



Private Infrastructure  
Development Group

**2023-30**

# Strategy

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Our strategy for 2023-30 makes action on climate and nature, together with sustainable development, through new and improved access to infrastructure more than just part of our work. It is now the central purpose of all we do.

Sustainable development and poverty reduction are not possible without action on climate adaptation and resilience and people depend on nature for both.

At PIDG, we are learning from 20-year experience in infrastructure development and financing in Africa and Asia – our task now is to quickly scale our impact. We will achieve this by working more systematically in partnership with private sector, development finance institutions and providers of catalytic capital.

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“There is a rapidly closing window of opportunity to **secure a liveable and sustainable future for all.**”

“**Climate resilient development** integrates adaptation and mitigation to advance sustainable development for all.”

“**The choices and actions implemented in this decade will have impacts now and for thousands of years.**”

*Intergovernmental Panel on Climate Change  
– 6th Assessment Report: Synthesis report 2023*

“The scale of the investments needed in EMDCs over the next five years and beyond will require a debt and financing strategy that tackles festering debt difficulties, especially those of poor and vulnerable countries, and that leads to a major expansion of both domestic and international finance, public and private.”

*– Independent High-Level Expert Group on Climate Finance*

# The years to 2030 could scarcely be more critical.

**An accelerating climate crisis, compounded by shifting economic and geopolitical sands, has brought an urgent imperative for change – for the world, for our sector, and for PIDG.**

**New ways of using finance will be needed, to attract private sector investment while keeping a relentless focus on sustainable development impact.**

At PIDG we have evolved a scalable approach to mobilise finance and accelerate sustainable development impact where it is most urgently needed. It incorporates some unique abilities: to take an appropriate level of risk; to find ways to attract private capital at the right stage; and to relentlessly innovate with a focus on impact.

The sector knows these abilities are increasingly needed and we will step up to the challenge, by working creatively with others to urgently scale up what works. This will allow us all to originate, build and distribute on a faster cycle, matching capital to infrastructure financing at the appropriate stage and scale. We believe this is how the sector will accelerate impact.

**What we cannot do is address the current financing challenges on our own – this strategy is a call to collaborate, to make it happen together.**

# The stakes have never been higher

Three macrotrends are reshaping the infrastructure sector in emerging markets and developing countries.

① **Strong economic headwinds**

- Increasing cost of capital, compounded by effects of the global economic slowdown linked to COVID-19, supply-chain challenges, sovereign debt sustainability risks and political instability.
- Severely constrained project development and capital availability.

② **Climate change urgency**

- Acceleration of climate change impacts – both frequency and severity of events.
- Growth of climate objectives among funders and investors.
- Climate resilience considerations must now shape infrastructure development.

③ **Changing geopolitical context**

- From an era of multilateral cooperation to a new, multicentric global arena.
- Increasing strategic relevance of geopolitics to infrastructure development decisions.

Most of the world's new physical capital and infrastructure will be built in emerging markets and developing countries (EMDCs).

How these investments are made will determine whether we reach net zero emissions by mid-century, achieving climate resilience, restoring natural capital and accelerating the development of human capital.

We are far from on track. Many EMDCs face slow growth, low investment and public spending, and rising debt service burdens.

The outlook is tilting many towards fiscal prudence, with real risks of economic stagnation.

The challenges of developing infrastructure in EMDCs are well recognised: a combination of weak ecosystems, underinvestment in early stage project development, challenging policy and macro-economic environments, and excessive perceived risks.

These challenges lead to a lack of bankable projects and inability to unlock commercial and institutional investors. Large-scale international capital flows often invoked will require a large diversified pool of operational de-risked assets that is still absent in most EMDCs.

# A time to be **bold**

## Humanity must quickly rebalance.

**Our collective task is to build an economy that can meet people's basic needs and aspirations – from energy access to food security, gender equality and respect for human rights, while making sure that we do not further deplete the natural capital of our planet and where possible we help nature to regenerate.**

## As climate change impacts accelerate, historic development pathways appear increasingly inadequate and unsustainable.

New approaches must be found. This imperative creates opportunities for the young populations in the countries where we work to create innovative, disruptive new models for delivering progress.

New technologies have been developed with rapidly falling costs, and there is a growing realisation of the huge co-benefits of climate action.

Globally, to seize the opportunity it will take a clear strategic direction, a massive scaling up and shift in investment, and the mobilisation of the right finance at the right stage.

The international institutional architecture and public and private finance flows have yet to coherently align. But a plausible blueprint is emerging, both for what economies could look like and for how to finance the transition.

**"Acting strongly will deliver not only on climate but also on strong and inclusive growth and the attainment of the Sustainable Development Goals. It is the growth and development story of the 21st century."**

*– Independent High-Level Expert Group on Climate Finance*

# Two decades of development impact and expertise

**For communities, new infrastructure means options and opportunities.**

**We were founded in 2002 to address market failures in sub-Saharan Africa and south and south-east Asia, by demonstrating the commercial viability of private infrastructure investment in the least-developed countries.**

Since then, we have been bringing public and private partners together to bridge financing gaps, directing capital and expertise to the countries and communities where they're most urgently needed. Working throughout the project lifecycle, we have de-risked projects, transformed markets and built local capacity, creating a deep and lasting impact.

We have always worked in spaces that receive little or no attention – a large proportion of our activities takes place, beyond the comfort zone of most infrastructure investors. Safety for all involved in our work, gender equality and climate considerations are at the very core of what we do.

## Effective deployment of blended finance (2002-22)

**USD 1.9 billion**

Official development assistance deployed and recycled into:

**211 projects**

Have reached financial close, of which:

**USD 5.2 billion**

Investment commitments, enabling:

**>50% projects**

are in Fragile and Conflict Affected States

**USD 40 billion**

Investment mobilised in PIDG projects of which:

**>50%**

in the poorest Least Developed Countries

**USD 25 billion**

From private sector

**c.222 million people**

with expected access to new or improved infrastructure in 40 countries



# A unique combination of expertise

Our key role is to combine catalytic capital and development financing with private finance and capabilities, to overcome the multiple challenges and market failures that prevent the deployment of infrastructure services in Africa and Asia.

We act as a conduit, allowing blended finance to flow to where it's needed. By deploying capital in a way that absorbs project risk, we allow others, including domestic investors, to deploy many multiples of that capital.

Our expertise in infrastructure positions us well to respond to the priority areas identified by the Independent High Level Expert Group on Climate Finance: transformation of the energy system and responding to the growing vulnerability of emerging markets and developing countries to climate change.

## Most frequent investors in mitigation blended finance transactions by number of commitments, 2016-2021



Convergence's 2022 State of Blended Finance Report

## We are equipped to deliver solutions through our:

- Distinct focus and track-record in **infrastructure, exclusively in emerging markets and over 50% of our investments are in Least Developed Countries** which is significantly higher than most mainstream development finance institutions.
- Access to the **right type of capital** to tackle high-risk project development. We are risk aware and not risk averse, as catalytic development finance should be.
- **Established blended finance tools** that have successfully de-risked the multiples of private sector finance that we mobilise, are significantly higher than traditional development finance vehicles.
- Experience in **mobilising domestic investors and building local capacity**, including through local credit enhancement facilities.
- **Well-developed climate approach** with a focus on alignment to global net zero trajectories, climate risk assessment and building resilience through our investments.
- **A robust impact management approach** to mitigate negative and maximise positive impacts, which is especially important in EMDCs.
- A bedrock of strong **HSES governance and gender lens investing**.

# One group, multiple solutions

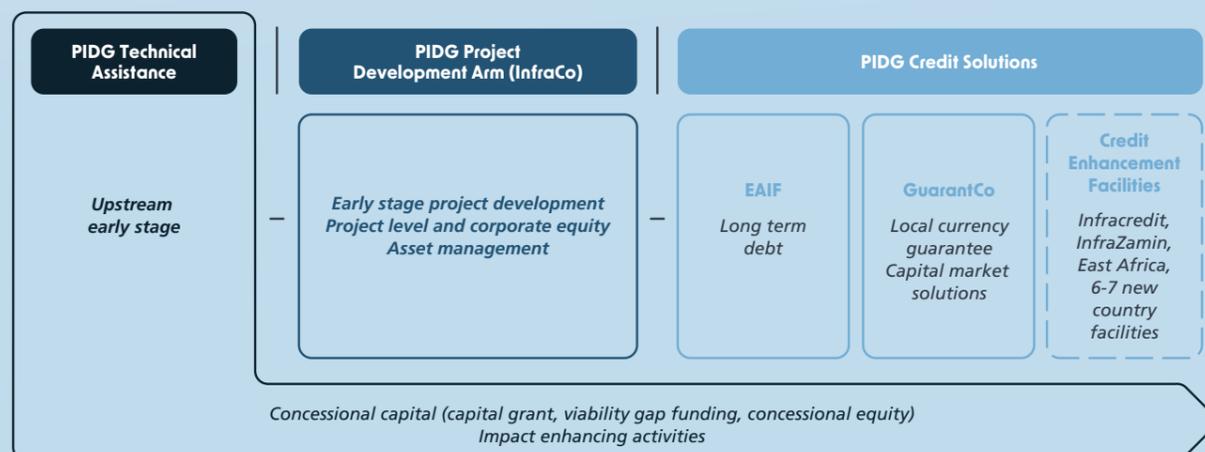
We are one group with a single mission.

**We get infrastructure finance moving and multiplying – accelerating climate action and sustainable development where most urgently needed**

Our vision

**A thriving infrastructure ecosystem, delivering climate resilience and sustainable development for all**

We offer a range of solutions throughout the entire project lifecycle – from early stage incubation and development, to credit solutions that bridge gaps in local capital markets.



**PIDG is an innovative infrastructure developer and investor in low-income and emerging markets in Africa and Asia. Our core proposition is to:**

- ① Increase the pipeline of projects built to internationally investable standards.
- ② Unlock domestic institutional capital for infrastructure investment.
- ③ Deploy commercial and institutional capital in developing and emerging markets through our blended finance structures.

### PIDG Technical Assistance:

- We deploy technical assistance for upstream and early stage activities, feasibility and project incubation.
- We are evolving our concessional capital offer to include concessional equity, building on our established viability gap funding – to plug gaps between commercial viability and affordability of infrastructure.
- We continue to use concessional capital to enhance the impact of infrastructure, using (returnable) grants to prove the viability of innovations that promote positive gender, inclusion, climate and nature outcomes and to build markets with targeted capacity building through PIDG Institute, our infrastructure learning initiative.

### PIDG Development Arm:

- We provide catalytic leadership capital to share the risks of early stage project development with competent sponsors.
- We invest equity in projects and companies at **early and later stages**.
- We have **in-house asset management capability** to ensure projects move smoothly through construction into operation.
- We have a **high ambition to scale up** this work building on the track record of our InfraCos.

### PIDG Credit Solutions:

- **PIDG long term debt fund Emerging Africa Infrastructure Fund (EAIF) is one of the first and most successful blended finance funds globally.** For over 20 years, it has attracted and deployed commercial and development finance capital in highly developmental infrastructure in Africa, predominantly in Least Developed Countries. The fund is expanding to Asia to complete PIDG's offer in both regions.
- **PIDG guarantee arm GuarantCo provides credit enhancement and local currency solutions** to unlock international and domestic institutional investors in infrastructure and develop local capital markets. Through its products, GuarantCo de-risks projects to make them bankable, extends tenors to meet the real infrastructure financing need and enables landmark green bonds.
- **PIDG Credit Enhancement Facilities.** We set up local guarantee facilities in partnership with local stakeholders and investors to unlock domestic capital for infrastructure financing. Building on the experience of InfraCredit Nigeria, InfraZamin Pakistan and the East Africa Credit Enhancement Facility, we aim to set up 10 facilities in the next 10 years. We coordinate feasibility assessment, incubation, set up and management support for the new facilities and we co-invest through our range of solutions.

# Our new strategy: key shifts to rise to the scale of the current challenges

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1. Elevating **climate action** together with **sustainable development** as the main purpose of our infrastructure financing and capital market development efforts.
2. **Scaling our impact with new ambition and urgency** – measured as new and improved access to infrastructure and improved climate resilience – working more systematically in partnership with the private sector and development finance institutions.
3. A more **deliberate and coordinated origination and product strategy**, which involves:
  - a. Scaling up project development and early stage work in partnership with others.
  - b. Unlocking local currency domestic institutional capital for infrastructure investment, and accelerating the deployment and effectiveness of guarantees and local credit enhancement facilities.
  - c. Attracting and deploying capital from commercial investors into climate resilience and just energy transitions through (1) EAIF – growing the fund and further sharpening its climate focus, and (2) GuarantCo – through credit enhancement and risk mitigation.

## Project development arm and platform:

Attracting grant, concessional capital and private sector contributions (with guarantees) and deploying patient capital at an early stage. Substantially scaling up the pipeline of bankable and operational projects, built to internationally investable standards.

## Local credit enhancement facilities:

Working with strategic regional partners and local investors to roll out local credit enhancement facilities in Africa and Asia.

4. A more **strategic focus on project origination**. Deliberately targeting impact at scale through growth in selected combinations of geographies/sectors/products.
5. Growing the level of investment that we deliver while **balancing financial sustainability with sustainable development impact** at scale.
6. Nurturing a **culture of radical collaboration – within the Group and with partners** as a solution provider and a bridge between development and private finance.

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# Investment themes and broad sector framework

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We will take a more strategic origination approach, focusing on scaling up impact through a deliberate investment focus on combinations of sectors, geographies and products.



### Energy and electrification that power people and societies:

- Production and access in countries with access gaps (on and off grid)
- Energy transition
- Improving resilience of energy systems



### Transport, logistics and connectivity that move and connect people and goods:

- Transport – roads, water, electric mobility
- Logistics – rural and urban
- Connectivity – mobile and internet infrastructure

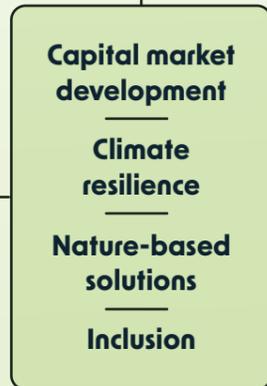


### Sustainable and resilient cities and circular economy:

- Transport
- Water
- Waste management
- Affordable housing

#### Explore

- Climate resilience and adaptation



### Water and natural resource management

- Water

#### Explore

- Infrastructure and capital market development linked to natural carbon sinks
- Renewable energy and electric mobility supply chains

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This investment framework will apply across the PIDG Group and our entire product offering, geared towards scaling impact in selected areas.

**Developing capital markets** to scale up the funding available for infrastructure in these thematic areas is an integral part of our approach.

**Climate resilience, nature-based solutions and inclusion** with a focus on youth and women will be priorities that run across all themes.

## Geographies

We invest predominantly in Africa (historically c.70%) and south and south-east Asia.

We expect to **grow the share of our investment in Asia** from the current base in an overall growth trajectory, while we expect that over half of the portfolio **will continue to be in Africa**.

We will adopt a more strategic origination approach in selected countries and regions. The approach will include coordinated engagement with market players, regulators and government authorities to develop and prioritise project pipeline across the Group offer.

## Our focus

We will continue to work at the frontier, innovating where it matters the most.

#### By focusing on:

- Supporting least-developed countries (LDCs).
- Solutions that attract new sources of capital into early stage project development, equity investment and credit enhancement facilities.
- New technologies in developing and emerging markets.
- Nature-based solutions and green-grey solutions that improve infrastructure while protecting/restoring/regenerating nature.
- Our value proposition to other investors and private-sector partners on our capacity to: raise health, safety, environment and social standards (HSES); implement a climate, nature and gender inclusion lens in infrastructure; and manage and demonstrate sustainable development impact.

# Our goals are clear

## We will measure our progress against these targets:

- Improve climate resilience and economic opportunities for 100 million people by 2030.
- Accelerate the flows of public and private finance deployed for climate action and sustainable development. Over the next 10 years, we expect to attract c.USD 1.6bn funding, to deliver over c.USD 9bn in new commitments in projects that mobilise over USD 25bn in additional finance. We expect these investments to move the market, stimulating flows worth many fold their value.
- Avoid future greenhouse gas (GHG) emissions in emerging markets, supporting leapfrogging to low-carbon technologies.
- Demonstrate how infrastructure can deliver gender equality and inclusive opportunities, and nature conservation, restoration, and regeneration.

## We will track the following measures:

- Capital unlocked and mobilised for sustainable development and climate action.
- Number of people with new and improved access to infrastructure services.
- Number of people supported to adapt to climate shocks and change.
- Number of investments enabling women to rebalance control of resources and economic opportunities, as evidenced by gender equality assessments.
- Megawatts of renewable energy installed (on-grid and off-grid).
- Number of projects that introduce specific measures to improve climate adaptation and resilience.
- New measures piloted – with learning disseminated – to generate positive nature outcomes in infrastructure.
- Evidence of market transformation at country or sector level.
- Number of new local credit enhancement facilities set up.
- GHG emissions attributed – operating within a Paris aligned carbon budget.
- GHG avoided or sequestered.

# The infrastructure we develop and finance will enable...

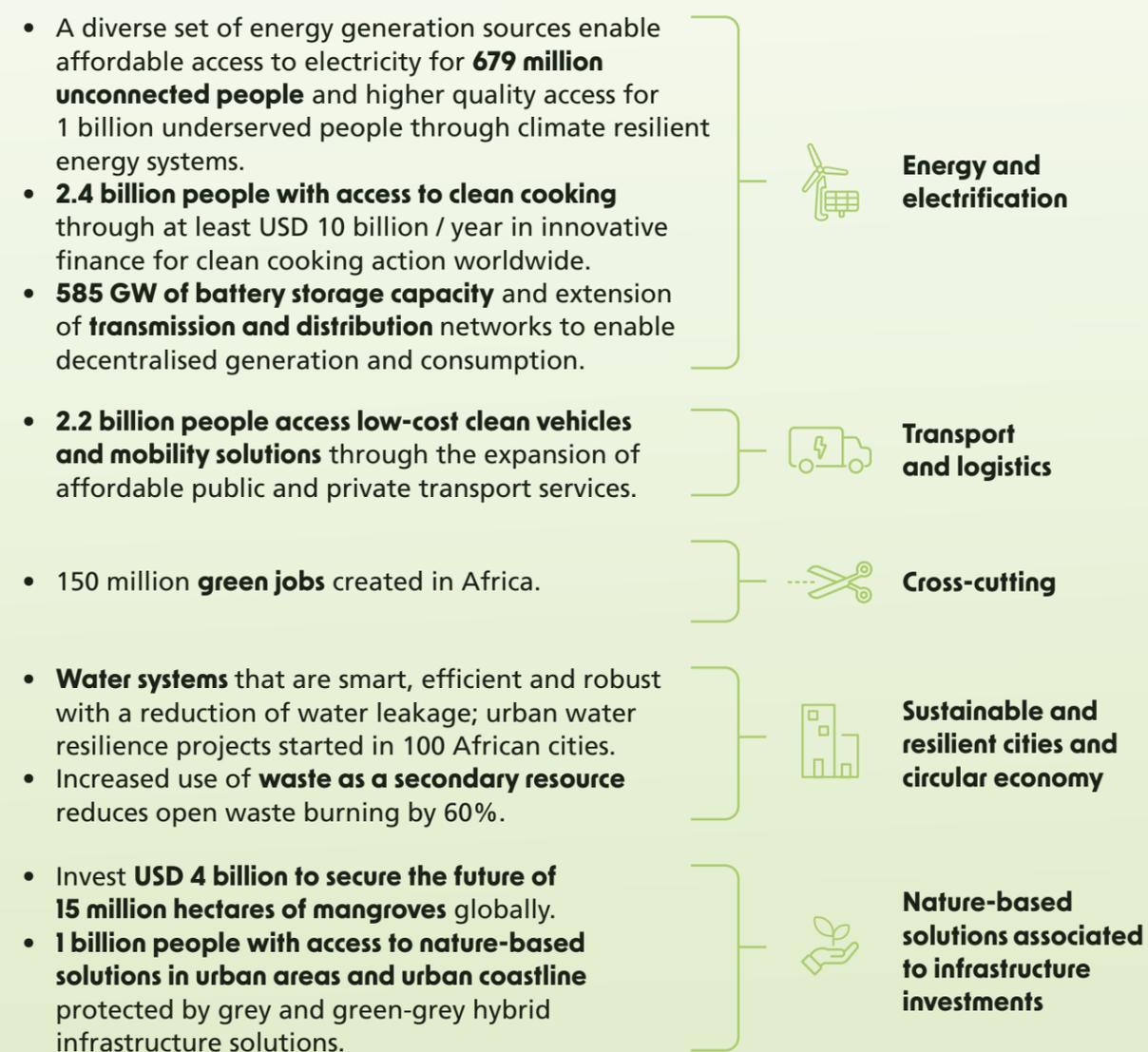
Rising living standards and inclusive job creation (direct and mostly indirect), unlocking opportunities for young and fast-growing populations, and helping to shape inclusive, climate-resilient economies that reduce poverty.

Sustainable development pathways that are compatible with climate and nature imperatives, improving resilience to climate shocks for some of the most vulnerable populations, while protecting and restoring nature.

## Examples of how we will contribute to the global climate adaptation agenda

Adaptation outcome targets from UNCCC COP27 Sharm el Sheik Adaptation Agenda - Nov 2022)

PIDG strategic investment theme



# This will mean doing some things differently

## In elevating climate action together with sustainable development:

- We will only invest in projects that contribute to **climate adaptation, resilience and/or mitigation**.
- Our investments will prioritise nature **preservation and regeneration**.
- We will proactively **listen to and engage young people** from the countries in which we invest, through partnerships with relevant youth networks.

## In scaling our impact with new ambition and urgency, alongside a more deliberate and coordinated product strategy, and a more strategic approach to project origination, we will:

- Aim to grow our deployment of capital by doubling our yearly commitments by 2030 (from the 2022 basis).
- Introduce more defined Group investment approaches for selected countries and sectors.
- Attract capital and capabilities from private sector, philanthropy and development finance institutions in platforms with a geographic or thematic focus.
- Focus even more on scale of impact rather than number of deals.
- Increase our investments in urban settings.
- Selectively deploy guarantees to mobilise secondary liquidity.

# This strategy is a call to **collaboration.**

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**If you share our vision, sense of urgency and approach, let's work together.**

## **Businesses:**

We know that private sector innovation is at the core of sustainable development. We are ready to share the risks of working in new markets. Particularly if you are an experienced business with willingness to expand in developing and emerging markets in Africa and Asia, our experience and solutions could help you deliver your plans.

## **Investors:**

Co-invest in the projects that we develop on a project by project or on a more programmatic basis. Deploy capital through our blended debt fund (EAIF). Work with us through our guarantee arm and credit enhancement facilities to deploy capital in sustainable products and labelled bonds in developing and emerging markets.

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## **Catalytic capital providers:**

We believe catalytic capital should be about multiplying finance and sustainable impact at scale. We have ambitious plans and a track record of delivery through our technical assistance and project development arm, and we can effectively deploy catalytic capital – including for specific themes within our mandate. We are ready to work with other organisations to accelerate the deployment of unused funds as we cannot afford to be constrained by slow deployment.

## **Development Finance Institutions:**

The sector is under increasing pressure to take a more appropriate level of risk and work at earlier stages of the infrastructure development cycle. We offer a route to channel capital to early stage project development that increases the pipeline of investable deals and to local credit enhancement facilities that unlock domestic investors. Our established delivery structures can accommodate geographic or thematic focus within our broader mandate.

# People:

**Our people are our greatest asset. The right skillsets, values and culture will be vital as we deliver on our commitments – today and as we grow in the future.**

**Our people have best in class talent and expertise and share our mission and values.** We will nurture them to do work that reshapes the sector's opportunities and expectations.

**We value diversity.** We will continue delivering on our Gender Equity, Diversity and Inclusion (GEDI) commitments.

**One group with more opportunities.** We will bring the Group closer together as we grow, accelerating career paths through access to a wider range of opportunities.

**Sector and geography expertise.** We will continue to develop Group-wide expert teams that align with our sector and regional focus.

## Our values

**Pioneering:** We work inventively at the frontier – of practices, sectors and markets – developing new ways to make a difference.

**Partnership:** We work side-by-side with our team, partners and stakeholders. We share knowledge openly and pull together to achieve our collective goals.

**Safety:** People's lives, livelihoods and the environment must be protected. We insist on safe practices, and work to raise standards in all our markets.

**Inclusivity:** We aim to work transparently and seek out the diverse voices of our people, our partners, and everyone impacted by our work.

**Urgency:** We know time is short and resources are finite, so we pursue lasting results with purpose, pace and persistence.

# With a relentless focus on collaboration

**The scale and urgency of the challenges we face require us to pull together like never before.**

**We intend to meet this requirement, making collaboration the norm – both within PIDG and alongside our partners.**

**1. Within PIDG**  
In bringing our teams closer together, we will function as one group with a singular focus on solutions. This will enable simpler relationships with our partners and faster routes to impact.

**2. With partners**  
The challenges ahead are complex. We will develop new ways of working more closely with others – across the sector and beyond – sharing learnings openly and demonstrating that we can achieve much more together.



