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# **INFRACO ASIA DEVELOPMENT PTE.LTD**

Operating Policies and Procedures

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## GLOSSARY

<b>Additionality/Additional</b>	As defined in Section 4.5 of the PIDG Results Monitoring Handbook as amended from time to time.
<b>Board</b>	The board of directors for the time being of the Company
<b>CEO</b>	The chief executive officer of the Company
<b>Chair</b>	The chair of the board of directors for the time being of the Company
<b>Co-Development</b>	Has the meaning given to it in the <i>Introduction and Objectives</i>
<b>Corporate Executive</b>	The corporate development manager of the Company or such other designated senior officer of the Company
<b>DAC</b>	Development Assistance Committee of the Organisation of Economic Cooperation and Development
<b>DevCo</b>	The Infrastructure Development Collaboration Partnership, a partnership between PIDG and the IFC which provides an advisory service to governments wishing to privatise elements of infrastructure service provision
<b>Develop</b>	All activities relating to the development of an Opportunity to the point where it may be financed or sold, including, as required, feasibility studies, negotiation of regulatory contracts, project agreements, required licenses and consents, development of a business and financial plan and negotiation of third party financing documents, and “Development” shall be construed accordingly
<b>Developer</b>	Such developer(s) as may be contracted by IAD from time to time to Develop Opportunities for and on behalf of IAD in accordance with the provisions of the relevant SC or in respect of a Co-Development, the lead developer and any sponsor of such Co-Development from time to time
<b>High Developmental Opportunity</b>	An Opportunity which is agreed by the Board as meeting the agreed high pro-poor developmental criteria set forth in Appendix 2 ( <i>High Development Criteria</i> ) or an Opportunity submitted by a Developer and that is otherwise approved by the Board as having high pro-poor developmental impact

<b>Investee Company</b>	Any person (other than a natural person) in which the Company makes an investment (directly or indirectly) in accordance with these Operating Policies and Procedures
<b>Opportunity</b>	A potential infrastructure or infrastructure related project or a person (other than a natural person) that satisfies the criteria detailed in these Operating Policies and Procedures
<b>PIDG</b>	Private Infrastructure Development Group, a coalition of donors mobilising private sector investment to assist developing countries to provide infrastructure vital to boost their economic development and combat poverty. As at the date of amendment of these Operating Policies and Procedures the current members include the Government of the United Kingdom of Great Britain and Northern Ireland acting through the UK Department for International Development (“DFID”), the Swiss State Secretariat for Economic Affairs (“SECO”) of the Government of the Confederation of Switzerland, the Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the World Bank Group, the Australian Government represented by the Department of Foreign Affairs and Trade (“DFAT”), the German Kreditanstalt für Wiederaufbau and the Norwegian Ministry of Foreign Affairs.
<b>PIDG Anti-Corruption and Integrity Policy and Procedures</b>	The anti-corruption and integrity policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Appointment and Evaluation of Directors Policy and Procedures</b>	The appointment and evaluation of directors policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Code of Conduct</b>	The code of conduct approved by the PIDG from time to time and which all PIDG Facilities are required to adopt and incorporate into their governing documents as a minimum standard of conduct
<b>PIDG Complaints Policy and Procedures</b>	The complaints policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Conflict of Interest and Share</b>	The conflict of interest and share dealing policy and procedures approved by the PIDG from time to time and

<b>Dealing Policy and Procedures</b>	that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Disclosure Policy and Procedures</b>	The disclosure policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Environmental and Social Policy and Procedures</b>	The International Finance Corporation's Performance Standards on Environmental and Social Sustainability for the time being that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Facility</b>	A facility of the PIDG, including but not limited to the direct and indirect subsidiaries of The Private Infrastructure Development Group (PIDG) Trust
<b>PIDG Operating Policies and Procedures</b>	The operating policies and procedures approved by the members of the PIDG from time to time and which they require all PIDG Facilities to adopt and incorporate into their governing documents as a minimum including the PIDG Procurement Policy and Procedures, the PIDG Environmental and Social Policy and Procedures, the PIDG Disclosure Policies and Procedures, the PIDG Anti-corruption and Integrity Policy and Procedures, the PIDG Conflict of Interest and Share Dealing Policy and Procedures, the PIDG Travel and Expense Reimbursement Policy and Procedures, the PIDG Appointment and Evaluation of Directors Policy and Procedures, the PIDG Remuneration Policy and Procedures, the PIDG Complaints Policy and Procedures and the PIDG Risk Management Policy Procedures
<b>PIDG Procurement Policy and Procedures</b>	The procurement policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Remuneration Policy and Procedures</b>	The remuneration policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PIDG Results Monitoring Handbook</b>	Means the results monitoring handbook of the PIDG approved by the PIDG (as at the date of these OPPs the most recent revision date was September 2013) as from time to time amended
<b>PIDG Risk Management Policy and Procedures</b>	The risk management policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard

<b>PIDG Travel and Expense Reimbursement Policy and Procedures</b>	The travel and expense reimbursement policy and procedures approved by the PIDG from time to time and that PIDG requires all PIDG Facilities to adopt as a minimum standard
<b>PMU</b>	PIDG Programme Management Unit
<b>PPI</b>	Private Participation in Infrastructure
<b>PPP</b>	Public Private Partnerships
<b>SC</b>	Such services contract(s) as may be entered into between the Company and each Developer from time to time setting out the terms upon which such Developer will Develop Opportunities for and on behalf of IAD as from time to time amended, varied, supplemented, novated or replaced
<b>Senior Development Manager</b>	The senior development manager of the Company or such other designated senior officer of the Company
<b>TAF</b>	The Technical Assistance Facility of the PIDG

## **INTRODUCTION AND OBJECTIVES**

These Operating Policies and Procedures relate to the activities of IAD Development Pte. Ltd. (“the Company” or “IAD”).

The initial sponsor of the Company (DFiD) and its subsequent funders (DFAT and SECO) are all members of the PIDG. PIDG works in partnership with other donors, local operators and government bodies to deliver infrastructure and to increase funds for development in some of the poorest countries in the world.

The objective of the Company’s activities is to contribute to the aims of PIDG and to stimulate greater private sector involvement and investment in the development of infrastructure and related projects by reducing the costs and risks of project development, usually at the pre-financial close stage. The Company’s mission is to identify, create and structure financeable private sector and PPP investment opportunities and offer them, at or prior to financial close, to the private sector for implementation.

The Operating Policies and Procedures ensure that the activities of the Company are aligned with the objectives set by the PIDG.

### **Key Operating Principles**

IAD will operate as a private sector infrastructure development company, acting as:

- (a) principal developer of Opportunities via Developers; and
- (b) co-developer of Opportunities where there is a lead developer and sponsor capable of Developing such Opportunity already in place (“Co-Developments”).

It will:

- (i) normally undertake pre-financial close Development activities for its own account and risk;
- (ii) operate at arm’s length from the PIDG and its members with a Board of Directors from the private sector;
- (iii) conduct its business, and the Board will act, at all times in accordance with these Operating Policies and Procedures, the PIDG Code of Conduct and the PIDG Operating Policies and Procedures (in the event of any inconsistency between these Operating Policies and Procedures and the PIDG Operating Policies and Procedures then the provisions of the PIDG Operating Policies and Procedures shall prevail);
- (iv) not compete with the private sector, but seek to stimulate expanded private sector involvement in infrastructure development;
- (v) seek to structure Opportunities in a way that balances the interests of host governments and other national stakeholders with the requirements of private sector investors and providers of finance;
- (vi) seek to balance the goal of attaining attractive sales value with the goals of promoting Opportunities with a high developmental impact; and
- (vii) over the long term, seek sufficient revenue from successful sales of its interests in Opportunities to fund its general operational costs and the direct

project preparation costs of the sold Opportunities and to make a contribution to the costs of unsold Opportunities.



## **PART I: OPERATING POLICIES**

### **1. ACTIVITY**

- 1.1 The Company will support the Development of viable Opportunities for investment by the private sector and public-private partnerships in infrastructure and related developments as described herein.
- 1.2 The Company's principal activity will be undertaking pre-financial close Development of infrastructure Opportunities. The Company will undertake (or, in the case of Co-Developments, jointly undertake with the lead Developer and sponsor) all activities relating to identification and Development of an Opportunity to the point where it may be financed and sold to, inter alia, private sector investors, including, as appropriate, undertaking feasibility studies, negotiation of regulatory contracts and project agreements, procuring required licenses and consents, development of a business and financial plan, procuring financing from third parties, negotiation of third party financing documents and all steps as may be necessary to take the Opportunity to the point where it can be sold to the private sector.
- 1.3 The Company cannot, unless specifically agreed by the PIDG, make investments at and beyond financial close except to the extent that all or a portion of the pre-financial close consideration for the sale of an Opportunity may take the form of a carried interest in the Opportunity. The Company or, - on behalf of the Company and subject to the approval of the Board, a Developer may present Opportunities to the board of InfraCo Asia Investments Pte. Ltd. ("IAI") for consideration for investment by IAI at or prior to financial close in accordance with the investment policy of IAI.
- 1.4 IAD may undertake the following activities in support of early-stage or greenfield infrastructure projects in approved territories:
  - a) Identify Opportunities and prepare screening papers for eligible investments in eligible countries (see Part I Section 2).
  - b) Commission feasibility studies and conduct other investigations on Opportunities in order for the Board to be able to determine whether to approve the Development of the Opportunity.
  - c) Undertake studies to ensure that the Development activities are in line with the approved environmental, social, health and safety standards (see Part I Section 2).
  - d) Undertake due diligence to ensure that project co-developers are committed to meeting the Company's standards with respect to anti-corruption (see Part II Section 10).
  - e) Negotiate documentation, including memoranda of understanding and joint development agreements and other relevant documentation.
  - f) Where necessary or desirable, establish subsidiaries of the Company to Develop and invest in Opportunities.

- g) Undertake Development activities consistent with industry best practice (without prejudice to the provisions of these Operating Policies and Procedures, the PIDG Code of Conduct and the PIDG Operating Policies and Procedures).
  - h) Undertake Development of the Opportunity usually up to financial close and sell the Company's interests in the Opportunity.
- 1.5 Opportunities are expected to be identified in a range of different ways including:
  - a) direct contact with government entities, developers, entrepreneurs and financiers;
  - b) referrals from banks, government entities and local financiers;
  - c) direct approaches from potential co-developers; and
  - d) from such other contacts and networks of the Developers and of each of their members of staff (in addition to those contacts and networks referred to above).
- 1.6 It is envisaged that, typically, the Company will operate pursuant to a mandate from a relevant government department or agency, a local private party or both, which will include the grant of rights to develop and subsequently market the Opportunity to private investors for implementation. However, other models of operation may also be appropriate.
- 1.7 The Company and the relevant Developer will seek to transfer the Company's interest in the Opportunity to the private sector, for cash and/or for a carried interest in the project post-financial close, usually no later than financial close unless otherwise agreed by the Board. The strategy for full or partial exit from each Opportunity shall be approved by the Board and shall be consistent with the mandate for IAD set down by the PIDG.
- 1.8 The Company may also provide and/or procure technical assistance for the structuring of Opportunities identified by governments/third parties, subject to the requirement that its activities complement, and do not compete with, the activities of other PIDG initiatives.
- 1.9 The Company may also provide any other form of support that is consistent with the Company's overall objectives.
- 1.10 In pursuing its objectives, the Company will liaise closely with other relevant donor programmes, in particular, but not limited to, the other PIDG initiatives.

## **2 ELIGIBLE INVESTMENTS**

### **2.1 General**

- 2.1.1 The Company may invest in activities in support of commercially viable infrastructure projects of a start-up or greenfield nature where, in the opinion of the Board, there exists demonstrable evidence of Additionality to do so.
- 2.1.2 Subject to any restrictions contained herein, and in particular the requirement to not compete with or displace the private sector, the Company may invest in Opportunities that include, without limitation (in each case where the

Company's involvement may assist in stimulating greater private sector involvement):-

- a) start-ups or greenfield developments;
- b) partly developed projects where the incumbent sponsor is unable to bring the opportunity to financial close;
- c) abandoned projects;
- d) currently operating companies where the owners are unable to finance and implement major new investments;
- e) privatised or to be privatised projects/companies; and
- f) majority state-owned projects where the private sector is to participate in a risk sharing capacity. The Company will seek out opportunities in countries where:
  - (i) the basic foundations for private sector participation in infrastructure are in place and it is expected that the constraints to private sector investment in the particular Opportunity can be overcome through the Company's involvement; and
  - (ii) the host government is supportive of the Company's involvement.

## 2.2 Geographical Coverage

2.2.1 Subject to the conditions set out below, the Company may invest in support of activities only in the approved list of countries detailed in the table below. The table is sub-divided according to the OECD DAC's list of ODA recipients<sup>1</sup>.

Regions	DAC List			
	Least Developed Countries	Other Income Countries	Low	Lower Income Countries and Territories
South East Asia	Cambodia Laos Myanmar			Indonesia Philippines Vietnam
South Asia	Bangladesh Bhutan Nepal			Pakistan Sri Lanka India

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<sup>1</sup> DAC List of ODA Recipients as at 1 January 2013 for reporting on 2012 and 2013 flows

2.2.2 Subject to the further conditions set out below, within the approved list of countries, the Company shall be permitted to operate in:

- a) Least Developed Countries;
- b) Other Low Income Countries; and
- c) In exceptional circumstances, where pro-poor benefits are particularly pronounced and with the prior approval of the PIDG, Lower Middle Income Countries and Territories.

The priority countries for Development activities are: Bangladesh, Bhutan, Cambodia, Laos, Myanmar, Nepal and Pakistan.

2.2.3 In respect of projects funded by funding from DfID and/or DFAT for Development activities, the following shall apply:

- (i) The Board shall ensure that no more than 33% of the number of such projects in IAD's portfolio (comprising projects under Development with a joint development agreement, shareholders' agreement, joint venture agreement, subscription agreement or equivalent legally binding agreement in place and completed projects) shall comprise projects in Lower Middle Income Countries and Territories as set out in the table above excluding Pakistan and the states of India set out in Para 2.2.3(ii) (based on the classification of the country at the time the project is approved for inclusion in the Short List ).<sup>2</sup> While this limit applies to the number of projects, the value of investment in Development activity should not materially vary from this ratio.
- (ii) Projects in Pakistan and projects in India located in DfID's priority states of Madhya Pradesh, Orissa, West Bengal, Bihar, Rajasthan, Uttar Pradesh, Chhattisgarh and Jharkhand shall be deemed for the purpose of this Section 2.2 to be located in an Other Low Income Country and therefore are excluded from the 33% limit.

2.2.4 The geographic scope within which each Developer shall operate and in respect of which each Developer shall Develop Opportunities for and on behalf of the Company shall be limited in accordance with the provisions of the corresponding SC (or such other agreement as may be in place between the Company and the relevant Developer).

### **2.3 Pro-poor benefits**

All projects are expected to have demonstrable Category A, Category B and Category C poverty elimination benefits as described in Appendix I.

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<sup>2</sup> Country classification of a project is fixed as at the time of approval of the project for inclusion in the Short-list.

## 2.4 Sector Focus

### 2.4.1 Sectors for Inclusion

The Company may invest in the Development of Opportunities in the following sectors:

- a) *Energy services*: the generation, supply, transmission and/or distribution of electricity, including rural electrification and all forms of renewable energy supplies;
- b) *Water/waste services*: urban/rural fresh water production and treatment, supply and distribution, sanitation, solid waste disposal/collection and waste treatment, bulk water supply (water reservoirs, transfer schemes, dams and pipelines);
- c) *Transportation infrastructure services*: fixed and moveable transportation infrastructure and transport services including roads, bridges, tunnels, light and heavy rail systems and services and railway equipment, airports (passengers and freight), bus lines, ports and harbours;
- d) *Bulk Storage/Logistics Facilities*: logistics services that support productive investment including bulk storage/handling facilities, cold storage, warehousing and certain moveable assets;
- e) *Telecommunications*: the development and operation of: (i) long distance and local telephone services, cellular radio telephone services and other radio common carrier communications services, including paging and specialised mobile radio systems; (ii) telegraph, microwave and private communications networks, cable, electronic mail and other emerging telecommunications technologies; and (iii) internet access;
- f) *Gas transportation, distribution and storage*: gas pipelines and bulk storage/logistical facilities and, downstream gas development;
- g) *Oil transportation, distribution, storage*: except where for an export project;
- h) *Mining and upstream Oil & Gas*: but only where investment expands the provision of infrastructure and associated services and where the owner agrees to allow third party use of the assets (in so far as it does not prejudice their mining operations or upstream Oil & Gas operations) and where the Company's activities are believed to be additional;
- i) *Urban infrastructure*: the provision of economic and social infrastructure within towns and cities (including low cost housing);
- j) *Agriculture*-supporting infrastructure including but not limited to storage, basic processing facilities and irrigation services; and
- k) *Other Related Activities*: other activities that impact positively on the development of the relevant country's basic infrastructure and promote the objectives of the Company. Such activities may include the infrastructure component of industrial, agro-tourism or agro-industrial projects and, more generally, may include other productive investment activities not currently being undertaken, or undertaken on a small scale, by the private sector where it is expected that those activities will in turn stimulate increased demand for basic infrastructure facilities and services

and therefore facilitate private sector financing and investment in infrastructure. Activities may also include the manufacture, construction or assembly of goods, equipment, plant and buildings or the provision of services (for example cement plants, producers of pipes, pumps, switching equipment, cables, bricks, tarmac and other basic materials used in infrastructure construction).

#### 2.4.2 Sectors Excluded

The following sectors shall be excluded from Company support:

- a) Oil and Gas Exploration and Production (“upstream” activities) and oil transportation for exports (except as permitted under paragraph 2.4.1(h) above);
- b) Mining or mineral exploration and extraction (except as permitted under paragraph 2.4.1(h) above);
- c) Nuclear power, nuclear waste treatment or nuclear fuel cycle activities;
- d) Military infrastructure; and
- e) Gambling.

### 2.5 Community and Environmental Impact

2.5.1 All of the Company’s investment and operating decisions shall comply with local laws and regulations. The Company and each Developer will follow and apply, as a minimum, the PIDG Environmental and Social Policy and Procedures, to the Development of any Opportunity. In addition, the Company and each Developer will comply with DFAT’s child protection policy to the extent that it is applicable to the Company and to the relevant Developer given the nature of their activities.

2.5.2 The Company and each Developer, acting on the Company’s behalf, will include in their due diligence for any Opportunity an analysis of the social and environmental impacts of the project. In particular, the Company will follow, as a minimum, the environmental and social due diligence procedures set out in the PIDG Environmental and Social Policy and Procedures and will adopt and apply the social responsibility requirements set out in the PIDG Environmental and Social Policy and Procedures to all Opportunities. The Company shall conduct an environmental assessment of the Opportunity during due diligence through which potential environmental issues are identified and a plan required to mitigate any potential areas of concern is prepared. Where prudent or necessary, a satisfactory Environmental Impact Assessment (“EIA”), in accordance with the requirements of the relevant local environmental agency of the host country, may be required to be carried out as part of the Development of an Opportunity. The Company shall ensure that satisfactory arrangements are put in place to mitigate any adverse social or ecological impact prior to sale of the relevant Opportunity.

2.5.3 The Company shall provide the PIDG with monitoring and evaluation reports on the development impact of the projects in its portfolio in accordance with the

PIDG's Monitoring and Evaluation framework set out in the PIDG Results Monitoring Handbook. Environmental, technical and social advisory support as is judged appropriate by the Company for each transaction shall be utilised by the Company.

### **3. GENERAL RESTRICTIONS**

All activities of the Company shall be undertaken with the aim of advancing IAD's and the PIDG's objectives as set out in the *Introduction and Objectives* with the general aim of poverty elimination.

The Company shall, in identifying appropriate Opportunities for Development, take fully into account the developmental impact and poverty elimination criteria as set out in Appendix I.

### **4. POST SALE INVOLVEMENT**

Following the sale of the Company's interest in an Opportunity, the Company may retain an interest in the Opportunity. With the agreement of project partners and/or incoming purchaser/s, the Company may retain an ongoing Development role, for example, in liaising with government, local communities or other parties or where its presence gives comfort on project related political risks.

### **5. COMPETITIVE TENDERING AND PROCUREMENT**

#### **5.1 General**

It is the general policy of the PIDG to promote a transparent and competitive process for the provision of private sector participation and it is a requirement of the Company to support good public policy and transparency in all transaction processes.

#### **5.2 Development Rights**

In entering into any arrangements concerning the right to Develop Opportunities, the Company and each Developer will comply with any applicable laws in the country in which the Opportunity is located concerning the award of rights in infrastructure and related projects and will act in a manner consistent with good public policy and transparency. Given that IAD's mission is to operate in environments where the private sector is not currently investing, it is expected that, in many cases, the Company will engage in arrangements where the rights in the Opportunity have been awarded through direct negotiation. In such cases the Company will need to assure itself that, if the Opportunity involves a government-related process, the award of rights in the Opportunity to the Company/an Investee Company has been made on a defensible and transparent basis that does not harm the public interest and that the award does not crowd out other potential private sector investors.

#### **5.3 Sale**

5.3.1 It is the general policy of the Company that in procuring a purchaser to invest in the implementation of an Opportunity, that is being/has been Developed by

the Company, the Company will adopt a transparent and competitive process consistent with good public policy.

- 5.3.2 However, given the limited number of investors currently interested in infrastructure opportunities in the Company's target markets, the Company may in appropriate instances, engage in direct negotiations with a prospective purchaser, but only with the approval of the Board to be granted after diligent enquiry as to the reasons and appropriateness on a case by case basis and subject to the general requirement that the Company ensure transparency in all transaction processes.

#### **5.4 Procurement of Goods and Services by the Company**

Any goods and services to be procured by the Company or a Developer for Development of Opportunities shall be procured in accordance with the PIDG Procurement Policy and Procedures.

### **6. REPORTING AND DISCLOSURE**

- 6.1 The Company shall ensure that regular reports are provided to the PIDG on its activities, in accordance with the PIDG reporting requirements in place from time to time.
- 6.2 The Company shall ensure that it makes available to the public all such information as shall be required or it, and at all times complies with, the provisions of the PIDG Disclosure Policy and Procedures.

### **7. AMENDMENTS**

- 7.1 Without prejudice to the express provisions of any of the SCs in respect of any Developer, the Operating Policies in Part I and the Operating Procedures in Part II Sections 9 and 10 may only be amended, modified or otherwise changed by the affirmative vote of a simple majority of the Board and approval of the members of the PIDG providing funding to support the Company.
- 7.2 Without prejudice to the express provisions of any of the SCs in respect of any Developer, the Operating Procedures in Part II (with the exception of Sections 9 and 10 as noted above) shall be amended from time to time by the affirmative vote of a simple majority of the Board.



## PART II: OPERATING PROCEDURES

### 1. PURPOSE

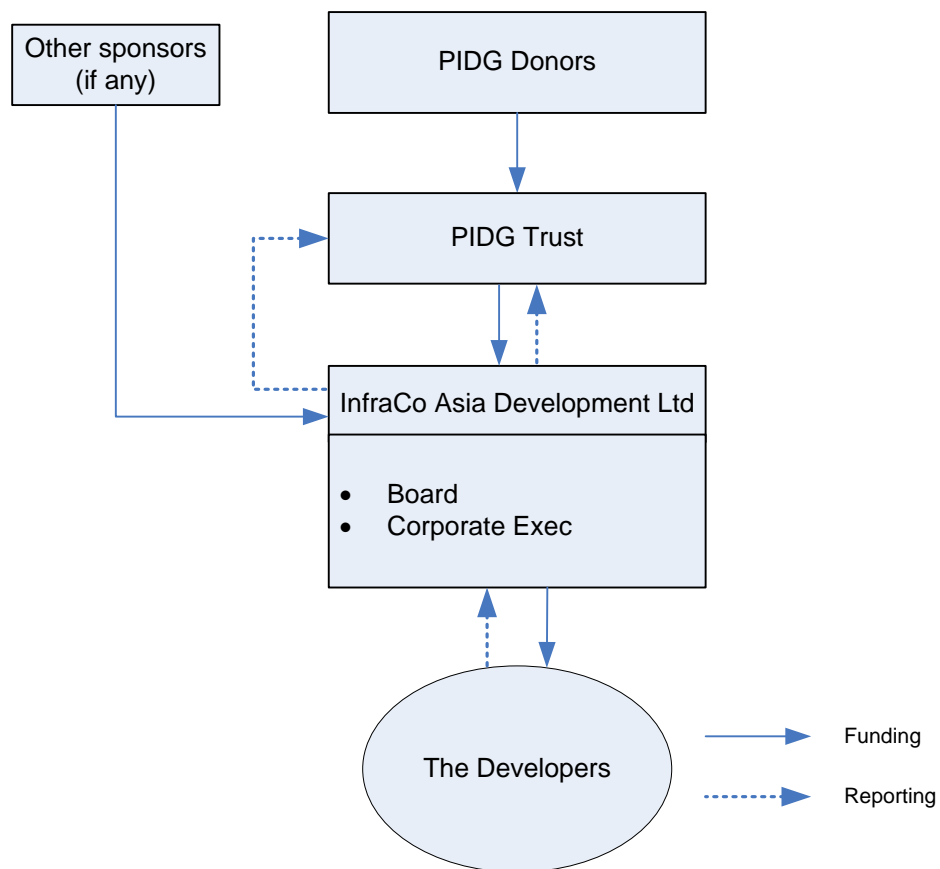
The operating procedures, applicable to the Company, to each Developer and to their respective staff, are set out below. These procedures are complementary to the terms of each SC and to each of the following:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) any IAD Policy Documents in force from time to time including the Operating Policies set out in Part I of these Operating Policies and Procedures;
- (iii) the PIDG Code of Conduct; and
- (iv) the PIDG Operating Policies and Procedures.

### 2. CORPORATE GOVERNANCE STRUCTURE

#### 2.1 General

2.1.1 The proposed corporate governance structure of the Company and of its Group shall be as follows:



- 2.1.2 The Board shall comprise directors appointed in accordance with the PIDG Appointment and Evaluation of Directors Policy and Procedures. The Board shall be closely involved in oversight and decision making for the Company to ensure that the goals of the PIDG are met while enabling the Company to operate in a flexible and commercial manner.
- 2.1.3 The day to day management of the Company shall be the responsibility of the Company's internal management team (the "IMT") which includes the CEO. The IMT shall engage external transaction-specific due diligence and advisory expertise to support investment decisions and execution of transactions in respect of Opportunities as and when required (the requirements for which will vary from transaction to transaction as the Board shall see fit).

## **2.2 Committees**

- 2.2.1 The Company may put in place an appropriate committee structure able to meet corporate governance needs while at the same time streamlining the decision making process and reducing bureaucracy.
- 2.2.2 There shall be an audit committee that will consist of not less than two directors of the Board and excluding the Chairman, with written terms of reference which deal clearly with its authority and duties.

## **2.3 Subsidiary companies**

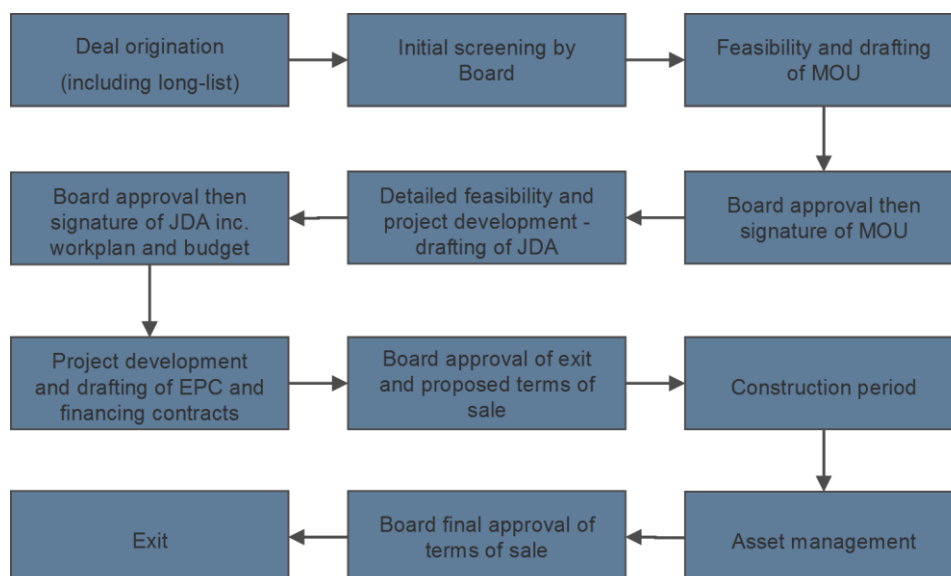
- 2.3.1 In appropriate cases it is anticipated that the Company will establish limited liability subsidiaries (the country of incorporation of such subsidiaries to be subject to the Board's approval) to hold the Company's interest in that Opportunity, to undertake the Development and to hold investments post any sale.
- 2.3.2 IAD subsidiaries will be directly or indirectly wholly-owned by the Company, unless otherwise agreed by the Board. In the case of a subsidiary incorporated by the Company to hold its interest in an Opportunity, the company name should include "InfraCo".

## **2.4 Governance of Investee Companies**

In respect of each investment in an Opportunity the Board shall consider whether or not it shall require the right to appoint a representative to participate as a member of the board of directors of the relevant Opportunity and/or to appoint a representative as an observer to attend but not vote at any meeting of the board of directors of the relevant Opportunity. Any such representative shall be a member of the Board of the Company and/or duly qualified senior member of the IMT with the requisite skills and experience to fulfil such duties. Any appointment to the board (or to any committee of the board) of any Investee Company to represent the interests of the Company shall require the prior written approval of the Board.

### 3. BUSINESS APPROVAL PROCESS

#### 3.1 Key Stages



3.1.1 The business approval processes of the Company in respect of the Development of Opportunities by each Developer shall consist of the following key stages, as described in more detail below:

- (i) Identification and screening of new business Opportunities and presentation by the Developer and, in the case of Co-Developments, the IMT, of a long-list of Opportunities to the Board (annually or more often, as appropriate)
- (ii) Recommendation by the Developer and, in the case of Co-Developments, the IMT, for approval by the Board for the inclusion or removal of any Opportunity in or from the short-list of Opportunities and circulation to the PIDG for their information of a summary of the approved short-list of Opportunities (as from time to time amended) on a quarterly basis.
- (iii) Signing of a Memorandum of Understanding (or other equivalent non-binding document) in respect of each short-listed Opportunity as may be required.
- (iv) Undertaking of due diligence and evaluation studies by each Developer in respect of each Opportunity on the approved short-list of Opportunities of the relevant Developer and negotiation of key terms and conditions of investment and participation in each such Opportunity.
- (v) Presentation by each Developer to the Board (in a form approved by the Board from time to time) of findings of due diligence exercise and proposals for key terms and conditions of investment and participation in each short-listed Opportunity of the relevant Developer and approval of the Board to execute a joint development agreement (or equivalent) setting out the work plan and budget for the development of each Opportunity on the relevant Developer's short-list of Opportunities

including the proposed commercial arrangements to apply during the development period and at, and following, sale of the Opportunity.

- (vi) Approval by the Board of a proposal for exit and proposed terms of sale of the Company's interest in each project.
- (vii) Approval by the Board of the final terms of any sale of the Company's interest in each project.
- (viii) Presentation of quarterly reports in respect of each short-listed Opportunity to the Board (in such form as shall be reasonably requested by the Board from time to time).

### 3.2 Authority limits

- 3.2.1 For each Opportunity to be Developed, at the same time that Board approval is sought for entering into an MOU or to negotiate a joint development agreement (or similar), the relevant Developer shall submit a proposed initial Development budget for the relevant Opportunity for approval by the Board. At the stage when Board approval is sought for entering into the joint development agreement (or equivalent), the relevant Developer shall also seek the Board's approval for the overall proposed Development budget for the relevant Opportunity and thereafter the budget will be reviewed and approved by the Board on an annual basis (or on a more frequent basis should this be considered necessary by the Board and by the Developer).
- 3.2.2 The authority limits to approve payments for project related expenditure within the approved project Development budgets will be in accordance with the policy on authority limits of the relevant Developer or the relevant subsidiary of the Company established to hold the Company's interest in that Opportunity, provided that such policy is submitted by the relevant Developer to the Company for prior consent and if no objection is received within 10 days of submission, consent will be deemed to have been given.
- 3.2.3 The authority limits to approve transfers of funds by the Company to subsidiaries of the Company and payments by the Company to Developers within the Board approved project Development budget and/or annual budget are set out in the table below (such limits may be adjusted from time to time by the Board):

<b>Expenditure limits</b>	<b>Approving authority</b>
Up to US\$250,000	Any two of: the Board Directors, CEO and the Senior Development Manager of the Company
More than US\$250,000	Any two of: the Board Directors and CEO of the Company

3.2.4 The authority limits to approve payments by the Company for project related expenses not within the Board approved budget and all corporate expenses are set out in the table below (such limits may be adjusted from time to time by the Board):

<b>Expenditure limits</b>	<b>Approving authority</b>
Up to US\$10,000	Any one of: the Board Directors, CEO or the Senior Development Manager of the Company
More than US\$10,000 and up to US\$50,000	Any two of: the Board Directors, CEO or the Senior Development Manager
More than US\$50,000 and up to US\$250,000	Any two of the Board Directors
More than US\$250,000	Board

provided that no person may approve any payment for expenditure relating to any matter in respect of which he/she has a personal or institutional conflict of interest.

### **3.3 IAD Board**

Each Developer will agree arrangements to ensure that the Board is appropriately informed at all times about its plans and activities. This will include, inter alia, preparing for approval by the Board annually the medium term Business Plan (as defined in the relevant SC) and an Annual Operating Plan and Budget (as defined in the relevant SC); preparing and submitting on a timely basis papers for meetings by the Board and any committee of the Board as appropriate, to be held as required but not less than quarterly, and such representatives of the relevant Developer as shall be agreed with the Board shall attend such meetings in person or by telephone to ensure that the appropriate discussions of papers can take place.

## **4. PROSPECTIVE TRANSACTION RELATED AGREEMENTS**

In the course of performing its services on behalf of the Company and without prejudice to the express provisions of the relevant SC, a Developer is expected to enter into certain agreements with developers, governments, private and public sector entities in its own capacity or on behalf of the Company. The following procedures shall apply to entry into of such arrangements.

## **4.1 Confidentiality Agreements**

4.1.1 Prior to the release of confidential information by involved commercial parties or the government to the Company, any of its subsidiaries or to the relevant Developer relating to an Opportunity, its sponsor(s) or strategic participants, the relevant Developer or the Company may be asked to enter into a confidentiality agreement. In addition to standard terms (relating to the nature or definition of Confidential Information), such agreements should generally contain the following:

- a) ability to disclose information to the Company, its officers, employees and advisers and to the relevant Developer and its officers, employees and advisers to the extent necessary in order to consider, and work upon, the Opportunity provided that they agree to keep the information confidential in accordance with the confidentiality provisions of the confidentiality agreement (and they have been made aware of the confidential nature of the information);
- b) ability of the Company and the relevant Developer to pass on information to third parties where required as a matter of instruction from a regulatory authority or by operation of law or directions from a court;
- c) restriction on the amount of financial liability on the part of the relevant Developer or the Company for any breaches by reason of negligence or deliberate act;
- d) governing law (English law or Singapore law preferred);
- e) jurisdiction (courts of England or Singapore or international arbitration preferred); and
- f) limitation on duration of the Company's and/or the relevant Developer's (as the case may be) obligations under the agreement (preferably 2 years).

4.1.2 In the event that disclosure to members of the Board and/or committees and/or to the relevant Developer is not acceptable to a proposed counterparty without additional undertakings from those parties, then either the Company or the relevant Developer (as the case may be) must also become a party to the confidentiality agreement. To the extent that the Company is required to be party to any confidentiality agreement, the prior approval of the Board to enter into such agreement must be obtained to the extent that the terms of such confidentiality agreement are not consistent with the provisions of this Section 4.1 or otherwise impose any additional material obligation or potential liability upon the Company.

## **4.2 Development Agreements**

4.2.1 In appropriate cases, the relevant Developer may negotiate on behalf of the Company a mandate to Develop an Opportunity and rights to sell that Opportunity from the relevant government, private or public sector entity, after approval of the Opportunity by the Board. Such arrangements may include formal agreements, heads of terms and undertakings (jointly, the 'Development Agreements').

- 4.2.2 A Developer shall ensure that all Development Agreements are reviewed in advance by the Board and that prior approval of the Board to enter into these agreements is obtained.

### **4.3 Sale Agreements**

- 4.3.1 The relevant Developer may negotiate arrangements, on behalf of the Company, in relation to procuring a private sector partner in the implementation of the Opportunity (typically but not necessarily through sale of part or all of the Company's interest in the Opportunity for cash, or a carried interest) ('Sale Agreements') only after receipt of approval of the Board, such approval shall include, *inter alia*, approval of the process by which such private sector partner is procured and major commercial terms of the relevant Sale Agreements. Representatives of the Company shall receive all material correspondence with, and may attend any meetings by the relevant Developer with, such potential private sector partner or purchaser of the Company's interest in the relevant Opportunity and the relevant Developer shall advise such representative(s) of the Company a reasonable time in advance of any such meetings.
- 4.3.2 In the event the Board in its absolute discretion decides that the Company shall itself take the lead in managing the process for the sale of part or all of the Company's interest in an Opportunity ('Sale Process'), the relevant Developer shall co-operate with the Company to the extent necessary to implement such decision and shall provide all information relating to the Opportunity and render such assistance as may be reasonably requested by the Company to facilitate the Sale Process.
- 4.3.3 The prior approval of the Board is required to execute any Sale Agreements. Prior to entry into any Sale Agreement, the relevant Developer must secure written clearance for its text from the Company's perspective from qualified legal counsel.

## **5 SIGNING AUTHORITIES**

- 5.1 Without prejudice to the provisions of Part II Section 3.2, the signing authorities in respect of cheques and other payments issued by the Company shall be in accordance with the Company's policy on delegation of authority as approved by the Board from time to time.

## **6. PAYMENTS**

Subject to the provisions of the relevant SC and without prejudice to the provisions of Part II Sections 3.2 and 5.1:

- 6.1 All payments made by a Developer for costs incurred in accordance with the Board approved operating and Development cost budget of the relevant Developer pursuant to the relevant SC or, in relation to a Co-Development, in accordance with the Board approved Development cost budget of the relevant Co-Development, shall be made on the basis of an invoice and/or supporting documents and payment instructions duly signed by the relevant authorised

signatories, and copies of all such relevant documents or details are to be provided by the relevant Developer to the Company as and when requested.

- 6.2** Payments to be made by the Company to a Developer as payee will be initiated by the relevant Developer (following authorisation by a duly authorised Developer signatory) and submitted to the Company in accordance with the terms of the relevant SC as applicable. Approval for payments shall be made in accordance with the relevant authorisation limits.
- 6.3** Payments to be made by a subsidiary of the Company to a Developer as payee will be initiated by the relevant Developer (following authorisation by a duly authorised Developer signatory) and submitted to the relevant subsidiary of the Company with the related invoice and/or supporting documents. Approval for payments shall be made in accordance with the relevant authorisation limits, provided that the authorised approver of the relevant subsidiary shall not also be an officer or employee of the relevant Developer.

## **7. USE OF EXTERNAL ADVISERS, CONSULTANTS OR LEGAL FIRMS**

In relation to any adviser, financial intermediary, consultant or legal firm appointed by a Developer to assist it on a Development or a sale:

- (i) the Developer must obtain its undertaking to maintain confidentiality in relation to information provided to it by such Developer.
- (ii) the Developer must ensure that its release of information to such adviser is permitted under such Developer's own confidentiality undertakings.

## **8. PUBLIC RELATIONS**

- 8.1** Subject as provided in 8.2 and 8.3 below, each Developer will acknowledge its role as a Developer for and on behalf of the Company or as a Developer of a Co-Development with the Company, as the case may be, and the contribution of PIDG and in particular the IAD Donors in any promotional or marketing material of such Developer in relation to IAD or the relevant Opportunity, including speeches, presentations, media statements, publications, advertisement, signage and stationery, including through the use of relevant logos and identifiers. In making any reference, oral or written, to any Opportunity or other activities undertaken pursuant to a SC, the relevant Developer will make it clear that it does so on behalf of IAD and that the funding and/or support for the activity is from the PIDG and IAD Donors.

### **8.2 Informal Contact with Infrastructure Publications**

No member of the IMT, except for the CEO with the prior approval of the Chairman, nor any staff member or representative of a Developer may speak to or otherwise communicate with the media about the Company's business. As an exception, in the limited circumstance of an oral query received from the media while attending an event, the duly authorised representative of the Company or a Developer attending such event may orally



confirm off the record (ie on a no named source basis) information on the Company's business and the interest of IAD in a project or Opportunity which is the subject of such query, provided that such information is already published on the Company website.

### **8.3 Formal Statements on behalf of IAD or in relation to IAD funded activity**

The CEO may issue or procure the issue of formal written public statements (including press releases) or public oral comments in respect of an actual or prospective IAD transaction with the prior approval of the Chairman of the Board or, in his absence, any other director of the Board, provided that, to the extent that any such public statements or comments in relation to an actual or potential transaction shall include any reference to the IAD Donors (or to any of them) and/or their funding, then the prior approval of the PIDG PMU (who may require the prior approval of the IAD Donors) must also be obtained.

No Developer shall, on its own, issue any public statement, written or oral, in respect of an actual or prospective IAD transaction.

### **8.4 Issue of Promotional and Marketing Materials**

Promotional material, including the text of brochures, web site statements and general marketing materials prepared by, or on behalf of, the Company or by a Developer in relation to such Developer's work for IAD pursuant to an SC or as a Developer of a Co-Development with the Company, as the case may be, must be approved by, or consistent with such general template as shall be approved from time to time by, the CEO. Non-material updates of promotional material reasonably required to reflect the current status of Opportunities and teams need not be specifically approved by the Board. Any promotional material which contains significant announcements or significant changes to how the Company is presented must be submitted for approval by the Chairman of the Board or, in his absence, another director of the Board) prior to issue. To the extent that any promotional material contains any reference to the IAD Donors (or to any of them) and/or their funding then the prior approval of the PIDG PMU (who may require the prior approval of the IAD Donors) must also be obtained. Marketing material, press releases and websites of IAD shall (to the extent relevant) disclose the identity of each Developer, its role in relation to IAD and the nature of the relationship between the Company and each such Developer.

## **9. FILE MAINTENANCE AND COPIES/ORIGINALS**

Each Developer shall maintain complete and up-to date files in relation to each Opportunity or actual or prospective transaction or investment in which it is involved.

After entry into any agreement (including but not limited to a confidentiality agreement, a Development Agreement or a Sale Agreement) the relevant Developer will place a copy on the relevant transaction documents on file and provide a copy to the Corporate Executive.

## **10. ANTI-BRIBERY AND CORRUPTION POLICY**

The Company, each Developer and their respective officers and employees shall comply with the PIDG Anti-Corruption and Integrity Policy and Procedures and the following provisions of this Section 10 (in the event of any inconsistency between the following provisions of this Section 10 and the PIDG Anti-Corruption and Integrity Policy and Procedures, then the provisions of the PIDG Anti-Corruption and Integrity Policy and Procedures shall prevail):

### **10.1 Offering Bribes**

The Company, each Developer and their respective staff will not offer or make any bribe, unorthodox or unauthorised payment or inducement of any kind to anyone and for whatever purpose, including soliciting a potential investment for IAD or to facilitate the making of any such investment.

### **10.2 Acceptance of Bribes**

The Company, each Developer and their respective staff will not accept any kind of bribe, unorthodox or unauthorised payment or inducement of any kind from anyone, for whatever purpose, including in relation to the making of a potential investment by IAD or to facilitate its approval by IAD.

### **10.3 Reporting**

Without prejudice to the reporting obligations set out in the PIDG Anti-Corruption and Integrity Policy and Procedures, the Company's staff and each Developer's staff will report promptly to the Chairman of IAD any request for, or any offer of, a bribe or unorthodox payment or inducement and will refuse any such request or offer in such clear and unequivocal terms as can lead to no misunderstanding or false expectation.

### **10.4 Facilitating Payments**

The Company and each Developer will not, and will procure that its staff and any consultants and advisors engaged to act on its behalf will not, make facilitating payments to progress any matter through local officials.

### **10.5 Partners, Purchasers Etc.**

The Company and each Developer will not, and each Developer will procure that its staff and any consultants and advisors engaged to act on its behalf will not, knowingly enter into arrangements with third party private sector partners or purchasers in relation to the Development or sale of an Opportunity who have offered or accepted bribes or made facilitating payments in relation to that Opportunity.

## **APPENDIX I**

### **POVERTY ELIMINATION CRITERIA**

#### **1. POVERTY ELIMINATION BENEFITS**

The Company's support, either directly or indirectly, should facilitate the Development of infrastructure services and facilities that contribute to the elimination of poverty. Before investing in an Opportunity, the Board must be satisfied that such Opportunity will provide at least one of the Benefits A-C:

- (a) underpinning economic growth that assists either directly or indirectly in the elimination of poverty and the broader policies and context for poverty elimination and leading to social, environmental and or economic benefits for poor people;
- (b) benefiting broad-based population groups including poor people and pro-actively addressing issues of equity and barriers to participation or access to poor people; or
- (c) specifically promoting and enhancing the social, cultural and economic rights, interests and needs of poor people.

#### **2. SUBMISSION ON POVERTY ELIMINATION**

In putting candidate transactions to the Board, each Developer must include a brief submission that:

- (a) highlights the contribution that the Opportunity proposed to be supported by the Company, would make to the elimination of poverty in terms of Benefit A, B or C;
- (b) where Benefit B or C applies, identify the elements of the investment that contribute to poor people benefiting or having their rights<sup>3</sup> addressed directly; and
- (c) comments where appropriate on any Barriers to poor people benefiting or having their rights addressed.

#### **3. ASSESSING BENEFITS A, B AND C**

It is expected that, in many cases, these contributions to poverty elimination will predominantly take the form of indirect effects, such as improved sustainable infrastructure provided to broad population groups leading to positive economic effects and indirect employment creation.

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<sup>3</sup> As described in the Covenant on Social, Cultural and Economic Rights and the agreements on Basic Social Services reached at the Social Summit in Copenhagen in 1995 ([www.unhchr.ch/html/menu3/b/a\\_ceschr.htm](http://www.unhchr.ch/html/menu3/b/a_ceschr.htm)).

## **Examples of Benefit A**

Examples of possible effects an investment could have that would provide Benefit A are set out below in Annex 1. The Board may (in consultation with the PIDG, if the Board sees fit) consider that other effects will provide Benefit A.

## **Assessing Benefits B and C**

Some investments may also provide Benefit B or C. These positive effects will be identified and outlined in the proposal. It will be for the Board (in consultation with the Company's shareholders, if the Board sees fit) to satisfy itself on a case-by-case basis that the investment in question will provide Benefit B or C.

## **Balancing Benefits and Barriers**

In all cases, the submission must include a reasoned analysis of whether the Benefits an investment provides outweigh any negative effects on poor people. An illustrative, non-exhaustive list of possible Barriers to poor people benefiting from an investment is set out below in Annex 2.

## **Additional Assessments**

Private sector participation in infrastructure services may take place in a context of elimination of direct or indirect subsidies. Such projects may therefore have a role in creating Barriers to poor people accessing those services.

In these cases, a more thorough assessment of the project by an appropriately qualified third party or any other party with an interest in the Opportunity, where the Board is satisfied that that party will provide an independent assessment, is required to provide an overview of all positive and negative effects on poor people and of any barriers that exist. (In some cases, specific provisions might be introduced to mitigate the negative effect on poor people).

It is possible that another reputable investor or other interested party will have already prepared a report that provides such an overview. In this case, the relevant Developer can provide this report instead of an original additional assessment.

Where the relevant Developer does not provide such an assessment with its submission and the Board finds that such an assessment is required, the Board should call as soon as possible for an assessment.

## **Decision by the Board**

The Board must then determine (in consultation with the PIDG, if the Board so sees fit) whether the Benefit provided by an investment, will be reduced to an unacceptable level by the Barriers contained in the project to which the investment relates. If so, the investment in question should not be supported.

In deciding whether the Barriers reduce the Benefit to an unacceptable level, the Board will take into account that investments providing Benefit A may contribute to the elimination of poverty without providing significant direct benefits to poor people. Investments providing Benefits B or C are expected to actively promote poverty elimination strategies. The Board will accept more Barriers to poor people receiving direct benefits from the project to which the investment relates.

#### 4. DEFINITIONS

<b>Barrier</b>	A barrier to poor people benefiting from an investment project. An illustrative list of barriers is given in Annex 2 below.
<b>Local</b>	The country or countries in which an investment project will be implemented and/or the relevant project is established.
<b>Poor Person</b>	A person known or reasonably thought to be living on “two \$ a day” as described in Box 2.1 of Chapter 1 of the World Development Report 2000/2001: Attacking Poverty or being assessed as poor applying some other measure of poverty described in that Report.

## Annex 1

### Examples of Benefit A

Examples of possible effects an investment project could provide include:

- (i) enhanced public services: the infrastructure service or facility will provide new or substantially improved access to basic infrastructural services to broad population;
- (ii) employment creation: the infrastructure service or facility will generate short and long-term employment, directly and indirectly, for Local people;
- (iii) linkages to the local economy: a high percentage of an infrastructure company's budget is spent in the Local economy;
- (iv) effect on government revenue: the infrastructure company pays taxes/royalties to the Local government and does not seek/receive any government subsidies;
- (v) effect on foreign currency generation: the infrastructure service or facility generate hard currency either by exports or removing the need for certain imports; or a refinancing reduces foreign currency obligations;
- (vi) social and economic impact: a positive impact on different groups affected by the Infrastructure service or facility <sup>4</sup> in terms of increase incomes, enhanced skills, better health, social organisation or access to natural resources and other positive effects;
- (vii) effect on local markets/competition: the infrastructure service or facility will prompt competition between relevant providers and lead to improved quality, lower pricing or changes in government policy;
- (viii) innovation/technology transfer: the infrastructure service or facility introduces new technology or training, innovation, investment and training of Local

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<sup>4</sup> For example, providers of rival services, Local people affected by construction, users of services relevant to the project and potentially marginalised people including poor people, minority ethnic & tribal groups, women, children and the elderly.

staff relating to technology to an area/country;

(ix) contribution to capital markets development:

the infrastructure company has equity or a debt instrument publicly traded.

## Annex 2

### Examples of Possible Barriers

Examples of possible barriers to poor people benefiting from the infrastructure service or facility being Developed would include:

- a. inappropriate charging: whilst it is recognised that charging needs to ensure it is commercially viable on a sustainable basis, excessive fees for connection costs or an overly high fixed cost element in tariff structures will be deemed inappropriate;
- b. exclusivity arrangements that prevent alternative solutions even where utility provision is not available;
- c. poorly designed investment projects/service delivery which:
  - i. reduce affordability for the poor; for instance through overly elaborate or inappropriate technology;
  - ii. further marginalise poor people already disadvantaged for lack of relevant knowledge or skills;
  - iii. do not include appropriate consultation and/or participation in project design;
  - iv. where relevant, create or fail to address barriers relating to gender, age or disability;
  - v. unreasonably exclude access for poor people willing to pay (at an economically justified rate in the context of the infrastructure company) for infrastructure services through proposed geographical area/or service area cover; and
- d. any other barrier which, in the view of the Board, unnecessarily excludes poor people with a willingness to pay for an infrastructure service at an economically justified rate in the context of the infrastructure company.



## **APPENDIX II**

### **HIGH DEVELOPMENTAL CRITERIA**

Whether or not an Opportunity constitutes a High-Developmental Opportunity will be agreed from time to time by the Board prior to significant commitments of time and money to them by the relevant Developer.

High-Developmental Opportunities are likely to have more than one of the following characteristics:

- (i) Involve relatively small total capital investment requirements (less than US\$50 million)
- (ii) Comprise an investment in water and sanitation sector, agriculture-supporting infrastructure or certain renewable energy technologies
- (iii) Comprise an investment that directly facilitates productive investments by the national private sector (e.g. agribusiness) and where there is an intent to develop schemes that benefit poor people (e.g. outgrower schemes)

High-Developmental Opportunities will only be approved by the Board if, in addition to complying with these Operating Policies and Procedures, they appear to offer strong prospects of commercial viability over their investment life.