Unclassified **DCD/WKP(2014)2/ADD/PROV**

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

17-Apr-2014

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE

DCD/WKP(2014)2/ADD/PROV
Unclassified

DRAFT PROFILES OF DONOR SUPPORT TO PRIVATE INVESTMENT FOR INFRASTRUCTURE

This draft document contains 12 profiles of donor support to private investment for infrastructure. The donors are: Australia, EU Institutions, France, Japan, Netherlands, UK, USA, EBRD, IADB, IsDB, World Bank Group, and Private Infrastructure Development Group.

The information is based on the research and survey carried out by the DAC Secretariat. Abridged versions of these profiles with some data will be annexed to the revised document summarising the findings from the review of 22 donors [DCD/WKP(2014)2/REV1] (forthcoming). This document will itself be sent to Members and survey participants for clearance.

The profiles of 10 other donors (Belgium, Canada, Germany, Korea, New Zealand, Norway, Portugal, Spain, AfDB, and AsDB) are included in the document [DCD/WKP(2013)2/ADD/REV1].

The countries and agencies concerned are invited to send any further corrections, additional information, or comments to the Secretariat by Friday 2 May 2014.

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AUSTRALIA

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Department for Foreign Affairs and Trade (DFAT)

1. Until recently, Australia's development co-operation was managed by the Australian Agency for International Development (AusAID), which was an independent agency reporting to the Minister for Foreign Affairs in the Department for Foreign Affairs and Trade (DFAT). In September 2013, the Australian Government announced the integration of AusAID into DFAT. Policies dating before 2013 mentioned in this profile were introduced by Australia's former government and may be subject to change in the near future.

2. Infrastructure is a strategic priority for Australia's development co-operation. Its Infrastructure Policy of 2011 sets out Australia's aim to increase leveraging private finance in infrastructure. Australia views the private sector's potential for creating employment and for enabling growth in other economic sectors as fundamental for populations in developing countries to "exit poverty". In August 2012, AusAID launched its Private-Sector Development Strategy, which mainly focuses on support for private participation in infrastructure. The strategy is to be implemented primarily through helping improve the enabling environment for private partnerships (PPPs) by providing technical assistance to partner governments.

3. More generally, Australia focuses its support to the private sector in fragile states and the Pacific-Island developing countries (PICs). For example, Australia provided funding to help improve the capacity of the Philippine government to develop, package, competitively tender for and implement PPP projects. Australia channels this support through the Asian Development Bank (AsDB) and the International Finance Corporation (IFC) of the World Bank.

4. Australia also supports private sector involvement through output-based aid (OBA). By means of performance-based subsidies, OBA links the payment of aid to the delivery of basic services such as electricity, water, sanitation, or basic health care to poor consumers who cannot afford the cost of access. The delivery of these services is contracted out to a third party, public or private, which then receives a subsidy to top-up or replace the user fees. The service provider is responsible for pre-financing the project, and in doing so takes on a significant amount of risk, as it will be reimbursed only after delivery and independent verification of the pre-agreed "outputs." Australia engages in OBA primarily through providing grants to the Global Partnership on Output-Based Aid (GPOBA), which has leveraged private finance in projects aimed at electrification in Africa and solid waste management in Nepal. DFAT also directly manages the water and sanitation 'Hibah' programme in Indonesia. An OBA programme from 2010 has provided around 599,272 people with increased access to safe water and more than 307,110 people with increased access to basic sanitation or a sewerage connection.

Export Finance and Insurance Corporation (EFIC)

5. Australia does not have a Development Finance Institution. However, the Export Finance and Insurance Corporation (EFIC), the country's export credit agency (ECA), supports private investment by Australian companies in emerging markets through (1) the provision of guarantees, (2) buyer finance, such as loans, and (3) project finance, including re-insurance. In order to qualify for EFIC support in transport and energy, investments must form an integral part of the export supply chain for Australian products. As an example, EFIC provided re-insurance to USD 26 million of Germany's ECA Hermes which had insured an Australian construction company to build the Phu My Bridge in Vietnam, which cost US$104 million. Furthermore, EFIC provides country risk analysis in the infrastructure sectors to inform Australian investors.

6. EFIC is currently supervised by the Minister for Finance along with a governing board of representatives from a number of related ministries, including DFAT. However, Australia's recently elected new government has stated its intention to remove DFAT from the EFIC Board.

Table 1. Australia's Institutions and Instruments on Support to Private Investment in Infrastructure

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Instruments	Co-ordination
DFAT	Primarily supports the improvement of the enabling environment for private sector investment in infrastructure, with a focus on Asia and PICs in particular	Technical Assistance	
EFIC	Supports investments by Australian companies in developing country infrastructure, if it is part of the export supply chain	Guarantees Loans Re-insurance	

Comparative Advantage

7. Australia, together with the United Kingdom, is the most active user of PPPs among OECD countries for financing and operating its domestic infrastructure, particularly in the transport and energy sectors. Dedicated PPP units at both the state/province level and the federal level are in place to promote PPPs. At the domestic level, Australia's dedicated PPP units place strong emphasis on capacity building for local administrations involved in PPPs. This is mirrored in its focus on supporting the enabling environment for private infrastructure in developing countries through technical assistance. Australia views this extensive domestic experience with preparing and managing PPPs as its comparative advantage in promoting them in Asian countries.

8. Furthermore, Australian long-term institutional investors, such as pension funds, have been investing in infrastructure since the 1990s. Together with Canadian institutions, Australia has the highest allocations from institutional investors to infrastructure in the world. Over half of Australian long-term institutional investment is in domestic infrastructure, enabled by the mature PPP market, a lack of restrictive regulations, and a stable political environment. Australian investors tend to outsource to open-ended infrastructure funds rather than invest directly, as well as prefer to invest in privatised assets. More recently, Australian long-term investors have been increasingly looking to invest in emerging economies. In this context, DFAT's work on improving the enabling environment for private investment in infrastructure in developing countries becomes crucial from the investors' perspective.

9. Throughout its G20 presidency, Australia plans to prioritise the promotion of private investment for infrastructure, including for developing countries. This will include an examination of what is needed to improve (1) investment environments, (2) financial intermediation of savings to productive investments, (3) planning and prioritisation of investment projects, (4) risk-sharing arrangements between the public and private sectors (through PPPs), (5) efficiency and effectiveness of existing multilateral development banks and public resources; and (6) the role of multilateral development banks in catalysing private finance, including possible innovative funding mechanisms. Within the G20, there is co-operation with the OECD on the Institutional Investors and Long-Term Investment Project, which aims to encourage infrastructure investment by long-term investors such as pension funds and sovereign wealth funds. Such investors offer the potential of delivering a larger and more diversified source of infrastructure financing. The relevant OECD-G20 taskforce will focus on the implementation of the G20-OECD High-Level Principles of Long-Term Investment Financing by Institutional Investors, which cover a broad set of factors that influence the institutional investors' willingness to invest.

Co-operation with Other Actors

10. In its policy on private sector development for developing countries, Australia stresses the importance of co-operating with other actors. A substantial number of its projects aimed at improving the enabling environment for private investment have been co-financed with multilateral agencies such as the Asian Development Bank (AsDB) and the International Finance Corporation (IFC).

11. EFIC has several reinsurance agreements, including for infrastructure projects, with other export credit agencies globally, including the EXIM Banks of the US and China as well as Japan's Nippon Export and Investment Insurance. Furthermore, it also has co-operation agreements with multilateral agencies such as the AsDB, the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and the African Trade Insurance Agency (ATI).

Enabling Environment

12. A notable example of Australia's support to the enabling environment is its technical assistance to national and sub-national governments in Indonesia through the "Indonesia Infrastructure Initiative" to enable them to address obstacles to private investment in infrastructure, particularly in the water and sanitation sector. Australia also channels the funding for this initiative through the Indonesia Infrastructure Support Trust Fund (IISTF), a World Bank-managed Trust Fund and the AsDB Trust Fund. In early 2013, Australia pledged AUD 3 million towards establishing a PPP centre in Indonesia, in order to assist the Ministry of Finance to build capacity in designing and managing PPPs. This PPP centre, if successful, could be the first of various PPP centres financed by Australia throughout the region.

Project Preparation Facilities

13. The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. Australia supports the African Water Facility (AWF), hosted by the African Development Bank. Following the Infrastructure Consortium of Africa (ICA)'s study on PPFs in Africa, Australia is committed to explore the effectiveness of PPFs in Asia in promoting long-term investment for infrastructure during its presidency of the G20 in 2014, with a view to identify appropriate G20 actions to increase infrastructure investment in low income countries.

Green infrastructure

14. AusAID's 2011 infrastructure policy states Australia's commitment to support green infrastructure—in particular renewable energy—in its development co-operation. However, as Australia does not directly support the private sector to participate in developing country infrastructure in its development co-operation programme, there is no explicit policy on how to support the private sector in renewable energy projects.

Evaluation

15. As DFAT does not directly provide support to the private sector for participation in infrastructure, there are no relevant evaluations. However, EFIC screens all transactions to determine their potential for environmental and social impact. Project Finance transactions are also reviewed against the Equator Principles, an association of which EFIC is a member.

Sources

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- AusAID, Infrastructure Strategy 2011.
- DFAT Website.
- OECD, Development Co-operation Peer Review Australia 2013.
- Opinion, The Australian, 26 November 2013.

EUROPEAN UNION INSTITUTIONS

Policies, Institutions and Instruments

16. The 2011 EU strategy document "Increasing the Impact of EU Development Policy: an Agenda for Change" underlines the importance of attracting and retaining substantial private local and foreign investment in order to meet the EU's development objectives. In particular, it emphasises investment needs in the infrastructure sectors as well as the need for EU Institutions to develop new ways of engaging with the private sector. This includes funding project preparation and providing risk mitigation instruments in order to leverage private resources for delivering social and economic infrastructure.

European Investment Bank

17. EIB supports EU development policies with respect to investment financing, based on the External Lending Mandate (ELM) given by the European Commission, as well as on the Africa Caribbean and Pacific (ACP)-EU Cotonou Partnership Agreement, under which it manages the ACP Investment Facility aimed at promoting private sector development in ACP countries. In its operations outside Europe, EIB's mandate is focused on local private sector development, development of social and economic infrastructure and supporting climate change mitigation and adaptation.

18. At the same time, investments in non-EU member countries constitute only about 10% of the EIB portfolio, of which most are EU candidate countries, European Neighbourhood Policy (ENP) countries, and the ACP countries, with Turkey being the single largest recipient of infrastructure disbursements in 2011. Furthermore, the 2013-2015 Operational Plan defines climate change-related energy projects, basic public water services, and transport investments as the main sectoral priorities of EIB's non-EU operations. Finally, EIB is working closely with other donors, in particular with the Agence Française de Développement (AFD), and the German public bank, Kreditanstalt für Wiederaufbau (KfW). The three donors have created the Mutual Reliance Initiative (MRI) which facilitates co-financed projects by harmonising assessment efforts among them.

EuropeAid

19. EuropeAid increasingly uses blending as one of its tools for achieving EU policy objectives. Blending combines EU grants with additional non-grant resources such as loans and equity for investments in partner countries. By using grants strategically, additional public and private financing can be unlocked, supporting EU development policy. Since 2007, the European Commission, together with the European External Action Service and member states, has set up seven EU regional blending facilities: the EU-Africa Infrastructure Trust Fund (ITF), the Neighbourhood Investment Facility (NIF), the Latin America Investment Facility (LAIF), the Investment Facility for Central Asia (IFCA), the Asian Investment Facility (AIF), the Caribbean Investment Facility (CIF) and the Investment Facility for the Pacific (IFP). On this basis, blending can be used in all regions of EU external co-operation. To date, €1.2 billion grants from the EU budget, the European Development Fund (EDF), and member states have been used for 168 blending projects. The EU grant contributions to individual projects have enabled investments with a total volume of approximately €30 billion that would either not have materialised at all, only at a later stage, or at an unsustainable cost for the partner country. Support to local businesses is becoming an area where blending can significantly leverage private financing to help businesses grow and create jobs. EuropeAid is currently working to further exploit the potential of blending as catalyst of private investment in infrastructure.

Table 1. EU Institutions and Instruments on Support to Private Investment in Infrastructure

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Financial Instruments	Co-ordination
EuropeAid	EC's strategy document concerning development assistance, the 2011 Agenda for Change, recognises the importance of local and foreign private sector investment, in particular for public goods provision. EuropeAid is increasingly using innovative financing modalities such as blending to catalyse private financing towards investments in infrastructure in EU partner countries.	Investment grants Interest rate subsidies Technical assistance Risk capital Insurance premia Guarantee mechanisms	Co-ordination among EuropeAid, other EU donors, and EIB.
EEAS	EU delegations are involved in implementing EU development assistance programmes in infrastructure, including with a private investment component.	None	Co-ordination is assured since part of the staff is from Commission / EuropeAid
EIB	EIB is committed to providing finance aimed at reducing poverty and stimulating economic growth in developing countries through private sector development and provision of public goods, such as social and economic infrastructure. It manages the Investment Facility component of European Development Fund, dedicated to financing private sector development in ACP countries.	Equity Sovereign and non-sovereign loans Junior, subordinate and mezzanine loans Interest rate subsidies Guarantees Technical Assistance	Coordination with local EU Delegations and wider donor co-ordination

Comparative Advantage

20. The EU is often a large donor in the field, making the potential leveraging effect greater. Access to finance for local businesses remains weak and difficult in most developing countries, as these markets are characterised by skewed risk perceptions due to information asymmetries and lack of capacity at both borrower and lender levels. EU grants paired with financing from development finance institutions and private finance institutions can support local businesses via risk capital, loan guarantees and technical assistance. Working either via local financial intermediaries or structured vehicles, the EU contribution improves access to finance for local businesses and attracts additional financing from local and foreign investors. Support to local private investors is usually provided indirectly via local banks, although it is important to choose the most appropriate financial instrument and to avoid any form of market distortion. At the local level, EU delegations and EIB work together with partner countries to identify projects in line with relevant policies and priorities.

Regional PPP Experience

21. EIB actively promotes knowledge sharing of Public-Private Partnerships (PPPs) among the EU member states. It hosts the European PPP Expertise Centre (EPEC) which brings together national authorities in charge of PPP programmes from EU and candidate countries. Its role is to strengthen the ability of the public sector to engage in PPPs by sharing experience, expertise and best practices among its member countries. Building on the EPEC

experience, the European Commission tries to share lessons learned in the Neighbourhood region through the EU's Neighbourhood Investment Facility, in addition to identifying ways of attracting private sector investments together with the EIB and other partners. The EU is also financing the OECD's Investment Security in the Mediterranean project, which focuses on improving the regulatory framework in the Mediterranean countries. Finally, building on the experience within the EU, particularly on key obstacles, the European Commission has undertaken a study on how to further engage the private sector, extend the blending activities, and promote PPPs in developing countries.

Enabling Environment

22. Private investments are often hampered by risks—political, commercial and currency-related or even just by perceived risks. Risk mitigation tools such as medium and long term guarantees, which can be financed via the EU regional blending facilities, can help mobilise investments. However, building a stable and reliable regulatory framework remains a key factor to attract private investment in the long run.

23. The EU actively supports the improvement of the enabling environment for private sector development in developing countries. EU disbursements to improve the enabling environment are aimed at supporting policy reforms across all sectors and all partner countries, with particular emphasis on energy sector reforms in ENP countries and EU candidate countries. In addition, the EU also strongly promotes water sector reforms in the African, Caribbean, and Pacific (ACP) group of states.

24. The Private Sector Enabling Environment Facility II (BizClim II) is an example of EU support towards improving the enabling environment for private sector development. BizClim II, with EUR 20 million from the 10th EDF, assists ACP countries and regions by unlocking productive capacities and developing an appropriate and efficient institutional set-up to rule markets and private company activities. The programme supports regional economic organisations, governments and the private sector in a number of areas: business environment reforms, public-private dialogue, technical assistance on private sector development, and access to information. It operates on a demand driven basis, focusing on continental or inter-regional initiatives that cannot be funded from other EDF allocations. After three years of activities, 48 projects have been implemented in around 50 ACP countries, covering the whole region equally.

Project Preparation Facilities

25. The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. This was reaffirmed by the recent G-8 summit in Lough Erne, which underlined the critical importance of better project preparation to boost private investment. In this context, the EU hosts or funds the following project preparation funds that cover infrastructure:

- EU-Africa Infrastructure Trust Fund, hosted by EIB
- Neighbourhood Investment Facility, hosted by EuropeAid
- Caribbean Investment Facility, hosted by EuropeAid
- Investment Facility for the Pacific, hosted by EuropeAid
- Latin America Investment Facility, hosted by EuropeAid
- Investment Facility for Central Asia, hosted by EuropeAid
- Asian Investment Facility, hosted by EuropeAid
- Development Bank of Southern Africa-EIB Project Development and Support Facility, hosted by the DBSA
- African Water Facility, hosted by the African Development Bank

Evaluation

26. EuropeAid and EIB do not publish evaluations of their individual projects on a consistent basis; instead, they publish multiannual summaries of their evaluations in different regions, countries or sectors. In 2012, EIB reformed its evaluation methods by introducing the new Results Measurement framework, under which each project

is evaluated with respect to three aspects: its contribution to lending objectives; the quality and soundness of operations based on project results; and financial and non-financial additionality.

27. In the *Evaluation of EU's Support to Private Sector Development in Third Countries 2013*, there are references to the EU's support to the private sector, including for infrastructure. For example, it states that the Investment Facility of the EIB has a definite comparative advantage—which not all IFIs/DFIs possess—in its capacity to apply higher-risk instruments or combinations of such instruments, besides senior loans. This had a positive effect on the balance sheet of the beneficiaries and hence on their viability. At the same time, the flexibility of the Investment Facility's risk-bearing capacity has been used judiciously.

28. Furthermore, the combination of technical assistance with other EIB instruments, such as loans and equity investments, allowed enhancing the quality of the investment, smoothening its implementation and/or strengthening investee companies. This was also the case for those operations where TA or funding for TA was provided by other institutions, as well as for the blending of loans with concessional elements within the context of the EU-Africa infrastructure TF. However, the current envelope for TA funding available to the EIB for supporting operations in ACP countries was considered to be insufficient to use this type of blending to its full potential.

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- EIB, 2012 Annual Report on EIB's activity in Africa, the Caribbean and Pacific, and overseas territories.
- EIB, FEMIP Annual Report 2011.
- EIB, Operational Plan 2013 – 2015.
- EIB, Report on results of EIB operations outside the EU.
- European Commission, Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, Increasing the impact of EU Development Policy: an Agenda for Change.
- European Commission, Trade and Private Sector Policy and Development. Support programmes financed by EU external assistance.
- EU-Africa Infrastructure Trust Fund, 2011 Annual Report.
- Evaluation of EU's Support to Private Sector Development in Third Countries, October 2013.

FRANCE

Politiques, Institutions et Instruments financiers

Ministère des Affaires étrangères (MAE)

29. Le Ministère des Affaires étrangères (MAE) souligne l'importance de l'investissement privé dans les pays en voie de développement et la stratégie française vise à optimiser l'utilisation des prêts et dons pour permettre un impact maximal de l'effort financier public via un effet de levier financier, y compris dans le secteur des infrastructures.

Ministère chargé de l'économie et des finances (MINEFI)

30. Dans le cadre de la diplomatie économique, le MAE et le MINEFI mettent en avant le savoir-faire reconnu des entreprises françaises dans la réalisation et la gestion d'infrastructures. Dans ce contexte la Direction générale du Trésor a mis en place le Fonds d'aide au Secteur Privé Réserve Pays Émergents, la Réserve Pays Émergents (RPE) et le Fonds d'Études et d'Aide au Secteur Privé (FASEP), qui visent à fournir un soutien financier aux entreprises françaises prenant part à des projets d'infrastructures dans les pays en voie de développement. Les fonds FASEP et RPE sont comptabilisés au titre de l'APD de la France. Ces Fonds sont gérés par le Bureau Aide-projet au sein de la Direction Générale du Trésor (DGT).

31. La France considère les actions suivantes comme étant essentielle à l'appui aux investissements privés dans les infrastructures: l'amélioration de l'environnement des affaires et de la préparation de projets, la mitigation des risques et un niveau de transparence renforcé. Pendant sa présidence du G20, la France a joué un rôle moteur dans les discussions du Groupe des experts de haut niveau sur les investissements dans les infrastructures (High Level Panel on Infrastructure Investment).

PROPARCO

32. La Société de Promotion et de Participation pour la Coopération Économique (PROPARCO) est une filiale de l'Agence Française de Développement (AFD). En tant qu'institution financière de développement française, elle considère le financement des projets d'infrastructures comme un axe majeur de sa mission. PROPARCO finance des projets dans les domaines de l'énergie, des transports et des télécommunications. L'Afrique subsaharienne représente une priorité pour PROPARCO. Ainsi, en 2012, l'institution a financé le premier projet privé de production d'énergie solaire à concentration en Afrique (Afrique du Sud) : une entreprise espagnole spécialisée en technologie solaire a été sélectionnée par ESKOM, compagnie publique sud-africaine de production et de distribution d'électricité, dans le cadre du premier appel d'offres de projets d'énergie renouvelable pour construire une centrale à concentration de 50MW. PROPARCO l'a accompagnée dans la phase de construction de ce projet en lui octroyant un prêt de 264 millions de Rands Sud-Africains (environ 17,7 millions d'euros).

33. Les financements de PROPARCO sont soumis à de nombreuses conditions: ils sont ouverts à toutes les entreprises privées et tous les projets relevant du secteur privé à l'exclusion des projets immobiliers ou de court terme. PROPARCO apporte des financements allant généralement de 2 à 100 M€. Les promoteurs du projet doivent avoir une expérience significative dans le secteur concerné ou avoir pour partenaire une société bénéficiant d'une reconnaissance internationale dans le domaine. En ce qui concerne les ratios de levier financier de PROPARCO, les promoteurs du projet doivent apporter un capital minimum d'environ 20% du coût du projet dans le cas d'un programme d'expansion ou 30% du coût du projet dans le cas d'un projet nouveau (Greenfield). De plus,

PROPARCO soutient financièrement les institutions financières domestiques dans les pays en voie de développement.

34. Dans le cadre d'un prêt syndiqué par la banque néerlandaise de développement, FMO, PROPARCO a soutenu financièrement l'institution domestique indienne Srei Infrastructure Finance Ltd, spécialisée dans les financements d'infrastructures, en lui octroyant un prêt de 20 € million. Cette tranche a été affectée aux financements environnementaux, comme les énergies renouvelables. PROPARCO finance également l'Africa Infrastructure Investment Fund (AIIF & AIIF 2), un fonds géré par Macquarie Africa Pty Ltd et Old Mutual Investment Group (South Africa) Pty Ltd.

35. Enfin, Proparco développe des actions de communication en vue de sensibiliser les investisseurs privés à l'Afrique. Elle publie ainsi régulièrement une revue Secteur Privé et Développement, dédiée à divers secteurs, comme par exemple « Le rail en Afrique ».

36. Le groupe AFD et d'autres institutions comme le fond FASEP-Garanties de DGT proposent également des garanties destinées à encourager les investissements privés dans les pays en voie de développement, y compris dans les infrastructures.

Tableau 1. Instituions et instruments de la France visant à soutenir l'investissement privé d'infrastructures

Institution	Rôle joué en faveur de l'investissement privé dans les infrastructures des pays en développement	Instruments financiers	Coordination
MAE	Le Ministère des Affaires étrangères (MAE) souligne l'importance d'optimiser l'utilisation des prêts et dons par le groupe AFD pour permettre un impact maximal de l'effort financier public via un effet de levier financier, y compris dans le secteur de l'infrastructure		
MINEFI (y compris la Direction générale du Trésor)	Le MINEFI soutient financièrement la participation des entreprises françaises dans les projets d'infrastructures dans les pays en voie de développement, particulièrement les pays émergents. (Gérée par la Direction générale du Trésor)	Prêts concessionnels Dons	
AFD	L'AFD voit le soutien à l'infrastructure comme un axe majeur de sa mission.	Prêts souverains et non souverains	
PROPARCO		Prêts non souverains (moyen et long terme) Participations en fonds propres Garanties	
MEN	Le MEN apporte son soutien aux projets d'infrastructures en appui technique pour améliorer l'environnement des affaires	Dons	
COFACE	La COFACE gère, pour le compte et avec la garantie de l'État, des garanties publiques destinées à encourager et soutenir le développement international des entreprises	Garanties publiques	

	françaises, y compris les entreprises dans le secteur des infrastructures.		

Coordination avec d'autres acteurs

37. La France souligne l'importance de la coopération avec d'autres partenaires dans l'appui des investissements en infrastructures privés. PROPARCO est membre de l'EFDI, l'association des institutions financières de développement européennes. Elle participe dans ce cadre à deux facilités pré-syndiquées avec la Banque Européenne d'Investissement - BEI (European Financing Partners - EFP) et l'AFD (Interact Climate Change Facility - ICCF), visant à financer respectivement des projets contribuant au développement des pays de la zone ACP et des projets d'énergie renouvelable. En 2012 PROPARCO a signé une facilité de financement avec FMO et DEG—une institution financière de développement allemande—visant à cofinancer une quantité croissante de projets, dont notamment des projets d'infrastructures.

Avantage comparatif

38. Compte tenu de son expérience passée en financement de projets sur le continent africain, PROPARCO se positionne comme un bailleur naturel pour le financement d'infrastructures construites et gérées par le secteur privé sur le continent. Le groupe peut ainsi se positionner comme arrangeur de financements structurés pour des projets tels que l'extension de la centrale à cycle combiné de Azito en Côte d'Ivoire d'une capacité de 115MW : en octroyant un prêt de USD 33 million, PROPARCO a mobilisé un prêt de USD 170 million auprès de bilatéraux européens.

Expérience domestique PPP

39. La France est devenue le marché le plus grand pour les PPP en Europe, et en 2011 les revenus de ces projets ont constitué environ 5% du PIB. Le nombre total de PPPs en France a atteint 164 en 2011, dont 41 signés cette année-là. Le pays fait partie d'un groupe de 17 membres de l'OCDE ayant une unité dédiée aux partenariats public-privés domestiques, située dans le MINEFI. Elle apporte un appui technique et juridique et promeut l'utilisation des PPPs. Les PPPs en France, qui prennent la forme de contrats de partenariats, sont régulièrement utilisés dans le secteur des infrastructures, particulièrement dans celui des transports routiers et de l'eau et assainissement.

Appui à l'environnement des affaires

40. D'après le Système de notification des pays créanciers (SNPC), 18% des projets et 6% des versements totaux pour les infrastructures sont dédiés à l'appui des projets en matière de Politique et Gestion Administrative[1]. Le MINEFI considère la stabilité, la cohérence et la confiance comme des éléments essentiels aux décisions d'investissement. Le renforcement des compétences des institutions publiques est nécessaire à la fois pour la structuration et le montage d'opération de PPP et dans le suivi et la régulation des projets et secteurs. Les projets visant à appuyer l'amélioration de l'environnement des affaires se concentrent sur les secteurs de l'énergie et de l'eau et assainissement, ainsi que sur les réformes des organismes de régulation et administrations locales.

Préparation de projets

41. Pendant sa présidence du G20 en 2011, la France a souligné l'importance de la préparation de projets d'infrastructure. Dans ce cadre, elle a particulièrement appuyé le développement et l'amélioration des facilités de préparation des projets (PPFs) pour augmenter l'investissement privé dans les infrastructures des pays en voie de développement. Dans ce contexte la France soutient financièrement les PPF suivantes :

- NEPAD - Infrastructure Project Preparation Facility Special Fund (PPFS), au sein de la *Development Bank of Southern (DBSA)*
- African Water Facility (AWF), au sein de la Banque Africaine de Développement (BAD)

1 Code-objet SNPC

- EU Africa Infrastructure Trust Fund (EU-AITF), au sein de la Banque Européenne d'Investissement (BEI)

42. De plus, l'AFD participe au financement la Public-Private Infrastructure Advisory Facility (PPIAF) de la Banque Mondiale, un fonds à donateurs multiples qui apporte une assistance technique aux gouvernements dans les pays en voie de développement afin d'améliorer l'environnement des affaires pour les investissements privés dans les infrastructures.

Évaluation

43. Dans le cas des projets visant à créer un effet de levier sur l'investissement privé dans le secteur des infrastructures dans les pays en voie de développement financés par la Réserve Pays Émergents (RPE), l'évaluation se fonde sur les critères de l'utilisation efficiente des ressources; la durabilité; la cohérence avec l'APD française et les actions d'autres partenaires; l'effectivité financière et technique ; et l'impact. Par exemple, l'évaluation d'un projet de fourniture d'équipements, de machines-outils et d'assistance technique au Vietnam au bénéfice de la compagnie nationale ferroviaire (Vietnam Railways Corporation), financé par la Réserve Pays Émergents (RPE), a été réalisée par Ernest & Young pour la Direction générale du Trésor. Dans ce projet, l'entreprise Alstom était le prestataire principal. L'évaluation a conclu que le projet avait eu des résultats positifs, directement et indirectement, notamment la réduction du temps de trajet entre Hanoi et Ho Chi Minh Ville.

44. La contribution des projets financés par PROPARCO au développement est évaluée de façon systématique *ex ante* (évaluation des effets attendus du projet financé) lors de l'instruction via un outil, le GPR. Cet outil comporte quatre critères : un indice développement (qui regroupe des critères quantitatifs et qualitatifs pour évaluer les effets du projet sur le développement local) et un critère sur le rôle stratégique de PROPARCO (qui regroupe les questions relatives à l'adéquation du projet avec les orientations stratégiques de PROPARCO, le rôle de conseil extra financier et sa subsidiarité), un critère sur le niveau de risque du projet et un critère sur sa rentabilité.[2] A moyen-terme, une évaluation GPR de suivi est réalisée cinq ans après le financement.

45. De façon ponctuelle des études *ex post* approfondies ont été réalisées pour plusieurs projets. En 2012, PROPARCO a réalisé avec d'autres institutions financières de développement (IFD) une étude *ex post* sur cinq producteurs indépendants d'énergie financés en Afrique subsaharienne. Cette étude a permis de caractériser les effets induits par la présence de producteurs indépendants : par exemple les IFD ont eu un rôle critique dans le financement des premiers producteurs indépendants d'énergie au Kenya et ont contribué à développer un cadre réglementaire, contractuel et financier pour ces projets. En retour, l'existence de ces producteurs indépendants a entrainé (i) une augmentation des investissements qui permet un développement accéléré des infrastructures locales (ii) des transferts de savoir-faire par l'introduction et l'adaptation de technologies innovantes au contexte local (iii) l'augmentation des standards de qualité et de fiabilité et le développement de la concurrence incitant les producteurs publics à améliorer leur gestion.

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2 Informations complémentaires disponibles sur le site de PROPARCO : http://www.proparco.fr/Accueil_PROPARCO/responsables/Les-impacts/Les-outils-de-mesure-des-impacts

JAPAN

Policies, Institutions and Instruments

46. Japan believes that economic growth is a major driving force for development. Therefore, in addition to the social sectors, Japan has been providing a significant portion of its assistance in areas that directly influence their economic growth, such as infrastructure, as it is the foundation of bringing in private investment. Particularly in Asia, economic infrastructure developed with Japan's ODA has acted as a catalyst for private investments, which resulted in a high level of economic growth in the region.

47. The government's domestic growth strategy called "Japan Revitalisation Strategy" and a specific "Infrastructure Systems Export Strategy" of 2013 positions export of infrastructure systems as one of its pillars. Infrastructure demands outside the country are estimated at 71 trillion yen (USD 688 billion) per year in transport and urban development, mainly in emerging countries in South East Asia. By capturing these demands to accelerate the growth of the Japanese private sector, the government aims to triple overseas sales by Japanese companies to approximately 30 trillion yen (USD 290 billion) in total by 2020.

48. As part of this strategy, "Ministerial Meetings on Strategy relating to Infrastructure Export and Economic Co-operation" have been organised to discuss policies of economic co-operation across the ministries in order to implement the Strategy. The Meeting consists of the Chief Cabinet Secretary, Deputy Prime Minister, as well as Ministers for Finance, Internal Affairs and Communications, Foreign Affairs, Economy, Trade and Industry, Land, Infrastructure, Transport and Tourism, Economic Revitalisation and State for Economic and Fiscal Policy. So far, the ministerial group has met nine times to discuss, *inter alia*: Myanmar; Middle East and North Africa; TICAD V; utilization of ODA and others for promoting Japanese infrastructure systems abroad; enhancing ASEAN connectivity; India; and export of urban infrastructure by leading local governments.

Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

49. As part of the Infrastructure Systems Export Strategy, the Ministry of Land, Infrastructure, Transport and Tourism will establish a fully government owned corporation to promote infrastructure exports in FY 2014 which will support Japanese companies in construction and project management. The Ministry made a budget request of 85 billion yen (approximately USD 824 million) for this new organisation. In co-operation with JBIC, JICA, NEXI, public banks and construction consultants, the new organisation will help support Japanese construction companies that aim to win overseas contracts in mostly railway transport or urban development in terms of both finance and project management, particularly in Southeast Asia.

Ministry of Foreign Affairs (MFA)

50. As for development co-operation, the 2013 Priority Policy for International Co-operation of the Ministry of Foreign Affairs states that Japan aims to promote public-private partnerships (PPPs) in infrastructure. Furthermore, at the Fifth Tokyo International Conference on African Development in 2013, Japan expressed its intent to accelerate its support to infrastructure development in Africa, particularly in the fields of energy, water and transport, through greater use of PPPs and assistance in improving the investment climate. Japanese efforts to enhance private investment in developing country infrastructure mainly take the form of promoting the use of technologies designed by Japanese companies, particularly in water & sanitation, transport and energy.

Ministry of Economy, Trade and Industry (METI)

51. Prior to this in 2012, Japan's Ministry of Economy, Trade and Industry (METI) issued a White Paper on International Economy and Trade, which emphasised the potential for Japanese companies to become active in overseas infrastructure industries, including in developing countries. The focus was on "package-type infrastructure", which includes delivery of individual equipment and facilities, as well as design, construction, maintenance and management. METI particularly stresses the importance of complementing ODA with infrastructure investments in the Asian region. In this context, Japan presented the "Support to ASEAN connectivity" project in 2012, which

foresees the combination of ODA grants, loans and private funds to increase regional infrastructure connectivity among ASEAN member countries.

Japan International Cooperation Agency (JICA)

52. JICA resumed the Private Sector Investment Finance (PSIF) programme in 2012 to accelerate private companies' contribution to poverty reduction and long-term growth through infrastructure development projects which promote entrepreneurship. The scheme provides loans and equity for development projects by Japanese private companies to mobilise private resources for development. The areas eligible for assistance include infrastructure, countermeasures against climate change, and others. JICA supports the private companies in the project formulation from the development perspective. Such assistance by JICA may also contribute to further promote METI's initiative above. However, only projects that are in line with the host country governments' development policies are selected and implemented. JICA's PSIF is provided to projects with robust development impact, which cannot be covered by existing commercial and public financial institutions.

Japan Bank for International Co-operation (JBIC) and Nippon Export and Investment Insurance (NEXI)

53. Japan Bank for International Co-operation's (JBIC)'s main objective is the promotion of Japanese exports and overseas investment. JBIC supports Japanese companies participating in infrastructure projects overseas by building on its experience in a large range of sectors—including electric power systems, railways, seaports, roads, and water supply systems—as well as the trust that it has built with host countries over the years. In 2013, JBIC established the Facility for African Investment and Trade Enhancement (FAITH)—announced at the Fifth Tokyo International Conference on African Development (TICAD V)—which provides equity and local currency denominated loans and/or guarantees to primarily Japanese companies in African countries. Furthermore, Nippon Export and Investment Insurance (NEXI), a state-owned institution to support business activities of Japanese companies in developing countries, also provides trade and investment insurance for infrastructure.

Table 1. Japan's Institutions and Instruments on Support to Private Investment in Infrastructure

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Financial Instruments	Co-ordination
Ministerial Meetings on Strategy relating to Infrastructure Export and Economic Co-operation	Sharing information and ensuring coherence among ministries to implement the government wide Infrastructure Systems Export Strategy	N/A	Co-ordination among concerned ministries
MOFA	MOFA is responsible for co-ordinating ODA policies. MOFA also formulates Priority Policy Issues for International Co-operation every fiscal year, which is a guideline for ODA implementation. One of the major objectives of the FY2013 Priority Policy is to support the growth of the emerging and developing economies together with the growth of the Japanese economy.	Grants Technical Assistance Loans	JICA consults MOFA for PSIF or preparatory survey programme.
METI	METI's stresses the importance of overseas development of "package-type infrastructure", which includes the delivery of equipment, facilities, design, construction, maintenance and management by Japanese companies.		
MLIT	The Ministry will establish a government-owned corporation to support Japanese companies in construction and project management especially in SE Asia.		It is expected that JBIC, JICA, and NEXI will collaborate with this organisation.

JICA	JICA recognises the value of PPPs, including in infrastructure, for growth of developing nations. It has been supporting partner governments to have appropriate policies and legal framework to promote this. It conducts surveys to assess the potential of PPP projects in infrastructure. More recently, it established a private sector investment finance scheme using loans.	Grants Technical Assistance Loans	JICA consults MOFA for PSIF or preparatory survey programme.
JBIC	JBIC focuses on supporting Japanese companies participating in overseas projects, including infrastructure projects in developing countries. Japan does not consider JBIC as a DFI since its primary objective is not development.	Loans Equity Guarantees	
NEXI	NEXI supports Japanese companies overseas by providing insurance against political and commercial risks; including infrastructure projects in developing countries.	Insurance	

Inter-Agency Co-ordination

54. In its earlier domestic 'New Growth Strategy' of 2010 issued by the Prime Minister, Japan stated its aim to establish a framework to support private companies' initiatives in the export of infrastructure systems through "one voice and in a united front" to meet strong demand from Asia and other regions. Furthermore, necessary consultation among relevant ministries is being carried out to implement JBICs FAITH initiative mentioned above. In general, initiatives and capacities for financing and operating infrastructure projects by relevant government agencies are being strengthened.

Comparative Advantage

55. In order to effectively promote private investment, it is important to support developing countries in establishing an enabling environment, ranging from the legal and institutional framework, policy and planning, and design and implementation of projects. This requires good co-ordination and division of labour among the recipient government and donors. In this respect, JICA—with a strong track record in facilitating policy and legal reforms—finds that its comparative advantage lies in its ability to lead stakeholders' dialogue.

Co-ordination with Other Donors

56. Setting up mechanisms for risk-sharing is essential in formulating bankable projects. Among donors, multilateral organisations (especially regional banks) have a clear advantage in supporting the formulation of regional infrastructure development. With this in view, Japan is engaged in a number of multilateral initiatives to promote private investment in developing countries, including for infrastructure. For example, Japan provides loans aimed at improving the investment environment in African countries in partnership with the African Development Bank (AfDB) under the Enhanced Private Sector Assistance for Africa. It actively contributed to the G20 discussion on the High-Level Panel for Infrastructure Development. Japan also serves as the vice-chair of the NEPAD-OECD Africa Investment Initiative and contributes to the MENA-OECD Initiative on Governance and Investment for Development.

Domestic PPP Experience

57. Among OECD countries, Japan has had relatively few domestic PPP projects in the field of economic infrastructure. Although it passed a legislation to encourage PPPs in its domestic infrastructure in the late 1990s, which resulted in a total of 352 projects by 2009, most have been for government buildings and schools. With the amendment of the Private Finance Initiative (PFI) Act in May 2011, however, Japan aims to encourage greater private investment in its domestic economic infrastructure.

Enabling Environment

58. Japan views that the following are essential in pursuing PPPs in developing countries: securing the host governments' clear understanding of the demarcation between the public and private sectors; and establishment of the legal framework, e.g. laws and regulations for PPPs, Build-Operate and Transfer, Viability Gap Funding schemes, rationalising utility charges, and so on.

59. In Africa, Japan concentrates on sending experts to build the capacity of regional institutions and other responsible organisations to develop and harmonise regional legal frameworks. It also supports the establishment of efficient cross-border procedures which could facilitate better integration of the region. In Asia, there are a number of technical co-operation projects to improve the enabling environment for PPPs such as the Central Luzon Link Expressway Project, which is publicly-built and privately-operated. Another example is the Master Plan Study for Metropolitan Priority Area in Indonesia which takes stock of infrastructure investment and the needs of the private sector in order to improve the enabling environment in the Jakarta Metropolitan area.

Project Preparation Facilities

60. Japan maintains that in order to enhance private investment in developing country infrastructure, support to prepare bankable projects should be enhanced, particularly those that meet the private sector's expectation. Furthermore it sees that the host government needs to understand their financing obligations and risks in the preparation process. In this respect, JICA's new Preparatory Survey for PPP Infrastructure programme mentioned above is a type of PPF which tries to address these issues.

Green Infrastructure

61. Japan actively supports climate change mitigation and adaptation projects. In 2009, through the Fast-Start Finance for Developing Countries initiative, it pledged USD 15 billion—USD 11 billion sourced publicly and USD 4 billion privately—to support developing countries in addressing climate change. Projects focus on adaptation and mitigation which include solar, wind and geothermal energy production. JICA also provides technical assistance to partner country governments for PPPs in climate-friendly transportation, such as the mass transit system in Manila, Philippines. Furthermore, JBIC introduced the GREEN programme which provides loans and equity to Japanese financial institutions and guarantees to Japanese businesses for renewable energy and energy efficiency projects. To date, JBIC has provided USD 2.8 billion, mobilising USD 2 billion from private financiers.

Evaluation

62. As JICA has just started its PSIF programme, it does not yet have any evaluations regarding support to private investment for infrastructure. The evaluation framework will be similar to the one for sovereign loan projects, which focuses greatly on the programme's development impacts.

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NETHERLANDS

Policies, Institutions and Instruments

63. In the framework of its Aid, Trade, and Investment Agenda of 2013, the Netherlands continues to focus its efforts on a limited number of countries, as well as on four thematic areas: water, security and the legal order, food security and nutrition, and sexual and reproductive health and rights. In addition, the Netherlands stresses the importance of private investment for economic growth in developing countries. The Agenda aims at promoting investment by Dutch companies in generating growth and sharing knowledge in sectors where Dutch companies have considerable expertise.

Ministry of Foreign Trade and Development Cooperation (BHOS)

64. The Dutch Ministry of Foreign Trade and Development Co-operation (BHOS) funds a number of programmes aimed at promoting investment in infrastructure by Dutch, international and local companies in developing countries, such as the Private Sector Investment (PSI) programme, the Sustainable Water Fund, and the Facility for Infrastructure Development (ORIO). These programmes are implemented by the Netherlands Enterprise Agency. Moreover, BHOS funds the Infrastructure Development Fund (IDF) implemented by the Entrepreneurial Development Bank (FMO). BHOS also contributes to the Private Infrastructure Development Group. In addition to these programmes, BZ funds bilateral and multilateral projects and programmes aimed at improving the enabling environment for private infrastructure investments in partner countries.

The Netherlands Enterprise Agency

65. The Netherlands Enterprise Agency is an agency of the Dutch Ministry of Economic Affairs that carries out policy and subsidy programmes focussing on sustainability, innovation, international business and co-operation. It is the primary point of contact between businesses and the government, including for trade and investment in developing countries. It manages a number of programmes described below:

1. Private Sector Investment (PSI) Programme

The PSI programme provides grants accessible to both Dutch and international companies wishing to invest in a developing country, including in infrastructure. The total investment amount must not exceed USD 2.1 million, out of which PSI compensates up to 50% - 60%. While PSI funding is generally restricted to Dutch companies, foreign companies can apply for funding to conduct projects in a few low-income countries and fragile states, such as Afghanistan, Sierra Leone and the Palestinian Authority. Companies wishing to access PSI need a private local partner company registered in the country where the project is to be implemented. Furthermore, the project must be a pilot project which allows for future follow-up investments. In 2011, PSI disbursed EUR 4 million for infrastructure.

2. Sustainable Water Fund (FDW)

The Sustainable Water Fund (FDW) is a Private Public Partnership (PPP) facility which finances projects in water safety and security with the end of ensuring improved access to drinking water and sanitation. To qualify for FDW funding, the partnership must include at least one public body and one business, as well as an NGO or knowledge institution. At least one of the participating entities must be Dutch and one must come from the country in which the activity is being set up. The budget for FDW in 2012 was EUR 50 million.

3. Facility for Infrastructure Development (ORIO)

Another programme, the Facility for Infrastructure Development (ORIO), provides grants that cover between 50-100% of the costs of the development phase for public infrastructure projects in approximately 50 participating developing countries, as well as 35-80% of the costs of the implementation of these projects. Only central governments can apply for funding, but projects are generally implemented by private companies. Projects are selected on the basis of their contribution to private sector development and/or human development.

Dutch Entrepreneurial Development Bank (FMO)

66. The Dutch Entrepreneurial Development Bank (FMO), the Dutch DFI, is a public-private partnership, with 51% of shares held by the Dutch state and 49% held by commercial banks, trade unions and other Dutch private-sector representatives. FMO provides financing to the private sector in developing countries. It focuses on energy, water, food and financial institutions and administers the following programmes:

1. Infrastructure Development Fund (IDF)

FMO is particularly active in the infrastructure sector through the Infrastructure Development Fund (IDF), funded by the Ministry of Foreign Trade and Development Cooperation. IDF provides maximum 20 year long-term financing for large infrastructure projects. They can be loans of up to EUR 15.5 million or minority shares in equity investments of up to EUR 10.4 million. IDF also invests in other international infrastructure funds. For example, FMO arranged a USD 105 million loan toward a 100 MW concentrated solar power project in Rajasthan, India. FMO and the Interactive Climate Change Fund (ICCF) contributed to the loan. The ICCF is funded by 11 European DFIs and managed by a committee consisting of representatives from these DFIs. The project partner, Reliance Partner, is a diversified conglomerate active in the telecommunication, financial, healthcare and energy sectors.

2. Access to Energy Fund

Like the IDF, the Access to Energy Fund (AEF) is administered by FMO on behalf of BHOS. It finances energy generation, transmission and distribution projects in developing countries. Projects must aim at providing long-term access to energy for at least 50,000 people. Its funding possibilities include: equity of up to EUR 10 million or 75% of the total transaction; subordinated or senior loans of up to EUR 20 million or 75% of total transaction; long grace periods and tenors, as well as grants for project development. The goal of the AEF is to connect 2.1 million people to energy by 2015.

Atradius (Export Credit Agency)

67. Atradius manages the Dutch State Export Credit Insurance Facility by issuing credit insurance for risks related to export transactions of Dutch enterprises with buyers in emerging markets, including in the infrastructure sector. The State Export Credit Insurance Facility is supervised by the Ministry of Finance.

Table 1. The Netherlands' Institutions and Instruments on Support to Private Investment in Infrastructure

Institution		Role in promoting private investment for developing country infrastructure	Programmes and Financial instruments	Co-ordination
BHOS	Directorate-General for International Co-operation (DGIS)	DGIS oversees and implements Dutch development co-operation. In this context, it funds a number of programmes aimed at promoting investment in infrastructure by Dutch, international and local companies in developing countries.	Funding for projects implemented by Netherlands Enterprise Agency, as well as FMO	
	Netherlands Enterprise Agency (Dutch Trade Promotion Agency)	Implements programmes, which aim to attract private investment to developing country infrastructure	Private Sector Investment Programme (PSI) (Grants) Facility for Infrastructure Development (ORIO)	

		(Grants) Sustainable Water Fund (Grants)	
Ministry of Finance (FIN)	Oversees FMO and Atradius	Grants	
FMO	The Dutch DFI supporting private investment in infrastructure, specialising in energy primarily through direct loans Manages government funds such as IDF and AEF with BHOS	Infrastructure Development Fund (Long and short term loans, Equity) Access to Energy Fund (Loans, Equity Grants)	
Atradius	Atradius administers the State Export Credit Insurance Facility by providing insurance for Dutch enterprises with buyers in emerging markets, including in the infrastructure sector.	export credit Insurance	

Domestic Public-Private Partnership (PPP) Experience

68. In 2011, 18 PPP projects were operated in the Netherlands, primarily in the transport sector. A PPP Knowledge Centre was established in January 1999 within the Dutch Ministry of Economic Affairs (EZ) to provide advice and guidance on domestic PPP policies and implementation. It has developed a public sector comparator to support project evaluation, checklists for the different contract types, standard tender documents and guidelines for project procurement and contract management. The Knowledge Centre consists of industry experts and policy makers appointed by the government.

Co-ordination with Other Donors and Comparative Advantage

69. FMO actively co-operates with other actors in the promotion of private infrastructure investment. In particular, it is an active member of the association of European Development Finance Institutions (EDFI). In 2010, FMO established a Risk Sharing Agreement with the Belgian DFI (BIO) to start co-operating and jointly finance infrastructure transactions. FMO also has a Risk Sharing Agreement with the Asian Development Bank since 2010 which includes infrastructure finance. Furthermore, in 2012, FMO, together with France's Proparco and Germany's DEG, committed USD 80 million to PT Energi Sengkang, an Indonesian energy enterprise, for the 120 MW extension of an existing combined cycle power plant located in South Sulawesi, Indonesia.

Enabling Environment

70. The Netherlands support the improvement of the enabling environment in partner countries, such as the institutional and regulatory framework for investments. For instance, BHOS provided technical assistance for the Egyptian Ministry of Water Resources and Irrigation to assist the decentralisation and management of private sector participation.

Project Preparation

71. The G20 has identified the lack of capacities and resources in project preparation as one of the biggest bottlenecks to private investments in developing country infrastructure. It has thus called for donors to increase funding to Project Preparation Facilities (PPFs), as well as rationalise them to make them more efficient and self-sustainable.

72. The Netherlands supports the following PPFs:

- Energy Sector Management Assistance Program (ESMAP), hosted by the World Bank
- The Public Private Initiative Advisory Facility (PPIAF), hosted by the World Bank
- Technical Facility (TAF) of Private Infrastructure Development Group (PIDG)

Green Infrastructure

73. While there is no overarching Dutch policy on support to green infrastructure in developing countries, FMO states that, as part of its focus on energy, it is committed to invest primarily in renewable energy. In 2011, 65% of total FMO disbursements in the energy sector went to renewables.

74. For instance, in 2012, FMO arranged a USD 24 million senior loan for the financing of a 14MW run-of-the-river hydropower project in Western Uganda. The project is being developed by South Asia Energy Management Systems, a renewable energy company engaged in the business of acquiring, developing and operating run-of-the-river hydropower projects in emerging markets. This financing follows on from an earlier financing in 2009, when FMO arranged a USD 55 million debt package for the development of 12 run-of-the-river hydropower projects totalling 58MW located in Uganda and Sri Lanka.

Evaluation

75. FMO evaluates development outcomes across indicators such a project's business success and its contribution to economic, environmental and social outcomes. A number of tools are used for this purpose, including an Economic Development Impact Score system, assessing a business's contribution to the local economy; a Development Impact Indicator, gauging the relationship between development impact and volume of new investment; and finally Sustrack, a proprietary monitoring system, which tracks clients' progress on the defined environmental, social and governance action plan. Projects are evaluated either after five years or when FMO exits a project.

76. In its Annual Evaluation Report 2012/2013, the FMO's internal Evaluation Unit found that, out of a random sample of FMO supported projects in 2007, those with the greatest positive development impact were infrastructure projects, particularly in energy, and more in lower income countries and lower-middle income countries than upper-middle income countries.

77. Overall, CSOs view the Netherlands as respecting social and environmental contexts in its development co-operation. FMO in particular is seen as adhering well to international standards, such as the Equator Principles[3] in its investments. At the same time, BankTrack, a Dutch CSO, recently pointed out that FMO's plan to invest in the construction of Agua Zarca dam in Honduras would destroy the habitat of the local indigenous population[4].

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UNITED KINGDOM

Policies, Institutions and Instruments

78. The driver behind the UK's support for private investment is that the shortage of infrastructure – power, transport, water, sanitation, and communications - in the world's poorest countries is a major and growing obstacle to economic growth and the elimination of poverty. However, as the scale of the infrastructure investment needed far exceeds the capacity of the public sector to respond to, it requires a private sector response in addition to public investment. Yet government, market and institutional failures discourage private sector investment in developing and financing much needed infrastructure.

Department for International Development (DFID)

79. Support to infrastructure, including for private investments, is part of DFID's policy objective to help boost economic growth in developing countries. Furthermore, as DFID recognises the pivotal role of the private sector for poverty reduction, it is increasing its activities aimed at promoting private investment in basic services, which includes infrastructure.

80. As DFID channels more than half of its funding to infrastructure through multilateral institutions, its efforts to promote private investment in infrastructure consists mainly of supporting the "Private Sector Infrastructure Investment Facilities", such as the Private Infrastructure Development Group as well as the Public-Private Infrastructure Advisory Facility (PPIAF) and the Global Partnership on Output-Based Aid (GPOBA), both hosted at the World Bank.

CDC Group

81. While DFID is also the sole shareholder of the CDC, the UK's Development Finance Institution, the latter operates autonomously to meet its policy objectives. CDC underwent an important strategic reform in 2011/12 (see Evaluation) which led to its refocusing solely on Africa and South Asia, with a goal to build businesses to create jobs in the poorest places. Following the reform, the CDC has also expanded its portfolio of instruments, departing from a model based exclusively on the fund-of-funds approach and engaging in new activities such as direct equity investments, debt instruments, mezzanine finance and guarantees. At the end of 2012, investments in infrastructure constituted 20% of CDC's portfolio, of which water and energy accounted for 17%.

Table 1. The UK's Institutions and Instruments on Support to Private Investment in Infrastructure

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Financial Instruments	Co-ordination
DFID	DFID recognises the importance of fostering successful private investment and increasing the availability, quality and affordability of basic services. As a result, it supports a number of Private Sector Infrastructure Investment Facilities (see below).	Grants Technical Assistance Equity (indirect) Debt	
Department of Energy and Climate Change (DECC)	DECC finances the Clean Technology Fund which supports both public and private sector investments aimed at improving energy efficiency. DECC also finances the PIDG Green Africa Power facility.	Grants	DECC and DFID coordinate on low carbon finance mechanisms such as GAP, CP3 and others.

CDC	CDC's mission is to support the building of businesses throughout Africa and South Asia. It focuses on sectors where growth leads to jobs – directly and indirectly – including infrastructure.	Equity (both direct and indirect) Debt Guarantees Mezzanine	None
Export Credits Guarantee Department (ECGD)	ECGD's objective is to complement the private market by providing assistance to British exporters and investors, principally in the form of insurance and guarantees to banks. It is active both in developed and in developing countries. A large share of its activity is in civil aerospace, and consists of support to Airbus.	Export credits Guarantees	Limited

Inter-Agency Co-ordination

82. CDC operates independently from DFID under the governance of an independent board. However, CDC keeps DFID informed of its activities though regular updates and engages with specialist teams and country offices in order to share information, market intelligence or build relationships in particular sectors or markets.

Domestic PPP Experience

83. The UK is considered to be one of the most active users of Public-Private Partnerships in its domestic infrastructure projects among the EU member states. According to the 2012 survey by the OECD, the UK had both the highest share of PPPs in public sector infrastructure investments (15%) and the largest stock of PPPs (648) among 23 OECD countries. While the current British government considers PPPs vital to the country's infrastructure development, it cautions that considerations of value for money and transparency need to be improved.

Comparative Advantage

84. The UK has limited specialist knowledge in infrastructure in general, compared with some other donor partners, especially the MDBs who tend to be better resourced for supporting infrastructure investments. However, the UK has a leading role in supporting private sector infrastructure development due to its early engagement in these issues and its willingness to commit large amounts of funding to support multilateral organisations working in this area.

Enabling Environment

85. The UK actively supports the improvement of the enabling environment in developing countries. Support is spread in all infrastructure sectors, often being channelled through multilateral or multi-donor facilities such as the Water and Sanitation Programme, Partnership for Market Readiness and PPIAF, all hosted by the World Bank. In addition, DFID is the sole funding institution of Nigeria Infrastructure Advisory Facility, which aims to enhance the Nigerian government's capacity to better plan, finance and operate infrastructure delivery at the Federal and the State levels. In the UK's view, bilateral and multilateral donors should focus mostly on improving governments' capabilities to legislate, plan, finance, regulate, tender, negotiate and operate infrastructure delivery to help improve the enabling environment.

Project Preparation Facilities

86. The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. This was reaffirmed by the recent G-8 summit in Lough Erne hosted by the UK, which underlined the critical importance of better project preparation for boosting private investment. In this context, the UK funds the following PPFs:

- NEPAD IPPF hosted by the AfDB
- African Water Facility hosted by AfDB
- Technical Assistance Facility (TAF) hosted by PIDG
- Project Preparation Implementation Unit (PPIU) hosted by COMESA
- DevCo hosted by IFC
- EU Africa Infrastructure Trust Fund (EU-AITF) hosted by the EIB
- Energy Sector Management Assistance Program (ESMAP) hosted by the World Bank
- Public Private Infrastructure Advisory Facility (PPIAF) hosted by the World Bank

Evaluation

87. The 2011 reform of CDC was inspired by the strong criticism of the DFI by NGOs as well as British parliamentary committees with respect to a perceived lack of additionality and weak focus on poverty impact. It stipulated that by the end of 2011, the CDC would update and enhance its development evaluation tools in line with the methods used by International Finance Corporation and other DFIs. The UK is also strongly supporting aid transparency, as the host of the G8 Summit in Lough Erne which committed the G8 members to gradually apply the Busan common transparency standards to development co-operation, which include Development Finance Institutions. CDC became a signatory to the International Aid Transparency Initiative in November 2011, the first bilateral DFI to do so. It has since published data to the IATI registry.

88. CDC's evaluation rating for its projects is based closely on IFC's DOTS system. Every investment is evaluated at the mid-point and towards the end of a fund's duration, based on a range of quantitative and qualitative indicators across six parameters (financial, economic, environmental, social and governance, and private sector development) as well as two parameters gauging CDC's effectiveness (added value and catalytic effect). Evaluations are scrutinised by the CDC Board's Development Committee, but cannot be published due to the highly confidential nature of the content related to fund managers and portfolio investee companies.

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UNITED STATES OF AMERICA

Policies, Institutions and Instruments

Department of State

89. At the Department of State (DOS), the Accelerating Market-Driven Partnerships programme is a new global collaboration platform that will empower the public and private sectors to identify sustainable investment opportunities that address specific economic growth and development challenges, make investments in innovative solutions to emerging global challenges, and collaborate to scale successful solutions that generate meaningful impact. The programme supports investment for developing country infrastructure.

U.S. Agency for International Development (USAID)

90. USAID emphasises the importance of co-operation with private sector actors to achieve its goals of sustainable development. In line with this, it has developed the Global Development Alliance, a programme aimed at creating partnerships with businesses in several sectors in developing countries, including in energy, water and sanitation, and transport. For USAID to support a project, private financing must at least match the amount of funding (i.e. the leveraging ratio to be 1:1 at minimum), although the Agency offers technical co-operation as well. USAID also leverages private investment by providing guarantees to local companies through its Development Credit Authority (DCA) programme. In 2012, DCA managed to mobilise over USD 100 million for infrastructure projects in developing countries, which included transport, renewable energy, and water and sanitation sectors.

91. USAID supports the Private Financing Advisory Network (PFAN), a multilateral partnership initiated in co-operation with the UN Framework Convention on Climate Change's Expert Group on Technology Transfer that specifically facilitates private sector investment in clean energy infrastructure projects globally. PFAN functions in part as a broker to identify and prepare bankable projects and match them with private investors. PFAN develops partnerships to build and expand in-country services for project mentoring and development of a business plan, investment pitch, and growth strategy to enhance the possibility of financial closure.

92. USAID's Renewable Energy Microfinance and Microenterprise Program (REMMP) aims at demonstrating the commercial viability of a range of consumer payment model and facilitating investment and improving the capacity of the private sector to finance clean energy. It is working with local solar companies in India and Africa to attract private investment to expand operations through and increase in infrastructure purchases and/or test of new payment models for end-users.

93. From 2008 until present, the USAID Mission in Egypt has supported government led PPPs for the construction of two wastewater treatment facilities. A USAID contractor was engaged to provide technical, legal and environmental support to the national government ministries throughout the development process. In the Philippines, USAID supported the Philippines Water Revolving Fund by providing a DCA loan to foster private investment and bank financing for water utilities to engage in PPPs to provide portable water infrastructure to previously non-serviced communities.

94. On his trip to Africa in July 2013, President Obama announced a new innovative US government Initiative for five years, the Power Africa initiative, which aims to double access to electricity in Sub-Saharan Africa. Power Africa is to support economic growth and development by increasing the supply of, and access to, reliable, affordable, and, when possible, lower carbon power in Sub-Saharan Africa. It is also intended help ensure responsible, transparent, and effective management of energy resources in that region. This effort will focus on physical infrastructure as well as support to the enabling environment. Power Africa will accelerate power generation, transmission, and distribution expansion in focus countries in Sub-Saharan Africa by aligning commitments of those countries with the commitments made by private sector partners of the Initiative to increase investments in the power sector. The US government, working through Power Africa, together with the MDBs and other donors, will facilitate and support investments and reform efforts that will expand the availability of power for sustainable economic growth. Power Africa will also leverage private sector investments, beginning with an initial commitment from

private sector partners to support the development of more than 8,000 megawatts of new electricity generation in Sub-Saharan Africa.

Overseas Private Investment Corporation (OPIC)

95. OPIC, the United States' Development Finance Institution constitutes another pillar of American strategy to promote private sector investment in developing countries. Its goal is to provide the necessary long-term funding for infrastructure investment—through loans, investment guarantees, and political risk insurance—to American businesses, and especially American SMEs, operating in developing countries. OPIC works with US private sector investors to transfer modern US technology and knowledge to projects. However, unlike the U.S. Export-Import Bank, OPIC does not provide financing that is tied to US equipment although it is tied to the US private sector's long term investment.

96. OPIC places strong emphasis on environmentally sustainable investments, both in the energy sector and in water and sanitation. In particular, energy is a core sector of OPIC activity, representing a significant share of its infrastructure portfolio. As part of the above Power Africa initiative, OPIC will commit USD 1.5 billion of its portfolio to finance and insure projects that foster energy production in Sub-Saharan Africa.

Millennium Challenge Corporation (MCC)

97. The Millennium Challenge Corporation (MCC) provides grants to well governed countries for projects designed to remove binding constraints to economic growth such as infrastructure. MCC seeks to deliver this infrastructure where possible and justified through different modalities of private sector participation. MCC's support can include: investing in capital assets, strengthening the capacity of governments to execute and manage PPP contracts post-closure, and improving the enabling environment for PSP.

Department of the Treasury

98. Treasury promotes MDB support for enhancing enabling environments in developing countries and encouraging private finance for infrastructure. It encourages MDB support for US infrastructure priorities, such as the Africa Infrastructure Programme. Furthermore, through its participation in the G20 Development Working Group (DWG) and the G20 Study Group on Financing for Investment, it encourages the G20 to focus on the need for an enabling environment to mobilise productive long-term capital through sound macroeconomic policies, good governance, and sound and transparent regulatory and institutional frameworks.

United States Export-Import Bank (Ex-Im)

99. American companies wishing to provide exports to developing countries' infrastructure projects may also apply for support from US Ex-Im bank, which focuses on providing financing to those businesses looking to export to Mexico, Brazil, Colombia, Turkey, India, Indonesia, Vietnam, Nigeria and South Africa. Infrastructure, together with mining, constitutes the biggest sector of Ex-Im activity, with more than USD 21 billion committed in 2012, which accounted for 60% of all new commitments. Finally, US Trade and Development Agency offers assistance to US companies active in developing country infrastructure by financing the early project stages, including project planning, feasibility studies and pilot projects.

Department of Defense

100. The Task Force for Business and Stability Operations (TFBSO) was formed by the U.S. Department of Defence to leverage American international economic power as a strategic tool for promoting economic stabilization and security. TFBSO creates opportunities for Afghanistan and works with global private sector firms as the nation rebuilds its economy, infrastructure and government. The TFBSO is a resource for any investor interested in creating private sector opportunities in an emerging and growing economy.

Table 1. The US Institutions and Instruments on Support to Private Investment in Infrastructure

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Financial Instruments	Co-ordination
USAID	As part of its Global Development Alliance programme, USAID participates with private sector in projects in water and energy sectors. USAID's Development Credit Authority offers credit guarantees to private sector entities from developing countries in energy, water and transport. Through the Africa Infrastructure Program (AIP), USAID supports private investments and PPPs in African electricity sector at the project preparation stage.	Grants Technical Co-operation Guarantees	Co-ordination with various agencies below
DOS	Through its "Accelerating Market-Driven Partnerships" programme, DoS aims to partner with private sector in its activities, including in infrastructure.	Grants Technical Co-operation Guarantees Social Impact Bonds	USAID and OPIC and MCC
DOD	Task Force for Business and Stability Operations (TFBSO) creates stabilization by developing economic opportunities in Afghanistan through a range of efforts, including encouraging investment by U.S. and international businesses, including for infrastructure.	Grants Technical Co-operation	USAID and DOS
DOE	DoE promotes energy diversification and economic growth in developing countries through capacity building, infrastructure development, and policy and regulatory assistance efforts.	Grants Technical Co-operation	
Department of the Treasury	Treasury represents the US in MDBs and the G20 in promoting support for enhancing enabling environments to encourage private finance for infrastructure.	No direct assistance; policy guidance only	USAID and DOS
MCC	**Private Sector Participation in Public Sector Services**: MCC supports increased efficiency and scope of public services through the involvement of the private sector by: • Investing in capital assets using a spectrum of modalities and increasing the availability of long-term funding for infrastructure. • Strengthening the capacity of governments to execute and	Grants Technical Co-operation	MCC collaborates with USAID and DoS in the Partnership for Growth and Power Africa activities to assist countries in identifying constraints and opportunities in infrastructure. MCC is also involved in the development and execution of the Joint Actions Plans developed

	manage PPP contracts post-closure. • Improving the enabling environment for PSP. **Public Sector Management and Governance**: MCC improves the core market-supporting functions of public sector interface with the private sector by: • Improving the physical plant and assets of public sector institutions and parastatals • Capacity building for public sector functions; and • Improving the business enabling environment.		with each country. MCC works with USAID and DoS in the Doing Business in Africa committee and the US Water Partnership to promote private investment in infrastructure. MCC has also co-ordinates with USAID on transaction-specific occasion.
OPIC	OPIC is the U.S. Government's development finance institution. It mobilises private capital to help solve critical development challenges which advances U.S. foreign policy. OPIC's investments in infrastructure include: housing, water, power, and telecommunications. In the energy sector OPIC focuses on renewable resources, such as solar, wind and hydro power projects.	Direct loans Investment Guarantees Political Risk Insurance	USAID and State may co-ordinate with OPIC staff on specific projects. Ultimately, OPIC leads the decision to provide financing on any given project.
USTDA	USTDA objective is to facilitate US private investments in developing countries by funding project planning activities and pilot projects.	Technical Co-operation Grants	USAID may co-ordinate with USTDA staff on specific projects. Ultimately, UDTDA leads the decision to provide financing on any given project.
Ex-Im	Ex-Im's mission is to assist in financing the export of U.S. goods and services to international markets, including for infrastructure.	Export credits via direct loans, guarantees and insurance products	DoS may co-ordinate with Ex-Im staff on specific projects. Ultimately, Ex-Im leads the decision to provide financing on any given transaction.

Inter-Agency Co-ordination

101. In general, the Department of State (DoS) co-ordinates with Desk Officers and Embassy staff to support private investment in infrastructure while ensuring that the activities support partner countries' development objectives. DoS partners with host-country government entities (including federal, state, and municipal) to ensure activities complement existing and planned local activities. Through these partnerships, DoS helps infuse more international resources and a more robust, sustainable approach to projects through a collaborative co-design process.

102. Ex-Im Staff frequently collaborate with DoS and Embassy staff for information on specific projects as well as assistance when liaising with buyer country government officials. US Ex-Im is demand driven and, as such, can only participate in projects in which a US exporter is involved. US Ex-Im support is OECD Arrangement-compliant and, as such, cannot be combined with support from another US government agency unless there is a clear indication that the other US government agencies (e.g., USAID, OPIC) would subscribe to the Arrangement terms.

103. USAID does consult periodically with other US government agencies as well as multilateral organisations on infrastructure projects (roads, power stations), for purposes of co-ordination and to explore possible leveraging of funds, including those of the private sector.

104. The US Government supports the Scaling up Renewable Energy Program (SREP), as part of its contribution to the Strategic Climate Fund. Up to fiscal year 2012, the US has contributed approximately USD 29 million to the SREP. USAID works with Treasury to assist in reviewing proposed projects and investment plans under the SREP, many of which are infrastructure in nature and may involve private investment. USAID also reviews projects of other organisations, e.g. the World Bank, as well as provides comments on issues including programme co-ordination, geographical distribution and possible financing.

Domestic PPP experience

105. For domestic infrastructure development within the United States, public-private partnerships (PPPs) are used less prominently than some other OECD member countries. It is estimated that between 1985 and 2011, the nominal value of all infrastructure (including building construction) PPPs in United States amounted to USD 68 billion, compared to USD 45 billion in Canada, USD 89 billion by Mexico and Central and South America, and USD 353 billion and in Europe.[5]

106. The US government does not use a US domestic model to promote PPPs in developing countries' infrastructure. For USAID Global Development Alliance (GDA), there are no specific criteria for potential private sector partners, other than being able to pass the USAID Due Diligence process. GDA works with US and foreign firms equally and with all sorts of companies—from the largest multinationals to small and medium sized enterprises.

Comparative Advantage

107. The observations from officers posted to US embassies and USAID missions around the world—who regularly monitor the programmes and activities of development partners—inform the U.S. approach to supporting private sector investment in infrastructure. The US often plays a lead role in bringing development partners together for increased donor co-ordination. In addition, the US enjoys a comparative advantage among development partners through its ability to carry out technical assistance in areas such as project proposal analysis, project design and feasibility studies.

Co-ordination with MDBs

108. The US sees that MDBs have significant resources that can help finance and "crowd-in" private finance for infrastructure projects. MDBs also provide significant technical assistance and advisory services in the promotion of private finance for infrastructure. They have built up significant expertise and knowledge from their extensive experience and are actively sharing that expertise and knowledge with partner countries in the design of specific projects as well as the development of country assistance strategies. For example, the Infrastructure Finance Centre of Excellence in Singapore combines the best available global knowledge—including from developed economies such as Singapore and Australia—with the operational and technical expertise of the World Bank so as to provide customised services to developing country clients as they finance infrastructure.

109. With this in mind, the US prioritises transparency in the procurement process of MDBs because of its potential impact on US businesses. As the largest or co-equal shareholder in most MDBs, the US plays a substantive role equal to or more than its voting share in each MDB. Established US policies and Congressional mandates govern US decision-making at the MDBs, including paying close attention to environmental and social impacts of operations as well as associated reputational issues. In addition to playing a leadership role in influencing policy formulation, project design and implementation at the MDBs, the US often stands alone among other Board members in calling for MDBs to act in the most transparent manner.

5 E. Istrate & R. Puentes, "Moving Forward on Public Private Partnerships: U.S. and International Experience with PPP Units", Brookings-Rockefeller, 2011, p. 4.

110. The DOS reviews infrastructure project proposals submitted to the MDB Executive Boards by U.S. priority partner countries on a regular and systematic basis. By gathering and analysing feedback from U.S. Embassies and DoS functional bureaus, it applies lessons-learned in promoting private investment for infrastructure to the MDB infrastructure programmes. Through this method, DoS has provided technical and qualitative insights into the procurement reform and policy review on safeguards at the MDBs. Conversely, MDBs provide a model for DoS in advancing programmes such as regional economic integration.

111. All project proposals, including infrastructure project proposals, which are submitted to the MDB Executive Boards, are systematically reviewed by various U.S. government agencies. The US Treasury chairs the Working Group on Multilateral Assistance and leads the review process. USAID, DoS, other US government agencies are invited to review and provide inputs into the MDB loan review process. Large infrastructure projects, particularly those with a Category A environmental classification, are most likely to benefit from comments from USAID and other agencies based on lessons learned in US government bilateral programmes.

Enabling Environment

112. The US supports policy and administrative management for infrastructure in developing countries. In many instances, USAID is channelling its support to the enabling environment through US private consulting firms, industry actors, and NGOs.

113. In general, the US priorities for supporting the enabling environment vary by country, depending on the level of economic and financial sector development. The review of country experiences conducted by the G20 Study Group on Financing for Investment confirmed that "there is no magic bullet" in enhancing access to long-term financing. In this regard, the US considers the World Bank's Doing Business Report to be a useful tool for individual countries to identify areas needing further attention.

114. Furthermore, the US believes that countries should focus on implementing sound, sustainable policies, at both the macro and micro levels, backed by transparent and effective institutions, which create a favorable climate for attracting development-enhancing long-term investment. For a number of emerging economies that do not face a shortage of long-term capital, there is a higher priority on improving the effectiveness of financial intermediation by developing deep and well-functioning local capital markets and a soundly regulated and supervised national financial system overall. In this regard, Treasury welcomes the ongoing work of the World Bank, OECD and other IOs in implementing the G20 Action Plan to support the development of local currency bond markets.

115. Treasury also supports implementation of the recommendations on building an enabling environment for facilitating infrastructure financing that came out of the Development Working Group (DWG)'s High Level Panel on Infrastructure and the MDB Infrastructure Action Plan reports in 2011. Through its participation in the G20 DWG and the Study Group on Financing for Investment, the US actively supports G20 promotion of policies, practices, and institutions that create a favourable investment climate for attracting development-enhancing private capital flows in developing countries such as sound macroeconomic policies, good governance, and sound and transparent regulatory, legal and institutional frameworks.

116. MCC recognises that the private sector is the engine of growth. Accordingly, MCC seeks to improve the enabling environment for investment with grants oriented toward: (1) enterprise and corporate sector development, through technical assistance, training, and institutional/policy reforms; and (2) financial sector development, through interventions designed to increase access to credit/deposits and reduce the costs of financial services. Through MCC grants and the conditions to these grants, MCC supports further improvements in the grantees' enabling environments for private investment and public private partnerships by providing technical assistance and capacity building for line ministries and sector institutions in such areas as (i) transportation, energy, water, financial services, land management and natural resources policy; (ii) utility regulatory processes; and (iii) transparency in tax collection.

117. OPIC's position is that, with regard to energy sector investments, bilateral and multilateral donors can provide assistance in creating a "bankable" power purchase agreement, which is essentially a long-term agreement with a creditworthy off-taker that provides for an adequate and predictable revenue stream. Donors can provide assistance to ensure that such agreements specifically lay out contract terms and that the responsible parties address risks such as foreign exchange, legal or regulatory changes, tariff schedule, and appropriate termination.

Project Preparation Facilities

118. Treasury supports the G20's work on improving processes such as planning, prioritising, funding and ensuring transparency of infrastructure investment projects. The 2011 MDB Action Plan, the DWG's High Level Panel on Infrastructure, and the Infrastructure Consortium for Africa reports all point to the need for greater coherence in donor efforts to support project preparation. These reports highlight that well designed projects including effective project preparation is essential for successful infrastructure investment—particularly for PPPs, which generally are complex legally, financially and technically. Treasury encourages the MDBs, the OECD and other international organisations to intensify their efforts to address weaknesses in infrastructure project preparation and to design and devise recommendations on how to address challenges.

119. In this context, the US funds the following PPFs:

- The US Trade and Development Agency. As the US acknowledges the importance of project preparation, it has a separate development agency – US Trade and Development Agency – which provides financing for feasibility studies, project planning and pilot projects. Most of these funding are for infrastructure projects (91% in 2012). According to the CRS database, 14% of projects were financed by USTDA in 2011, totalling about USD 28 million.
- The USAID Africa Infrastructure Program, which was allocated USD 5 million.
- The Public Private Infrastructure Advisory Facility (PPIAF), hosted by the World Bank. MCC has provided annual grants of USD 250,000 to PPIAF to support PPIAF's core work programme on PPP enabling environment development and the dissemination of its global PPP knowledge products. In 2012, USAID provided a non-core grant to PPIAF for Water, Sanitation, and Hygiene in Sub-Saharan Africa.
- The U.S.-Africa Clean Energy Finance Initiative (ACEF). This is a four-year USD 20 million programme implemented by OPIC in collaboration with DOS, USTDA, and USAID. The goal is to catalyse private sector investment in the African clean energy sector by providing support for project development costs, such as engineering or legal costs. Also included are consulting fees for the preparation of environmental and social impact studies and third party costs associated with physical and technical analysis of renewable resources. ACEF seeks to address the acute energy needs in Africa while piloting a new method of US inter-agency collaboration that has the potential to be replicated in other regions and sectors.

Evaluation

120. OPIC performs comprehensive and integrated monitoring to evaluate the US and host-country economic effects as well as the environmental, social, health and safety, and general working conditions of the projects it supports through both an annual self-monitoring questionnaire and selected project site visits. For host country economic impact, projects are evaluated using the same criteria applied for project approval to assess whether or not the projected development impacts have materialised. OPIC aggregates the results of its impact monitoring and evaluation and reports these aggregated results to Congress and on the OPIC website. Individual project evaluations are not made public because they contain commercially confidential information.

121. USTDA employs a robust evaluation process that identifies credible information about what its programme activities have achieved for US companies and host country partners. USTDA's Programme Evaluation Office continuously monitors, tracks, and analyses the outcomes of the Agency's activities to determine their overall effectiveness, inform evidence-based funding decisions, and ensure oversight and accountability with stakeholders.

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EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Policies, Institutions and Instruments

122. The EBRD was established in 1991, following the collapse of communism in Eastern Europe. Its mission is to further the progress towards "market-oriented economies and the promotion of private and entrepreneurial initiatives" in Eastern Europe and Central Asia. Following the Arab Spring Revolutions, the EBRD expanded its operations to several Southern and Eastern Mediterranean (SEMED) countries in 2012 (e.g. Jordan, Tunisia, Morocco, Egypt). The Bank is now active in 34 countries in South-eastern Europe, Eastern Europe and the Caucasus, Central Asia, Russia and Southern and Eastern Mediterranean (SEMED) countries.

Structure and instruments

123. In general, the majority of EBRD financing goes to the private sector, where it invests only in projects that would not otherwise attract financing on similar terms. In contrast with other MDBs, such as the World Bank's IFC or the Structured and Corporate Finance Department of the IADB, where non-sovereign financing is handled by a separate arm, the EBRD's non-sovereign lending is mainstreamed within regional and sectoral departments. Support to private investment in infrastructure is primarily pursued in the three following departments: banking, finance and risk.

124. The Bank committed to increase loans, equity and quasi-equity instruments, as well as guarantees to support private investment in infrastructure. Aside from these financial tools, the EBRD also provides technical assistance to partner country governments on reforming the enabling environment.

125. Regarding transport for instance, EBRD finances four to five projects per year, disbursing around Euro 1.2 billion. Of this amount, 40-50% goes to the private sector in support of PPPs. An additional 20-25% is commercialised lending to state-owned enterprises (SOEs), which are mostly rail and road agencies. The remaining 20-25% is composed of sovereign loans primarily to early transition countries in Central Asia.

126. EBRD also supports investment in infrastructure at the sub-national level. It finances about 40 municipal projects per year, disbursing a total of about EUR 600 million. Approximately 20% of this is directed towards PPPs, particularly in the water sector and towards supporting privatisation of SOEs. An additional 60-70% is non-guaranteed commercialised direct loans to municipal companies and utilities. The remaining 15% is composed of sovereign loans, which go primarily to early transition countries. The tenors of all commercialised lending by the EBRD are linked to the asset life cycle, with a grace period of 2 to 4 years.

Developments in PPPs in EBRD client countries

127. The EBRD is shifting the nature of its support to PPPs. In countries such as Hungary and the Czech Republic, PPPs have failed due to flawed risk structures, tarnishing the public perception of PPPs and decreasing private sector interest. Furthermore, the EBRD's support is influenced by the ambivalent experience of companies involved in PPPs, such as Veolia and GDF Suez, that have had negative experiences in the past with PPPs in EBRD's donor countries such as Spain or Portugal. Therefore, while demand risk was formerly taken on more by the private sector, it is now increasingly shouldered by the public sector. This means that if the actual demand for the infrastructure services does not meet the forecasted demand, the public sector will reimburse its private partner for the loss.

128. The failure of PPPs to perform in the past has also led to the rise of a "hybrid" PPP model in EBRD client countries. The hybrid model has resulted from an influx of capital grants provided by the EU to support the development of infrastructure in some of it Eastern European member states. In a hybrid PPP model, EU funds are applied at the beginning of a project against capital expenditures, which reduces the need for capital from the private partner. With the lower capital expenditures, future payments made to the private partner (e.g. availability payments or shadow tolls) are expected to be lower as well.

129. Furthermore, Operation and Maintenance (O&M) projects are becoming increasingly popular in EBRD client countries, in which the private sector commits to operate and maintain the infrastructure facilities for 5 to 10 years, without financing their construction or extension.

Comparative Advantage

130. The EBRD views its comparative advantage in lending support to countries in political and economic transition. It uses this experience to support countries such as Egypt as its geographical mandate has recently been expanded, with further plans to partner with other countries in North Africa and the Middle East.

Co-operation with Other Actors

131. The EBRD actively co-operates with both multilateral and bilateral donors in supporting private investment for infrastructure, both at the project level and in knowledge sharing. In particular, the Bank co-operates closely with the EIB as well as the European Commission. The three parties signed a Memorandum of Understanding in 2011, aiming to better co-ordinate by preventing excessive overlap and increasing synergies. The two Banks also co-finance numerous projects in support of private investment in infrastructure. The EBRD has also established co-operation with the United Nations Economic Commission for Europe (UNECE), which manages the International PPP Centre of Excellence[6], with broadly the same membership. The two institutions work together on infrastructure projects in sectors such as energy efficiency and promoting Public-Private Partnerships.

132. EBRD established a partnership with the Japan Bank for International Co-operation (JBIC), the Japanese Export Credit Agency, with a special focus on energy efficiency and climate related projects. Joint activities include the co-financing of large national infrastructure projects, as well as municipal infrastructure particularly linked to climate related projects. They also carry out joint local currency financing in the EBRD partner countries. In 2013, JBIC and EBRD, together with the private Turkish Bank Denizbank, established a USD 25 million credit line for local renewable energy projects under the Turkey Sustainable Energy Financing Facility Extension, supervised by EBRD.

Enabling Environment

133. EBRD is committed to strengthen the enabling environment in partner countries by reforming regulatory frameworks of banking laws, expropriation, and other investor protection. For instance, the EBRD signed a Memorandum of Understanding with the International Confederation of Energy Regulators in 2011. The two organisations share knowledge and experience in building transparent, predictable legal and regulatory frameworks, in order to attract increased private investment in client country energy sectors.

Project Preparation Facilities

134. The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. The EBRD finances the following PPFs:

- Arab Financing Facility for Infrastructure Technical Assistance Facility (AFFI TAF), hosted by AFFI, a regional partnership by World Bank Group and the Islamic Development Bank;
- Joint Assistance to Support Projects in European Regions (JASPERS), hosted by the EC;
- Western Balkan Investment Framework Infrastructure Project Facility (WBIF - IPF), hosted by the EC.

Green Infrastructure

135. In its Environmental and Social Policy, the Bank commits to prioritise sustainable energy as it is a key enabling factor to future economic growth in partner countries. In 2006, the EBRD established the Sustainable Energy

6 The UNECE's International PPP Centre of Excellence produces international standards on PPPs, thus its scope extends beyond EBRD member countries.

Initiative (SEI), which aims at providing financial instruments to leverage private investment in energy efficiency and renewable energy, as well as improving the enabling environment. SEI's financial instruments to this end include: direct and syndicated non-sovereign and sovereign guaranteed loans; direct equity; and investments in equity funds and credit lines. EBRD also engages in co-financing with commercial banks, multilateral donors, and DFIs in this area. In 2012, SEI investments amounted to Euro 2.6 billion, accounting for 26% of the EBRD's total activities.

136. Furthermore, the EBRD recognises the need to assist in establishing transport systems that are economically, environmentally and socially sustainable. Since 2007, the Bank has provided almost Euro 870 million for investments, including support to private investments, aimed at increasing energy efficiency in the transport sector. As an example, the EBRD is providing technical assistance to save energy in public transport of Serbia, together with the Central European Initiative (CEI)—an intergovernmental forum which finances small-scale projects.

137. The EBRD also co-operates with four other MDBs (IADB; World Bank; AsDB, and AfDB) to fund the Climate Investment Funds (CIFs). The CIFs are a global multilateral financing instrument designed to promote the transition towards low-carbon and climate-resilient development, where bilateral donors channel funds through MDBs. The CIFs aims include, for instance, promoting scaled-up deployment and transfer of clean technologies by funding low-carbon programmes and projects that have significant potential for long-term greenhouse gas emissions savings. Over a third of support to this end goes to projects in the private sector. The EBRD plays a crucial role in the CIFs' support to the private sector by leading the structuring of climate-driven transactions. The funds are supervised by an MDB Committee, consisting of representatives from each of the MDBs.

Evaluation

138. All EBRD-financed projects, including with non-sovereign loans, are self-evaluated using a template when deemed ready by the Evaluation Department (EvD) and management. A sample of these operations is then subject to independent evaluation by the EvD, according to the following criteria, based on the OECD-DAC categories:

- Relevance: 'project rationale' and 'additionality';
- Effectivness: 'fulfilment of operational objectives' and 'project/client financial performance';
- Efficiency: 'Bank handling' and 'Bank investment performance' (i.e. the return to EBRD);
- Impact and sustainability: 'transition impact' and 'environmental and social impact'.

139. Out of 33 EvD-evaluated infrastructure projects approved between 2004 and 2009, 73% were rated "Successful", 21% "Partly Successful" and 6% "Unsuccessful". While these include 28 sovereign and 5 non-sovereign loans, almost all EBRD finance is 'in the style of' private sector financing, unlike other MDBs. In other words, with only very few exceptions of direct sovereign loans to road projects in early transition countries, even the sovereign lending is to bodies that are corporatized to some extent. Therefore EBRD treats sovereign and non-sovereign lending practically the same for evaluation purposes.

140. While the EBRD increasingly supports sustainable projects, particularly in the energy sector (see e.g. Green Infrastructure above); some CSOs claim these efforts are somewhat counteracted by the EBRD's continued support to coal energy and CO2-intensive transport projects[7].

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INTER-AMERICAN DEVELOPMENT BANK

Policies, Institutions and Instruments

141. The IADB Group is composed of the Inter-American Development Bank (IADB – "Bank"), the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), all three of which are active in supporting private investment in infrastructure.

The Bank

142. Infrastructure development is one of the Bank's overall policy priorities, which, according to its Annual Report 2012, received 49% of total approved lending (both sovereign and non-sovereign). The Bank specifically acknowledges the importance of promoting greater private investment in infrastructure, stating that public-private synergies hold great potential to maximise developmental impact.

1. Structured and Corporate Finance Department (SCF) of the Bank (non-sovereign lending)

   Support to private businesses is administered by the Bank's Structured and Corporate Finance Department (SCF) which particularly encourages private investment in infrastructure. As financial instruments, SCF provides non-sovereign guaranteed loans sourced from its own resources—"A Loans"—as well as syndicated loans or "B Loans" together with international banks and institutional investors. It also extends partial credit and political risk guarantees as well as co-operates with private sector clients to mobilise non-reimbursable resources for project preparation.

2. Country and Sector Departments of the Bank (Sovereign lending)

   In addition to SCF's support to private companies, the Country and Sector Departments of the Bank engage in support to partner countries in improving the enabling environment for infrastructure investments by providing, for example, sovereign loans and technical assistance.

Inter-American Investment Corporation (IIC)

143. The IIC focusses on support to small and medium-sized enterprises (SMEs) by providing financing in the form of equity investments, loans, and guarantees. IIC considers high-quality infrastructure as essential to the well-being of SMEs and the Latin American economy in general. It thus supports private investment in small- to mid-sized infrastructure projects, which would normally be unable to obtain the necessary financial structuring, and long-term capital to be completed. In 2011, 22% of the IIC's total financing went to the infrastructure sector, making it the second largest sector of IIC activity that year.

Multilateral Investment Fund (MIF)

144. The MIF is one of the largest providers of technical assistance and equity investment to the private sector in Latin America and the Caribbean (LAC), where it is committed to work with local partners. In 2011, each USD invested by the MIF in equity leveraged USD 11 in private investment in the MIF's overall equity portfolio. In terms of technical assistance, one of its most important activities is the "Regional Public-Private Partnerships Advisory Services Program", which focusses on capacity and knowledge sharing, as well as support in project selection and preparation by strengthening government capacities in the design, execution and management of public-private partnerships. It supports primarily governments in small and less developed countries at the national and sub-national levels.

145. The MIF also organises a yearly conference on PPPs for infrastructure, PPPAmericas, with the aim of developing knowledge and capacity in the execution of PPPs on the continent. The conference brings together public sector officials, private sector representatives and international experts in the field to discuss: how and when to choose PPPs; the enabling environment for PPP projects in the region; and new funding sources and trends.

Table 1. IADB's Institutions and Instruments on Support to Private Investment in Infrastructure

<table>
<tr><th>Institution</th><th>Role in Promoting Private Investment for Developing Country Infrastructure</th><th>Programmes and Financial Instruments</th><th>Co-ordination</th></tr>
<tr><td>Structured and Corporate Finance Department (SCF) of the Bank</td><td>SCF supports private investment in infrastructure through non-sovereign loans to private companies. This support goes primarily to private investments in large infrastructure projects.</td><td rowspan="2">Sovereign loans
Non-sovereign loans
Guarantees
Technical Assistance
Project Preparation and Green Finance Facilities</td><td rowspan="2"></td></tr>
<tr><td>Country and Sector Departments of the Bank (Sovereign lending)</td><td>The country and sector departments support partner countries improve the enabling environment for infrastructure investments by providing e.g. sovereign loans and technical assistance.</td></tr>
<tr><td>IIC</td><td>IIC supports small to mid-sized infrastructure projects that would otherwise be unable to obtain financing, from e.g. commercial banks.</td><td>Equity Investments
Loans
Guarantees
Technical Assistance</td><td></td></tr>
<tr><td>MIF</td><td>The MIF supports primarily the enabling environment for private investment in infrastructure in Latin American countries. It also undertakes equity investments in infrastructure.</td><td>Loans
Technical Assistance
Equity Investments</td><td></td></tr>
</table>

Intra-Agency Co-ordination

146. In its Assessment of IADB-9's Private Sector Development Framework, the Office of Evaluation and Oversight (OVE) found significant overlaps between the different private sector windows within the Group (IIC, SCF, MIF). The existence of these different windows diminished the efficiency of the Group's work by impeding the creation of synergies in private sector support. In particular, OVE found that co-ordination between the sovereign guarantee and non-sovereign guarantee sides of the Bank was limited, which resulted in significant lost opportunities, particularly in infrastructure, where improved collaboration was necessary to foster PPPs.

147. Consequently, several shareholders called for rationalising the Group's private sector support. In March 2013, the Board of Governors mandated a review of the Group's activities in the private sector to work on a new vision. As a result, a proposal to create an independent arm of the Group solely focused on dealing with the private sector, similar to the World Bank's International Finance Corporation, was proposed. A detailed proposal for discussion was presented at the Annual Meeting in March 2014.

Enabling Environment

148. The IADB Group supports the improvement of the enabling environment in partner countries. In order to assess the quality of the enabling environment in recipient countries, the MIF, together with the Economist Intelligence Unit (EIU), has developed the 'Infrascope', an interactive index evaluating the readiness and capacity of 19 Latin American and Caribbean countries to implement PPPs in infrastructure. The Infrascope analyses laws, regulations, institutions and practices that affect the enabling environment. The InfraScope is published annually in

the form of a report, which is also available as an interactive tool to be downloaded on the Bank's website.[8] This tool has attracted interest from other MDBs, such as the European Bank for Reconstruction and Development as well as the Asian Development Bank which commissioned an Infrascope for Asia in 2012.

Green Infrastructure

149. Adopted in 2006, the Bank's Sustainable Energy and Climate Change Initiative is being implemented to move the Group away from fossil fuel-based energy projects to support clean energy. IADB-9 mandates that environmentally sound renewable energy programmes and projects account for 25% of Bank loans (i.e. half of infrastructure projects) from 2010 to 2015. Projects in this sector have already increased substantially.

150. Furthermore, the MIF-IADB Public-Private Partnership Program combines funds from the Global Environment Facility (GEF) with IADB Group to target equity investments to promote energy efficiency, renewable energy, and bio-diversity in Latin America. The IADB Group provides USD 266 million as co-financing to GEF's USD 15 million. In addition, the Bank and Canada established a co-operation in 2011 on the Canadian Climate Fund for the Private Sector in the Americas, worth USD 250 million. The fund aims at financing climate change adaptation, renewable energy and energy efficiency projects in Latin America by providing loans to the private sector.

151. The Bank has also established a series of MDB partnerships with the Asian Development Bank, African Development Bank, EBRD, and World Bank to standardise climate risk methodologies, inventories of greenhouse gas emissions, and assessments of climate change finance options for recipient countries.

Project Preparation Facilities

152. The Bank recognises the lack of funding for project financing and preparation as a major bottleneck to the much-needed scaling up of infrastructure investment in Latin America and the Caribbean. As a result, the Bank created the Infrastructure Project Preparation Fund (InfraFund), which is dedicated to assisting public and private entities in LAC in the identification, development and preparation of bankable and sustainable infrastructure projects. InfraFund, established in 2006 with USD 20 million and was subsequently increased to USD 69 million.

153. In addition, within the Bank, the Fund for Integration Infrastructures (FIRII) provides funding for feasibility and impact studies for regional infrastructure projects, as well as public-private collaborations for specific projects. The total volume of FIRII is around USD 40 million. Furthermore the Bank has established the Brazil Infrastructure Project Preparation Fund.

Evaluations

154. The IADB's Ninth General Capital Increase (IADB-9) process mandates that the Bank report on project results through the Development Effectiveness Framework, based on a project's evaluability as measured by the Development Effectiveness Matrix. SCF recently introduced a private sector DEM which is similar to that of the public sector but tailored for private sector issues. The DEM assesses strategic fit, non-financial and financial additionality, evaluability, establishes a results framework and identifies a monitoring and evaluation plan. Annually, private sector operations that have reached early operating maturity are selected for expanded supervision, which measures development outcomes, additionality and work quality. OVE validates each self-evaluation report.

155. The IIC uses two tools to track the development outcomes of its operations: (1) the Development Impact and Additionality Scoring System, introduced in 2008, which is used to estimate a project's potential development impact at project outset and throughout its life; and (2) the Expanded Annual Supervision Report in use since 2001, which measures a project's development outcome and assesses IIC investment performance, work quality, and additionality.

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THE ISLAMIC DEVELOPMENT BANK

Policies, Institutions and Instruments

156. The Islamic Development Bank Group (IsDB Group) was established in 1975 with a mission to foster the economic development and social progress of member countries as well as Muslim communities in non-member countries, in accordance with the principles of Shari'ah (Islamic Law). The IsDB Group, currently with 56 members spanning from Africa, Europe and Latin America, considers itself a South-South development finance institution.

157. The IsDB Group comprises five main entities: The Islamic Development Bank (IsDB – the Bank); the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the International Islamic Trade Finance Corporation (ITFC) and the Islamic Research and Training Institute (IRTI). Furthermore, the Group separates its financing activities into three broad categories: 1) project/operation financing; 2) trade financing; and 3) special assistance. The IsDB obtains its resources through its members' subscriptions to the IsDB capital stock, which amounted to USD 28.3 billion at the end of 2012.

158. In 2009, the IsDB Group approved its Infrastructure Strategic Plan 2010-2012, which sets out a focus on low-income member countries. The Group aims to emphasise improvement of energy production and supply, as well as transport, particularly by supporting regional economic corridors. Furthermore, it aims to ensure a major role for the private sector in infrastructure.

159. In 2012, the IsDB Group Board of Directors approved a "3 by 3 Strategic Framework" making infrastructure one of the Group's priority sectors, along with poverty alleviation and the promotion of Islamic Finance. Support to the private sector in infrastructure, particularly through the encouragement of public-private partnerships, is recognised as playing a critical role in the economic development of the Group's member countries.

The Islamic Development Bank (the Bank)

160. Given the high risk resulting from recent political upheavals in the region, private sector appetite for participation in infrastructure in Arab countries has been low for the past years. Nevertheless, the Bank supports private investment in infrastructure primarily through the PPP Division within the Infrastructure Department, which oversees the Bank's non-sovereign operations. The Division estimates that an average of USD 600 million for a total of approximately six PPP projects in non-sovereign financing is approved by the Bank each year. The instruments used to finance support to private investment in infrastructure that are compliant with Shari'ah includes primarily Leasing, Istisna'a and Instalment Sale, which are described below.

- Leasing means that the Bank procures the asset and leases it to the beneficiary for a specific period of time. During this period, which may extend for up to 20 years, including a gestation period of up to 5 years, the asset remains property of the Bank.
- Istisna'a is a contract in which the seller (the Bank, as financier, in this case) and its client sign a contract to build an asset. The Bank is responsible for building the facility according to agreed specifications, usually through subcontractors, and delivers it to its client at a determined price.
- In the case of an Instalment Sale, The Bank allows the client to pay the price of an asset at a future date in lump sum or instalments. According to this mode of financing, ownership of the asset is transferred to the beneficiary upon delivery, which allows the beneficiary to use the asset as collateral to secure further financing for operation purposes, for example.

161. In addition, the Bank collaborates with IBRD and IFC through the Arab Finance Facility for Infrastructure (AFFI), established in 2011, to attract private investments in infrastructure in low- and middle income Arab countries. This includes the Bank's contribution to a mezzanine fund comprising a Shari'ah compliant vehicle and a conventional vehicle of USD 50 million each.

Islamic Corporation for the Development of the Private Sector

162. The Islamic Corporation for the Development of the Private Sector (ICD) supports the development of the private sector, particularly small- and medium-enterprises in its member countries, through equity investments and non-sovereign loans. While ICD does not prioritise infrastructure in particular, it finances several small-sized infrastructure projects.

163. In addition, ICD provides technical assistance to national activities as well. For example, it helped the Senegalese government in 2013 to prepare and launch its first sukuk, an Islamic government bond, worth USD 200 million. Sukuk structures resemble cash flows of conventional bonds. As profit needs to be linked to a productive activity under Shari'ah law, with interest (Riba) forbidden, a Sukuk represents a shared ownership of e.g. an asset. Capital is thus protected under Sukuk in a form of a promise by the issuer to repurchase an asset, while a rent, benchmarked to interest rates, such as the London Interbank Offered Rate (LIBOR), is paid in the meantime. The Senegalese Sukuk, which aims to finance infrastructure projects particularly in energy, is the first of a number of Islamic finance bonds planned to be issued by the Senegalese government in the near future.

Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

164. The ICIEC provides investment insurance and export credit to private enterprises in the IsDB member countries. In 2012 the ICIEC began providing export credit insurance to exporters from non-member countries engaged in infrastructure related projects in its member countries.

Table 1. IsDB's Institutions and Instruments on Support to Private Investment in Infrastructure

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Co-ordination
The Bank	The Bank supports private sector participation in medium to large-sized infrastructure, particularly in the transport and energy sectors. The PPP division within the Bank's infrastructure department is the main body responsible.	Leasing Istisna Installment Sale Loans	
ICD	Supports small sized infrastructure projects, particularly in ICT and energy	Loans Leasing Lines of finance Installment Sales Equity Istisnas	
ICIEC	Provides export credit insurance services to exporters from non-member countries engaged in infrastructure related projects, particularly PPPs, in its member countries	Trade Credit Investment Credit	

Comparative Advantage

165. The IsDB Group sees its comparative advantage in its position as a unique provider of Shari'ah compliant finance for infrastructure projects. Islamic financing is gaining in popularity with the private sector in its member countries, particularly in the infrastructure sector.

Co-ordination with Other Actors

166. The IsDB Group co-operates with bilateral and multilateral donors both at policy and project level in supporting private infrastructure investment in its partner countries. For example, in 2009, the Bank established the Islamic Infrastructure Development Fund (IIF) together with the Asian Development Bank. The IIF is an equity investment fund aimed at providing financing to Public Private Partnerships in 12 common member countries of the IsDB and the ADB.

167. In 2012, the Bank concluded a Framework Co-Financing Agreement (FCA) with the Korea Development Bank. The two institutions will earmark USD 1 billion each towards a joint pipeline of projects over the three-year period 2012-2014. The joint project pipeline is expected to focus on infrastructure and private sector development in IsDB member countries.

Enabling Environment

168. The IsDB Group recognises support to the enabling environment for private investment as a crucial factor in fostering private participation in its member countries' infrastructure. It supports the enabling environment for infrastructure investments primarily through providing technical assistance to member country governments in the reform of regulations and institutional capacities surrounding Islamic finance, such as through the AFFI described above.

Project Preparation Facilities

169. The IsDB Group recognises adequate project preparation as crucial in ensuring successful infrastructure PPPs. It particularly stresses the importance of investing in sound feasibility studies. To this end, the Bank finances jointly with the IFC government capacity building for PPPs, feasibility studies, as well as project preparation through the AFFI Technical Assistance Facility.

Green Infrastructure

170. The IsDB Group states that the development of "green" energy projects and the promotion of local energy efficiency enhancement initiatives are key priorities in its future support to member countries. While renewable energy projects still represent only a small share of the Group's total energy investments, sustainability is an issue that has gained increasing attention within the Bank in the past years. The focus thus far has been on financing projects in hydro- and wind-powered energy.

Evaluation

171. IsDB Group projects are evaluated by the Operations Evaluations Office (OEO). Information on how the IsDB Group evaluates infrastructure projects with private participation is not available.

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WORLD BANK GROUP

Policies, Institutions and Instruments

172. In recent years, the WBG has been the largest official financier for developing country infrastructure among the traditional bilateral and multilateral donors. In 2010, recognising infrastructure as a key contributor to economic growth and poverty reduction in developing countries, the WBG defined its support to infrastructure as a strategic priority in response to growing demand for infrastructure in developing countries. As a result, the 2012-2015 strategy document "Transformation through Infrastructure" recognises and identifies the strategic importance of the WBG's convening power within the infrastructure sectors to mobilise private capital as one of the three pillars of WBG's engagement in infrastructure.

173. Within the new strategy, the Group foresees close co-ordination among its different institutions, with IFC focusing on providing non-sovereign loans to mobilise private sector resources, MIGA scaling up its guarantees, and the Bank expanding its activity to promote reforms to improve the enabling environment. Finally, as part of its efforts to scale up capital for infrastructure projects, the Group has an explicit goal of mobilising capital —from both the public and private sectors— to increase the Bank's amount of capital committed to infrastructure investments in client countries.

International Finance Corporation (IFC)

174. IFC, the private sector-oriented body of WBG, considers infrastructure investment in Africa as one of its five core priorities, where it focuses on commercially viable investments in ports, railways, telecoms and power, with particular emphasis on renewable energy. In addition to its investment financing-related activities, IFC is also advising governments—including at regional and municipal levels—on how to engage the private sector in services delivery and to structure PPP contracts. The WBG strategy reinforces IFC responsibility to mobilise private finance for infrastructure, with the expected leverage ratio between 0.75:1 and 1:1 for all IFC infrastructure disbursements in the years 2012 – 2015. At the same time, IFC has established a USD 1 billion private equity Global Infrastructure Fund which will invest in infrastructure projects in emerging markets, particularly in non-BRIC countries. IFC's endowment in the fund amounts to USD 200 million, with the remaining USD 800 million coming from large institutional investors.

175. In 2009, the IFC established the Asset Management Company (AMC), which manages large institutional investors' funds to invest them in emerging economies, including in infrastructure. This allows investors such as pension funds and sovereign wealth funds to expand their exposure to emerging markets while accessing IFC's pipeline projects and expertise. AMC encompasses the following six funds, managing approximately USD 6 billion in assets. (1) The IFC Global Infrastructure Fund, established in 2013, focusses on making equity investments in emerging market infrastructure. To date, the fund has commitments of about USD 1.1 billion, which includes an investment of USD 56 million in Colombia. (2) IFC Global Capitalization Fund; (3) Africa Capitalization Fund (4) IFC Russian Bank Capitalization Fund, which focus on investing in commercial banks; (5) IFC Catalyst Fund, a fund of funds investing in resource efficiency-focused private equity funds in emerging markets; and (6) IFC African, Latin American, and Caribbean Fund, which invests across sectors, including in infrastructure.

Multilateral Investment Guarantee Agency (MIGA)

176. Infrastructure now constitutes the main sector of activity for MIGA, the WBG's political guarantees issuing body, as it accounted for 58% of total volume of its guarantee distributed in 2012 (compared to 43% in 2011). In addition, MIGA places strong emphasis on fostering private investment in Least Developed Countries (41% of all infrastructure guarantees in 2012) and conflict zones (13%), as well as on promoting South-South investments (22%).

Table 1. The World Bank's Institutions and Instruments on Support to Private Investment in Infrastructure

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Financial Instruments	Co-ordination
IDA/IBRD ("The Bank")	Under the WBG's infrastructure strategy, the Bank is responsible for promoting the enabling environment, increasing the amount of capital mobilised through WBG infrastructure operations and engage in pilot innovative PPP initiatives together with IFC.	Grants Concessional loans Non-concessional loans Guarantees	
IFC	IFC provides investment as well as advisory services to private sector actors active in developing country infrastructure. As part of its efforts to promote private investment in developing country infrastructure, it has established InfraVentures, a global infrastructure project development fund which provides early project stage financing to infrastructure projects in IDA countries.	Loans Syndicated loans Equity Guarantees Risk Management Products	IFC and MIGA are expected to closely co-ordinate with the Bank on private investment in infrastructure, and in particular on PPP-related projects. PPP units of all the institutions co-operate within the framework of the pilot PPP programme implemented by the Group in selected focus countries [see below].
MIGA	MIGA promotes foreign direct investment into developing country infrastructure to support economic growth and reduce poverty.	Political risk guarantees	
WBI	WBI's Public-Private Partnerships Practice program aims at providing developing countries with PPP-related expertise and best practices, including by promoting South-South knowledge sharing.	Technical Assistance	As the WBI is a unit held within the Bank structure, it is not an independent institution. The PPP Practice supports the knowledge sharing and management functions of the broader World Bank infrastructure practice.
PPIAF	As a multi-donor technical assistance grant facility hosted by the World Bank, PPIAF's objective is to catalyse private sector investment for developing country infrastructure by providing grants for enabling environment-related projects.	Technical Assistance	

Intra-Agency Co-operation

177. The PPP units of the Bank, MIGA and IFC are currently co-operating on a pilot PPP initiative in six focus countries or regions (Ghana, Kenya, Nigeria, Indonesia, Pakistan and the Caribbean) to promote the enabling environment necessary for private sector development as well as to develop a pipeline of PPP projects. This initiative constitutes a major step in reaching the goals of scaling up PPP-related activities and fostering closer co-operation among the PPP units of different WBG institutions. The group aims at doubling its PPP projects and advisory

activities by 2015. Finally, the Group is hosting and promoting several sector- or instrument-specific initiatives such as the Global Partnership for Output Based Aid (GPOBA), the Water and Sanitation Programme (WSP) and Climate Investment Funds (CIF) which aim at increasing access to infrastructure and aid efficiency by engaging with the private sector.

PPP Experience

178. According to the WBG, there are numerous variables affecting a 'successful PPP' and the overall definition of 'success' may vary. Determining the magnitudes or actual effects of each variable on project outcomes to discover their 'sufficiency' or 'necessity' is a difficult task—one that the Bank is currently researching in collaboration with PPIAF. However, there is a consensus forming around the specific variables, or factors, which should be present in a successful PPP. While the evidence is somewhat anecdotal or based on practitioner experience, it is still worthy of analysis. This evidence has informed several papers the World Bank has written for the G20 and other international fora, such as the World Economic Forum's Annual Meetings.

179. The WBG is currently undergoing a broad-based internal reorganisation to improve its internal capacity to meet its twin goals of reducing absolute poverty and boosting prosperity. As part of re-targeting its support to hard infrastructure, the World Bank is creating a Cross Cutting Solutions Area for PPPs to allow specialised staff to provide clients with advice on how to prepare their institutional frameworks, regulations, create a viable PPP pipeline, and to the extent possible, develop new instruments and financial packing arrangements to boost the uptake of PPPs within developing nations. Once the 'hardware' is in place by the end of July 2014, the WBG will address issues related to the "soft" support to infrastructure (i.e. enabling environment) to ensure that all staff are able to capitalise on internal structure to help clients enhance private participation in infrastructure.

Comparative Advantage

180. Developing countries are demonstrating an increasingly large appetite for long-term capital for infrastructure investments, while simultaneously battling to develop projects with the financial profile attractive to private investors. The WBG sees itself as being well positioned to provide global knowledge from its extensive experience worldwide. In the WBG's view, its advisory services complement a substantial lending and investment programme that operates in close co-operation with other development finance institutions and organisations to maximise development impact.

Co-ordination with Other Actors

181. As for Co-ordination with other actors, the WBG works closely in the preparation of Country Partnership Strategies, making sure the mechanisms for co-ordination at country level are clearly defined. Country Management Units from the different arms of the WBG carry out the co-ordination function. In projects where there is potential for private sector participation, the WBG works together at the appraisal stage to identify the different roles. If there are different views and opinions that require reconciliation, this is addressed during the comprehensive project review process.

Enabling Environment

182. The Bank is actively supporting the enabling environment to facilitate private participation in developing country infrastructure. In the Bank's view, it is one of the main bottlenecks for developing countries, but the degree of assistance required varies widely among countries. It promotes reforms aimed at improving the investment climate and at reshaping the legal and regulatory frameworks to foster new entry and competition in infrastructure sectors. Moreover, the Bank is actively working with clients to develop methodologies to identify, evaluate and prioritise projects capable of attracting commercial participation. In addition, the Bank is active in capacity building, with particular emphasis on practitioner-to-practitioner South-South knowledge exchange on PPPs between developing countries with on-going PPP programmes. Finally, through initiatives such as "PPP in Infrastructure Resource Center for Contracts, Laws and Regulations" and "Private Participation in Infrastructure Database", co-hosted by the PPIAF, the Bank is providing access to legal sources which enable the governments to better plan, design and structure PPP projects in infrastructure as well as learn from the experience of similar projects in other countries.

Project Preparation Facilities

183. The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. In this context, the WBG hosts the following PPFs:

- Energy Sector Management Assistance Programme (ESMAP) hosted by the Bank
- The Public-Private Infrastructure Advisory Facility (PPIAF) hosted by the Bank
- Arab Financing Facility for Infrastructure Technical Assistance Facility (AFFI TAF) co-hosted by the IFC
- InfraVentures hosted by the IFC
- DevCo co-hosted by the IFC

Evaluation

184. IFC conducts self-evaluations for all its projects as well as internal independent evaluations for random samples of its projects. Evaluation criteria, developed by the MDB Evaluation Co-operation Group for private sector evaluations, include: development impact, investment profitability and work quality. In addition, IFC developed a Development Outcome Tracking System which tracks the development effectiveness of its investment and advisory services throughout the entire project cycle by looking at its financial, economic, environmental and social performance, as well as its impact on host country's private sector development.

185. In 1998, the WBG created the Compliance Advisor/Ombudsman (CAO) for the IFC and MIGA as an effort to increase the accountability of the private sector side of the WBG operations by providing a mechanism for local communities affected by IFC and MIGA supported projects to raise their concerns. The CAO, which is independent and reports directly to the President, hear grievances from local communities in relation to specific projects financed by IFC and MIGA and provide advice to Management regarding environmental and social aspects of operations. For example, in its report *Review of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information* of May 2010, it recommends IFC to, for example, improve project level engagement and address gaps in environmental and social performance.

186. IFC considers that CAO assessments are generally very helpful to continually learn on how to address emerging gaps in its environment and sustainability coverage. IFC is also working on new methodologies in assessing impacts of infrastructure projects and PPPs which may better identify the associated poverty reduction benefits. More generally, the Independent Evaluation Group of the WBG is currently finalising an evaluation on the organisation-wide support to PPPs, which includes IBRD, IDA, IFC, and MIGA. This report is expected to become public towards the third quarter of 2014.

187. Outside the Bank, there are academics and CSOs that also assess WBG activities in supporting the private sector. Some examples specifically examine the effectiveness of the CAO itself (*The IFC's CAO: An Examination of Accountability and Effectiveness from a Global Administrative Law Perspectiv*e) as well the risks of leveraging private sector finance ('Leveraging' Private Sector Finance: How Does it Work and What are the Risks?).

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THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP

Policies, Institutions and Instruments

188. PIDG, established in 2002, is a multi-donor organisation governed by development agencies. Its mission is to address institutional market obstacles hindering private investments in developing country infrastructure, focussing in particular on low- and lower-middle income countries in Asia and Africa. PIDG is funded by the Australian Department of Foreign Affairs and Trade; the Austrian Development Agency; Germany's Kreditanstalt für Wiederaufbau (KfW); Irish Aid; the Ministry of Foreign Affairs of the Netherlands, the Dutch DFI Entrepreneurial Development Bank (FMO)[9]; the Swedish International Development Cooperation Agency (SIDA); the Swiss State Secretariat for Economic Affairs (SECO); the UK Department for International Development; and the World Bank (currently represented by the International Finance Corporation).

189. Together, PIDG Members commit funds that are invested through a portfolio of Facilities to mobilise and increase flows of local, regional and international investor capital, lending and expertise for infrastructure investment. In doing so, PIDG Facilities seek to address the lack of capacity from the public sector and to demonstrate that private sector investment in low- and lower middle-income countries is both commercially viable and also delivers real benefits to those living without access to the most basic infrastructure services – power, transport, water, sanitation and communications.

190. PIDG operates through a Governing Council and Chair's Office, a Programme Management Unit (PMU) and the PIDG Trust. The PMU monitors the performance and development impact of PIDG, manages the development of new Facilities, and provides secretariat services. The PIDG Facilities are structured as autonomous legal entities, respectively managed by a private management company. Activities of the PIDG Facilities fall into three broad categories providing:

- Technical assistance to PIDG projects (TAF) and public authorities for projects with private sector involvement (DevCo)
- Early-stage project development capital and expertise (InfraCo Africa and InfraCo Asia)
- Long-term debt finance in foreign currency (EAIF, ICF-DP) and guarantees in local currency (GuarantCo)

Technical Assistance Facility (TAF)

191. TAF makes grants to other PIDG facilities to cover expenses for studies, technical assistance and capacity building to bring their private sector infrastructure projects into operation. TAF funds are used primarily to build capacity of government counterparts, or private sponsors and operators. It also includes funding for preparation activities – such as environmental impact assessments – to ensure they meet the international standards required for PIDG facilities. TAF provides grant funding to public or private agencies for evaluation of financing options; design and implementation of pioneering transactions; and institutional strengthening, training and capacity building. In 2012, TAF made commitments of USD 1.3 million to seven grants.

Infrastructure Development Collaboration Partnership Fund (DevCo)

192. DevCo provides project preparation and transactional advisory support to attract private investment into existing or brownfield infrastructure to governments of low-income countries. DevCo assists partner governments with privatisation, leases, management contracts and concessions, which can be used at either municipal or national levels. DevCo also funds technical assistance by specialised consultants who perform due diligence, help shape the transactions for client governments, and then support their implementation. In 2012, DevCo committed USD 6.3 million.

9 As FMO provides funding to GuarantCo on behalf of DGIS, the PIDG Members have agreed that FMO shall have the right to participate in meetings of the Governing Council of PIDG concerning GuarantCo. DGIS and FMO have the right to exercise one vote on their joint behalf.

InfraCo Africa

193. InfraCo Africa is a project development facility that aims at shouldering much of the upfront costs and risks of early-stage infrastructure project development across Sub-Saharan Africa, thereby reducing the entry costs of private sector infrastructure developers. Once InfraCo has developed the project beyond the early stages, subsequent investors can enter and fund the next phases of implementation, while InfraCo sells its stake to these investors. This process entails two main activities. First, InfraCo secures in-principle commitments from providers of finance to support investments subject to entry by a competent private sector sponsor. Second, it offers structured investment opportunities to private sector consortia through a competitive tender process prior to financial close. In 2012, InfraCo had cumulative commitments of USD 9.1 million to three projects under development with signed joint development agreements.

InfraCo Asia

194. Like InfraCo Africa, InfraCo Asia is a project development facility that assumes the risk of early stage project development by taking an equity stake in the project and expertise to identify, develop and structure financially viable projects. InfraCo Asia targets low-income countries in South and South-East Asia, particularly Bangladesh, Cambodia, India, Indonesia, Laos, Nepal, Pakistan, the Philippines, Sri Lanka and Vietnam. In 2012, InfraCo Asia made commitments of US$23 million to nine infrastructure projects under development.

Emerging Africa Infrastructure Fund (EAIF)

195. EAIF provides long-term US dollar or euro-denominated debt and mezzanine finance on commercial terms to private companies for the construction and development of infrastructure projects across Sub-Saharan Africa. Commercial lenders have often seen major infrastructure investments in the region as high risk. They are therefore reluctant to provide long-term finance at appropriate interest rates, which make them viable. EAIF can lend at longer tenors (up to 15 years) than commercial lenders will generally accept. Loans provided by EAIF to projects usually range from USD 10-30 million. EAIF funding is structured into equity, provided by the PIDG Trust; subordinated debt provided by DFIs; and senior debt, provided by private sector lenders. In 2012, EAIF committed USD 81 million.

GuarantCo

196. GuarantCo offers partial credit and partial risk guarantees of local currency loans and bonds of between USD 5 million and 20 million to finance infrastructure in low- and lower middle-income countries. In addition to enhancing access to longer-term local currency finance, it aims to build sustainable financing capacity in domestic capital markets. It therefore partners with local financial institutions to build local capacity and experience, financed through funds provided by TAF. KfW and Barclays Bank Plc act as counter guarantors, leveraging GuarantCo's capital to double its guarantee issuing capacity. In 2012, GuarantCo extended guarantees worth USD 20 million.

Infrastructure Crisis Facility – Debt Pool (ICF-DP)

197. ICF-DP was launched in response to the 2008 crisis in infrastructure funding. It selects infrastructure projects brought to it by international financial institutions (IFIs), including EAIF and GuarantCo, where a project has been unable to raise the total financing required. ICF-DP does not develop its own transactions, but works with the originating entity to bring viable projects to financial close by providing loan financing up to USD 50 million at the terms of the originating IFI. In 2012, ICF-DP committed USD 137 million.

Table 1. PIDG's Institutions and Instruments on Support to Private Investment in Infrastructure

	Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Co-ordination
Technical assistance and project preparation	TAF	Provides grants to other PIDG facilities build public and private capacity for private involvement in infrastructure, as well as support project preparation and delivery	Technical assistance Capital grants	Assists other facilities in providing capacity building
	DevCo	Provides advisory services to governments to help them in the design and regulation of infrastructure projects with private sector participation.	Technical assistance	
Early stage project development	InfraCo Asia & InfraCo Africa	Develops commercially viable infrastructure projects in Asia/sub-Saharan Africa	Equity investments	
Long-term financing	EAIF	Provides long-term loans to private sector infrastructure projects in sub- Saharan Africa	Long-term loans Mezzanine financing	Co-operates with ICF-DP to bring infrastructure projects to financial close
	ICF-DP	Provides long-term loans to projects to address financing gaps as a consequence of the financial crisis	Long-term loans	Works with EAIF and GuarantCo, as well as other IFIs to bring infrastructure to financial close
	GuarantCo	Provides partial risk and partial credit guarantees (of long-term loans and bonds) in local currency to avoid exchange rate risks and stimulate local capital sources	Local currency credit and risk guarantees	Co-operates with ICF-DP to bring infrastructure projects to financial close

198. For the majority of the PIDG Facilities, the projects are initiated by the private sector. For DevCo, which provides advisory services to governments to help them deliver infrastructure projects, the majority of projects are initiated by host governments.

Comparative Advantage and Co-operation with Other Actors

199. PIDG's comparative advantage lies in its gathering of grant funding from a variety of PIDG Members (mostly development agencies), which allows it to leverage equity funds from the private sector and other DFIs at

each facility level as well as for each project. The funding by PIDG Members attracts other financiers, such as institutional investors and commercial banks, which enabled the facilities to support a larger number of projects than through PIDG Member funding alone. A large number of PIDG's projects are also co-financed with DFIs such as FMO and DEG.

Enabling Environment

200. Support for the enabling environment and for specific transactions to ensure that governments have the capacity to deal with the private sector—particularly in receiving a fair deal—are prerequisites in involving the private sector. This is especially the case since the governments' capacity in PIDG countries is currently limited in both areas. For example, in some PIDG target countries, government capacity to manage PPPs is limited to a 'one at a time' approach within each ministry.

201. While PIDG provides direct support to this area through DevCo and TAF, PIDG also maintains strong ties with the PPIAF, which is a PIDG Affiliated Programme. As PPIAF focuses on creating an enabling environment for infrastructure investment, it is therefore complementary to PIDG's activities. Increased collaboration among PPIAF, other "upstream" facilities and the "downstream" project development and financing facilities, could lead to mutual benefits. In Timor-Leste, for example, DevCo, which is providing transaction advice to the government, is working closely with PPIAF, which is providing upstream regulatory and policy support. By calculating the share of TAF and DevCo commitments within total commitments of all PIDG facilities in 2012, it is estimated that roughly 3% went to supporting the enabling environment.

Project Preparation Facilities

202. The PIDG strategy review concluded that one of the main constraints in mobilising investment is the lack of bankable infrastructure projects. Much more support is still needed for projects in the early stages of their lifecycles, where the risks and uncertainties are often perceived as too high for the private sector to shoulder alone. A major reason for this bottleneck is the lack of capacity in the local private sector and governments to develop well-structured projects. Increased support from donors, both financial and technical, to address these aspects could enhance the opportunities for private investment and PPPs in infrastructure.

203. PIDG therefore engages actively in project preparation, with a number of its facilities considered as PPFs by the Infrastructure Consortium for Africa, such as InfraCo Africa and Asia and the TAF, which engage with the public and private sector to identify, develop and structure financially viable infrastructure projects, although these facilities perform further functions beyond project preparation, as outlined above. InfraCo Africa and Asia, which use donor capital with lower risk-adjusted returns than private capital, take on upfront risks to develop a pipeline of projects that the private sector is willing to invest in at financial close or shortly afterwards. The two facilities have so far created a strong pipeline of projects. Some of these, for example the Cabeolica wind farm in Cape Verde, have been particularly innovative and successful where other IFIs have failed.

204. Regarding the question of sustainability and efficiency of PPFs, InfraCo can be considered, at least partially, as a revolving fund, with about 11% of its funding sourced from reflows, such as profits and repayments. Over the long term, the goal for InfraCo Africa is to seek sufficient revenue from successful sales to fund its general operational costs, the direct project preparation costs of the sold opportunities and to make a contribution to the costs of unsold opportunities.

Green infrastructure

205. In 2012, PIDG launched a new fund, Green Africa Power (GAP), which aims to stimulate private investment in renewable energy projects in Sub-Saharan Africa. With total funds of USD 156 million, Green Africa Power aims to finance approximately 270MW of new renewable energy generation capacity in four years, saving 3.9 million tonnes of carbon emissions. To this end, GAP will provide: quasi-equity capital to reduce upfront cost of finance; contingent lines of credit to cover specific construction phase risks; as well as dialogue to move towards cost reflective tariffs. GAP is expected to start operations in 2014.

206. In 2012, the other PIDG Facilities made commitments to nine renewable energy projects, representing potentially more than 1,400MW in new generation capacity.

Evaluations

207. All PIDG-supported projects are subject to detailed financial assessment and due diligence by the Facility Managers and Boards before they can be approved, which ensures that the projects are commercially sustainable, cost effective and deliver suitable rates of return. They also ensure that implementing partners and project sponsors have adequately addressed all financial issues, including value for money. TAF support is also available to support capacity building of local partners in developing countries to assess and achieve maximum value for money. At the same time, at the project level it is difficult to identify one single approach to rigorously define and assess value for money, given PIDG's diverse range of Facilities and the distinctive institutional framework. In particular, PIDG projects are generally designed, structured, financed, implemented and operated by private sector entities independent of PIDG. The distinctive PIDG institutional model also makes it difficult to find direct comparators against which to measure its performance.

208. Nevertheless, as PIDG Facilities operate in a commercial environment, there is a drive to contain costs and ensure maximum return for their financial commitments and related overheads. The PIDG Facilities provide quarterly financial reports and management accounts to the donors, which are audited annually by external auditors. Furthermore, all PIDG Facilities must comply with the PIDG Procurement Policy and Guidelines, which set out PIDG's commitment to fair practices through an open and competitive process that is fair and transparent to obtain the best value for money in a transparent and fair way.

209. The PMU monitors and evaluates PIDG projects through the Results Monitoring System (RMS). The RMS tracks the development impact projected at the time a Facility signs a commitment, as well as the actual impact achieved once projects are constructed and operational. The projects' contribution to development is measured through seven main indicators: 1) Mobilising additional private capital in promoting the development of infrastructure; 2) Increasing the number of people connected to new or improved infrastructure services; 3) Generating fiscal benefits to host country governments; 4) Creating additional employment from the construction and operation of new infrastructure assets; 5) Alignment with national development plans; 6) Demonstrating the viability and benefits of private infrastructure projects or infrastructure projects with private participation to host governments, potential investors and users; 7) Additionality of PIDG participation in terms of: financing (would the project have been able to gather funds without PIDG?); in project design and efficiency; and on the policy level (does PIDG participation contribute to improvements in the regulatory environment, both for specific investments and at the country level.)

210. PIDG provides an extensive list of project evaluations on its website. For instance, US-based AES, a private energy generation and distribution enterprise, partly owns and operates a hydropower plant in Cameroon. To generate power when the plant's capacity was reduced due to decreased water flows, the company planned to construct an 85MW heavy fuel oil-fired power plant. For this project, AES secured a USD 554 million financing package arranged by EAIF from sources including EAIF itself, FMO and Finnfund, as well as USD 168 million raised through domestic commercial equity. PIDG's evaluation found that the plant indeed increased generating capacity by 10%, ensured supply to 820,000 people, created 508 new jobs and added EUR 166 million of fiscal benefits to the country.

211. PIDG is committed to ensuring that all its work is being carried out to the highest standards providing the best value for money for donors and the greatest impact for recipients. PIDG has been the subject of reviews by DFID and the Australian Government, who both found that PIDG delivers excellent value for money.

Additional Information

212. By continuing to expand its global presence, PIDG seeks to develop new ways to support the infrastructure project development cycle, pushing at the frontiers of the forms of intervention needed to catalyse private sector capital and management in promoting economic growth and reduce poverty. It also continues to ensure that it maximises its impact, particularly given its relatively small size compared to other DFIs, as well as to bring additionality and not crowd out the private sector.

213. The environment in which PIDG operates is changing rapidly – many of PIDG's markets are now some of the highest growth economies in the world. While this is good news in many respects, it places enormous strain on the already inadequate supply of infrastructure services, which in turn acts as an obstacle to further growth. Infrastructure needs are also changing due to pressures such as urbanisation. Africa and Asia are home to some of the fastest growing cities in the world – as a result, water, sanitation, solid waste treatment, and urban transport, are all seeing significant increases in the need for investment. Such needs far outstrip the availability of public sector investment resources, hence the importance of mobilising other sources of funding if these needs are to be met.

214. There is also an increasing focus by policy makers on linking infrastructure to trade, with the benefits that it can bring to both emerging and developed markets. Nevertheless, many of these projects – especially those that cross borders – are frequently the most difficult to turn into bankable prospects, as they are hampered by regulatory or political issues.

215. There is a growing need for different forms and wider sources of long term, often more patient, capital to support infrastructure projects. Public sector funding is limited, and long-term project finance from international banks is much reduced and likely to remain so for some time. It is also apparent that private equity seeking a high return and a quick exit will be less relevant and workable for the long-term financing needs of infrastructure, especially when compared with the perceived shorter term investment opportunities in consumer goods, retail or financial services. Consequently, the public and private sectors will need to work imaginatively to find new sources of long-term capital for infrastructure.

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