Five-Year Strategic Plan
2019 – 2023
PIDG’s purpose is to combat poverty in the poorest and most fragile countries through pioneering infrastructure – helping economies grow and changing people’s lives.

An early proponent of blended finance, PIDG operates collaboratively along all stages of an infrastructure project’s life-cycle and across the capital structure.
PIDG’s **purpose** is to combat poverty in the poorest and most fragile countries through pioneering infrastructure – helping economies grow and changing people’s lives. We provide leadership, development capability, funding and finance solutions across the project cycle to support infrastructure provision. This delivers high development impact and develops local capacity and capability and the financing potential of local credit and capital markets.

In response to a series of market failures, PIDG harnesses its specialist companies to mobilise private sector investment with public funds in order to provide infrastructure vital to boosting economic growth and combating poverty. In doing so, it contributes directly to the achievement of many of the United Nations’ Sustainable Development Goals. Using a blended finance approach, PIDG operates collaboratively along all stages of an infrastructure project’s life-cycle and across the capital structure. In doing so, PIDG delivers high development impact in low-income countries and fragile and conflict-affected states, predominantly in sub-Saharan Africa and south and south-east Asia.

Our values are part of our way of working. They are the principles which guide the way we work. They enable us and our people to succeed and be part of our success. PIDG’s **values** are: (1) **Opportunity**: we fill market gaps in parts of the world where it is thought to be impossible; we provide equal opportunity in our activities; and we prize diversity within our own organisation. (2) **Accountability**: we deliver. We take ownership when things do not go as planned and we lead with high ethics and environmental, social and governance standards. This includes the impact of our work on local communities and the environment. (3) **Safety**: we insist on a safety mindset and culture delivered through practical, locally relevant solutions because it is a matter of life or death. (4) **Integrity**: we are honest and transparent because it builds mutual trust and respect with all stakeholders. (5) **Impact**: we have a strong, positive and tangible effect on people’s lives.

PIDG is committed to complying with all applicable laws in the jurisdictions in which it operates. With a core value of integrity, we apply high ethical standards to everything we do. PIDG expects all of its people to comply with both the letter and spirit of the law. We have integrity and compliance policies and procedures to ensure that the company’s commitment to integrity and legal compliance is followed. We have zero tolerance for incidences of corruption and other unethical conduct or unsafe behaviour, including but not limited to fraud, corruption and sexual exploitation. We insist upon adherence to anti-money laundering and health and safety practices and standards in our activities.

Through **opportunity, accountability, safety, integrity** and **impact**, we will deliver success in a way which is **pioneering, collaborative** and with a **sense of excitement**.
**Abbreviations, acronyms and definitions**

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<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
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<tr>
<td>Owners</td>
<td>The members of the Private Infrastructure Development Group, which fund the PIDG Trust and the PIDG group</td>
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<tr>
<td>PIDG Trust</td>
<td>A trust established in 2002 under the laws of Mauritius by the PIDG Owners to own the PIDG Companies (including PIDG Ltd.) and to further the activities of PIDG</td>
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<tr>
<td>PIDG Ltd.</td>
<td>Established in 2018, PIDG Ltd. acts as the parent company of the PIDG group, controlling management and operations of the group and ensuring the group achieves the Owners’ objectives</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>AIIB</td>
<td>Asia Infrastructure Investment Bank</td>
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<tr>
<td>AsDB</td>
<td>Asian Development Bank</td>
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<td>COD</td>
<td>Commercial Operation Date</td>
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<td>DFI</td>
<td>Development Finance Institutions</td>
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<td>DI</td>
<td>Development Impact</td>
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<td>EAIF</td>
<td>The Emerging Africa Infrastructure Fund</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>ECA</td>
<td>Export Credit Agencies</td>
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<td>ESG</td>
<td>Environmental, Social and Governance</td>
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<td>ESIA</td>
<td>Environmental and Social Impact Assessment</td>
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<td>FCAS</td>
<td>Fragile and Conflict Affected States</td>
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<td>FX</td>
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<td>GCF</td>
<td>Green Climate Fund</td>
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<td>GGGI</td>
<td>Global Green Growth Institute</td>
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<td>H&amp;S</td>
<td>Health and Safety</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IFI</td>
<td>International Finance Institution</td>
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<td>KPI</td>
<td>Key Performance Indicators</td>
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<td>LSE</td>
<td>London Stock Exchange</td>
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<td>LIC</td>
<td>Low-Income Countries</td>
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<td>MDB</td>
<td>Multilateral Development Banks</td>
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<td>MIC</td>
<td>Middle-Income Countries</td>
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<td>NED</td>
<td>Non-Executive Director</td>
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<td>OPP</td>
<td>Operating Policies and Procedures</td>
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<td>PE</td>
<td>Private Equity</td>
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<td>PIDG</td>
<td>The Private Infrastructure Development Group</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>Sustainable Development Goals</td>
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<td>TAF</td>
<td>Technical Assistance Facility</td>
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<td>UNFCCC</td>
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<td>VfM</td>
<td>Value for Money</td>
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<td>VGF</td>
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Foreword from our Chair

Infrastructure is fundamental to progress and remains a key priority to promote social and economic development. PIDG is highly relevant, both today and looking forward, and is well placed to continue to address market failures by reinforcing its unique positioning in the market and ensuring that it contributes towards, and remains additional, to supporting wider sustainable development goals.

PIDG was established to address a series of market failures. Funded by six governments and the IFC and with an unwavering focus on pioneering infrastructure in the poorest and most fragile countries, we create impact by doing what others cannot or will not. Focused solely on infrastructure, we play a critical role in underpinning economic growth and improvements in people’s lives. We utilise our public-private partnership (PPP) business model to catalyse private sector investment in infrastructure where it is needed most.

The adoption of the 2030 Agenda for Sustainable Development in 2015, including the United Nations’ Sustainable Development Goals (SDGs), set a global framework for addressing the world’s most urgent social and environmental challenges. These SDGs emphasise the importance of infrastructure in achieving a sustainable future for all, and they highlight the gap that needs to be filled in financing and delivering infrastructure where it is needed most. Achievement of the SDGs will require public sector capital to be deployed in ways which can mobilise the private sector, in pursuit of the ‘billions to trillions’ agenda. This is central to PIDG’s mandate and activities.

Given our unique attributes, we play a pathfinder role. We will deliver in line with our values of opportunity, accountability, safety, integrity and impact. Seeking complementarity with other players in our space, we believe that through continued engagement with other DFIs, commercial financial institutions and commercial companies and the development of formal strategic partnerships with key infrastructure players, we will expand our influence, profile and impact.

Our strategy builds on our success and our enhanced governance and control framework. This supports a more systematic and robust approach to PIDG’s activities, enabling us to deliver greater impact and underpinning our ambition.

Working with our owners and private sector partners, we will continue to innovate. Over the next five years, we will be recognised for our successes: results orientated as measured against our agreed KPIs; respected for our market-moving ability; regarded as a thought leader; reputationally stronger; and ready for action. We will build on these successes and continue to deliver high development impact, retaining our uniqueness, remaining ambitious and maintaining our niche.

Andrew Bainbridge, Chair
Notwithstanding significant changes in the market, many of the attributes that clearly differentiated PIDG from other institutions when it was set up remain valid today, including our unique focus on infrastructure, our responsiveness to market changes, and our agility and ability to address market gaps. We occupy a niche, where a large proportion of our activities take place at, near or even beyond the frontier of infrastructure investment where there are few or no other actors.

Our pioneering approach has seen significant success. PIDG is now a sizeable organisation that enables private sector investment in infrastructure, drawing on over $3bn of funding and with a 16-year track record of leveraged funding: $33.7bn has been invested by private sector investors and development finance institutions alongside PIDG’s $3.2bn commitment to infrastructure projects. For each $1 of PIDG member funding, projects it has supported have mobilised $23, of which $17 comes from the private sector. During this time, we have delivered accessible, reliable and sustainable infrastructure across 170 projects, creating more than 240,000 long-term jobs and providing 231 million people with access to new or improved infrastructure.

PIDG’s recent restructuring provides stronger oversight and governance and is an important signal of our ambition. This new unified structure embeds and reinforces our collaborative personality, creating better alignment, enabling our diverse, specialist companies to be coordinated in a way they have not been in the past, and providing a common point of entry for investors and developers, maximising our impact and improving value for money for our Owners.

With a relentless focus on identifying market failures and finding replicable ways to address them, we will demonstrate our ambition to deliver pioneering infrastructure at scale, in ways that are replicable, affordable and transformative, thereby developing economies and changing peoples’ lives. Working collaboratively along all stages of the infrastructure project development life-cycle and across the capital structure, our business lines can deploy a unique set of capabilities. Operating at the frontier, be that through the lens of geographies, sectors, products or standards, we develop early-stage projects that explore new approaches or technologies creating investment-ready, bankable infrastructure opportunities as well as building local capability and capacity, while providing innovative financing solutions.

We have begun the next stage of our evolution. This new strategy, combined with our renewed governance, will allow us, over time, to deliver financial sustainability and greater impact.

Philippe Valahu, Chief Executive Officer
The Emerging Africa Infrastructure Fund (EAIF) established
Market/policy challenge: Shortage of long-term loans at sufficiently low interest rates due to perceived risks in developing countries in Africa
PIDG response: Provides long-term loans to private sector infrastructure projects in sub-Saharan Africa

PIDG Trust established to help overcome the obstacles to private sector involvement in infrastructure development in developing countries

PIDG’s Technical Assistance Facility (TAF) established
Market/policy challenge: Shortage of public and private sector resources for project preparation, evaluation and affordability
PIDG response: Provides grants to PIDG Companies to build capacity and support project preparation and delivery

InfraCo Africa established
Market/policy challenge: Bankable projects not being developed in sub-Saharan Africa due to high risk of early stage project development
PIDG response: Develops commercially viable infrastructure projects in Africa

DevCo, a collaboration between PIDG and the IFC, established
Market/policy challenge: Insufficiently well-prepared projects for private sector involvement due to lack of public authority resources/capacity
PIDG response: Provides advisory services to governments to help them deliver infrastructure projects

GuarantCo established
Market/policy challenge: Shortage of long-term, local currency denominated funding to reduce exchange rate risk for projects
PIDG response: Provides local currency guarantees to avoid exchange rate risks and stimulate local capital sources

Infrastructure Crisis Facility - Debt Pool (ICF-DP) established
Market/policy challenge: Reduced appetite of commercial banks to lend to infrastructure projects in developing countries due to the financial crisis
PIDG response: Provides long-term loans to projects to address financing gaps as a consequence of the financial crisis

PIDG's founding Members: DFID, DGIS, SECO and Sida, provided initial funding of $100m
Market/policy challenge:
Shortage of renewable energy projects in Africa due to high upfront costs and risks, lack of financing and cost-reflective tariffs

PIDG response:
Provides financing and policy support to demonstrate viability of renewable energy in Africa

Market/policy challenge:
Shortfall in bridging finance, which can delay and sometimes prevent financial close of IAD projects

PIDG response:
Provides investment capital to IAD projects

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

Market/policy challenge:
Insufficient projects in the renewable power sector that were sufficiently developed to justify continuing a specialised facility trading only in intermediate capital products

PIDG response:
Decision taken to wind-down GAP and it ceased taking on new projects

Creating a single board and committee structure enhancing governance through overseeing development and investment decisions across the group and strengthening its investment capacity

Supported by an Executive Team, fully empowered to implement the PIDG strategy, to embed collaborative working across the PIDG companies and drive PIDG forward

PIDG’s total funding, disbursed or available cumulatively, exceeds $3.4bn

**PIDG Timeline**

- **2010**
  - InfraCo Asia Development (IAD) established

- **2013**
  - Green Africa Power (GAP) established

- **2014**
  - InfraCo Asia Investments established

- **2015**
  - Decision to wind-down Green Africa Power (GAP)

- **2017**
  - PIDG 5-year Strategy launched

- **2018**

- **2019**
  - PIDG Ltd. established
  - ICF-DP closed to new business
PIDG will deliver pioneering infrastructure through three business lines: Upstream Technical Assistance, Developer – Investor and Credit Solutions
Our five-year strategy sets out our course to effectively identify and address market failures and challenges, strengthening our efforts to combat poverty in the poorest and most fragile countries through pioneering infrastructure to help economies grow and change people’s lives.

Infrastructure remains a key priority to promote social and economic development. PIDG is well placed to play a critical role in supporting the global agenda of infrastructure development as a driver of economic growth and poverty alleviation. We will deliver this pioneering infrastructure through three core business lines: Upstream Technical Assistance; Developer - Investor; and Credit Solutions.

This development of our five-year strategy builds on the governance restructuring in 2018, which created a single board and committee structure enhancing governance through overseeing development and investment decisions across the group and strengthening our investment capacity. The PIDG Ltd. Board is supported by an executive team, fully empowered to implement the PIDG strategy, and to embed collaborative working across the PIDG companies and drive PIDG forward.

Our five-year strategy is focused on delivering projects that offer: Scale; Replicability; Affordability; and Transformation. Along with the identification and leverage of programmatic themes, we will apply these lenses to deliver greater development impact. This will ensure that we are doing more, better, delivering value for money, and ensuring that the money could not have been spent better by us. We will focus on delivering our strategy through the following priorities.

We will maximise the development impact of our activities within available resources and consistent with developing financial sustainability over time. Through agreed KPIs, we will articulate and demonstrate the outcomes and impacts that we seek to achieve. This will be done through a development impact scorecard which will identify benefits in terms of a number of factors, including (but not limited to) people reached, depth of impact, local capacity building, and innovation.

To be relevant, we must remain at the frontier, creating impact by doing what others cannot or will not, yet. We will continue to look for infrastructure projects in low-income countries and fragile and conflict-affected states (FCAS). We will continue to develop early-stage projects that explore new approaches or technologies, including in MICs; and to identify ways in which our Developer-Investor and Credit Solutions businesses can leverage private sector investment from new sources, with the aim of moving the market and leading ‘first of a kind’ projects.

Our strategy remains focused on encouraging more private sector funding into frontier activities and markets. The private sector will only invest in infrastructure projects which are financially sustainable, and when they have the confidence that the project is to be properly executed. Each of our projects will be designed to deliver this. PIDG therefore has an important role to play in creating the conditions in which that is possible, by supporting and building capacity, supporting early-stage projects to become bankable, and enabling projects to replicate and scale up.

We will select a few countries where we will drive a volume of work to local capital markets and the development of national savings systems in order to enable development of the financial system as a whole and encourage
infrastructure as an asset class in such countries for local and foreign investors. Through our local presence and the embedding of local people in those local companies with the right skills and expertise we will drive change. Development of local markets and investor confidence in such markets will also deliver exit solutions for our Developer-Investor business.

We are in the business of making a difference.

We are focused on delivering high developmental impact. Nonetheless in five years’ time we want to be on a clear path to sustainability. We are focused on being more financially sustainable at the consolidated PIDG level in the medium-term (excluding our Upstream Technical Assistance business), recognising that different PIDG companies have more potential for profitability than others in the short-term. Operating at the frontier presents trade-offs between sustainability and impact. We acknowledge that we will always have a need for grant funding for parts of our business to address market gaps and that developing a pipeline of bankable infrastructure projects can be a slow process, but is a much-needed function in the market.

Our impact comes from our engagement with local actors, and not just from our funding. This takes many forms, including promoting technical skills and knowledge amongst developers, awareness of critical environment, social and governance standards, transaction skills within local government, and the ability of local financial institutions and national savings systems to engage in infrastructure financing.

Bringing all the PIDG companies together, under our new governance framework, enables us to develop a programmatic approach in areas where evidence indicates that there is scope for impact and where we can play a role, for example, social infrastructure, economic zones and water. Our strategic priorities outline the approach to selecting programmes and explore some initial ideas on the programmes that might be developed. At the same time, we will continue to be agile in response to new opportunities, provided they can demonstrate our additionality and a clear pathway to impact. It may also mean a focus on a handful of key programmatic initiatives in selected countries to build scale and test replicability in areas of particular need and where we can add value and make a real difference.

Retaining a focus on how demand for infrastructure (including energy) drives impact will involve identifying how modern, reliable and sustainable energy, especially solar and mini-grids, can create a virtuous circle: an ecosystem of affordable power, economic opportunity and productivity. For example, one way this can happen is through economic zones and anchor tenants, fostering the growth of small businesses such as mills, workshops, shops and farming, alongside anchor tenants, potentially also delivering power to communities at a lower marginal cost.

We have processes before and during investment in a project to articulate, enhance, evaluate and report on impact. Efforts will also be made to examine ways to measure impact post-investment/exit. These will be strengthened further and tested to enable us to improve the impact of individual projects where possible, learn what works, and share and benefit from that learning.

We are in the business of making a difference. Our niche arises from taking on challenges that others cannot or will not do, so the risks are intrinsically high. We must ensure that we are risk-aware and not risk-averse in order to maintain our agility and pioneering approach. We are very aware of the importance of responding to taxpayers’ concerns. We must show that money could not have been better spent by us. We are committed to incorporating suitable metrics into our strategy, enabling us to demonstrate that we are using aid money as effectively as possible.

We will measure ourselves, and you will measure us, on our achievements against agreed targets.
Building on strong foundations, we will retain our uniqueness and maintain our niche. We will continue to operate at the frontier, recognising the trade-off between financial sustainability and development impact and articulating what this means and the timeline for achieving it. We will continue to seek complementarity across PIDG companies and with others, through the development of strategic partnerships, to optimise our ability to deliver pioneering infrastructure to help economies grow and change people’s lives.

Part of our strategy is to communicate better what we do. We believe that more effective communication of our successes, and what we have learned from them, will enhance the demonstration effect of what we do.

Inclusion is an intrinsic element of a sustainable market economy and an important transitional quality. If people are given a chance to succeed, they are more likely to participate in the workforce, pursue education, or engage in other activities that lead to economic growth and the alleviation of poverty. It is in all of our interests to leave no one behind and to ensure a fair opportunity for all: now and in the future.

Our projects are chosen to maximise development impact. In selecting our projects we consider a range of indicators, including those reflecting different aspects of inclusion such as: infrastructure service access; employment creation; export-earning potential; climate change, gender and disability. Whilst not all of these factors will be present in each and every project, on a portfolio basis they should be represented in depth.

Improving outcomes for women and girls is fundamental to our mission to improve infrastructure for economic development and poverty reduction. Poverty and marginalisation are disproportionately experienced by women and girls. Improving women’s participation in the workforce leads to major gains in economic growth and infrastructure projects that do not address the needs and concerns of women are at greater risk of failure.

PIDG is piloting a new framework for improving project outcomes for women and girls. This will assess whether projects do the ‘minimum’, are ‘empowering’ or, at the high level, ‘transformative’, and will find practical steps to improve project contributions to gender equality and inclusion. This could mean smarter and more inclusive community consultation, better training and recruitment practices, or redesigned services to better meet the needs of women as consumers, to name just a few examples.

We are committed to identifying how developers and operators within our portfolio can take action in the design of infrastructure, the operation of infrastructure companies and the delivery of infrastructure services to remove barriers to access for people with disability. We are proud to be a signatory to the 2018 Global Disability Summits’ Charter for Change. With one in seven people worldwide having some sort of disability, we recognise the importance of addressing the barriers to their engagement in economic activity, for the benefit of all.

Within the period 2019 – 2023, and then ongoing, we will conduct training to raise awareness; embed questions and prompts in the terms of reference for environmental and social impact assessments and in investment papers; identify a project suitable for a pilot study and undertake a survey of stakeholders in a given project to assess the particular impact on people with disabilities. These activities will improve our understanding and enable us to identify where opportunities exist to do more.

We invest in infrastructure in many of the poorest countries of the world. Climate change affects those countries and exposes vulnerable people to physical and economic shocks. To fulfil our development mandate to support people and lift them out of poverty, we will seek infrastructure projects which contribute to the mitigation of, and adaptation to, climate change, and which are themselves resilient in the face of climate change. We will not invest in coal-fired energy generation under any circumstances, in view of its greenhouse gas emissions.
Our activities are at the heart of what is needed in order to deliver the SDGs.
Investment in, implementation of, and provision of financing and support for infrastructure is critical to achievement of the SDGs. Our strategy contributes to this in several ways.

Our activities are at the heart of what is needed in order to deliver the SDGs. All of our activities are designed to have a pathway to poverty reduction, contributing to SDG 1, and all are designed to enable decent work and economic growth (SDG 8). Our investments in specific sectors deliver against SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy) or SDG 9 (industry, innovation and infrastructure).

Our focus on infrastructure gives us a unique ability to focus on its critical role in underpinning economic growth and improvements in people’s lives.

SDG 9 refers to the need to develop good quality, reliable, sustainable and resilient infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all, and emphasises the importance of facilitating this in developing countries ‘through enhanced financial, technological and technical support’. These elements are central to our mission.

Our focus on infrastructure gives us a unique ability to focus on its critical role in underpinning economic growth and improvements in people’s lives.
A range of SDGs highlight the importance of action in enabling **access to infrastructure** in specific areas: increased access to affordable, clean energy, to clean water and sanitation, to information and communications technology, to adequate, safe, affordable housing and to safe, affordable, accessible and sustainable transport systems. We contribute to these goals in a clear and measurable way.

We also contribute to the improvement of people’s lives through the role that infrastructure plays in underpinning **economic growth and job creation**. Providing access to: cheaper or more efficient power supplies; better routes to market; improved communications; or enhanced irrigation, storage or processing facilities should enable businesses to become more productive and enable them to grow and employ more people. Therefore, where our investments improve the availability and cost of infrastructure, this can increase the opportunities for full and productive employment and decent work. This in turn will create opportunities for local employment, meaning people do not have to leave/migrate from their countries in pursuit of economic opportunities.

Our strategy has an enhanced focus on the **affordability** of the infrastructure we are supporting. We will test how each investment is expected to improve access to infrastructure, whether for low-income individuals or for businesses or for both. Where we can support areas of economic activity with associated infrastructure, we may be able to forge strong links so that the revenues of the businesses and the infrastructure providers are mutually supported.

**Gender equality** is another universal principle core to achievement of the SDGs and embedded in our approach in a number of ways. First, there is the requirement for all parts of the portfolio to have policies and processes in place to safeguard against violence against women and girls and to respond immediately in the event of any possible concerns. Second, PIDG, its companies and its projects have policies on non-discrimination in place. Third, we are trialling a framework for assessing which projects can deliver empowerment for women. We will be considering what should be a realistic level of ambition for our companies in terms of selecting projects that can have a particularly positive impact on women and girls and/or using grant funding from TAF to enhance the design of projects to achieve better outcomes for women and girls.

We also contribute to the SDGs relating to the battle against **climate change**, continuing to prioritise renewable technologies in project selection. Coal projects are excluded. Projects relating to other thermal technologies will only be considered under specific circumstances: where there are clear pro-poor benefits; where there are no viable alternatives and the solution, such as baseload power, is better than the status quo and part of a longer-term view to move towards cleaner energy/low carbon pathway. Consultation with experts on the low-carbon transition would always occur.

It is also clear that the SDGs will only be achieved if organisations like PIDG can **mobilise private sector capital at scale**. Through our Credit Solutions businesses, we have shown that we are successful at mobilising private sector investment financing to infrastructure projects, drawing in funding from sources such as local pension funds, which have not been willing to invest in those types of projects before.
We contribute to the improvement in people’s lives through the role that infrastructure plays in underpinning economic growth and job creation.
There have been significant changes in the market over the last 15 years and understanding the context in which we operate is critical.

PIDG operates in the poorest and most fragile countries, where 2 billion people live on less than $3.20 per day, and 753m people live on less than $1.90 per day. In these countries, 2.6 billion people do not have access to constant electricity, 2.4 billion people lack access to basic sanitation and almost 800 million people lack access to clean water. In some of the African countries where PIDG operates, infrastructure constraints are estimated to cut productivity by around 40%, severely affecting competitiveness and limiting opportunities for people to have jobs to lift them out of poverty.

The share of the urban population across sub-Saharan Africa and Asia has increased significantly over the years. By 2050, it is projected to rise by 2.5 billion people, with 90% concentrated in Asia and Africa. Rapid urbanisation creates both opportunities and challenges. Population shifts from rural to urban areas are often linked to the need for economic opportunities, better access to health and education services, and better living conditions. However, cities are growing larger and becoming more complex to manage, resulting in environmental degradation and adding further pressure on the demand for urban infrastructure and social amenities.

Debt levels are rising in Africa and parts of Asia, in some cases rapidly. Unsustainable increases in government expenditure are becoming more commonplace. Currency depreciation increases the cost of servicing foreign currency debt, coupled with limited fiscal space is causing concern in some countries in which we operate.

Local capital markets remain underdeveloped, creating hurdles to growth. Local insurance companies and pension funds require the requisite regulatory environment and opportunities of sufficient scale to support the development of infrastructure as an asset class. This is a precondition to strengthening local capital markets.

Blended finance uses catalytic capital from public or philanthropic sources to increase private sector investment in developing countries to realise the SDGs. However, blended finance activities are fragmented and lack scale. There also remains a desire to create and invest in new solutions, rather than investing in and developing existing solutions that have the potential to enable finance at scale.

There continues to be an immense need for infrastructure investment in the countries in which we operate. Primary responsibility still lies with governments and state-owned utilities in the case of power (which are cash-strapped and with limited capacity) leading to substantial under-investment, and limited ability to increase provision of basic infrastructure services. To meet the financing gap, the private sector needs to play a major role but is hampered by market gaps. This has been noticed and is being acted upon by various Development Banks and DFIs who have recently set up new infrastructure funds. Private investors, and in particular institutional investors, are also looking at infrastructure projects in emerging markets as an asset class of interest. The problem remains that they are finding it difficult to identify a pipeline of projects that meet their risk tolerance and investment profiles.
Infrastructure provision is a key driver of economic development: increasing access to energy powers businesses, and improved transport opportunities enable better access to markets and greater labour mobility. However, the energy and transport infrastructure that can help to underpin growth and reduce poverty in these ways can also result in increased carbon emissions. An increased focus on renewable energy is required in the years ahead, to try to decouple economic growth from carbon emissions so that spending on infrastructure can increase without contributing to climate change. The mobilisation of green finance will help our Owners achieve their UNFCC targets.

Global demand for solar PV was forecast to reach 85GW by the end of 2018, more than doubling over three years. This rapid growth has driven technology advances that have in turn driven down costs. In sub-Saharan Africa, for example, over 40% of planned energy projects are based on grid-tied solar. Providing 24-hour power remains a challenge, however battery storage costs are coming down but implementation still relies heavily on government subsidies. Off-grid solar’s rapid deployment is predominantly driven by a proliferation of solar-home system solutions on a pay-as-you-go basis. The IEA forecasts that 140 million people will be connected to a mini-grid by 2040.

Advances in technology, including mobile, digital technologies and fintech, coupled with falling prices and efficiency improvements create opportunities for countries to leap-frog legacy technology. This enables infrastructure to reach more remote, frontier areas more quickly and more cost-effectively.

Our ambitious five-year strategy sets out how we will seek to address the changing landscape and significant gaps that remain in the infrastructure space. With new funding commitments from our Owners and our enhanced governance structure, we are well placed to respond.
Established in 2002 to address market failures prevalent in sub-Saharan Africa and south and south-east Asia.
PIDG was established in 2002 and has addressed market failures that were prevalent in our target markets in sub-Saharan Africa and south and south-east Asia.

**PIDG is unique.**

By demonstrating to the market at large the commercial viability of private infrastructure investment in the poorest countries. These failures include:

- Limited supply of long-term, foreign currency financing for infrastructure projects;
- Lack of local currency financing options to support infrastructure, largely as a result of limited local capital market development;
- Absence of bankable projects being developed by the private sector to facilitate private sector investment; and
- Limited government capacity to support the development of publicly-originated infrastructure projects.

Despite the progress made in the market in terms of projects that have reached financial close, infrastructure provision in countries in which PIDG operates, particularly in sub-Saharan Africa, continues to be low relative to developed markets, and the market failures mentioned above continue to persist.

Although the global pool of private sector (including institutional) finance is relatively large, the finance currently available for infrastructure investment in low-income countries does not match the needs of countries to meet more widespread provision. Whilst there have been increases in DFIs’ long-term finance available for infrastructure projects, the focus is often on

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**PIDG operates collaboratively along all stages of an infrastructure project’s life-cycle**

[Diagram showing the stages of project life-cycle with PIDG entities involved at each stage: Concept, Early stage development, Construction, Operation, Financial close, Commercial operation.]

**Technical assistance**

- **TAF** grants support PIDG companies at any stage of the project lifecycle. **DevCo** helps fund PPP advisory services to governments, delivered through the World Bank Group’s IFC.

**Project preparation**

- **InfraCo Africa** and **InfraCo Asia** originate, develop, structure, invest and manage projects. They can make equity investments in innovative and pioneering projects, or to remedy the absence of capital.

**Debt, guarantees and mezzanine**

- **EAIF** provides long-term foreign currency loans in sub-Saharan Africa. **GuarantCo** provides innovative local currency contingent credit solutions, including guarantees to banks and bond investors to develop capital markets.
middle-income countries through hard-currency debt provision in project financing transactions or intermediated equity.

We address a gap in the international development architecture through our additionality and demonstration effect.

Our experience and expertise allows us to do things which other organisations are unable to do. This ‘additionality’ gives us a clear and unique value both to the private sector, by enabling it to engage in infrastructure deals in frontier countries, and to the development community, by successfully engaging the private sector in the creation of pro-poor infrastructure developments.

Our mandate is to operate ‘at the frontier’. This can take a number of forms:

- **Geographic**: We operate in many challenging countries, including conflict-affected environments. In fact, over 55% of our projects are located in FCAS countries.
- **Technical**: Although for the most part the technologies with which we work are well-developed, they remain largely unproven in the countries where we operate. We are also open to new technologies given the rapid pace of change especially in the renewable energy space.
- **Financial**: By definition, for most of the projects we work with, ‘normal’ commercial funding is currently unavailable or insufficient. We therefore have to develop novel financing structures to be able to support our clients.

We address a gap in the international development architecture through our additionality and demonstration effect.

**PIDG addresses a gap in the international development architecture through its additionality and demonstration effects**

**PIDG additionality** results from facilitating investments which we move into a space where they are commercially viable and developmentally relevant.

**Commercial additionality**: De-risking of countries, technologies and financial vehicles.

**Development additionality**: Positive impacts on gender, employment, affordability, corruption etc.

PIDG’s additionality results from its ability to facilitate investments that deliver a greater positive development impact and de-risk projects. This helps reduce financial risks to create commercially viable, bankable infrastructure projects.
Infrastructure projects financed in hard currencies often end up costing more than expected to the countries in question, due to an inability to collect tariffs in local currency and the risk of devaluation. Without proper payment, companies often become unable to support projects. Projects take years to develop and support is scarce due to limited funding relative to requirements, as well as limited technical capacity to effectively develop bankable projects both in the public and private sector. In addition, the projects that are developed do not tend to be locally driven.

What differentiates PIDG from others operating in the market is the concentration of different types of risk within its portfolio arising from operating at the frontier of what is possible from a private infrastructure financing perspective. No major entity is as dedicated to infrastructure in FCAS countries as PIDG. Our exposure to higher risk could be in terms of: the countries in which we work, the type of projects (e.g. greenfield), and/or type of finance product (e.g. local currency guarantee). Operating in higher risk environments reflects our mandate to operate at the frontier.
We transform economies and improve lives
We transform economies and improve lives. Through the application of our theory of change, we mobilise private sector funding, leverage public sector funding, and blend it with private sector investment (PSI) from local, regional, international sources, and debt or equity from Development Finance Institutions (DFIs) to achieve greater impact and to change lives.

**Our theory of change assumes the following pathways to impact**

Finance from PIDG companies, particularly in the poorest and most fragile states, combined with additional support and capacity-building in the form of financial structuring, design, quality standards, policy support and a focus on gender, is invested in infrastructure companies alongside private sector funds.

These infrastructure companies are commercially viable, either immediately or over time, and generate positive outcomes for individuals by providing new or improved access for households to energy, water, communications or transport solutions. The outcomes for women and girls are of particular interest. In order to have an impact, these infrastructure services must be affordable.

### Delivering impact through PIDG’s theory of change

<table>
<thead>
<tr>
<th>INPUTS</th>
<th>OUTPUTS</th>
<th>OUTCOMES</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance from each of the PIDG companies, particularly in low-income and fragile and conflict-affected states</td>
<td>Private sector finance is mobilised alongside PIDG</td>
<td>Viable infrastructure projects are established and maintained</td>
<td>Improved livelihoods</td>
</tr>
<tr>
<td>Additional support/capacity building by each of the PIDG companies – policy support, technical design, financial structuring, quality standards, gender focus</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Households have new or improved access to infrastructure

Direct jobs are created in construction and operation

Jobs are created in the supply chain

Businesses have access to improved infrastructure resulting in improved productivity and more jobs

The infrastructure business pays taxes, and so do supply chain businesses and businesses benefiting from the infrastructure

Changes in the capital markets enable more capital (including local capital) to flow to infrastructure

Demonstration effects as others replicate without PIDG
Impact may be achieved at scale through a virtuous cycle of improved economic activity enabling increased incomes.

- The infrastructure company will pay taxes, as will the companies in the supply chain and the companies benefiting from the infrastructure.
- PIDG’s investments may also have an influence on the wider capital market, enabling more funds to flow to infrastructure in the future. This has the potential to create a scale-up of activities, leading to transformation in the market.
- PIDG’s investments may also demonstrate the viability of a structure (for example, a public-private partnership), a technology or a geography, so that other investors are attracted into that market and engage without the need for PIDG’s involvement. This replication can lead to further scale and transformation.

This approach works. Since 2002, we have successfully leveraged our funding: $33.7bn has been invested by private sector investors and development finance institutions alongside PIDG’s $3.2bn commitment to infrastructure projects; and for each $1 of PIDG member funding, projects we have supported have mobilised $23, of which $17 comes from the private sector. During this time, we have delivered high development impact across 170 projects, creating more than 240,000 long-term jobs and providing 231 million people with access to new or improved infrastructure.

Embedding impact

We have a number of processes for embedding additionality and development impact in all of our activities and demonstrating linkage to PIDG’s areas of strategic priority.

First, a number of go / no-go assessments are in place. All projects must be in line with PIDG’s climate change policy, which excludes all coal projects and which states that non-renewable energy projects will only be acceptable under specific circumstances. Any energy project which does not incorporate a renewable or sustainable source must be escalated for consideration (for example, whether there is an exceptional economic or humanitarian argument for a non-renewable source for baseload power in a particular location). Independent experts will be consulted for their views in these cases. If the case for a project not incorporating some type of renewable or sustainable source cannot be soundly made, the project will not be supported. If such a case can be made, the project will be referred to the PIDG Board for a decision and the decision advised to the Owners.

For each project, PIDG’s additionality must be clear, and PIDG must be able to indicate how this can be evidenced. If the additionality is weak, the project will not be supported.

For each project, a clear pathway to impact must be articulated in the investment paper. If the pathway to impact looks weak, the project will not be supported.

Each investment paper must explain how that particular project is expected to have an impact to households. They may achieve a scale of impact either through their size or through their replication.

Alternatively, or additionally, these companies provide new or improved access to infrastructure for businesses which may then become more productive and employ more people. In order to achieve impact in this way, these services must be affordable to businesses. There may also be employment opportunities generated in the supply chain of the PIDG-supported infrastructure with a keen focus on gender equality, with employment opportunities for women and girls being of particular interest.
on women and girls. If positive demonstration of gender equality enhancement is not sufficiently well understood, the project may not be supported. This approach is to be applied to disability as and when we have refined the methodology.

For each project, it must be clear that systems are, or will be, put in place to ensure that operations will be in compliance with IFC Environmental and Social Performance standards and PIDG’s Environmental and Social Management System, for example on working practices, community, health and safety, and environmental issues. If PIDG cannot obtain assurance on this, the project will not be supported.

Projects are scored on the different elements of their development impact. The scoring system varies by PIDG company because they have slightly different impact pathways. For InfraCo Africa, for example, the score includes categories on alleviating poverty (including the number and income level of people reached); prioritising frontier markets; mobilising investment; and enabling economic development. For GuarantCo, the categories are geography; sector impact; currency; catalytic effect; and financial structuring and innovation.

PIDG monitors and reports on projects’ development impact milestones and results. Additionality is also assessed closely and scored by individual companies to ensure that PIDG is doing something that others cannot or will not do. A sample of projects will be subject to in-depth evaluations to understand their impacts (expected or unexpected, positive or negative).

In addition, the selected programmatic areas will be tested to assess how/whether they exhibit the attributes outlined in the table on page 29. These processes and their outputs will be reviewed by an Independent Panel on Development Impact which reports to the PIDG Board.

Together, these processes provide a framework for ensuring that all projects are aligned with the PIDG strategy and enable us to assess value for money.

**Delivering impact through HSES standards**

We operate in a complex developing world that is subject to diverse economic, societal, financial, environmental and political drivers. Our challenge is to combat poverty in the poorest and most fragile countries through pioneering infrastructure and assuring project delivery excellence, while effectively managing the Health, Safety, Environmental and Social (HSES) impacts associated with such infrastructure development projects. This HSES implementation strategy responds to these demands and is integral to the short, medium and long-term PIDG HSES management system success.

The overall strategy is to drive a HSES Framework aligned to the IFC performance standards and an assurance system that monitors and reports HSES performance within PIDG and to our Owners. This includes the continued development of a fit for purpose Health, Safety, Environmental and Social Management System (HSES-MS) to support the planned growth and reach of PIDG projects in the coming years.

We will uphold high standards of HSES governance and have robust risk management processes in place and ensure that all critical HSES activities are identified and subsequently managed to reduce the overall risk to as low as reasonably practicable. Through these high standards we will embed and deliver impact.

We uphold a strong focus on developing safe working environments for all our stakeholders, including employees, partners, contractors and the communities within which we operate. We will ensure that we work responsibly and support the UN Global SDGs. This means delivering infrastructure in a secure, environmentally and socially responsible manner; and we are committed to delivering and demonstrating HSES performance and continuously improving through annual PIDG HSES reporting.
Our five-year strategy is focused on delivering projects and/or transactions that offer: Scale; Replicability; Affordability; and Transformation.
Our five-year strategy is focused on delivering projects and/or transactions that offer: Scale; Replicability; Affordability; and Transformation. We will deliver greater impact, ensuring that we apply the principle of providing value for money and demonstrating that money could not have been spent better by us within our mandate. We set our strategic priorities to deliver the greatest impact and value for money. These are outlined in the table below.

We are identifying suitable programmatic initiatives to further enhance our impact. As shown below, this framework helps to identify potential programmatic areas.

<table>
<thead>
<tr>
<th>Strategic Priority</th>
<th>Definition</th>
<th>Potential programmatic areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>Projects that can provide infrastructure services to a large number of people and businesses, creating benefits for individual households and for the economy</td>
<td>On-grid renewable projects; large-scale infrastructure associated with economic zones; and water projects</td>
</tr>
<tr>
<td>Replicability</td>
<td>Projects that can be developed – perhaps initially on a small scale and pilot basis – and can then be replicated either by PIDG and its partners or by others, reducing transaction costs and enabling growth at speed</td>
<td>Off-grid mini-hydro projects or off-grid solar with storage; biomass solutions; and replicable financing models (e.g. InfraCredit)</td>
</tr>
<tr>
<td>Affordability</td>
<td>Projects that enable access to infrastructure by low-income groups or which improve economic efficiency and competitiveness</td>
<td>Affordable housing; affordable agri-processing solutions</td>
</tr>
<tr>
<td>Transformation</td>
<td>Projects that fundamentally change behaviour or market function</td>
<td>New models for private sector investment in water; transforming and strengthening the capacity of local developers and developing local capital markets and investor confidence; and empowering women.</td>
</tr>
</tbody>
</table>

We consider programmatic initiatives to be the deliberate selection of a sector, country or theme within our investment universe, to be the focus of attention for project origination and/or deployment of products offered by multiple PIDG companies, based on an analysis of the opportunity for that focal area to generate particular social, environmental or economic impact. The key to the programmatic approach must be seen through the lens of (1) replicability and (2) scale.
income users of infrastructure. The annual business planning process may also identify other common themes across the PIDG companies which can be considered further, provided they meet the criteria for delivery of impact, and value for money.

We will deploy TAF funding to investigate short-listed programmatic initiatives in more depth, with the help of expert consultants who have specific expertise in these areas. These exercises will identify the opportunities in more detail, consider the impact, and offer criteria by which we should judge suitable projects.

We recognise the trade-offs between different types of impact (e.g. high-risk pioneering activities in FCAS, leveraging substantial private sector investment, and balancing scale vs smaller projects delivering greater need/impact) and will achieve a blend of these impacts within the overall PIDG portfolio. There are also trade-offs between financial sustainability and development impact.

Our mandate is to operate at the frontier. Frontier projects may have greater impact if a project is successful but often entail higher levels of financial risk than projects in more proven countries and sectors. However, sustainability and impact are also linked, because limited positive impact will emerge from infrastructure which is not commercially viable and therefore unsustainable. In addition, our long-term development impact depends on proving, through our activities, that it is possible for the private sector to invest sustainably in infrastructure in the poorest countries.

Our long-term development impact depends on proving, through our activities, that it is possible for the private sector to invest sustainably in infrastructure in the poorest countries. Taking unreasonable risk in our investments will not achieve this.

We plan to be financially sustainable at the consolidated PIDG level in the medium-term (excluding our Upstream Technical Assistance business). We define this as allowing us to continue to operate by the end of this five-year strategy period, albeit at a reduced rate of activity, on an ongoing basis, were funding to cease at the end of the current Owners’ funding periods. We will continue to need to rely on an element of donor funding to maximise our delivery against our mandate, but our increased sustainability will be evidence of our success and ensure we continue to deliver against our mission.

To achieve this requires: the delivery of ongoing profitability at GuarantCo; a strong, diversified and profitable EAIF portfolio, albeit with an expanded product offering. Increased holding periods for InfraCo investments to enable the InfraCos to exit through the sale of projects to the private sector, and benefit from the uplift commensurate with the risk taken during the project development and construction phase. The implementation of an intra-group funding model which supports ongoing operating expenses, whilst capital gains on disposal and the subsequent recycling of funding on disposal are achieved. The definition and implementation of a lean operating model, to enable people to operate across PIDG and speak on behalf of PIDG and its companies, rather than operating within the constraints of their individual companies.

Plans that accompany the strategy for PIDG (excluding TAF and DevCo’s funding but including these sums as company income) will identify a pathway to financially breaking even as a whole and making a net profit over time. As part of this, processes will be put in place in the medium term to allow for more flexible recycling of funds across the Group, for example: recycling sale proceeds back into new investments within a company; allowing profits made in one company to be transferred across companies (i.e. dividends.
Our mandate is to operate at the frontier.

A need for grant funding in certain parts of the business, such as early-stage project preparation and upstream technical assistance.

To retain our niche, we will seek complementarity with other players in our space. This will require continued engagement with other DFIs, commercial financial institutions and commercial companies to ensure that we are able to articulate and demonstrate how we are adding value. It will also require us to develop greater partnership skills. We want to develop formal strategic partnerships with key infrastructure players (established partners such as MDBs, DFIs as well as impact funds, private equity firms, pension funds) in order to expand PIDG’s influence and profile and to harness the benefits of partnership in a more joined-up manner.

To retain our niche, we will seek complementarity with other players in our space.

We will reinforce our emphasis on local capacity-building. Our aim is to enable countries to develop and fund their own infrastructure projects, as well as to facilitate investor confidence and investment flow into infrastructure projects in the targeted markets. We will continue to reduce transaction costs for projects by using local lawyers, accountants, environmental consultants and data gatherers where suitably qualified individuals can be identified in the local market and/or supported with training over time. As local capacity is built, it can extend to overall project implementation and follow-on investments.

Building up the regional PIDG offices outside London is another important component. Through our regional presence and employing local people with the right skills and expertise, we will develop higher ‘in-market’ profiles and become an intrinsic driver of societal change.

PIDG aims to be risk-aware, as opposed to risk-averse. PIDG’s niche arises from taking on projects that others cannot or will not do, so the risks are intrinsically high. PIDG’s strategic approach is to understand these risks, mitigate them as far as possible and make informed judgements about whether the residual risk in a particular project is justified by its expected impact, its sustainability and its long-term nature.
The new PIDG governance structure enables more effective direction, guidance and control.
The new PIDG Ltd. “holding company” governance structure, established in 2018, enables greater clarity and unity of direction from the PIDG Ltd. Board and Executive team/ExCo to the companies and provides more effective direction, guidance and control.

PIDG operates along the project life-cycle and across the capital structure, to help projects overcome the financial, technical or environmental challenges, creating investment-ready, bankable infrastructure opportunities.

**Upstream Technical Assistance** from our reconfigured IFC-PIDG/TAF business will support the other PIDG businesses by providing support to project development and enabling transactions, improving the affordability and/or impact of projects through Viability Gap Funding (VGF), transaction advisory services, and piloting new programmatic initiatives.

**Developer-Investor business** - InfraCo Asia and InfraCo Africa originate, develop, structure, invest and manage innovative and pioneering projects. They take on early project development, providing management and capital to address early-stage risks and developing bankable projects that can attract debt and equity at financial close.

**Credit Solutions business** - EAIF provides long-term foreign currency loans in sub-Saharan Africa. GuarantCo provides innovative local currency contingent credit solutions, including guarantees to banks and bond investors to develop local capital markets.
The key obstacle to increasing private sector participation in infrastructure is not the lack of private capital or investor interest, but the shortage of well-structured and bankable projects suitable for private investment. Governments are increasingly looking to Public-Private Partnerships (PPPs) and other kinds of private investment to address their infrastructure needs. Lower income countries often lack the capacity and know-how to properly identify and structure projects that will attract private investors and meet the country’s objectives in a cost-effective manner. These countries are often unable to afford the full cost of hiring specialised advisors to help prepare and market these transactions. Normal project development, involving pre-feasibility and feasibility studies, needs to be preceded by least-cost planning, conceptualisation, consensus building on project objectives, initial designs, and action plans. These steps in turn often need to be preceded by sector-specific reforms to relevant laws, regulations and policies. Support for this upstream work is scarce largely because it is risky: the work is so far upstream from actual transactions that it may or may not result in a closed deal.

To address some of these gaps, TAF has traditionally assisted PIDG companies by supporting project preparation activities that go beyond what the companies or their private sector partners normally cover with their working capital. Most of this support has involved projects in the poorest countries and has focused on upstream preparation and capacity-building to confirm project bankability and take preliminary steps to structure transactions in ways that make possible meaningful private sector participation. For its part, PIDG’s DevCo facility, managed by IFC Advisory, has also worked in the upstream project preparation space, largely independently of TAF and the PIDG companies. It has (i) provided advisory services to governments in the poorer (DAC I and II) countries to help them structure transactions that facilitate private sector participation in infrastructure projects, and (ii) supported PPP transactions that remove critical infrastructure obstacles that impede a country’s progress and economic growth.

Recognising that the gaps continue to act as a barrier to effective infrastructure development in the countries in which we operate, a reconfigured IFC-PIDG/TAF initiative will fill the project preparation gaps and contribute to the creation of a pipeline of bankable investment opportunities for the private sector. TAF and IFC Advisory will therefore operate in a new partnership and play a key role in implementing our new strategy, recognising that the greatest constraints are the large upstream and downstream gaps within governments in developing countries to prepare and build a pipeline of viable infrastructure projects for private investment.

### Upstream Technical Assistance

#### Upstream project preparation gaps

<table>
<thead>
<tr>
<th>Capacity building</th>
<th>Lack of government capacity to prepare and develop projects for subsequent financing, execution, and operation by private investors, and lack of capacity on the part of local private sponsors that develop projects on their own.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory environment</td>
<td>Lack of a conducive environment for private investment either due to segments of the economy not being open to private investment, lack of provisions for user charges, lack of regulations for establishing/adjusting tariffs, etc.</td>
</tr>
<tr>
<td>Pipeline of bankable projects</td>
<td>Lack of a pipeline of projects with sufficient preliminary work done so that they can be developed by government for financing and operation by private sector or developed by private sector.</td>
</tr>
</tbody>
</table>

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The key obstacle to increasing private sector participation in infrastructure is .... the shortage of well-structured and bankable projects suitable for private investment.

More specifically, the TAF will play a more central role in enabling PIDG to initiate multi-company programmes and centrally-driven initiatives that are not specific to a particular company and that align with PIDG strategic objectives. The funding will be used to provide targeted catalytic and returnable grants to support:

- Specific elements of projects put forward by PIDG companies;
- Affordability and/or impact of projects through Viability Gap Funding (VGF);
- Transaction advisory services (including post-transaction advisory), upstream pipeline development, pre-feasibility studies, and capacity building;
- Embedded advisers to work with counterpart government officials in managing the structuring and negotiation of private infrastructure investments and related activities;
- Piloting new strategic/programmatic initiatives, which may include support for PIDG’s Developer-Investor and Credit Solutions businesses through different forms of technical support and/or VGF; and
- ‘Development add-ons’ to projects, e.g. gender, disability and economic empowerment. While companies will be expected to embed these considerations into their normal operations, TAF funding could be used to enhance their contribution to these objectives on a case by case basis where, for instance, a change in the design of a particular infrastructure service can enhance its development impact.

Going forward, we will optimise this upstream technical assistance work, expanding the menu of technical assistance and grant options, and incentivising a more proactive approach. The goal of this work will remain unchanged, i.e. the creation of a pipeline of bankable infrastructure investment opportunities for the private sector, with a focus in the poorest and most fragile countries.

The consolidation of our upstream technical assistance work provides a more powerful tool for the exploration of centrally-driven initiatives that align with our objectives, but which are not specific to a particular company or necessarily focused on a particular country. With guidance and oversight, our Upstream Technical Assistance business will use some of its funding in a more proactive way to provide targeted catalytic and returnable grants in support of the following kinds of initiatives:

- **Programmatic Investigations**: Some of TAF’s funding would be deployed on a selective basis to investigate programmatic initiatives in more depth. These exercises will attempt to identify multiple, similar project opportunities, rather than one-off projects, which could simultaneously involve multiple PIDG companies. TAF already has a strong programmatic interest in PIDG-wide priorities like capacity-building and capital market development and will continue to focus on these areas. Additional programmatic opportunities may be identified for investigation by the PIDG Board, PIDG companies, and PIDG Owners.

- **Strategic Partnerships**: In keeping with recent independent performance evaluations of TAF, the PIDG Board will review and approve TAF proposals to make grants available on a highly selective basis to entities outside of PIDG. This would be done to explore innovative approaches to sectors, countries, and types of projects. Such partnerships could intersect with the programmatic investigations mentioned above. For example, a variety of NGOs, industry associations, and multi-donor trust funds are...
experimenting with innovative approaches for facilitating private investment in the water sector, something of strategic interest to PIDG. A number of different kinds of partnerships will be possible in different sectors, provided that the relationships are consistent with PIDG priorities, generate benefits for PIDG companies, and satisfy the strict requirement of PIDG due diligence regarding partnerships with outside entities.

- **Cross-cutting Add-on Activities:** In addition to supporting more centrally-driven approaches, TAF funding may be used to support PIDG companies in achieving some of the social objectives of owners, including in areas related to gender, disability, and economic empowerment. While companies will be expected to embed these considerations into their normal operations, TAF funding could be used to enhance their contributions to these objectives on a case by case basis where, for example, a change in the design of a particular infrastructure service could enhance its development impact.

**Developer - Investor business (InfraCos)**

PIDG’s InfraCos seek to address the lack of suitable ‘bankable’ private infrastructure projects, high upfront costs and risks of infrastructure project development, and the inadequate capacity and expertise in public and private sectors in some of the world’s poorest countries.

The InfraCos have a central role to play in helping to originate innovative opportunities and structure projects to ensure they achieve a greater level of impact, making them more attractive to private sector investment and reducing transaction costs. This is about supporting projects where private sector developers are generally unwilling or unable to take on the upfront costs and risks (whether actual or perceived) on their own. Hence, the InfraCos will continue to focus on investing in and developing commercially viable projects. This will enable financial close, long-term sustainability and the crowding-in of private sector funding/follow-on investment that permits the InfraCos to exit through the sale of projects to the private sector, recycling funds into new projects.

**PIDG’s InfraCos de-risk early stage infrastructure projects**

![Graph showing the progression, risk, gap, and cost of InfraCos projects](image-url)

- Concept
- Early-Stage Development
- Advanced Development
- Construction
- COD
- Commercial Operation

**Focus of most institutional investors**

- Financial Close
- COD

**InfraCos bridge this gap**

- 2-10% of project cost

**Progress**

**Risk**

**Gap**

**Cost**
Maximising mini-grids across Africa: delivering scale in solar power for rural communities

InfraCo Africa is providing development stage leadership and capital to enable the development of solar power at scale

Providing innovative solutions to extend the reach of solar mini-grids within rural communities and provide isolated SMEs with the power they need to be productive and profitable, fuelling economic growth.

![Finance](image1)

- $0.7m committed to pilot two innovative off-grid solar solutions in Tanzania and Zambia. With a further $7.8m committed to scale up these operations once proven
- Providing reliable, affordable power to isolated communities and SMEs
- Rapidly deploying renewable power generation infrastructure
- Diversifying or hybridising electricity supply to reduce carbon footprints
- Reducing fuel costs and improving energy reliability for business currently using diesel or the national grid
- Improving access to power with over 3,500 new connections in Uganda and Tanzania
- Improved living standards
  - Delivering clean power to rural communities and isolated SMEs enabling increased productivity and profitability
- Innovative, replicable solar systems
  - Small discrete containerised supply replicated across multiple deployment. Rapidly deployed, hybrid systems with storage back up, allowing access to power 24/7
- Championing renewable energy
  - Acting as a pioneer in championing the expansion and reach of renewable technologies
- Affordability
  - Rental model removes upfront capital costs for communities and businesses

![Infrastructure](image2)

- Further commitment to build Uganda’s first solar island utility back-up by batteries

![Impact](image3)

We will review how we treat regions in lower middle-income countries, with regard to eligibility, based on poverty and fragility. Whilst we will continue to focus on the traditional markets, in particular FCAS, we will look at other countries that meet our development impact criteria.

The InfraCos will diversify their sector focus to include other areas of infrastructure to avoid an over-dependence on the power sector. This will include the full range of sectors allowed for in our unified investment policy, including high impact projects with strong inter-dependencies with infrastructure provision including storage and distribution, industrial parks (economic zones) and affordable housing projects.

We will support highly scalable businesses, for example, off-grid solutions, known as mini-grids, which are often in remote areas. These are provided by renewables companies and cater not only to households but also assist in economic growth, enabling economic opportunity and/or improvements in productivity for small local production and retail businesses. We will also increase our focus on building a portfolio of projects with the same developer partner(s) to enable initial projects to be scaled for greater impact.
We will continue to reinforce our emphasis on local capacity-building by working in partnership with local or regional developers/sponsors.

The investment and development process will be integrated for both the InfraCos with greater flexibility around: (1) the investment options available, e.g. the potential to support investment in the construction phase and projects developed by third parties; and (2) staying in a project after commercial operation date (COD) which may also help to further de-risk the project for potential investors (including both local and foreign institutional investors) and optimise value, in circumstances where selling is clearly sub-optimal. The option to stay in the project beyond COD when it is operational may lead to a higher cash return than at present (which can then be brought back into the business to be invested in new projects and to support our financial sustainability objective).

Subject to funding, the InfraCos will consider on-balance sheet financing of projects where transaction costs can be reduced, and project implementation speeded up. Third-party finance can then be secured once the project is operational and the risks are reduced.

Coc San, Vietnam: from distressed asset to high-performing operational plant: removing capital access barriers for infrastructure projects

InfraCo Asia provided development stage leadership and capital, identifying and mitigating risks early on, attracted private sector investment to a project that was once considered too risky

Collaboration across PIDG was critical to the projects success. After the project stalled in 2011 when it failed to secure long-term financing, InfraCo Asia stepped in to provide equity and leadership capital needed to help the project progress.

InfraCo Asia took the project through financial close and construction, and PIDG’s TAF provided viability gap funding to facilitate financial close.

<table>
<thead>
<tr>
<th>Finance</th>
<th>Infrastructure</th>
<th>Impact</th>
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</table>
| InfraCo Asia invested $7.5m developing Coc San and contributed a further $10m at financial close. Alongside $5m viability gap funding from PIDG’s Technical Assistance Fund (TAF) | 29.7MW of clean, run-of-river hydro power for the people of Lao Cai Province, Vietnam | Attracting domestic capital
Established bankability of clean energy in Vietnam, attracting domestic and international private sector investors |
| $22.5m PIDG commitment | Generates over 120GWh per year of clean energy | Developing renewable energy sector
Delivering clean, domestically generated and more reliable power supply for local communities, opening the door for new economic opportunities |
| Private sector sale of an operating asset to TEPCO post construction allowing public funds to be recycled into future projects | Improved access to sustainable energy supply for 130,000 people | Development stage leadership
Implemented to stringent international standards with respect to governance, environment, health & safety, and community relations |
|                  | 76,000 tonne reduction in carbon emissions per annum | Championing renewable energy
Acting as a pioneer in championing renewable technology. Established pioneering collaboration for InfraCo Asia and TEPCO on hydropower projects |
There will be a greater focus on initiative-driven activities, with PIDG, supported by TAF/DevCo, playing more of a role in developing a programmatic approach. We will look for programmatic approaches that focus on holistic solutions which combine economic activities with the necessary infrastructure to build sustainable and replicable models that offer benefits to economic zones, local production and commercial activities, and local communities, creating jobs and/or access to economic opportunity and improvement in productivity. This may include renewable energy solutions which combine different sources of energy generation and storage; or solutions which combine economic activities (including anchor tenants) with the necessary associated infrastructure, so there is a stable demand for the infrastructure services enabling lower prices.

**Credit Solutions business**

PIDG’s Credit Solutions business will address a shortage of long-term, patient funding and a lack of local currency financing and local capital market development for private sector infrastructure projects in developing countries. PIDG’s Credit Solutions business will provide funded and contingent hard currency and local currency credit solutions. There will be a focus on

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**Kigali Bulk Water, Rwanda: exemplar project, creating replicable model for public-private partnerships**

**Securing complex financing to deliver a ground-breaking water supply project**

Demonstration of collaboration across PIDG: DevCo, TAF and EAIF contributed significant financing and structuring to enable the delivery of the 1st long-term water sector PPP.

Multilateral finance institutions, like PIDG play a trail-blazing, risk-reducing role in the sector, demonstrating what is possible and encouraging the private sector to invest in similar schemes with their partners in Government.

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<tr>
<th>Finance</th>
<th>Infrastructure</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Co-ordinated package of blended finance</td>
<td>Delivering 40m litres of clean water daily, when operational</td>
<td>1st long-term water sector PPP DevCo in the project’s early stages helped structure the 1st long-term water sector PPP in sub-Saharan Africa, creating a benchmark for future transactions</td>
</tr>
<tr>
<td>DevCo enabled the development of a PPP transaction</td>
<td>Connecting 500,000 people in Kigali, Rwanda with reliable water supply without raising tariffs</td>
<td>Improving public health and economic productivity Creating a landmark moment in Rwanda’s social and economic development</td>
</tr>
<tr>
<td>$29m PIDG commitment</td>
<td>‘Projects Grand Prix’ and ‘Best Utilities Project at the Partnership Awards in London, May 2018</td>
<td>Creating replicable model TAF’s VGF grant was key to the creation of the financing package</td>
</tr>
<tr>
<td>EAIF lead arranger, providing $40m, 18-year long-term loan jointly with AfDB</td>
<td>Water Deal of the Year at the World Water Summit in Paris, April 2018</td>
<td>Exemplar project for PPPs Early-stage structuring and innovative blended finance creates a benchmark for future transactions</td>
</tr>
<tr>
<td>TAF granted $6.5m in crucial viability gap funding</td>
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</table>
Increasing local participation in both contingent and funded local currency financing solutions. The companies will be given flexibility to apply these solutions across the different sectors and geographies outlined in our unified Investment Policy. With greater flexibility to respond to the needs of the market, PIDG’s Credit Solutions business will expand its existing local currency and local capital market activities, both of which have significant market-building potential.

With continued creativity, we will roll out existing innovative solutions into new countries, such as the first utility-scale solar power plant in West Africa (Akou Kita solar in Mali); the first sub-Saharan’ water PPP (Kigali bulk water in Rwanda); or the first non-financial institution to issue a corporate bond on the Ghanaian Fixed Income Market, with a tenor of 10 years (Quantum Terminals). We will explore opportunities for these innovative solutions to become programmatic approaches, where PIDG’s collective experience can be used to leverage replicability into new frontier markets.

We will be more creative in applying a range of financing approaches that are responsive to market needs and thus play a greater role in

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1 Excluding RSA
stimulating financial market development whilst also facilitating increased private investment in infrastructure. Some of the options that will be considered include: tailoring financing approaches to the needs of (local and cross-border) institutional investors, particularly local pension and insurance funds. Our preference is to seek local financing solutions where appropriate, or, recognising this will not be possible in all markets at this stage, in conjunction with hard currency financing.

To address a common market gap, we will seek opportunities to use PIDG to invest equity into investment initiatives, backed by anchor investors. We will do this by fostering frontier ideas/solutions (such as equity investments in new InfraCredits to provide anchor capital) to enhance domestic capital markets and develop replicable/scalable models. This can leverage local currency debt instruments to achieve scale and to create new innovative credit solutions. Working in partnership, we will promote the InfraCredit model in sub-Saharan Africa and Asia.

We will seek to commit capital to a separate window that can undertake credit activities that our current structure and capabilities make more difficult, e.g. subordinated or mezzanine debt for projects in difficult jurisdictions and/or sectors where EAIF provides senior debt for the project, with a tranche of longer-tenor debt or more back-ended debt to the senior debt, or short-term construction finance/bridge finance.

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### Innovative synthetic local currency bond

**GuarantCo guarantees first international corporate Indian rupee green bond in Asia**

Utilising an innovative, first of its kind structure developed for this project, GuarantCo reduced currency risk for the developer and attract funding from international institutional investors.

The transaction has significant demonstration effect in attracting institutional investors to invest in future bond issues supporting infrastructure in Asia.

**Finance**

- Guarantee facilitated issuance of a 7 year tranche, a first for INR-denominated offshore bonds

**Infrastructure**

- Refinancing for operating solar power plants in India
- Refinancing of existing debt in INR
- 100% guarantee denominated in INR but settled in USD

**Impact**

- Developing capital markets
  The guarantee facilitated issuance of a 7 year tranche, a first for INR-denominated offshore bonds
- Embedding green standards
  Bond issued in accordance with:
  - Green bond principles
  - ASEAN Green bond standards
- Promoting rating from Moody’s A1
  Full credit substitution by GuarantCo
- Promoting financial resilience
  Providing local currency finance to reduce currency exchange risk
- Promoting local currency markets, globally
  1st PHP-denominated Green Bond to list on the LSE

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Issued by Sindicatum Renewables, a developer/owner/operator of renewable power plants in south and south-east Asia.
We operate at the frontier where other organisations cannot or will not yet go.

This includes the poorest countries and FCAS; poor regions of middle-income countries; early-stage projects that explore new approaches or technologies; projects that leverage private sector investment from new sources with the aim of moving the market; and other “first of a kind” projects. In addition, all our projects must comply with the IFC’s environmental and social performance standards. This ensures that high standards are maintained on PIDG-supported projects and encourages improved standards by private sector partners.

We will continue to focus on frontier markets, with our focus predominantly on sub-Saharan Africa and south and south-east Asia.1

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1 GuarantCo has a global mandate but this is proscribed to Africa, Middle East and Asia by direction of the Board.
We will continue to concentrate on projects in low-income countries (LICs) and FCAS. While our geographical footprint is not limited solely to LICs or FCAS, we will continue to occupy a distinct frontier positioning, helping to path-find different new approaches and ensuring we demonstrate suitable ambition, with a minimum of 50% of our projects in FCAS.

We will consider other countries listed as priorities by our Owners, where there is a strong development impact case and where we can address them in a thematic way. PIDG will investigate these opportunities on a case by case basis but not at the expense of delivering PIDG’s current geographic focus on frontier markets. In addition, we will review how we treat regions in a country with regard to eligibility, based on poverty and fragility. We will be most likely to consider new countries in order to replicate proven solutions / approaches. Should we identify a new country that meets our criteria, we will seek Owners’ approval.

We will also select countries to develop frontier capital markets through the introduction of products we believe can demonstrate scale and replicability and where we have the ability to move the market.
The new PIDG governance structure enables more effective direction, guidance and control.
Our focus to date has largely been on the power sector, always preferring renewables where they make sense from a cost and grid perspective. Power will remain an important part of the PIDG portfolio, as it is a powerful enabler of infrastructure development and impact.

With our new structure and unified investment policy, we will adopt a joined-up approach across the PIDG companies to explore programmatic themes in these areas, where they support our focus on infrastructure. We will seek to explore programmatic opportunities in the manufacturing sector, social infrastructure (especially housing), and, economic zones, as well as increasing our focus and portfolio in the transportation, water and digital communications infrastructure sectors.

PIDG’s unified Investment Policy clarifies what is allowed and what is not allowed within each sector, together with sector caps on exposure, where appropriate. In the following section, we outline our approach for our sectors of focus.

**Agri-business**

Agri-business is most clearly linked to SDGs related to reducing hunger and ending poverty, but it is also critical to protecting livelihoods, achieving gender equality and fulfilling education.

We will focus on opportunities that support agri-business associated with infrastructure, including the development of irrigation systems connected to power and road networks, and investments along the value chain (input supply, farming, processing and logistics).

**PIDG is a powerful enabler of infrastructure development and impact.**
Technological progress is key to finding lasting solutions to both economic and environmental challenges, such as providing new jobs and promoting energy efficiency. Promoting sustainable industries, and investing in scientific research and innovation, are all important ways to facilitate sustainable development. More than 4 billion people still do not have access to the Internet, and 90% are from the developing world. Bridging this digital divide is crucial to ensure equal access to information and knowledge, as well as foster innovation and entrepreneurship, thereby contributing to SDG 9 ‘Industry, innovation and infrastructure’.

Mobile phones have fundamentally changed the lives of people in the poorest countries by offering the ability to transfer money, check local market prices and access health messaging. It has also allowed many countries to leapfrog landlines resulting in huge savings. Demand for mobile and broadband remains high across the region and the telecoms infrastructure struggles to keep pace with demand.

We focus on the development of modern communications infrastructure and information-technology businesses. This is about supporting improved broadband connectivity, supporting infrastructure sharing models, and expanding networks to new areas, especially in fragile and frontier markets.
Modern, affordable, reliable and sustainable energy is critical for economic growth. Our focus to date has largely been on the energy sector, always preferring renewables where they make sense from a cost and grid perspective. With one in seven people globally lacking access to electricity, and as the demand continues to rise, there needs to be a substantial increase in the production of renewable energy across the world. As such, power will remain an important part of the PIDG portfolio, as it is a powerful enabler of infrastructure development and impact. We will not invest in coal-fired energy generation under any circumstances, in view of its very high greenhouse gas emissions.

We aim to provide affordable power, while always evaluating the potential climate impact, to increase supply in the most challenged countries, while contributing towards SDG 7, ‘affordable and clean energy’. We recognise that for some projects, the primary pathway to impact will be through demand by businesses, while for others, the main impact will be through providing energy for households. In many projects, both will be equally important for the success of a project.

Renewable generation can also avoid the need to construct large-scale centralised grid infrastructure given its suitability for distributed or off-grid/microgrid-based generation. With nearly 80% of those lacking access to electricity based in rural areas, off-grid renewables solutions are a critical route to electrification. Scalable distributed solar solutions, often utilising innovative technologies and business models such as pay-as-you-go can also deal with underlying investment such as payment risk, given that individuals in the region typically lack credit histories.

With an increasing focus on renewables and off-grid technologies, we will continue to develop areas where we have acquired expertise (small hydro, wind, solar, geothermal); but we will not just focus on utility-scale – we will increasingly explore off-grid and mini-grid solutions, including storage solutions co-located with renewable generation, thereby providing power in remote areas.
Manufacturing is critical for a country’s development: to support the creation of jobs; to increase innovation; to sustain higher economic growth and progress in structural change; and to achieve long-term prosperity.

PIDG’s focus on the manufacturing sector will be by providing patient capital and credit products to manufacturing businesses which support infrastructure or where the transaction will drive capital market development. PIDG may invest in manufacturing activities associated with our core focus of infrastructure through its Credit Solutions businesses. These activities must complement the other traditional sub-sectors that are normally associated with infrastructure and which demonstrate a clear and direct infrastructure element.

These activities will be clearly additional, highly developmental projects seen through the lens of “no one else can do it” and where HSES conditions are compliant with our requirements. Any manufacturing-related project that does not have an associated capital market development, a clear and direct infrastructure element, or associated value chain that stays in country, will not be undertaken.

Equally, economic zones are areas which can be transformational and may include associated infrastructure including captive power, access roads, etc. as well as manufacturing plants (allowing the country to keep the value chain in country for the export of finished goods).

Economic zones can have different objectives, for example manufacturing of goods for export, urban revitalisation, industrial development, integrated development (freeport for example) or trade support. Their development impact can come in a range of different ways depending on their area of focus: increased value-added in-country (potentially enhancing the incomes of primary producers); reduced migration within a country; reduced cost and increased competitiveness for businesses, leading to job creation; improved technology transfer between companies in a knowledge hub, leading to improved skills; or increased export earnings.

As outlined within the Investment Policy, PIDG will actively explore opportunities to invest in economic zones, which complement the other traditional sub-sectors that are normally associated with infrastructure. Our Upstream Technical Assistance business will be able to provide support for these infrastructure related projects. In addition, we are investigating whether infrastructure associated with economic zones demonstrates both replicability and scale and is therefore a programmatic theme.
Social infrastructure includes the construction and maintenance of facilities that support social services. These can include healthcare (medical facilities and ancillary infrastructure), education (schools, universities and student accommodation), and housing. Given the ongoing constraints with respect to government finances, there is greater interest in public-private partnerships (PPPs) solutions in these sectors.

PIDG may invest in social infrastructure which complements the other traditional sub-sectors that are normally associated with infrastructure, including:

- Urban and non-urban infrastructure: the provision of economic and social infrastructure within urban and rural settings. We will collaborate with institutions that have an in-depth understanding of the specific risks involved; or
- Affordable housing: which broadly-speaking is housing which can be made available to low-income individuals at a rent or mortgage repayment they can afford. We have engaged an expert to develop more specific criteria for PIDG to apply to explore the options and criteria for PIDG involvement in affordable housing projects.
- Healthcare: There may be occasions when PIDG is approached for hospitals, but these would be ‘bricks and mortars’ projects, not just services.
- Education: PIDG may provide support for projects relating to schools and universities when it is better placed than others to do so, for example, there may be opportunities to support affordable accommodation for university students.
Transportation

Transport is an essential part of our everyday lives and is central to sustainable development. It enables access to employment, business, education, health services, and social interaction. Sustainable, efficient, and well-maintained transport infrastructure allows urban and rural dwellers the opportunity to participate in economic opportunities and access essential services. For example, a new or improved road not only creates new jobs and gives a short-term boost to a nation’s economy, but such investment also helps build and facilitate economic activities for decades and generations to come. We aim to support transportation, including urban transport, rail, maritime, roads, and airports associated infrastructure which aligns development, while always evaluating and seeking to mitigate the potential climate impact.

Water, Sewerage and Sanitation

Our investments in the water, sewerage and sanitation sector contribute directly to SDG 6, ‘Clean water and sanitation’ and support the provision of universal access to safe drinking water and sanitation for all. This in turn can lead to lower disease burden, improved nutrition, improved quality of life and increased attendance of girls at school, as well as improved water resource management leading to better allocation, regulation, and conservation of valuable water resources.

Through our support to the Kigali Bulk Water Project in Rwanda, we have demonstrated our ability to play a trailblazing risk-reducing role in the sector, demonstrating what is possible and encouraging the private section to invest in similar schemes with their partners in governments.

We will expand our work and invest in PPP-type projects providing access to safe water and basic sanitation. To do so, we will seek to explore options to improve the financial viability of the water sector by supporting private sector-led projects which deliver clean water as efficiently and cost effectively as possible to government-run water utilities.

We will expand our work and invest in PPP-type projects providing access to safe water and basic sanitation.
PIDG has entered into several strategic partnerships over the past two years with organisations such as the LSE, GIF and GGGI. Work is under way to apply for a “Pillar Assessment” with the European Commission to enable us to sign the European Fund for Sustainable Development guarantee agreement with the EC. In addition, discussions are underway with the Green Climate Fund with a view to achieving accreditation in order to access funding for project development stages.

To retain our niche we will seek complementarity with other players in our space. This will require continued engagement with other DFIs, commercial financial institutions and commercial companies to ensure that we are able to articulate and demonstrate how we are adding value. It will also require us to develop greater partnership skills.

MDBs are expected to increasingly shift their financing toward the private sector, seeking more co-investment and risk-sharing opportunities, given the need to fill investment gaps. We will therefore want to develop more formal strategic partnerships with key infrastructure players, including established partners such as MDBs and DFIs as well as impact funds, private equity and pension firms, pension funds, to expand PIDG’s influence and profile and to harness the benefits of partnership in a more joined-up manner. The new sources of finance, such as philanthropic organisations, private impact investors, public-private single-issue funds, and our expertise create new opportunities for cooperation, allowing us to further leverage our own finance and skills. Equally, the increased diversity of funding instruments - be it blended finance, green bonds, guarantees or impact investments - provides an opportunity to explore new mechanisms to deliver on the SDG agenda.

We provide opportunities for companies from our Member countries to work with us through: supporting our operations; providing goods and services to our projects; and investing alongside us or seeking project support, in accordance with the EU procurement directive.

We will also examine the various programmes funded by our Owners to identify synergies and areas for cooperation. There are, for example, several initiatives under way to address the lack of bankable transactions.

<table>
<thead>
<tr>
<th>Recent Partnerships with PIDG</th>
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<tbody>
<tr>
<td><strong>London Stock Exchange (LSE)</strong></td>
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<tr>
<td>The partnership will use GuarantCo’s local currency guarantees to help businesses from frontier markets place investment bonds on the LSE, bringing infrastructure investment opportunities in the poorest countries to an expanded range of commercial financiers.</td>
</tr>
<tr>
<td><strong>Global Infrastructure Facility (GIF)</strong></td>
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<tr>
<td>A collaborative platform within the World Bank that mobilises private finance for infrastructure projects in emerging markets and developing economies.</td>
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<tr>
<td><strong>Global Green Growth Institute (GGGI)</strong></td>
</tr>
<tr>
<td>GGGI promotes the mainstreaming of green growth by supporting green growth planning in countries, designing policies conducive to green investment, and developing bankable projects, financial instruments, and national financing vehicles that leverage public finance to catalyse investments at scale.</td>
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</tbody>
</table>
We invest and operate in some of the most challenging regions of the world, exposing us to inherent risk. We have introduced a number of new approaches, policies and procedures to manage and mitigate them. Operating at the frontier means by its very nature that we operate where the risks may be greatest and unacceptable for others. The nature of our work means that these risks can never be entirely eliminated.

We have a risk management policy that sets our risk appetite, and a series of triggers to elevate the consideration of potential risks to the PIDG Board’s Risk Committee. The main risks we manage are:

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<tr>
<th>Risk</th>
<th>Description</th>
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<tbody>
<tr>
<td>Trade-off risk</td>
<td>The strategy envisages a trade-off between financial sustainability and development impact. Failure to successfully manage this trade-off could compromise implementation. If too much emphasis is placed on financial sustainability, PIDG may start operating too far from the frontier and not be able to deliver on its mission. Conversely, focusing solely on the most marginal projects could lead to poor credit risk outcomes and consequent capital erosion, and thereby diluting our impact through the loss of a credit rating and/or market confidence. Failure of projects would also result in potential development impact not being delivered.</td>
</tr>
<tr>
<td>Reputational risk</td>
<td>PIDG continues to operate in markets where governance, environmental, social and health and safety risks remain a challenge. A comprehensive framework addressing these risks is being implemented, but there remains a risk of a significant incident occurring that cannot be managed, and which could jeopardise PIDG’s reputation.</td>
</tr>
<tr>
<td>Funding risk</td>
<td>The strategy envisages growth into new geographies, sectors and products. However, the funding for this growth has not yet been secured over the term of the strategy. Any change in the economic or political environment could lead to existing funding commitments being curtailed or prospective new funding not being forthcoming or being directed elsewhere.</td>
</tr>
<tr>
<td>Political risk</td>
<td>PIDG’s exposure to political risk is significant and political instability in countries where exposure levels are high could lead to material losses and capital erosion. In addition, the strategy envisages diversifying into new geographies where PIDG has less experience and may find difficulty in navigating the political environment.</td>
</tr>
<tr>
<td>Programme risk</td>
<td>The strategy will drive a more programmatic approach with emphasis on new areas such as economic activity zones. At present much of this work is conceptual, and feasibility studies may demonstrate that there is an inadequate pipeline to support this strategic pillar.</td>
</tr>
<tr>
<td>People risk</td>
<td>The scaling of our business requires the right skills, expertise and experience which will need to be available either through PIDG and its companies or partnership to maintain our agility.</td>
</tr>
</tbody>
</table>
We invest and operate in some of the most challenging regions of the world.

**Risks**

“Risk culture is a term describing the values, beliefs, knowledge, attitudes and understanding about risk shared by a group of people with a common purpose.” (Institute of Risk Management)

- **Ownership:** Risk is owned by everyone within the organisation. Our first line of defence is relationship and operational management which is responsible for risk, with our second and third line functions being Risk Compliance (2nd line) and Internal/External Audit (3rd line).

- **Tone from the top:** Consistent and visible executive sponsorship for ethics and risk and compliance issues is not a “nice to have”; it is essential for the organisation to move forward. Leaders must not just “talk the talk”; they must “walk the walk”, in a way that enforces the values and ethical standards of the business.

- **Tone at the middle:** It is vital that messages from the top reach all parts of the organisation undiluted. PIDG is not an autocracy — employees receive messages from a range of managers and peers and that message needs to be consistent and strong throughout.

- **“Risk-aware” not “Risk-averse”:** We are in the business of “making a difference”. We must not turn a blind eye to the risks we are taking. We should understand them properly and embrace them, providing they form part of our core mission; while at the same seeking to mitigate them to the extent possible.

- **Transparency:** Our values such as promoting opportunity, being accountable and acting with integrity should drive a transparent culture. This is predicated on employees and other workers associated with PIDG being open and reporting incidents without delay. To foster an environment of transparency, a “no blame” culture needs to exist.

- **Safety,** but not only safety: One of our values is to prioritise safety; but inculcating a strong risk culture should not end there. Risk culture is a state of mind and a way of behaving which should extend to all areas of risk including, but not limited to, anti-corruption, procurement and fair dealing with stakeholders.
Following the governance restructuring in early-2018, PIDG Ltd. has been established to act as the parent company and head office of PIDG. Through its board, committees and executive team, PIDG will have responsibility for ensuring that it meets its objectives and the expectations of its Owners, assuming certain functions previously carried out by its Owners and the Boards of other companies in the group and becoming a single point of contact for its Owners.

PIDG Ltd. sets investment criteria for the other PIDG companies in the group (within the overall policies set by its Owners) and oversees their investment decisions to ensure that they comply with those criteria and the PIDG’s objectives in general, and that each investment constitutes an efficient and prudent use of resources by the company concerned.

In the event that PIDG Ltd. considers an investment does not further PIDG’s objectives and/or is an inefficient/imprudent use of resources it may intervene, and give directions to the company, e.g. to modify the investment or refrain from making it. Additionally, decisions which concern investments which are complex, out of the ordinary or particularly large will be elevated by the relevant company to PIDG Ltd.’s Credit or Investment Committees.

PIDG Ltd. will also oversee the performance of investments once made. If PIDG Ltd. considers that a PIDG company is failing in some way to ensure that its investments achieve the PIDG objectives properly or efficiently it may intervene and either direct that the company take appropriate action or take such action itself. In this way it is intended that PIDG Ltd. will become the single mechanism by which its Owners ensure more centralised, consistent and robust control over PIDG’s activities.

The Directors, Committee members and Executive Team of PIDG Ltd. have been chosen to establish an appropriate balance between depth of skills and experience in the business activities of PIDG, understanding of the PIDG Owners’ objectives and understanding of the roles and responsibilities delegated to PIDG Ltd. by its Owners and new skills required to strengthen the ‘PIDG Centre’.

Good governance lies at the heart of all successful organisations. PIDG is committed to complying with all applicable laws in the jurisdictions in which it operates. Integrity is one of our values and we apply high ethical standards to everything we do: we are honest and transparent because it builds mutual trust and respect with all stakeholders. The Board of PIDG Ltd. expects all staff members to comply with both the letter and spirit of the law. We have detailed integrity and compliance policies and procedures, to ensure that the company’s commitment to integrity and legal compliance is followed. We have a zero tolerance to incidences of corruption and other unethical conduct or unsafe behaviour, including but not limited to fraud, corruption, sexual exploitation, and we insist on adherence to anti-money laundering and health and safety practices and standards in our activities.