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GIF Project Readiness Assessment (PRA)

May 2019

Global Infrastructure Facility

A partnership platform for greater investment in the infrastructure of emerging markets and developing economies

Agenda

- GIF Introduction: Governance, Support, Eligibility, Products, Portfolio
- GIF New Product: Project Readiness Assessment (PRA)
- Q&A on PRA, PRA Opportunities

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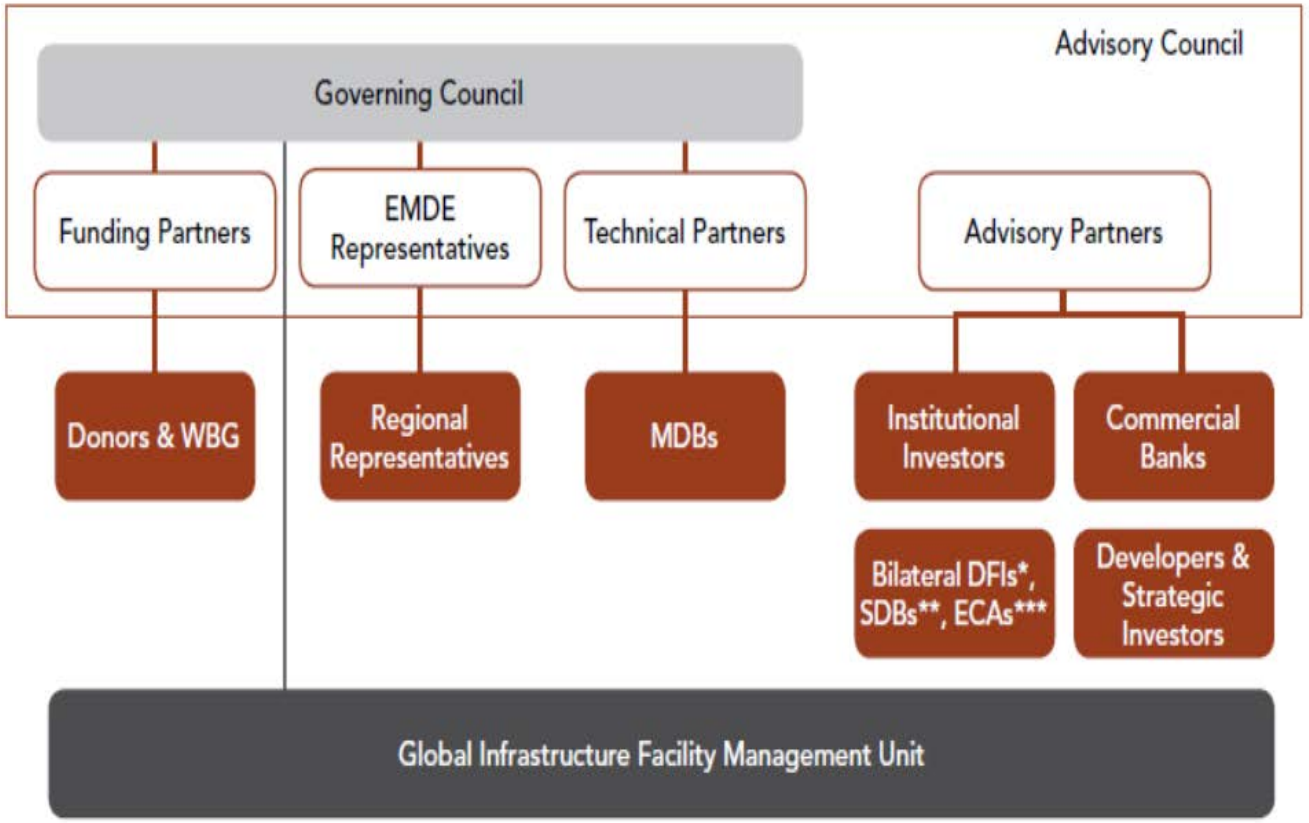
Who we are

- *Infrastructure Investment*: US $90m fund focused on the application of private investment in infrastructure, **closing the investment gap and improving services**.
- *Upstream Support*: Supports governments in the **identification, analysis, preparation and procurement** of complex and innovative projects, in a bankable yet affordable manner
- *Global Platform*: Works with ADB, AfDB, EBRD, EIB, IDB, IFC and World Bank, and in association with more than 50 financial institutions including pension funds, insurers and commercial banks



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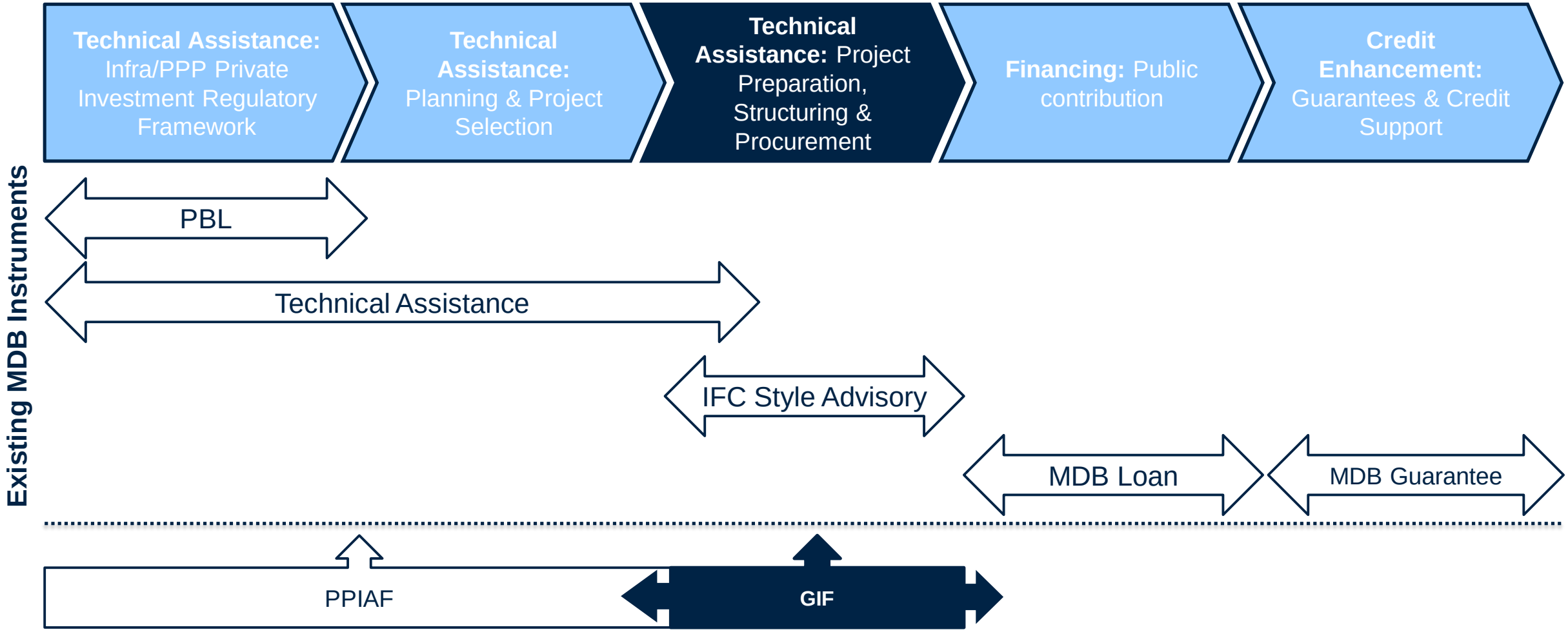
When can we support



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Eligibility

Eligible Project Types

- Infra-**investment project/program**
- Application of private capital, including through a **concession, PPP or participation with a SOE**

Eligible Sectors

- **Energy**
- **Water & Sanitation**
- **Transport**
- **Telecom & 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 VFM
- Mobilizes **private capital**
- Demonstrates **complexity** that benefits from GIF value added support

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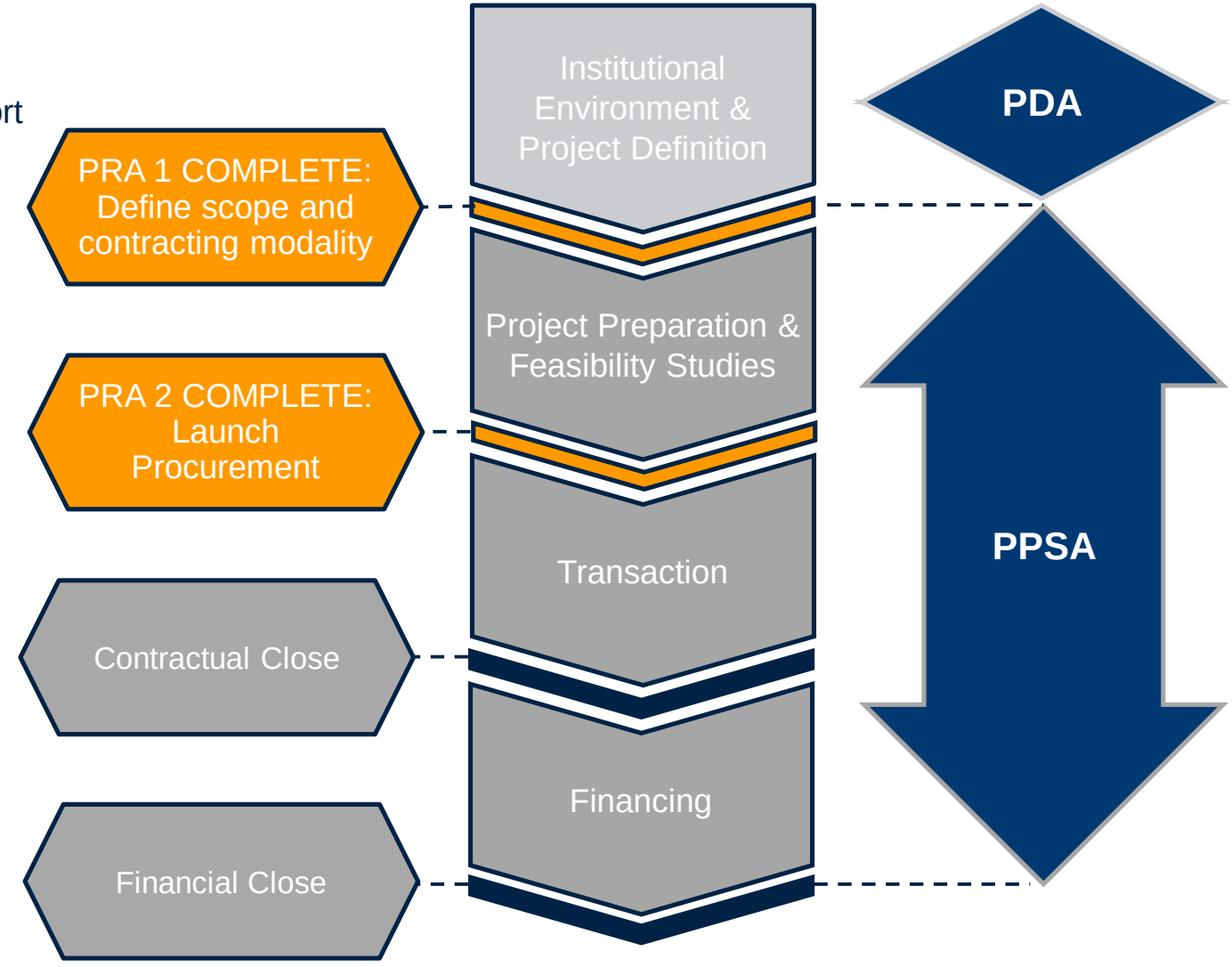
Our Main Products

1. **Project Readiness Assessment (PRA)**
   - De-risking tool to define “readiness for market”
   - Used to support definition of most appropriate GIF support
   - Non-reimbursable (grant) typically US $50-75k
   - Execution by GIF in coordination with TP(s)
   - 6-8 weeks to complete from receipt of eligible request

2. **Project Definition (PDA)**
   - Pre-feasibility stage
   - Non-reimbursable (grant)
   - Typically US $300 - 500k
   - Execution by Technical Partner (TP)

3. **Project Preparation & Structuring (PPSA)**
   - Preparation, Structuring and Procurement stages
   - 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**



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Our Process

Expression of Interest	• Verify eligibility of the project
Application	• Complete the GIF application forms and present Letter of Support (2+ weeks) • Undergo GIF internal review (1 week)
Approval	• Undergo GIF Management review (1 week) • In case of exceeding US$500k, undergo Governing Council No Objection (3 weeks)
Implementation	• Transfer funds to executing entity • Execute resources with technical support from GIF team
Monitoring	• Deliver progress reports every six months • Identify additional resource requirements (including, in the case of PDA, PPSA application)
Close	• In case of PPSA, reimbursement of funds to GIF. Report impact of GIF support

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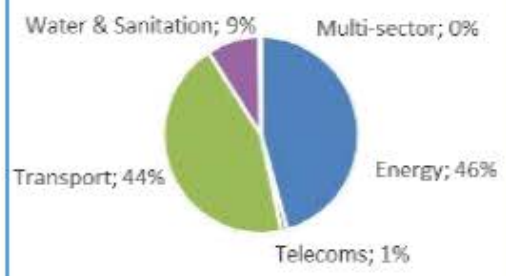
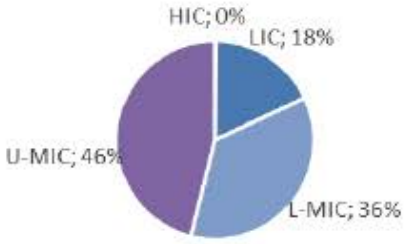
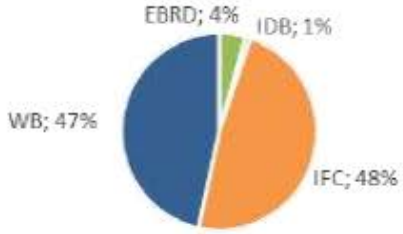
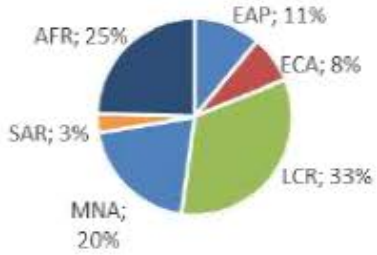
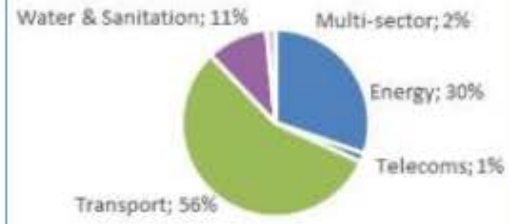
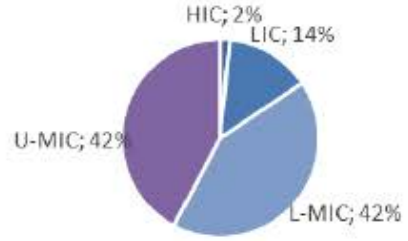
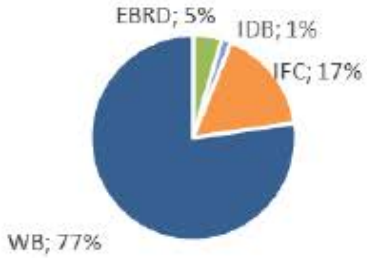
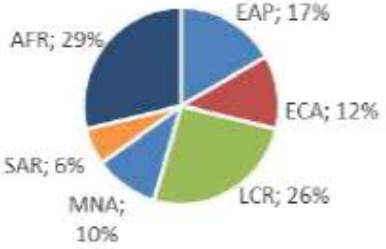
Project Support: Portfolio as of 30 April 2019

66 activities with **total funding of US$51.6m** supporting **US$ 65 bn investment**

TOTAL ACTIVITIES AS OF APRIL 30, 2019	SECTOR	COUNTRY INCOME GROUP	TECHNICAL PARTNER	REGION
By Dollar Value[3]				
By Number of Activities				

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Evolving the GIF Business Model

Project Readiness Assessment (PRA)

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About PRA

- The PRA is a **standardized tool** financed and managed by the Global Infrastructure Facility (GIF) that assesses the completeness of project preparation to date.
- The PRA assesses the **readiness to go to market** of infrastructure projects identified by governments as potential PPP transactions.
- The tool provides governments with an **independent "snapshot in time" assessment of the quality of project preparation work** and provides an action plan of recommendations to ensure governments possess the necessary information before taking key investment and tendering decisions
- The PRA will directly benefit client governments by:
  - Providing decision-makers with **critical information on the quality of project preparation** and key risks and information gaps that must be addressed before key investment and tendering decisions
  - Providing **comfort to bidders/investors** that the project has been assessed by a recognized methodology
- PRA methodology has been piloted in Brazil, Ghana, and Namibia, and is currently being implemented in Ukraine.

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Why PRAs are relevant

Synergy with current GIF products

- PRAs can be done at either of two times during a project's preparation:
  - **Stage 1:** pre-feasibility assessment to inform a go/no-go decision (Linked to PDA support)
  - **Stage 2:** feasibility-stage assessment for projects close to procurement/tendering (Linked to PPSA support)

Value added to all Stakeholders

- *To GIF*: Standard, low-cost, and rapid mechanism to appraise future project support opportunities.
- *To TP*: Limit exposure in initial assessment by appraising the project rapidly w/o committing large TA resources
- *To client governments*: produces a quick, independent, third-party assessment.

Expected impact

- Increasing collaboration with Technical Partners
- Increasing quality of GIF support to projects
- GIF can also support governments to incorporate the PRA methodology into their due diligence process to approve PPP projects.

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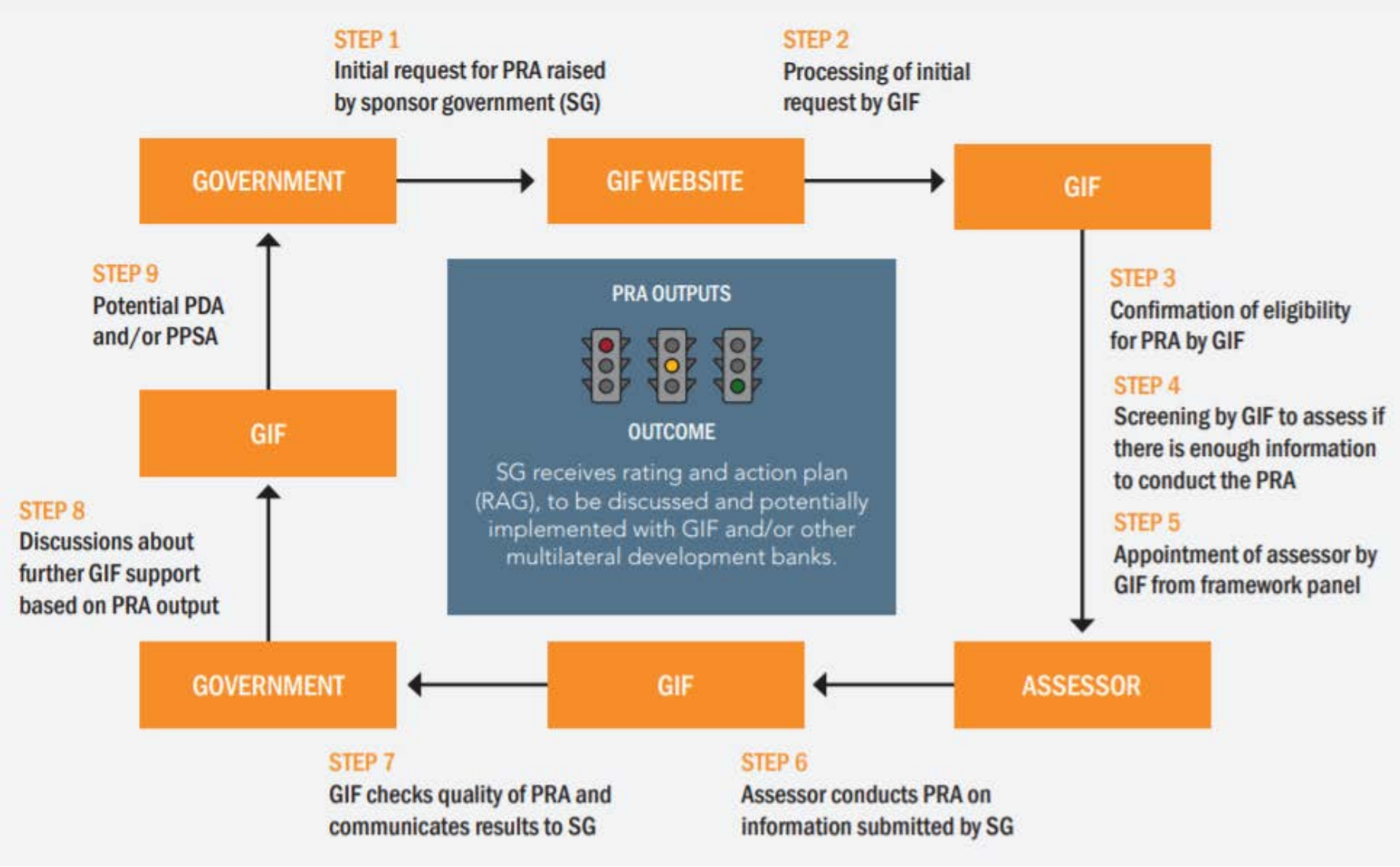
Implementation Overview



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Implementation Overview (2)

- Government submits requests for PRA directly to the GIF or through a Technical Partner. The GIF provides a **standard screening questionnaire** to government and/or Technical Partner to get key project information and process PRA request.
- GIF confirms if project is **eligible** and based on project progress **determines type of PRA assessment** (Stage 1 or 2).
- GIF **hires a consultant** to undertake the PRA (Assessor).
    - The GIF has designed a **rapid procurement mechanism** to quickly hire **pre-qualified assessors** from a roster of **highly specialized niche consultants with previous experience in the sector and country** and familiar with PRA.
- Assessor performs project screening collecting data through interviews and document review and undertaking mission to meet with government and project stakeholders, including Technical Partner (if applicable). **Specific questions and a handbook** provide guidance for Assessors on how to score each component.
- Assessor drafts PRA Report and Action Plan based on **standard template documents** provided by GIF.
- The GIF conducts **quality control and consistency review**.
- PRA outputs are shared with government and Technical Partner. Government can request an **updated PRA assessment** after implementing recommended actions in the Action Plan.
- Government and Technical Partner may request **further GIF support** to implement Action Plan through PDA or PPSA.

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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
- Components and subcomponent have different **scoring weights**
- 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

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**

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PRA Example Output

- The Assessor provides RAG score, and the rationale for the score in each question
- Outputs include PRA Report with RAG score and an Action Plan

Score obtained

Project Component	Max Score	PRA Stage 1 Score
Technical Solution	15%	9%
Commercial Structure	15%	5%
Affordability	25%	8%
Governance	25%	14%
Regulatory Environment	15%	10%
Social and Environmental	5%	3%
Total	**100%**	**50%**

RAG rating obtained

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

Project Component	RAG Rating	Key Areas for Further Development	Recommendations
Technical Solution	Amber	Development of an HLOS statement Undertake modelling and selective further forecasting	Recommendations 1,2,4,6,10,11,17,18,20,21,22
Affordability	Red	Production of a cost plan Production of a financing methodology	Recommendations 3,5,7,12,16,24,25,26
Governance	Red	Recruitment of a Project Director	Recommendation 8
Commercial Structure	Amber	Determine commercial structure applicable for project development	Recommendations 9,13
Regulatory Environment	Amber	Need to build a reliationship with Federal Ministry of Transport to develop combined rail strategy	Recommendations 14,15,19,23
Social & Environmental	Amber	Need to follow the final HLOS design and will vary depending upon the land take and technical option	

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PRA Stage 1: Question Set

Criteria		Sub Criteria	Assessment Questions
Project Component 1 : Technical solution (15%)			
1.1	**Land use**	Identification of site	1.Has the project site been identified?
			2.If so, does the government own the entire site identified? If not, what is the process to progress land ownership issues?
		Planning	3.Is there clarity on the planning process (if applicable)? What is the timetable for obtaining all requisite planning permissions?
			4.Does the Technical solution reflect the requirements of the planning process?
1.2	**Costing**	Preparation of costings	5.Has the Technical solution been costed? Does the costing cover broadly all major areas?
			6.If so, what methodology has been used to develop the costings? Does it refer to benchmark data?
1.3	**Viability**	Scope development & refinement	7. What analyses have been undertaken to determine the technical scope of the project? For e.g., has an exemplar design been developed
			8. What is/ are the infrastructure need(s) the technical solution is trying to address? For e.g., specialist facilities within planning restrictions
Project Component 2: Commercial structure (15%)			
2.1	**Risk Allocation**	Risk identification	9. Has the Project team developed a risk matrix to identify all key project risks? E.g., governance, construction, operation risk etc.
2.2	**Value for Money**	Methodology	10. Is there an existing methodology at project or government level for assessing value for money? Is the project team planning to apply it to the project during subsequent stages? Does this methodology broadly cover the key areas of best practice?
2.3	**Contractual structure**	Commercial principles	11. Are the basic commercial principles of the project reasonable for the sector/ country based on past experience?
Project Component 3: Affordability (25%)			
3.1	**Funding**	Source of funding	12. Will the project result in an increase in the current cost of delivery (to the extent applicable)?
			13. What sources of funding were considered in the affordability analysis? E.g., user charges / availability based. How detailed / robust is this analysis?
		Long term affordability	14. Does the government have the ability to pay for the project (including any increases)? Has it identified the budget where this will come from?
			15. If the government will rely on user charges, has an analysis been carried to determine the feasibility of such payments?
Project Component 4: Governance (25%)			
4.1	**Country Governance**	Country governance	16. Is there a clear understanding in government of how the PPP shall work? Has the lead ministry discussed the project with all other relevant government entities (e.g., central PPP unit, local / regional government, approving bodies)? Are the roles of all government entities involved clear?
			17. Has the project been reviewed by an independent party other than the lead party prior to submission to GIF?
			18. Have PPPs been transacted in the sector in the past 3-5 years? If PPPs have not been transacted in the sector in the recent past, are there other relevant precedents?
4.2	**Project Governance**	Project organization	20. Does the project team have a clear organizational structure, including allocation of roles between the leadership and membership?
		Stakeholder and change management	21. Has the project team identified all relevant stakeholders and developed an engagement plan to keep them updated over the course of the project?
			22. Is there a process for addressing stakeholder concerns?
Project Component 5: Regulatory Environment (15%)			
5.1	**National**	Precedents	23. Does the country have a national PPP law? Has this been enacted and used?
			24. If the country does not have a PPP law, does it have a concession law? Has this been used?
			25. Have projects successfully closed under the legal framework above?
5.2	**Sectoral**	Regulator	26. Is there a clear regulatory regime for the sector?
			27. Does the regulator have a history of being independent from government?
5.3	**Dispute Resolution (DR)**	Mechanism	28. Is there a clear DR mechanism in place? Is this is in accordance with international standards? Has it been deployed in the past?
Project Component 6: Social and Environmental (5%)			
6.1	**Social and Environmental**	Investor impact	29. Does the project have any specific social and/or environmental objectives? (E.g., community employment, local content requirement etc.)? How do these interface with the commercial and technical components of the project? (E.g., additional costs)

PRA – Ecuador Hydro

- The Government of Ecuador engaged the GIF to review **a major US$1.2bn 600MW hydro facility**
- The PRA helped government review the status of the complex technical and commercial studies necessary:
  - Reviewing the strategic fit of the new generation/storage capacity within the wider sector plan
  - Emphasizing the need to ensure suitably robust engineering and construction plans to mitigate key structural catastrophic failure risks
  - Identifying the likely need for sovereign and IFI credit enhancement in particular during the construction phase and the accompanying need for internationally compliant environmental and social impact studies and mitigation
- Government is currently reviewing sector priorities to confirm the Project is the correct investment, and that private finance makes sense in the context of combined Ecuador country and project specific risk

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PRA – Namibia Port & Airport

- The Government of Namibia engaged the GIF to review their readiness for PPP transactions for the **Port of Walvis Bay** and **Hosea Kutako International Airport**
- The PRA helped government evaluate financial viability of PPPs and review of existing studies:
  - Review and updating traffic volume and revenue forecasts
  - Review and develop updated capex requirements
  - Identify key project risks, such as counterparty risk
- The PRA found that both projects were viable and provided a roadmap of key issues that the to address before moving forward with procurement

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PRA – Sao Paulo Rail

- The Government of the State of Sao Paulo engaged the GIF to review the first phase of the planned **“Trem Intercidades” regional rail**
- The PRA helped government jump start the stalled project by reviewing a number of (incomplete) unsolicited proposals against the basic economics/on the ground conditions to identify route to transaction:
  - Identifying a political champion capable of coordinating across entities in State Government, with federal, and municipal authorities
  - Achieving a pragmatic corridor/infra sharing agreement with federally concessioned freight traffic to optimize use of assets and reduce required public contribution dramatically
  - Undertaking detailed operational modelling to optimize use of the corridor and ensure satisfactory capacity and travel conditions for 400,000 daily existing metro riders, 65,000 TIC passengers and freight
- Following a GIF PDA responding to the PRA recommendations, GIF has recently approved funding to support the full US$1.5bn transaction

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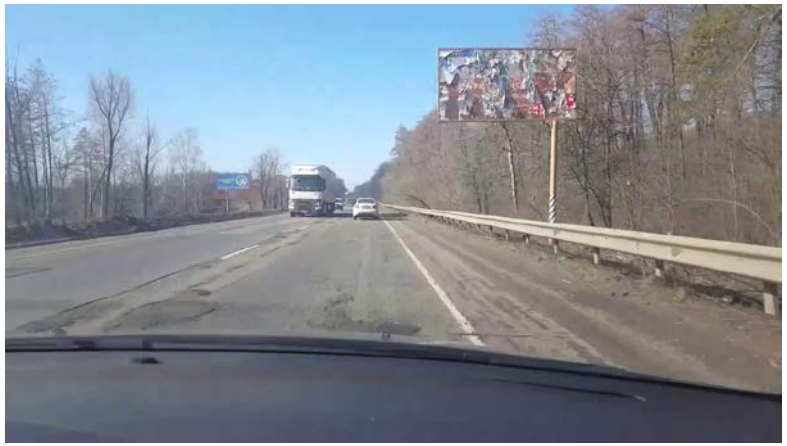
PRA – Ukraine Highway

- The Government of Ukraine engaged the GIF to review the proposed **L'viv – Krakovets greenfield toll road**
- The PRA helped government understand the likely market appetite for this standalone investment, finding that:
  - Investors want to see clear economic rationale for proposed investment and coherence with wider sector planning
  - Investors are reluctant to take demand risk in new markets, especially for stand alone toll roads
  - Investors are interested in EMDE markets such as Ukraine, but need confidence building measures to engage (commitment to transparency, a program of simpler transactions, country risk mitigation)
- GIF is now considering an application for prefeasibility funding to develop a program of brownfield upgrade and O&M transactions with the potential to mobilize up to US$300m of investment



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