



## Introduction to the Private Infrastructure Development Group's Technical Assistance Facility (TAF)

**TAF is an independent PIDG Facility that directly advises the PIDG Trust and PIDG Donors regarding grant-funded technical assistance and subsidy issues.**

- TAF is managed by the **TAF Technical Advisor**: James Leigland ([taf@pidg.org](mailto:taf@pidg.org)), who reports to the PIDG CEO.
- TAF Donors have accepted TAF recommendations to approve over **US\$50m** to support **134** separate activities from 2004 to mid-2016 (48% to power; 22% to multi-sector activities; 78% to DAC I and II countries).

**TAF supports the other PIDG Facilities, providing technical assistance and viability gap funding (VGF) where needed for projects that they develop and finance (see the list of eligible funding categories overleaf).**

- TAF manages a pool of grant funding within the PIDG Trust, which the PIDG Facilities can apply to draw on, to meet a range of needs associated with the infrastructure project development cycle, including the assessment of potential investment opportunities and building capacity of host country partners and local investors.
- TAF can also make up-front capital grants at the time of a project's financial close, through its VGF mechanism, to help support the construction phase of projects providing strong benefits for residents living below government-defined poverty lines.
- TAF can provide an additional amount of up to 7% of an approved technical assistance grant to the PIDG Facilities to assist with grant management costs, such as procurement, contracting of consultants, payments to consultants, etc.

**TAF grants are only available to the PIDG Facilities to fund activities linked to projects that they support.**

TAF cannot make grant funding available to programs or projects not associated with PIDG Facilities. Because TAF funding is limited in this way, applications and grant agreements can be processed quickly, without prolonged due diligence or negotiation. And because the other Facilities are familiar with the PIDG Operating Policies and Procedures, they are able to manage and oversee the proper use of the TAF funds with minimal supervision by TAF or the PIDG Central Management Office.

**TAF funds can be disbursed up to six months in advance to meet costs expected to be incurred in the subsequent six-month period.**

Disbursing funds six months in advance means that the PIDG Facilities and their partners have security of funding and are able to access and utilise the funds when they need them, without having the administrative burden of having to request a disbursement for every contract payment. TAF imposes no penalties for unforeseen underspends other than asking that, when all costs have been paid for at the end of the activity, any underspend is returned.

**TAF funds must be used in accordance with the PIDG Operating Policies and Procedures, which set out the minimum ethical and compliance requirements for the use of PIDG Donor funds.**

For example, if TAF grant funds are to be used (either fully or partially) to pay for goods or services, the procurement of those goods or services (whether undertaken by a PIDG Facility in receipt of a TAF grant, or by a project sponsor, project company or other project partner) must be done in manner that is in accordance with the PIDG Procurement Policy and Guidelines.

TAF is supported by:



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# Activities Eligible for TAF Funding

## Window 1 – General Technical Assistance (Average Size - < US\$1m)

**Capacity Building:** Activities aimed at building the capacity of government counterparts, private sector sponsors/operators, officials of local capital markets, staff of financial institutions, employees of quasi-public enterprises, etc.

**Example:** A \$120,000 grant to fund two, two-day training forums designed to introduce 110 public and private stakeholders from Kazakhstan, Tajikistan, and the Kyrgyz Republic to PPP modalities – with a focus on several on-going PIDG projects.

**Developmental Add-Ons:** Feasibility studies and/or design of developmental activities as well as the actual implementation costs of developmental activities aimed at enhanced social inclusion associated with projects supported by the PIDG Facilities.

**Example:** A \$165,000 grant to pay for an assessment of the feasibility and cost of modifying the planned water infrastructure/supply of an Ethiopian geothermal power project so that local communities and pastoralists can use some of the clean water for consumption and irrigation.

**Infrastructure Development Strategies:** Studies intended to guide governments on options for financing of infrastructure, including mechanisms to promote private sector involvement and local currency financing.

**Example:** A \$73,000 grant to support a pre-feasibility investigation of the provision of water services by the private sector to 11 communities in the Antananarivo suburban area.

**Pioneering or Pilot Transactions:** Support to the design and implementation of particular projects or transactions. These must be projects that are pioneering in some important respect, reflect some measure of innovation, and/or offer potential demonstration effects.

**Example:** A \$114,000 grant to fund advice to the Government of Cape Verde as they reviewed the terms and conditions of contractual agreements with the developer of a pioneering public/private wind power project.

**Policy, Regulatory, and Institutional Reforms:** Advice and training to support the design and implementation of specific reforms aimed at facilitating financing of infrastructure by the private sector.

**Example:** A \$55,000 grant to support the Government of Ghana in designing and establishing an effective regulatory authority to manage and regulate IPP projects.

**Post-Transaction Support:** Financial support to the PIDG Facilities and/or directly to governments and/or private investors post-financial close, if it becomes evident during project implementation that further assistance is urgently needed and desired by all parties.

**Example:** A \$90,000 grant to pay for legal services needed to amend a management contract entered into by the Liberia Electricity Corporation and a private contractor.

**Support for Capital Market Development:** TAF funding can be used to strengthen local capital markets, when such work enhances the likelihood of project financial closure or the sustainability of projects targeted by the PIDG Facilities.

**Example:** A \$70,000 grant to cover legal advice to a private telecom company in resolving legal and regulatory issues associated with a local currency guarantee needed for a Sukuk (Islamic) bond issue to be sold in Pakistan's capital market.

**Transaction Advisors:** In selected countries, where concrete large-scale project opportunities have been identified, and where the PIDG Facilities believe the host governments are prepared to implement transactions, TAF may fund transaction advisers to work with counterpart government officials in managing the structuring and negotiation of PPPs and private investments. TAF will procure and contract the transaction advisers, unless another PIDG Facility prefers to take on these tasks.

**Example:** A \$400,000 grant to partially cover the costs associated with embedding a resident transaction adviser to assist the Government of Sierra Leone on a hydropower project.

**Upstream Grants:** TAF will fund, and can manage/implement unless another PIDG Facility prefers to take on these tasks, upstream technical assistance in support of likely projects identified by PIDG Facilities. The upstream activities led by TAF will require endorsement, but not necessarily normal applications, by the PIDG Facilities. **(A new TAF grant category).**

**VGF Preparation Grants:** TAF will fund small grants to help PIDG Facilities prepare (i) an early stage appraisal of the VGF subsidy requirements of the project for which a VGF grant will be sought – the early stage appraisal is required for TAF's assessment of a VGF application and will take the form of a VGF Concept Note required for all VGF proposals, and (ii) an independent review of the project's financial model to justify the size of the requested VGF grant.

**Example:** A \$70,000 grant to cover the costs of an early stage appraisal of the subsidy requirements of a bulk water supply PPP project in Rwanda. The early stage appraisal is required for TAF's assessment of a VGF application.

**Unusual or Unusually Expensive Preparation Activities:** TAF funding can be used to pay for technical assistance that reflects unusual or unusually expensive costs of developing projects in poor countries. Much of this will involve making up the difference between (i) the costs of normal preparation activities that meet domestic standards for things like environmental impact assessments, and (ii) the cost of such work done to meet the sorts of international standards, if higher, that the PIDG Facilities must follow. In addition to ESAs, these activities can also include resettlement action plans and feasibility studies.

**Example:** A \$319,000 grant to offset costs associated with an environmental and social impact assessment and related analyses/reports required for a solar IPP transaction in Chad to reach financial closure.

# Activities Eligible for TAF Funding

## Window 2 – Returnable Grants (Average Size - US\$1m to US\$5m)

**Returnable Grants:** To support the development of risky projects that are potentially high return in nature. These are first and foremost grants because of the risk that there may not be enough money at financial close to return the grant funding. They can be applied for in cases where no commercial lender will provide the developer with loan funding because of the repayment risk inherent in projects of this kind.

**Example:** A \$1m grant covering 20% of the costs of developing the first large grid-based solar PV project in Nigeria, including preparation of the interconnection legal agreement, the transmission Line and substation extension agreement, and a template for the power purchase agreement. If the project reaches financial close, the grant will be repaid with interest.

## Window 3 – Viability Gap Funding (Average Size - US\$3m to US\$7m)

**VGF Grants:** The “affordability gap” addressed by VGF is between project costs and expected project revenues, assuming affordable user tariffs, especially for the poor (as determined by national poverty metrics). Up-front VGF capital grants have the primary objective of helping to close this gap, particularly in the case of service provision to poor people with limited ability to pay the full cost of services, while at the same time helping to mobilise private sector investment and ensuring that the private sector still shares in the risks of infrastructure delivery and operation. In most cases, these grants must be no more than 15% of a project’s capital costs, although TAF Donors may consider exceptions to this rule.

**Example:** A \$5m VGF grant provided to close the gap between the expected revenues of a hydropower project in Vietnam and the revenues required to cover all capital costs, operating and maintenance costs, and earn a reasonable return on investment.

TAF Evaluation Criteria: All Applications*		Score	Weight	Total
1	Supports Development Objectives of Country		3	
2	Supports Development Objectives of PIDG		3	
3	Social Development Impact: e.g., direct impact on beneficiaries currently below the poverty level; targeted programs, e.g., affordable services, gender, housing, indigenous populations.		2	
4	Economic Development Impact: e.g., impact on local/national economy, capital markets, business environment, renewable resources, competition.		2	
5	Lack of potential issues or conflicts with other programs being planned or on-going in the sector or country.		2	
6	Potential scope for complementarities with or support to other programs being planned or on-going in the sector or country.		2	
7	Potential environmental and social issues related to the underlying project have been (or are being) dealt with.		1	
8	Complementarity/Additionality of TAF Grant: extent to which the TAF Grant would fund activities considered additional to "normal" investment due diligence/project preparation activity.		1	
9	Correlation between proposed TAF Grant activities and proposed project objectives.		1	
10	Level of preparation of proposed activities, e.g., agreements, terms of reference, co-financing.		1	
11	Amount of TAF Grant relative to co-financing of the proposed activities.		1	
12	Overall cost-effectiveness with regard to utilization of available TAF funds with respect to achievement of PIDG Goals and Objectives.		1	
<b>Grand Total</b>				

**Scores:**  
5 = strongest  
1 = weakest

**Grand Total:**  
>80 = high priority; recommend immediate approval.  
-70-80 = low priority; recommend approval if/when funding available.  
<70 = reject

\* Additional criteria apply to ESIA's, RAPs, and VGF grants. Contact TAF for more information.