

ORGANIZED BY



Strengthening Public-Private Partnerships in the Electricity Sector

CONCLUSIONS

November 16-17, 2015 | Accra, Ghana | Labadi Beach Hotel

HIGHLIGHTS

- Approximately 40 participants from 11 countries: Canada, Georgia, Ghana, India, Ivory Coast, Nigeria, the Philippines, Senegal, USA, Zambia, Zimbabwe
- The Hon. Dr. Kwabena Donkor, the Ghanaian Minister of Power, delivered the keynote address
- The Hon. Mona Quartey, the Ghanaian Deputy Minister of Finance, acted as a moderator for one of the panel discussions

IN PARTNERSHIP WITH



OBJECTIVES

Through a combination of high-level dialogues and expert workshops, the Public-Private Partnerships for Sustainable Electricity Development Program was designed to assist UN member states in identifying enabling policies and regulations that best promote the deployment of renewable and low carbon emitting energy sources, energy efficiency and grid modernization, as well as help in the implementation of international best practices in public-private partnerships for the electricity sector.

PANELISTS AND SPEAKERS

- Mr. Kweku Awotwi, former CEO, Volta River Authority
- Mr. Samuel Botchway, Executive, Business Development, Stanbic Ghana
- Mr. Alison Chikova, Chief Engineer, Southern African Power Pool
- Hon. Dr. Kwabena Donkor, Minister of Power, Republic of Ghana
- Mr. Eyo Ekpo, former Commissioner, Nigerian Electricity Regulatory Commission
- Mr. Nika Gilauri, former Prime Minister of Georgia, former Minister for Finance of Georgia, former Minister for Energy of Georgia
- Mr. Denis Le Maoût, Director, Veolia (*in absentia*)
- Mr. Raphael Lotilla, former Secretary of Energy, the Philippines
- Mr. Koffy Leandre N'Dri, Director, CIE, Eranove Group
- Mr. Emmanuel Nyirinkindi, Global Head, Public-Private Transaction Advisory Services, International Finance Corporation
- Ms. Ronke Amoni Ogunsulire, Country Manager for Ghana, International Finance Corporation
- Ms. Martine Provost, Executive Director, Global Sustainable Electricity Partnership
- Hon. Mona Quartey, Deputy Minister of Finance, Republic of Ghana
- Ing. Owura K. Sarfo, CEO, Millennium Development Authority
- Mr. Praveer Sinha, CEO, Tata Power Delhi Distribution Limited
- Mr. Michael Tarney, CEO, CEC Africa
- Dr. Charles Wereko-Brobby, former CEO, Volta River Authority

MAIN CONCLUSIONS FROM DISCUSSIONS

GENERAL CONCLUSIONS

- The development of affordable, reliable energy is a prerequisite to achieving other development and socioeconomic goals.
- Investment and development must occur along all steps of the value chain (generation, transmission, distribution etc.) and in infrastructure, as they are all interrelated. Success in one area helps spur success in another.
- Before embarking on a PPP initiative, it is important to thoroughly study the successes and failures of other examples of PPPs and compare the similarities and differences.
- There is no universal model for a successful PPP. In order to establish a successful PPP, the local context, the needs of consumers, the political situation, the availability of natural resources, infrastructure, technical capabilities etc. must all be considered.
- A successful PPP requires a proper contract that clearly outlines the obligations and roles of all parties.
- Any successful PPP contract must include a frequent review of deliverables and contract terms.
- Close coordination among government agencies, particularly between the regulator and the rest of the executive department is required in the implementation of reforms.
- Regulators should be independent, require a thorough understanding of the sector, and must be discouraged from partaking in corruption.
- Renewable energy costs are falling and becoming more competitive, offering countries the opportunity to develop in this area.

POLICY AND LEGAL FRAMEWORKS

- Policymakers need to be ready to make a long-term commitment to starting and finishing electricity sector reforms.
- Before engaging in a PPP, the government must be certain that it can deliver on contracts that it awards.
- Reform is an ongoing process in which government must be continuously involved.
- Effective communication with all stakeholders is key, especially between the government and private sector.
- Communication by the government about the PPP process and the expectations and responsibility of each player in the system can attract private operators.
- Political support from all levels, especially high levels, of government is necessary to achieve reforms.
- Policymakers need to change culture and emphasize to citizens and consumers the fact that electricity is a manufactured good and thus, should have a price.

- Sector reforms have to be accompanied by safety nets or protection for marginalized groups e.g. a rate system involving cross-subsidies among consumers.
- Capacity building in the government administration is also important to ensure that future PPP contracts will be viable.
- The legal framework underlying any successful PPP needs to be clearly outlined.

TENDERING PROCESS

- Private sponsors and financiers are more likely to invest in a PPP if the procurement process is well-designed and transparent. A clear procurement framework should be in place to enable private sector developers to participate.
- Multiple bidding rounds help build confidence among operators and investors and increase levels of competition

PRIVATE SECTOR RECOMMENDATIONS

- The success of a PPP is dependent on a clear vision including appropriate risk sharing.
- The private sector is wary of risk, especially in the early stages of a project. In order to encourage private sector participation in PPP, government can agree to take on a higher percentage of equity. Government must be prepared to provide enough equity funding where viability gaps exist.
- A credit worthy and committed offtaker reduces the cost of power as the developer discounts associated payment risks.
- Government needs to provide enough comfort to IPPs in terms of guaranteed tariffs, investment recovery guarantee, PRI etc.
- Transactions must have reasonable levels of profitability and the key risks must be mitigated by government
- Installation of meters at the consumption points and payment collection are key to attracting private developers in the electricity sector and successful PPPs.
- Good corporate governance structures are important in order to remove conflicts of interest.

INVOLVEMENT OF STAKEHOLDERS

- Successful PPP calls for the participation of all stakeholders in an open and continuous policy dialogue.
- The long-term objectives and goals of each party must be clearly outlined.
- All stakeholders involved must look beyond their own interests and consider the interests of the project in order to have a successful PPP.

REGION-SPECIFIC CONCLUSIONS

- There currently exists a tremendous opportunity in the African power sector to develop, modernize, and improve the sector in order to increase access to electricity
- In the case of Georgia, management contractors from other countries provided valuable expertise and helped support and manage Georgian electricity sector projects
- In the Philippines, the gradual privatization of the previously public electricity sector led to better results for consumers: lower prices and more choice resulted from the competition between private-sector companies
- In the case of Delhi, long-term government commitment and clarity in regulation was a key to reform success. Support from the government during transition periods helped ease the burden on consumers. Engagement of employees and the public (through CSR initiatives) helped bolster public support for reforms.