


From Concept to Construction: The GIF and Project Preparation

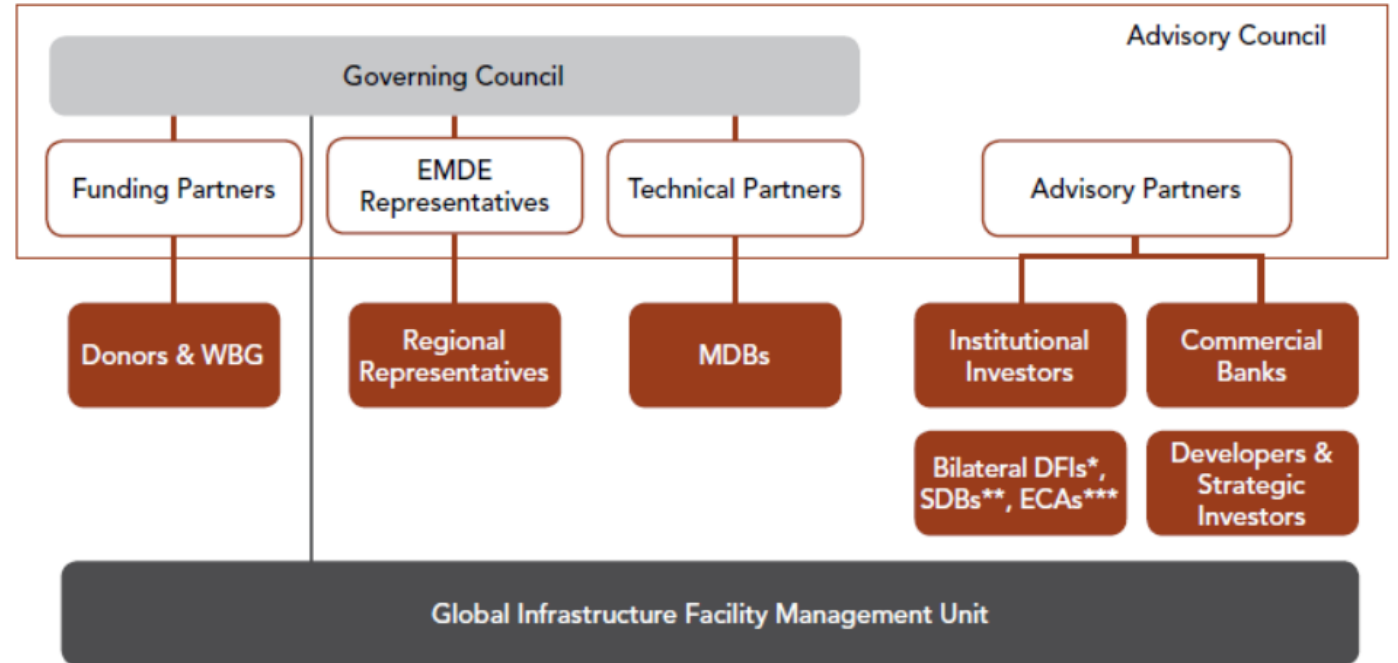


GIF Advisory Council
Mini Sessions

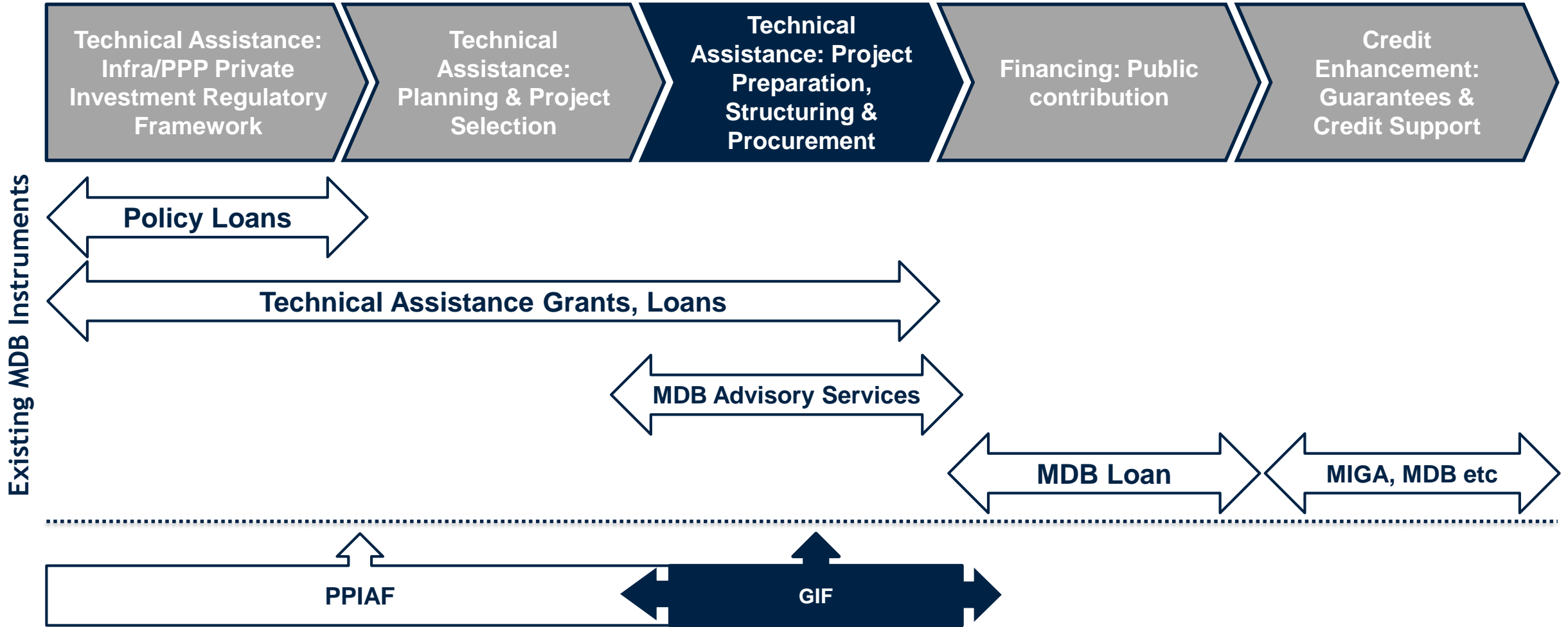
Washington, DC
October 11, 2017

Who we are

- US \$90m fund focused on the application of private investment in infrastructure, closing the investment gap and improving services
- Supports governments in the identification, analysis, preparation and procurement of complex and innovative projects, in a bankable yet affordable manner
- Works with EBRD, IDB and World Bank Group, and in association with more than 40 financial institutions including pension funds, insurers and commercial banks



When can we support



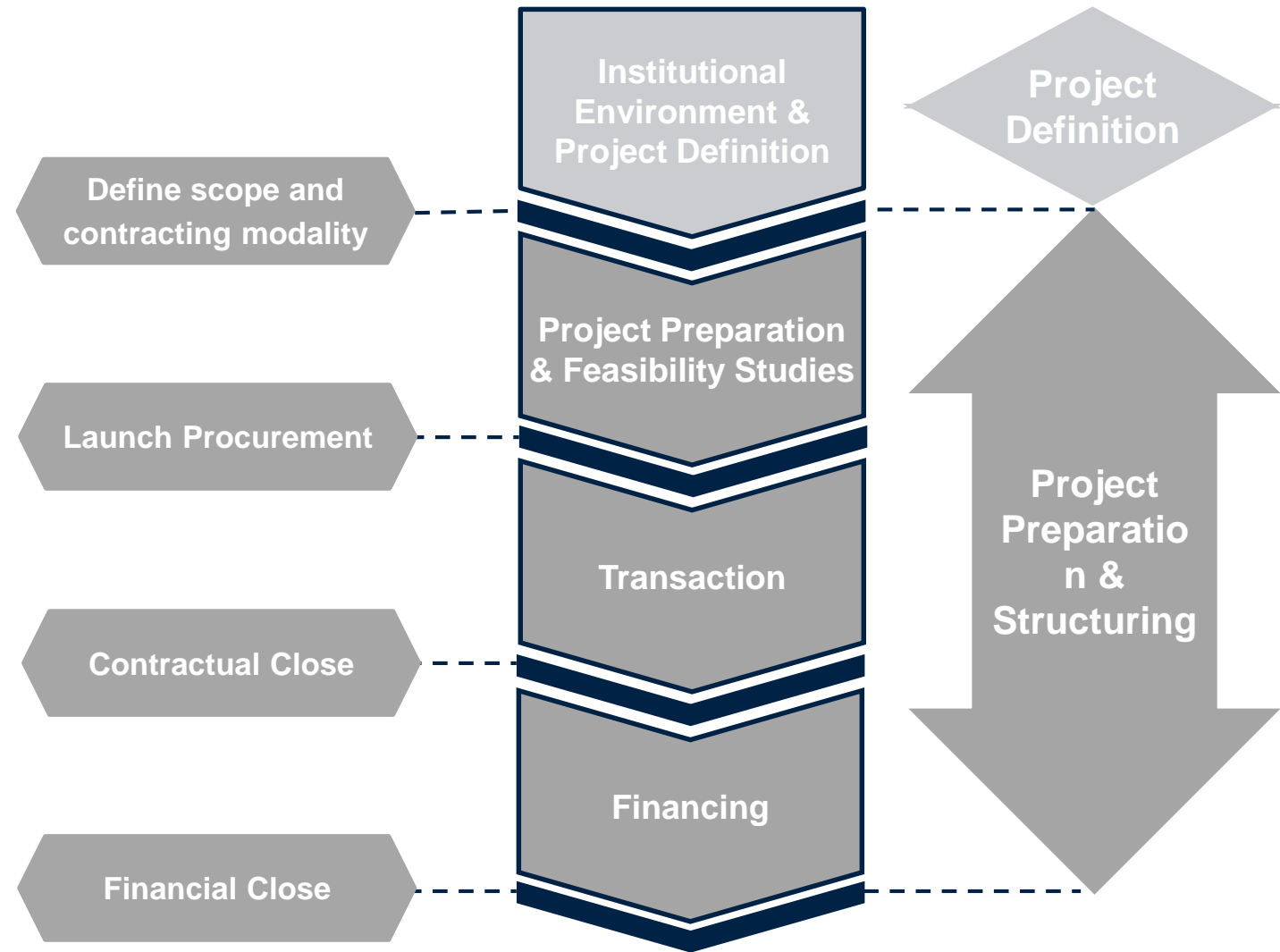
Our Products

1. Project Definition (PDA)

- Prefeasibility stage
- Non-reimbursable (grant)
- Typically US \$300 - 500k
- Execution by Technical Partner (TP)

2. Project Preparation & Structuring (PPSA)

- Preparation (Feasibility), Structuring and Procurement stage
- Reimbursable on Contractual/Financial Close
- Typically US \$1–5 million
- Execution by TP or Client (Government)
- Our support is financial, but also includes access to our technical team



Eligibility

Eligible Project Types

- Infrastructure investment project/program
- Application of private capital, including through a concession, PPP or participation with a State Owned Enterprise

Eligible Sectors

- Energy
- Water & Sanitation
- Transport
- Telecommunications & ICT

Thematic Focus Areas

- **Climate Smart:** reduces emissions, improves energy efficiency or builds resiliency; and/or
- **Trade Enabling:** enhances connectivity, reduces cost of doing business

Prioritization Criteria

- Identifiable **development impact** through improved infrastructure
- Aligned with country (or region) priorities
- Viable, sustainable, and offers value for money
- Mobilizes **private capital**
- Demonstrates **complexity** that benefits from GIF value added support

Lessons Learned from GIF's First 2 Years of Operations

- Projects are generally at a lower level of preparation than expected
- MDBs and GIF need to do significant upfront work to appraise whether project merits further engagement
- Key government decision-makers unable to make informed decisions at key points because of lack of preparation
- Bidder and investor perspective and bankability more generally often under-considered by government prior to MDB/GIF engagement

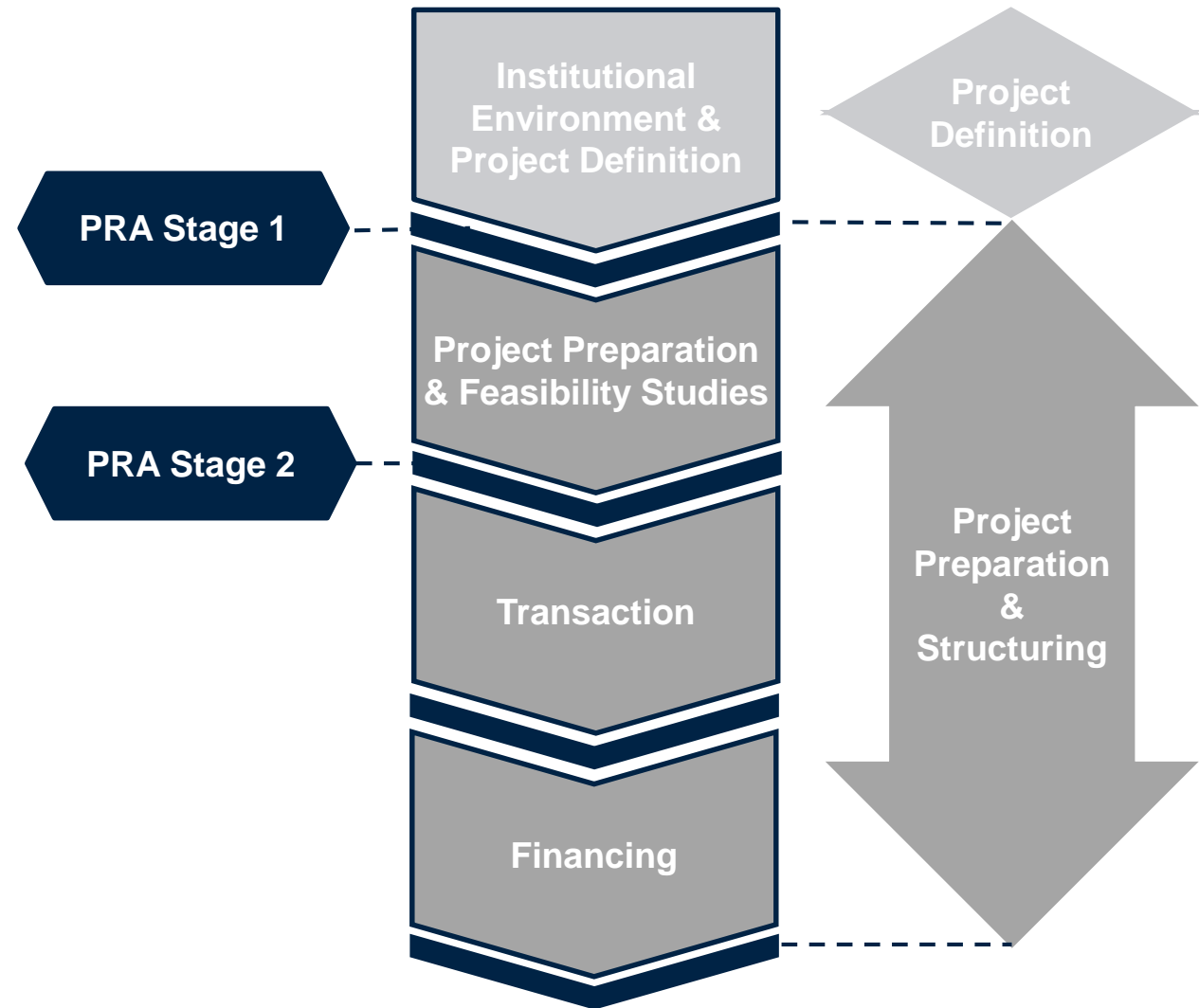
Evolving the GIF Business Model: Project Readiness Assessment (PRA) – Overview

- The PRA is a standardized methodology for assessing the quality of project preparation undertaken by government to-date.
- It allows the GIF to offer a standard, rapid-response mechanism to scope and appraise future projects (PDAs and PPSAs) and identify opportunities for GIF support to strengthen project preparation and structuring.
- Additionally, the PRA will directly benefit client governments by producing an independent, third-party assessment with an aim to:
 - Provide decision-makers with critical information on the quality of project preparation and key risks and gaps that must be addressed before key investment and tendering decisions;
 - Provide comfort to bidders/investors that the project has been assessed by a recognized methodology;
- The GIF is currently piloting the PRA methodology in Brazil, Ghana, and Namibia (2 projects) with a potential for another pilot in Turkey.
- Feedback from the pilots will be used to improve the methodology design. Harmonization with the WB/GIH PPP Readiness Tool will also be assessed
- **Full roll-out of the PRA will be proposed in the Strategy and Annual Work Plan for FY2019**
- **Procurement of a framework of ‘accredited’ assessor firms will commence in early 2018 and is expected to be completed by July 2018**

GIF will integrate PRA with other project support offerings

The PRA will typically be used in advance of either PDAs or PPSAs and will allow GIF and TPs to:

- Provide a new gateway for governments and TPs to access GIF and respond more quickly to demand (consultants already pre-selected)
- Allow GIF to more systematically assess the required scope and risks around PDAs and PPSAs with the aim improving decision-making and reducing risk of failed projects
- Limit GIF exposure in initial project assessment by appraising the project rapidly without committing to a large PDA or PPSA



PRA Process Overview

Step 1: Client Government requests PRA assessment directly through GIF website or Technical Partner submits request for PRA or other GIF support.

Step 2: GIF reviews request and confirms project is eligible for GIF support. GIF determines type of assessment (Stage 1 or Stage 2).

- If required, GIF requests additional information on the project. If the project is on the Source platform, the Source Screening Algorithm* will be used in the preliminary review.

Step 3: GIF hires consultant to undertake the assessment (Assessor).

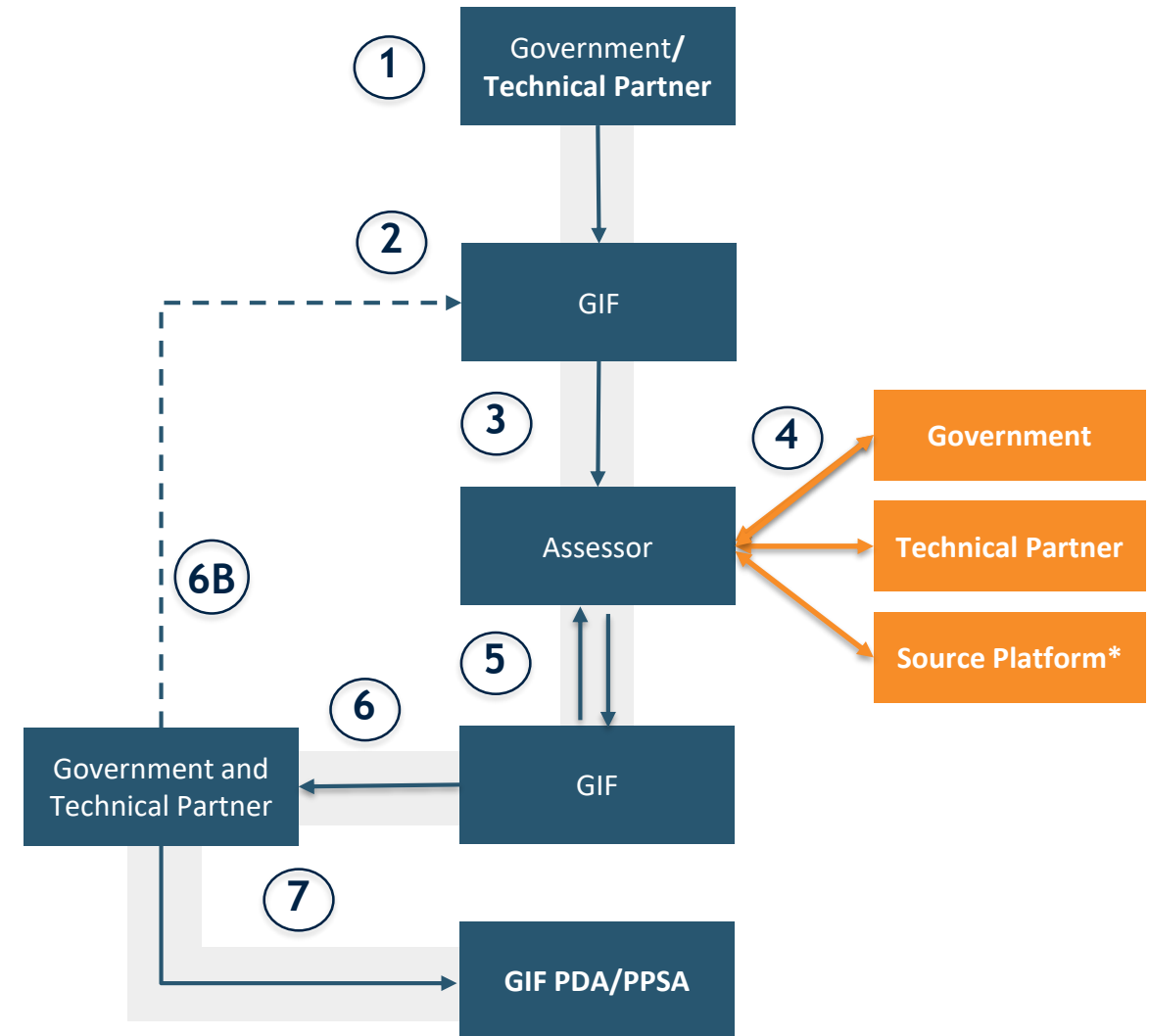
Step 4: Assessor collects data through interviews, document review, and Source platform (if applicable). Assessor undertakes mission to country to meet with government officials and project stakeholders, including Technical Partner (if applicable).

Step 5: Assessor drafts PRA Report (with RAG rating) and Action Plan. GIF conducts quality control and consistency review.

Step 6: PRA outputs are shared with Government and Technical Partner.

- Step 6B: Government can request an updated assessment after implementing recommended action(s).

Step 7: Government and Technical Partner request further GIF support to implement Action Plan through a Project Definition Activity or Project Preparation and Structuring Activity.



**The Source Screening algorithm can be run for any project on Source (i.e. it does not have to be a project seeking PRA.)*

PRA Methodology

- Assessment consists of six components (see graphic), which are scored independently of each other
- Specific questions and a handbook provide guidance for Assessors on how to score each component
- Scoring is done using the red-amber-green (RAG) system
- A green score requires the project to meet international best practice; unlikely that a project will score green in all components
- The PRA can be undertaken at two stages based on where the project is in its lifecycle:
 - Stage 1 - early stage, pre-feasibility
 - Stage 2 - feasibility stage, projects close to procurement
- Outputs include PRA Report with RAG score and an Action Plan

Technical Solution

- Includes land use and ownership of project location; viability of technical solution; and costing of the solution

Commercial Structure

- Includes contractual structure; risk allocation; value-for-money; and financing

Affordability

- Includes project funding; affordability analysis; and cost-benefit analysis

Governance

- Includes country governance; project governance; and stakeholder management

Regulatory Environment

- Includes PPP legislative and regulatory framework; sector regulations; regulatory independence' and dispute resolution

Social & Environmental

- Includes social and environmental issues; mitigation measures; and application of international standards

PRA Outputs

Global Infrastructure Facility
Project Readiness Assessment (PRA) Tool

PRA Output report template: Section A

Blue colour indicates input cells for Assessor to complete

Project Name	
Sponsor Government	
Project Stage	Stage 1

Score obtained

Project Component	Max Score	Stage 1 Score	Stage 2 Score
Technical Solution	15%	10%	n/a
Commercial Structure	15%	5%	n/a
Affordability	25%	8%	n/a
Governance	25%	12%	n/a
Regulatory Environment	15%	12%	n/a
Social and Environmental	5%	2%	n/a
Total	100%	49%	0%

RAG rating obtained

Project Component	Max Score	Stage 1 RAG	Stage 2 RAG
Technical Solution	Green	Amber	n/a
Commercial Structure	Green	Red	n/a
Affordability	Green	Red	n/a
Governance	Green	Amber	n/a
Regulatory Environment	Green	Green	n/a
Social and Environmental	Green	Red	n/a

Project Component	RAG rating	Key areas for further development	Recommendations for development areas
Technical Solution	[Red/ Amber/ Green]	[Assessor to insert based on assessment conducted in accordance with Handbook] [xxx] [xxx]	[Assessor to insert based on assessment conducted in accordance with Handbook] [xxx] [xxx]
Affordability	[Red/ Amber/ Green]	[xxx] [xxx]	[xxx]
Governance	[Red/ Amber/ Green]	[xxx]	[xxx]
Commercial Structure	[Red/ Amber/ Green]	[xxx]	[xxx]
Regulatory Environment	[Red/ Amber/ Green]	[xxx]	[xxx]
Social & Environmental	[Red/ Amber/ Green]	[xxx]	[xxx]
Summary comments	[xx] [xx] [xx]		