PIDG is fundamentally innovative. It operates at the frontier where others cannot or will not operate.

Operating collaboratively across the capital structure and along all stages of the project life cycle. Addressing a series of market failures, PIDG as a whole, harnesses its companies, to seek further donor and private sector funding and achieve scale.

Together, PIDG makes the seemingly impossible, possible.
How PIDG companies support the infrastructure development cycle

PIDG’s specialist companies work at every stage of the infrastructure project development cycle and across the capital structure, as the graphic below shows. Its companies’ infrastructure finance products are designed to fill market gaps, where commercial financing is not available.

PIDG’s technical assistance funds TAF and DevCo and early-stage development companies InfraCo Africa and InfraCo Asia offer support upstream, helping bring bankable projects to market.

The Emerging Africa Infrastructure Fund (EAIF) and GuarantCo work further downstream, providing funds and guarantees at financial close through the construction phase to commercial operation.

**PIDG companies and technical assistance funds**

**Technical assistance**

Technical Assistance Facility (TAF) provides grants to help PIDG companies overcome specific development obstacles. DevCo helps fund transaction advisory services to governments on PPPs, delivered through the World Bank Group’s IFC.

**Project preparation**

InfraCo Africa provides risk capital and expertise to develop early-stage infrastructure projects in sub-Saharan Africa. InfraCo Asia provides risk capital and expertise to develop early-stage infrastructure projects in south and south-east Asia.

**Debt, guarantees and mezzanine**

The Emerging Africa Infrastructure Fund (EAIF) provides long-term foreign currency loans in Africa. GuarantCo provides local currency guarantees in Africa, south and south-east Asia and other emerging economies. ICF-DP provided long-term loans to address financing gaps as a consequence of the financial crisis. Green Africa Power (GAP) provided financing and support for renewable projects in Africa.

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**How PIDG companies support the infrastructure development cycle**

<table>
<thead>
<tr>
<th>Concept</th>
<th>Early-stage development</th>
<th>Financial close</th>
<th>Construction</th>
<th>Commercial operation</th>
<th>Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance Facility</td>
<td>DevCo</td>
<td>InfraCo Africa</td>
<td>InfraCo Asia</td>
<td>Able to hold equity stakes during construction and operation</td>
<td>The Emerging Africa Infrastructure Fund</td>
</tr>
<tr>
<td>ICF-DP</td>
<td>GAP</td>
<td></td>
<td></td>
<td></td>
<td>Closed to new projects at end 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>In wind down</td>
</tr>
</tbody>
</table>
A financial toolkit for infrastructure development and growth

**PIDG companies work along the project life cycle and across the capital structure to provide a holistic infrastructure finance solution in the lowest income countries. Here we explain PIDG’s investment approach and impact**

**Early-stage development**

A lack of investor-ready projects is a major bottleneck to unlocking infrastructure finance in the countries where we work. To counter this, PIDG companies TAF, DevCo, InfraCo Africa and InfraCo Asia provide technical assistance and early-stage development expertise and funding to de-risk and structure projects properly to attract private sector investment. This can involve working with host governments, consulting with communities, undertaking detailed environmental and social assessments, piloting technology, identifying the market or negotiating an offtake agreement. This process can take time, but the provision of development expertise and capital at this early stage can create projects which, once scaled, help deliver the Global Goals for Sustainable Development.

PIDG’s work through the InfraCos is therefore considered a form of impact investing. They invest in infrastructure to address the world’s most pressing challenges alongside a modest financial return in sectors including sustainable agriculture, renewable energy and affordable and accessible basic services such as water supply and transport.

Part of what differentiates PIDG from others operating in the market is the concentration of its activities at the frontier of infrastructure investment. In 2017, both InfraCo Asia and InfraCo Africa made a high proportion of their investment commitments (21% and 83% respectively) in the poorest countries where per capita gross national income is less than $1,045 per year, and 43% and 48% respectively in Fragile and Conflict-Affected States.

**Credit for infrastructure development**

PIDG’s long-term debt provider, the Emerging Africa Infrastructure Fund (EAIF), and its guarantee arm, GuarantCo, offer hard and local currency financing respectively. These companies also seek social and environmental change alongside financial return and, like the InfraCos, are impact investors. Their role is to achieve the highest possible impact on economic growth and poverty reduction.

Importantly, they do that not only through their impact on jobs, access to infrastructure and mobilisation of private sector finance, but also through changing longer-term perceptions of risk in a country or sector. Through this demonstration effect (described in more detail on page 38), PIDG creates an environment where the private sector is willing and able to take an increasingly greater share of the cost of infrastructure provision.

By blending funding from grants, concessionary finance and commercial investment, EAIF and GuarantCo establish deal structures which deliver the most effective combination of financial return, scale, risk and impact on each transaction. This means that donors’ funding is used more effectively.

A vital part of GuarantCo’s role is to enable local currency lenders to participate in a transaction. This reduces the exchange rate risk for the project and therefore should help to make the cost of the infrastructure service more predictable and affordable. InfraCredit, established by GuarantCo in 2016, was designed to bring local pension and insurance funds in Nigeria into infrastructure finance. InfraCredit’s first deal, an innovative investment bond with power developer Viathan, was closed this year (see page 71).

EAIF’s role as a lender is based on a model widely used by Development Finance Institutions. However, compared to its peers, EAIF has a substantially greater proportion of its loans in the poorest countries (91% of its 2017 investment commitments) and in Fragile and Conflict-Affected States (77% of its 2017 investment commitments). It also has its share of pioneering investments; the Kigali Water transaction (see page 67) was one of the first public-private partnerships (PPPs) in the water sector in sub-Saharan Africa.

EAIF’s added value is particularly clear when it leads the arrangement of financing on a transaction. In 2017, EAIF was lead arranger on three deals; Akuo Kita Solar, Kigali Water and Bugoye Hydropower.

During 2017, EAIF raised new debt capital to lend to projects. European insurer Allianz became EAIF’s first private sector institutional investor, committing $110m to the $385m total funding raised. Investors have been persuaded to commit by the combination of financial performance and impact.

Working closely at every stage of infrastructure development, PIDG companies play an important role in creating change in the lives of the people benefiting from infrastructure finance and facilitating an environment for sustainable economic growth.
Technical Assistance Facility (TAF)

Providing grants to help PIDG companies overcome specific development obstacles

Achievements in 2017

TAF approved 22 grants totaling $4.7m, making 2017 the second most active year in its history. TAF continues to be a crucial partner to the PIDG companies with nearly two-thirds of completed grants providing essential support to financially closed projects, including almost all of those taken to closure by the two InfraCos.

TAF supported four projects in Myanmar, a country where levels of access to basic infrastructure remain low. It funded the designs of bankable models for rural solar power generation, private urban water supply and commercially financed urban street lighting.

Other notable highlights

TAF continued to work with DevCo during the year on its joint development plans for selected pilot countries. TAF provided additional support to an embedded transaction adviser in Zambia, managed by TAF and DevCo.

Funding limitations in 2017 meant that no viability gap funding (VGF) grants were approved, however TAF worked with InfraCo Africa on the design of a grant to support the ground-breaking Corbetti Geothermal scheme in Ethiopia, expected to reach closure in 2018.

At a glance

Established 2004
PIDG members currently funding UK aid, DFAT, DGIS, SECO, Sida, World Bank-IFC
Cumulative PIDG member funding disbursed to the PIDG Trust $79.8m
Total commitments at 31 December 2017 $19.5m to 67 completed grants
$36.3m to 58 live grants
$1.6m to 19 completed grants where the PIDG parent projects were cancelled or permanently stalled
2017 commitments $4.7m to 22 grants

Technical Assistance Facility approved 22 grants in 2017, including:

Bangladesh Solar IPP, GuarantCo
Burkina Faso Windiga Solar IPP, EAIF
Ethiopia Corbetti Brine Option Study, InfraCo Africa
Ethiopia Corbetti Water Add-on, InfraCo Africa
Malawi Salima Solar - ESIA Advisory, InfraCo Africa
Myanmar Mon Streetlights, InfraCo Asia
Nigeria InfraCredit Workshops, GuarantCo
Nigeria Mixta Housing ESMS, GuarantCo
Pakistan Credit Enhancement Facility, GuarantCo
Sri Lanka Biomass Add-on, InfraCo Asia

2018 and beyond

TAF plans to take a more programmatic approach to its work in 2018. The groundwork for this was established in 2017 with a special DFAT-funded project scoping study in the Pacific Island countries, managed directly by TAF, and expected to lead to a series of on-going activities.

TAF will build on its partnership with GuarantCo and the success of InfraCredit to support credit enhancement facilities in selected countries, including Pakistan. TAF will also support a programme to assist PIDG companies with the implementation of improved health and safety standards developed during 2018.

Technical Assistance

Project preparation

Debt, guarantees and mezzanine
Mozambique: Mocuba viability gap funding

Delivering affordable power

Challenge
At just 24%, Mozambique has one of the lowest electrification rates in southern Africa. Despite strong economic growth in the past decade, high levels of poverty persist. The Government of Mozambique is committed to increasing access to power and has invested in improving energy services. However, power cuts are frequent and rural customers rely on expensive and polluting diesel generators. The key to securing reliable access to power lies in developing additional generation capacity and affordable tariffs.

Solution
Seeking to address Mozambique's energy shortfall, Scatec Solar, government utility Electricidade de Moçambique (EDM) and Norfund established Central Solar de Mocuba (CESCOM SA) to develop a 40MW on-grid solar power plant in the country's Zambézia region. Mocuba will be the first utility scale solar IPP in Mozambique and one of the largest of its kind in sub-Saharan Africa outside South Africa. Connecting to existing infrastructure, the new facility will distribute power to Mocuba, Pelane, Lugela and Maganja de Costa. Working with the IFC, EAIF provided $16.9m of long-term debt. Despite this support, a gap remained between costs and anticipated revenues which TAF was able to bridge by providing viability gap funding. TAF's involvement was crucial to the financial viability of the project as it enabled CESCOM SA to negotiate affordable tariffs for EDM, which will keep prices down for customers.

Impact
"Viability gap funding from PIDG's Technical Assistance Facility... directly reduced the tariff to be paid by EDM as off-taker, and thus the end user." Mikkel Tørud, Scatec Solar CFO

Malawi: Grid and new entrant studies

Research to maximise the impact of energy

Demand for power in Malawi outstrips current supply, a shortfall which is expected to worsen as the country's mining and manufacturing industries expand. InfraCo Africa is exploring opportunities to become involved in the early-stage development of power plants in Malawi. However, in order to understand the best way to develop the country's power sector and the relative costs and advantages of different generation technologies, the Electricity Supply Commission of Malawi (ESCOM) requires focused information to plan and diversify its installed power generation capacity. $124,000 of TAF grants will fund two studies, exploring Malawi's national grid capacity and the potential for new technologies and power plants to connect to the grid. TAF's research will build ESCOM's internal capacity and drive private sector investment into Malawi's energy sector in the future.
DevCo

Providing transaction advisory services to governments on Public-Private Partnerships (PPPs)

Achievements in 2017

DevCo helped 1.7 million people gain access to improved infrastructure and services. Six projects reached commercial close and four reached financial close; the latter is expected to deliver nearly $264m in private sector investment – all in DAC I and II countries.

Zambia Scaling Solar set a record for solar tariffs with the lowest non-indexed tariffs in sub-Saharan Africa outside South Africa of USc6.015/kWh and USc7.84/kWh for two schemes that will deliver much needed, cheap, green power to the country. This is expected to deliver further scale and replicability across sub-Saharan Africa. In addition, Zambia Scaling Solar was awarded Best Utilities Project at the 2017 Partnership Awards.

Myanmar structured and tendered a PPP to construct and operate a 225MW combined cycle power plant, with DevCo’s help. This project will provide nearly five million people with improved electricity and generate $325m in investment.

India’s Ganges river is a water source for 400 million people, yet untreated sewage from the towns along its banks flows directly into the river. DevCo helped design an innovative PPP for modern sewage treatment plants for three cities – Haridwar, Varanasi and Mathura – that will help reduce pollution and improve drinking water. Based on this success further replicability is expected. Sewage programmes using a similar model have already been approved for 15 more cities resulting in transformational change.

2018 and beyond

DevCo will continue to bring innovation to its transactions, pursuing pioneering deals that can pave the way for future private investment in infrastructure. In India, DevCo will support low income states to implement large scale solar generation projects and scale up innovation in the storage of renewable energy. These initiatives aim to support the country’s ambitions for 175GW of renewable energy by 2022.

At a glance

| Establishment | 2003 |
| PIDG members currently funding | UK aid, DGIS, Sida, World Bank-IFC, DevCo is funded directly, not through the PIDG Trust |
| Cumulative PIDG member funding | $91.0m |
| Managed by | IFC |
| Total commitments as at 31 Dec 2017 | $41.0m to 64 projects/mandates, including 30 that have reached financial close, 13 that have reached commercial close, 16 under active development, and 5 closed after completing Phase I or Post-Transaction work |
| 2017 commitments | $4.0m to 5 projects |

Expected development impact

| | 2017 | Cumulative |
| Financially closed and/or fully exited projects | 4 | 30 |
| Total Investment Commitments (TICs) ($m) * | 455.5 | 2,749.1 |
| % of TICs in DAC I/II and II poor states of India | 55.1% |
| % of TICs in FCAS | 49.5% |
| Access (in millions) * | 1.7 | 27.5 |
| Job creation: short-term | 185 | 1,095 |
| Job creation: long-term | 67 | (8,682) |
| Fiscal benefits ($m) | 145.5 | 2,758.1 |

* The cumulative figures exclude the results from the Central Java IPP project (TICs of $4.3bn, Access of 7.5m), as the size would skew DevCo’s results

Projects that reached financial close in 2017

India Clean Ganga Varanasi
Myanmar Myingyan IPP
Rwanda Kigali Bulk Water
Zambia Zambia Scaling Solar, NeoEn

Projects that reached commercial close in 2017

India Clean Ganga Haridwar
India Odisha Affordable Housing
India Odisha Rice Storage
India Clean Ganga Varanasi
Zambia Zambia Scaling Solar, Enel
Zambia Zambia Scaling Solar, NeoEn

Other notable highlights

DevCo signed three mandates, with 62% of the new commitments in DAC I and II countries and 38% in fragile states. These include a new Scaling Solar mandate in Zambia that will begin with an initial tender for up to 200MW, with subsequent rounds to follow, with a goal of developing 500MW of renewable power. Another key project is in the West Bank. The Palestinian territories are almost entirely dependent on expensive energy imports from neighbouring countries. With electricity demand growing, securing new sources of affordable energy is a priority. DevCo will help design and tender PPPs to construct, operate, and maintain three to four solar plants totaling about 15MW of renewable energy.
India Bhubaneswar Affordable Housing

Supporting the development of Odisha’s first affordable public-private housing development

Challenge

Home to 42 million people, the state of Odisha in eastern India is one of its poorest and most populous. Odisha has seen rapid urban growth, but a shortage of affordable homes, particularly in the state capital Bhubaneswar, has led to 23% of the population living in slums, including 10% to 15% of children. The Government of Odisha’s Policy for Housing for All in Urban Areas 2015 supports development of affordable homes, and the Bhubaneswar Development Authority (BDA) has a target to deliver 10,000 affordable homes for low income families in Bhubaneswar by 2020.

Solution

To address Bhubaneswar’s housing shortage, the International Finance Corporation (IFC) was appointed to develop Odisha’s first affordable housing PPP. Funded by DevCo, the IFC worked with the BDA to develop a unique transaction and competitive tendering process to deliver the project, which aligned with changes to national real estate legislation. It was awarded to a consortium comprised of Shyam Indus Power Solutions and GSBA Builders, which signed an eight year development agreement to design, finance, construct and hand back 2,600 affordable homes for the BDA to sell to lower income families. The developers will be given 13.5 acres of land for the affordable housing, free of charge, plus freehold on an additional 6.5 acres which can be developed for higher income residential homes.

Impact

The new houses are estimated to provide affordable homes for up to 15,000 people in poor areas of Bhubaneswar, providing families with shelter, security and modern sanitation. The developers are required, under the terms of the agreement, to support lower income groups to access appropriate mortgages. To ensure build quality, the developers retain responsibility for correction of any structural defects for five years after the houses are handed back to the BDA and commit to creating a maintenance account to finance future upkeep and repairs.

By funding the development of standardised documentation, DevCo’s support for the scheme will enable the Government of Odisha to implement similar affordable housing initiatives in the future. The Bhubaneswar transaction has a potential demonstration effect for other cities in south and east Asia struggling to accommodate growing urban populations.

Zambia Scaling Solar

Funding advisory support to scale up solar access

Zambia’s increasing demand for electricity and the impact of droughts on hydropower production led to a 560MW supply deficit, resulting in frequent power outages and reduced supply to the mining industry. To diversify Zambia’s energy mix, the Government of Zambia joined the DevCo-supported World Bank Group Scaling Solar programme in 2015. Scaling Solar provides a standardised independent power producer procurement process, supporting governments of low-income countries to develop bankable solar projects using PPPs. With funding from DevCo and international donors, the International Finance Corporation provided advisory support for two Zambian solar PPPs. DevCo’s support enabled the IFC to conduct site selection, due diligence and oversight of a competitive tendering process which attracted private developers, Enel Green Power and a consortium of Neoen and First Solar, to deliver two new solar plants, totalling 75.7MWp, with Neoen / First Solar offering the lowest tariffs in sub-Saharan Africa at the time.
InfraCo Africa

Providing risk capital and expertise to develop early-stage infrastructure projects in sub-Saharan Africa

Achievements in 2017

Chiansi irrigation in Zambia reached financial close, over 10 years after it was first set in motion by the Chanyanya pilot. As well as developing a commercial farm, irrigated market garden plots will give more than 6,000 people access to cash crops, fresh fruit and vegetables all year round, for the first time.

Other notable highlights

InfraCo Africa committed $30m of equity investment to the ground-breaking Corbetti Geothermal power plant. It is a landmark deal, being the first private geothermal project in Ethiopia and the largest single commitment InfraCo Africa has made to date.

In October, InfraCo Africa and GuarantCo marked the opening of PIDG’s east and southern Africa office in Nairobi, establishing InfraCo Africa’s first team on the ground in Africa. Following quickly thereafter with the employment of resource in west Africa which has led to mobilisation of two projects; Khoumagueli Solar in Guinea and Abiba Solar in Nigeria.

Two new developers, Access Power and CPCS, were brought on board to join InfraCo Africa’s existing developers, eleQtra and Aldwych Africa Developments. The companies will develop pre-financial close infrastructure projects in sub-Saharan Africa’s poorer countries in partnership with or on behalf of InfraCo Africa. The two new contracts commit an additional $30m of funding to sub-Saharan infrastructure development.

2018 and beyond

Off-grid energy solutions for rural areas grew this year, with InfraCo Africa’s portfolio now at four, encompassing innovative off-grid solar and hydropower solutions in Zambia, Uganda and Tanzania. These projects bring much-needed power to communities which are isolated from the national grid and would otherwise have limited access to modern public services and economic opportunities. InfraCo Africa will continue to prioritise the development of pioneering off-grid solutions in 2018.

During the past three years, InfraCo Africa has committed over $70m to developing 11 new projects. Through the focused commitment of InfraCo Africa’s team and its partners, these projects are reaching fruition, with five of them planned to commence construction in 2018.

InfraCo Africa will foster greater co-operation with other PIDG companies, including GuarantCo with whom it is now co-located in Nairobi. It has the ambition and the funding to accelerate the further expansion of its pipeline and development impact.

At a glance

Established 2004
PIDG members currently funding UK aid, DGIS, SECO
Cumulative PIDG member funding $189m
Managed by InfraCo Africa
Total commitments as at 31 Dec 2017 $95.9m to develop 23 projects, 12 of which have reached financial close and/or have been sold
2017 commitments $9.9m across 4 projects, 3 which reached JDA, and 1 which reached financial close

Expected development impact

Financially closed and/or fully exited projects 2 12
Total Investment Commitments (TICs) ($m) 28.0 2,116.6
% of TICs in DAC I/II 96.3%
% of TICs in FCAS 22.2%
Access (in millions) 0.01 13.0
Job creation: short-term 177 7,188
Job creation: long-term 247 1,292
Fiscal benefits ($m) 0.5 604.8

Projects that signed a Joint Development Agreement or equivalent in 2017

Guinea Khoumagueli Solar
Nigeria Abiba Solar
Zambia Standard Microgrid

Projects that reached financial close in 2017

Zambia Chanyanya II and Chiansi
Zambia Chanyanya and Chiansi Irrigation

Boosting agriculture by growing an innovative model

**Challenge**

Zambia has a plentiful rainy season, however farmers struggle to grow crops all year round. The Government of Zambia is committed to pro-poor agricultural development, and has identified irrigation as the key to increasing yields and enhancing food security. To date, irrigation has been largely restricted to commercial-scale agriculture. A lack of capital and scale prevented Zambia’s majority smallholder farmers from implementing irrigation schemes which could significantly increase the country’s agricultural productivity.

**Solution**

InfraCo Africa, through its principal developer eleQtra, was approached by a group of smallholder and commercial farmers in Zambia’s Kafue District, in 2006. The group needed support to create a viable irrigation scheme. The development of the Chanyanya pilot which resulted in a co-operative, pooling smallholder land to achieve the scale required to irrigate a 148 hectare commercial farm and eight hectares of market gardens to grow food and cash crops year-round.

Having provided proof of concept, grant funding was secured from the Dutch ORIO Infrastructure Fund to expand the original bulk water infrastructure to increase Chanyanya’s irrigated land area, and to support development of the nearby Chiansi project. Chiansi will replicate and scale up the pilot, establishing a 1,336 hectare commercial farm and market garden plots for up to 960 smallholders in three neighbouring communities: Chikupi, Demu North and Demu South. Regional private investor SUDECO will build, own and operate Chiansi’s commercial farm. InfraCo Africa is providing $12.5m of senior debt, alongside $5m in TAF viability gap funding, to fund construction.

**Impact**

“Gardening is all I want, as long as I am able to buy a car, pay for my children to go to school and provide for my family, that’s all I want.”
Maurine Nyamusunga, smallholder farmer

Working with farmers in the Kafue District, a replicable model has been developed which has informed the Chiansi scheme and World Bank irrigation initiatives in Zambia and Ghana. The expansion of Chanyanya and new Chiansi project will irrigate more than 1,600 hectares of additional land.

With a year-round supply of water, Chanyanya’s smallholder farmers have diversified their crops, reporting increased incomes and food security. Chiansi will facilitate the establishment of market garden committees to enable agricultural knowledge and technical knowhow to be shared, improving land productivity and so household incomes.

Leveraging grant funding has enabled the government to acquire ownership of bulk water assets with sufficient capacity to irrigate up to 3,800 hectares of land, enabling more farmers in the area to access irrigation in the future.

**Ethiopia Corbetti Geothermal**

Harnessing global expertise and finance to develop geothermal energy

Just 27% of Ethiopia’s population has access to on-grid electricity. To meet growing demand, the government is exploring the potential of Ethiopia’s geothermal resource. In 2015, InfraCo Africa partnered with Berkeley Energy to become the majority shareholder in Corbetti Geothermal, working with stakeholders from Ethiopia, Iceland, the United Kingdom and the United States of America. In 2017, the Government of Ethiopia signed an updated power purchase agreement and an implementation agreement with Ethiopia Electric Power and Corbetti Geothermal, marking a key project milestone and the culmination of extensive work by all parties. In December, InfraCo Africa doubled its original commitment to Corbetti to $30m, making it InfraCo Africa’s largest single project investment. Set to commence first phase drilling in 2018, Corbetti is expected to lead the way for future private geothermal projects, attracting the investment needed to transform Ethiopia’s energy sector.
InfraCo Asia

Providing risk capital and expertise to develop early-stage infrastructure projects in south and south-east Asia

InfraCo Asia comprises two companies; InfraCo Asia Development (IAD), investing early-stage development capital, and InfraCo Asia Investments (IAI), offering debt and equity.

Achievements in 2017

InfraCo Asia sold its shares in Pakistan’s two 50MW Metro and Gul Ahmed wind power projects to the private sector, allowing the public funds it invested during development to be redeployed. The sale marked InfraCo Asia’s first complete exit from a utility-scale renewable energy project and demonstrated its ability to catalyse private sector infrastructure investment in its target countries.

InfraCo Asia Development saw two financial closes: the 36.7MW Kabeli A hydropower in Nepal; and a 1.2 hectare greenhouse hydroponics facility in Jingga, north India, which will improve the yield and quality of vegetables for sale and export.

Other notable highlights

InfraCo Asia Development signed joint investment and development agreements (JIDAs) for a total of 16 projects in 2017, including a series of firsts. Its first commitments to water treatment and solar projects in Vietnam, are expected to reach financial close in 2018. In addition, a first JIDA to provide power to remote islands in Indonesia was signed.

2018 and beyond

In the coming years InfraCo Asia will seek to play a greater supporting role in the renewable, water and waste management sectors across the south and south-east Asia regions. With 16 new projects with Joint Development Agreements signed in 2017, InfraCo Asia will focus its efforts on bringing these projects into commercial operation, thereby scaling the impact of PIDG’s unique model of early-stage infrastructure development.

In these efforts InfraCo Asia will foster greater cooperation with other PIDG companies, including InfraCo Africa and GuarantCo, with whom it is now co-located in Singapore.

At a glance

<table>
<thead>
<tr>
<th>Expected development impact</th>
<th>2017</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financially-closed projects</td>
<td>2</td>
<td>6</td>
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<td>Total Investment Commitments (TICs) ($m)</td>
<td>97.4</td>
<td>413.7</td>
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<td>% of TICs in priority countries*</td>
<td>87.9%</td>
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<tr>
<td>% of TICs in FCAS**</td>
<td>86.9%</td>
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<td>Access (in millions)</td>
<td>1.5</td>
<td>2.3</td>
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<td>Job creation: short-term</td>
<td>310</td>
<td>2,010</td>
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<tr>
<td>Job creation: long-term</td>
<td>95</td>
<td>541</td>
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<tr>
<td>Fiscal benefits ($m)</td>
<td>0.3</td>
<td>0.8</td>
</tr>
</tbody>
</table>

* Priority countries: Bangladesh, Bhutan, Cambodia, Laos, Myanmar, Nepal, Pakistan and DFID focus states in India
** Fragile and Conflict-Affected States: Bangladesh, Myanmar, Nepal, and Pakistan; Sri Lanka was FCAS until end 2016

Projects that signed a Joint Development Agreement or equivalent in 2017

- Bangladesh: Bangladesh Solar JV
- India: Hydroponic Farming, Himachal Pradesh
- Indonesia: Archipelago Hybrid Solutions
- Myanmar: Myanmar Wind Power
- Pakistan: Swat KPK Small Hydropower Projects - Ban Khwair, Gabral, Rathi Gali, Sakhera I & II
- Philippines: Metro Manila Waste-to-Energy
- Sri Lanka: Trincomalee Biomass to Pellets
- Vietnam: Ninh Thuy Power Projects - solar, wind

Projects that reached financial close in 2017

- India: Hydroponic Farming Project, Himachal Pradesh
- Nepal: Kabeli A hydropower

2017 commitments

- IAD: $103.4m to develop 32 projects, 6 having reached financial close and 26 having signed a JDA
- IAI: $28.2m on 3 projects that have reached financial close
- IAD: $45.3m across 16 projects which reached JDA, one of which also reached financial close

2017 commitments

- IAD: $45.3m across 16 projects which reached JDA, one of which also reached financial close
**Philippines** North Luzon Mini Hydro Portfolio

**Delivering up to 35MW of investor-ready hydropower**

**Challenge**

Electrification rates in the Philippines have increased as the country has experienced a period of rapid economic growth. However, rural and remote areas continue to face frequent power cuts, impacting businesses, schools, homes and healthcare centres. Rising demand for energy is expected to exacerbate such issues in the future. As part of its Philippines Energy Plan (2013-2030), the Government of the Philippines is committed to incentivising the development of renewable energy. Despite this supportive environment, the Philippines Department of Energy estimates that the country currently has untapped hydro resource potential of up to 13,000MW. Around 2,000MW lies in mini hydro (defined as up to 10MW), however challenges persist for smaller developers in making these projects bankable.

**Solution**

InfraCo Asia has partnered with Alternergy Hydro Partners, a Philippines-based renewable energy developer, to co-develop a portfolio of six mini run-of-river hydropower plants in northern Luzon. Alternergy had been seeking development capital for this portfolio which, given the perception of high early-stage risk in this sector among private investors, was proving difficult to find. The North Luzon Mini Hydro Portfolio will have an aggregate capacity of around 35MW, maximising economies of scale and enabling them to be competitive against the country’s Feed-In-Tariff or bilateral tariffs agreed with provincial distribution utilities.

**Impact**

“InfraCo Asia will enable us to realise the development of our mini hydro projects and this will be an integral first step in mobilising private investment.” Eduardo Martinez Miranda, President, Alternergy Hydro Partners Corporation

InfraCo Asia’s involvement has brought early-stage capital and expertise to this project, which will have a demonstration effect for the country’s mini-hydro sector. Delivering additional clean power to the country’s national grid will improve access to power for homes and businesses and it is anticipated that the portfolio will generate up to 1,500 construction jobs and 30 long-term posts. The Philippines’ regulation stipulates that part of the income generated by the hydro plants be reinvested into the local population. Alternergy Hydro Partners will complement this with its own corporate social responsibility initiatives to improve livelihoods, public health, education and the environment.

**Pakistan** Gul Ahmed and Metro Wind

**InfraCo Asia sells Gul Ahmed and Metro Wind projects to Daelim Energy**

InfraCo Asia achieved its first exit from a utility-scale renewable energy project in 2017, selling its stakes in the Gul Ahmed and Metro Wind Power projects to private sector company Daelim Energy. Collectively, the two 50MW plants deliver improved access to power for 700,000 people and have demonstrated the efficacy of utility-scale renewables in Pakistan’s energy mix since they became operational in 2016. This sale demonstrates the effectiveness of InfraCo Asia’s mandate; having worked to support the development of the two ground-breaking projects through to operation, InfraCo Asia exited in favour of the private sector, recycling public funds into the early-stage development of new infrastructure. Gul Ahmed and Metro Wind is Daelim Energy’s first projects in Pakistan, bringing key energy and infrastructure expertise to the country.
The Emerging Africa Infrastructure Fund (EAIF)
Providing long-term foreign currency loans across Africa

At a glance

- **Established**: 2001
- **PIDG members currently funding**: UK aid, DGIS, Sida, SECO
- **Cumulative PIDG member funding**: $391.9m
- **Fund capacity**: As of 31 December 2017, $310m (equivalent) of debt has been raised, denominated in $ and €
- **Chair**: David White
- **Managed by**: Investec Asset Management Ltd
- **Total commitments as at 31 Dec 2017**: $1,344.2m to 71 projects that have reached financial close or been repaid
- **2017 commitments**: $178.1m to 8 projects that reached financial close, and $21m in additional refinancing to existing projects

**Expected development impact**

- **Financially-closed projects**
  - 2017: 8
  - Cumulative: 71
- **Total Investment Commitments (TICs) ($m)**
  - 2017: 1,507.1
  - Cumulative: 17,187.3
- **Private Sector Investment commitments ($m)**
  - 2017: 791.4
  - Cumulative: 10,827.8
- **% of TICs in DAC I/II**
  - 2017: 72.5%
  - Cumulative: 69.4%
- **% of TICs in FCAS**
  - 2017: 69.4%
  - Cumulative: 69.4%
- **Access (in millions)**
  - 2017: 10.8
  - Cumulative: 128.6
- **Job creation: short-term**
  - 2017: 2,602
  - Cumulative: 18,391
- **Job creation: long-term**
  - 2017: 787
  - Cumulative: 21,078
- **Fiscal benefits ($m)**
  - 2017: 77.0
  - Cumulative: 1,609.7

* There were two refinancings of already-existing projects that occurred during 2017 - for Bugoye and Indorama Eleme Fertiliser - the increases to the TICs and PSI resulting from these have been included in the cumulative figures

**Projects that reached financial close in 2017**
- **Africa**: Helios Towers
- **Madagascar**: Ravinala Airports
- **Mali**: Akuo Kita Solar, Albatros Energie
- **Mozambique**: Central Termica de Ressano Garcia Energy
- **Rwanda**: Kigali Bulk Water
- **Senegal**: Tobene II

**Projects that became operational in 2017**
- **Cote D’Ivoire**: Ciprel Expansion
- **Ghana**: TICO Takoradi Expansion Project
- **Multiple countries**: Smart Energy Solutions
- **Senegal**: Tobene II
- **Uganda**: Soroti Solar PV
- **Uganda**: Tororo Solar PV

**Achievements in 2017**

2017 marked EAIF’s 15th full year of operation. During 2017 it brought eight projects to financial close, investing a total of $178m and leveraging $791m private sector capital.

In Rwanda, EAIF led the arrangement of financing for the landmark Kigali water treatment plant which will provide a clean water supply for 500,000 people. It is one of the first water schemes of its kind to be developed using a PPP model in sub-Saharan Africa.

In Mali, a new market for EAIF, two innovative power projects were brought to fruition in partnership with other PIDG companies. The 90MW Albatros power plant, also supported by GuarantCo and TAF, will add 30% to base load as the country’s first IPP. In southern Mali, the 50MW Akuo Kita solar plant will provide renewable power for up to 712,000 people. Also supported by GuarantCo, Akuo Kita is the country’s first private sector solar farm.

**Other notable highlights**

The Tororo solar farm is now generating renewable power for an estimated 67,000 people through Uganda’s national grid. The 10MW plant will reduce CO₂ emissions by 7,200 tonnes per year, equivalent to that of 2,800 petrol powered cars.

Upgrades to runways and passenger terminals at Madagascar’s Antananarivo and Nosy Be airports are now underway. EAIF’s €25m long-term loan, its first in the country, will help boost trade and tourism on the island.

**2018 and beyond**

In order to secure financial resources to meet its ambitious investment plan for the next five years, EAIF has finalised $385m of new investment from public and private sector institutions, including a $110m commitment from European insurer Allianz.

In addition, the African Development Bank (AfDB) is providing a total of $75m over ten years as a returning lender to EAIF. Standard Chartered Bank is increasing and extending its existing lending to $50m. Underlining its continuing support, KFW is contributing $50m and €75m, both over 12 years, and FMO is lending $50m over 10 years.

EAIF has an established role as an experienced and innovative lead arranger of project finance which it will continue to cultivate, adding a higher level of additionality to its investments.

EAIF will encourage new sources of infrastructure investment from both the public and private sectors. This includes mobilising additional sharia-compliant finance specialist lenders such as the Islamic Development Bank.
Rwanda Kigali Bulk Water

Securing complex financing to deliver a ground-breaking water supply plant

Challenge

Rwanda’s capital Kigali is growing rapidly, placing strain on the city’s water infrastructure. Water rationing is common due to limited production capacity. The Government of Rwanda’s Economic Development and Poverty Reduction Strategy II highlights the need to improve public health and economic productivity. As part of this strategy, the government is committed to providing safe, clean water for its population and has worked to create a regulatory environment conducive to private investment in the sector.

Solution

To attract a private sector partner to address Kigali’s water shortage, the government engaged IFC PPP Advisory Services, with funding support from DevCo, to develop a PPP transaction. Following a competitive tendering process, Metito won a 27 year license to build, operate and transfer the 40,000m³ per day Kigali Bulk Water scheme in the city’s Kanzerze district. EAIF acted as the mandated lead arranger, coordinating the complex financing to make the scheme bankable. EAIF provided long-term debt alongside the African Development Bank, with Metito providing the balance as equity finance. TAF viability gap funding covered upfront capital costs, allowing the government to expand the number of people connected to a reliable water supply without raising tariffs.

Impact

“Kigali Bulk Water puts Rwanda on the map for the international investor community and marks an historic moment for the country. Together… we are setting a precedent not only for Rwanda, but for the whole of sub-Saharan Africa, and surely for Metito. This is an exemplar project for public-private partnerships in the region.” Mutaz Ghandour, Chair and CEO of Metito

PIDG companies made a significant contribution to the finance and structuring of Kigali bulk water as one of sub-Saharan Africa’s first water PPPs. DevCo’s involvement helped the IFC to structure the project, creating a benchmark for future transactions. EAIF led the arrangement of financing, providing a $40m, 18 year long-term loan jointly with the African Development Bank. It also coordinated $6.5m viability gap funding from TAF to reduce up-front costs and expand the number of people connected to a reliable water supply without raising tariffs. 150,000 customers are expected to benefit in the first phase.

Extracting and treating water from the Nyabarongo River, the scheme will provide around one third of Kigali’s water, delivering health benefits and meeting growing demand from households and water-dependent businesses. It is anticipated that reduced spending on public health and related productivity losses will enable the government to redeploy funds to support its wider economic development and poverty reduction agenda.

Madagascar Ravinala Airports

Boosting trade and tourism by investing in airports

Connectivity by air is crucial for the movement of people and goods into and around Madagascar, and for accessing global markets. The Antananarivo and Nosy Be airports handle around 84% of the island’s passenger transport but require modernisation. The Government of Madagascar established the country’s first airport PPP to attract a private sector partner to carry out the works. However, securing long-term finance was challenging as commercial lenders appeared reluctant to invest in Madagascar. Alongside other DFI investors, EAIF provided a 16 year, €25m loan which financed a consortium of major private sector interests, Ravinala SA, to rehabilitate terminal and runway infrastructure to international standards and to manage the airports through a 28 year concession. The project is expected to increase passenger handling capacity by up to 1.3 million and runway improvements will enable large carriers to fly to Antananarivo for the first time. EAIF’s support has demonstrated Madagascar’s potential for future investment, tourism and trade.

A digital representation of the Kigali Bulk Water plant in Rwanda

A digital representation of the Ravinala Airports in Madagascar

PIDG companies committed to improve access to water and electricity in Africa

<table>
<thead>
<tr>
<th>Technology</th>
<th>PIDG commitment</th>
<th>Total Investment Commitments</th>
<th>Number of people benefiting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>$28.9m</td>
<td>$51.5m</td>
<td>500,000</td>
</tr>
</tbody>
</table>
GuarantCo

Providing local currency guarantees for infrastructure financing in Africa and south and south-east Asia and dollar-denominated guarantees in Fragile and Conflict-Affected States

**Achievements in 2017**

GuarantCo committed to seven guarantees, with a total exposure of $245m. GuarantCo backed a $40m local currency green corporate bond, helping Sindicatum to secure financing for renewable infrastructure in India. Its support helped extend the tenor of the bond to seven years, moving the market beyond its previous benchmark of five years for the first time.

In Bangladesh, GuarantCo has supported a 25MW solar farm, the country’s first utility-scale solar project.

In Gabon, GuarantCo guaranteed the country’s first local currency infrastructure bond – its 10 year tenor has set a new benchmark for the market. The issuer is overseeing the development of one of the country’s special economic zones. The proceeds of the bond will help fund open rail infrastructure to support the movement of goods from nearby landlocked countries.

**Expected development impact**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financially-closed projects</td>
<td>7</td>
<td>45</td>
</tr>
<tr>
<td>Total Investment Commitments (TICs) ($m)</td>
<td>760.0</td>
<td>5,225.3</td>
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<tr>
<td>Private Sector Investment commitments ($m)</td>
<td>640.6</td>
<td>4,375.0</td>
</tr>
<tr>
<td>% of TICs in DAC I/II/III *</td>
<td>93.9%</td>
<td></td>
</tr>
<tr>
<td>% of TICs in FCAS</td>
<td>40.3%</td>
<td></td>
</tr>
<tr>
<td>Access (in millions)</td>
<td>2.3</td>
<td>39.5</td>
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<tr>
<td>Job creation: short-term</td>
<td>3,584</td>
<td>10,449</td>
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<tr>
<td>Job creation: long-term</td>
<td>9,366</td>
<td>221,421</td>
</tr>
<tr>
<td>Fiscal benefits ($m)</td>
<td>15.6</td>
<td>1,690.1</td>
</tr>
</tbody>
</table>

* All GuarantCo projects have been made in DAC I/II/III except for 3 projects in South Africa and 1 project in Gabon, where the donors gave specific permission.

**Projects that reached financial close in 2017**

- Bangladesh: Technaf Solar Energy
- Gabon: Gabon Special Economic Zone
- Ghana: Early Power 2
- India: Au Financiers 2
- Mali: Akuo Kita Solar
- Multiple countries: African Guarantee Fund
- India and Philippines: Sindicatum Renewable Energy

**Projects that became operational in 2017**

- India: AU Financiers
- Pakistan: ByCo Oil

**Other notable highlights**

The GuarantCo-backed InfraCredit became operational and issued its first guarantee supporting a corporate bond which will finance new power infrastructure in Nigeria. The 10 year tenor was another new benchmark for the local market and the bond attracted investment from local pension and insurance funds for the first time.

GuarantCo was pleased to receive additional funding from the governments of Switzerland and Australia, which will further underpin its work across Africa and Asia.

In October, GuarantCo and InfraCo Africa marked the opening of PIDG’s east and southern Africa office in Nairobi, providing an important regional presence to better support local clients and achieve greater development impact.

**2018 and beyond**

In the coming year, GuarantCo aims to crowd in the commercial insurance market, increasing its guarantee capacity.

Following InfraCredit’s early success in Nigeria, similar initiatives are being considered in other countries. In Pakistan, GuarantCo and TAF, with support from UK aid, will support the establishment of a similar facility following a positive feasibility study. The Swedish government is supporting a similar study for Kenya.

GuarantCo will also build on its partnership with the London Stock Exchange which aims to support the listing of local currency infrastructure bonds on the London market to encourage global investment.

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**At a glance**

- **Established**: 2006
- **PIDG members currently funding**: UK aid, Sida, SECO through the PIDG Trust, DGIS through FMO, and DFAT
- **Cumulative PIDG member funding**: $309.6m
- **Fund capacity**: Capacity of over $1bn
- **Chair**: Andrew Bainbridge
- **Managed by**: GuarantCo Management Company Ltd
- **Total commitments as at 31 Dec 2017**: $886.1m to 45 projects for which GuarantCo has signed a Recourse Agreement and/or have reached financial close
- **2017 commitments**: $245.1m to 7 projects for which GuarantCo has signed a Recourse Agreement and/or reached financial close

**Projects that reached financial close in 2017**

- Bangladesh: Technaf Solar Energy
- Gabon: Gabon Special Economic Zone
- Ghana: Early Power 2
- India: Au Financiers 2
- Mali: Akuo Kita Solar
- Multiple countries: African Guarantee Fund
- India and Philippines: Sindicatum Renewable Energy

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**Technical assistance**

<table>
<thead>
<tr>
<th></th>
<th>Project preparation</th>
<th>Debt, guarantees and mezzanine</th>
</tr>
</thead>
</table>

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www.guarantco.com
Mali Akuo Kita Solar

Delivering Mali’s first large-scale solar farm

Only 27% of Mali’s population has access to electricity. Mali has limited installed power generation capacity which is largely derived from hydro and thermal power plants and supplemented by energy imports from neighbouring countries. Demand for energy in Mali has risen by 10% per annum in the past five years, outstripping supply, and the country’s population is projected to double by 2035. The Government of Mali’s Politique Énergétique Nationale highlights the need for investment in renewable energy infrastructure, identifying the development of Mali’s solar power potential as part of its efforts to close the country’s energy access gap.

The Government of Mali signed a concession agreement with international renewables developer Akuo Energy, giving the company rights to build, own, operate and transfer a 50.2MW solar plant in Kita, 150km west of the capital, Bamako. Power will be sold to the government utility, Electricité du Mali SA, under a 28 year power purchase agreement. This will be Mali’s first utility-scale solar initiative and the local banks in Mali did not have the risk appetite to provide payment guarantees on behalf of the scheme to improve its financial viability. GuarantCo provided an innovative guarantee facility totalling $2.8m to help mobilise debt financing and to support Akuo Energy in achieving financial close. GuarantCo worked with its fellow PIDG companies on this: EAFI was the project’s mandated lead arranger, providing $21m of senior debt, and GAP supplied a $10m mezzanine facility. EAFI has subsequently taken on GAP’s commitment to the scheme and will fund the mezzanine component.

The Akuo Kita Solar Project demonstrates the importance of credit enhancement in improving the viability of infrastructure programmes, setting a precedent for similar renewable energy schemes in Mali. The ability of PIDG companies to creatively combine a range of financial instruments to provide an overall solution was a key factor in the development of the venture.

Akuo Kita Solar will be one of the largest solar plants in west Africa and marks Akuo Energy’s first African project to reach construction, bringing vital expertise and finance to the region and demonstrating the value of solar power in Mali’s energy mix.

Nigeria InfraCredit Viathan

InfraCredit issues first guarantee

With Nigeria’s population expected to exceed 400 million by 2050, the country needs to invest billions in power, transport and housing infrastructure. However, access to finance has been constrained by the limited capacity of local banks to provide long-term capital, and by the perception among Nigeria’s substantial pension and insurance funds that infrastructure bonds are high risk. To address this, TAF, GuarantCo and the Nigerian Sovereign Investment Authority established InfraCredit, which guarantees to de-risk infrastructure bonds. InfraCredit issued its first guarantee in 2017, supporting an investment bond issued by power developer Viathan to expand its natural gas generation portfolio. As the first issue of its kind by the private sector to attract investment from domestic pension and insurance funds, the bond sets an important precedent in Nigeria’s capital markets. Attracting new sources of local currency finance enables Viathan to reduce its exposure to currency risk, while delivering vital power infrastructure.

Proceeds from the bond will help Viathan to expand its natural gas generation portfolio.
Green Africa Power

Providing financing and support for renewable projects in Africa

**Achievements in 2017**

This year, the solar plant Senergy 2, funded by Green Africa Power (GAP), delivered full production output. This meant that Senergy 2, the SPV which developed and operates the plant, was able to attract long-term senior debt refinancing and short-term construction debt from FMO, the Dutch development finance institution, for an extension to the 20MW plant. Repayment of the short-term construction bridging loan made to Senergy 2 is expected in 2018.

GAP, alongside InfraCo Africa, also assisted in the closure of a deal to finance a 70MW geothermal plant in Ethiopia. GAP's proposed funding has been taken on by InfraCo Africa, allowing the deal – the first geothermal IPP in Ethiopia – to be signed.

**2018 and beyond**

PIDG strives to meet the demands of the market in which it operates. Following a strategic review of its activities and priorities, it became clear that there were not enough projects in the renewable power sector that were sufficiently developed to justify continuing with a specialised facility which trades only in intermediate capital products, such as GAP.

While PIDG’s commitment to renewable energy in Africa continues, it has been decided that GAP will not take on new mandates and will wind down its operations.

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**Infrastructure Crisis Facility – Debt Pool**

A time-limited company, set up in 2009 and closed to new business in 2015, ICF-DP provided long-tenor loans to support infrastructure projects which had become stranded by the global financial crisis

**At a glance**

**Established**
2009. ICF-DP is a closed-end fund and is no longer making further investments

**PIDG members currently funding**
KfW

**Cumulative PIDG member funding**
$7.8m

**Chair**
Andrew Bainbridge

**Projects that became operational in 2017**
Multiple countries Karadeniz Senegal Aeroport International Blaise Diagne

**Expected development impact**

<table>
<thead>
<tr>
<th>Financially-closed projects</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Investment Commitments (TICs) ($m)</td>
<td>5,956.6</td>
</tr>
<tr>
<td>% of TICs in DAC I/II</td>
<td>12.9%</td>
</tr>
<tr>
<td>% of TICs in FCAS</td>
<td>23.3%</td>
</tr>
<tr>
<td>Access (in millions)</td>
<td>12.3</td>
</tr>
<tr>
<td>Job creation: short-term</td>
<td>9,981</td>
</tr>
<tr>
<td>Job creation: long-term</td>
<td>4,699</td>
</tr>
<tr>
<td>Fiscal benefits ($m)</td>
<td>633.7</td>
</tr>
</tbody>
</table>

**Projects that became operational in 2017**

The Infrastructure Crisis Facility – Debt Pool (ICF-DP)’s investment period ended in December 2015. The ICF-DP was the mechanism for delivering Chancellor Merkel’s pledge of €500m to fund stranded infrastructure projects in the emerging world during the financial crisis of 2008-9. Designed to help bridge the transition from pre-crisis to post-crisis, ICF-DP has led to 20 projects completing, enabling access to infrastructure to an incremental 12 million people and creating nearly 5,000 long-term jobs directly.

**Achievements in 2017**

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**2018 and beyond**

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While PIDG’s commitment to renewable energy in Africa continues, it has been decided that GAP will not take on new mandates and will wind down its operations.