

Global Infrastructure Facility: Update for G20--September 2014

1. Objectives and Operating Principles

The Global Infrastructure Facility (GIF) is a global, open platform that will facilitate preparation and structuring of complex infrastructure PPPs, to enable mobilization of private sector and institutional investor capital. The GIF platform aims to coordinate and integrate the efforts of MDBs, private sector investors and financiers, and governments interested in infrastructure investment in EMDE countries; enabling collaboration and collective action on complex projects that no single institution could realize alone. GIF's engagement will stretch from upstream support on market structure and project identification and appraisal, through transaction preparation, to financial structuring and credit enhancement. The GIF will operate according to the following core principles, to be finalized upon agreement between GIF partners:

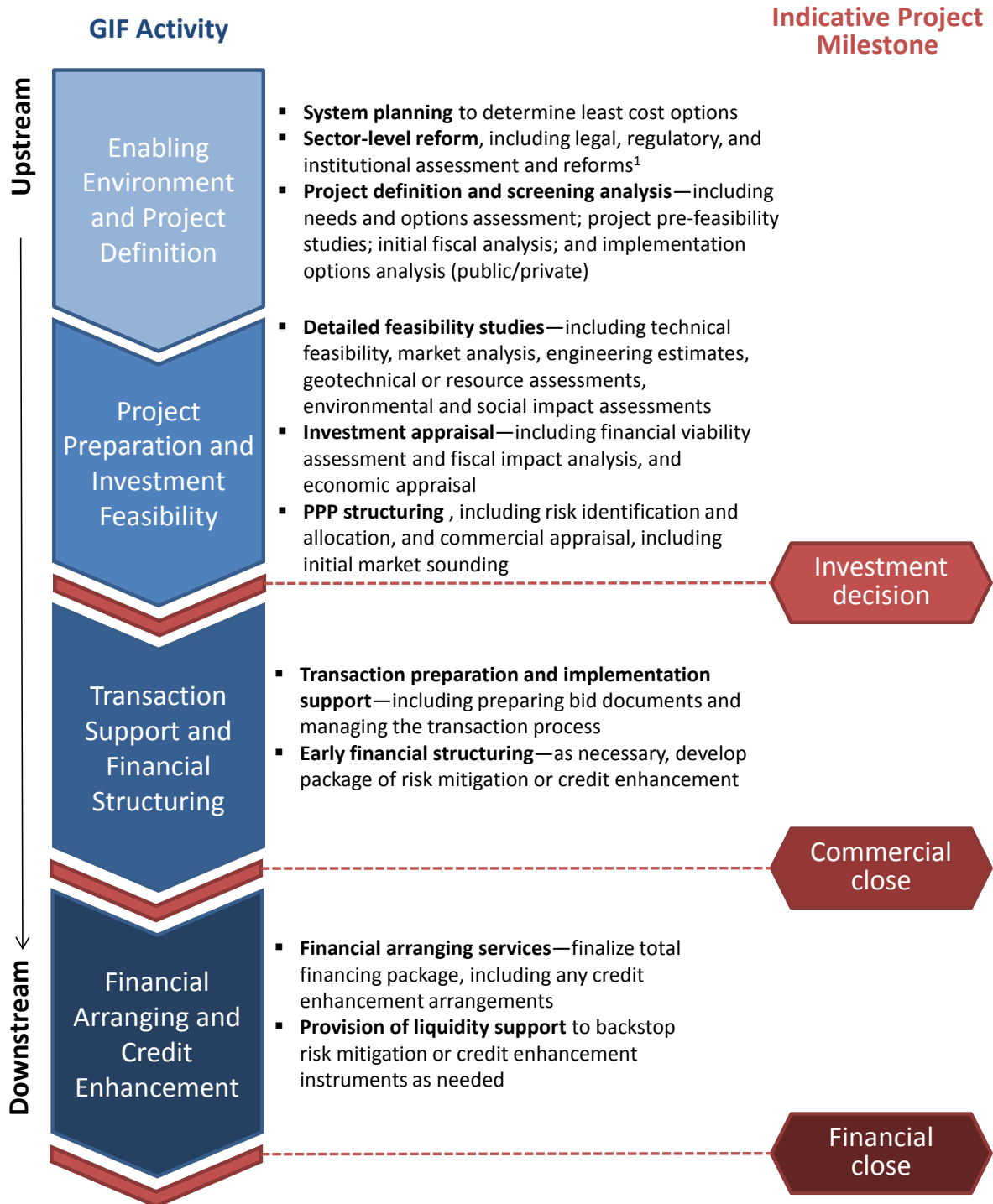
- **Leveraging the private sector**—specializing in project financing modalities that will draw together comparative advantages of public and private sectors;
- **Addressing public goods**—focusing on core infrastructure; particularly those infrastructure projects that are climate friendly or trade enabling;
- **Promoting sustainability and inclusiveness**—ensuring projects adhere to best practice standards for social and environmental responsibility; and
- **Partnering for solutions**—mobilizing technical and financial resources of all partner entities—WBG entities, multilateral development institutions, other public institutions, and private investors—in an innovative and flexible way, to achieve greater leverage and address the complex infrastructure financing challenges that are beyond the resources of any individual partner.

Over the longer term, by contributing to the stock of high quality and well-structured infrastructure projects, the GIF can be expected to help in the development of EMDE infrastructure as an asset class attractive to the full range of private investors seeking diversification into long-term assets in faster growing economies, but which until now have been presented only limited infrastructure investment opportunities that meet their risk tolerance and investment profiles.

2. Activities

The GIF will provide end-to-end support to ensure well-structured and bankable infrastructure projects are brought to market, with a focus on finance options and structures that are able to attract a wide range of private investors. GIF interventions would seek to minimize overall project risk by ensuring, throughout the project preparation and development process, that benefits, costs, and risks are appropriately considered at each stage.. Support provided to a particular project will be defined flexibly, to complement the resources and support already available from partner entities and other funding mechanisms. During a three-year pilot phase, activities will focus on preparation and structuring, and will span project development stages: (1) Enabling environment and project definition; (2) Project preparation and investment feasibility; (3) Transaction support and financial structuring; and (4) Financial arranging and credit enhancement. Figure 1 below provides an overview of potential GIF activities at each stage.

Figure 1: Overview of GIF Activities



1. Sector-level legal, regulatory, or institutional reform activities will be supported only as required and triggered by project-specific preparatory work

Many Development Finance Institutions (DFIs) and other prospective partner entities already provide similar support to projects, but often in a fragmented manner, with coordination largely dependent upon coincidental relationships. The aim of the GIF will be to coordinate preparation and structuring support more systematically, and provide resources to fill gaps, ensuring a high-quality, comprehensive approach, and early consideration of financing options with the potential to attract a wider range of investors. The bulk of the GIF's disbursements for project preparation and structuring are expected to be recovered through eventual reimbursement or fees upon successful project close.

Following commencement of a pilot phase focused on upstream activities, a “downstream window” will be introduced. A subsequent injection of up to \$200 million is proposed to be sought from the GIF Partners for initial capitalization of this downstream window. This could allow GIF to provide “gap-fill” co-financing or credit-enhancement support—to complement products already available from internal and external technical partner institutions—for approximately four pilot projects, typically in the early stage where risk is the highest and traditional players are more reluctant to enter.

3. Project Selection

Potential projects may be proposed to the GIF by WBG teams, external partners, or potential clients. Project selection criteria and processes will be developed with partners, and are expected to include the following:

- **Development Impact**—projects that support the twin goals of Extreme Poverty Alleviation and Shared Prosperity; as evidenced by the ability to estimate impacts on access, affordability, jobs, gender, and fiscal sustainability;
- **Alignment**—projects that are aligned with Government priorities and strategies;
- **Complexity**—projects that require multiple parties to come together to provide structuring, arranging and financial support, and/or projects which require a blend of financial instruments; and
- **Catalytic Impact**—projects that have significant potential to achieve financial viability, leverage public funds, and attract private sector and/or institutional investors—such as through Public-Private Partnership (PPP) modalities, while still meeting governments’ service delivery objectives.

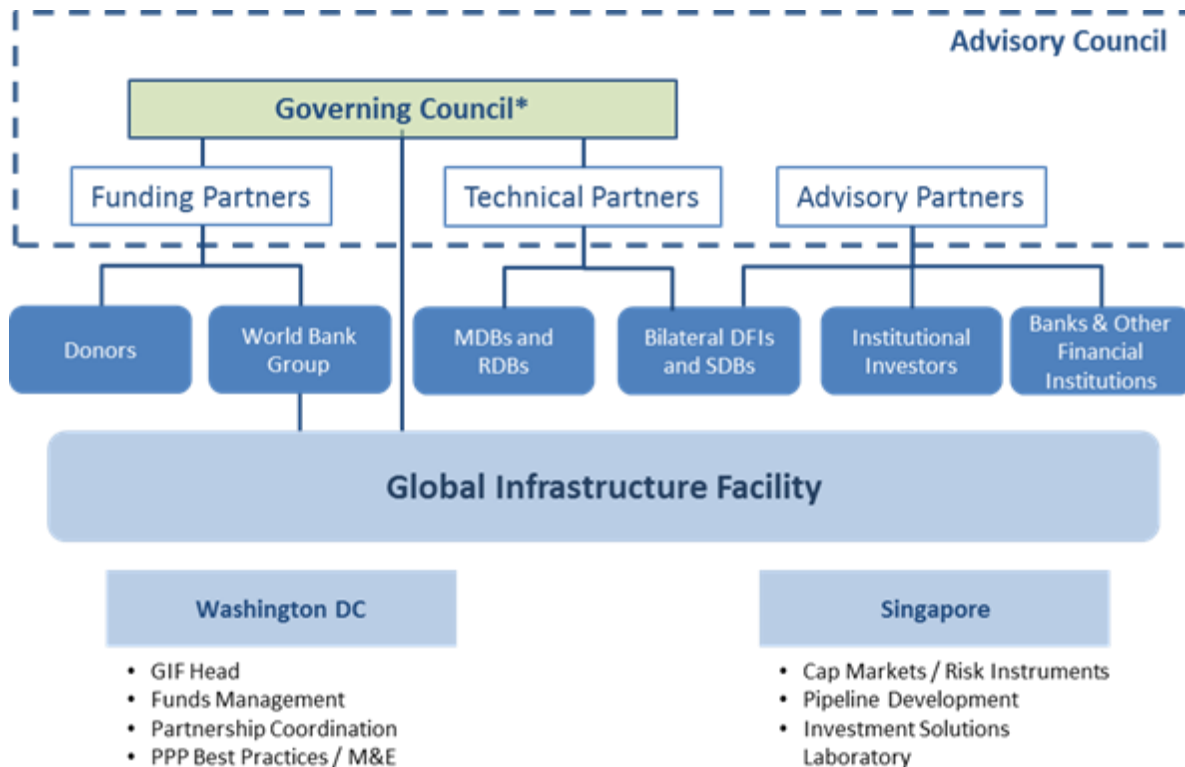
In addition to these core criteria, the GIF may introduce additional filters for “thematic focus areas” in response to changing infrastructure investment environments and needs. During its pilot phase, the GIF will focus on infrastructure investments that have global public good characteristics; **climate friendly** projects that are low emitting or encourage efficiency in the provision of infrastructure services; and **trade enabling** projects that facilitate or enhance interconnectivity and trade, with particular attention to projects that could realistically provide measurable impacts within three to four years.

4. Structure: The GIF Partnership

Given the importance of open-platform collaboration and partnership to the GIF's envisaged role, it is proposed to establish the GIF as a **Partnership Program** housed by the World Bank Group (WBG). The responsible WBG team will work with prospective partners to finalize the design of the GIF Partnership,

prepare and execute Partnership Agreements to secure the proposed seed funding and technical support arrangements, and thereby establish the GIF Partnership.

Figure 2: Structure of the GIF Partnership



* Governing Council also proposed to include **EMDE Government representatives** as observers

The GIF Partnership is expected to involve a wide range of stakeholders who are involved in the development and implementation of infrastructure projects, both public and private. GIF partners will fall into one or more of the following categories:

- **Funding partners**—Partners that provide financial contributions to the GIF Partnership;
- **Technical partners**—WBG and external partners who agree to provide specific technical advice and support under GIF activities, including project implementation, and participation in credit enhancement packages
- **Advisory partners**—private investors or entities that represent the voice of private sector infrastructure finance—whether pension funds, sovereign wealth funds, banks or other financial institutions—as well as public or private partners interested in participating in GIF-arranged credit enhancement structures. Advisory partners are expected to be involved in early state project preparation and discussions related to the design and use of risk instruments, with the view to ensure suitability of projects for private sector investment..

A Governing Council is proposed to oversee the GIF Partnership Program. The Governing Council is expected to oversee strategic programming and funds management, and the development of operational policies and procedures, and to hold the GIF management accountable for delivering on the facility’s objectives and principles. The composition of the Governing Council will be agreed between the

Bank and prospective partners, but is proposed to comprise representatives of Funding and Technical Partners. An Advisory Council comprising all GIF Partners, chaired by the Managing Director and Chief Financial Officer of the World Bank, is also proposed to serve as a sounding board on the latest developments in infrastructure finance, with a view to informing the design of GIF interventions. Working Groups may also be convened to discuss particular issues.

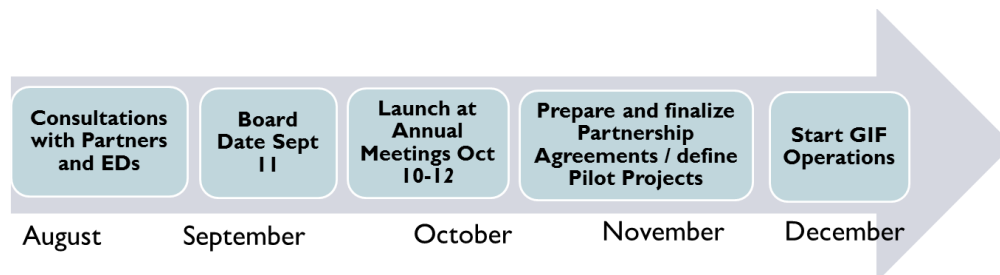
5. Management

The GIF will be administered by the World Bank Group, through a small, dedicated team established to that end—the GIF Management Unit. The GIF Management Unit will be responsible for building the facility, leading the consultation and capitalization process, managing and allocating the resources of the GIF, including assuring quality of GIF project design, and providing coordinating support as projects progress, particularly with respect to liaison with technical and advisory partners.

Implementation of GIF project activities will be led by Technical Partners. GIF project teams will comprise technical staff from the WBG and Technical Partner institutions, as well as the engineering, financial, economic or legal firms hired with GIF resources. Project teams will be composed according to the demands of a particular project—including region and sector of focus, and the skills and expertise required for the proposed activities. Joint project teams may also be formed where the GIF is supporting projects in which more than one Technical Partner is already closely involved, or as needed to meet the full range of demands of the project.

6. Launch and pilot phase

The first three years of GIF operations will constitute a “pilot phase”, during which the GIF concept, activities, and partnership model will be road-tested. Seed funding for the pilot phase is expected to reach a target initial capitalization of \$80 million over this period. This is anticipated to allow approximately four significant interventions (\$10 to \$20 million per project) and 3 to 6 more smaller-scale interventions (\$2 to \$5 million); a level of activity defined to enable the model to be tested over a sufficient range of project sectors and types, geographies, and country environments. These resources will subsequently “revolve”—that is, reimbursements of grants, fees from fee-based activities, and down the line, charges for credit enhancement products will be re-injected into the GIF.



Pending approval by the World Bank Board of an allocation from IBRD surplus, the GIF team will work with partners to establish initial Collaboration Arrangements expected to be signed at the Annual Meetings. These will form the basis for full Partnership Agreements, to be developed with partners following the WBG’s framework for Partnership Agreements and Financial Intermediary Funds (12 June

2013); a process that will include further internal consultation across the WBG and with prospective partners. Assessment and selection of pilot projects, also in consultation with internal and external partners, is expected to proceed in parallel, with a target date for commence GIF operations.