>
<tr>
<td>PID</td>
<td>Public Investment Division</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>RTAT</td>
<td>Regional Technical Advisory Team</td>
</tr>
<tr>
<td>SSNIT</td>
<td>Social Security and National Insurance Trust</td>
</tr>
<tr>
<td>TMA</td>
<td>Tema Metropolitan Assembly</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
</tbody>
</table>
1 Context

1.1 Background to Project

Since the 1990s, the Government of Ghana (GoG) has increasingly transferred more powers and resources to its local governments through an elaborate decentralization process. Yet many local governments remain dependent on resource transfers from the center despite the substantial increase in local revenue potential, especially for urban areas, resulting from Ghana’s impressive economic growth over the past five years. A considerable number of the Metropolitan, Municipal and District Assemblies (MMDAs) are unable to collect the needed revenue and therefore have resorted to experimenting with Public Private Partnership (PPP) arrangements. In support, Ghana has adopted a comprehensive PPP policy that provides an institutional framework and processes for undertaking the establishment, management and oversight of PPPs for infrastructure development and services. A PPP Bill currently being prepared is under revision and expected to be presented to the Cabinet by July 2015.

There is an increasing trend among MMDAs of engaging private operators for the provision of public services such as property identification and property information management, property valuation, billing printing and dissemination, revenue collection, enforcement, appeals, and taxpayer service. Typical examples are found in Kumasi and Cape Coast Metropolitan Assemblies, where private operators have been involved in revenue collection, resulting in some gains in the overall revenues collected. However, there have also been situations where PPP arrangements have not been successful. Some Assemblies have been unable to adequately manage the poor performance due to the absence of appropriate guidelines for managing PPP collection of local revenues. Thus, the approach to managing PPP contractual challenges in local revenue mobilization in Ghana has been reactive rather than proactive.

With the on-going fiscal reforms, the Ministry of Finance (MoF) is eager to ensure that local governments realize the full potential of their local revenue mobilization operations. The MoF has sought World Bank support to develop appropriate operational modalities to regularize and deepen PPP arrangements for local revenue collection operations. In response, the Bank has established a Technical Assistance project through the Public Private Partnership Infrastructure Advisory Facility (PPIAF). The assistance fits into the larger reforms on local government public financial management that the Government is currently undertaking, led by the Fiscal Decentralization Unit (FDU) in the Ministry of Finance.

This study was designed to complement other revenue outsourcing work by reviewing and identifying best and worst practices in current MMDAs’ PPP arrangements, and developing a draft framework for local revenue mobilization and collection in line with Ghana’s National Policy on PPPs. The diagnostic work of existing practices is complementary to reviews of PPPs in revenue collection undertaken by USAID in the Western region.

The project is directly connected to Component 1 of Ghana’s Local Government Capacity Support Project (LGCSP) supported by the World Bank, which focuses on strengthening fiscal
decentralization. The component includes support to the Government to undertake work in five key areas of public financial management reform: (i) budgeting; (ii) reporting and auditing; (iii) revenue collection and management; (iv) asset management; and (v) social accountability. Establishing best practices in revenue mobilization would provide an important input into the development of reform strategies and new policies on PPPs for local revenue mobilization in Ghana. This would also be in support of the recently approved LGCSP, under which performance grants will be used to reward cities that are able to increase local revenue mobilization. The performance grants provide a strong incentive for cities to adopt such models as they would be able to leverage larger grants based on their revenue collection performance.

The project is also linked to Component 2b of the LGCSP, i.e., capacity strengthening of urban Local Governments (LGs). In particular, the framework will benefit from the Regional Technical Advisory Teams (RTATs) that are responsible for supporting the urban LGs in strengthening their performance in the five focus areas of the project as listed above.

1.2 Purpose of this Report

The purpose of this Report is to summarize the activities carried out as part of this project, capture the overall strategic objectives and operational objectives of the project, and indicate how they have been achieved. In addition, the Report summarizes the results, both intended and unintended, and related outcomes for each as a way to record the overall benefit and effect of the project.
2 Scope of the activity

2.1 Activities and Sub-Activities

The project included the following three core activities: (i) Assessment; (ii) Development of a Guidance Manual; and (iii) Implementation of a Pilot PPP.

Activity I: Assessment of Existing PPP Practices and Outsourcing Arrangements

(a) Assess existing practices of PPP arrangements in selected Assemblies to establish the general operating characteristics. The assessment was based on a combination of desk review and field assessment, taking into consideration available studies completed on the topic including the studies financed by the German Agency for International Cooperation (GiZ) and USAID in the Western and Central Africa regions, as well as existing data on revenue collection. The work included data collection in Accra Metropolitan Assembly (AMA), Tema Metropolitan Assembly (TMA), and the Ga East Municipal Assembly. The project team was also able to obtain a random selection of contracts between LGs and private sector companies from various MMDAs to assist with the analytical assessment of contractual practices.

(b) Establish current operating limitations and best practices in light of the existing policy, legal and regulatory framework (including the PPP policy). The analysis sought to identify the context and conditions under which these arrangements were established, procurement and contracting arrangements, and performance conditions and outcomes, based on governing contract arrangements and the lessons learned. Specifically, the analysis considered institutional models, contract management of PPPs, and revenue mobilization practices. The review also took into consideration the legal framework, including the new PPP policy.

(c) Conduct a national stakeholder workshop with presentation of the assessment findings. The workshop verified the findings of the assessment study and identified improved models, including lessons learned from international and regional practice on revenue collection by PPPs. Based on the findings and discussions at the workshop, appropriate policy, legal and regulatory reforms were identified for effective operation of long-term PPP arrangements.

Activity II: Development of a Guidance Manual for PPPs and Outsourcing

(d) Develop an appropriate guidance manual that integrates national and international best practices and the policy, legal and regulatory framework requirements of Ghana. The manual includes specific and practical steps on design, contracting and management of PPP models and is specifically targeted for MMDAs.

(e) Design and execute a national stakeholder session to validate and finalize the Guidance Manual. The stakeholder session involved national policy makers, private consulting companies, and central government staff.
Activity III: Pilot PPP
(f) In close collaboration with MMDA staff and the MoF key advisory group, the project team designed and supported the initial implementation of a pilot PPP arrangement for enhanced revenue collection as per the Guidance Manual in Ga East Municipal Assembly. The pilot provided an opportunity to give support to the Assembly to develop an implementation plan for a PPP project it had already begun to pursue.

2.2 Project Deliverables Schedule

2.2.1 Project Schedule
A kick-off meeting was held on May 14, 2014 with the Bank and representatives from the Ministry of Local Government and Rural Development (MLGRD), the Public Investment Division (PID) and the Fiscal Decentralization Unit (FDU) of the Ministry of Finance.

The inception report was delivered in draft on May 28, 2014 and in final form on June 25, 2014, after which the activities were implemented, according to the following schedule:

<table>
<thead>
<tr>
<th>Key Activity</th>
<th>Deliverable/output</th>
<th>Date delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stakeholder Workshop</td>
<td>July 30, 2014</td>
</tr>
<tr>
<td></td>
<td>Submitted Final Assessment Report</td>
<td>September 26, 2014</td>
</tr>
<tr>
<td></td>
<td>Validation Workshop</td>
<td>December 4, 2014</td>
</tr>
<tr>
<td></td>
<td>Start-up Implementation Support</td>
<td>February 4 – March 27, 2015</td>
</tr>
</tbody>
</table>

2.3 Project Audience

The audience of the project comprised three key stakeholder groups representing the Government of Ghana, and LG staff from the 216 MMDAs within Ghana. The three stakeholder groups representing the GoG were the Ministry of Local Government and Rural Development, the Fiscal Decentralization Unit, and the Public Investment Division from the Ministry of Finance.

This broad engagement model enabled the project to benefit from multiple perspectives, taking into consideration various interests in the project. This ultimately resulted in a more objective final deliverable, with wider stakeholder ownership.

However, operationally, having multiple stakeholders means coordination of multiple interests and schedules for the project presentations, etc. For this reason, and the necessary additional effort, projects involving multiple stakeholders should consider larger budgets for project implementation.

Each of the stakeholders is discussed below.
2.3.1 Ministry of Local Government and Rural Development (MLGRD)
MLGRD carries the portfolio responsibility for Local Government and is responsible for coordinating among and representing all MMDAs at the central government level. In the future, its role is expected to center more on local governments’ broader policy issues and legislation. At present, MLGRD seeks to support MMDAs throughout the development phase of the PPP process as a liaison and providing coordination among MMDAs and Ministries, Departments and Agencies (MDAs).

2.3.2 Fiscal Decentralization Unit, Ministry of Finance (FDU)
The Fiscal Decentralization Unit is mainly tasked with supporting MMDAs to become fiscally decentralized from – and therefore less reliant on – the central government.

2.3.3 Public Investment Division, Ministry of Finance (PID)
The Public Investment Division is the Government’s central facilitating PPP institution and supports the PPP process through two of its units: the PPP Advisory Unit (PAU) and the Project and Financial Analysis Unit (PFA). Every proposed PPP conceived, including those by MMDAs, is required to be registered with the PID.

(i) The PFA: The role of the PFA is gatekeeper, performing the financial assessments that determine the suitability of a project to a PPP model. These activities include:

   → Screening PPP projects to ensure consistency with the National Infrastructure Plan and government policy;
   → Verifying that the use of the PPP option is preferable and beneficial relative to direct public investment;
   → Ensuring the financial viability and economic soundness of a project through Value for Money analysis;
   → Examining the robustness of PPP contracts over the long term before contract signature;
   → Ensuring compliance with good PPP procurement processes; and
   → Overseeing the management and compliance of PPP Agreements/Concessions.

(ii) The PAU: The role of the PAU is more advisory than the PFA, aimed at supporting the agencies responsible for PPP delivery to develop structure and implement PPPs. In addition, the PAU provides capacity building for enabling PPP delivery. In particular, the role of the PAU involves:

   → Providing value-added advice and support to Ministries, Departments and Agencies) and other Contracting Authorities in the public sector to identify, prepare feasibility analysis, structure, procure PPP projects and negotiate PPP contracts;
   → Promoting awareness of Ghana’s PPP programme;
   → Acting as a Centre of Excellence for PPPs in Ghana;
   → Providing assistance and support services to MDAs and other Contracting Authorities that seek to develop and implement PPPs in their respective sectors, i.e. transportation, energy, water, social infrastructure, etc.
   → Developing model agreements for each sector; and
   → Assisting MDAs and other Contracting Authorities in understanding approval requirements for PPPs, and developing necessary documents for review.
2.3.4 Local Government

In Ghana, there are three levels of sub-national government involved in local government activities: Regional Coordinating Councils (RCC), MMDAs, and Urban, Town, Zonal or Area Councils, or Unit Committees (ILGS, 2010).

Within the structure of local governments, MMDAs carry the main responsibility for developing their own districts, while RCCs act as liaison and coordinator among MMDAs. In this respect, MMDAs are the main institutional bodies that contract with the private sector and manage all revenue collection within their districts.

3 Objectives / Result Indicators

3.1 Overall Strategic Objectives

The overall strategic objective of the project was accomplished with development of the Guidance Manual to help local governments engage with the private sector for delivery of public services.

This study was designed to complement other revenue outsourcing work. It reviewed and identified best and worst practices in current MMDAs’ PPP arrangements, and developed the draft framework for local revenue mobilization and collection in line with the National Policy on PPPs. The diagnostic work of existing practices will be complementary to USAID reviews of PPPs in revenue collection in the Western region.

The project is directly connected to the LGCSP Component 1, which focuses on strengthening fiscal decentralization. The Component includes support to the Government to undertake work in five key areas of public financial management reform, with a focus on revenue collection and management (Sub-component 3). The five focal areas are:

1. Budgeting
2. Reporting and auditing
3. Revenue collection and management
4. Asset management
5. Social accountability

This project involved establishing a set of procedures for LGs to engage the private sector in an effort to improve local revenue mobilization and provide valuable input into the development of reform strategies and new PPP policies in Ghana. It supports the objectives of the LGCSP under which performance grants will be used to reward cities that are able to increase local revenue mobilization. Performance grants provide a strong incentive for cities to adopt such models as they are able to leverage larger grants based on their revenue collection performance.

The activity is also linked to Component 2b of LGCSP support for capacity strengthening of urban local governments, by creating a LG Guidance Manual for PPP projects.
At the local government level, PPP projects are more community-oriented, presenting a clear beneficial impact on the lives of community members, as their outputs are generally related to increasing the welfare of the community through increased waste management systems, access to water, and safe places to carry out business transactions, such as public markets.

The manual aims to distill the core of the National Policy on PPP, making it relevant and practical at the scale of local government activities. In this respect, the manual translates complex technical definitions, such as value for money and viability, into objective criteria that can be understood and assimilated by local government authorities who frequently face capacity challenges. The manual streamlines the PPP policy and process to enable its application in relatively simple administrative and commercial contexts.

3.2 Operational Objectives

With the on-going fiscal reforms, the Ministry of Finance has been keen to ensure that local governments realize the full potential of their local revenue mobilization operations. The MoF sought World Bank support to develop the appropriate operational modalities to regularize and deepen PPP arrangements for local revenue mobilizations operations.

In response, the Bank established a Technical Assistance project through the PPP Infrastructure Advisory Facility. The assistance fits into the larger reforms on local government public financial management that the Government is currently undertaking, led by the Fiscal Decentralization Unit in the Ministry of Finance.

4 Assessment of results and outcomes

4.1 General results

In general, this project resulted in a capacity building tool for LGs to use as a way to mobilize revenues and increase service delivery. It has provided an operational procedure for LGs to regularize and strengthen their engagement with the private sector for public service delivery, whether via outsourcing or PPP.

There is a general interest among MMDAs in developing and implementing these types of projects, as evidenced by their participation on the workshops and cooperation during data collection exercises. The challenges facing LGs are critical, and there is a definite interest in receiving external support to help with those challenges.

While the project has delivered an evidence-based tool for use by local governments, the Guidance Manual will need to be published, disseminated, and delivered within a capacity training program to fully realize its objective of strengthening the use of PPPs and other modes of engaging with the private sector. Only after the capacity training program has been delivered, can the strategic and operational objectives be fully realized: (i) strengthening public financial management; and (ii)
introducing another operational mode to increase revenue collection and delivery of public service by LGs.

### 4.2 Achieved objectives

The critical general issue addressed by this project was identifying alternative options for local government financing of public services while increasing internally-generated funds (IGFs). The project team analysed the option of increasing private sector participation in public service delivery at the local government level. The team considered short-term, one-to-two year outsourcing contracts and longer-term PPP arrangements. This was to identify and assess the practice and use of PPPs in Ghana by LGs, to benchmark LGs’ capacity for implementing PPPs, and to produce a manual to help MMDAs develop and deliver effective and realistic PPPs.

#### 4.2.1 Assessment activity

The first of the three main activities was to assess the current practice of private sector engagement to deliver public services and increase IGFs. This activity successfully uncovered the current practices of local governments in their engagement with private sector.

The assessment included the following key findings:

- MMDAs are outsourcing revenue collection, mainly property rates from commercial payers as opposed to individuals.
- There was no clear link between outsourcing and increased revenue performance for the MMDAs covered by this study.
- Some of the challenges that MMDAs are facing with respect to outsourcing are being addressed by a variety of solutions. One of the more effective solutions is to assign payment collections to commercial banks which then receive payments from rate payers, circumventing the need for private outsource collectors. This method of bill payment is widely used for the payment of utilities bills in other jurisdictions.
- MMDAs need to follow clear and competitive procurement procedures when engaging and contracting with the private sector to collect MMDAs revenues. Only in this way will there be competitive pressure from the private sector to provide the most cost-efficient services.
- A standard contract template must be developed whereby certain key standard clauses are incorporated, covering such areas as force majeure, performance standards or key performance indices, post contract monitoring requirement, penalties for failure to adhere to contract terms and conditions, i.e. breach of contract.
- MMDA staff need capacity building in outsourcing, including training in the procurement procedures, contract negotiations and post-contract monitoring and auditing.
- MMDAs need to formally adopt the procedures laid out in the National PPP Policy for the development of PPPs.
- PPP should not be seen solely as a means of augmenting revenues of MMDAs but also as a means of providing improved services to citizens of the individual MMDA.
In addition, the assessment report established the following key trends:

- 96% of MMDAs surveyed were outsourcing collections related to Property Rates and basic rates.
- 85% of MMDAs surveyed were outsourcing collections related to Business Operating Permits.
- LGs are collecting IGFs of approximately 5-10 Cedis per capita per year (US$1.50-3.00).
- There is no direct relationship between outsourcing and increased revenue generation mainly because contracts and engagements with the private sector have not been based on best practices.

The team was able to obtain a selection of contracts that local government had entered into with private sector firms and assessed each with a view to identify issues. This exercise emphasized the need for LGs to have access to contract templates that incorporate best practices. In this respect the team worked with LGs to provide them with best practice examples of contracts.

The assessment activity also revealed that LGs were generally not transferring any risk to the private sector, whether in contract arrangements they labelled as outsourcing or those considered to be under a PPP arrangement. In this respect, LGs did not understand how to engage with and organize their collaboration with the private sector. The private sector partner was often seen as dictating the terms of the contract, sometimes resulting in sub-standard terms of contract for the local government and resulting in contract disputes. For example, in one case, the private sector partner was collecting property data on behalf of the local government as part of the contract, but as a result of a contract dispute, the private sector partner would not release the database to the public sector. Based on this discovery, the Manual includes an emphasis on the need for Transaction Advisors to assist the public sector when entering into contracts with the private sector, and to ensure that the public sector has the mechanisms in place to manage the contract on equal terms with the private sector, rather than as the weak partner.
4.2.2 Guidance Manual

The second activity was to develop a Guidance Manual for LGs with step-by-step instructions to engage the private sector for delivery of public services. The manual was delivered on time, and was further enhanced and updated through the consultative workshop with key stakeholders from the national and local government level. The manual was endorsed at the validation workshop and the changes proposed at the workshop were incorporated in the final version.

Figure 1: Process schedule from the Guidance Manual

<table>
<thead>
<tr>
<th>Activity</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify Project</td>
<td>Approval 1</td>
</tr>
<tr>
<td>Conduct Full Feasibility Study</td>
<td>Approval 2</td>
</tr>
<tr>
<td>Prepare and Submit Precontract Documents to PID</td>
<td>Approval 3a</td>
</tr>
<tr>
<td>Implement Procurement Process</td>
<td>Approval 1b</td>
</tr>
<tr>
<td>Submit Draft Contract</td>
<td>Approval 4</td>
</tr>
<tr>
<td>Contract Award and Commence Project</td>
<td>n/a</td>
</tr>
</tbody>
</table>

4.2.3 The Pilot

The third activity was to test the manual within one LG district to help determine whether it would be effective for all LGs. The assessment report completed as Phase 1 of this project helped identify and recommend an MMA in which to pilot the manual, based on the level of advancement of a project within the district. The main reason for this selection criteria was to test the manual against a project that was already considered advanced and identify ways the manual may guide the project to completion or may identify reasons for the project meeting barriers in its development. The stakeholder group and the Bank approved the recommendation and the Consultant carried out its pilot test of the manual.

A key challenge was the lengthy process of obtaining approval of the pilot by the selected district due to the number of stakeholders and number of LG districts that could have been chosen. This process cut into the time to carry out the pilot and therefore the Consultant shortened the time for the pilot by one month.
The pilot activity was nevertheless considered a success. It accomplished its goal of determining whether the manual could effectively guide the LG through its private sector partnership. In particular, by using the manual, the district identified the reasons for the challenges it faced in implementing the project under a PPP arrangement. The main challenge for the project was to negotiate a rate with the Electricity Company of Ghana (ECG) for buying back energy it produced in its waste-to-energy and recycling project. The LG was relying on the feasibility and pre-feasibility conducted by the private sector company and did not conduct its own feasibility study which it could then use to enter negotiations with ECG. The manual clearly states the importance of the LG/public sector entity to carry out its own feasibility studies. This way the LG and other public entities involved in the project (in this case ECG) can be certain of the value for money from the project.

4.2.4 Summary
Each of the activities achieved their intended objectives, and with only one month delay in the project completion.

The project has documented the need to improve public sector capacity in order to engage the private sector for delivery of public services.

This need could be met by the building a capacity training program around the manual developed in this project, and its subsequent publication and dissemination. There are six Metropolitan Assemblies, 56 Municipal Assemblies, and 154 District Assemblies. Focusing first on the Metropolitan and Municipal Assemblies, capacity training sessions would need to be held throughout the ten regions of Ghana.
## 4.3 Summary of activities and their strategic value

<table>
<thead>
<tr>
<th>Activity</th>
<th>Country</th>
<th>Strategic Value</th>
<th>Summary of key contribution and added value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Review of legal framework being used to implement PPPs</td>
<td>Ghana</td>
<td>Input to Guidance Manual on PPPs for LG</td>
<td>Review and analysis of the legal, institutional framework for implementation of PPPs and outsourcing contracts, taking into consideration the new PPP policy; Assessment of PPP approval process to distill and make in accessible format for LG; Capacity support at national and LG level to manage and deliver on tools and methodologies to strengthen internally-generated funds.</td>
</tr>
<tr>
<td>2. Review legal contracts entered into by LGs with private sector for delivery of public services</td>
<td>Ghana</td>
<td>Input to Guidance Manual on PPPs for LG</td>
<td>Review and analysis of the legal contracts entered into by the LGs with private sector firms whether in arrangements labelled as outsourcing or PPPs by LGs; Identify gaps in contracts and misallocation of risks; Identify areas of non-conformity with contract best practices; Identify capacity support at national and LG level to manage and deliver on tools and methodologies to strengthen contract development and management.</td>
</tr>
<tr>
<td>3. Review and assessment of existing PPP and outsourcing practices in LGs</td>
<td>Ghana</td>
<td>Input to Guidance Manual on PPPs for LG</td>
<td>Detailed analysis at LG level of the use and effectiveness of PPPs and outsourcing practices to increase IGFs; Summary of gaps and recommendations for improving and strengthening the use of both forms of public service delivery for future projects.</td>
</tr>
<tr>
<td>4. Design stakeholder workshop to present and verify assessment findings of the assessment study</td>
<td>Ghana</td>
<td>Input to Guidance Manual on PPPs for LG</td>
<td>Identify list of key actors for verification of findings; Conduct workshop that delivers the key points of the findings and receive comments from participants in an open format; Incorporate comments from participants into the final assessment report.</td>
</tr>
<tr>
<td>5. Develop an appropriate guidance manual which integrates national and international best practices and the policy, legal and regulatory framework requirements of Ghana</td>
<td>Ghana</td>
<td>Implementation to contribute to goals of Component 1 of the LGCSP, which focuses on strengthening fiscal decentralization.</td>
<td>Creation of a capacity building tool to strengthen public finance management by providing direction on an alternative form of increasing revenue; Strengthen and regularize modes of engagement with private sector to deliver public services; Increase protection for LGs from stronger contract development and contract management.</td>
</tr>
</tbody>
</table>
6. **Design and execute the national stakeholder session to validate and finalize the Guidance Manual.**

   **Ghana**
   **Validation of contribution to LGCSP**
   **Obtain validation of manual for use by LG to meet intended objectives; Ascertain best way to follow through to publish, disseminate and build capacity training program around manual.**

7. **Design and support the initial implementation of a PPP arrangement for enhanced revenue collection as per the Guidance Manual in one Metropolitan and Municipal Assembly through the development of core activities, and an implementation plan.**

   **Ghana**
   **Pilot contribution to LGCSP**
   **Apply the Guidance Manual in one district to one project that the district is attempting to deliver as a PPP; Identify the extent of the project’s implementation in the PPP manual in order to map out an implementation plan for the remainder of the project based on the manual; Validate the value of the manual for LG audience and for use in PPP implementation support.**
5 Summary and lessons learned

5.1 Summary

In summary, each activity of the project has provided greater insight into the existing practices of LGs as they engage the private sector in delivering much-needed public services. At present, the Guidance Manual provides a reasonable start to a nationwide process of familiarizing LGs with Public Private Partnerships and other modes of private sector engagement, such as outsourcing.

5.1.1 Regional and Global Perspectives

Ghana has demonstrated a commitment and dedication to developing the institutional, legal and political framework to successfully deliver PPP projects. This effort surpasses that of other countries throughout the region (e.g. Cote d’Ivoire, Togo, Burkina Faso), although lessons can be learned from the examples in Nigeria, Tanzania and Uganda.¹

The Uganda case highlighted the need for improved data collection on local government property rates and other revenue bases in order to effectively monitor private agents’ performance and negotiate rates with outsourcing agents. It also illustrates that the problems with outsourcing in Ghana are not new and the recommendations in the Guidance Manual can provide effective solutions.

The main lesson learned from the experience of outsourcing in Tanzania is the need for accurate revenue assessments in advance of the procurement process. Poor assessments of potential revenue led to overly ambitious bids by private agents, and given the local governments’ lack of capacity to monitor private agents’ performance, the LGs suffered revenue losses. Additionally, it was found that outsourcing contracts longer than one year provided no real benefit for the LGs, as the private agent did not assume any additional risk in exchange for the security of the longer term contract.

In Nigeria, the passage of a law providing the legal framework for pursuing PPP projects led to the implementation of significant PPP projects and provided tangible benefits to residents of Lagos.

Although the population of Accra is much smaller than Lagos, the metropolitan and municipal assemblies in the Greater Accra area could learn from Lagos how to improve its own PPP Unit, in particular, by increasing its staff and contracting external consultants to help develop the Unit’s PPP project pipeline. This will enable the PPP Unit to achieve a realistic project pipeline for subsequent selective implementation.

¹ In 2008, the most densely populated state in Nigeria, Lagos, set up the Lagos State Public Private Partnership Office (LSPPP) within its executive council. In 2011 the state enacted its own PPP law called the Lagos State Public Partnership Bill that established the LSPPP into law. The LSPPP was professionally staffed comprising specialists in accounting and finance, procurement, engineering, construction, law, and project management and was headed by a professionally qualified Director-General. External consultants were hired to set up the office and help the LSPPP identify a PPP project pipeline. The PPP models used by the LSPPP cover the whole spectrum of PPP models.
Experience shows that outsourcing revenue collection is not the key to growing IGFs for Ghana. The success or failure of outsourcing (measured in terms of revenue growth) largely depends on a local governments’ access to data, ability to make accurate assessments of its revenue base, and capacity to monitor the private agent to ensure they are meeting the target.

With respect to PPPs, there are significant possible financial benefits for local governments which could no doubt be reproduced in Ghana if the right conditions were in place. The size of the projects MMDAs may consider pursuing are small so bundling them might be the best way to make them bankable, as suggested in the Canadian experience. The success of this structure however would depend on the ability to obtain a long-term agreement between MMDAs. To implement such projects, MMDAs would require the assistance of external consultants to develop a robust PPP project pipeline, as was done in Nigeria.

Outside of the region, the trend of engaging the private sector to deliver on public sector services has not slowed. As the trend continues, it is increasingly critical to use best practices to implement these types of projects. The key challenge, however, is that project development costs – related to properly structuring a project in advance of implementation – have also not slowed. These costs are burdensome for emerging LGs and tend to be the reason projects are not implementable. While there is a renewed focus on supplying this demand through the Ghana Infrastructure Investment Fund (GIIF), more could be done to focus on this financing gap in the short term.

This section summarizes a few lessons learned during the process of completing the activities that comprise this project.

### 5.2 Lessons learned and recommendations going forward

The project gave way to lessons learned which are provided here:

**The workshop format**

A key contributing factor for the success of the workshop was its format. The workshop commenced with a brief introduction to the manual (30 mins), followed by a group plenary session. The participants were split into four small groups. Each group had its own room to gather, review the manual, and formulate answers to discussion questions. The groups were given an hour to complete their answers after which they regrouped together to present their answers and comments on the manual.

This format was extremely effective, providing participants who are very busy with day-to-day responsibilities of their jobs, the opportunity to focus on the material and provide thoughtful comments.

- Workshop participants should be given at least an hour to review new material and provide feedback. Preliminary questions should be provided to initiate and guide discussion. Small group exercises are best for validating results.

**Communicating and defining technical terms**

Without a robust familiarity with PPPs, some technical terms used within the discourse of PPPs require detailed definition and elaboration in order to be communicated clearly. For example, one key benefit of properly structured PPPs – transferring construction risk from the public to the private
sector – has not been clearly understood, and some LGs believe the project sponsor (public entity) is still responsible for costs of construction overruns.

What needs to be emphasized in PPPs is that the private sector pays for unforeseen construction costs (“construction risks”). Moreover, private sector bids will not inflate costs to cover unforeseen construction costs if there is a sufficient amount of bidder competition (a bidder will not overbid if they want to win the contract).

- Connecting abstract terms such as “construction risk” to concrete descriptions of the way they are affected in PPPs is key to increasing capacity in PPPs, and moreover increasing their acceptance.

**Bundling small scale PPPs**

Larger PPPs offer more value for money. Therefore, while each LG district is responsible for its own development, many share common goals and needs, creating a good reason to justify partnering to deliver public services through PPPs.

- Provide PPP pipeline development advisory services to support local governments early on, helping them identify the best projects and where they can bundle projects to move forward. In one district, an opportunity to bundle projects was missed because the local government was unaware of the possibility of bundling such projects. More focus needs to be placed on PPP pipeline development for projects.

**Simplify PPP model**

Since local governments in developing countries face similar challenges and usually require greenfield infrastructure projects to increase service delivery, a PPP model that will suit this type of project is “Design-Build-Operate-Maintain-Transfer”. Focusing on how this model works could simplify the complexity of PPPs. In Philippines, they have a Build-Operate-Transfer (BOT) law, “An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes”, as Amended by Republic Act No. 7718.

- Provide clear messaging on BOT projects because these are the types of PPP projects that will generally be delivered by local governments. Moving away from the generic and abstract term “PPP” to focus on “BOT” projects gives the projects a more concrete form that might be more understandable at the local level.

**5.3 Dissemination and Next Steps**

The Guidance Manual is planned to be formally endorsed and disseminated by the Local Government Service Secretariat (LGSS) which is responsible for all training at the MMDA level. LGSS will also be expected to make provisions for roll-out of training in the manual to all 216 MMDAs, including the development of relevant training modules. The Local Government Capacity Support
Project, under Component 2b, can provide financing for the training roll-out, expected in 2015-16. As part of the ongoing dialogue with the Government under LGCSP, the Bank will ensure that this training takes place. Furthermore, through the LGCSP, the 46 metropolitan and municipal local governments that are targeted by the project will be in a position to benefit from technical assistance to develop their own PPP and outsourcing initiatives for implementation. This provides an excellent opportunity to further test and apply the Guidance Manual, improve the existing PPPs and extend the use of PPPs to new Metropolitan and Municipal Assemblies and new areas of service.
Appendix A: List of stakeholders

World Bank Team
Mr. Jonas Parby, World Bank, Washington, DC
Mr. Smile Kwawukume, World Bank, Ghana

Stakeholders
Ministry of Finance
Mrs. Magdalene Apenteng, Director, Public Investment Division (PID), MoF
Mr. Ekow Coleman, PPP Advisory Unit, PID, MoF
Mr. Frederick Darty, Project and Financial Analysis Unit, PID, MoF
Mr. Joseph Antwi, Head of Fiscal Decentralization Unit (FDU), Ministry of Finance (MoF)
Mrs. Akua A. Asamoah, FDU, MoF
Mrs. Evelyn Arthur, FDU, MoF

Ministry of Local Government
Mr. Samuel Seth Passah, Ministry of Local Government and Rural Development (MLGRD)
Mr. Yama Tampuri, Chief Local Government Inspector, Inspectorate Division, MLGRD
Mr. Inusah Shirazu, Senior Development Planning Officer, MLGRD
Ms. Agnes Lamptey, Chief Local Government Inspector, MLGRD

Local Government Services Secretariat
Gregory Addah, Head, PPBM, LGSS

Local Government representatives, including:
- Mr. Aryee, Director of Finance, AMA
- Lydia Addy, Head of Budget, AMA
- Richard Fiadomor, Special Assistant to MCE, TMA
- Metro Finance Officer, TMA
- Hon. John Kwao Sackey, Municipal Chief Executive, Ga East
- Alex Amoah, Assistant Development Planning Officer, Ga East
- J.A. Asihene, Coordinating Director, Ashiaman
- K. Mensah, Municipal Development Planning Officer, Ashiaman
## Appendix B: List of Activities completed

<table>
<thead>
<tr>
<th>Activity</th>
<th>Deliverable/output</th>
<th>Date delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kick-Off Meeting</td>
<td>VC</td>
<td>May 14, 2014</td>
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<tr>
<td>Inception mission</td>
<td>Draft Inception Report</td>
<td>May 28, 2014</td>
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<tr>
<td></td>
<td>Final Inception Report</td>
<td>June 25, 2014</td>
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<tr>
<td><strong>Activity I: Assessment</strong></td>
<td>Field work, Data collection</td>
<td>June – July, 2014</td>
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<td></td>
<td>Submitted Draft Assessment Report</td>
<td>July 24, 2014</td>
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<tr>
<td></td>
<td>Stakeholder Workshop</td>
<td>July 30, 2014</td>
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<tr>
<td></td>
<td>Submitted Final Assessment Report</td>
<td>September 26, 2014</td>
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<tr>
<td></td>
<td>National Validation Workshop</td>
<td>December 4, 2014</td>
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<tr>
<td><strong>Activity III: Pilot</strong></td>
<td>PPP Design Report</td>
<td>January 22, 2015</td>
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<tr>
<td></td>
<td>Start-up Implementation Support</td>
<td>February 4 – March 27, 2015</td>
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