



Private Infrastructure Development Group



2011

ANNUAL REPORT

PIDG members



Australian Government *
AusAID



Irish Aid
Government of Ireland
Rialtas na hÉireann



International
Finance Corporation
World Bank Group



Austrian
Development Agency



kfw
ENTWICKLUNGSBANK



UKaid
from the British people



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO



Ministry of Foreign Affairs of the
Netherlands



FMO

Finance for Development



Sida

* Welcomed as a prospective new PIDG Member in 2011 and funding expected to be approved by AusAID in 2012



PIDG ANNUAL REPORT 2011

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Acronyms and abbreviations

ADA	Austrian Development Agency
ADB	Asian Development Bank
AECID	Agencia Española de Cooperación Internacional para el Desarrollo (Spanish Agency for International Development Cooperation)
AfDB	African Development Bank
AICD	Africa Infrastructure Country Diagnostic
AusAID	Australian Agency for International Development
BIO	Belgian Investment Company for Developing Countries
BMF	Bundesministerium für Finanzen (Austrian Federal Ministry of Finance)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development of Germany)
BNDES	Banco Nacional do Desenvolvimento (Brazilian Development Bank)
BRICS	Brazil, Russia, India, China and South Africa
DAC	Development Assistance Committee of the OECD
DAC I	Least Developed Countries, as listed in Column I of the DAC List of ODA Recipients
DAC II	Other Low Income Countries, as listed in Column II of the DAC List of ODA Recipients
DAC III	Lower Middle Income Countries and Territories, as listed in Column III of the DAC List of ODA Recipients
DAC IV	Upper Middle Income Countries and Territories, as listed in Column IV of the DAC List of ODA Recipients
DBSA	Development Bank of Southern Africa
DEG	Deutsche Investitions-und Entwicklungsgesellschaft (the German Investment and Development Company, a subsidiary of KfW)
DevCo	Infrastructure Development Collaboration Partnership Fund
DFI	Development finance institution
DFID	UK Department for International Development
DGIS	Netherlands Ministry of Foreign Affairs
DRC	Democratic Republic of Congo
EAIF	The Emerging Africa Infrastructure Fund Ltd
EBRD	European Bank for Reconstruction and Development
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
FMFML	Frontier Markets Fund Managers Limited
FMO	Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Development Bank of the Netherlands)
GAP	Green Africa Power
GDP	Gross domestic product
GNI	Gross national income
GPOBA	Global Partnership on Output-Based Aid
GuarantCo	GuarantCo Limited

ICF-DP	Infrastructure Crisis Facility - Debt Pool LLP
IFC	International Finance Corporation
IFI	International financial institution
IMF	International Monetary Fund
InfraCo Africa	InfraCo Limited
InfraCo Asia	InfraCo Asia Development Pte Ltd
IPP	Independent power producer
ISSIF	InfraCo Sub-Saharan Infrastructure Fund
JDA	Joint development agreement
KfW	KfW Entwicklungsbank (German Development bank)
LDC	Least developed country
LIC	Low income country
LMIC	Lower middle-income country
MAR	Multilateral Aid Review
Norad	Norwegian Agency for Development Cooperation
OBA	Output-based aid
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OeEB	Oesterreichische Entwicklungsbank AG (Austrian Development Bank)
OLIC	Other low income country
OPIC	Overseas Private Investment Corporation
PAIDF	Pan-African Infrastructure Development Fund
PCM	Post-completion monitoring
PIDG	Private Infrastructure Development Group
PMU	Programme Management Unit (of PIDG)
PPI	Private participation in infrastructure
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-private partnership
PSI	Private sector investment
RMS	Results Monitoring System
SECO	Swiss State Secretariat for Economic Affairs
Sida	Swedish International Development Cooperation Agency
SSA	Sub-Saharan Africa
T&D	Transmission and distribution
TAF	Technical Assistance Facility
UMIC	Upper middle income country
VGF	Viability gap funding
WB	World Bank
WBG	World Bank Group
WSS	Water, sewerage and sanitation

FOREWORD

In 2012 PIDG marks its tenth birthday. Expected private sector investment in PIDG-supported projects stands at more than US\$20 billion. We have supported projects in over 40 developing countries, including many of the poorest countries in the world. Already 37 of these projects are fully built, operational, and delivering infrastructure services to people.

In this first ten years, we have retained a focus on delivering vital infrastructure in challenging and underdeveloped markets. Through our facilities, we have targeted the specific obstacles that prevent private delivery of infrastructure projects and bar access to wider sources of finance. In doing this, we have maintained a lean management structure, and harnessed private sector commercial skills where they can be most effective in delivering what we do.

Infrastructure: priority and challenge

The founders of PIDG recognised that governments in the world's poorest countries struggle to fund the capital costs of infrastructure, and the gap could not be filled by overseas development assistance alone. If these countries are to build, maintain and upgrade the infrastructure they require to deliver economic growth, and to reduce poverty, they need to access finance from wider, private sector domestic and foreign sources. Managed appropriately, private sector involvement can also improve policy, project design, delivery and operation.

In 2011, the G20 made infrastructure a key priority, particularly for low income countries, recognising its critical role in promoting inclusive growth and combating poverty. Its High Level Panel on Infrastructure made some clear recommendations: public funds should be used as a catalyst to encourage more private investment for infrastructure; and there should also be an emphasis on transparency and on building local delivery capacity. These recommendations align very closely with what we do at PIDG. Through our various facilities, PIDG is an impact investor, seeking to generate returns that go far beyond the financial.

In the more developed markets, scarce liquidity continues to obstruct the ability of banks to lend substantial funds and to do so long-term. The poorer countries feel this impact as banks withdraw to their home markets. PIDG's Infrastructure Crisis Facility – Debt Pool (ICF-DP) is one response to this situation. ICF-DP has already committed US\$339 million to ten projects in two years of operation. The other PIDG facilities have been equally active during this challenging period.

The opportunity in PIDG markets

Many PIDG markets have growing populations of sophisticated consumers. These consumers are prepared to pay for reliable infrastructure services – often paying prices considerably greater than those for

similar services in developed markets. At a time when more mature markets face sharply reduced growth prospects, such markets represent real opportunities for investors. PIDG's role is to help link this demand with the supply of long term capital, being innovative in the way it supports projects and being prepared to take risks in new markets and sectors.

As PIDG grows, so our structures and processes must adapt, without losing focus and efficiency. Work continues on further improving our approaches to transparency, risk management and results monitoring and reporting, including in relation to impacts on women and girls. We are strengthening our communications capability. This annual report presents a snapshot of PIDG and its facilities, reflects upon the legacy of our work over the past ten years, and considers the impact of the continuing global financial crisis on PIDG markets. But we plan to do more in presenting what we do and how we do it: this report is just one gateway into the evolving PIDG world.

Preparing for a new landscape

Many of our facilities have established strong track records and solid reputations in their markets, with robust forward project pipelines that position them well. However, the challenge for 2012 will be to mobilise even more resources to position the PIDG facilities to meet increased demand.

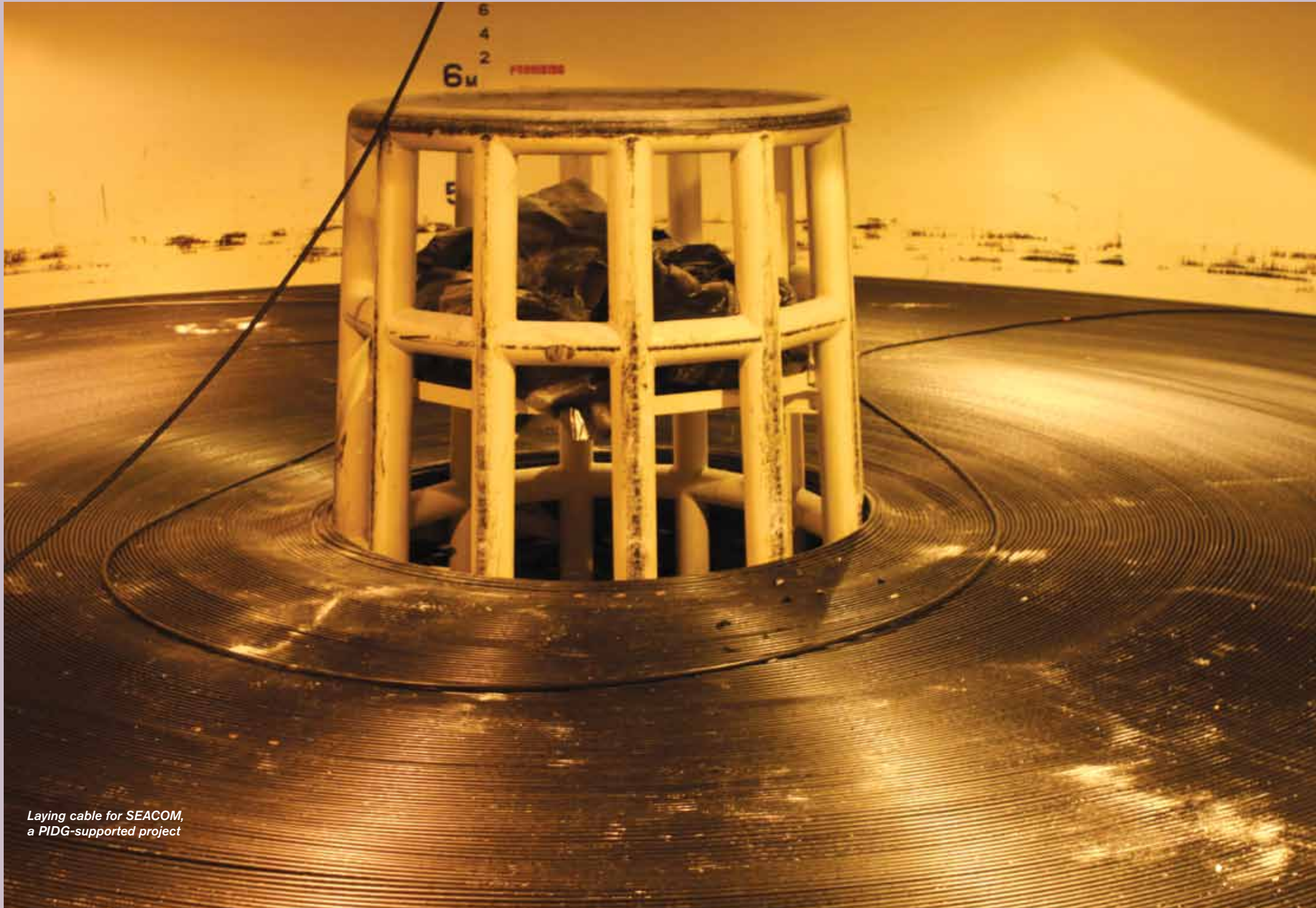
Over the next decade a different infrastructure landscape will emerge. There will be more organisations seeking to leverage private sector funding into the markets where we operate and fiscal pressures will affect traditional sources of donor funding in PIDG markets. New players and priorities will emerge as new sources of long term capital shift from older to fast-emerging economies. These could include Chinese Ex-Im bank, Banco Nacional do Desenvolvimento (BNDES – the Brazilian Development Bank), and emerging institutions such as the 'BRICS-bank'. We will examine these trends carefully in 2012 to ensure that PIDG remains at the frontier of private sector infrastructure delivery in challenging markets. We will explore ways of working with these new partners. These changes in the external landscape and the growth in the scope and size of PIDG set the background for our taking a close look in the course of 2012 at PIDG's strategy and future direction.

Delivering PIDG's mission must recognise the dedication, professionalism and wide range of skills of those involved. This includes those from the management teams, the facility boards, the project management unit, as well as those representing the PIDG donors. It is a privilege to join the PIDG team and I look forward to contributing to the effort in helping to take PIDG's exciting mission forward.



Ed Farquharson, Executive Director, PIDG Programme Management Unit

**EXPECTED PRIVATE
SECTOR INVESTMENT
IN PIDG-SUPPORTED
PROJECTS STANDS AT
MORE THAN US\$20
BILLION IN OVER 40
OF THE POOREST
DEVELOPING COUNTRIES**



*Laying cable for SEACOM,
a PIDG-supported project*

SECTION 1

PIDG OVERVIEW



**NEARLY TWO-THIRDS
OF FUNDS COMMITTED
IN 2011 WERE IN
LEAST DEVELOPED AND
OTHER LOW INCOME
COUNTRIES**



1 PIDG 2011 HIGHLIGHTS

- Twenty-five new projects received financial commitments from PIDG facilities for project preparation or financing. This is the highest annual number since we started operations.
- Of these 25 projects, 14 involved projects that achieved financial close¹. The growing PIDG portfolio now contains 77 projects that have reached financial close, including five projects where PIDG facilities have successfully worked together to co-finance delivery of the infrastructure².
- The total number of physically completed projects supported by PIDG since its inception that are now delivering services grew to 37. Half of these were physically completed and became operational during 2011. Over 93 million people now benefit from new or improved infrastructure services because of these PIDG-supported projects. The cumulative volume of private investment mobilised, and the number of people connected to infrastructure as a result of these projects, exceeded our original estimates.
- Nearly two-thirds of funds committed in 2011 by PIDG facilities were in least developed and other low income countries³ with more than 70% of the committed funds going to projects in fragile and conflict-affected states⁴.

1 “Financial commitment” and “Financial close” are defined differently depending on the type of PIDG facility (see page 15). 

2 When each facility’s financing to these co-financed projects is counted individually, the total number of projects is 84.

3 Throughout this report we use the OECD-DAC country classifications from: ‘DAC List of ODA Recipients’. See Annex 1 for current listing.

4 We refer to the methodology compiled by OECD-INCAF on fragile and conflict-affected states. See Annex 2 for current list.

- PIDG and its facilities succeeded in attracting additional funding to support continued growth. PIDG Members disbursed a total of US\$83.9 million to the PIDG Trust in 2011 and EAIF resources increased by US\$149 million with new or extended credit facilities from IFC, AfDB, OeEB and KfW.
- AusAID was welcomed as a prospective new PIDG Member in 2011.
- The strong performance of PIDG was recognised in the development community, with a high rating in DFID's Multilateral Aid Review of 45 multilateral institutions published in March 2011⁵. AusAID's Multilateral Assessment⁶, published in early 2012, also reported good value for money across PIDG and its role in mobilising significant private sector investment.
- Two PIDG facilities (EAIF and InfraCo Africa) won awards for innovative projects – the KivuWatt Power project (Rwanda); Addax Bioenergy project (Sierra Leone); and Cabeólica Wind Power (Cape Verde).
- We placed a higher emphasis on understanding the development impact of our activities and further refined our Results Monitoring System. PIDG became a member of the DFI Results Indicator Harmonisation Working Group. We launched studies to look at how we could better measure our impact on women and girls, improve the way we estimate the wider impact of our projects on creating jobs, and therefore on economic growth, and classify our projects in terms of climate change impact.

WE LAUNCHED STUDIES TO CONSIDER HOW WE COULD BETTER MEASURE OUR IMPACT ON WOMEN AND GIRLS



5 See www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf

6 See www.ausaid.gov.au/partner/Pages/ama-submissions.aspx



182,656 PEOPLE BENEFIT
FROM LONG-TERM EMPLOYMENT
OPPORTUNITIES CREATED AT OPERATIONAL
PIDG PROJECTS

2011 IN NUMBERS

14

NUMBER OF PROJECTS
THAT ACHIEVED
FINANCIAL CLOSE

25

NUMBER OF FINANCIAL
COMMITMENTS BY PIDG
FACILITIES IN 2011

37

CUMULATIVE
NUMBER OF PIDG
PROJECTS NOW
OPERATIONAL

61%

PERCENTAGE OF 2011
COMMITMENTS IN DAC I
AND II COUNTRIES

70%

PERCENTAGE OF 2011
COMMITMENTS IN
FRAGILE STATES

US\$ 83.9m

TOTAL DISBURSEMENTS TO THE PIDG
TRUST BY MEMBERS IN 2011

US\$ 270m

VALUE OF COMMITMENTS BY PIDG
FACILITIES IN 2011

93,600,000

PEOPLE BENEFITING
FROM SERVICES OF
OPERATIONAL PROJECTS



2 INTRODUCTION

The Private Infrastructure Development Group (PIDG) is a multi-donor organisation, set up by development agencies which are committed to tackling the major institutional and market obstacles hindering private participation in infrastructure in developing countries. PIDG Members invest public funds which are used to leverage private sector finance. PIDG-supported projects are designed to deliver transformational developmental, social and environmental benefits in poorer, developing countries.

OUR MISSION IS TO MOBILISE PRIVATE SECTOR INVESTMENT TO ASSIST DEVELOPING COUNTRIES IN PROVIDING INFRASTRUCTURE VITAL TO BOOST THEIR ECONOMIC GROWTH AND COMBAT POVERTY

Guided by this mission, our objectives are to:

- Improve the provision of sustainable infrastructure services (both quality and quantity)
- Make infrastructure services accessible to a greater number of people in poverty
- Increase flows of local, regional and international investor capital and expertise towards infrastructure
- Transfer skills and build domestic capacity to harness private investment in infrastructure for the benefit of the country
- Stimulate pro-poor economic growth

PIDG Members

Since 2002, PIDG has almost doubled the number of its Members which today stand at nine. These include:

AusAID

Australia (funding expected to be approved by AusAID in 2012)

Austrian Development Agency

Austria (joined 2007)

DFID

United Kingdom (joined 2002)

DGIS / FMO*

The Netherlands (joined 2002)

Irish Aid

Ireland (joined 2008)

KfW

Germany (joined 2009)

SECO

Switzerland (joined 2002)

Sida

Sweden (joined 2002)

The World Bank

Currently represented by the International Financial Corporation (IFC) (joined 2004)

All members are represented on the PIDG Governing Council.

* As FMO provides funding to GuarantCo on behalf of DGIS, they have the right to participate in meetings of the Governing Council of PIDG concerning GuarantCo. DGIS and FMO have the right to one joint vote.

PIDG structure and management

The PIDG structure is designed to ensure its activities are organised, managed and monitored as effectively as possible. It harnesses private sector capabilities in the operation of its different facilities, and maintains a lean corporate organisation.

PIDG delivers on its mission and objectives through the activities of a number of carefully designed facilities. These have been set up to target specific market and institutional problems, which hamper the growth and development of private participation in infrastructure in developing countries. The PIDG model gives our Members the flexibility to allocate funds to these individual facilities, according to Members' priorities and to the performance of the facilities.

Overall policy and strategy are set by the Members through a Governing Council. Five PIDG facilities are structured as either companies or limited liability partnerships, each with its own Board of Directors. Two facilities are not structured as corporate entities: DevCo, which is managed by and located in the IFC; and the Technical Assistance Facility (TAF), which is located in the PIDG Trust.

Investment decisions are the responsibility of the Boards of Directors. The Directors seek to make sure that Board decisions comply both with the policies of the Members, as well as reflecting sound commercial judgment. This often involves a careful balance of Member policy priorities and commercial objectives. The appointment of independent and highly experienced Directors to the Boards of the facilities is one of the distinguishing features of PIDG.

Day-to-day management of the corporate entities is then outsourced to private sector fund managers who are selected through international competitive tender. These fund manager teams bring

a depth of specialised commercial experience to the identification, structuring, negotiation and management of transactions.

The performance and development impact of PIDG's facilities are monitored by the Programme Management Unit (PMU), through a results monitoring framework agreed with the Members. The PMU also commissions independent reviews of each facility on a three- to four-year cycle.

The development of PIDG's multiple activities

PIDG started with The Emerging Africa Infrastructure Fund Ltd (EAIF), set up in 2002 to provide long-term loans to finance infrastructure. This was a response to the gap between the huge demand for long-term capital, and the poor supply of such capital from under-developed credit and capital markets in sub-Saharan Africa. Subsequently, additional facilities were established, each in response to specific challenges created by institutional and financial constraints to mobilising private participation in infrastructure.

Today, the activities of the PIDG facilities fall into three broad categories:

- Facilities that provide **long-term debt finance** either through foreign currency loans (EAIF, ICF-DP) or local currency guarantees (GuarantCo)
- Facilities that provide early-stage **project development capital and expertise** in Africa and Asia (InfraCo Africa and InfraCo Asia)
- Facilities that provide **technical assistance, affordability and capacity-building support** to PIDG projects (TAF) and to public authorities seeking to deliver projects with private sector involvement (DevCo)

Governance and financial reporting

PIDG, and all its facilities, are required to operate to principles and rules that define financial and ethical conduct, procurement, transparency and performance standards in relation to environmental and social protection.

PIDG Trust annual financial statements are made available on the website: see www.pidg.org.

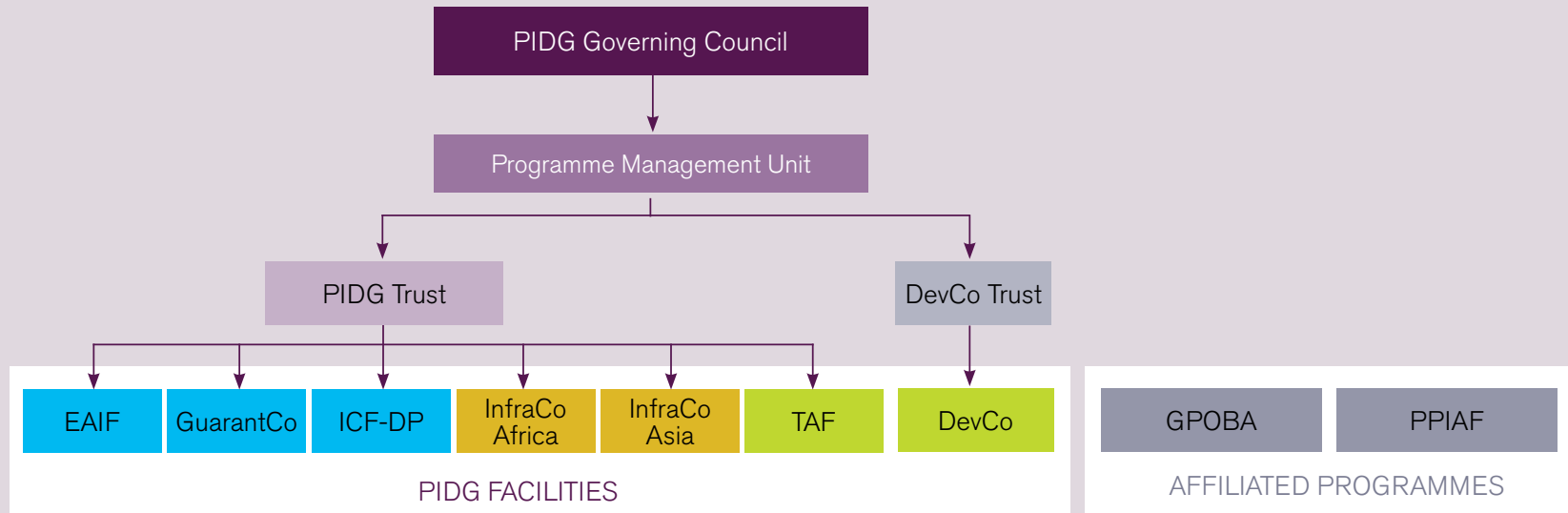
Defining ‘financial commitments’ and ‘financial close’

PIDG facilities provide different types of funding support to projects; a ‘financial commitment’ refers to a formal commitment by a PIDG facility to support the funding of a project. The nature of the commitment will reflect the activity of the PIDG facility.

The definition of ‘financial close’ also depends on the type of PIDG facility.

Facility	‘Financial commitment’	‘Financial close’
EAIF and ICF-DP	Value of loan agreement with borrower, committed when a loan agreement is signed (i.e. at financial close)	When the loan/guarantee agreement is signed
GuarantCo	Value of guarantee agreement with borrower, committed when a guarantee agreement is signed (i.e. at financial close)	
Infraco Africa and Infraco Asia	Total project development costs committed by the facility when a joint development agreement with a development partner is signed	Sale of project to private sector investors
DevCo	DevCo project preparation and transactional advisory support costs, committed when DevCo signs a financial advisory agreement (mandate)	Contract awarded to private sector investors
TAF	Size of grant made available to support a PIDG facility project	N/A

Private Infrastructure Development Group




THE PIDG STRUCTURE IS DESIGNED TO ENSURE ITS ACTIVITIES ARE ORGANISED, MANAGED AND MONITORED AS EFFECTIVELY AS POSSIBLE

- Long-term debt finance/guarantees
- Early-stage project development capital and expertise
- Technical assistance and capacity-building support

FIGURE 2.1 – DEVELOPMENT OF PIDG FACILITIES BY YEAR OF FIRST OPERATIONS

	2002	2003	2004	2005	2006	2009	2010
	The Emerging Africa Infrastructure Fund Ltd (EAIF)	DevCo	Technical Advisory Facility (TAF)	InfraCo Ltd (InfraCo Africa)	GuarantCo Ltd*	Infrastructure Crisis Facility - Debt Pool LLP (ICF-DP)	InfraCo Asia Development Pte. Ltd (InfraCo Asia)
	Page 52	Page 79	Page 84	Page 69	Page 59	Page 64	Page 75
<i>Market/policy challenge</i>	Shortage of long-term loans at sufficiently low interest rates due to perceived risks in developing countries	Insufficiently well prepared projects for private sector involvement due to lack of resource/capacity by public authorities	Shortage of public and private sector resources for project preparation, evaluation and affordability	Bankable projects not being developed in Africa due to high risk of early stage project development	Shortage of long-term, local currency-denominated funding to reduce exchange rate risk for projects due to under-developed local financing markets	Reduced appetite of commercial banks to lend to infrastructure projects in developing countries due to the financial crisis	Bankable projects not being developed in Asia due to high risk of early stage project development
<i>PIDG facility response</i>	Provides long-term loans to private sector infrastructure projects in sub-Saharan Africa	Provides advisory services to governments to help them deliver infrastructure projects	Provides grants to build capacity, support project preparation and delivery	Develops commercially viable infrastructure projects in sub-Saharan Africa	Provides local currency guarantees to avoid exchange rate risks and stimulate local capital sources	Provides long-term loans to projects to address financing gaps as a consequence of the financial crisis	Develops commercially viable infrastructure projects in Asia

The activities of each of these facilities, and what they have achieved so far, are described in more detail in the facilities section of this report (see page 51 onwards). 

*Although established in 2003, GuarantCo started full-scale operations in 2006 when it appointed a private sector fund manager.



Metal buoys to mark and hold the methane gas pipeline in the EAIF funded KivuWatt power project on Lake Kivu in Rwanda.

3 THE EVOLUTION OF THE GLOBAL FINANCIAL CRISIS: IMPLICATIONS FOR INFRASTRUCTURE INVESTMENT IN PIDG MARKETS

According to data collected by PIDG-affiliate PPIAF¹, 2007 was the first year in which private investment in infrastructure in developing countries exceeded the record investment level of 1997. In other words, it took a full decade for public-private investment to recover from the Asian Financial Crisis. The global financial crisis beginning in 2008 posed another threat to this kind of investment, and governments and development institutions have worked hard to try to return as quickly as possible to the investment levels of 2007 and avoid another “lost decade” of private investment in infrastructure.

By the beginning of 2011, some of those concerns had diminished, because many of the most visible impacts of the financial crisis appeared to have receded. At first glance, this also seemed to be true of the effect on private sector investment in infrastructure. However, apart from a handful of middle-income countries, the after-effects from the crisis – such as reduced commercial lending – continue to seriously restrict private investment in poor countries. This helps account for the continued high level of demand for PIDG services, particularly in low-income regions.

Admittedly, the level of private investment in infrastructure in developing countries immediately before the current crisis was extremely high – surpassing the 1997 peak by 10% in real terms. The telecommunications sector dominated, but private sector investment had grown across all developing country regions and in all sectors, except water and sanitation. All of that began to change in 2008, with sharp declines in GDP growth and contractions in net capital flows to developing countries. Banking problems in developed countries helped cause a drought in project finance lending, and with it the reversal of hitherto excess liquidity flows into developing countries. The resulting higher costs of finance led to project delays and cancellations across the developing world.

From August to December of 2008, new private investment in infrastructure dropped precipitously from the previous year – 15% lower by value, and 20% by number of projects. By the end of the year it was clear that such projects would reach financial close only if there were strong economic and financial fundamentals, reform-minded government owners, and experienced, financially strong sponsors. Normal bank syndication (under which banks would underwrite, arrange and sell project loans) was replaced by ‘clubs’ of financiers, who often insisted on individual bilateral negotiations with borrowers – with

GOVERNMENTS AND DEVELOPMENT INSTITUTIONS HAVE WORKED HARD TO TRY TO AVOID ANOTHER “LOST DECADE” OF PRIVATE INVESTMENT IN INFRASTRUCTURE



¹ Public Private Infrastructure Advisory Facility: data from the PPIAF-WB PPI Project Database is used in this section.

all the attendant risk for deals to fall apart. This would come with requirements for tougher terms, including lower debt-equity ratios, shorter loan tenors, and higher interest rates. In many low-income countries, seen to be high risk, financing was simply no longer available on any terms.

Dominance of large middle-income countries

From late 2008 and into 2009, global investment commitment numbers for developing countries appeared to recover. In fact, except for a slight decrease in total commitments for 2008, the 12-month numbers were not appreciably different from those of 2007, and were still higher than those of the 1997 peak. In short, it appeared to be nothing like the precipitous drop in global investment numbers triggered by the 1997 Asian Crisis. But the global totals masked a more sobering reality. In response to the financial crisis, large middle-income countries like India, Turkey, Brazil and China were aggressively supporting their pipelines of privately-financed infrastructure projects. They continued providing fiscal stimuli for their economies, by sponsoring, guaranteeing, and even co-financing projects – especially mega-projects in the order of US\$3 billion-\$4 billion. Such activity, in a handful of middle-income countries, lifted investment totals for the entire developing world. This obscured the real impact of the crisis on low-income countries, which could not rebuild or maintain project pipelines.

In 2009, Brazil and India accounted for about half of all global private investment commitments to infrastructure projects in developing countries. Despite reduced project financing liquidity, and more stringent borrower requirements, these countries achieved financial closure for huge projects. They did this by accepting more of the project risks that might have discouraged private partners, and by supplementing private financing with funding from government-owned or controlled financial institutions. The sheer size of many of these projects probably persuaded many prospective private partners that the projects

were ‘too big to fail’. They believed governments would not let such projects collapse for lack of support.

In 2010, one single country, India, dominated private investment in infrastructure. It doubled its 2009 investment total, with 95 new projects and 43% of total global investment. India’s current five-year plan (2012-17) envisages US\$1 trillion of infrastructure investment, with the ambition that half of this will come from private sector sources. However, activity outside India had begun to slow down, with lower investment figures in Brazil, China and Turkey. These middle-income countries seemed to be replicating the shift from stimulus to austerity seen in European countries. As a result, they diminished their aggressive support for mega infrastructure projects. India’s investments concealed the situation. Excluding India’s figures for 2009 and 2010, total investment would have fallen by 18% in 2010. The number of developing countries reporting new, privately-financed infrastructure projects completed in 2010 was the lowest since the early 1990s.

Investment figures for 2011 and early 2012 show these trends are continuing. India dominates the energy sector, with about 40% of new investment (although this is a sector not without its own challenges), followed by Brazil and China with much smaller percentages. India also dominates the transport sector with nearly 70% of new private investment reflecting its highways, ports and airports concession programmes. Private investment in the water sector was concentrated in Chile and China, but investment in new projects declined sharply from already low levels in 2009. India also saw the most private investment in telecommunications.

Impact on lower-income countries

In poorer countries, where PIDG focuses most of its resources, private participation in infrastructure has not returned to pre-2008 crisis levels. This is especially true in sub-Saharan Africa, where numbers of new privately-financed infrastructure projects declined to 1994 levels by 2009. Those numbers have barely increased since. The

telecommunications sector has accounted for 92-95% of all privately financed infrastructure investment in sub-Saharan Africa since 2009, a sector pioneered by PIDG and other players in the early days but today the preferred sector for available commercial finance on the continent.

As its banks were not as tightly integrated into the banking systems of Europe and the US, there had been hopes that Africa could avoid the worst effects of the financial crisis. But in 2008 it was immediately apparent that, with regard to private financing of infrastructure, sub-Saharan Africa would not escape damage. The Nigerian press reported that international banks were rejecting dozens of requests by local banks for guarantees and credit lines for lending to local infrastructure projects. By late 2010, some local banks and investment funds in sub-Saharan Africa, particularly in South Africa, still had the necessary liquidity to participate in syndicated or club deals. However, there were fewer such lenders, and their interest rates for infrastructure lending had increased substantially. Many lenders in Africa remain reluctant to make long-term commitments to infrastructure projects because of near-term market uncertainties. As markets in low-income regions continue to struggle, the role of the development banks has become more important than ever.

Some experts question whether a return, in the near-term, to what was 'normal' in 2007 is achievable, particularly in poor countries. The crisis seems to have ended what many bankers feel were unrealistically low pricing levels for project finance debt before 2007 – levels driven by excess liquidity, and aggressive bank competition. That liquidity has not returned, and banks have taken distinctly more conservative directions. The higher interest rates, shorter tenors and lower debt/equity ratios that characterised the 'flight to quality', beginning in 2008, seem to have become the new standard features of the project finance landscape. With reduced financing prospects, project sponsors have also been wary of launching new projects.

The impact of continuing turmoil in Europe cannot be ignored. Markets are now pricing sovereign risk of a number of European

countries higher than many emerging markets. European banks – the traditional and established sources of long term finance for projects – have reduced, or even sold, their portfolios, and retreated from the market as concerns continue about liquidity and credit quality in these markets. The potential impact of Basel III on the cost of capital to underpin long-term project finance assets is also seen as a disincentive. Longer term, the loss of skilled project finance teams in these institutions supporting this market is of concern – it takes time to re-establish such capacity. In the first quarter of this year, only 16% of last year's total project finance levels have been raised.

Other sources of long-term finance

In light of this reduced bank lending capacity for infrastructure, many governments and project sponsors are looking to access alternative sources of long-term private sector finance outside the banking sector. If the root cause is the mismatch between the short-term nature of banks' funding, and the long-term nature of infrastructure lending, longer-term sources of capital such as pension funds and sovereign wealth funds are the obvious harbour for infrastructure assets. But packaging project risks and building transaction capacity among new sources of finance – together with the sheer complexity and time taken to arrange finance for projects – are obstacles to accessing these new sources of finance in all countries, not just developing ones. At the same time, as long as countries like India, Turkey, China and Brazil can accept higher contingent liabilities on projects, and make available more government funding, their infrastructure projects involving private investment will reach closure under the new marketplace conditions. But smaller, poorer countries will continue to face many more obstacles to the viability of such projects than those that confronted them in 2007.

The new 'normal' and the role of PIDG

The biggest of these obstacles arises from a new perception of what were seen as 'normal' risks associated with privately-financed

PROJECT DEVELOPMENT AND FINANCING SUPPORT IS EXACTLY THE KIND OF HELP THAT PIDG FACILITIES OFFER, AND WILL BE IN HIGH DEMAND AS COUNTRIES TRY TO IGNITE PIPELINES OF PRIVATELY-FINANCED INFRASTRUCTURE PROJECTS. PIDG'S MISSION IS TO HELP MEET THE DEMAND FOR THIS SUPPORT

infrastructure projects in poor countries. These risks increase exponentially, if a 'return to normal' means a project finance market characterised by much less liquidity, and much higher prices for debt, as compared with 2007. If they are to push ahead with projects in such circumstances, governments in poor countries need to evaluate the potential effect of this changed landscape. This may include assuming liabilities on projects that are otherwise unaffordable, or even non-viable. All the same, given the time required for project preparation prior to financing, holding off on the development of project pipelines further delays infrastructure development.

Many governments will therefore need help in identifying and managing these kinds of risks. Among other things, they will need to:

- Carry out the kind of prudent due diligence done by banks, in order to identify commercially viable projects
- Adequately determine the optimal mix of public and private money in these projects
- Find the balance between accepting some project risks, while maintaining the incentives for private partners to meet performance expectations

This will need rigorous involvement including project appraisal, financing and implementation. Otherwise, resources will be wasted on projects that are ultimately un-bankable, and potential contingent liabilities, associated with poorly prepared projects, will be transformed into huge unexpected financial burdens for governments that can ill-afford them. At the same time, those looking to finance their projects will continue to seek out, and rely on, sources of long-term finance that are not constrained by underlying liquidity limitations, and which are prepared to continue working in low income countries, where others perceive the risks as too high. This project development and financing support is, of course, exactly the kind of help that PIDG facilities offer, and will be in high demand as these countries try to ignite pipelines of privately-financed infrastructure projects. PIDG's mission is to help meet the demand for this support.



Construction of the wind turbines on the InfraCo Africa-supported Cabeólica Wind Power project, Cape Verde.



This ferry was named MV Pearl by local school children. This is one of two new ferries to be operated by Kalangala Infrastructure Services, linking Bugala Island on Lake Victoria with the mainland.

4 RESULTS FOR 2011

Growth of operations

PIDG facilities provided support for 25¹ infrastructure projects, despite a decrease in flows of capital to emerging markets. This is the highest number of new PIDG projects in any year.

- PIDG facilities committed new funds totalling US\$270 million to projects in 2011. Although this total was lower than 2010's exceptional US\$323 million, which reflected ICF-DP's rapid ability to fill a gap on already negotiated projects, it is still 65% higher than for 2009. Excluding ICF-DP, PIDG commitments actually increased in 2011 to US\$134 million from US\$121 million in 2010.
- PIDG facilities successfully brought 14² projects in eight infrastructure sectors to financial close in 2011. Five of these had been under active development by PIDG facilities. A further nine new projects were supported by financing commitments from EAIF, GuarantCo and ICF-DP.
- These 14 projects closed in 2011 are expected to leverage an additional US\$6.9 billion in PSI, and to provide 39.5 million people with new or improved infrastructure.

Looking at the individual performance of our facilities and some of their projects:

- **InfraCo Africa** developed the Kalangala multisector infrastructure project in Uganda, in close co-operation with three PIDG facilities, EAIF, GuarantCo and TAF. It took over six years before long-term financing arrangements of US\$9.8 million were concluded in 2011, with the financing becoming effective in early 2012. This high development impact project is expected to provide integrated infrastructure services (including ferry services, improved roads, electricity and potable water) to the 35,000 residents of the remote Bugala Island in Lake Victoria.

Meanwhile, other InfraCo Africa projects made good progress towards financial close such as the 230MW Muchinga hydropower project in Zambia.

¹ 30 projects if each PIDG facility commitment to co-financed projects is counted individually

² 19 projects if each PIDG facility commitment to co-financed projects is counted individually

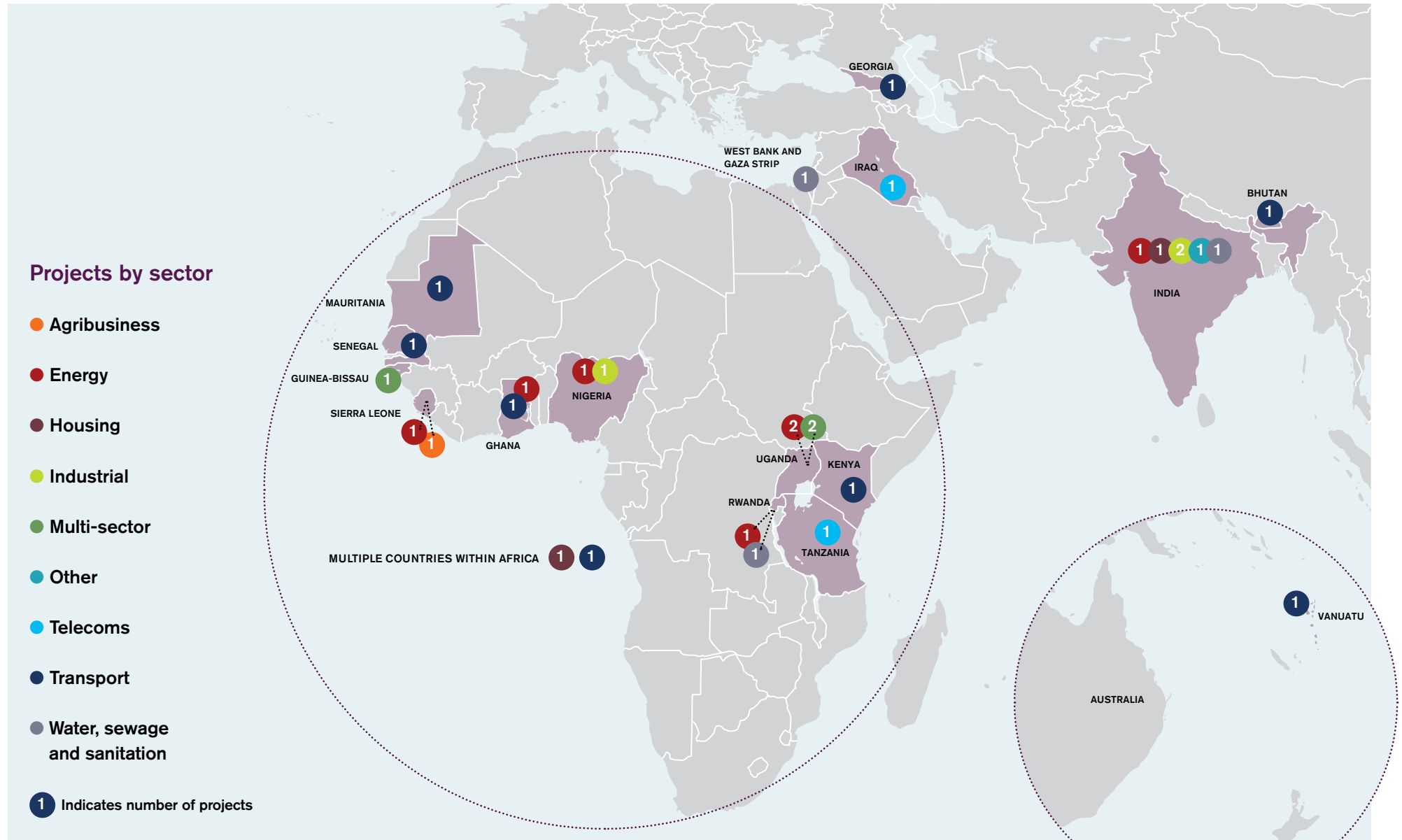
US\$270m
TO PROJECTS

14 PROJECTS
IN 8 INFRASTRUCTURE
SECTORS REACHED
FINANCIAL CLOSE

US\$6.9bn
IN PRIVATE SECTOR
INVESTMENT
COMMITMENTS

39,500,000
PEOPLE EXPECTED
TO RECEIVE NEW
OR IMPROVED
INFRASTRUCTURE

FIGURE 4.1 NEW PIDG PROJECTS IN 2011 INCLUDING THOSE UNDER ACTIVE DEVELOPMENT AND FINANCIALLY CLOSED



- **EAIF** committed US\$89.2 million to six new projects, including KivuWatt in Rwanda for which EAIF was co-arranger, structuring a debt facility in another highly innovative but challenging project. These projects combined are expected to attract US\$679 million in PSI³.
- **GuarantCo** issued guarantees totalling US\$37 million to four projects, which are expected to generate US\$375 million⁴ in commitments from the private sector. These projects are expected to provide access to new infrastructure for over 700,000 people, over half of whom are below the poverty line. One of these projects will provide decent accommodation to over 5,000 families currently living in slum conditions in the city of Pune in India.
- **ICF-DP** committed US\$136 million to four new projects that needed long-term finance but were struggling to attract commercial financing to complete their finance plans. This is a prime example of PIDG's ability to respond directly to the impact of the credit crisis, where banks are facing capacity constraints to lend to sound, commercially viable projects. One of these projects involves the rehabilitation of the 2,352km Mombasa-Kampala railway line under a 25-year concession arrangement, which is already showing signs of improved safety, reliability and traffic growth.
- **DevCo** signed eight new advisory assignments (compared with five signed in 2010) and successfully bid out three projects. Of these, the Central Java power plant in Indonesia was one of DevCo's largest projects, involving the construction of a 2,000MW power plant and associated transmission facilities. Once completed, this project alone is expected to provide improved access to electricity to 7.5 million people and mobilise commercial investment of over US\$3 billion.
- **InfraCo Asia**, our newest facility, signed its first Joint Development and Shareholders' Agreement (JDSA) with a private sector sponsor for a 400MW gas fired power project in Rajasthan, India, and identified a series of hydropower projects to take forward with a local developer in Nepal. At the same time, the PIDG Trust incorporated InfraCo Asia Investments Pte Ltd as an investment holding company, whose aim is to invest in projects developed by InfraCo Asia that require additional capital pre-financial close. It was established with an initial funding of approximately US\$10 million from DFID. Further funding from AusAID is anticipated in 2012.
- **TAF** had an exceptionally busy year, supporting seven projects with technical assistance, and designing a new viability gap funding scheme. Demand for TAF support was fairly evenly spread across the facilities. As the financial crisis continues, unusually complex project preparation costs will continue to drive demand for TAF support.



³ Note that this does not include PSI generated by Kalangala Infrastructure Services and Kalangala Renewables projects, which is attributed to InfraCo Africa as the originating facility.

⁴ Ibid.

Awards

Two PIDG facilities were acknowledged for their innovative and effective contributions to infrastructure development. This was a welcome recognition of PIDG's place at the frontier of innovative financing in its markets.

Two EAIF projects won awards:

KivuWatt Power project won the *Euromoney Project Finance Africa Power Deal of the Year*

Addax Bioenergy project in Sierra Leone won the *Euromoney Project Finance African Renewables Deal of the Year* and *Thomson Reuters Project Finance International African Renewable Deal of the Year*

One InfraCo-Africa project won an award:

Cabeólica Wind Power project in Cape Verde won *Best Renewable Energy Project in Africa* at the Africa Energy Awards in March 2011

Funding

PIDG facilities continued to attract additional funding to support their growth. This reflected not only the Members' but also the market's confidence in PIDG's ability to deliver in a challenging economic climate.

Overall, the PIDG Members disbursed an additional US\$84 million in 2011 to the PIDG Trust. This brings the total disbursed Member funding to US\$500 million, representing an increase of 20% in 2011. As well as the disbursement of previous years' commitments, in 2011 InfraCo Africa received new funding commitments of €10 million from DGIS and €1.8 million from ADA, which will enable the facility to accelerate the development of its existing portfolio of projects.

In addition to the Members' contributions, EAIF also obtained US\$100 million of further financing from IFC, AfDB and OeEB, and a renewed credit line from KfW of US\$45 million. As a result, EAIF reached its target size of over US\$700 million by December 2011.

More information on Member contributions to the PIDG Trust can be found in Annex 3 (see page 92) 

External reviews

Over the year, PIDG received recognition for its performance and contribution to development from a number of institutions.

DFID's Multilateral Aid Review of March 2011⁵ awarded PIDG the highest rating of "very good" in its assessment of 45 multilateral development institutions. It was one of only nine institutions to receive this rating, and the review commended PIDG for its value for money, tight cost controls and focus on the poorest countries. The review also identified a number of areas for improvement including measurement of impact and greater focus on women and girls, the need for a policy on investing in fragile states and improved communications and disclosure.

The International Development Committee of the UK Parliament – in its report 'DFID's role in Building Infrastructure in Developing Countries' – commended DFID for being involved in PIDG and stimulating investments which are leading to improved infrastructure provision, job creation and economic growth in poor countries⁶.

⁵ www.dfid.gov.uk/what-we-do/how-uk-aid-is-spent/a-new-direction-for-uk-aid/multilateral-aid-review/

⁶ House of Commons International Development Committee, Ninth Report of 2010-12 Session, October 2011.

An independent mid-term review of GuarantCo, completed in 2011, confirmed that GuarantCo's model was directly relevant to tackling the lack of local currency financing for infrastructure and provides value for money for donors. It recommended that GuarantCo do more in *core* infrastructure sectors, such as power generation and road construction, but to do this it would need to grow in order to provide guarantees of sufficient size for these large-scale projects.

Reviewing the PIDG's performance in 2011, the Australian Multilateral Assessment was published in early 2012⁷ and reported very strong value for money across PIDG. It also noted the leading role that PIDG plays in leveraging donor funds to secure significant private sector development in projects which have identifiable and substantial development benefits.

Looking ahead

All our facilities have healthy new investment pipelines, although, in some cases, projects are taking longer to get to financial close than initially expected. This reflects both the overall challenges in the international financing market place, as well as the complexities of infrastructure finance and the environment in which PIDG operates.

However, these strong forward pipelines create a challenge. During 2011, EAIF, GuarantCo, InfraCo Africa and InfraCo Asia actively sought more capital from Members to enable them to meet the objectives set out in their business plans. For EAIF and GuarantCo, plans to expand their capital base were developed, not only directly to fund their new projects, but critically to enable them to mobilise more commercial sources of finance. Both funds have clear ambitions to grow to around US\$1 billion over the next five years, which will enable them to diversify their portfolios, widen their access to sources of funds and – especially in the case of GuarantCo – respond to the larger transaction sizes demanded of core infrastructure. For InfraCo Africa, new funding would enable them to increase the pace of development for their second wave

of projects under development, mirroring contemporary market opportunities and development needs.

In response to this, a number of Members began looking at a potentially significantly increased level of support for PIDG activities. We will be reporting on this in more detail in PIDG's 2012 Annual Report.

As we look for new ways to get projects financed and operational in our markets, we will be piloting the Viability Gap Funding (VGF) window in TAF during 2012. VGF is a form of upfront capital grant, designed to bridge the affordability gap between tariff levels required to make a project commercially viable, and prices that customers in poor countries are able to pay for infrastructure services. It is a potentially powerful instrument to help mobilise private finance and operational involvement in some of the more challenging infrastructure sectors. While pioneered and quite heavily used in Asia, it has so far been much less used in Africa.

Climate change impact

PIDG's portfolio of renewable energy projects continues to grow. The PIDG facilities have now invested US\$126 million in eight financially closed renewable energy projects. In 2011 alone, three PIDG-supported renewable energy projects reached financial close, with committed PSI levels of US\$522 million, the largest value of PSI for PIDG supported renewable projects in any year so far. But there is much more to do, as most countries in which PIDG operates continue to face extreme deficits in electric power availability. At the same time, there is the opportunity to help these countries on to a low carbon growth trajectory. Despite this, many projects continue to struggle to reach commercial viability, and face delays in getting to financial close due to issues around financially viable tariff levels, technology and other risks. In 2011, PIDG continued to look at a possible response to this issue, and has been working on developing a potential new facility dedicated to this sector in sub-Saharan Africa. Work continues on the development of this initiative.



5 A DECADE SUPPORTING PRIVATE SECTOR INFRASTRUCTURE DELIVERY

PIDG was established in 2002, to facilitate the provision of infrastructure in poorer developing countries. Over this period, we have harnessed the finance and expertise of the private sector in some of the world's most challenging investment environments.

Seventy-seven projects¹ supported by PIDG, across nine infrastructure sectors, had reached financial close by the end of 2011 – 70% in LDCs and OLICs.

Of these 77 projects, 37 are now operational, delivering new or improved services to over 93 million people in PIDG markets, providing long-term employment to 182,656 people, and leveraging over US\$8.8 billion of private sector investment to make this happen. Some 80% of these projects were in LDCs and OLICs².

Given that the PIDG's three long-term debt financing facilities (EAIF, GuarantCo and ICF-DP) are used to finance the significant construction costs of infrastructure projects, they account for 93% of total PIDG funds committed at year end 2011, in value terms. The remaining 7% represent the funds committed by PIDG's project support and development facilities.

EAIF, the first and largest PIDG facility, which had its first project reach financial close in 2003, accounts for just under half (47%) of total PIDG commitments. With new commitments in 2011 alone representing almost a fifth of EAIF's total number of projects, this points to a possible acceleration in activity, although this will often reflect several years of hard work in preparation and negotiation. This is particularly relevant given that Members are keen to see how quickly their commitments to fund the PIDG's various activities can be translated into financial close and delivery of projects on the ground.

The ICF-DP portfolio has grown from its establishment in 2009 to represent just over a quarter (28%) of total PIDG facility commitments. This reflects its ability to move rapidly in mobilising large amounts of financing to fill financing gaps on projects, which is precisely what it was designed to do.

The third financing facility, GuarantCo, represents 17% of total PIDG facility commitments. This is commensurate with the specialised and highly customised nature of the guarantee product it provides

¹ 84 projects if PIDG facility commitments to co-financed projects are counted individually.

² As at the time the PIDG facility started work on the project.

FIGURE 5.1: TOTAL PIDG CUMULATIVE COMMITMENTS BY YEAR (US\$m)

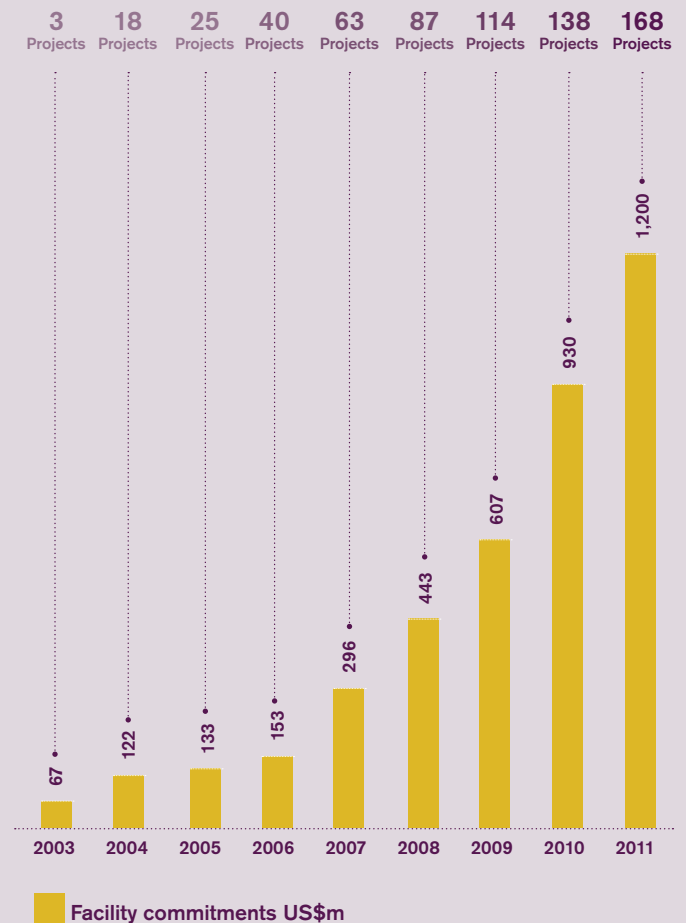


TABLE 5.1: TOTAL PIDG COMMITMENTS BY FACILITY (FINANCIAL VALUE OF COMMITMENTS AND NUMBER OF PROJECTS)

Facility	Cumulative total as at end 2011		2011*		2010**3	
	US\$m	Number*	US\$m	Number*	US\$m	Number*
Project Financing Facilities ◆						
EAIF ▲	568.9	31	89.2	6	61.8	4
GuarantCo ▲	206.3	16	37.0	4	60.0	4
ICF-DP	338.9	10	136.3	4	217.6	7
Project Development Facilities ■						
InfraCo Africa	38.6	11	0	0	9.6	2
InfraCo Asia	2.0	1	2.0	1		
Technical Assistance, Affordability and Capacity Building Support Facilities ■						
DevCo	27.2	40 ⁴	3.7	8	3.0	5
TAF	18.6	59 ⁵	2.2	7	1.8	6
TOTAL	1,200.5	168	270.4	30	353.7	28

* Includes each PIDG facility's commitment to co-financed projects

◆ Including on-going loans/guarantees and loans/guarantees that have been redeemed

▲ The committed funds for EAIF and GuarantCo may exceed their total fund size because some projects have been refinanced

■ Including on-going projects, closed projects and completed projects that did not generate additional PSI. (See Annex 5 page 103)

3 As per 2010 PIDG Annual Report.

4 DevCo projects are now reported when the mandate is signed, as opposed to when the DevCo grant is approved by the DevCo donors as in previous reports. This has reduced the number of projects by one as the Metro Iloilo project, Philippines, was approved in 2010 but the mandate has yet to be signed.

5 To better reflect TAF activity, in 2011 the reporting on TAF grants was changed to include all TAF grants which are under development or completed. In previous years, TAF grants which were successfully completed, but where the PIDG facility had cancelled their involvement, were not included.

(financial guarantees in local currency), and its dependency on the capacity and stability of local financial institutions and markets.

The relatively small proportion of 7% of PIDG facility commitments to fund project development, and other pre-construction activities, is not surprising. This activity involves engaging at the earlier (and riskier) stages of the project development process, where funding is used more to prepare and shape projects, rather than finance the capital-intensive construction phases of a project.

Despite the overall success of PIDG facilities in expanding their project portfolios, infrastructure development in developing countries is challenging, and so, inevitably, some projects will not successfully reach operations. In 2011, three PIDG-supported projects included in the 2010 Annual Report were subsequently cancelled, primarily as a result of political instability and local legal issues – the TOPL power project in Ghana (EAIF and ICF-DP), a PPP for a road project in India, and a gas-fired greenfield IPP in Yemen (both DevCo transaction advisory projects).

Section 14 of the Report further discusses some of the challenges for PIDG (see page 88). ▶

Portfolio by sector

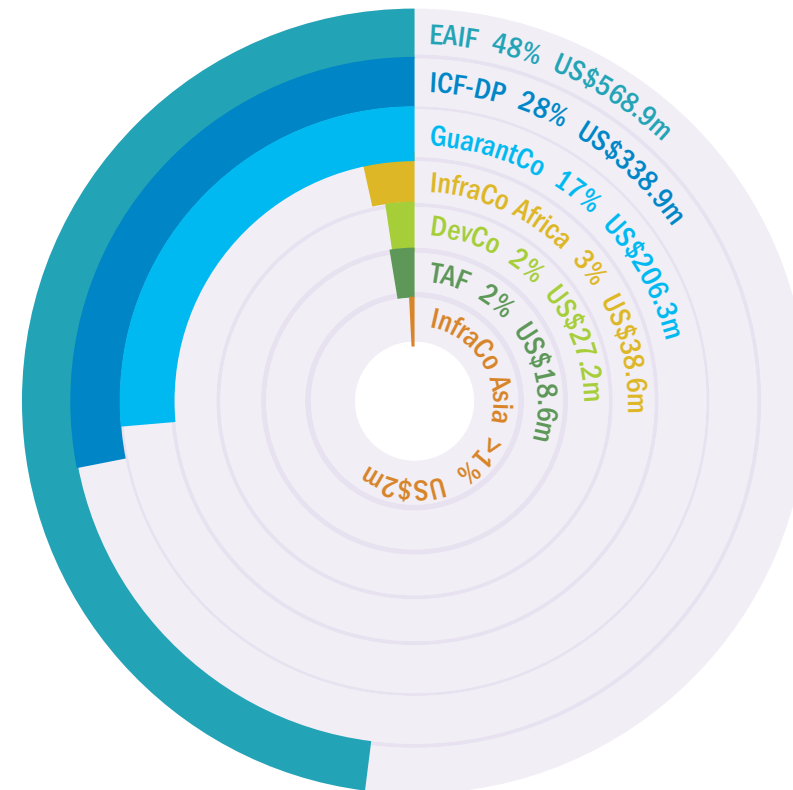
The diversity of projects in PIDG's portfolio has grown, reflecting the growth of different forms of financing and project support offered by PIDG facilities, their broadening experience and market demand. In 2003, 98% of PIDG facility commitments (by financial value) were in the **telecommunications and energy sectors**, mirroring contemporary market opportunities and development needs at the time. By the end of 2011, these sectors represented just over half (54%) of total commitments. **Transport** infrastructure and **industrial** infrastructure commitments are now 18% and 13% respectively of the total portfolio. Other sectors such as housing, agribusiness infrastructure, water and sanitation account for the balance of commitments.

Of particular note has been the increasing number of projects in challenging sectors, such as **water and waste management**. Over the past six years, PIDG – through DevCo – has provided funding of US\$5.3 million to eight projects in this sector, including projects in Rwanda, Uganda, Mozambique and the West Bank (Palestinian Territories). A number of the financing facilities also have projects in this sector in their project pipelines.

Agri-business infrastructure has also grown. PIDG has now funded five projects in this sector with commitments of US\$29.3 million. The sector has a strong development impact, through its ability to deliver employment opportunities, as well as addressing the issue of food security in many of the poorer countries where PIDG operates. Four of the PIDG-supported projects have reached financial close, receiving over US\$400 million in private sector investment commitments, and it is estimated that these projects will create jobs for over 6,000 people, including 4,400 jobs in LDCs.

Low cost housing has been an important sector for the PIDG facilities, through its projects which directly support slum redevelopment, as well as those which provide the industrial materials used for the construction of low cost housing, and support low cost house ownership. With US\$120 million committed to these projects, they now make up 6% of PIDG's total commitments. Demand in this sector is also likely to increase as urbanisation continues to grow in poorer countries. It is estimated that urban populations in Africa and South Asia will double in the next 20 years⁶, intensifying today's challenges of housing, transportation, sanitation and public health in cities.

FIGURE 5.2: TOTAL PIDG FACILITY COMMITMENTS AS AT 31 DECEMBER 2011, BY FACILITY



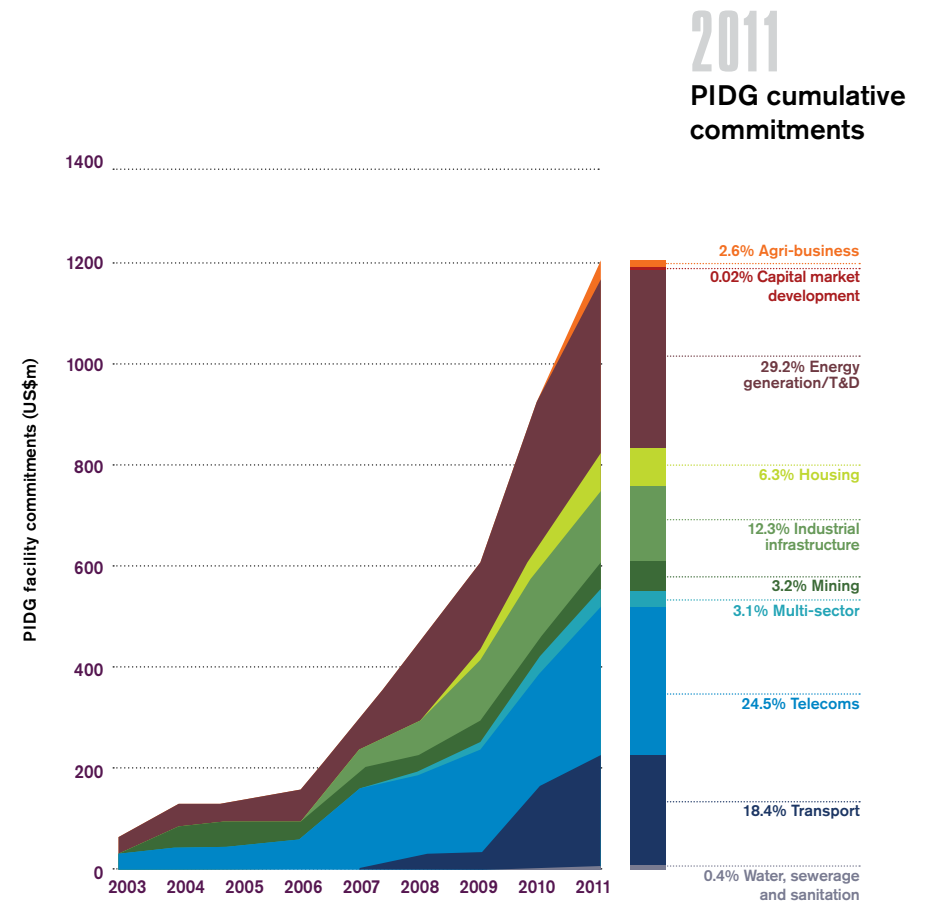
⁶ Conclusions from 'Building an Urbanization Knowledge Platform' – a conference organized by the World Bank in March 2012, Colombo, Sri Lanka.

TABLE 5.2: TABLE OF CUMULATIVE PIDG FACILITY COMMITMENTS BY SECTOR

Sector	Cumulative to 31.12.2011		Total projects 2011		Total projects 2010 ⁷	
	US\$m	Number	US\$m	Number	US\$m	Number
Agri-business	31.1	14	27.2	1	0.4	1
Capital market development	0.3	2	-	-	-	-
Energy generation/T&D	350.4	52	72.0	7	140.3	8
Housing	75.4	6	20.4	2	35.0	2
Industrial infrastructure	147.3	15	14.7	3	-	-
Mining	38.1	3	-	-	-	-
Multi-sector	37.0	12	6.9	3	-	-
Other	0.2	1	0.2	1	23.8	4
Telecoms	294.1	23	65.0	2	25.0	1
Transport	221.1	31	63.5	8	126.8	8
Water, sewerage and sanitation	5.4	9	0.5	3	2.4	4
TOTAL	1,200.5	168	270.4	30	353.7	28

7 As reported in PIDG 2010 Annual Report

FIGURE 5.3: PIDG COMMITMENTS BY SECTOR FROM 2003–2011



Managing waste cost-effectively

West Bank

Governments in low-income countries are increasingly considering PPPs as long-term solutions to provide public services and manage infrastructure, including that originally built with donor funding. But they often need help to formulate and negotiate these arrangements. In the case of the West Bank Solid Waste Management Project, DevCo is advising the Joint Service Council for Hebron and Bethlehem on the legal, technical and commercial issues demanded by the development of a PPP to operate such an initiative. Hebron and Bethlehem, between them, account for around 34% of solid waste generated in the territory. The system is intended to manage the major risks to public health and the environment.

If successfully completed, this PPP will be a landmark in a region where very few companies are involved in infrastructure projects – setting a significant precedent for other PPPs. Ensuring safe solid waste management will mean that 780,000 people in the southern West Bank will be less affected by disease and contamination.



“A FULLY-FUNCTIONING SOLID WASTE MANAGEMENT SYSTEM IS CRITICAL FOR THE HEALTH AND ECONOMIC WELL-BEING OF THE RESIDENTS OF HEBRON AND BETHLEHEM. THE STRONG COLLABORATION BETWEEN THE TWO GOVERNORATES, COMPRISED OF 33 LOCAL AUTHORITIES, AND THE PRIVATE SECTOR, PROVIDE THE RIGHT PLATFORM TO MAKE THIS SYSTEM A SUCCESS”

KHALED OSSAILY, CHAIRMAN OF THE JOINT SERVICES COUNCIL FOR HEBRON AND BETHLEHEM

FIGURE 5.4: SHARE OF PIDG CUMULATIVE COMMITMENTS BY REGION FROM 2003 TO 2011

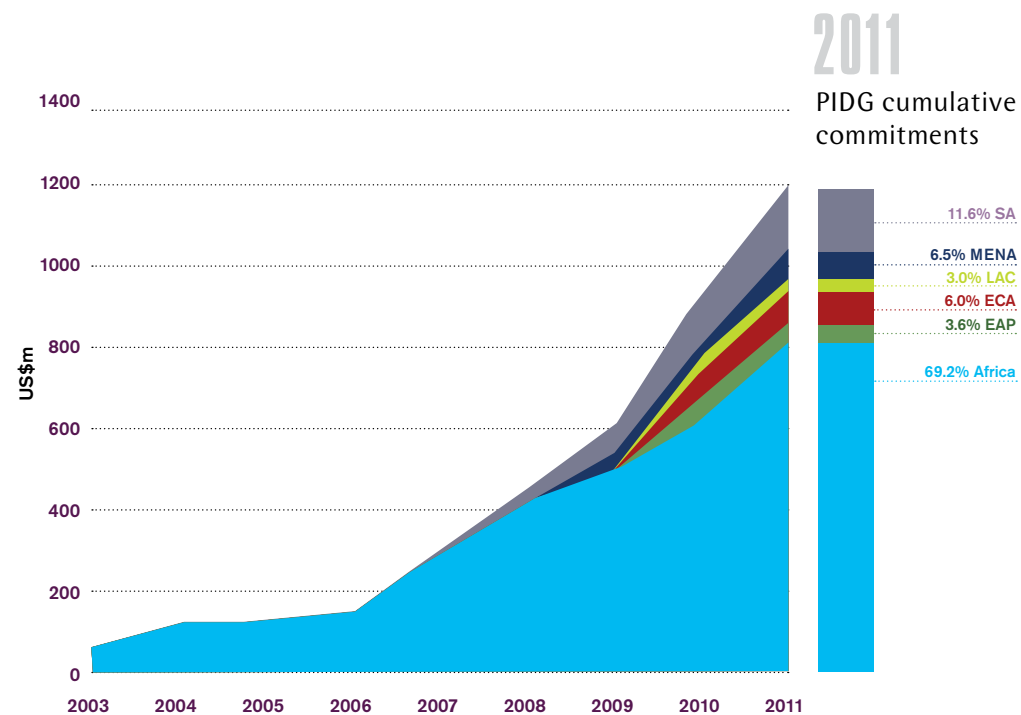
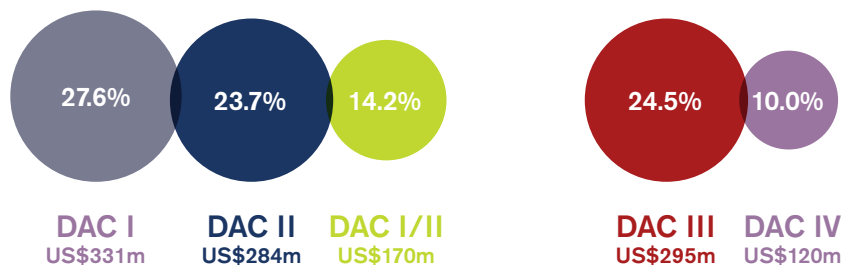


FIGURE 5.5: SHARE OF PIDG CUMULATIVE COMMITMENTS BY DAC CATEGORY AS AT 31 DECEMBER 2011



Note: DAC I /II: There are several regional PIDG projects active in countries located in DAC I and DAC II categories.

Portfolio by region

The regional distribution has also become more diversified. At the end of 2007, over 90% of our commitments were in sub-Saharan Africa (in value terms), largely reflecting the activities of EAIF, PIDG’s largest facility, which is required to operate in the region. Since then, support to projects in poorer developing countries in other parts of the world has grown to 30% of PIDG commitments, reflecting the increase in activities of GuarantCo, ICF-DP and DevCo, which operate in both sub-Saharan Africa and other regions. Around 12% (US\$140 million) of PIDG commitments are now in South Asia, with the balance (18%) distributed across other regions worldwide. With InfraCo Asia’s launch in 2010, regional diversity will grow further, though sub-Saharan Africa, with many of the world’s poorest countries, is expected to remain PIDG’s largest area of operation.

For those most in need

PIDG’s focus continues to be on poorer countries that need new and improved infrastructure most⁸. Our facilities understand the challenges of developing projects where the environment for private sector investment in infrastructure faces constraints in terms of project delivery, capacity, financing availability, affordability of services, and underdeveloped legal frameworks. As Figure 5.5, left, shows, 65% of PIDG commitments were in LDCs and OLICs⁹. Of the PSI generated from projects supported by PIDG, DAC I and II countries will receive 61% of expected PSI, where the need is most urgent.

8 Mobilising PSI in poorer countries see page 44.

9 As at the time the PIDG facility started work on the project.

Making fragile states a priority

PIDG facilities have also increasingly focused operations on fragile and post-conflict countries, in response to the priorities of our Members. By year end 2011, they had committed over half a billion dollars (US\$521 million, or 43% of the total) in fragile and post-conflict states¹⁰. PIDG facilities now have projects that have either reached financial close, or are under active development, in almost half such countries¹¹. EAIF, GuarantCo and InfraCo Africa, between them, committed US\$400 million to projects in nine such countries¹². Around 40% of DevCo's assignments advising governments on structuring PPP deals were in these countries.

¹⁰ This is based on the methodology used by the OECD-DAC International Network on Conflict and Fragility. See Annex 2 page 91.

¹¹ As defined using the OECD DAC INCAF methodology.

¹² Cameroon, Chad, Congo DR, Kenya, Nigeria, Rwanda, Sierra Leone, Uganda, and West Bank and Gaza.

Liberia Electricity Corporation

Powering up under fragile conditions

Fourteen years of civil war devastated most of the infrastructure in Liberia. The power sector, overseen by the state-owned Liberia Electricity Corporation (LEC), was particularly hard hit.

In last year's Annual Report, we reported on DevCo's support to LEC in the design and tendering of a management contract. Manitoba Hydro International (MHI) of Canada was appointed to run LEC for five years. This included planning the rebuilding of a functioning power system, and organising a training programme in order to increase the technical and managerial capacity of LEC to run a modern power system.

When the contract was put in place in 2010 there were 2,152 connections. By 1 July, 2011 there were 4,659 connections, more than doubling LEC's customer base over the first year, providing access to about 12,500 additional people. 2012 should see a further increase in connections with the difficulties in public procurement and delays in donor funding having been successfully resolved.





6 FOCUSING ON DEVELOPMENT IMPACT

Our Results Monitoring System (RMS) tracks the development impact that PIDG not only expects to achieve on committing resources, but actually achieves once projects are constructed and operational.

Members expect to know that what we do is delivering the intended results. Lessons from past operations are also vital, helping us to set realistic policy objectives and improve future programmes.

PIDG Results Monitoring System

PIDG’s RMS has been designed to capture uniformly the development impact of projects, through five key indicators, across each of its facilities (see Table 6.1, right). The RMS is regularly revised to respond to the developing analysis requirement of PIDG Members. At the core of the RMS is a ‘causality map’¹. This shows how the activities of each facility are linked to the key outcomes of economic growth and poverty reduction.

Infrastructure projects usually take several years to develop, finance and then construct. This means that, when we start to track development impact at the early stages of a project, these figures are necessarily based on ex-ante estimates of their expected development impact. For example, many of the earlier telecoms projects supported by EAIF in the poorest countries of SSA have seen a much higher than originally anticipated impact in terms of people served with new or improved services, due to the unprecedented demand for mobile phones in these countries.

Together with these measurable, direct results, PIDG also tracks two qualitative indicators: ‘demonstration effect’ and ‘additionality’ of its projects.

Demonstration effect: This indicator measures capital mobilised through increased private participation in infrastructure (PPI) in a country, sector or region and/or changes in private sector attitudes and willingness to invest in emerging markets.

TABLE 6.1. KEY DEVELOPMENT IMPACT INDICATORS

Development impact indicator	Main features
Total private sector investment (PSI) commitments	Investment from commercial entities: <ul style="list-style-type: none"> - Domestic commercial finance (equity and/or debt) - Foreign commercial finance (equity and/or debt) Investment from DFIs: <ul style="list-style-type: none"> - DFI finance (equity* and/or debt)
Access to infrastructure services	Number of additional people expected to have access to new infrastructure Number of additional people expected to have access to improved services.
Fiscal Benefits to Host Governments	Upfront fees paid to the government Any subsidies avoided by the government
Employment effects	Direct short-term jobs created (during construction) Direct long-term jobs created (during operations)
Alignment with National Development Plans	Which national/sector development plans the project conforms to

* DFI equity is excluded from total PSI commitments for the purposes of reporting leverage.

1 The PIDG Causality Map is set out in the PIDG Results Monitoring Handbook, 2010, see www.pidg.org



Breathing new life into Senegal's economy: work in progress on the ICF-DP supported Blaise Diagne International Airport in Dakar, Senegal.

Additionality: This indicator assesses the extent to which a commitment by PIDG activity attracts *additional* private sector support in the form of:

- *More investment:* the extent to which the public-private partnership (PPP) makes an investment happen *that would not have happened otherwise*
- *Better design and efficiency:* the extent to which private sector involvement improves the *design* of projects or *operating performance*
- *Policy additionality:* the extent to which PIDG participation contributes to *improving the regulatory environment* for a specific investment and at the country level

Further developing our impact measurement

During 2011, PIDG became a member of the Development Results Indicators Harmonisation working group. This is an initiative launched by IFC that seeks to assist Development Finance Institutions (DFIs) in harmonising their frameworks for measuring development impact. The intention is to create an improved, uniform framework for comparing and portraying results and reduce the reporting burden on the projects themselves.

PIDG initiated other work streams in 2011 to strengthen evaluation and inform its activities in the following areas:

- A methodology to assess and report the impact of PIDG-supported projects, by gender. We will be reporting in 2012 the results of this study and how we are applying them.
- A systematic review of the evidence for the impact of DFI support for private participation in infrastructure on economic growth and poverty reduction². The study found that although hard evidence is scarce, DFI activity in infrastructure supports economic growth and is creating financial additionality, especially in low income countries. A second phase of the study, analysing internal, confidential project completion documents of a number of prominent DFIs, was commissioned in mid-2011 and has since been completed.
- We also initiated work on assessing how to measure the impact on climate change of PIDG projects, through a project tagging system which we intend to implement in 2012.

² The systematic review was commissioned by PIDG in October 2010. It is being carried out by the Institute of Development Studies, University of Sussex.

Expected development impact

Looking across the portfolio to date, the expected development impacts of the 77 PIDG-supported projects³ that have reached financial close are summarised in Table 6.2, right⁴, using the key development indicators in the PIDG RMS.

Private sector investment level indicators and leveraging PIDG commitments

PIDG's mission to mobilise PSI for infrastructure in developing countries is achieved at two levels. At the facility level, mobilisation of PSI takes place when investors put their money into PIDG facilities alongside Members' money. This increases the financial capacity of the facilities. PIDG facilities have now committed total funding of US\$1.2 billion to projects either under active development or to projects that have reached financial closure. With cumulative Member contributions of US\$500 million to the PIDG Trust as at 31 December 2011, this means that PIDG facilities have attracted US\$2.40 for every US\$1.00 of Members' funds that has been committed to PIDG projects at the facility level.

For example, PIDG Member contributions of US\$150 million to EAIF have secured US\$550 million of committed lending from the commercial and DFI banking sectors. Similarly, US\$100 million of PIDG Member contributions to GuarantCo support counter-guarantees of potentially up to US\$400 million from the DFI and commercial banking sectors to backstop its own guarantees.

The second level of PSI mobilisation takes place at the project level. From the launch of PIDG up to 31 December 2011, expected PSI commitments to financially closed projects have been growing at an annual compound rate of around 50%. This is in line with the expansion of PIDG operations, and the capital requirements of infrastructure projects. Total PSI in PIDG-supported projects now stands at US\$20.1 billion⁵, compared to commitments of US\$1.15 billion⁶ from the PIDG facilities to these projects.

TABLE 6.2. EXPECTED DEVELOPMENTAL IMPACT OF FINANCIALLY CLOSED PIDG PROJECTS AS AT 31 DECEMBER 2011

Private sector investment	US\$21.1bn
Commercial investment (FDI and domestic)	US\$14.6bn
DFI investment	US\$6.5bn
Access to infrastructure	
People expected to benefit from new infrastructure	96.6m
People expected to benefit from better infrastructure	63.2m
Fiscal benefits	
Income from fees	US\$3.4bn
Subsidies saved	US\$1.8bn
Job creation	
Temporary new jobs (construction)	76,886
Permanent new jobs (operations)	174,135

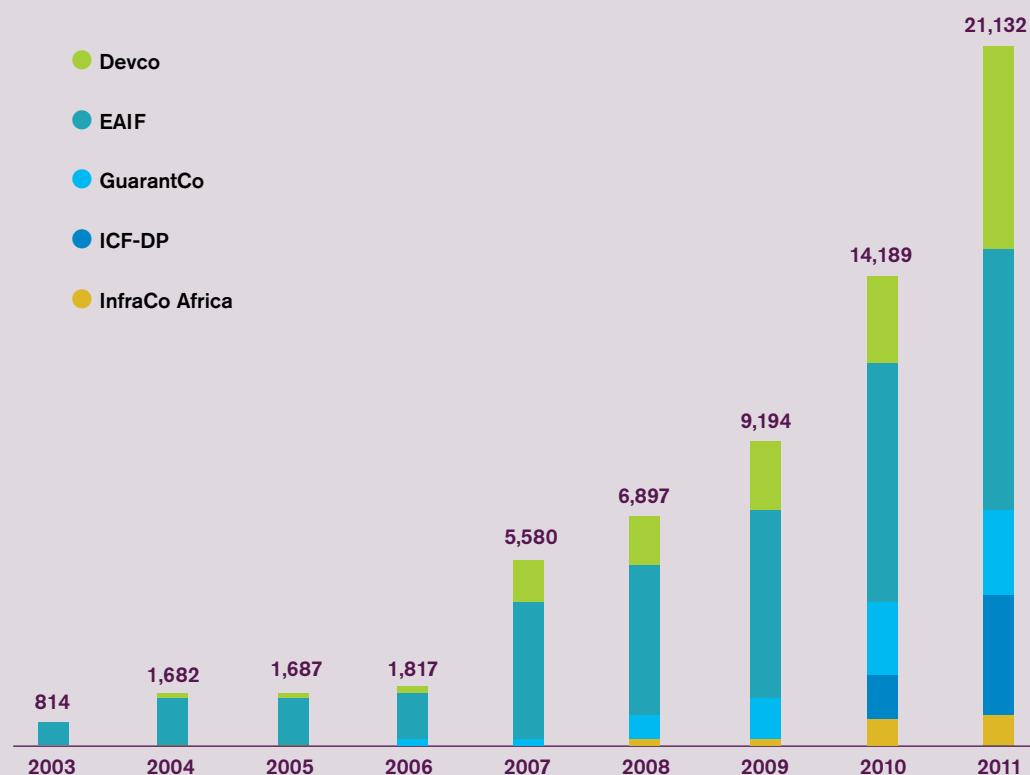
³ When each facility's financing to these co-financed projects is counted individually, the total number of projects is 84.

⁴ As TAF projects are linked to PIDG facility projects, the development impact is recorded under the relevant facility itself. Where projects are supported by more than one PIDG facility, the development impact is recorded in the facility that first initiated the project.

⁵ This figure excludes DFI equity provided to PIDG-supported projects (which totals around US\$1 billion). In the absence of detailed information being available, the DFI equity: DFI loan ratio for DevCo is conservatively estimated to be 40:60, based on the emerging realised figures for closed DevCo projects.

⁶ This figure is based on PIDG commitments to financially closed projects only.

FIGURE 6.1. CUMULATIVE EXPECTED PSI COMMITMENTS OF FINANCIALLY CLOSED PIDG PROJECTS TO 31 DECEMBER 2011, BY YEAR OF FINANCIAL CLOSE AND FACILITY (US\$m)



This growth in PSI commitments is shown in Figure 6.1, left. The significant increase in 2011 is partly explained by the impact that PIDG project development support to early stage projects can have in generating significant multiples of their own commitment in PSI. This is due to the catalytic nature of the early stage project support activity. DevCo's technical support to the Central Java IPP project of US\$1.75 million, for example, helped to mobilise PSI of over US\$3 billion for this power project in 2011, which is Indonesia's first project to be implemented under the country's new PPP and guarantee legislation.

For the PIDG financing facilities, the multiple is necessarily lower but can still be significant: EAIF's commitment in 2011 of US\$27.2 million to Addax Bioenergy in Sierra Leone helped mobilise PSI of US\$365 million, in the country's largest non-mining private sector project since the end of the civil war.

PIDG activities may also mobilise PSI through the impact of our projects on encouraging private sector investment into subsequent projects that are not supported by PIDG facilities. PIDG support for the telecoms sector in its early days in sub-Saharan Africa helped to encourage the dominant role that private sector investment now plays in this sector. This is a crucial role of PIDG's work: helping to develop and demonstrate new markets where private sector capital can then flow.

Commercial and DFI investment

In 2011, PIDG expanded its RMS to track details of the expected sources of financing for each project it supports. This allows PIDG to analyse the relative financial contributions of private sector lenders, investors and DFIs to PIDG-supported projects.

Commercial domestic and foreign funding (equity and debt) now make up 70% of the investment sources (or US\$14.6 billion), with DFIs providing the remaining 30% (US\$6.5 billion) of total investment for PIDG projects that had reached financial close

at 31 December 2011. Figure 6.2, right, shows this breakdown of commercial PSI and DFI-sourced financing (including equity and debt in both cases) by facility. The results reflect the types of financial products offered by PIDG facilities. For example, the lenders backed by GuarantCo's local currency guarantees are usually domestic financial institutions or the local operations of regional or international banks. As such, GuarantCo can have a powerful impact on mobilising commercially sourced PSI. This is illustrated by GuarantCo's support to the Tower Aluminium Group project in Nigeria. GuarantCo's guarantee facility of US\$14.2 million for the project was part of a package that mobilised US\$30 million of PSI, all of which was provided by commercial domestic sources. On the other hand, the continuing lack of commercial private sector long-term lenders for infrastructure projects would explain the relatively high level of DFI financing in EAIF and, in particular, ICF-DP projects, where ICF-DP plays the role of filling the gap left by the absence of commercial finance.

PSI by sector

Looking at the distribution of PSI across the different sectors, the telecommunications and energy sectors each account for about one third of PSI mobilised, while the transport sector accounts for approximately one fifth (see Table 6.3, page 44). This illustrates the relative differences that exist between sectors when it comes to attracting PSI, with some sectors proving much more challenging than others. For example, water sector projects often encounter significant difficulties in attracting PSI due to the perceived risks around tariff setting and payment collection, hence the relatively low value of PSI, although the leverage figure is high as this largely reflects PSI as a consequence of DevCo transaction support as opposed to funding for project capital costs. In the transport sector, where demand risk is often the major challenge for investors, 60% of PSI attracted was for projects in the airport and port sectors, where revenue risks are generally perceived by providers of PSI to be lower than the road and rail sectors.

FIGURE 6.2. ANALYSIS OF EXPECTED PSI COMMITMENTS BY PIDG FACILITY AS AT 31 DECEMBER 2011

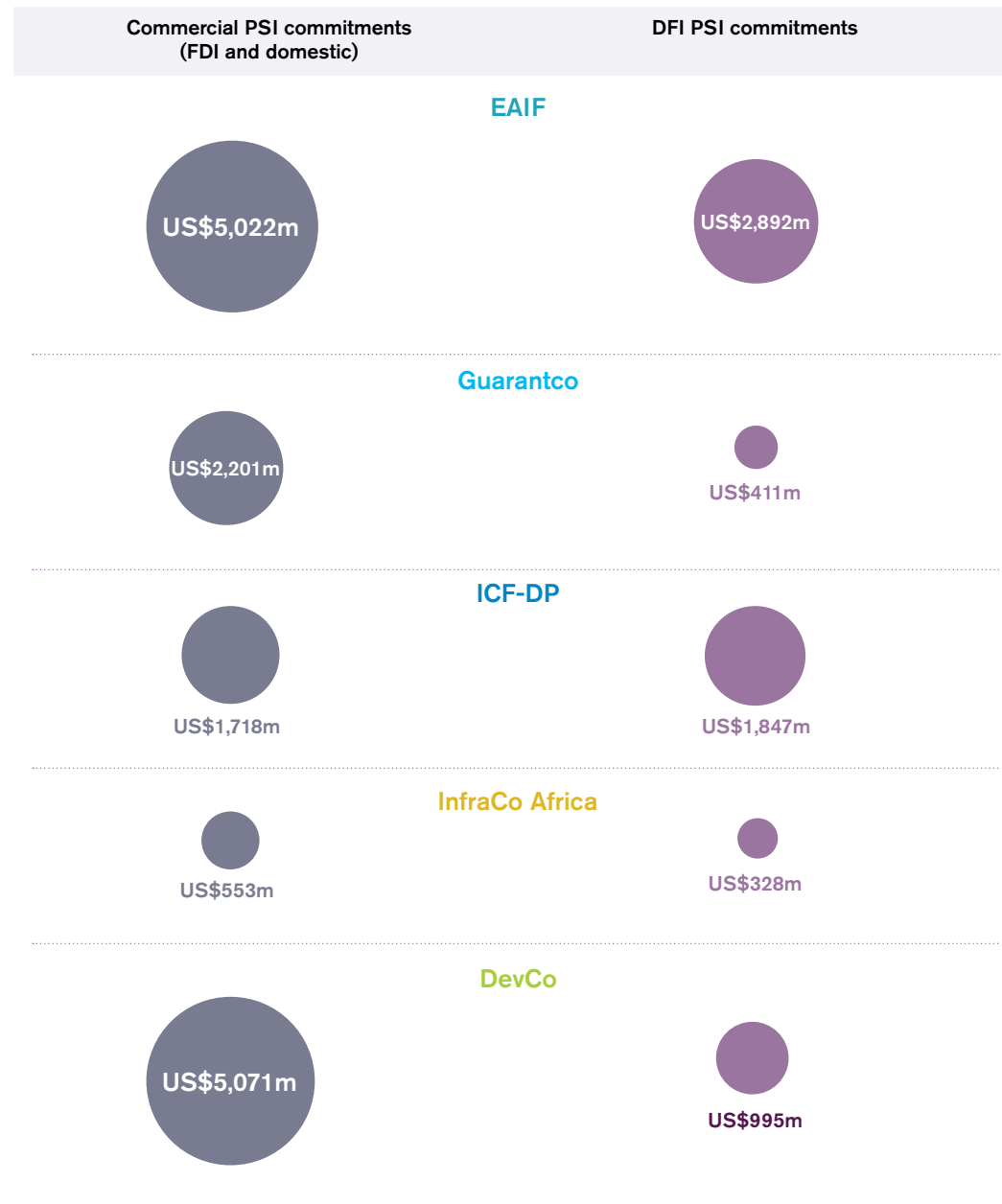


TABLE 6.3: COMPARISON OF EXPECTED PSI INVESTMENT TO PIDG COMMITMENTS BY SECTOR AS 31 DECEMBER 2011 (FINANCIALLY CLOSED PIDG PROJECTS)

	PSI commitments, US\$m	Facility Funding, US\$m	Leverage ratio ⁷
Agri-business	402.7	28.8	14.0
Energy generation/T&D	6,995.8	334.3	20.9
Housing	808.0	75.0	10.8
Industrial infrastructure	959.4	146.2	6.6
Mining	605.0	37.0	16.3
Multi-sector	253.6	25.7	9.9
Telecoms	7,279.9	293.6	24.8
Transport	3,647.3	209.3	17.4
Water, sewerage and sanitation	180.4	2.7	66.6
Total general	21,132.1	1,152.6	18.3

TABLE 6.4: EXPECTED PSI COMMITMENTS BY COUNTRY DAC CATEGORY⁸ AS AT 31 DECEMBER 2011 (FINANCIALLY CLOSED PIDG PROJECTS)

DAC category	PSI commitments (US\$m)	PSI commitments (as % of total)
DAC I	4,171.8	19.7%
DAC II	5,873.8	27.8%
DACI/II	2,898.3	13.7%
DAC III	7,381.2	34.9%
DAC IV	807.0	3.9%
TOTAL	21,132.1	100.0%

⁷ All loans from the PIDG facilities (as well as from other DFIs) are treated as part of PSI and therefore included in the leverage calculation, but equity from PIDG (or any other DFI) or any grant funding (e.g. from TAF), is not included as part of PSI.

⁸ The DAC category is the relevant country's category at the time the project's results monitoring sheet was completed.

Mobilising PSI in poorer countries

Almost US\$13 billion (61%) of the PSI made available to projects supported by PIDG have been in the poorest LDCs and OLICs. The majority of completed projects in LDCs (DAC I) were in the telecoms sector. Here, the commercial market accepts the risk of an infrastructure sector that, in most cases, did not have existing, developed public utilities already offering services, and where the loan repayment period is generally shorter than other types of infrastructure. Projects in lower-middle income countries (DAC III), representing 24% of PIDG commitments, have generated 35% of the PSI, or 25 times PIDG commitments. This is higher than in DAC I and II countries, where the leverage of PIDG commitments is 16 times. This would suggest the importance of the right enabling environment in mobilising PSI.

Figure 6.3, left, shows the analysis of financing between commercial and DFI finance by region. While the proportion of commercial finance to DFI commitments is slightly lower in DAC I and II countries (perceived to be higher risk environments), it still makes up the majority of the PSI at over 60% of the total for PIDG projects. This demonstrates that PIDG-supported projects are successful in attracting commercial financing, even in the poorest countries – subject to the nature of the project, the sector and, at times, the availability of guarantee coverage for domestic sources of bank finance.

Connecting people to infrastructure services

We expect around 100 million people in poorer nations to gain access to new infrastructure services, and a further 60 million to benefit from improved infrastructure, as a result of the 77 PIDG-supported projects that have reached financial close. Of this total, some 63 million (40%) live in fragile or post-conflict countries.

Figure 6.4, left, shows the number of people expected to benefit from access to new or improved services per sector. Improved or new access to telecom and energy supply services are the dominant

sectors. This reflects both the focus of PIDG activities over its life but also the nature of the sectors. Telecom projects, for example, can have very significant reach as illustrated by EAIF's investment in the O3b telecoms project, which will work across a number of sub-Saharan African countries and provide telephone and internet provision for some 50 million people.

Projects that closed in 2011, with a sizeable expected impact on improving access, include:

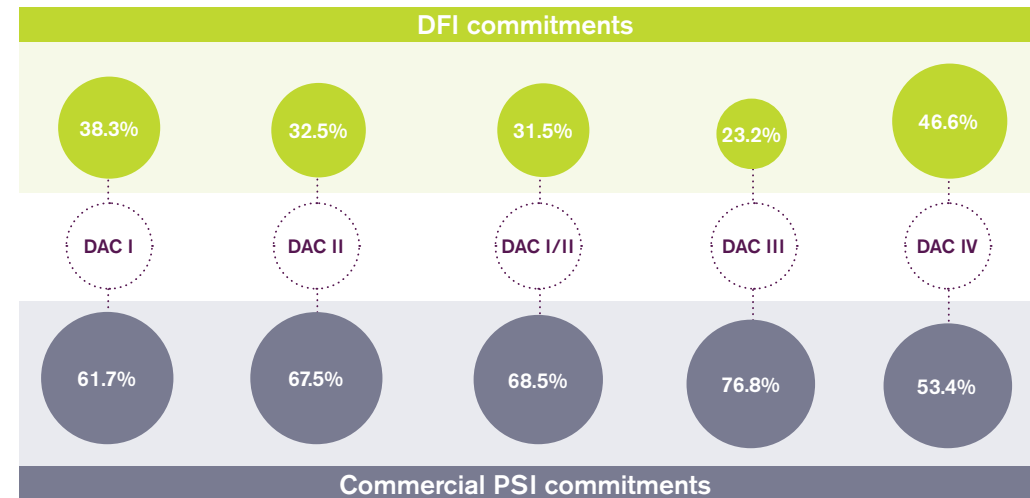
- **The KivuWatt** project in Rwanda, where 2.5 million people are expected to enjoy improved power supply
- **Rift Valley Railways**, where 15 million people are expected to benefit from new or significantly improved rail infrastructure
- **Blaise Diagne International Airport** in Dakar, Senegal, expected to benefit 3 million users
- **The Punjab Grain Storage** in northern India which is expected to improve food security for around half a million people. This PPP is helping to set the model for much more ambitious grain silo PPP programmes across the whole country

Fiscal benefits to host countries

Introducing PSI often has a positive effect on government budgets – either through payments for concession or licence fees, corporate taxes, or by reducing the subsidies required to support loss-making public utility companies. PIDG-supported projects that had reached financial close as at 31 December 2011 are expected to contribute around US\$3.4 billion to host country governments in upfront fees. Over US\$2.2 billion has already been paid. We also estimate that governments will save approximately US\$1.8 billion from reduced subsidies over the project lifecycle⁹. These figures do not reflect the efficiencies in private operations, or additional economic growth that

⁹ Best estimate on undiscounted basis.

FIGURE 6.3: COMMERCIAL & DFI COMMITMENTS BY COUNTRY DAC CATEGORY¹ AS AT 31 DECEMBER 2011 (FINANCIALLY CLOSED PIDG PROJECTS)



¹ DAC category recorded for each project at the time of project signing.

FIGURE 6.4: EXPECTED NUMBERS OF PEOPLE SERVED BY PIDG-SUPPORTED INFRASTRUCTURE SERVICES PER SECTOR, AS AT 31 DECEMBER 2011

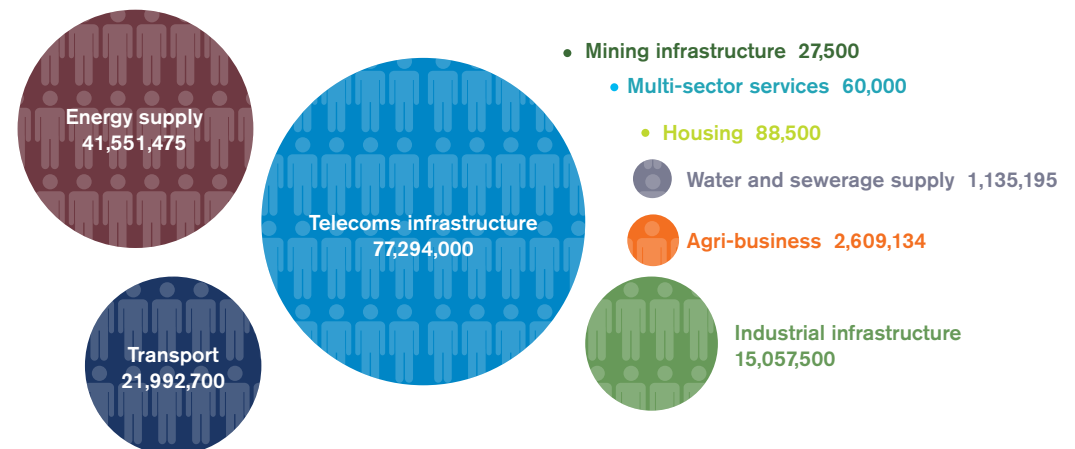
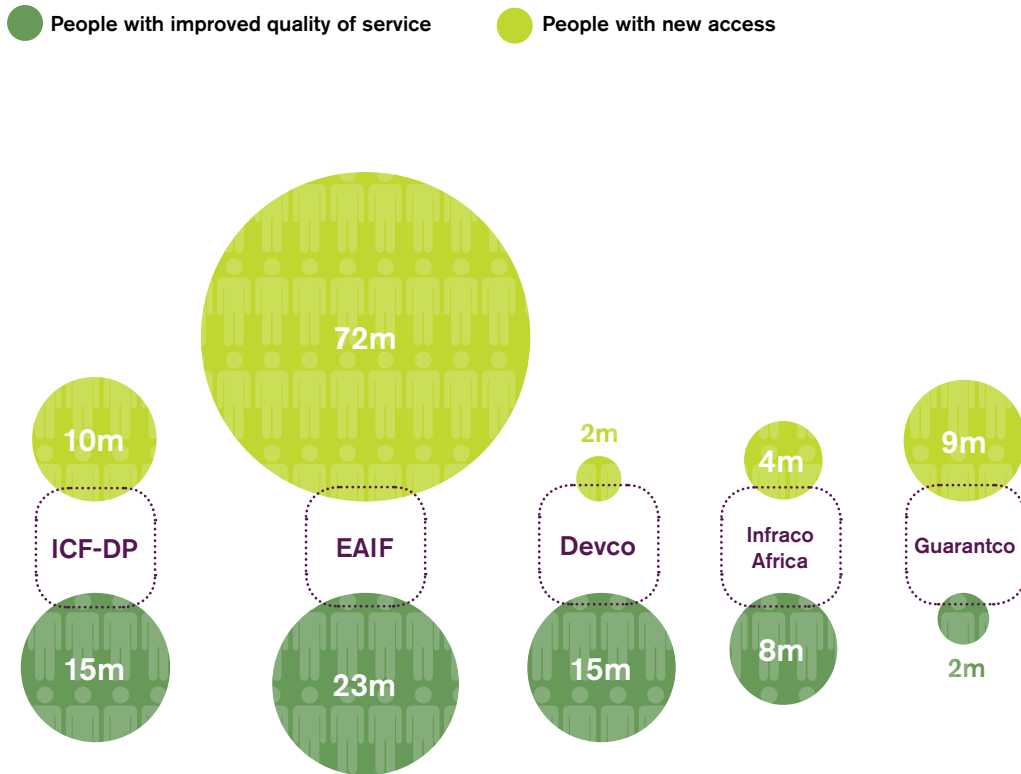


FIGURE 6.5: EXPECTED NUMBERS OF PEOPLE SERVED BY PIDG-SUPPORTED INFRASTRUCTURE SERVICES, AS AT 31 DECEMBER 2011



are likely to result from new or better run infrastructure. As a result of extra income, governments are then able to fund other development priorities – as has happened in the Maldives (see page 47). ▶

Creating employment

The number of jobs created is one of the most tangible development impacts of a project. These include both temporary construction jobs, as well as permanent jobs created when projects are operational. We anticipate that PIDG-supported projects will directly create some 174,135 long-term jobs, and 76,886 short-term jobs.

At present, PIDG only monitors jobs directly created by projects. Although the jobs that are created as a result of new or improved infrastructure are one of the main drivers of economic growth, we do not include these in our figures because we cannot measure this accurately. However, in the course of 2012 we expect to complete a study that will enable us to start to measure the indirect job creation impact of PIDG-supported projects.

Demonstration effect

PIDG provides value in a number of ways over and above supplying financing for the 'bricks and mortar'. There is also significant value in the process of developing concepts and applying know-how to make a project happen. Successful projects, for example in renewable energy or rural development, can be replicated or adapted in other contexts. A meaningful by-product of PIDG's activities is demonstrating to stakeholders – governments, lenders and borrowers – that private sector participation in infrastructure can be effective and advantageous to the host countries. For governments, it can improve perceptions of private sector involvement, encourage capacity to be developed and lead to improved laws and regulations. For the private sector, such a demonstration effect can improve confidence of others to invest. The Cabeólica wind power project in Cape Verde is a good example of the demonstration impact such

a project can have, both within the country and for potentially replicable projects elsewhere in the region (see page 71). ▶

Additionality

A key finding of the PIDG-commissioned systematic review¹⁰ was the ‘additionality’ that DFIs can deliver through their involvement in infrastructure projects. This impact comes from the following four principal activities:

1. Leveraging additional private finance into infrastructure
2. Influencing project design, to enhance the growth and poverty reduction impact
3. Influencing policy to enhance development impact
4. Setting an example, and creating models for other projects generating PSI

In evaluating ‘additionality’, the review concluded that DFIs are making a tangible developmental contribution, especially in terms of financial additionality. However, it also found that DFIs were not generally active in determining the economic and social impact of the projects they financed, or using this to select projects where these impacts were greatest. The review recommended a range of measures to build a more systematic evidence base, and more robust tools for assessing the broad development impact of DFI projects.

These findings improve PIDG’s understanding of the balance between the developmental and financial returns of investment in infrastructure projects, and help frame the context in deciding whether PIDG facilities should take a similar approach or not. As impact investment becomes a new paradigm in the private sector, we will share this knowledge with a wider audience.

¹⁰ A systematic review of the evidence for the impact of DFI support for private participation in infrastructure on economic growth and poverty reduction carried out by the Institute of Development Studies, University of Sussex.

Privatising Maldives Airport boosts government income

The Government of the Maldives worked with DevCo in 2010 to divest 49% of its stake in the Maldives Airport Company Ltd. The airport is vital to the Maldives tourist industry, which accounts for nearly a third of gross domestic product. Bringing in private sector management expertise is expected to raise the standard of airport services to the international level expected of top tourist destinations.

By divesting its own stake in the airport, the government received an estimated US\$78 million in upfront fees, and will also benefit from additional corporate taxes and fees from the 1.8 million passengers passing through the airport each year, estimated at a total fiscal benefit of approximately US\$1.1 billion over the term of the 25 year concession.

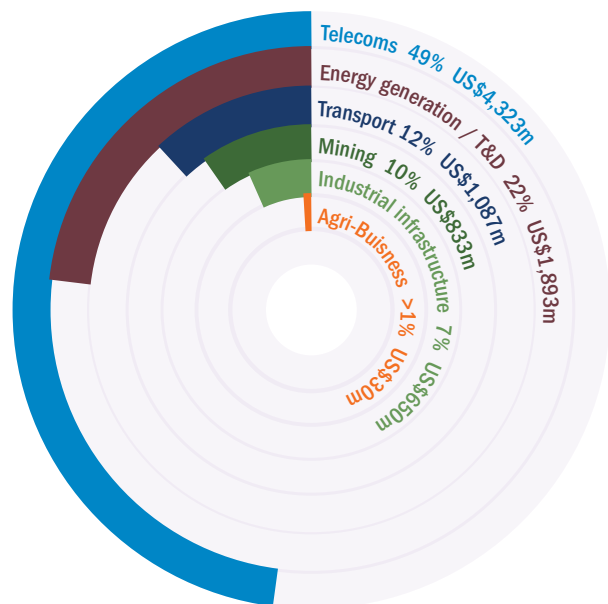
Green energy project in Sierra Leone creates spinoff jobs in agri-business

Addax Bioenergy, a renewable energy project in Makeni, Sierra Leone, will do more than generate much-needed electricity in this war-torn state. The integrated bioenergy and agriculture project will create 2,300 temporary jobs and 2,000 permanent jobs, as well as stimulating agri-business development. As part of the project, Addax Bioenergy Ltd is setting up a training centre to develop agri-business skills and improve productivity. Farmers will be able to find out which crops to grow and how to grow them, as well as how to set up small-scale enterprises for buying seeds, fertilisers and marketing produce. These new skills will help farmers create commercial agribusinesses, to stimulate employment in this rural area. In 2011, EAIF and ICF-DP provided long term loan finance for the project totalling US\$53 million.

TABLE 6.5: COMPARISON OF ESTIMATED AND ACTUAL IMPACT FOR 37 OPERATING PIDG PROJECTS

	Expected	Actual
Private sector investment	US\$8.7bn	US\$8.8bn
Access to infrastructure		
People connected	27.5m	55.9m
People with better service	17.3m	37.7m
Effect on government budgets	US\$2.1bn	US\$2.3bn
Income from fees		
Effect on jobs		
Temporary	8,655	8,709
Permanent	167,233	182,656

FIGURE 6.6: ACTUAL PSI BY SECTOR AS AT 31 DECEMBER 2011 FOR 37 OPERATING PIDG PROJECTS



Impacts in actual fact

It is only once an infrastructure project commences operations that its impact becomes a tangible reality for the intended beneficiaries, sustainably improving lives and boosting economic growth.

From 2009, when a critical mass of PIDG-supported projects started delivering services on the ground, PIDG’s development impact team began compiling post-completion monitoring assessments¹¹ to show the *actual versus projected* impacts of these projects.

Now covering 37 operating projects supported by five facilities – EAIF, DevCo, InfraCo Africa, ICF-DP and GuarantCo – these *ex-post* analyses provide a more robust basis for demonstrating PIDG’s actual development impact, and show that overall, the anticipated impact of projects has been realised.

Table 6.5, left, summarises the results of this analysis. It confirms that the estimated volume of private sector investment attracted to projects has been achieved. Further, the number of people benefitting from operating projects so far is more than double that originally estimated at the time of financial close. The impact on creating permanent jobs was also higher than anticipated.

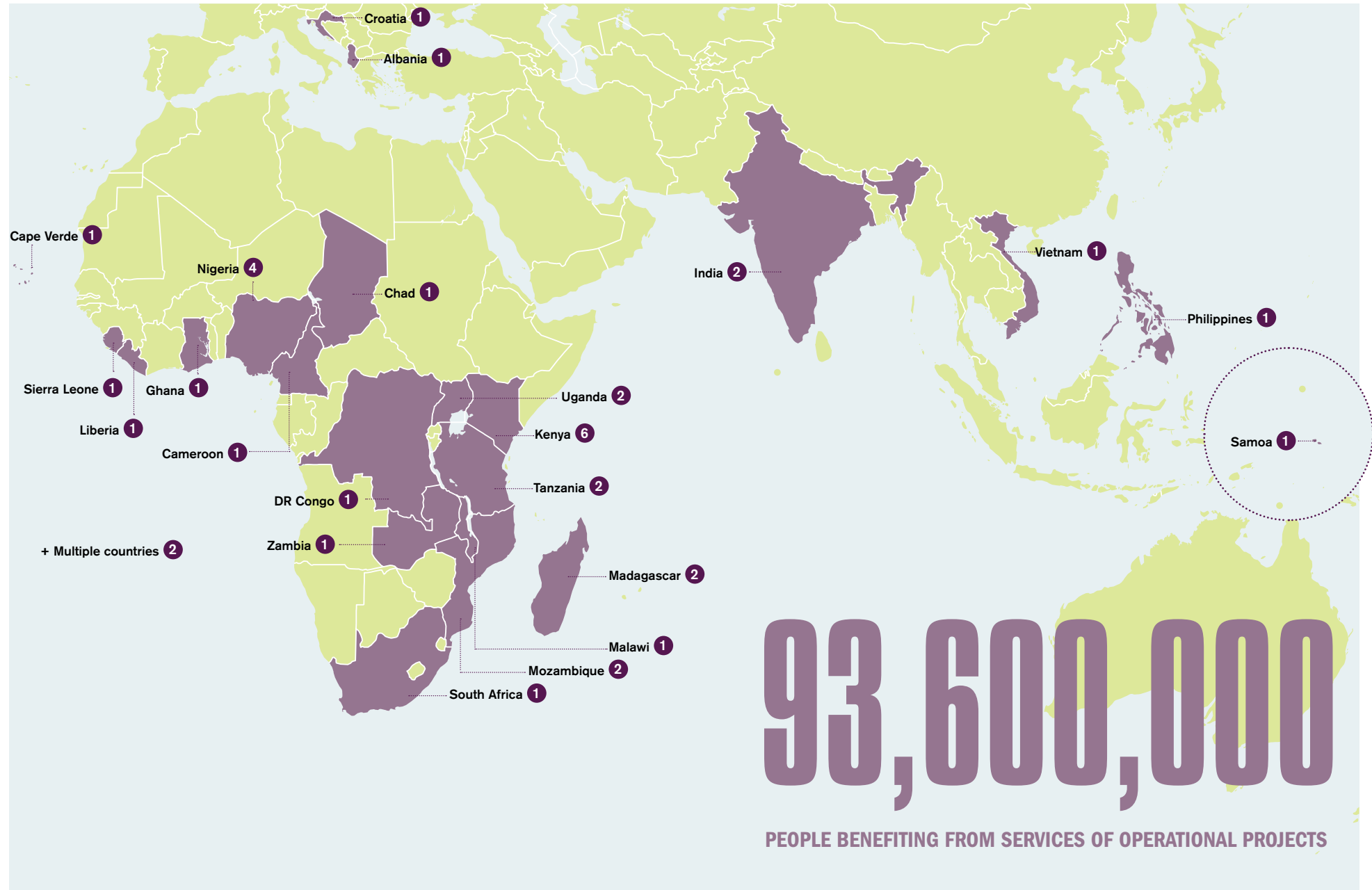
A significant driver for the considerably larger number of people with access to new infrastructure was one of PIDG’s earlier investments – EAIF’s US\$10 million loan to MTN Nigeria, at a time when only companies like EAIF were prepared to invest. Over 27 million people are currently estimated to be benefitting from new services provided by this project, and it illustrates how, particularly in the mobile telecommunications sector, the initial levels of expected demand (1.4 million) did not anticipate such growth.

A sectoral analysis of the private sector investment in the operating projects (see Figure 6.6, left) illustrates this point further, showing that almost 50% of these are in the telecoms sector. This is not unexpected, given that many earlier PIDG-supported projects were mostly focused on extending mobile phone services to the unreachable, and it is these projects that have now become operational. This proportion is likely to fall over time, however, as PIDG has moved on from this sector which is now well served by private sources of finance.

Figure 6.7 presents the 22 countries where the completed PIDG projects are located. Some 80% of investment has been concentrated in sub-Saharan Africa, largely reflecting the support from EAIF, the first facility to be established. Overall, US\$6.6 billion (75%) of actual PSI for operational PIDG-supported projects have been in the poorest, least developed, and other low-income countries.

¹¹ Data as reported by project sponsor.

FIGURE 6.7: OPERATIONAL PIDG-SUPPORTED PROJECTS BY COUNTRY





*The generator room at
Bugoye Hydropower Plant,
Uganda, financed by EAIF*

SECTION 2

FACILITIES OVERVIEW

The following section gives an overview of each of the facilities and their key achievements in 2011

- Facilities that provide **long-term debt finance** either through foreign currency loans (EAIF, ICF-DP) or local currency guarantees (GuarantCo)
- Facilities that provide early-stage **project development capital and expertise** in Africa and Asia (InfraCo Africa and InfraCo Asia)
- Facilities that provide **technical assistance, affordability and capacity-building support** to PIDG projects (TAF) and to public authorities seeking to deliver projects with private sector involvement (DevCo)



The Emerging Africa Infrastructure Fund Ltd (EAIF)

Expected development impact of EAIF projects

Private sector investment	US\$8.00bn
People expected to benefit from new/better infrastructure	95.21m
Fiscal Benefits	
Income from fees	US\$641.95m
Job Creation	
Temporary new jobs (construction)	5,800
Permanent new jobs (operations)	4,972

PROVIDING LONG-TERM LOANS TO PRIVATE SECTOR INFRASTRUCTURE PROJECTS IN SUB-SAHARAN AFRICA

EAIF overview

Challenge

Due to the perceived risks in developing countries, there is a limited availability of long-term loans, at sufficiently low interest rates, to finance infrastructure projects.

What EAIF does

EAIF provides long-term US dollar or euro-denominated debt and mezzanine finance, on commercial terms, for the construction and development of much-needed private sector infrastructure projects across sub-Saharan Africa. Commercial lenders have often seen major infrastructure investments in the region as high risk. They are therefore reluctant to provide long-term finance at appropriate interest rates which make them viable. EAIF, established in 2002, can lend at longer tenors than commercial lenders will generally accept. EAIF is designed with an innovative PPP structure – PIDG donors provide equity through the PIDG Trust, and commercial lenders and DFIs provide senior and subordinated loans. Loans provided by EAIF to projects usually range from US\$10-30 million. Through its own lending, EAIF also attracts other commercial sources of finance to support projects.

As at 31 December 2011, EAIF's funding sources raised to date comprise US\$152.4 million in equity from PIDG donors and US\$551 million in debt from the commercial and DFI banking sectors, totalling US\$703.4m.

Members of PIDG funding EAIF include: DFID, DGIS, SECO and Sida.

EAIF is managed by Frontier Markets Fund Managers Ltd¹, who signed a new five-year management agreement in July 2011.

¹ Frontier Markets Fund Managers Limited (FMFML) is a fund management company owned by the Standard Bank Group, FMO and the Emerging Markets Partnership.

Key activities in 2011

Over the year, EAIF signed six loan agreements totalling US\$89.2 million, in one of its busiest years. These are expected to generate US\$679 million in PSI, and benefit an estimated 9.1 million people through new or improved infrastructure. These projects comprised:

Helios Towers, Tanzania

EAIF has helped Helios Towers to refurbish and lease telecommunications towers to small providers, extending improved services (in terms of both geography and capacity) to over 2 million consumers, and bringing down costs to users. EAIF was co-lender in a US\$150 million transaction, in which EAIF provided US\$15 million of long-term debt. The presence of Helios Towers in the Tanzanian market lowers the entry barriers for smaller and newer wireless operators. They will have access to leased tower facilities, rather than having to build their own, which will extend the penetration of these technologies. Tower sharing is not yet a common model in sub-Saharan Africa (unlike Asia, Europe and the USA), although many tower companies are entering into the African market. This type of funding enables the model to be developed and replicated in the region. This is EAIF's second financing of a telecoms tower company.

KivuWatt Power Project, Rwanda

EAIF provided a long-term loan of US\$25 million towards the construction of a gas extraction and power project on Lake Kivu, Rwanda. This was named the *Euromoney Project Finance Africa Power Deal of the Year*, and is expected to generate PSI of US\$142.2 million (see page 54). ▶

Addax Bioenergy, Sierra Leone

EAIF provided a euro-denominated loan of the equivalent of US\$27.2 million for an agriculture and renewable energy project in Sierra Leone. The project won the *Euromoney Project Finance African*

Renewables Deal of the Year and Thomson Reuters Project Finance International African Renewable Deal of the Year. It is expected to generate PSI of US\$365 million.

Tower Power Abeokuta Expressway Industrial Corridor (TPAL), Nigeria

EAIF provided a loan of US\$15 million for a 12MW natural gas-fired power plant in Nigeria. The project has committed PSI of US\$21.4 million. One of the most critical factors holding up industrial and economic growth in Nigeria is the poor condition of the power sector. The two main problems are: an acute shortage of power generation capacity; and the poor condition of the power distribution infrastructure in the country, which is ageing and needs substantial investment.

This has encouraged the emergence of off-grid IPPs in Nigeria, because they provide a reliable power supply to small industrial clusters, and also relieve pressure on the grid infrastructure. TPAL will help alleviate the power supply shortage in Abeokuta, by directly supplying reliable power to approximately seven industrial off-takers in the area. This will provide relief to the national grid, and will free up 12MW capacity to be supplied to other businesses – benefiting up to 2 million people. The project will also reduce gas flaring, by employing the gas as a source of energy. Nigeria currently flares over 90% of its natural gas production, wasting considerable resources, as well as polluting the environment.

Kalangala Infrastructure, Uganda

EAIF committed to lend US\$7 million to support two projects, the Kalangala Renewables and the Kalangala Infrastructure Services multi-sector projects on Bugala Island, Lake Victoria. EAIF is a co-lender alongside commercial banks and GuarantCo. The projects were developed by InfraCo Africa².

² PSI generated is attributed to InfraCo Africa and not EAIF and is therefore excluded from the total PSI generated figure of US\$679 million – see the InfraCo Africa section for more information.

US\$15m

Tanzania

US\$25m

Rwanda

US\$27.2m

Sierra Leone

US\$15m

Nigeria

US\$7m

Uganda

Award-winning innovation in Rwanda

Located at Lake Kivu in Rwanda, the KivuWatt project is designed to extract and process methane gas trapped at the bottom of the lake. This will both supply fuel to generate critically needed electricity for the people of Rwanda, and safely remove harmful lake gases, where there is a threat of explosion. Phase I of the project, expected to be operational in early 2013, will cost approximately US\$142 million to complete, of which US\$91.25 million was financed by a lending group comprising EAIF, FMO, AfDB and BIO. It is one of the largest ever investments in this former war-torn country.

How EAIF helped the project get underway

EAIF followed the project's development closely for six years, through to financial close in 2011. The technical risks and location in a post-conflict state meant that long-term commercial debt for this transaction was simply not available. As co-arranger for this project, EAIF structured a debt facility that provided flexibility in terms of debt levels and repayment schedules, in order to accommodate the needs of the project with all its potential challenges.

What KivuWatt will mean to Rwanda

- US\$142 million private sector investment committed
- 200 people will be employed during the two-year construction period
- 60 permanent jobs will be created over the course of the operation of the plant
- 25MW of base load power will be added to the national grid
- Two million people are expected to benefit from the reduced threat of a methane gas explosion

- Only 9% of Rwandan households are connected to the national grid. The government's target is to increase this to 16% by 2012. KivuWatt should generate the power required to enable this expansion
- KivuWatt is expected to deliver power at a cost which is substantially lower than running the diesel-fired power plants currently being used
- The government may be able to receive significant savings from a reduction in subsidies that it currently pays for the importation of oil for power generation, at a cost of around US\$10 million a year
- If the project is successful, it should attract further investment in methane gas-to-power projects elsewhere



Addax Bioenergy

Leading the way in post-conflict countries

The project involves the development of a 10,000 hectare sugarcane plantation and an ethanol distillery, producing 85,000 cubic metres of ethanol a year. Addax Bioenergy (Sierra Leone) Ltd approached EAIF to arrange the financing for the development of this green-field project, integrating agricultural and renewable energy. The ethanol will be sold under an off-take agreement, and exported to the European Union. A 32MW co-generation power plant will be fuelled by sugar cane bagasse. At least 15MW of the power will be sold into the domestic power grid, under a power purchase agreement with the government of Sierra Leone. The power plant will also diversify the existing power supply by producing electricity during the dry season, when less hydropower is available.

The land to plant the sugarcane was obtained using a socially responsible approach. According to national law, land is leased through local chiefdoms. Conscious that this system is not necessarily a fair distribution of rent, Addax chose to add Acknowledgment Agreements, signed directly with traditional landowners, to the land acquisition process. This guaranteed both a direct payment to landowning families, and a transparent distribution of the rent from the land lease. This process to enhance landowners' rights includes Addax, together with the communities, establishing property borders and maps, which represent the first formal deeds of property in Sierra Leone for traditional landownership. The lease payments have already resulted in new investments in villages and an improvement in people's lives.

In order to address food security concerns, Addax – in association with the FAO – initiated a Farmer Development Programme. The programme will develop over 2,000 hectares of land, to produce food for local communities, and also train over 2,000 farmers in Farmer Field and Life Schools – improving agricultural practices in the region in a sustainable manner.

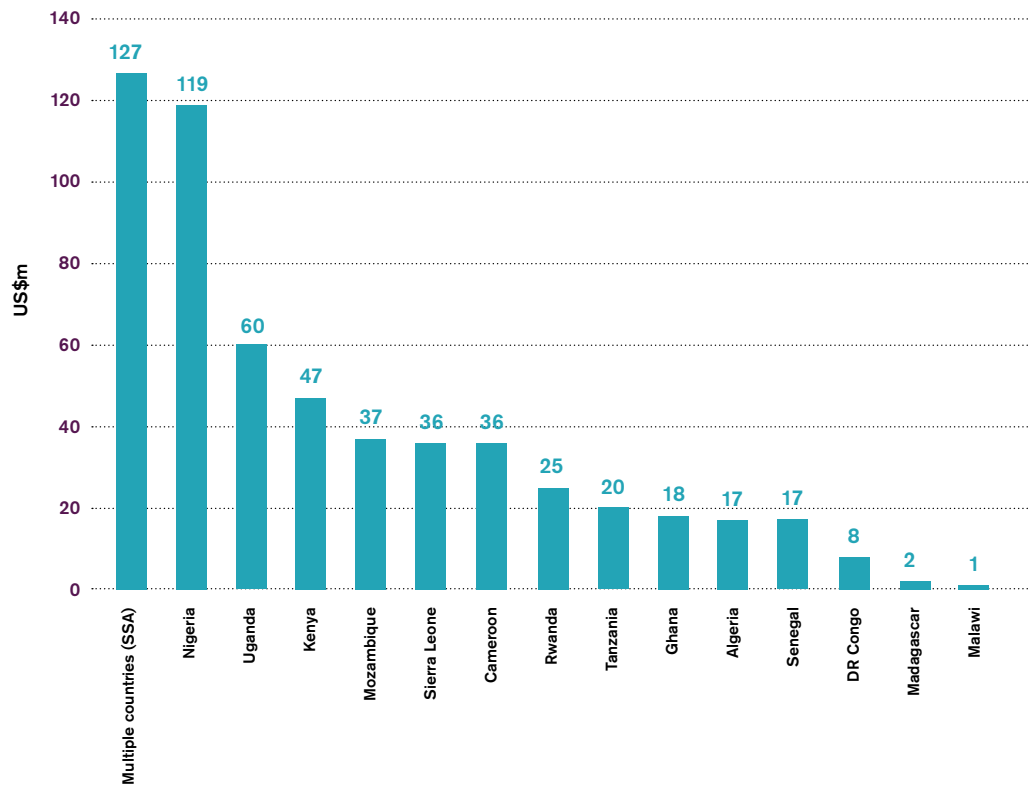
How EAIF and ICF-DP helped the project get underway

EAIF teamed up with FMO to arrange US\$193.4 million of debt financing. The equity investment of US\$112 million was made by the international parent company, Addax and Oryx Group. EAIF provided a long term loan of US\$27.2 million, with a 12.5 year tenor. The ICF-Debt Pool, another PIDG facility, provided a loan of €21 million. This investment is the single largest commercial agriculture project, the first independent power producer, and the single largest private sector investment outside the mining sector in Sierra Leone since the end of the civil war.

What the bioenergy project will mean to Sierra Leone:

- A boost to the capacity of the national grid by 25% with 15MW of excess power, giving two million additional people access to power by 2014 when full production is expected
- Stabilising electricity supplies, when low rainfall and consequent water flow rates reduce the country's sources of hydropower
- Contributing significantly to the development of a neglected agricultural sector through capital investment, transfer of knowledge and best practices, and trade opportunities
- Promoting smallholder agriculture and food security through increasing productivity and intensification, including improved field support for local farmers and their families
- 2,000 permanent jobs will be created, strengthening social protection
- Stimulating small businesses and contributing to economic recovery
- An opportunity to develop a bioenergy market, reducing the national fuel bill, and increasing revenue

FIGURE 7.1: EAIIF COMMITMENTS BY COUNTRY



OF EAIIF'S CURRENT PORTFOLIO, 58% IS NOW INVESTED IN POST-CONFLICT AND FRAGILE STATES

Portfolio review

EAIIF continues to grow its portfolio, despite the challenging market conditions, and has done so without credit loss. Its current portfolio of 31 loans totals US\$569 million in past and future commitments, across seven sectors and 14 countries – including regional projects. As infrastructure project development is a long process, it can take a number of years to bring a diversified portfolio of projects into operation. EAIIF is starting to achieve this with 18 operating projects. Its strong pipeline of future projects reflects its visibility and established reputation in the markets.

Figure 7.1, left, presents the EAIIF portfolio by country. EAIIF's portfolio has a large footprint across sub-Saharan Africa. Nigeria has received the highest level of commitments so far, reflecting the size of the economy and the scale of the infrastructure deficit in the country.

The EAIIF portfolio performed well during 2011. There are no impairments, and all the projects are meeting their covenants. As of the end of 2011, the majority of EAIIF commitments were in the telecoms and energy sectors, accounting for 37% and 32% respectively of the total portfolio in value terms. This was followed by industrial infrastructure – 16% of the portfolio in value terms.

Of EAIIF's current portfolio, 58% is now invested in post-conflict and fragile states – including Rwanda, Sierra Leone and Democratic Republic of Congo. Sixteen per cent of projects are Pan-African or regional, operating across borders in a number of countries; 16% of the portfolio is now invested in green or renewable energy.

During 2011, the EAIIF New Business Committee approved 20 projects for consideration. Two-thirds of these are in fragile or post-conflict states, including Liberia, Ethiopia, the Central Africa Republic and Sierra Leone. The sectoral portfolio continues to expand into new areas. The Addax Bioenergy project is the largest agricultural project in Sierra Leone, while the Kalangala Infrastructure Services project includes a substantial water supply and water transport component.

Scaling up

EAIF's strategy is to grow its asset base to US\$1 billion over the next five years. A fund size of US\$1 billion may also enable EAIF to apply for a credit rating, which could widen access for EAIF to more diverse sources of long-term funding. Such a progressive expansion programme will enable EAIF to build a diverse portfolio, which makes the most of the balance between development impact and overall risk.

EAIF has become profitable, generating a steady annual surplus year-on-year. Consequently, EAIF has been able to attract substantial additional debt funding, despite the financial crisis. In 2011, the fund size increased to US\$703.4 million through additional credit lines from IFC (US\$45 million), AfDB (US\$45 million) and OeEB (€10 million), and a renewed credit line from KfW (US\$45 million).

Development impact

EAIF committed funding of US\$568.9 million to 31 projects. These are expected to provide access to new and/or improved infrastructure services for 95 million people. The majority of this increased access will be through the O3b telecoms sector project, which will work across a number of sub-Saharan countries, and provide telephone and internet provision for 50 million people.

Figure 7.2, right, illustrates the diversification of EAIF's portfolio. The addition of transport, agribusiness and multi-sector projects in recent years is significant. While commitments in telecoms (US\$211 million) are the largest in the portfolio, energy (US\$182 million) is its fastest growing sector. This reflects the demand in the market and importance in meeting Africa's severe power deficit.

Levels of committed PSI have continued to increase with the growth of the portfolio, reflecting the requirement for multiple lenders to support most infrastructure projects. Based on EAIF's operating projects, the actual PSI already invested now totals over US\$6.3 billion.

FIGURE 7.2: CUMULATIVE EAIF COMMITMENTS BY SECTOR

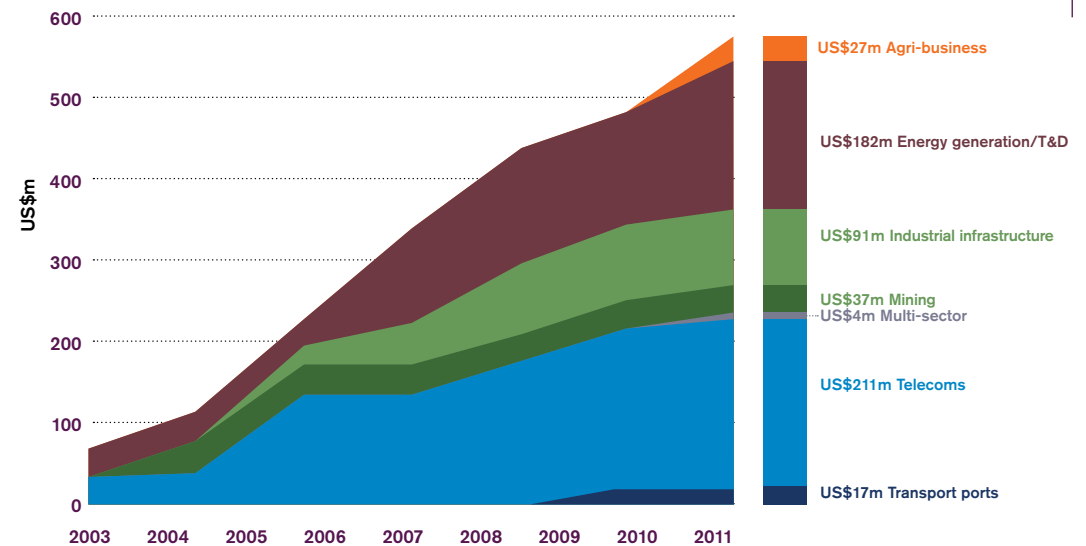
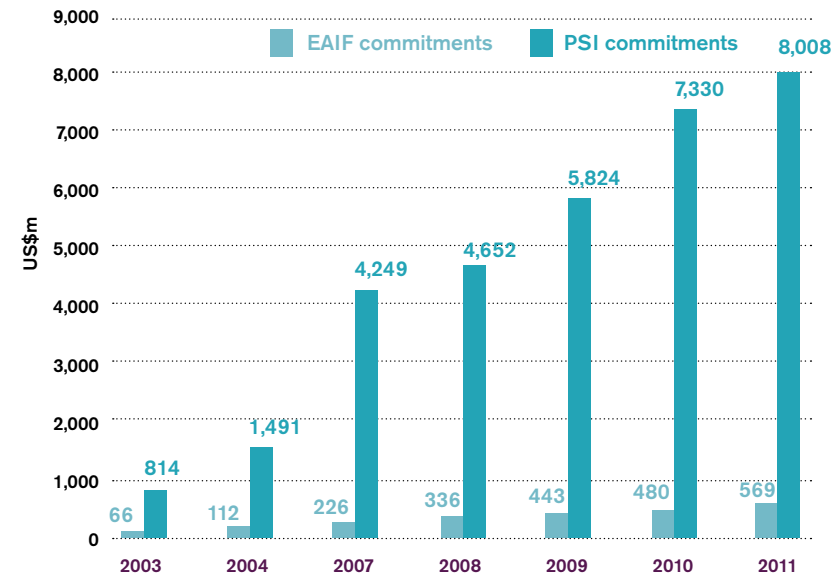


FIGURE 7.3: CUMULATIVE EAIF COMMITMENTS AND EXPECTED PSI FROM EAIF SUPPORTED PROJECTS BY YEAR



Helping to address Africa's acute power shortage

Power is one of the most important infrastructure challenges in Africa. Only 25% of Africa's population has electricity in the home. The 48 sub-Saharan African countries, with 800 million people between them, generate roughly the same power as Spain, with 45 million people. Per capita power consumption is falling, and is now a mere 10% of that found elsewhere in the developing world³. At 124 kilowatt-hours per person per year, this is barely enough to power one light bulb per person for three hours a day. Africa's firms report losing 5% of their sales because of frequent power outages, rising to 20% for small traders who are unable to afford backup power. Economic costs of power outages can be up to 2% of GDP.

The EAIF-funded Bugoye project in western Uganda is a run-of-the-river hydropower plant, with a capacity of 13MW. By producing a reliable supply of electricity, the plant has contributed to Uganda's national electrification programme, and has had a positive developmental effect on people's living conditions and the business environment.

How EAIF helped get the project underway

EAIF was the lead arranger, and sole lender, on the project, because there was no other source of long-term commercial debt available on terms that would ensure the project was commercially viable. In 2008, EAIF committed a 15-year senior loan of US\$33.2 million, and with a grant from the Norwegian government, DFI equity from Norfund and PSI equity from TronderEnergi (shareholders of the SPV Tronder Power Limited), this made up the US\$65.7 million needed to fund the project.

What Bugoye means to Uganda

Bugoye is reducing dependence on expensive and polluting diesel, and provides a more reliable source of power to local users (such as the Hima cement plant nearby in Kasese). The project also reduces the Ugandan government's expenditure on diesel subsidies. As the first private sector run-of-the-river hydropower plant in the country, the project has worked as an effective model for other projects. SAEMS Uganda is a similar initiative financed by EAIF and FMO, and a further project (with similar funding arrangements), SAEMS II, Uganda, was also nearing financial close by the end of 2011. This demonstrates the role that EAIF can play in filling the infrastructure financing gap, where commercial banks are not willing or able to lend, and catalyse activity in this important infrastructure sector.



³ 'Fact Sheet: Infrastructure in Sub-Saharan Africa', World Bank.

8 GuarantCo Ltd

GuarantCo overview

Challenge Many infrastructure projects in developing countries struggle to mobilise long-term finance in local currencies. Local financial markets are often undeveloped, and the availability of local currency capital is therefore limited in size and tenor.

What GuarantCo does GuarantCo – which became fully operational in 2006 – offers partial credit and partial risk guarantees of local currency loans and bonds of between US\$5 million-20 million equivalent, to finance infrastructure in low- and lower-middle-income countries. As well as expanding access to longer term local currency finance, the aim is to build sustainable financing capacity in domestic capital markets. This is achieved by partnering with local institutions to build local capacity and experience, and by introducing new approaches to project risk evaluation and financing in these markets.

As at 31 December 2011, GuarantCo had issued guarantees of the equivalent of US\$206 million¹, which had generated US\$2.6 billion in committed finance from the private sector for 16 infrastructure projects. GuarantCo’s capital was US\$109 million, as of December 2011. KfW and Barclays Bank Plc act as counter guarantors, leveraging GuarantCo’s capital to double its guarantee issuing capacity.

Members of PIDG supporting GuarantCo include DFID, SECO and Sida, through the PIDG Trust, and DGIS through FMO.

GuarantCo – like EAIF – is managed by FMFML, who were reappointed in July 2011 for a new five-year term.

Expected development impact of GuarantCo projects

Private sector investment	US\$2.61bn
People expected to benefit from new/better infrastructure	11.17m
Fiscal benefits	
Income from fees	US\$630.80m
Subsidies saved	US\$71.00m
Job creation	
Temporary new jobs (construction)	62,310
Permanent new jobs (operations)	174,424

ENABLING INFRASTRUCTURE FINANCE IN LOCAL CURRENCY, THROUGH PARTIAL RISK AND PARTIAL CREDIT GUARANTEES OF LONG-TERM LOANS AND BONDS

¹ This includes the US\$20m facility to Kumar Urban Development Limited (KUDL), US\$5m of which is subject to further approvals and will be re-evaluated in 2012

US\$2.8m

Uganda

US\$20m

Pune, India

US\$14.2m

Nigeria

Key activities in 2011

During 2011, GuarantCo issued guarantees totalling US\$37 million on four projects, which are expected to generate US\$375 million in PSI. These are expected to provide access to new infrastructure for over 700,000 people, over half of whom are below the poverty line. There was strong demand for GuarantCo's product over the year, and more than 80 serious inquiries were received. Of these, ten projects were studied in depth, five were presented to the New Business Committee, and four were approved by the Credit Committee. New projects that GuarantCo signed in 2011 include:

Kalangala Renewables and Kalangala Infrastructure Services, Uganda

This project illustrates how GuarantCo looks to balance the more commercial transactions in its portfolio with those expected to deliver exceptional development impact. GuarantCo issued guarantees totalling US\$2.8 million to support the Kalangala Renewables and Kalangala Infrastructure Services projects on the Lake Victoria island of Bugala in Uganda. This transaction was directly for the benefit of local poor communities. In order to ensure the project's services were affordable, GuarantCo carefully balanced its returns against the relatively high level of investment risk. The guarantee covers project financing for a five-year period – a far longer tenor than would be available from any commercial entity lending without the benefit of such a guarantee. In cases like this, extending the repayment period can have a significant impact on making services more affordable to users.

InfraCo Africa set up a new company to deliver a broad range of infrastructure services (water, electricity and transport) to the whole island. Not only is this a ground-breaking project for Africa, but it also has wider potential for the provision of infrastructure services to other isolated communities worldwide. GuarantCo was able to tailor its guarantee to complement other finance sources with more

rigid requirements. InfraCo Africa developed the project and EAIF also provided financing in this example of cross-PIDG collaboration.

"The improvement in the water supply for the village was very much appreciated and has significantly reduced the incidence of disease for the villagers."

Edward Kaweesa, LC1 Chairman, Kasekulo Village, Bugala Island, Kalangala referring to the Kalangala multisector infrastructure project.

Pune slum upgrading project, India

Building on its experience from an earlier project in India, GuarantCo issued the first US\$15 million of a US\$20 million partial credit guarantee to finance a major slum upgrading project in the city of Pune by Kumar Builders. Pune is the second largest city in the state of Maharashtra (after Mumbai), and one of the ten largest cities in India. An estimated 40% of the population of Pune live in slums, with no security of tenure and limited access to basic amenities such as clean water and sanitation. GuarantCo's support is helping to re-house more than 5,000 families in small but permanent flats, with clean water, sanitation, electricity and clear legal title. For children in particular, this will improve living conditions.

The project is governed by a programme initiated by the Maharashtra state government. A developer can get planning permission to develop commercial and residential properties on land (often illegally) occupied by slum dwellers, so long as they provide adequate new, fully-serviced housing for the slum dwellers on the site. A key safeguard of the programme is that the slum dwellers must agree to form housing associations, covering sub-sections of the slum area. The redevelopment can only proceed if more than 70% of the slum dwellers agree to the approach. Larger projects, such as this one, are also able to accommodate the slum dwellers on the same site – avoiding the problem of dislocating residents from their areas of employment, which can sometimes occur with such schemes.

There were also key developments in an existing GuarantCo project:

Calcom Cement, India

In 2009, GuarantCo provided a guarantee of US\$13 million to cover loans for the expansion of a cement factory in Assam, India. However, because of the recent turmoil in the financial markets, it hit problems in 2011, illustrating the challenges GuarantCo faces. The company owners were unable to access additional funding due to cost overruns and delays in government subsidies. Consequently, the company defaulted on its loans, and the lending banks had to call on the GuarantCo guarantee. GuarantCo made immediate payment in full to the lenders, effectively replacing them in the capital structure, and has been working with the company to find a new investor and to restructure the financing on a more sustainable basis. GuarantCo is attempting to secure a restructuring in 2012, so that its current loan exposure would be converted into a longer tenor loan that it will guarantee, ensuring the project's continuity.

Given the risks associated with projects that include a high development dividend – precisely the type of initiative that GuarantCo targets – it is inevitable that some will default on their obligations to financiers, and GuarantCo's guarantee will be called. It is part of the portfolio management responsibilities of GuarantCo's team that – as was the case with this project – the GuarantCo team works closely with the borrower to manage their financial difficulties, and restructure the project's financing. The aim is to find ways to ensure the completion of the project, so that the positive development benefits are realised, and that GuarantCo recovers any payments made. It also demonstrates to the market GuarantCo's commitment to its obligations, and its capability to work constructively through such situations, thereby strengthening the credibility of its guarantee product.

Quality roofing in Nigeria

Rapid urbanisation in Africa is increasing the demand for affordable housing. This requires plentiful supplies of high-quality, low-cost building materials. Aluminium, a low-cost but durable alternative to steel roofing, is a case in point. Tower Aluminium Group Ltd is the largest manufacturer of aluminium products in West Africa, and a major supplier of aluminium roofing. But with the viability of its new factory under threat – because of the cost of servicing a foreign currency loan – Tower needed to refinance the loan in local currency.

How GuarantCo helped get the project underway

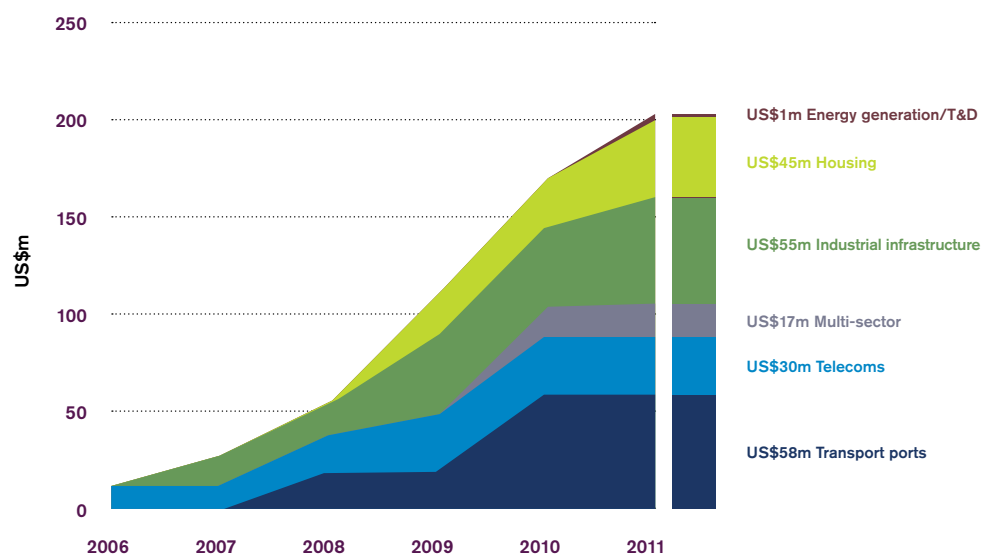
Unable to refinance with its existing local bank group, Tower decided to explore refinancing its existing US dollar loan by issuing a seven-year, naira-denominated corporate bond. However, Tower could not secure the local 'A' credit rating required by banks and local pension funds. At the same time, there have been very few corporate issues in the Nigerian corporate bond market, and none with a third-party guarantee. GuarantCo has an effective 'AAA' rating in Nigeria. By stepping in and providing a partial credit guarantee, GuarantCo enabled Tower to reassure local pension funds and other investors that it was credit-worthy.

What Tower Aluminium will mean to Nigeria

By providing a third-party guarantee of US\$14.2 million for a Tower corporate bond of US\$30 million, GuarantCo has supported a project that should provide up to 690,000 more people with high quality, low-cost housing materials.

GuarantCo's support for a live transaction also helped the Nigerian Securities and Exchange Commission to clarify, and streamline, a number of regulatory and procedural issues – potentially widening this important market. Capacity building at the Commission was also a feature of PIDG support to this project, which is continuing to utilise the PIDG TAF.

FIGURE 8.1 CUMULATIVE GUARANTCO COMMITMENTS BY SECTOR



Portfolio review

It is testament to the strength of the GuarantCo business model that even in extremely challenging market conditions, it has been able to leverage support in the form of counter-guarantees from commercial entities, over and above the equity contribution of PIDG donors.

At 31 December 2011, GuarantCo had issued guarantees for the equivalent of US\$206 million to support 16 projects – seven of which are now operating. Ten GuarantCo-supported projects – nearly two-thirds of its projects – are in Africa, and eight of these are sponsored by African companies. Just over 40% of all GuarantCo's projects are in fragile and post-conflict states, including Chad, the Palestinian Territories and Uganda. Half of GuarantCo's guarantees support industrial and transport infrastructure, and around a fifth support housing projects. These are the sectors where GuarantCo can make a real difference in mobilising long-term finance in local currency.

Scaling up

GuarantCo's ambition is to scale up the size of support for individual infrastructure projects – particularly those that are capital intensive, such as in power and transport – to US\$50 million per project. This underpins the five-year plan to increase GuarantCo's guarantee capacity to US\$1 billion by 2016, backed by equity of US\$350 million. The plan reflects the findings of the 2011 independent mid-term review of GuarantCo, which recognised the growing need by the private sector in low-income countries for affordable long-term local currency finance.

Development impact

GuarantCo's development impact is summarised on page 59. Guarantees are expected to generate US\$2.6 billion in PSI. Significantly, 85% of committed PSI comes from domestic commercial sources.

Supporting capital markets in low-income countries

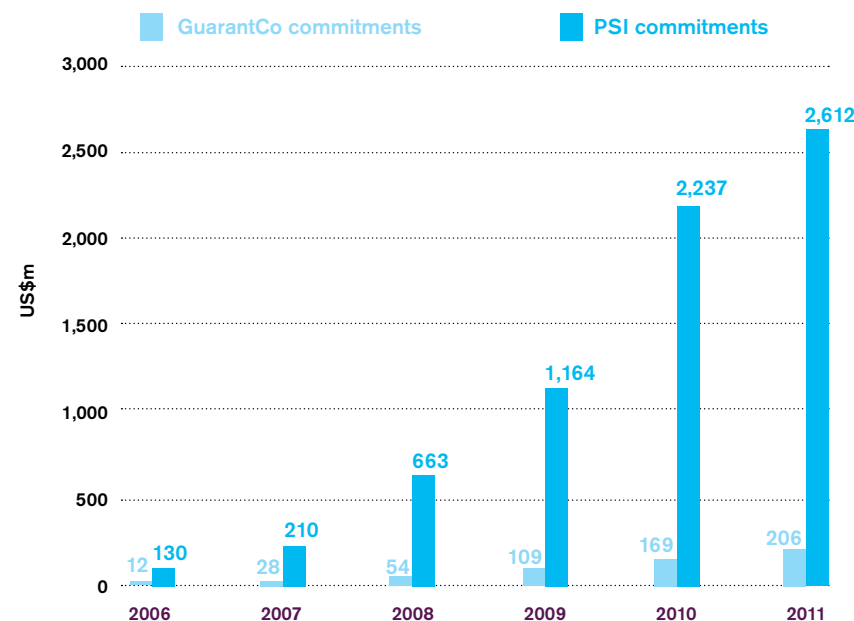
GuarantCo has a direct and positive effect on the development of local capital markets. It has achieved this by providing guarantees for ultimately successful projects, and by building capacity through working closely with local lending institutions, who receive the guarantee. GuarantCo's guarantees can also help to deal with technical or regulatory limitations – helping local banks with temporary single transaction limits that are often set by the central bank.

GuarantCo views its guarantee product as temporary. The aim is to develop local capital markets so that its guarantees are unnecessary. This leaves local institutions – which have built the capacity to make their own analysis of the risks of these projects – to lend to them without assistance or credit enhancement. This approach is different from traditional development finance institutions, where local commercial providers can be crowded out.

Experience like this takes a number of years to develop and evaluate. Wataniya Palestinian Telecom is a good example. In 2009, GuarantCo provided a US\$10 million partial risk guarantee to two Palestinian banks to enable them to lend to the second mobile telecom operator in the Palestinian Territories. This would mean the company could expand, rolling-out its operations in the West Bank. GuarantCo's participation ensured that the company was able to access US\$25 million from local banks. The banks took comfort from GuarantCo's presence as a partner, and its willingness to share the risk evaluating the same project information, and developing the structure and documentation together. Local banks have since become more comfortable with the project over time, and reduced the proportion they need guaranteed, so that GuarantCo's exposure is now below US\$5 million. While losing guarantee revenue in the short-term, GuarantCo is able to recycle its capacity to tackle new challenges. It is glad to leave behind a legacy – with local banks capable and confident enough to lend to future projects in their own right.

Projects like Wataniya also have the potential to build wider investor confidence in the Palestinian Territories. Wataniya's IPO in January 2011 was oversubscribed, suggesting high local confidence in the company and sector.

FIGURE 8.2: CUMULATIVE VALUE OF GUARANTCO GUARANTEES AND EXPECTED PSI FROM GUARANTCO-SUPPORTED PROJECTS BY YEAR



9

Infrastructure Crisis Facility – Debt Pool LLP (ICF-DP)

Expected development impact of ICF-DP projects

Private sector investment	US\$3.57bn
People expected to benefit from new/better infrastructure	24.64m
Fiscal benefits	
Income from fees	US\$22.00m
Subsidies saved	US\$595.00m
Job creation	
Temporary new jobs (construction)	9,200
Permanent new jobs (operations)	3,310

FILLING THE GAPS LEFT BY THE DECLINE IN LONG-TERM PRIVATE CREDIT FOR INFRASTRUCTURE IN DEVELOPING COUNTRIES

ICF-DP overview

Challenge

Bankable infrastructure projects in developing countries can fail to get to financial close due to the reduced appetite of commercial banks to lend long-term to these projects, as the financial crisis affects the ability of banks to lend.

What ICF-DP does

ICF-DP was launched in response to the 2008 crisis in infrastructure funding. It selects infrastructure projects brought to it by international financial institutions (IFIs), and EAIF and GuarantCo, where a project has been unable to raise the total financing required. ICF-DP does not develop its own transactions, but works with the originating entity to bring viable projects to financial close. ICF-DP provides loan financing at the terms of the originating IFI, but individual loans cannot exceed US\$50 million. The facility aims to turn around applications rapidly, so that commercially viable infrastructure projects, with tangible human benefits, are quickly completed.

At December 2011, 52% of ICF-DP's total capacity of US\$652 million had been invested, representing US\$339 million.

Shareholders of ICF-DP are the PIDG Trust and KfW (on behalf of the German Government), who also provides loans to ICF-DP of €500 million.

Cordiant – a Canadian fund manager specialising in emerging market investments – was selected in 2009, by international competitive tender, to manage ICF-DP.

Key activities in 2011

In 2011, ICF-DP signed four loan agreements for a total value of US\$136 million. These will support two projects in the transport sector, one in bioenergy, and one in telecommunications. While ICF-DP supported fewer projects in 2011 than in 2010, with a lower investment value, the PSI generated by these projects is expected to be 75% higher than that from its 2010 projects. It is also expected that a great many more people will have access to new or improved infrastructure from the 2011 projects. The projects that ICF-DP signed include:

Rift Valley Railways, Kenya and Uganda

Ten million people in Kenya and Uganda are expected to benefit from upgrades to rolling stock and rail infrastructure now that a US\$20 million loan from ICF-DP to Rift Valley Railways has been approved. Rift Valley Railways – which holds the 25-year concession to operate freight and passenger services in Kenya and Uganda – was unable to obtain a commercial loan, because of the long-term 15-year tenor required to support the project, and the mixed record of rail privatisation in sub-Saharan Africa. The loan is part of a lending package, totalling US\$164 million, in which the other lenders are IFC, KfW, AfDB, FMO, BIO and Equity Bank (Kenya).

The improvements made possible by the loan financing will lower the cost of rail transport and improve regional and international trade via the east-west corridor link to Mombasa. This should boost economic development in the Rift Valley, and have a direct impact on national productivity and GDP growth for both countries. At a fraction of the cost of building a new railway, the project represents a key development priority for the governments in the region and the IFIs involved.

Addax Bioenergy, Sierra Leone

ICF-DP provided a loan of €21million (approximately US\$25.8 million) to Addax Bioenergy, an integrated agricultural and renewable energy

project promoted by EAIF, located in central Sierra Leone. The project is a testament to ICF-DP's ability to step in quickly with much-needed additional financing at critical moments. The loan package, arranged by EAIF, demonstrates the ability of different PIDG facilities to operate together effectively in order to achieve PIDG's broader mission.

Zain Iraq

Over the last 20 years or so, mobile phones have played an important role in stimulating small-scale, but wide-ranging, economic activity in developing countries, including post-conflict and fragile states. They are now indispensable tools to the small businesses that drive job creation and economic diversification. This is particularly important to economies like Iraq's that are so strongly dependent on a single commodity for revenue.

With a US\$50 million loan from ICF-DP, Zain Iraq – the country's largest mobile phone operator – will extend network coverage to remote areas, and improve the accessibility and quality of telecommunications. Long-term financing in conflict-affected countries is not available locally, and Iraq is considered off-limits to most traditional lenders. The loan is part of a US\$400 million long-term financing package, involving the IFC, together with FMO and DEG.

"Iraq's need for infrastructure is immense. So far, foreign direct investment has been very scarce apart from in the oil and gas industry. As a result, the country's economy is highly dependent on oil while other business sectors are extremely under-developed. Improved access to mobile telephony will facilitate the growth of small business, promote entrepreneurship and increase job creation in all sectors."

David Creighton, President and CEO, Cordiant Capital, speaking about the Zain project.

US\$20m
Kenya and Uganda

US\$25.8m
Sierra Leone

US\$50m
Iraq

US\$40m
Senegal

Getting a new airport off the ground in Senegal

The Leopold Sedar Senghor International Airport has served Dakar for many decades, but can no longer cope with current volumes of passengers and freight. Encircled by the city, the airport has no room to expand, and traffic to and from the airport aggravates congestion in Dakar.

The new Blaise Diagne International Airport, to be built 45km east of the city, will breathe new life into Senegal's economy, and is a key component in the country's development strategy. It will relieve congestion at the existing airport, and stimulate regional development. Its current capacity of 1.8 million passengers a year will increase to 3 million, sufficient to meet demand until 2025.

How ICF-DP helped get the project underway

A public-private partnership to develop the new airport was set up in 2006. The financing partners for the 30-year concession are AfDB, IDB, AFD, the Saudi Fund, Banque Ouest Africaine de Développement (BOAD), and the private sector. ICF-DP stepped in with a loan of US\$40 million in 2011 to meet the funding target of US\$792 million and to ensure that the project came to fruition.

What the Blaise Diagne International Airport will mean to Senegal:

- An increase in passenger capacity of 1.2 million
- Improved service for the 1.8 million existing passengers a year
- The creation of 2,000 short-term jobs
- The creation of 250 new long-term jobs
- The Senegal government will save US\$595 million in subsidies

Social and economic ripple effects

Building and servicing the airport will create many new jobs, and develop new skills. Stringent international safety standards will be met, providing quality services for passengers and freight. The demand for spare parts, information technology, engineering, catering and cleaning services generated by the new airport will create more jobs, and boost local industry – benefitting trade, economic growth and regional integration.

The project is one of the largest public-private partnerships ever mounted in Senegal, and signals the ability of public and private sectors to collaborate in important infrastructure projects.



Portfolio review

At the end of 2011, the ICF-DP portfolio comprised ten loan commitments, totalling US\$339 million. Although it has only been operating for two years, it has already committed 52% of its total funding of US\$652 million. Of these loan commitments, US\$232 million has been drawn down. Four projects are located in fragile or post-conflict countries, where the basic infrastructure (transport and power generation) that will be developed should contribute to economic growth at the national level. ICF-DP's involvement in a small number of very large projects illustrates its pivotal role in facilitating successful financial close in projects of this type. Five out of the ten projects involve total capital investment of over US\$400 million, where ICF-DP's contribution is typically between US\$10-40 million.

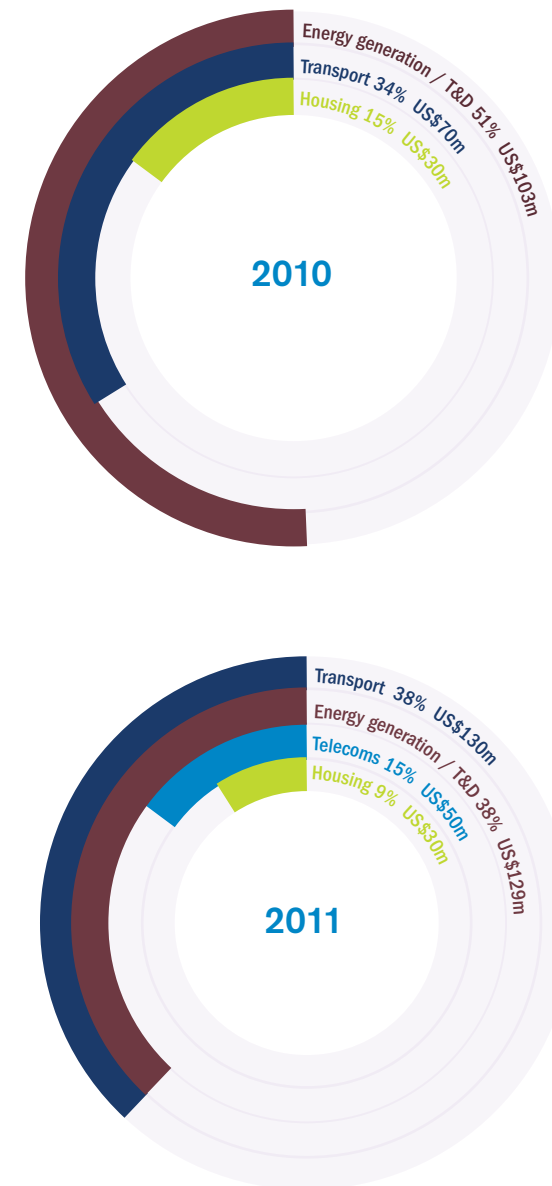
ICF-DP's activities do not come without challenges. During the year, one investment – in the electricity generation sector in Ghana – which was signed but not disbursed, was cancelled due to local legal issues. Another investment – a slum redevelopment project in India – is currently under stress, due to real-estate market factors that affect the project's sponsor in Mumbai. Dialogue is continuing with the borrower and its parent, to reach a solution. Nonetheless, ICF-DP has played a strategic role in getting infrastructure projects off the ground, which would otherwise have foundered – to the benefit of thousands of poor people.

Developing the pipeline

In order to preserve the ability of ICF-DP to provide long-term loans, the fund's maximum maturity was extended to 2027 in 2011, and its investment period extended to the end of 2013.

While the fund signed four investments in 2011, this relatively small number hides a much higher level of activity, and a significant potential pipeline. A larger number of investments are screened for eligibility each year – for example nine investments were considered

FIGURE 9.1: ICF-DP CUMULATIVE COMMITMENTS BY SECTOR, AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2011





Nairobi station marshalling yards, Rift Valley Railways

by the Board last year, and five investments were approved. A large number of proposals are declined, either because the fund has no role to play or, due to its subsidiary role, commercial financing is given preference. Investments may also fail to be realised, because drawdown conditions required by the fund are not being met.

ICF-DP's activity and pipeline confirm that there is no shortage of applicants for its funding. However, its track record also illustrates the difficulty faced by all PIDG facilities in closing infrastructure projects in emerging markets, since these are complex undertakings. They often involve public-private partnerships with numerous participants, and the requirement for government approvals that can often be delayed, or difficult to obtain. It is not unusual for infrastructure project preparation periods, in PIDG markets, to span several years.

Unlike other PIDG facilities, however, ICF-DP does not originate transactions, but reacts to financing requests from others. All requests are given careful consideration, and projects that complete the rigorous approval process are financed on a first-come, first-served basis. This is expected to continue until the fund's capital is exhausted, or the agreed investment period is up.

10 InfraCo Ltd (InfraCo Africa)

InfraCo Africa overview

Challenge

Bankable projects in sub-Saharan Africa are frequently not developed due to the high risks of the early stages of project development.

What InfraCo Africa does

InfraCo Africa is designed to shoulder much of the upfront costs and risks of early-stage infrastructure project development for projects across sub-Saharan Africa. Acting as principal, it seeks to develop projects to a stage where subsequent investors can then enter and fund the next phases of implementation, selling its stake to these investors. Private sector investment in Africa has been hampered, both by lack of finance and by a shortage of commercially attractive infrastructure investment opportunities. Barriers to project development include: a lack of credit-worthy counterparties; regulatory risks in the pricing of outputs; concerns about the affordability of services (especially in rural areas); and a slow evolution towards private sector participation in key infrastructure sectors.

InfraCo Africa's role is to reduce the risks and entry costs of private sector infrastructure financiers and operators. By focusing on green field projects that can deliver improved infrastructure services in poorer African countries, InfraCo Africa makes projects happen in these markets. If it did not invest in these projects, many would not be developed, or even attempted. Its involvement gives the private sector confidence that these projects will make a profit, encouraging them to invest, and drawing in the private sector investment which is so crucial to the development of infrastructure in Africa.

By 31 December 2011, InfraCo Africa had committed a total of US\$38.6 million to projects, both sold and under development.

PIDG Members funding InfraCo Africa are ADA, DFID, DGIS and SECO.


InfraCo Africa is managed by eleQtra (InfraCo) Ltd, a private firm appointed in 2005 after a competitive tender. eleQtra's team of project development and investment professionals is based in London, New York and a number of African countries, where it is actively developing projects on behalf of InfraCo Africa.

Expected development impact of InfraCo Africa projects

Private sector investment	US\$880.93m
People expected to benefit from new/better infrastructure	11.58m
Fiscal benefits	
Subsidies saved	US\$510.70m
Job creation	
Temporary new jobs (construction)	3,395
Permanent new jobs (operations)	265

DEVELOPING COMMERCIALY VIABLE PRIVATE SECTOR INFRASTRUCTURE OPPORTUNITIES THAT CONTRIBUTE TO ECONOMIC GROWTH AND POVERTY REDUCTION IN AFRICA

Key activities in 2011

Projects that were successfully sold in 2010 are now becoming operational. For instance, the first wind farm of the Cabeólica Wind Farm project, Cape Verde, began generating power in September 2011, and the installation of the final turbines was completed in early 2012. The project will have a significant impact in reducing fuel costs, and solving Cape Verde's power shortage (see page 71). 

Financing arrangements for the Kalangala multisector infrastructure project on Bugala Island in Lake Victoria became effective in early 2012. Ferry landing sites have been constructed, and a new ferry has been built and has begun final sea trials. This will provide significantly improved access for the islanders to the mainland.

After achieving a number of successful exits from its first wave of projects, InfraCo Africa made significant progress in 2011 in developing its second wave of projects, including the following:

Muchinga Power, Zambia

This renewable energy project is intended to forestall power shortages over the coming years, as the development of the mining sector and the wider economy gather pace in Zambia. The 230MW project will benefit 3 million people, including creating jobs for 4,000 people during construction. InfraCo Africa worked in partnership with Lunsemfwa Hydro Power Company (LHPC), a Zambian power generation company, to create the Muchinga Power Company. The project will develop the significant hydro potential of the Lunsemfwa and Mkushi rivers in central Zambia. It is currently still under development.

Leona Wind, Senegal¹

This wind energy project is a replication of InfraCo Africa's successful Cabeólica Wind project in Cape Verde. Due to long-term under-investment, the Senegalese grid cannot generate enough electricity to meet rising demand. This problem is compounded by an almost complete dependence on costly oil-based power generation. In response, the government is implementing a plan to tap into the country's considerable potential for renewable energy, with Leona Wind one of the first initiatives. InfraCo Africa started discussions with SENELEC, the public electricity utility, in mid-2011. Project studies were launched in late 2011, and progress has been made on acquiring the wind farm sites.

Nairobi Commuter Rail, Kenya

Nairobi suffers from some of the worst traffic problems in Africa, and the only viable solution is the development of functioning mass transit systems. A first step is to restore Nairobi's existing, but long-neglected, commuter rail system. In 2011, the Kenyan Government approved the Nairobi Commuter Rail project as a PPP, to be jointly developed by Government and InfraCo Africa. The project will refurbish much of the existing commuter rail system, construct new stations, extend a link to Jomo Kenyatta International airport and purchase new rolling stock. InfraCo Africa, with support from Kenya Railways, is managing the feasibility, design and procurement of the project.

¹ Leona Wind is yet to have a signed JDA in place; hence it is not yet listed as one of the projects under active development in Annex 4.

Cutting edge renewable energy in Cape Verde

Cape Verde, a small archipelago located off the coast of Senegal, has long been dependent on imported fuel, and has consequently suffered from poor electricity supplies. This has hampered the development of real estate and tourism, the main growth areas in the economy. The government has placed significant expansion of infrastructure services at the heart of its economic agenda.

Cape Verde is an ideal site to increase wind generation capacity. Initially conceived as a public procurement initiative, the government asked InfraCo Africa to help develop the Cabeólica Wind Farm project as a PPP. InfraCo Africa redesigned the project, making it less risky, more economically viable, and eliminating the need for government subsidies. InfraCo Africa funded a portion of the €60 million project, with the remaining equity coming from the Finnish Fund for Foreign Investment (FinnFund), and Africa Finance Corporation (AFC). The European Investment Bank and African Development Bank provided €45 million in debt financing.

Wind farms on the islands of Santiago, Sao Vicente, Sal and Boa Vista will generate 4–10MW each. The ground-breaking project was completed in March 2012. The wind farms will benefit nearly 95% of the population (about 475,000 people), and provide nearly a quarter of Cape Verde's power from renewable energy sources by 2012.

How InfraCo Africa helped get the project underway

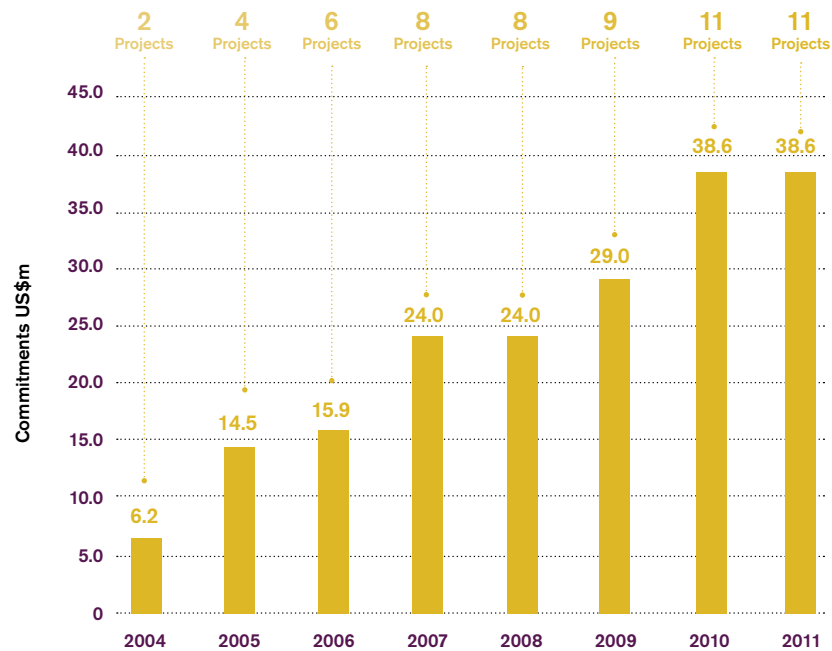
InfraCo Africa secured the sites and necessary permits, developed and negotiated the key project agreements, managed the procurement of the contractor and raised the debt and equity capital required to finance the project.

InfraCo Africa also provided US\$7.9 million in development costs towards the total project cost of US\$79 million.

What Cabeólica wind power will mean to Cape Verde

- 50,000 people will gain access to electricity
- 427,000 people will benefit from a more reliable electricity supply
- 150 short-term jobs will be created
- There will be six long-term jobs for men and four for women



FIGURE 10.1: CUMULATIVE INFRACO AFRICA COMMITMENTS (VALUE AND NUMBER) BY YEAR


Portfolio review

At 31 December 2011, InfraCo Africa had sold seven projects, while four additional projects now have joint development agreements: the Muchinga Power project in Zambia; the Nairobi Commuter Rail project; the Chiansi agricultural development and irrigation project in Zambia; and a multi-sector infrastructure project in Lake Albert in Uganda. A water project in Madagascar, which was previously under development, is currently dormant.

Figure 10.2 shows InfraCo Africa's investment commitments by sector. While the majority of its commitments have been in the energy sector, InfraCo Africa has also undertaken project development in the transport and agri-business sectors, where its involvement is expected to grow as the company responds to opportunities in these areas. A fifth of its commitments have supported multi-sector projects, which involve providing access to a range of basic infrastructure services in remote areas. These multi-sector projects are particularly significant. Here, InfraCo Africa can leverage the commercial strength of some of the recent significant oil and gas developments in these regions to underpin the commercial viability of projects, and so provide a range of much-needed infrastructure services to local people.

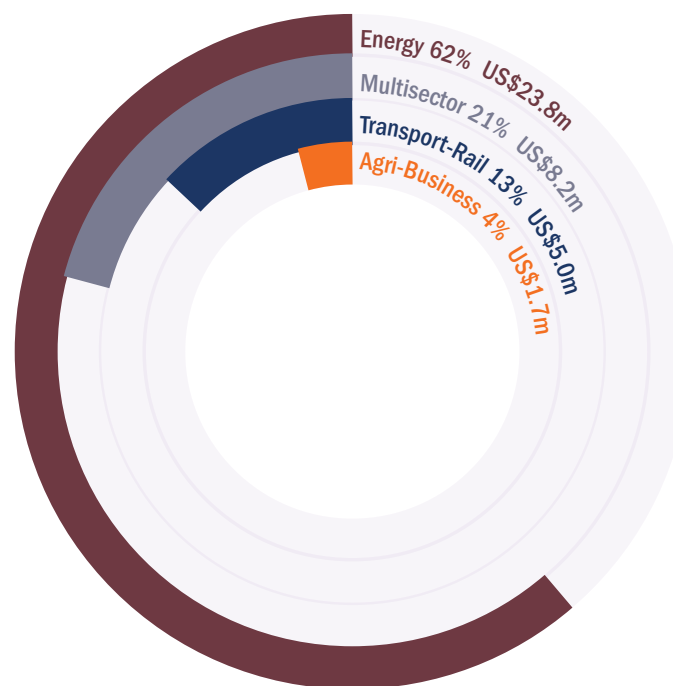
As InfraCo Africa develops its business, it takes the skills and approaches learned from previous projects into new markets. For instance, drawing on its experience in Cape Verde, it is now developing wind power projects in other areas in sub-Saharan Africa. Similarly, the Lake Albert infrastructure project benefits from the experience InfraCo Africa has developed with the Kalangala multi-sector rural development project in Uganda.

Funding developments

InfraCo Africa's progress review noted that, in order to support the costs of developing new projects, it faces the particular challenge of relying on its ability to generate cash from sales of the projects it has developed. If project closures are delayed, or InfraCo Africa is required to retain a significant equity stake in the project, then its ability to fund new projects becomes more limited. However, during 2011, InfraCo Africa received €10 million from the PIDG Trust – using funds from DGIS (of which €3.1 million is earmarked for agricultural infrastructure projects), together with €1.8 million from ADA – which enabled progress to be made in addressing this challenge.

InfraCo Africa also received important grant support to help the development of its projects. The EU-Africa Infrastructure Trust Fund awarded a US\$2.6 million grant for consultancy support to the Muchinga Power project in Zambia. The Fund has also accepted four additional applications from InfraCo Africa. ORIO, a Dutch government funded programme, has agreed to provide a grant to support some of the costs of an irrigation project that InfraCo Africa is developing in the Beira Agricultural Growth Corridor in Mozambique. This partnership between governments, private investors, donor agencies and regional organisations aims to boost agricultural productivity, and unlock the agriculture potential in Mozambique and the wider region.

FIGURE 10.2: CUMULATIVE INFRACO AFRICA COMMITMENTS BY SECTOR



Development impact

Because InfraCo Africa's business is about seeding new projects, and putting capital to work at the early stages of a project's life, its commitments can potentially generate significant multiples of PSI. As summarised on page 69, current commitments are expected to generate some US\$881 million in PSI, of which 55% is expected to come from Foreign Direct Investment (FDI) sources. However, the challenges of raising the finance to get a project to financial close should not be underestimated. This is especially true in the current environment for raising long-term private sector capital for projects. Further, as InfraCo Africa is committed to developing projects that have a strong developmental impact – almost 80% of InfraCo Africa's committed funds went to projects in DAC I and DAC II countries – financing these types of projects poses a significant challenge, even if capital is easier to come by.

InfraCo Africa has invested US\$23.5 million in successfully bringing seven projects to financial close. Once operational, these are expected to provide new or improved services to almost 11.6 million people. Ninety-five per cent of these will benefit from improved power services from two projects: Kpone Independent Power Producer project in Ghana (77%); and the Geometrics Power project in Aba, Nigeria (17%).

As InfraCo Africa draws on its own experience to develop similar projects in new markets, there is also evidence that its projects are having a powerful demonstration effect, leading to replication elsewhere:

- The commercial structure of the Cape Verde Cabeólica Wind Farm project is being replicated in other wind projects in Africa. Government officials and private sector investors from all over Africa visit the project to study how they can invest in renewable, environmentally friendly energy, to provide reliable electricity supplies.
- The Kpone IPP project in Ghana pioneered the first power purchase agreement with the main power utility, ECG – and serves as a model for future IPPs in the country and region.
- The Zambian irrigation projects (Chanyanya and Chiansi) have attracted interest from the World Bank and other donors, as a potentially useful model for elsewhere in Zambia and across the region.

11

InfraCo Asia Development Pte Ltd (InfraCo Asia)

InfraCo Asia overview

Challenge

Bankable projects in poorer Asian countries and regions are frequently not developed due to the high risks of the early stages of project development.

What Infraco Asia does

Launched in 2010, to address a similar challenge to that of Infraco Africa, InfraCo Asia is a project development company. It takes on the risk of early stage project development, so that infrastructure projects can get off the ground where they otherwise would not. In so doing, Infraco Asia contributes to the supply of bankable infrastructure projects in some of the poorest countries and regions of Asia. Acting as principal, it provides early stage capital and expertise to identify, develop and structure financially viable projects – bringing projects to a stage where they can raise debt and equity capital to invest in construction and commercial operations. InfraCo Asia works in low-income countries in south and south-east Asia, particularly Bangladesh, Cambodia, India, Indonesia, Laos, Nepal, Pakistan, the Philippines, Sri Lanka and Vietnam.

PIDG Members who fund InfraCo Asia include DFID and AusAID (the latter's financing is expected to be finalised in 2012).

As at 31 December 2011, Infraco Asia has committed US\$2 million to its first project under development with a signed Joint Development and Shareholders' Agreement in place.


InfraCo Asia Management Pte Ltd was appointed to manage InfraCo Asia in 2010, following international competitive procurement. The management team has its headquarters in Singapore, with country offices in Dhaka and Delhi.

**DEVELOPING COMMERCIALY
VIABLE PRIVATE SECTOR
INFRASTRUCTURE
OPPORTUNITIES THAT
CONTRIBUTE TO ECONOMIC
GROWTH AND POVERTY
REDUCTION IN ASIA**

Key activities in 2011

In 2011, InfraCo Asia focused on building up its pipeline of projects and screening more potential opportunities. By December, eight projects had been shortlisted for development. These include:

400MW gas-fired power project, India

InfraCo Asia's first Joint Development and Shareholders' Agreement (JDSA) was signed in August, for a gas-fired power project in the Indian state of Rajasthan. This initiative, located in one of the poorest states in India, will increase generation capacity by over 15%, and will help diversify the fuel mix from coal with cleaner gas generation (see page 77). 

Kadda power project, Bangladesh

Another project which saw significant development progress is a power project in Bangladesh, for which the JDSA was executed in January 2012. Forty per cent of the population of Bangladesh live below the poverty line, most people have inadequate access to electricity, and even those who are connected face frequent blackouts. Poor electricity infrastructure obstructs economic growth, but this project has the potential to improve installed generation capacity by over 8% – reducing Bangladesh's dependence on imported heavy fuel oil.

Hydropower projects, Nepal

Renewable energy continues to be of particular interest to InfraCo Asia. During the course of 2011, hydropower projects in Nepal were identified for development, and early in 2012, InfraCo Asia entered into a joint venture with a local company, Butwal Power Company Ltd, to develop a portfolio of hydropower projects in Nepal.

Funding developments

During 2011, active discussions were held with AusAID, to whom a proposal for funding of Aus\$10 million for InfraCo Asia was submitted. This is expected to be finalised in 2012.

In 2011 the PIDG Trust incorporated InfraCo Asia Investments Pte Ltd (IAI), an investment company that sits alongside InfraCo Asia. IAI's aim is to invest in the later development stages of certain types of projects developed by InfraCo Asia, which need pre-financial close investment capital, before project debt can be raised. Once the project debt has been secured, IAI would exit, alongside InfraCo Asia. However, both companies have the flexibility to remain involved during construction, and even in the early operational stages, if necessary. IAI has been established with initial funding of around US\$10 million from DFID, and IAI aims to raise additional funding in due course.

Powering up the economy in Rajasthan

Rajasthan is one of the poorer Indian states, with a per capita income less than two-thirds of the national average. The economy depends heavily on farming and herding. One deterrent to investment is the lack of electricity. Rajasthan does not generate enough electric power to meet existing demand, and certainly not enough to drive economic expansion. InfraCo Asia's objective is to change this, by bringing a privately owned and operated gas-fired power station on stream in 2016.

Going over to gas

Coal-fired power stations currently generate 90% of the state's electricity, with the remaining 10% coming from two ageing, government-owned, gas-fired power plants, dating from the 1980s. Electricity supply is supplemented by imports of electricity from other states.

Gas-fired power stations are easier to build than coal-fired plants, and produce less carbon emissions. Rajasthan has hardly any coal, and little potential for hydroelectricity, so gas-fired power generation will reduce dependence on coal imports.

How InfraCo Asia is helping to get the project underway

InfraCo Asia and local sponsors are working together to plan, develop and structure the project. This involves the construction and operation of a 400MW combined cycle gas turbine (CCGT) power station in the Baran district in Rajasthan. This requires undertaking feasibility studies, obtaining approvals and permits from government authorities, securing gas supplies to fuel the station, acquiring the site, making the arrangements for the sale of

electricity to distributors in Rajasthan and other northern states. It also means securing total financing of approximately US\$330 million.

What the power project will mean to Rajasthan

- 26 million people will benefit from more reliable power supply
- 300 short-term jobs will be created
- 80 long-term jobs will be created
- A move away from coal to a cleaner fuel source
- US\$330 million of private sector capital will be raised for investment
- A consistent service, that will provide opportunities to set up new businesses, and stimulate additional commercial services – encouraging Rajasthanis to remain in the state
- Skills development for the local labour force
- The project will provide an example for other private sector projects to follow



Helping to make power blackouts history in Nepal

Only about 40% of people in Nepal are connected to the power grid. Power supplies mainly serve cities and larger towns. During peak times, the country generates less than three-quarters of the electricity needed just to meet current demand. This means frequent blackouts, often lasting up to 16 hours a day, badly disrupting people's lives, businesses and the economy.

Snowmelt from the Himalayas provides Nepal with a huge, under-utilised potential for hydropower. However, there are three major obstacles to developing this source of energy:

- Loans in local currency are expensive
- The power grid has limited reach
- It is difficult to mobilise overseas capital, due to the country's uncertain policy environment

The initial pipeline of projects to be developed by the joint venture comprises four hydropower projects contributed by Butwal Power:

- Kabeli A, a US\$83 million, 37.6MW run-of-the-river hydropower plant which is at the financing stage
- Nyadi, a US\$74 million, 30MW run-of-the-river plant
- Lower Manang Marsyangdi, a US\$273 million, 140.5MW run-of-the-river plant
- Marsyangdi III, a US\$60 million, 38MW cascade run-of-the-river plant, which will use tail water from the Middle Marsyangdi daily storage hydropower plant

How InfraCo Asia is helping get the projects underway

InfraCo Asia is working with a local company, Butwal Power Co Ltd, to develop the projects in a joint venture arrangement.

What the hydropower projects will mean to Nepal

- Approximately 10 million people will have a more reliable power supply
- 3,100 short-term jobs will be created
- 280 long-term jobs will be created
- Almost US\$500 million of capital will be raised for investment.
- Electricity generation capacity will be boosted by 40%, allowing more homes and businesses to connect to the grid
- It will demonstrate the viability of developing hydropower projects – serving as a model for other private sector developers



12

DevCo

DevCo overview

Challenge

Public authorities in low-income countries that are involved in the preparation of projects for private sector participation often lack the resources or capacity to structure and execute these transactions. They are also often unable, or unwilling, to spend scarce resources on the appropriate professional support.

What DevCo does

DevCo – the Infrastructure Development Collaboration Partnership Fund – supports transactions that involve the private sector in providing infrastructure services in low-income countries. Created in 2003, DevCo employs a range of methods which include privatisation, leases, management contracts and concessions which can be used at either municipal or national levels. Making the transition to a public private partnership (PPP) is a complex, time-consuming and costly process. There is often a funding gap for the essential expert support to structure a project for private sector investment – DevCo bridges this gap. DevCo funding also provides technical assistance from specialised consultants, who perform due diligence, and develop strategic options and policy choices to shape the transactions for client governments, and then help implement them. DevCo is supporting the development of PPPs in 27 low-income countries throughout east, south and south-east Asia, sub-Saharan Africa, Latin America and the Middle East.

At 31 December 2011, DevCo had committed US\$27.15 million to 40 projects, of which 20 have so far been successfully completed.

DevCo is financed through an IFC trust fund supported by ADA, DFID, DGIS, SECO and Sida. Along with IFC's contribution, funds total US\$70 million.

DevCo is a multi-donor programme managed by the IFC's Public-Private Partnerships Transaction Advisory Department.

Expected development impact of DevCo projects

Private sector investment	US\$6.07bn
People expected to benefit from new/better infrastructure	17.21m
Fiscal benefits	
Income from fees	US\$2.07bn
Subsidies saved	US\$594.00m

PROVIDING PROJECT PREPARATION AND TRANSACTIONAL ADVISORY SUPPORT TO ATTRACT PRIVATE INVESTMENT INTO EXISTING OR BROWNFIELD INFRASTRUCTURE

Key activities in 2011

Three projects successfully reached financial close, including a solid waste management project in the Maldives, a grain silos pilot project in Punjab, India (see boxes on page 81), and an IPP project in Central Java, Indonesia.

Eight new DevCo advisory assignments were also signed during the year – representing an increase on 2010, when activity was severely affected by the financial crisis. These new assignments include:

Urban transport, Bhutan

The government of Bhutan is exploring a bid process, to invite private sector participation in public urban transport to tackle growing congestion in its two largest cities. DevCo will help the government select an appropriate, clean and efficient mass public transport system for the cities of Thimphu and Phuntsholing – reducing personal car use and urban congestion.

East-West Highway, Georgia

The East-West Highway, Georgia's principal cross-country route, is in poor condition due to excessive use, and a reduction in maintenance by a government facing budget constraints. DevCo will help the government to introduce private sector participation in managing, developing and financing improvements for a key section of this highway.

Water and electricity distribution, Guinea-Bissau

With the help of DevCo, the government of Guinea-Bissau will structure and implement a PPP to improve the performance and service delivery of the nation's state-owned power and water utility, Electricidade e Águas da Guiné-Bissau. Only 5.7% of the

nation's people have access to electricity (which is only provided at irregular intervals), and only 18% of people in Bissau, the capital, have access to water. The assignment marks a milestone for Guinea-Bissau, which passed a law in 2009 supporting the development of public-private partnerships to encourage private investment.

Orissa solid waste, India

In Berhampur, a city in the state of Orissa, the existing solid waste management infrastructure is weak, and collection and segregation are limited. The city is exploring the feasibility of implementing a PPP so that a private developer can improve waste management practices and install a treatment plant.

Orissa street lighting, India

DevCo is supporting the state of Orissa in upgrading the street-lighting network in Bhubaneswar, the state capital. This will improve energy efficiency and give night-time access to previously unlit areas – providing greater safety, access and improved quality of life for Bhubaneswar's citizens.

Nouakchott Port, Mauritania

The port cannot handle the growth in traffic, and its infrastructure is ageing. DevCo will explore options for the rehabilitation and management of an efficient container terminal.

Airport Phase I, Vanuatu

Tourism is Vanuatu's most productive sector, but its airports suffer from bottlenecks because of poor accessibility and safety. Major investment in this vital infrastructure area will be needed to ensure the prospects of economic growth. The project will undertake an in-depth due diligence analysis to assess the viability and structure for the development of commercial activities of Vanuatu's three main airports.

Boosting food security

Punjab, India

India grows an abundance of grain in its fertile northern belt, but poor storage means that much of it is wasted. The 30-year concession – the first of its kind in an Indian state – allows DevCo's partner in the project, LT Foods Ltd, to build, own and operate a 50,000 metric ton storage facility. After 30 years, the facility will belong to LT Foods. The total cost is about US\$8 million. Pungrain (the Punjab State Grains Procurement Corporation) will pay a guaranteed fixed service charge, regardless of the capacity used, to reduce operating risks to the concessionaire. Pungrain has also agreed to pay variable service charges for receiving and dispatching grain from the silos.

How DevCo helped get the project underway

DevCo helped the government of the state of Punjab structure a pilot PPP, to improve procurement of grain, payment of guaranteed storage service charges, and regulation of private sector operations.

What the Pungrain project will mean for the state of Punjab

- The new grain store will cut losses significantly and bring down costs, improving food security for around half a million people
- Government savings over the 30-year concession are expected to be about US\$6 million
- Drawing on this experience, at a national level, India's government is designing a 2 million metric ton grain silo, built on the same model

Protecting public health and the environment

Maldives

Managing solid waste in the Maldives, an archipelago of more than 200 islands, is a major challenge. But it needs to be tackled in order to protect public health and the country's fragile environment – both critical to the success of the tourism industry. The previous practice – a combination of dumping and open burning – was destroying the marine environment, polluting the air and putting the health of the country's 300,000 inhabitants at risk.

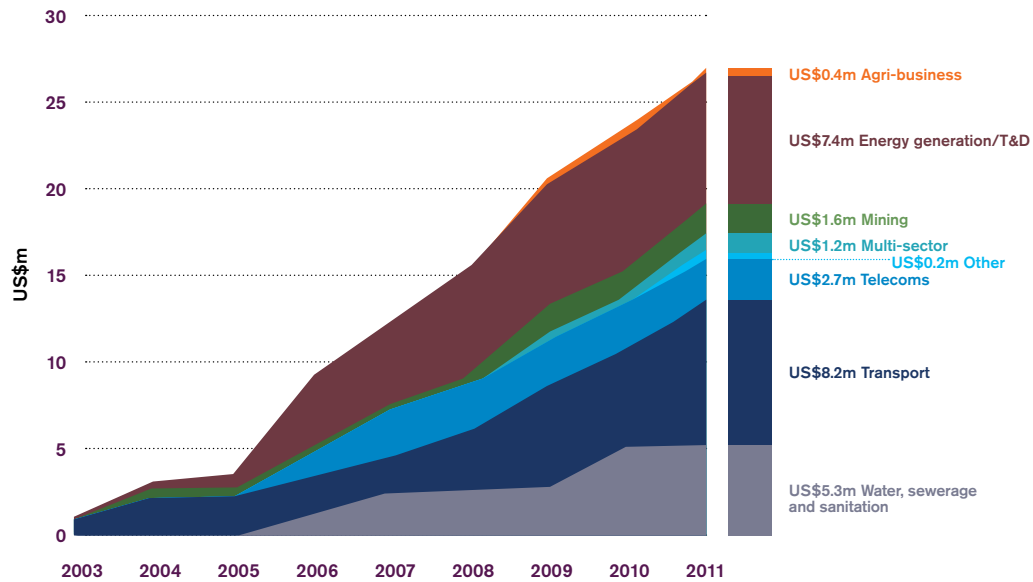
How DevCo helped get the project underway

DevCo helped the government of the Maldives develop a regional solid waste management strategy and find a partner for the national Waste Management Company. This partner, Tatva Global Renewable Energy, will invest US\$50 million over the next two years to manage waste, minimise environmental degradation and improve public health in the Greater Malé region. It will benefit 120,000 Maldivians (40% of the population), and create 100 new jobs.

What the waste management PPP will mean to the Maldives

- The system will manage up to 70% of the nation's solid waste
- The practice of dumping and burning waste on Thilafushi Island will cease, reducing the air and marine pollution that has caused considerable degradation of the island's ecological system
- 12 hectares of land on Thilafushi Island will be reclaimed, and made available for other uses, such as an industrial park, and possibly a port
- The project supports the Maldivian government's goal to become a carbon-neutral country by 2020, while helping it comply with good global practices on the treatment and disposal of solid waste

FIGURE 12.1: DEVCO COMMITMENTS TO SIGNED ADVISORY ASSIGNMENTS BY SECTOR AND BY YEAR OF SIGNING OF ADVISORY ASSIGNMENT



Solid waste, West Bank

DevCo is helping improve sanitation services for nearly a million Palestinians, by advising West Bank authorities on how to include the private sector in the operational structure of a new sanitary landfill (see page 35). ▶

Of these new assignments, two are in fragile and conflict-affected states (Guinea-Bissau and West Bank), and several are expected to help reduce the impact of climate change (including street lighting in Orissa, the waste projects in India and West Bank, and urban transport in Bhutan).

Portfolio review

By the end of 2011, DevCo had committed US\$27.15 million to 40 project advisory assignments, of which 20 have been successfully completed. Seventeen assignments are under active development, while three were closed after their initial phase of work.

Figure 12.1, left, shows the evolution of DevCo's cumulative commitments, by sector by year. The proportion of telecoms projects has fallen, transport projects have increased, and the range of sectors in which DevCo has been operating is growing. This suggests that DevCo's work is helping to encourage public authorities increasingly to look at the uses of PPPs in a wider range of sectors. DevCo is also increasingly focusing on more challenging sectors for private sector involvement, including waste management and water – building the PPP market in these sectors. This broadening of sector scope can, in turn, help build the supply side of contractors, operators and investors – further increasing the range of options, and competitive supply available to public authorities in the procurement of public services.

Bringing projects to financial close is difficult. It is especially so in the markets where DevCo operates, given the range of policy, regulatory, stakeholder, market supply, finance and technical issues that PPP

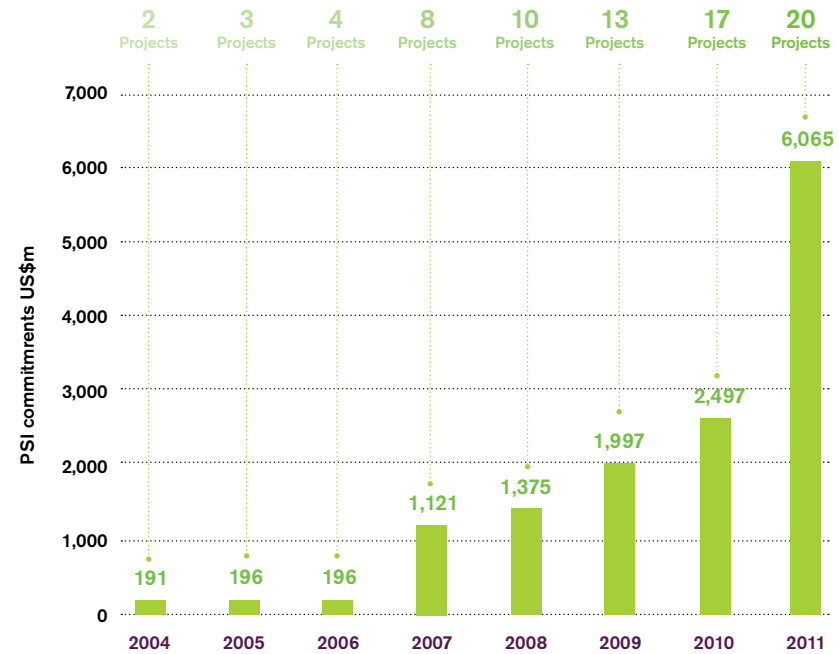
projects typically involve. A PPP road project in India, for example, was dropped because a combination of land issues and political instability in the state indicated that the project would be unlikely to go forward. Around 35% of DevCo assignments have not made it to successful close, because of challenges such as these.

Development impact

From 2003 until the end of 2011, DevCo has committed US\$36.7 million to 60 assignments, or an average of US\$622,000 per assignment. So far, DevCo has successfully closed 20 projects, the development impact of which is summarised on page 79.

Figure 12.2, right, shows the growth in PSI mobilised by DevCo projects, alongside the growth in its portfolio of successfully closed projects. The significant increase in PSI in 2011 was largely driven by the successful closing of the Central Java IPP, which succeeded in attracting committed investment of over US\$3 billion for this 2,000MW power project.

FIGURE 12.2: CUMULATIVE DEVCO PORTFOLIO OF FINANCIALLY CLOSED PROJECTS AND ESTIMATED COMMITTED PSI, BY YEAR OF FINANCIAL CLOSE



13 Technical Assistance Facility (TAF)

PROVIDING TECHNICAL ASSISTANCE GRANTS TO BUILD CAPACITY AND ACCELERATE DEVELOPMENT IMPACTS

TAF overview

Challenge

A lack of capacity or resources in the public or private sector to mobilise the wide range of skills and expertise needed to evaluate and develop infrastructure projects or ensure their affordability for poorer users.

What TAF does

TAF makes grants to PIDG facilities to cover expenses for the studies, technical assistance and capacity building needed to bring their private sector infrastructure projects in poor countries into operation. All TAF funding is allocated through a competitive application process.

TAF funding supports the other PIDG facilities by paying for technical assistance that reflects the unusual or unusually expensive costs of developing projects in poor countries. Often, this involves building the capacity of government counterparts, or private sponsors and operators. It also includes funding the difference between the costs of preparation activities – such as environmental impact assessments – to ensure that they meet the international standards required for PIDG facilities.

TAF operates through two funding windows:

- A general technical assistance window provides grant funding to public or private agencies for: evaluation of financing options; design and implementation of pioneering transactions; and institutional strengthening, training and capacity building.
- A project subsidy window for the provision of output-based aid (OBA), to provide access to basic infrastructure services by the poor. No applications for this funding were received by TAF during the year. By the end of 2011, this window was being redesigned to provide viability gap funding to PIDG-supported projects.

At 31 December 2011, TAF had provided 59 grants to support infrastructure projects since launch. The average funding per project has been US\$320,000, but this includes several exceptionally large grants in 2005 and 2008. The total amount committed since the launch of TAF is US\$18.6 million.

TAF donors are: ADA, ADB, DFID, DGIS, IFC, Irish Aid, SECO and Sida.

TAF is a fund within the PIDG Trust that is managed by a technical adviser.

Key activities in 2011

2011 was an unusually active year for TAF. Seven grants were approved, for a total of US\$2.16 million. This funding leveraged another US\$3 million in support for these activities from other sources, including the facilities themselves and their public and private partners. The average size of grants in 2011 was over US\$307,000 – the highest ever for basic TAF technical assistance grants. The shift to larger grants reflects a slightly more aggressive approach on the part of PIDG facilities. They are less interested in small, early-stage grants to test the project waters, and keen to move directly into larger-scale development of projects they are confident can move forward. By the end of 2011 – based on applications in development – indications were that activity levels will continue this upward trend.

Three applications approved in 2011 came from InfraCo Africa. TAF and InfraCo Africa are natural partners, because of the latter's strategy of early-stage involvement in project development. Consequently, InfraCo Africa has been the most frequent recipient of TAF funding to date. Two applications from GuarantCo were approved during the year, and one each from DevCo and InfraCo Asia.

InfraCo Africa

- **Lake Volta transport corridor public-private partnership, Ghana.** This grant supported a review of the financial and management strengthening needed by the government-owned Lake Volta Transport Company, before it could effectively engage with a private concessionaire (see page 86). ▶
- **Ghana Wind Power.** The grant helped offset costs of an environmental and social impact assessment done, to meet standards required by international financiers.
- **Nairobi Commuter Rail, Kenya.** This grant supported the preparation of an environmental and social impact assessment carried out to meet international standards.

GuarantCo

- **Calcom Cement capacity building, India.** This was a post-transaction grant to help cover the costs of on-the-job capacity building for the management of Calcom Cement. The support was urgently needed, when Calcom encountered implementation problems, after reaching financial close.
- **Home Finance Guarantors Africa.** A grant which helped this innovative Johannesburg-based housing finance scheme expand into Kenya, Ghana, Rwanda and Uganda – raising levels of home ownership.

InfraCo Asia

- **Fly ash reuse strategy, India.** The grant is to support the development of a strategy for reusing fly ash generated by coal-burning power stations, to produce building materials in some of India's poorest states.

DevCo

- **Kigali bulk water, Rwanda.** This grant supported environmental monitoring and water quality testing on the Nyaborongo River, in preparation for a bulk water public-private partnership.

Establishing a Viability Gap Funding (VGF) pilot programme

VGF is a mechanism for providing up-front capital grants, which has been successfully used to encourage private sector investment in countries like India. PIDG Members have approved the proposal to establish a VGF programme, using money originally allocated for TAF's output-based aid (OBA) subsidies. The proposal grew out of TAF experiences with OBA, which culminated in the restructuring of the TAF OBA grant for InfraCo Africa's Kalangala project. OBA grants have proved to be difficult to structure and implement for PIDG facilities. Because these grants effectively reimburse private

Tapping the potential of the Lake Volta waterway Ghana

Lake Volta, the world's largest man-made reservoir, extends deep into Ghana. The huge Akosombo Dam hydroelectric power plant, near the coast, provides electricity for Ghana and neighbouring Togo and Benin.

With appropriate investments in transport and other infrastructure, Lake Volta could be a major stimulus to economic growth in Ghana, both around Lake Volta itself and nationally. Specifically designed and managed ferries and barges could carry many more people and goods between lakeside towns and communities, and more effectively link the cities on the southern coast with isolated agricultural areas in the northeast.

How TAF is helping get the project underway

Following investigations, InfraCo Africa concluded that the sole transport operator on the lake, the Volta Lake Transport Company (VLTC), needed help in reviewing its management and staffing, and in developing the skills and operating procedures it would need to enter into a PPP. This capacity building, which TAF is now supporting, should prepare the way for a joint venture between InfraCo Africa and the VLTC to design, plan and fund a series of projects to unlock the lake's potential as a transport corridor.



sponsors or operators for investments already made, they are not in themselves particularly compelling attractions for private investment. VGF is a riskier, but more attractive, approach requiring considerable early-stage project analysis. TAF will implement a VGF initiative on a 12-month pilot basis, to determine if it can add value to PIDG projects.

Expanding TAF support for capital market development

In 2011, TAF closed its capital market development window. This had been funded by a single donor, Sida, and supported the activities of just one PIDG facility, GuarantCo. Sida withdrew the unused balance of its funding for this window, due to the slower than expected take-up of this funding. Instead, funding for GuarantCo's pipeline of capital market development projects will be provided from TAF's technical assistance window. This also allows any other PIDG facility to access funding for this purpose.

Boosting know-how in wind power technologies and PPPs, Cape Verde

In Cape Verde, in 2011, the Cabeólica Wind Power project started generating electricity. But the government and local companies had, for some years, been losing technical expertise because of emigration. A TAF grant made it possible for consultants to work with government staff to assist with design and planning. Where local partners lacked skills and knowledge in wind power technologies, or in the design of cost-effective PPPs, TAF provided technical assistance to build that capacity.

Project Portfolio Review

By 31 December 2011, approximately US\$18.6 million in TAF grants had been approved for 59 projects. Two-thirds of these projects are in low-income countries. More than 88% of all TAF projects are in sub-Saharan Africa.

Looking ahead

TAF's activity levels are expected to grow over the coming years, for a number of reasons:

- TAF grants are increasing in size, as PIDG facilities integrate TAF funding more directly into the preparation of projects, and use less of it in preliminary scoping activities. Among other things, this will mean more applications for environmental and social impact assessments which meet the requirements of international financiers.
- In addition to InfraCo Africa, other PIDG facilities are clearly developing plans for more extensive use of TAF support. InfraCo Asia, for example, is likely to do more with TAF funding in 2012 as it further develops its own portfolio of projects.
- As private financing for infrastructure in developing countries becomes more challenging – given continuing worldwide financial problems – technical assistance to help with unusual or unusually expensive preparation costs becomes more important.
- The initiation of VGF activity by TAF should also stimulate additional TAF applications.

FIGURE 13.1: CUMULATIVE TAF GRANTS (NUMBER AND VALUE) BY YEAR OF APPROVAL

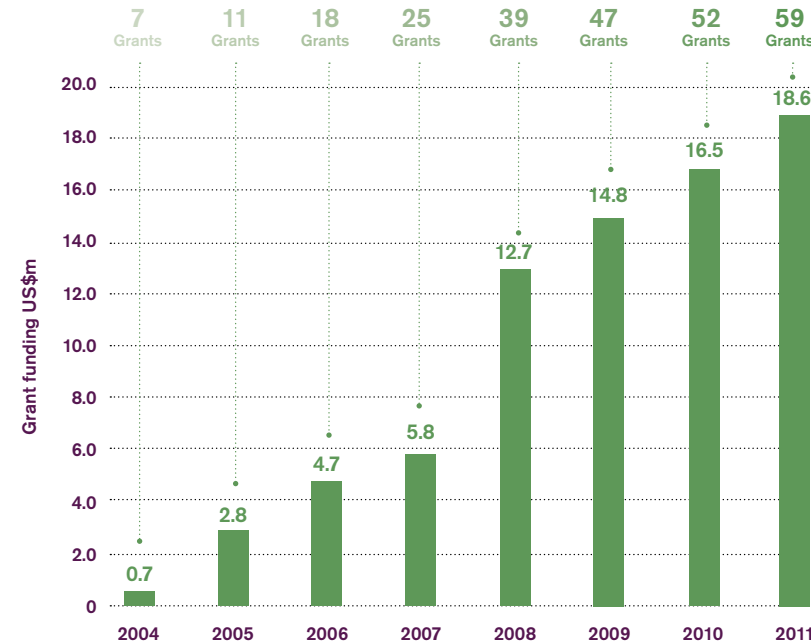
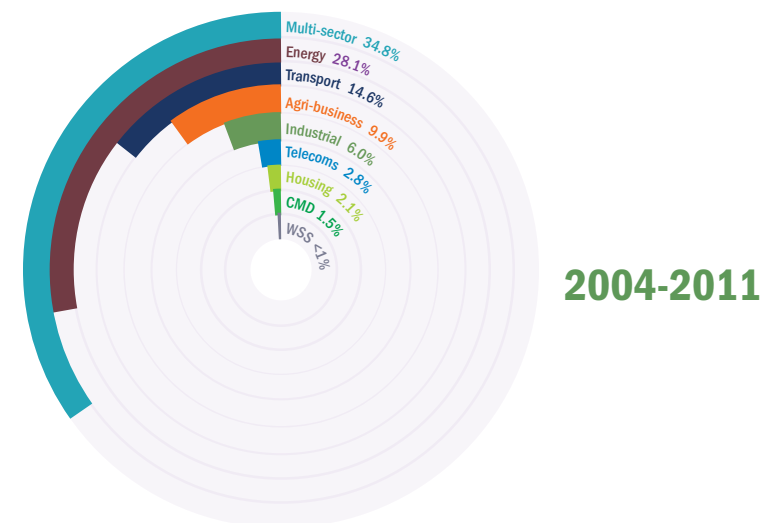


FIGURE 13.2: CUMULATIVE TAF GRANTS BY SECTOR



14 CHALLENGES, RISKS AND THE WAY AHEAD

Risks of infrastructure investment

It is important not to lose sight of the significant complexities and risks of financing and delivering infrastructure. The fundamental challenge is the long-term nature of infrastructure investment which involves decisions taken today that have impacts years into the future. It also involves the commitment of significant capital resources up front in the expectation that demand for the services delivered will materialise and be paid for; that the legal, contractual, political and social environment will allow projects to happen and continue to operate over the extended periods required for the investment to be recouped. This is all taking place in a capital supply environment that is far less forgiving than it was only a few years ago. Just getting a project from concept to financial close can take many years, with little to show physically at the end of this initial but complex process.

Even after committing finance, PIDG projects have suffered delays and even collapse: in 2011 alone, three projects expected to close have subsequently been cancelled due to political and legal issues. Two projects only recently supported by PIDG facilities are already encountering difficulties due to problems in accessing additional resources, cost overruns, delays in expected government support and changes in the market. This sets PIDG's record of successfully helping to deliver 37 operational infrastructure projects so far in its proper context, and it underscores why an initiative such as PIDG is needed to show what can be done.

Other challenges

The Multilateral Aid Review published by DFID in 2011, while recognising the strengths of PIDG, also identified a number of areas where more needed to be done. These included PIDG's need to measure its impact on the lives of women and girls, clarity on our policy on investing in fragile states, improving the way we communicate with our stakeholders and better transparency and disclosure of information. Work on these issues took place in 2011 and continues in 2012. Building on research commissioned in 2011 and finalised in 2012, we are now looking at how best to implement approaches to capture the impact



of our projects on the lives of women and girls and to do so, where possible, in a harmonised way with other development finance institutions. This will also help to raise awareness of this important issue. We are also updating our results monitoring handbook to reflect our approach to investment in fragile and conflict affected states. At the same time, we are careful to take into account the impact that targeting of our effort may have on the flow of projects in an environment where the pipeline of bankable projects is often quite limited.

On the communications front, we have upgraded our website and put more effort into reaching out to the country offices of our Members, who have responded well. There is, however, more we can do to leverage the knowledge and relationships that our Members have, especially with host governments, in our markets.

In response to the need for better and more disclosure, we intend to publish information that is compliant with the International Aid Transparency Initiative (IATI). At the same time, while the presumption should be on a full disclosure wherever possible, we need to ensure that confidential information is appropriately identified and treated, so that our facilities can continue to engage with private sector sponsors while maintaining the highest standards of corporate and social responsibility.

Looking ahead

One of PIDG's most significant challenges, however, will be to ensure that it remains both effective and relevant as it scales up further in a changing environment. With nine Members and seven facilities, we need to examine if the current approaches and structure that have served well so far continue to be appropriate to deliver our mission. What scale and type of Membership should we have? What new forms of support should PIDG provide, and is PIDG best able to deliver these? These are some of the questions we are asking ourselves as part of a major strategic review that we are currently undertaking, and expect to complete by the autumn of 2012. PIDG's ability to react and adapt should enable us to face the future with confidence.

PIDG'S ABILITY TO REACT AND ADAPT SHOULD ENABLE US TO FACE THE FUTURE WITH CONFIDENCE



Olkaria III geothermal power project, Kenya.

Annex 1. DAC List of ODA Recipients

Effective for reporting on 2011, 2012 and 2013 flows

Least-developed countries

Afghanistan	Angola	Bangladesh	Benin
Bhutan	Burkina Faso	Burundi	Cambodia
Central African Republic	Chad	Comoros	Congo, Dem. Republic
Djibouti	Equatorial Guinea	Eritrea	Ethiopia
Gambia	Guinea	Guinea-Bissau	Haiti
Kiribati	Laos	Lesotho	Liberia
Madagascar	Malawi	Mali	Mauritania
Mozambique	Myanmar	Nepal	Niger
Rwanda	Samoa	São Tomé & Príncipe	Senegal
Sierra Leone	Solomon Islands	Somalia	Sudan
Tanzania	Timor-Leste	Togo	Tuvalu
Uganda	Vanuatu	Yemen	Zambia

Other low-income countries

Kenya	Korea, Dem. Republic	Kyrgyz Republic	South Sudan
Tajikistan	Zimbabwe		

Lower middle income countries and territories

Armenia	Belize	Bolivia	Cameroon
Cape Verde	Congo, Republic	Côte d'Ivoire	Egypt
El Salvador	Fiji	Georgia	Ghana
Guatemala	Guyana	Honduras	India
Indonesia	Iraq	Kosovo ¹	Marshall Islands
Micronesia, Federated States	Moldova	Mongolia	Morocco
Nicaragua	Nigeria	Pakistan	Papua New Guinea
Paraguay	Philippines	Sri Lanka	Swaziland
Syria	*Tokelau	Tonga	Turkmenistan
Ukraine	Uzbekistan	Vietnam	West Bank & Gaza Strip

¹ "This is without prejudice to the status of Kosovo under international law".

* Territories i.e. Tokelau, Anguilla, Montserrat, St Helena and Wallis & Futuna

Upper middle income countries and territories

Albania	Algeria	*Anguilla	Antigua and Barbuda
Argentina	Azerbaijan	Belarus	Bosnia and Herzegovina
Botswana	Brazil	Chile	China
Colombia	Cook Islands	Costa Rica	Cuba
Dominica	Dominican Republic	Ecuador	Former Yugoslav Republic of Macedon
Gabon	Grenada	Iran	Jamaica
Jordan	Kazakhstan	Lebanon	Libya
Malaysia	Maldives	Mauritius	Mexico
Montenegro	*Montserrat	Namibia	Nauru
Niue	Palau	Panama	Peru
Serbia	Seychelles	South Africa	*St Helena
St Kitts-Nevis	St Lucia	St Vincent & Grenadines	Suriname
Thailand	Tunisia	Turkey	Uruguay
Venezuela	*Wallis & Futuna		

Annex 2. Fragile and conflict-affected states

Used for reporting on the PIDG project portfolio. Methodology used is taken from the OECD INCAF 2010 Report: Resource Flows to Fragile and Conflict-Affected States².

Africa

Angola	Burundi	Cameroon	Central African Republic
Chad	Comoros	Congo, Democratic Republic of	Congo, Republic of
Côte d'Ivoire	Djibouti	Equatorial Guinea	Eritrea
Ethiopia	Gambia	Guinea	Guinea-Bissau
Kenya	Liberia	Niger	Nigeria
Rwanda	São Tomé & Príncipe	Sierra Leone	Somalia
Sudan	Togo	Uganda	Zimbabwe

Asia and Australasia

Afghanistan	Iraq	Kiribati	Myanmar
Nepal	North Korea	Pakistan	Papua New Guinea
Solomon Islands	Tajikistan	Timor-Leste	Tonga
West Bank & Gaza	Yemen		

Latin America and the Caribbean

Haiti

² www.oecd.org/document/13/0,3746,en_2649_33693550_45789965_1_1_1_1,00.html#Current

* Territories i.e. Tokelau, Anguilla, Montserrat, St Helena and Wallis & Futuna.

Annex 3. PIDG Member contributions

Disbursements by PIDG Members for project development and administration (US\$ millions) 1 January 2002 to 31 December 2011

Member	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
DFID	56.00	8.94	1.29	30.99	14.45	15.70	22.31	29.82	23.54	54.38	257.40
DGIS	-	5.08	0.05	1.50	11.16	6.07	1.21	10.30	8.71	21.56	65.63
FMO ♦	-	-	-	-	25.00	-	-	-	9.00	-	34.00
SECO	-	10.01	0.12	0.23	4.98	5.88	1.19	13.40	4.29	3.87	43.97
Sida	-	15.01	0.12	5.23	1.16	8.26	10.40	0.80	0.79	0.30	42.07
IFC/World Bank	-	0.00	6.49	0.71	7.99	2.18	3.19	0.30	0.29	0.37	21.52
ADA-BMF	-	-	-	-	0.06	2.15	7.18	0.22	7.71	2.55	19.87
KfW	-	-	-	-	-	-	-	10.00	-	0.30	10.30
Irish Aid	-	-	-	-	-	1.47	2.83	-	-	0.56	4.86
ADB ▲	-	-	-	-	-	-	-	-	1.00	-	1.00
AECID ▲	-	-	-	-	-	-	-	-	-	0.30	0.30
Norad ▲	-	-	-	-	-	-	-	-	-	0.55	0.55
Total	56.00	39.04	8.06	38.66	64.79	41.71	48.29	64.83	55.34	84.74	501.46

Disbursements by PIDG Members (US\$ millions) 1 January 2002 to 31 December 2011 by facility

Member	Emerging Africa Infrastructure Fund Ltd	GuarantCo Ltd	InfraCo Ltd Africa	InfraCo Asia ³	Technical Assistance Facility	DevCo	ICF-DP	Administration	Project Development	Total
DFID	103.08	43.17	21.42	32.41	10.26	42.60	0.00	1.81	2.63	257.40
DGIS	19.35	0.00	35.48	0.00	3.50	5.50	0.00	1.68	0.12	65.63
FMO ♦	0.00	34.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	34.00
SECO	10.00	17.00	8.50	0.00	6.50	0.00	0.00	1.68	0.29	43.97
Sida	20.00	15.00	0.00	0.00	2.00	3.28	0.00	1.68	0.12	42.07
IFC/World Bank	0.00	0.00	0.00	0.00	7.91	11.75	0.00	1.67	0.19	21.52
ADA-BMF	0.00	0.00	6.42	0.00	5.38	7.00	0.00	1.07	0.00	19.87
KfW	0.00	0.00	0.00	0.00	0.00	0.00	9.41	0.89	0.00	10.30
Irish Aid	0.00	0.00	0.00	0.00	4.11	0.00	0.00	0.76	0.00	4.86
ADB ▲	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	1.00
AECID ▲	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.30
Norad ▲	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.55	0.55
Total	152.43	109.17	71.82	32.41	40.65	70.13	9.41	11.53	3.89	501.46

Note:

- ♦ As FMO provides funding to GuarantCo on behalf of DGIS, the PIDG Members have agreed that FMO shall have the right to participate in meetings of the Governing Council of PIDG concerning GuarantCo. DGIS and FMO have the right to exercise one vote on their joint behalf.
- ▲ ADB, AECID and Norad are not Members of the PIDG, but have provided funding for certain activities of the PIDG Trust.

³ Includes amounts disbursed by DFID to the PIDG Trust for Infraco Asia Development PTE Ltd and Infraco Asia Investments, of which £11.32 million had been disbursed so far by the PIDG Trust to Infraco Asia Development PTE Ltd as at 31.12.2011.

Annex 4. PIDG Projects

EAIF

EAIF-supported projects that have reached financial close

Year of Financial Close	Country	Sector	Project	EAIF financing (US\$m)	Development impact		
					Total PSI commitments (US\$m)	People provided with new/improved infrastructure	Fiscal impact ⁴ (US\$m)
2011	Sierra Leone	Agri-business	Addax Bioenergy (SL) Limited ("Addax"), Sierra Leone	27.2	365.3	2,103,000	0.0
2011	Nigeria	Energy generation/T&D	Tower Power Abeokuta Ltd, Nigeria	15.0	21.4	2,000,000	0.3
2011	Uganda	Multi-sector	Kalangala Infrastructure Services Project, Uganda	4.4	0.0	0	0.0
2011	Rwanda	Energy generation/T&D	KivuWatt Ltd., Lake Kivu, Rwanda	25.0	142.2	2,496,600	11.0
2011	Uganda	Energy generation/T&D	Kalangala Renewables, Uganda	2.6	0.0	0	0.0
2011	Tanzania	Telecoms	Helios Towers, Tanzania	15.0	150.0	2,472,000	0.0
TOTAL 2011				89.2	678.9	9,071,600	11.3
2010	Tanzania	Industrial infrastructure	ALAF, Tanzania	5.0	35.0	1,225,000	0.0
2010	Multiple countries (SSA)	Telecoms	O3b	25.0	1,182.0	50,000,000	0.0
2010	Senegal	Transport - ports	Dakar Container Terminal, Senegal	16.8	289.0	0	61.6
TOTAL 2010				46.8	1,506.0	51,225,000	61.6
2009	Multiple countries (SSA)	Energy generation/T&D	Aldwych Corporate – Project Development Loan	8.0	71.3	0	0.0
2009	Algeria	Industrial infrastructure	SPA Maghreb Tubes	17.0	24.0	0	0.0
2009	Nigeria	Industrial infrastructure	African Foundries Limited, Nigeria	20.0	124.3	7,500,000	0.0
2009	Kenya	Energy generation/T&D	Olkaria III	15.0	179.4	2,270,592	3.0
2009	Ghana	Telecoms	Zain Ghana	17.5	523.0	5,500,000	120.0
2009	Nigeria	Telecoms	Helios Towers, Nigeria	19.0	250.0	4,000,000	0.0
TOTAL 2009				96.5	1,172.0	19,270,592	123.0
2008	Kenya	Energy generation/T&D	Rabai Power Ltd	32.0	112.8	4,257,360	0.0
2008	Multiple countries (SSA)	Industrial infrastructure	Safal Investments Mauritius Ltd Financing, Africa Regional	29.0	145.0	2,362,500	0.0
2008	Uganda	Energy generation/T&D	South Asia Energy Management Systems (SAEMS) Hydro Stations	14.0	88.0	1,296,000	25.0
2008	Uganda	Energy generation/T&D	Bugoye Hydro Power Plant	35.0	56.8	983,923	13.1

4 Includes the up-front fees due to a national government as a result of a privatisation, including concession fees and/or licence fees, as well as the best (undiscounted) estimate of the subsidy savings for governments to be generated by the infrastructure project involving private sector investment (if applicable).

TOTAL 2008				110.0	402.6	8,899,783	38.1
2007	Nigeria	Industrial infrastructure	Eleme Petrochemicals Ltd, Nigeria	20.0	400.0	0	240.0
2007	Congo, DR	Telecoms	Celtel Africa Telecoms Project - DRC	8.0	197.0	1,200,000	0.0
2007	Madagascar	Telecoms	Celtel Africa Telecoms Project - Madagascar	2.0	114.0	0	0.0
2007	Malawi	Telecoms	Airtel Malawi (Former Celtel) Telecoms Project – Malawi	1.0	25.0	0	0.0
2007	Multiple countries (SSA)	Telecoms	Seacom, Africa Regional	35.4	375.0	1,500,000	0.0
2007	Nigeria	Telecoms	Celtel Nigeria Telecoms Project, Nigeria	35.0	1,327.0	0	0.0
2007	Sierra Leone	Telecoms	Celtel Africa Telecoms Project - Sierra Leone	9.0	221.3	0	0.0
2007	Uganda	Telecoms	Celtel Africa Telecoms Project - Uganda	4.0	98.6	550,000	0.0
TOTAL 2007				114.4	2,757.9	3,250,000	240.0
2004	Mozambique	Mining	Moma Titanium Mineral Projects, Mozambique	36.5	477.0	27,500	0.0
2004	Nigeria	Telecoms	MTN Nigeria Communications Ltd, Nigeria	10.0	200.0	1,400,000	144.0
TOTAL 2004				46.5	677.0	1,427,500	144.0
2003	Cameroon	Energy generation/T&D	AES-Sonel	35.5	554.0	2,071,000	72.0
2003	Multiple countries (SSA)	Telecoms	Mobile Systems International Cellular Investments Holdings BV (MSI) Expansion	30.0	260.0	0	0.0
TOTAL 2003				65.5	814.0	2,071,000	72.0
GRAND TOTAL				568.9	8,008.4	95,215,475	690.0

DevCo

Completed DevCo Transactions

Year of financial close	Country	Sector	Project	DevCo financing/support (US\$m)	Development impact		
					Total PSI commitments (US\$m)	People provided with new/improved infrastructure	Fiscal impact (US\$m)
2011	India	Agri-business	Punjab Silos, India	0.4	8.0	500,000	6.0
2011	Indonesia	Energy generation/T&D	Central Java IPP, Indonesia	1.8	3,500.0	7,500,000	0.0
2011	Maldives	Water, sewerage and sanitation	Maldives PPP - Solid Waste Management	0.4	60.0	120,000	0.0
TOTAL 2011				2.6	3,568.0	8,120,000	6.0
2010	Liberia	Energy generation/T&D	Liberia Power Sector Advisory	1.3	0.0	150,000	0.0
2010	Haiti	Telecoms	Privatisation of TELECO, Haiti	1.4	100.0	1,500,000	200.0
2010	Maldives	Transport - airports	Maldives PPP- Male Airport	0.7	400.0	1,800,000	1,109.0
2010	Uganda	Water, sewerage and sanitation	Small Towns Water Programme, Uganda SSIP	1.3	0.4	15,195	0.0

TOTAL 2010				4.7	500.4	3,465,195	1,309.0
2009	Albania	Energy generation/T&D	Albania KESH	0.5	246.0	3,400,000	333.0
2009	Benin	Transport - ports	Cotonou Port, Benin	1.2	256.0	0	300.0
2009	Egypt	Water, sewerage and sanitation	New Cairo Wastewater Project, Egypt	1.0	120.0	1,000,000	0.0
TOTAL 2009				2.7	622.0	4,400,000	633.0
2008	Philippines	Energy generation/T&D	SPUG Basilan, Philippines	0.04	5.0	145,000	10.0
2008	Albania	Energy generation/T&D	Ashta IPP, Albania	0.5	249.0	170,000	52.5
TOTAL 2008				0.5	254.0	215,000	62.5
2007	Philippines	Energy generation/T&D	SPUG I, Philippines	0.2	28.0	100,000	53.0
2007	Philippines	Energy generation/T&D	SPUG II, Masbate, Philippines	0.4	12.0	60,000	38.0
2007	Kenya	Telecoms	Divestment of GoK Share of SafariCom	0.3	500.0	0	0.0
2007	Kenya	Telecoms	Privatisation of TelCom Kenya Ltd (TKL)	1.0	385.0	672,000	390.0
TOTAL 2007				1.9	925.0	832,000	481.0
2006	Multiple countries (SSA)	Transport - rail	Joint Concession for Kenya Railways and Uganda Railways	1.0	0.0	0	3.9
TOTAL 2006				1.0	0.0	0	3.9
2005	Samoa	Transport - airports	Joint Venture Partnership in Polynesian Airlines, Samoa	0.7	5.0	80,000	40.0
TOTAL 2005				0.7	5.0	80,000	40.0
2004	Mozambique	Mining	Development of the Moatize Coal Mine (Phase 1)	0.5	128.0	0	123.0
2004	Madagascar	Transport - ports	Madagascar PPP in the Port of Tamatave	0.6	63.0	0	6.3
TOTAL 2004				1.1	191.0	0	129.3
GRAND TOTAL				15.2	6,065.4	17,112,195	2,664.7

DevCo Phase I mandates concluded without follow on

Year signed	Country	Sector	Project	DevCo funding commitments (US\$m)
2009	Bhutan	Transport - airports	Drukair, Bhutan	0.3
2009	Comoros	Multi-sector	Comoros Telecoms & Hydrocarbons Privatization - Phase I	0.5
TOTAL 2009				0.8
2010	Mozambique	Water, sewerage and sanitation	Mozambique Water Supply Project	0.8
TOTAL 2009				0.8
GRAND TOTAL				1.6

DevCo mandates under active development

Year signed	Country	Sector	Project	DevCo funding commitments (US\$m)
2011	Guinea-Bissau	Multi-sector	EAGB PPP, Guinea-Bissau	0.8
2011	Mauritania	Transport - ports	Nouakchott Port, Mauritania	0.9
2011	Vanuatu	Transport - airports	Vanuatu Airports PPP	0.2
2011	Georgia	Transport - roads	Georgia EW Road	1.0
2011	Bhutan	Transport - urban	Bhutan Urban Transport System	0.2
2011	West Bank & Gaza Strip (Palestinian Territories)	Water, sewerage and sanitation	West Bank Solid Waste	0.2
2011	India	Other	Bhubaneswar PSL, India	0.2
2011	India	Water, sewerage and sanitation	Orissa SWM, India	0.2
TOTAL 2011				3.7
2010	Kosovo	Energy generation/T&D	Kosovo KEK	0.6
2010	Rwanda	Water, sewerage and sanitation	Kigali Bulk Water Supply Project	1.0
2010	Philippines	Water, sewerage and sanitation	Metro Clark Bulk Water Project	0.4
TOTAL 2010				2.0
2009	Niger	Transport - general	Niger Dry Port	0.8
2009	Solomon Islands	Energy generation/T&D	Tina River Hydro IPP, Solomon Islands	0.5
2009	India	Transport - ports	Kerala Port	0.5
2009	Tajikistan	Mining	Konimansur Mine, Tajikistan	1.1
TOTAL 2009				2.9
2008	India	Transport - roads	AP Coastal Roads: V-K Coast Road-II, India	0.3
TOTAL 2008				0.3
2006	Vietnam	Energy generation/T&D	Private Sector Participation in Electricity Generation, Vietnam	1.8
TOTAL 2006				1.8
GRAND TOTAL				10.7

InfraCo Africa

InfraCo Africa projects that have reached financial close

Year of financial close	Country	Sector	Project	InfraCo Africa funding commitments (US\$m)	Development impact		
					Total PSI commitments (US\$m)	People provided with new/improved infrastructure	Fiscal impact (US\$m)
2011	Uganda	Energy generation/T&D	Kalangala Renewables, Uganda	1.6	14.8	35,000	2.7
2011	Uganda	Multi-sector	Kalangala Infrastructure Services Project, Uganda	4.6	28.6	60,000	0.7
TOTAL 2011				6.2	43.4	95,000	3.4
2010	Cape Verde	Energy generation/T&D	Wind Farm Extension Project, Cape Verde	7.9	78.0	477,000	0.0
2010	Ghana	Energy generation/T&D	Kpone Independent Power Project, Ghana	7.8	550.0	9,000,000	500.0
TOTAL 2010				15.7	628.0	9,477,000	500.0
2009	Zambia	Agri-business	Chanyanya Pilot Irrigation Project, Zambia	0.9	2.5	1,134	0.0
TOTAL 2009				0.9	2.5	1,134	0.0
2008	Vietnam	Agri-business	Antara Cold Storage Project, Vietnam	0.3	27.0	5,000	0.0
2008	Nigeria	Energy generation/T&D	Geometrics Power Aba Ltd, Nigeria	0.5	180.0	2,000,000	8.0
TOTAL 2008				0.8	207.0	2,005,000	8.0
GRAND TOTAL				23.6	880.9	11,578,134	511.4

InfraCo Africa projects that are under active development (with a signed JDA in place)

Year signed	Country	Sector	Project	InfraCo Africa funding commitments (US\$m)
2010	Uganda	Multi-sector	Lake Albert Infrastructure Project, Uganda	3.6
2010	Zambia	Energy generation/T&D	Muchinga Power Company, Zambia	6.0
2009	Kenya	Transport - rail	Nairobi Commuter Rail Project, Kenya	5.0
2006	Zambia	Agri-business	Chiansi Irrigation, Zambia	0.5
GRAND TOTAL				15.1

GuarantCo

GuarantCo projects that have reached financial close

Year of financial close	Country	Sector	Project	GuarantCo guarantees (US\$m)	Development impact		
					Total PSI commitments (US\$m)	People provided with new/improved infrastructure	Fiscal impact (US\$m)
2011	Uganda	Energy generation/T&D	Kalangala Renewables, Uganda	1.1	0.0	0	0.0
2011	India	Housing	Kumar Urban Development Ltd (KUDL) Slum Redevelopment, India	20.0	345.0	22,500	165.0
2011	Nigeria	Industrial infrastructure	Tower Aluminium Group Ltd, Nigeria	14.2	30.0	690,000	0.0
2011	Uganda	Multi-sector	Kalangala Infrastructure Services Project, Uganda	1.7	0.0	0	0.0
TOTAL 2011				37.0	375.0	712,500	165.0
2010	Multiple countries (SSA)	Housing	Housing Finance Guarantee Africa (HFGA), SSA	5.0	223.0	36,000	0.0
2010	Multiple countries (SSA)	Multi-sector	Spenco, Uganda/Kenya & Tanzania	15.0	225.0	0	0.0
2010	South Africa	Transport - roads	South Africa Development Finance Company	20.0	135.0	2,016,700	0.0
2010	India	Transport - roads	Shriram Transportation II, India	20.0	490.0	32,000	0.0
TOTAL 2010				60.0	1,073.0	2,084,700	0.0
2009	India	Housing	Ackruti City Ltd Slum Redevelopment, India	20.0	240.0	30,000	146.0
2009	India	Industrial infrastructure	Calcom Cement	25.0	120.8	0	0.0
2009	West Bank & Gaza Strip (Palestinian Territories)	Telecoms	Wataniya Telecoms, West Bank	10.0	140.0	1,000,000	385.0
TOTAL 2009				55.0	500.8	1,030,000	531.0
2008	Chad	Telecoms	Celtel Chad Financing	8.0	33.0	0	5.8
2008	India	Transport - roads	Shriram Transportation I, India	18.3	420.0	64,000	0.0
TOTAL 2008				26.3	453.0	64,000	5.8
2007	Kenya	Industrial infrastructure	Safal Roofing - Mabati Rolling Mills, Kenya	10.8	51.0	2,300,000	0.0
2007	Tanzania	Industrial infrastructure	Safal Roofing - ALAF, Tanzania	5.2	29.3	980,000	0.0
TOTAL 2007				16.0	80.3	3,280,000	0.0
2006	Kenya	Telecoms	Celtel Kenya Refinancing	12.0	130.0	4,000,000	0.0
TOTAL 2006				12.0	130.0	4,000,000	0.0
GRAND TOTAL				206.3	2,612.1	11,171,200	701.8

Infrastructure Crisis Facility – Debt Pool

ICF-DP projects that have reached financial close

Year of financial close	Country	Sector	Project	ICF-DP financing (US\$m)	Development impact		
					Total PSI commitments (US\$m)	People provided with new/improved infrastructure	Fiscal impact (US\$m)
2011	Sierra Leone	Energy generation/T&D	Addax Bioenergy (SL) Ltd ("Addax"), Sierra Leone	25.8	0.0	0	0.0
2011	Iraq	Telecoms	Zain Iraq	50.0	1,069.0	3,500,000	0.0
2011	Senegal	Transport - airports	Aeroport International Blaise Diagne, Senegal	40.5	792.0	3,000,000	595.0
2011	Multiple countries (SSA)	Transport - rail	Rift Valley Railways (RVR)	20.0	417.0	15,000,000	22.0
TOTAL 2011				136.3	2,278.0	21,500,000	617.0
2010	Croatia (Hrvatska)	Energy generation/T&D	INA Industrija Nafte, d.d., Croatia	68.0	672.0	2,464,000	0.0
2010	Peru	Energy generation/T&D	Calidda, Peru	35.0	235.0	675,000	0.0
2010	India	Housing	Ackruti City Ltd Slum Redevelopment, India	30.0	0.0	0	0.0
2010	Vietnam	Transport - ports	Cai Mep Port, Vietnam	10.0	225.0	0	0.0
2010	Vietnam	Transport - ports	Cai Lan Port, Vietnam	27.2	155.3	0	0.0
2010	South Africa	Transport - roads	SA Transport Finance (SATF), South Africa	32.4	0.0	0	0.0
TOTAL 2010				202.6	1,287.3	3,139,000	0.0
GRAND TOTAL				338.9	3,565.3	24,639,000	617

InfraCo Asia

InfraCo Asia projects that are under active development (with a signed JDA in place)

Year signed	Country	Sector	Project	InfraCo Asia funding commitments (US\$m)
2011	India	Energy generation/T&D	Rajasthan Power Project, India	2.0
TOTAL 2011				2.0
GRAND TOTAL				2.0

Technical Assistance Facility

Technical Assistance Facility grants concluded

Year grant approved	Country	Sector	Private Infrastructure Development Group recipient	Project	Grant (US million)
2009	Cape Verde	Energy	InfraCo Ltd Africa	Cape Verde Wind Power - Cabeólica	0.07
2009	Multiple countries (sub-Saharan Africa)	Transport	DevCo	Rift Valley Railway Strategic Business Plan	0.07
TOTAL 2009					0.14
2008	Gambia, The	Energy	Emerging Africa Infrastructure Fund Ltd	Gambia IPP - Affordability Study	0.07
2008	Ghana	Energy	Technical Assistance Facility (Post-Transaction Support)	Energy Sector Capacity Building, Ghana	0.05
2008	India	Industrial infrastructure	GuarantCo Ltd	Calcom Cement - Legal Assistance	0.06
2008	Nepal	Energy	InfraCo Asia Development Pte Ltd	Nepal Hydroelectric Projects	0.07
2008	Niger	Telecom	GuarantCo Ltd	Seaquest Infotel Niger ICT Preliminary Investigation Project Grant 1	0.07
TOTAL 2008					0.32
2007	Chad	Telecom	GuarantCo Ltd	Celtel Chad Financing	0.05
2007	Liberia	Energy	DevCo	Liberia Power Sector Advisory	0.01
2007	Vietnam	Agri-business	InfraCo Ltd Africa	Antara Cold Storage Project	0.11
TOTAL 2007					0.17
2006	Nigeria	Industrial Infrastructure	Emerging Africa Infrastructure Fund Ltd	Eleme Petrochemicals Ltd.	0.07
2006	Zambia	Agri-business	InfraCo Ltd Africa	Chiansi Irrigation	0.40
TOTAL 2006					0.47
2005	Ghana	Energy	InfraCo Ltd Africa	Kpone (Tema) Independent Power Project – Grant 1	0.35
2005	Nigeria	Energy	InfraCo Ltd Africa	Geometrics Power Aba Ltd	0.35
2005	Uganda	Multi-sector	InfraCo Ltd Africa	BidCo Palm Oil - Kalangala Infrastructure Services	0.38
TOTAL 2005					1.08
2004	Madagascar	Transport	DevCo	Toamasina Port – Interim Management Assistance	0.32
TOTAL 2004					0.32
GRAND TOTAL					2.50

Current Technical Assistance Facility grants

Year Grant Approved	Country	Sector	PIDG facility	Project	Grant (US m)
2011	Ghana	Transport	InfraCo Ltd Africa	Lake Volta Transport Corridor PPP	0.39
2011	Ghana	Energy	InfraCo Ltd Africa	Ghana Wind Power	0.50
2011	India	Industrial infrastructure	GuarantCo Ltd	Calcom Cement Capacity Building, Assam	0.18
2011	India	Industrial infrastructure	InfraCo Asia Development Pte Ltd	India Fly Ash Reuse Strategy	0.30
2011	Kenya	Transport	InfraCo Ltd Africa	Nairobi Commuter Rail - ESIA	0.35
2011	Multiple countries (SSA)	Housing	GuarantCo Ltd	Housing Finance Guarantors Africa (Reinsurance)	0.39
2011	Rwanda	Water, sewerage and sanitation	DevCo	Kigali Bulk Water	0.05
TOTAL 2011					2.16
2010	Ghana	Transport	GuarantCo Ltd	Ghana (Accra - Kumasi) Toll Road Project	0.31
2010	Mozambique	Agri-business	InfraCo Ltd Africa	Envalor Ltda.	0.43
2010	Niger	Capital market development	GuarantCo Ltd	Fonds de Solidarite Africain (FSA) - Capacity Building and Collaboration	0.24
2010	Senegal	Energy	InfraCo Ltd Africa	Senegal Wind Farm Development	0.26
2010	Zambia	Energy	InfraCo Ltd Africa	Muchinga Hydropower	0.45
TOTAL 2010					1.69
2009	Gambia, The	Energy	Emerging Africa Infrastructure Fund Ltd	Gambia IPP - Transmission and Distribution	0.49
2009	Ghana	Energy	InfraCo Ltd Africa	Energy Sector Capacity Building Project (Ghana GridCo)	0.29
2009	Kenya	Transport	InfraCo Ltd Africa	Nairobi Commuter Rail	0.20
2009	Sierra Leone	Agri-business	Emerging Africa Infrastructure Fund Ltd	Goldtree Palm Oil Project,	0.07
2009	Uganda	Multi-sector	InfraCo Ltd Africa	Kalangala Infrastructure Project Resettlement Action Plan	0.68
2009	Zambia	Energy	DevCo	Kafue Gorge Lower Hydropower IPP	0.25
TOTAL 2009					1.98
2008	India	Industrial infrastructure	GuarantCo Ltd	Low-Cost Housing Project	0.07
2008	Multiple countries (SSA)	Energy	InfraCo Ltd Africa	Tanzania-Uganda Transmission Interconnection	0.06
2008	Multiple countries (SSA)	Energy	InfraCo Ltd Africa	Infrastructure for Renewable Energy Fuels, Mozambique & Togo	0.07
2008	Niger	Telecommunications	GuarantCo Ltd	Seaquest Infotel Niger ICT Preliminary Investigation Project Grant 2	0.40
2008	Tanzania	Energy	InfraCo Ltd Africa	Tanzania Wind Power	0.07
2008	Tanzania	Energy	Emerging Africa Infrastructure Fund Ltd	Ruhudji Hydropower	0.28
2008	Uganda	Multi-sector	InfraCo Ltd Africa	Kalangala Infrastructure Services - OBA	5.00
2008	Zambia	Agri-business	InfraCo Ltd Africa	Chanyanya Infrastructure Company	0.52
TOTAL 2008					6.47
2007	Cape Verde	Energy	InfraCo Ltd Africa	Cape Verde Wind Power Development	0.40
2007	Ghana	Energy	InfraCo Ltd Africa	Kpone (Tema) Independent Power Project – Grant 2	0.46
TOTAL 2007					0.86
2006	Rwanda	Energy	Emerging Africa Infrastructure Fund Ltd	Lake Kivu	0.50
2006	Uganda	Multi-sector	InfraCo Ltd Africa	Kalangala Infrastructure Services	0.35
TOTAL 2006					0.85
2005	Multiple countries (SSA)	Transport	DevCo	KRC / URC SME Linkages Programme	1.00
TOTAL 2005					1.00
GRAND TOTAL					15.01

Technical Assistance Facility grants to projects that have generated no private sector investment

Year	Country	Sector	PIDG facility	Project	Grant (US\$m)
2008	Indonesia	Multi-sector	InfraCo Asia Development Pte Ltd	Nias Island Integrated Infrastructure - Feasibility Study	0.07
TOTAL 2008					0.07
2007	Congo, DR	Energy	Emerging Africa Infrastructure Fund Ltd	MagEnergy Inc.	0.02
2007	Kenya	Capital market development	GuarantCo Ltd	Facilitating Capital Market Development	0.04
TOTAL 2007					0.06
2006	Mozambique	Industrial Infrastructure	InfraCo Ltd Africa	Beira Land Development	0.43
2006	Uganda	Energy	Emerging Africa Infrastructure Fund Ltd	Uganda 50 MW Biomass IPP	0.16
2006	Zambia	Housing	GuarantCo Ltd	Lilayi Housing	0.01
TOTAL 2006					0.60
2004	Madagascar	Transport	DevCo	Madagascar Seaport & Airport Privatisation	0.07
2004	Mozambique	Agri-business	InfraCo Ltd Africa	Beira Corridor	0.12
2004	Nigeria	Agri-business	InfraCo Ltd Africa	Nigeria Fertiliser I	0.04
2004	Tanzania	Energy	GuarantCo Ltd	Tanzania Power (IPTL)	0.02
2004	Uganda	Agri-business	Emerging Africa Infrastructure Fund Ltd	Kakira Rural Development (Phase II)	0.07
2004	Uganda	Agri-business	Emerging Africa Infrastructure Fund Ltd	Kakira Rural Development (Phase I)	0.07
TOTAL 2004					0.39
GRAND TOTAL					1.12

Annex 5. Summary of PIDG project reporting categories

Project status	Description
Ongoing (under active development)	Projects under active development that have not yet reached financial close (i.e. are not yet signed); expected and actual development impact is not reported for these projects.
Completed (sold/signed)	Projects that have been sold, or which have a signed loan or guarantee; expected development impact is recorded for these projects and updated to record actual development impact once the project is physically completed and delivering services on the ground.
Closed (repaid/redeemed)	Projects where loans/guarantees have been repaid or redeemed early. Expected development impact is recorded for these projects and updated to record actual development impact once the project is physically completed and delivering services on the ground.
Closed (recalled)	Projects where loans/guarantees have been recalled early by the PIDG facility. Expected development impact is recorded for these projects and updated to record actual development impact once the project is physically completed and delivering services on the ground, on a discretionary basis. For example, if a project is recalled due to (social/environmental/technical) non-compliance during implementation, then, despite being built and delivering services on the ground, expected and actual development impact is not reported for such projects.
No private sector investment (PSI) generated	Completed PIDG projects that did not result in additional PSI being generated (mostly TAF grants); expected development impact is not reported for these projects.
Dormant/stalled	Projects under development that are currently dormant or on hold, but have not been cancelled; expected development impact is not reported for these projects.
Cancelled	Projects that did not reach financial close, or were cancelled during development phase; expected development impact is not reported for these projects.

Annex 6. Contacts and links

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Austrian Development Agency www.ada.gv.at
Financierings-Maatschappij voor Ontwikkelingslanden N.V. www.fmo.nl
International Finance Corporation www.ifc.org
Irish Aid www.irishaid.gov.ie
KfW, Germany www.kfw.de
Netherlands Ministry of Foreign Affairs www.minbuza.nl
Swedish International Development Cooperation Agency www.sida.se
Swiss State Secretariat for Economic Affairs www.seco-cooperation.ch
The World Bank www.worldbank.org
UK Department for International Development www.dfid.gov.uk

⁵ AusAID was welcomed as a prospective new PIDG Member in 2011, with funding expected to be approved by AusAID in 2012. The International Finance Corporation represents the World Bank Group (of which it is part) as a PIDG Member. We therefore show links for both organisations. As FMO provides funding to GuarantCo on behalf of DGIS, the PIDG Members have agreed that FMO shall have the right to participate in meetings of the Governing Council of PIDG concerning GuarantCo. DGIS and FMO have the right to exercise one vote on their joint behalf.

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