

INFRASTRUCTURE DEVELOPMENT COLLABORATION PARTNERSHIP FUND (DevCo)

OPERATING PRINCIPLES

The International Finance Corporation's (IFC's) Infrastructure Advisory Department (CIA) is responsible for providing advice to member governments on privatization transactions and public-private partnerships in infrastructure, health and education sectors. To support this programme, a multi-donor partnership—the Infrastructure Development Collaboration Partnership Fund (DevCo)—has been established to increase responsible private sector participation in sustainable infrastructure in poorer developing countries by successfully bidding out sustainable infrastructure projects for implementation by the private sector in partnership with governments.

The Partnership will operate according to the following principles.

Partnership Objectives

The Infrastructure Development Collaboration Partnership Fund (DevCo) (the “Partnership”) aims to support the development and implementation of transactions which bring the private sector into the provision of infrastructure services by funding:

- Technical assistance from specialized consultants to perform due diligence, provide inputs to the development of strategic options and policy choices regarding the structuring of transactions for client governments, and assist in the implementation of transactions. This support will be available for the full range of PPP models and in particular will prioritize working with Small Scale Infrastructure Providers (SSIPs).
- Technical assistance for capacity building of SSIPs and relevant government agencies and the development of financial products to support the growth of SSIPs.
- On a selective basis, technical assistance to support governments in the restructuring of projects following the completion of an original transaction.
- IFC costs associated with the development and implementation of transactions supported by DevCo.
- Monitoring and evaluation, knowledge, communications and other activities that improve the outreach and effectiveness of DevCo activities.

These objectives would be achieved pursuant to a memorandum of understanding (“MOU”) or similar agreement entered into between the Donor and IFC.

Partnership Scope

Definition of eligible countries and sectors are outlined below. Business targets and focus will be agreed with PIDG donors through a three year business plan.

Eligible Sectors

DevCo resources may be applied only to Private Sector Participation (PSP) transactions within “Eligible Sectors.” Eligible sectors are defined as water, electricity, sanitation, and transport at both, the municipal or national level in developing countries. Housing, solid waste handling, and other physical infrastructure services are also eligible for DevCo funding.

Eligible Countries

DevCo resources may be applied to activities undertaken in “Eligible Countries.” Eligible countries are categorized as 1) Least Developed Countries, 2) Other Low Income Countries and 3) Lower Middle Income Countries and Territories as defined by the current DAC List of ODA recipients.

To continue to provide adequate support for targeted interventions in Lower Middle Income Countries, the following countries or regions are eligible for inclusion within any Low Income Country resources allocation:

- Low income or lagging states of India, as defined by the Government of India
- Countries in ‘fragile situations’ as defined by the World Bank Groups 'Harmonized List of Fragile Situations'.

Eligible Expenses

The bulk of DevCo resources will be used to fund the costs of specialized consultants associated with the development, design and implementation of private sector infrastructure transactions. These consultants may include legal, technical, environmental, social, auditing, financial or any other specialized consultant. Up to 30% of DevCo resources may be used to cover the costs of IFC and on occasions World Bank staff involved in identifying, supervising and delivering the required assistance and fulfillment of DevCo objectives. In addition, costs associated with administering the DevCo will also be considered eligible.

Partnership Participation & Fund Structure

Participation

The Partnership is open to participation by official donors or international organizations agreeing to make a contribution to the Partnership's Fund (“Donors”).

Fund Structure

Donors will not be requested to contribute to Core funding which will be financed through reflows from success fees recouped from DevCo funded projects. Each participating donor’s funds will be held in individual Non Core Trust Funds. Funds will be drawn upon in line with these Operating Principles and any expenditure restrictions to particular regions, sectors, or themes as agreed with the Donor within the scope of this Partnership.

Governance & Administration

The Partnership will be governed by the PIDG Programme Council which meets bi-annually to approve business plans and review progress of DevCo.

The Partnership will be administered by the Infrastructure Advisory Department of the IFC, which will designate a Programme Manager to manage the Partnership.

The Programme Manager will be responsible for approving all commitments of DevCo resources and for reporting to the Programme Council on the use of such resources. In considering funding proposals that draw from DevCo resources, the Programme Manager will have regard to the following criteria:

- (a) Consistency with the DevCo threshold eligibility criteria;
- (b) Consistency with business plans approved by the PIDG Programme Council and individual Donors requirements.
- (c) Additionality: Funding should not be more readily available from other sources
- (d) Co-financing: DevCo resources may cover up to 100% of the costs of an Eligible Activity. However, co-financing from other sources will be encouraged.
- (e) Value for Money: Activities should aim to ensure value for money, including adopting the lowest cost strategies consistent with appropriate standards of quality.

With regards to determining additionality, in order to avoid crowding-out of other sources, for all mandates identified for funding under DevCo, IFC will have to demonstrate not only how the project being developed will contribute to poverty elimination, but also that the use of DevCo funding of IFC will be adding clear value over and above the sort of services that might be available from private sector developers or private financial advisers.

The Programme Manager will designate a Task Manager for each DevCo -funded activity. Hiring of consultants for IFC-executed activities will generally be initiated by the Task Manager in consultation with the Programme Manager. Procurement will be implemented in accordance with relevant IFC guidelines.

Amendment

These Operating Principles may be amended only by written consent of all Donors.