Overview of GIF Support

Working through MDB partners (Technical Partners), the GIF supports Governments in bringing well-structured infrastructure projects to market in a way that expands the infrastructure finance space. GIF’s project support covers the full spectrum of project preparation activities necessary to attract private investors and financiers.

HOW THE GIF WORKS

The GIF has a straight-forward application and approval process. Prospective governments or Technical Partners can propose projects or infrastructure investment programs directly to the GIF. The GIF, on a continuous rolling basis, promptly reviews the application against the facility’s eligibility criteria to determine the support that can be provided.

One of the key features of the GIF support is the flexibility in terms of the type of support available. Funding can be provided both for specific projects and at program level potentially with “model” project design. Support can go from door to door support—from early-stage prefeasibility study all the way through financial closing—as well as filling critical gaps in existing work as needed to advance a transaction.
HOW THE GIF WORKS

In terms of the amount of funding available, the GIF provides two main products.

- Firstly, the GIF Project Definition Activity (PDA) is a non-reimbursable grant of up to thousands of dollars to support early stage project scoping and definition.

- Secondly, the GIF Project Preparation & Structuring Activity (PPSA) provides up to several million dollars to fund full project preparation and structuring support.

Although most PPSAs are reimbursable upon successful project close, the GIF takes project failure risk for all its support activities. The GIF mitigates this risk by providing access to its own technical team to support the implementation of its funding, bringing global best practice and hands on project experience. In addition, the GIF enjoys access to an Advisory Council of over 40 leading infrastructure investors and lenders. This allows the GIF to convey the latest trends in private sector financing capabilities to its beneficiary governments.

GIF PORTFOLIO

Now in its second year, the GIF’s portfolio has grown significantly during FY2017, with 20 approved activities and support opportunities in over 40 countries around the globe. As of April 2017, the GIF has a portfolio of 5 PPSAs and 15 PDAs in diverse sectors, at varying stages, from regions across the world. If all 20 GIF-supported projects reach financial close, up to $13 billion in additional financing could be mobilized, much of it from the private sector.

The 15 approved PDAs are providing first stage support to assist the respective governments in carrying out pre-feasibility analysis of proposed projects, assessing project preparation work completed to date and the gaps to be filled, and, where relevant, mapping out potential applications to GIF’s second stage—PPSA.

The GIF is supporting five PPSAs throughout the latter stages of project preparation and structuring, including public transport in Senegal, an airport in the Philippines, a hydropower project in the Solomon Islands, a LNG terminal in Myanmar and a gas fired power project in Indonesia.

Box 1 showcases the breadth of GIF activities spread across different regions, sectors and country income levels. The GIF has a strong focus in the energy and transport sectors and has awarded financing to projects in Low Income, Upper Middle Income and Lower Middle Income Countries. Further, the regional distribution of GIF awards is wide, with projects in all regions. As the GIF continues to build its pipeline it expects to see an increased engagement with more Technical Partners and deeper involvement in the different regions through projects and program-level support.

In terms of pipeline, the GIF is currently in discussions on over 45 further potential applications for support, further broadening the sectors, regions and countries benefitting from the available resources. Through support for these kinds of activities the GIF contributes to the creation of a global infrastructure pipeline.

BOX 1: TOTAL APPROVED PORTFOLIO AT END MARCH 2017 (% OF $ TOTAL)
The GIF is a partnership of governments, multilateral development banks and private sector financiers that facilitates private sector investments in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project support provided by the GIF draws on the expertise of its advisory partners. This group, which includes commercial banks and institutional investors, ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.

Ghana: Boankra Inland Port and Eastern Rail Line

The Port of Tema is important for trade within Ghana and the region, but is severely congested. In response, the government of Ghana is exploring options for improving the country’s freight transportation system. The GIF is assisting the government to assess options for a new inland port at Boankra and the rehabilitation of the Eastern Rail Line to increase logistical efficiencies and facilitate trade.

BACKGROUND

D The Port of Tema is an important trade gateway for both Ghana and the West African region. Managed by Meridian Port Services under a 20-year concession, the port handles approximately 70 percent of Ghana’s freight by sea. The port, however, it is congested and experiences long dwell times, impacting trade both within Ghana and neighboring landlocked countries. The government is exploring several approaches, including rehabilitation of a disused rail line and an inland port at Boankra, to improve the overall efficiency of the transportation network within the country.
SECTOR OVERVIEW

The Port of Tema is the largest port in Ghana and one of the main ports in the West African region. In 2004, a 20-year concession for the Tema Port container terminal was awarded to Meridian Port Services (MPS)—the only PPP in Ghana’s transport sector.

MPS has expanded the capacity of the Tema container terminal from 0.5 million twenty-foot equivalent units (TEUs) to 1.0 million since operations began in 2007, and will further increase capacity to 3.5 million TEUs by December 2018.

Takoradi Port, Ghana’s primary export port, accounting for about 70 percent of outbound seaborne trade, is operated by the Ports and Harbours Authority (GPHA), an agency of the Ministry of Transport. The port focuses on bulk cargo and oil, with limited container traffic (approximately 50,000 TEUs).

The GPHA has the authority to enter commercial arrangements, including PPPs. Since 2000, the GPHA has implemented reforms to increase the role of the private sector in port operations and maintenance.

WHY GIF

The GIF’s funding through a Project Definition Activity will be used to recruit consultants to undertake the requested assessment which will include:

◆ Revising demand forecasts for railway and inland port
◆ Optimizing the technical design for both project components
◆ Developing operational models for the railway and inland port
◆ Preparing a timeline for tendering, financial close, construction, operations
◆ Developing and recommending the most optimal PPP options for Eastern Rail and Boankra Port

The GIF support will also review the complex interfaces that are critical to the project’s success (railway/port and railway/inland port) and recommend options for managing these interfaces. If the project option selected by the Ghanaian government involves raising private finance and is proven viable, then a full GIF application may be made to provide additional transaction advisory support until financial close.

PROJECT FEATURES

The proposed project’s objective is to enable trade by easing congestion at Tema Port and expanding import/export services to northern Ghana. It consists of two potential components, each of which has different financing and implementation needs:

◆ The development of Boankra Inland Port
◆ The reconstruction and rehabilitation of the Eastern Rail Line from Tema to northern Ghana

The government of Ghana has undertaken a feasibility study to assess the viability of these options. However, the study lacks a detailed assessment of the business case for developing the Eastern Rail Line and inland port with private sector investment. The World Bank and the Ministry of Finance of Ghana have requested GIF support with assessing the logistic challenges at the Port of Tema, and whether the project can overcome these challenges.

EXPECTED RESULTS

The project will provide the analysis necessary to fully evaluate the viability of the Boankra Inland Port and Eastern Rail Line as a PPP or concession. Should the project go forward, it is expected to:

◆ Facilitate import and export services, particularly in northern Ghana
◆ Benefit neighboring landlocked countries that rely on the Tema Port, such as Burkina Faso, Mali and Niger
◆ Mobilize investments of approximately $1.5 to $2.0 billion, of which $300 to $500 million would come from the private sector
◆ Improve Ghana’s trade competitiveness

POTENTIAL GIF LEVERAGE

GIF funding may leverage private sector financing:

GIF Approved Project Definition Grant (Technical Partner, WB): .......... $500,000
Anticipated GIF Project Structuring Support:.............................................. $1.0 – $1.5 million
Potential Private Investment Mobilized:................................................... $300 – $500 million
The lack of a mass transit system coupled with increasing vehicle ownership has led to severe traffic congestion in the Greater Beirut Area. The GIF is supporting a World Bank project to develop bus rapid transit infrastructure with private sector participation by assessing investment options for the system.

BACKGROUND

Traffic congestion is one of Beirut’s most serious urban development problems. High population density, increased income levels, increased motorization, and the influx of refugees has led to severe traffic congestion in the city. According to a 2005 study by the Ministry of Environment, the estimated cost of urban congestion stood at about eight percent of Lebanon’s GDP at the time, when traffic volumes were lower than they are today. The high cost of transport and lack of a reliable public transport system limits the capacity of the road network in accommodating rapidly increasing transport demand. In response, the Government of Lebanon requested assistance from the World Bank for the development of a bus rapid transit (BRT) system in the Greater Beirut Area.
WHY GIF

The Ministry of Transport and the World Bank requested GIF support to assess commercial models for the project. The GIF will fund the selection of consultants to assess options for investment in rolling stock/vehicles and supporting systems, such as fare collection, as well as operations and maintenance of the system. This assessment will look at the integration of the feeder network within the BRT system and interface challenges this presents. It will also identify the risks that can be passed to or shared with the private sector under each of the proposed models. Finally, the GIF will support the government's efforts to identify a preferred structure for the project.

PROJECT FEATURES

The proposed system will be implemented as a public-private partnership and includes two major components:

- A 24-kilometer trunk line to transport commuters from the northern suburbs to the city center along the Northern Highway with segregation from general traffic. Feeder services will connect commuters in less-accessible regions to the nearest transfer station. Park and ride facilities at selected stations will allow interchange with private car users.
- Two loops in central Beirut to connect passengers with the main downtown area.

EXPECTED RESULTS

The project is the first public transit PPP in Lebanon and is part of a comprehensive public transport program for the Greater Beirut Area. The program is expected to achieve the following results:

- Mobilization of about $270 million in total financing, of which $92 million is expected to come from the private sector
- Construction of a trunk line, including construction and reinforcement of dedicated bus routes, stations, access infrastructure, park and ride facilities and feeder bus services
- Stronger institutional capacity of the Ministry of Transport and its relevant agencies to lead on sector planning and regulation
- Reduced traffic congestion and increase mobility in the Greater Beirut Area

POTENTIAL GIF LEVERAGE

GIF funding may leverage private sector financing:

GIF Approved Project Definition Grant (Technical Partner, WB): $500,000
Anticipated GIF Project Structuring Support: $2.0 – 3.0 million
Potential Private Investment Mobilized: $92 million

SECTOR OVERVIEW

There are currently about 1.2 million vehicles in Lebanon. Private cars consist of over 80 percent of vehicles circulating in the greater Beirut area, with the remaining vehicles comprising buses, minibuses and taxis.

No mass transit or regular and reliable public transport exists; public transport is primarily provided by taxis and minibuses. The sector is highly fragmented with a large number of bus and taxi companies, many of which consist of a single taxi or bus operated by the owner.

Regulation of the sector is divided between the Ministry of Transport, which oversees licensing of companies, fare setting and planning, and the Ministry of the Interior, which oversees licensing of vehicles and drivers, vehicle inspection and enforcement of traffic law. The ministries' capacity to plan, coordinate, or enforce regulation in the sector is weak and many operators are unregulated. The capacity problems are further compounded by Lebanon's status as fragile state and the rapid increase in demand for transport services from the addition of Syrian refugees in the Greater Beirut area.
Tunisia’s demand for power has been growing steadily for the last two decades which leads it to consider its power strategy. One option is purchasing power from Europe through an interconnector cable between Tunisia and Italy’s power grid. A GIF grant is supporting the development of this project.

**BACKGROUND**

As a result of economic growth, Tunisia’s growing demand—currently at 3,600 megawatts annually—is likely to outstrip its generation capacity soon. To meet future demand, it will have to either increase supply by importing electricity or developing new power sources. The option of importing surplus electricity from Europe is attractive but will involve complex bilateral agreements between private and state-owned firms and participation of international development institutions.
WHY GIF

The GIF is providing a Project Definition Activity of circa $350,000 to support its Technical Partner, the World Bank’s Energy Global Practice to fund consultants that will assist various stakeholders to develop a high-level options analysis and transaction design, and to identify additional work required at the project preparation stage. GIF support includes:

- Review of existing technical studies to identify gaps and additional studies required;
- Conducting financier consultations;
- Preparing a preliminary power import strategy;
- Developing a high-level transaction design and
- Preparing a project implementation plan.

Upon the request of the Ministry of Investment Development and International Co-operation of the Republic of Tunisia, GIF would provide further full transaction advisory support until financial close.

PROJECT FEATURES

The proposed project will lay a 200 kilometer power cable with a capacity of 600 megawatts under the Mediterranean Sea between Tunisia and the island of Sicily in Italy. The cable will be able to supply up to 16 percent of Tunisia’s power needs. In due course, it also has the potential to export solar power produced in North Africa to Europe.

The sponsors of the project are STEG and the Terna Group, a private Italian power grid operator. Under the proposed project, a new transmission company would be formed with investments from these sponsors. The company will charge a transport fee of power transmitted along the cable.

Investment requirements are in the order of hundreds of million euros. Because of the large capital costs and to achieve the best value for money, the sponsors are considering a range of financing options including European Union support through the Project of Common Interest program, financing from the Tunisian government, and loans from multi-lateral developmental finance institutions.

EXPECTED RESULTS

The project is expected to:

- Facilitate trade in electricity between North Africa and Europe;
- Achieve climate smart objective through emissions reductions with electricity generated to high environmental standards;
- Provide Tunisia with power at competitive rates and
- Lay the groundwork for future export of renewable solar energy to Europe.

POTENTIAL GIF LEVERAGE

GIF funding may leverage private sector financing:

GIF Approved Project Definition Grant (Technical Partner, WB): ...... $350,000
Anticipated GIF Project Structuring Support:........................................ $8.0 million
Potential Private Investment Mobilized: ........................................... upto €300 million
Ukraine’s ports and inland waterway system plays a key role in export and trade, particularly in the agricultural sector. The GIF is working with EBRD to increase institutional capacity and evaluate the potential for private sector participation in Port Olvia on the Bug River.

**BACKGROUND**

Port Olvia lies on the Bug River in southern Ukraine, providing easy access to the Black Sea, the inland waterway system, and the national railway. Ministry of Infrastructure Ukraine has identified the port for a pilot concession to test the implementation phase of its national seaport strategy. The proposed concession aims to develop traffic on Port Olvia platform by means of improving the turn out of the existing port infrastructure, developing new terminals and facilitating greater cargo specialization under several eventually independent port operators. This will help Ukraine manage projected increases in trade and exports, particularly in the agricultural sector. However, the feasibility of this project has not been sufficiently addressed, making its commercial viability difficult to assess.
SECTOR OVERVIEW

Port Olvia is one of the 13 Ukrainian ports on the Black and Azov seas where a role for the private sector is being considered, either through privatization or concessions. Ukraine’s largest ports (Odessa, Illichvìsk and Yuzhny) account for 63 percent of cargo turnover. The estuary of Dnipro includes two other seaports near Olvia: Mykolayiv Port and the Nika Tera Terminal. These ports mainly service bulk cargo, including metal ore, grain, coal, vegetable oils. Odessa is the principal port for container traffic.

There are significant growth opportunities for ports, driven by expected growth of agriculture exports. Over 90 percent of agriculture export is transported by sea; without upgrades to port infrastructure, seaport capacity for these products will be exceeded by 2020.

Ukraine’s port sector is supervised by the Ministry of Infrastructure of Ukraine through the intermediary of the Ukrainian Seaport Administration (USPA).

WHY GIF

The GIF is contributing to EBRD’s efforts by funding a study that aims to increase institutional capacity and ascertain a better understanding of realistic market demand and the feasibility of various possible technical options. The work is being undertaken in the context of an ongoing revision to the concession law and government processes, and in coordination with the Ministry of Infrastructure, port officials, and industry stakeholders. Successful closure requires good coordination among these entities and on the upfront definition of clear and efficient obligations and tasks. The GIF’s involvement will also leverage the strength of the Ukrainian authorities and EBRD for the benefit of the project. The project supports the Ukrainian government’s strategy for developing its national transportation infrastructure.

PROJECT FEATURES

Port development ideas with private sector participation by 2020 envisioned initially by the Ukrainian authorities included:

◆ A grain terminal, including new berth and grain elevator
◆ An oil and gas terminal
◆ A roll-on/roll-off terminal

These options are being currently reviewed with other possible opportunities in order to identify the most suitable project for Port Olvia.

EXPECTED RESULTS

The project is expected to:

◆ Review the current legislation and regulatory issues related to the proposed port concession
◆ Improve coordination among key stakeholders, including the Ministry of Infrastructure, the Ukrainian Seaport Administration, Olvia Sea Port Authority, the state enterprise Specialized Sea Port Olvia, and EBRD
◆ Define Port Olvia development scheme under concession/PPP
◆ Lay the ground for medium and long-term development projects in port Olvia
◆ Provide greater opportunities for Ukrainian trade, particularly in the agricultural sector

The Ukrainian authorities are expecting the investments in Port Olvia to be fully financed by the private sector for an amount estimated to USD 100 million by 2020. The project supports the Ukrainian government’s strategy for developing its national transportation infrastructure and is complementary to involvement of the GIF and the World Bank in an evaluation of Ukraine’s waterways river transport.

POTENTIAL GIF LEVERAGE

GIF funding may leverage private sector financing:

GIF Approved Project Definition Grant (Technical Partner, EBRD): $220,000
Anticipated GIF Project Structuring Support: $1.5 million
Potential Private Investment Mobilized: $70 million

Global Infrastructure Facility
European Bank for Reconstruction and Development