

PIDG Pathfinder

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Talking point

Reflections on PIDG TA



Emilio Cattaneo,
Head of PIDG TA, PIDG

Earlier in the year, I was invited to participate in a seminar during the annual *OECD Private Finance for Sustainable Development Conference* in Paris. This is the annual gathering of public and private practitioners committed to promoting a better alignment of finance with the SDGs. The topic of the seminar I was asked to present on, organised by two of PIDG's owners SECO and SIDA, was *"The Road to a large universe of investible SDG projects - the role of technical assistance facilities in blended finance"*.

It was my first presentation as Head of TA (Technical Assistance) at PIDG, and very timely as the debate was constructive and informative, emphasising the critical role played by technical assistance (TA) and project preparation (PP) facilities in enabling investible projects. As part of the preparatory work for this seminar, data was gathered on over 150 TA / PP programmes currently operating, varying from those targeted to specific regions, or countries, or sectors (clean energy and urbanisation were a predominant theme), others however had a very broad and unspecific remit. The majority of the TA / PP facilities researched had been created since 2015, with more than USD600m committed in aggregate, ranging in size from USD20m to over USD100m, and collectively approximately USD50 billion in total project investment is currently under preparation through these facilities as a result of efforts made since 2015.

What makes TA / PP facilities so prevalent and so important?

To put it simply, they are instrumental in creating a larger universe of investible projects. From PIDG's experience, the lack of sufficient investible projects that are *IDD*¹ and *ESG*² compliant is a serious constraint to bridging the infrastructure gap in the markets where we operate, in turn restricting the mobilisation of private capital. This is even more evident in *FCAS*³, where investible opportunities are even more limited, and where Development Finance Institutions (DFIs) need to step in with products like TA to support project de-risking, especially at the very early stages of project development.

How does PIDG TA compare with other facilities?

PIDG's TA offering is a veteran of this market, having been established in 2004, and in size it ranks in the upper range of the scale, with just over USD100m of Owner funding subscribed since day one. Over this period PIDG TA has disbursed around 200 grants, supporting projects across PIDG, and playing an important role in helping PIDG and its companies mobilise over USD33bn from private sector investors and DFIs.

PIDG is perhaps unique in that it channels its TA funds almost exclusively through its companies, ensuring that resources are accurately and efficiently targeted at projects that PIDG has a long-term interest in, either as an equity or debt investor, or as a guarantor. TA can also be catalytic in initiating and promoting multi-company programmes and centrally driven initiatives that are not specific to a particular company and that align with PIDG strategic objectives.

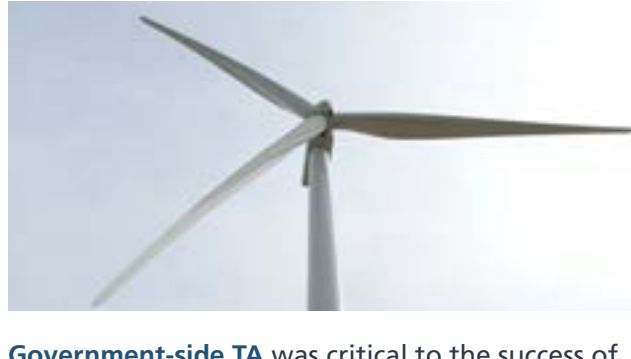
So what exactly is TA?

TA is commonly disbursed as a grant used to support and facilitate the development of project or an initiative, acting as a powerful tool to improve the viability, affordability and impact of projects.

PIDG TA's product offering can be broadly divided into three groupings:

- "Government-side" TA,
- "Project-side" TA and
- Capital Grants, including Viability Gap Funding (VGF).

Government-side TA funds activities which seek to improve expertise within governments, also referred to as "capacity building". This can relate to Policy, Regulatory and Institutional reform and is provided in the form of advice and training, helping to support the design and implementation of reforms. Alternatively, TA can pay for Embedded Advisors that both work with, and sit within the relevant government office, managing for example the structuring and negotiation of PPPs. An area of focus for PIDG and especially for GuarantCo is the use of TA for Capital Market Development, to stimulate the creation of viable domestic capital markets and encourage local institutions to invest in the infrastructure asset class in local currency.



Government-side TA

was critical to the success of *InfraCo Asia* project, *Myanmar Wind*. – A USD150,000 TA grant was provided to support the development of bankable wind power projects in Myanmar, to pay for i) organisation and management of 5 in-country renewable energy training days including wind project economics, and key determinants of wind project bankability, and the organisation of a government delegation to visit to a neighbouring country for information gathering and capacity development.

Project-side TA is to support the activities of project developers and help to finance project preparation activities necessary to make a project investible. It can help to identify potential pipelines, or to overcome legal/regulatory/policy obstacles, for *Impact Enhancement*, to cover feasibility studies, funding of the design and implementation of *Pioneering Transactions* that reflect some measure of innovation or demonstration effects. A recent example is *The InfraCo Africa* project, *Corbetti* – Ethiopia geothermal – A USD165,000 TA grant to pay for an assessment of the feasibility and cost of modifying the planned water infrastructure/supply of an Ethiopian geothermal power project so that local communities and pastoralists can use some of the clean water for consumption and irrigation.

1. The Insurance Distribution Directive (IDD) is EU legislation which sets regulatory requirements for firms designing and selling insurance products.
2. Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.
3. Fragile and Conflict-Affected countries



Corbetti Caldera landscape

Also important is the use of TA in Post-Transaction Support to projects, if it becomes evident during project implementation that further assistance is urgently needed. This category may well become critical as we move into a post-COVID period and begin to assess the impact of the pandemic on our clients and what financial support might be required to secure the continuity of a project. Through our COVID response initiative, through which we are disbursing over USD1.3m to 17 PIDG projects around the world, has assisted in protecting workers and their communities from the risks of inactivation, and in particular we are helping to improve availability of clean water at a number of sites.

Capital Grants and VGF are grants that can be applied to fund project CAPEX, in order to reduce the costs of impactful infrastructure projects and are designed to make economically viable project financially viable, thereby attracting private sector finance. The aim of using these grants is to deliver projects that are affordable and transformative, and which are replicable by other market participants.

A USD6.25m VGF grant was provided to the *EaIF* project *Kigali Bulk Water*, to close the gap between the expected revenues of a bulk water project in Rwanda and the revenues required to cover all capital costs, operating and maintenance costs, and earn a reasonable return on investment.



Kigali bulk water project

Since the beginning of the year, the PIDG TA Team has been promoting a better understanding of the TA product both within PIDG and outside through a series of presentations and seminars, and we would welcome a continuing dialogue on how we can further share knowledge of our activities.

As part of this process we have developed a detailed corporate presentation and are updating the [TA page on the PIDG website](#). We will also be more actively promoting PIDG TA activities externally through press releases and social media, so that we can highlight the unique way that PIDG deploys this highly catalytic product in our target markets.

