



**ANNUAL  
REVIEW**

# GLOSSARY

## OWNERS

The members of the Private Infrastructure Development Group, which fund the PIDG Trust and therefore the PIDG group

## PIDG TRUST

A trust established in 2002 under the laws of Mauritius by the PIDG Owners to fund the PIDG companies (including PIDG Ltd.) and to further the activities of PIDG

## PIDG LTD.

Established in 2018, PIDG Ltd. acts as the parent company of the PIDG group, controlling management and operations of the group of companies (the Group) and ensuring the group achieves the Owners' objectives

<b>AfDB</b>	African Development Bank	<b>ICIEC</b>	Islamic Corporation for the Insurance of Investment and Export Credit
<b>ATIA</b>	African Trade Insurance Agency	<b>IPP</b>	Independent Power Producer
<b>COD</b>	Commercial Operation Date	<b>LDC</b>	Least Developed Countries
<b>DFI</b>	Development Finance Institutions	<b>LSE</b>	London Stock Exchange
<b>DI</b>	Development Impact	<b>LIC</b>	Low-Income Countries
<b>EAIF</b>	The Emerging Africa Infrastructure Fund	<b>MDB</b>	Multilateral Development Banks
<b>ECL</b>	Expected Credit Losses	<b>MIC</b>	Middle-Income Countries
<b>EPC</b>	Engineering, Procurement and Construction	<b>NED</b>	Non-executive Director
<b>ESG</b>	Environmental, Social and Governance	<b>OLIC</b>	Other Low-Income Countries
<b>ESIA</b>	Environmental and Social Impact Assessment	<b>OPP</b>	Operating Policies and Procedures
<b>FCAS</b>	Fragile and Conflict Affected States	<b>PIDG</b>	The Private Infrastructure Development Group
<b>FVTPL</b>	Fair Value Through Profit or Loss	<b>PPP</b>	Public Private Partnership
<b>GHG</b>	Greenhouse Gases	<b>PSI</b>	Private Sector Investment
<b>H&amp;S</b>	Health and Safety	<b>PV</b>	Photovoltaic
<b>HSES</b>	Health, Safety, Environment and Social	<b>SDG</b>	UN Sustainable Development Goals
<b>IFC</b>	International Finance Corporation	<b>TAF</b>	Technical Assistance Facility
<b>JV</b>	Joint Venture	<b>TIC</b>	Total Investment Commitments
<b>KPI</b>	Key Performance Indicators	<b>VfM</b>	Value for Money
		<b>VGF</b>	Viability Gap Funding

€ - Euros

\$ - U.S. Dollars

# CONTENTS

## ABOUT PIDG

The Private Infrastructure Development Group (PIDG) is an innovative infrastructure development and finance organisation delivering pioneering infrastructure in the poorest and most fragile countries in sub-Saharan Africa and south and south-east Asia to help economies grow and change people's lives.

With over 16 years of experience and over \$3bn of funding and commitments, PIDG plays a pathfinder role in order to address market failures. Operating at the frontier, be that through the lens of geographies, sectors, products or standards, PIDG addresses gaps in the international development architecture to support infrastructure provision that results in high development impact, which is critical to the achievement of the UN Sustainable Development Goals (SDGs).

As an early proponent of blended finance, PIDG works collaboratively along the project life-cycle and across the capital structure. Leveraging its unique attributes, PIDG helps early-stage projects overcome financial, technical or environmental challenges, creating investment-ready, bankable, infrastructure opportunities as well as building local capability and capacity, while providing innovative financing solutions.

Since 2002, PIDG has supported 183 infrastructure projects to financial close, which are expected to provide an estimated 243 million people with access to new or improved infrastructure.

PIDG is funded by six governments (the UK, Netherlands, Switzerland, Australia, Sweden, Germany) and the IFC.

**As an early proponent of blended finance, PIDG makes it viable for private investors to participate in high-quality infrastructure deals using limited sums of public funds to crowd in many times that value in private capital.**

**Since 2002, PIDG has committed \$3.6bn to infrastructure projects, mobilising \$23.4bn from the private sector into PIDG supported projects.**



## PIDG IN NUMBERS

### 2018

**18** projects reached financial close  
**6** of these were in Fragile and Conflict-Affected States\*

### \$4.5bn

invested alongside PIDG by Private Sector Investors and Development Finance Institutions

### 17.5 million

people with access to new or improved infrastructure

**1,919** long-term jobs created

**14,849** short-term jobs created

**13** projects became commercially operational

### 2002 - 2018

**183** projects reached financial close  
**87** of these were in Fragile and Conflict-Affected States\*

### \$35.8bn

invested alongside PIDG by Private Sector Investors and Development Finance Institutions\*\*

### 243.1 million

people with access to new or improved infrastructure

**240,688** long-term jobs created

**59,295** short-term jobs created

**113** projects became commercially operational\*

\* Where multiple PIDG companies are involved in the same projects, PIDG nets these off to avoid double-counting  
\*\* Excludes one outlier project which, at \$4.3bn, has been omitted to avoid skewing the results (see page 81)



**01**  
**MAKING THE  
SEEMINGLY  
IMPOSSIBLE,  
POSSIBLE**

# INTRODUCING



**The Private Infrastructure Development Group (PIDG) is an innovative infrastructure development and finance organisation which encourages and mobilises private investment in pioneering infrastructure in the frontier markets of sub-Saharan Africa and south and south-east Asia.**

Established in 2002 to address a series of market failures, PIDG harnesses its specialist companies to mobilise private sector investment with public funds.

PIDG's purpose is to combat poverty in the poorest and most fragile countries through pioneering infrastructure – helping economies grow and changing people's lives. In doing so, it contributes directly to the achievement of many of the United Nations' Sustainable Development Goals.

PIDG operates collaboratively across the project cycle and capital structure to provide leadership, development capability, funding and finance solutions. PIDG supports projects to overcome financial, technical or environmental challenges – creating investment-ready, bankable infrastructure opportunities. This delivers high development impact and develops local capacity and capability and the financing potential of local credit and capital markets.

PIDG is funded by six governments (the UK, Netherlands, Switzerland, Australia, Sweden, Germany) and the IFC.

Using a blended finance approach, PIDG encourages public and private interests to work together, targeting investment where it is most needed.

PIDG delivers its ambition in line with its values of Opportunity, Accountability, Safety, Integrity and Impact, in a way which is pioneering, collaborative and with a sense of excitement. These principles guide the way PIDG works, enabling PIDG to succeed and its people to be part of its success. Since 2002, PIDG has supported 183 infrastructure projects to financial close, these projects are expected to provide 243 million people with access to new or improved infrastructure.

PIDG is committed to complying with all applicable laws in the jurisdictions in which it operates. With a core value of Integrity, PIDG applies high ethical standards to everything it does. PIDG expects all of its people, be they employees or partners, to comply with both the letter and spirit of the law. PIDG's integrity and compliance policies and procedures seek to ensure that PIDG's commitment to integrity and legal compliance is followed. PIDG has zero tolerance for corruption and other unethical conduct or unsafe behaviour, including but not limited to fraud, corruption and sexual exploitation. PIDG requires its partners to do the same.

## PIDG'S VALUES



OPPORTUNITY



ACCOUNTABILITY



SAFETY



INTEGRITY



IMPACT



## MESSAGE FROM THE CHAIR

- ANDREW BAINBRIDGE



**2018 was a transformational year for PIDG.**



**Today, PIDG is a \$3bn innovative infrastructure development and finance organisation. Operating at the frontier, we play a pathfinder role in creating impact by doing what others cannot or will not do, yet.**

This time last year I wrote that we had embarked on the next stage of PIDG's evolution. With our Owners' support, we implemented a structure that provides greater oversight and governance across all PIDG companies and is a strong signal of our intent.

In its first full year of operation, the PIDG Board has demonstrated enhanced oversight, challenge and strategic delivery of PIDG's impact. Coupled with a unified Executive Committee, we are better aligned and our companies are co-ordinated in a way they have not previously been.

Over time, this will make us easier to do business with and more co-ordinated in our dealings with investors and developers, maximising our impact and improving value for money for our Owners.

Significant new funding commitments from two of our founding Owners during the year, totalling in excess of \$750m, reflect a strong endorsement of these organisational changes and the resulting unity of purpose across our group, as well as our new strategy, while reinforcing our belief that what PIDG does matters.

Notwithstanding our very good progress in terms of reorganisation, governance and 'joining up our organisation', we failed to achieve all of our targets for new business last year. It would be easy to blame this on the reorganisation, or to dismiss the failure as a timing issue with more new business falling into early 2019. In reality, I suspect that both of these explanations have a degree of credibility but we simply need to redouble our efforts and are committed to doing so. Our job is to deliver on our promises, recognising that doing so helps to transform the lives of those most in need.

To retain our uniqueness, remain ambitious and maintain our niche, we will seek complementarity across PIDG companies and with others, through the development of strategic partnerships, to optimise our ability to deliver pioneering infrastructure to help economies grow and to change people's lives. This new structure will help us to embed our collaborative personality and to identify opportunities for the PIDG companies to work together on individual transactions and programmatic initiatives. In itself, this will help us to address the delivery shortcomings of 2018.

Achieving the UN Sustainable Development Goals (SDGs) requires organisations like PIDG to exist and thrive. Our ambitious new strategy is a critical step forward – it is about creating scale and pace – building on over 16 years of success and accelerating that. It creates the pathway to deliver pioneering infrastructure where it is needed the most. It supports a more systematic and robust approach to our activities, enabling us to deliver greater impact and underpinning our ambition to make a difference.

We are focused on balancing the need to deliver high development impact, while moving towards financial sustainability - as this will ensure that we remain relevant, viable and sustainable.

I thank our Owners, our people and our partners for their continued support and ongoing efforts. We have come a long way, but there is more to do. This is going to be another very exciting year for PIDG.



## MESSAGE FROM THE CEO

- PHILIPPE VALAHU



**I am delighted to introduce PIDG's 2018 Annual Review.**



**PIDG operates at the frontier – be that through the lens of geographies, sectors, products or standards – and this is where we can add the greatest value. We are focused on delivering pioneering infrastructure projects that offer an innovative, agile and sustainable way of combating poverty and delivering high development impact.**

Operating along the project life-cycle and across the capital structure, PIDG plays a key role in providing innovative financing solutions, and creating investment-ready, bankable infrastructure opportunities. This allows us to address the lack of early-stage development capital, which is one of the key challenges in getting infrastructure projects off the ground. As an early proponent of blended finance, we are committed to ensuring that it is used efficiently by being targeted, transparent and supporting national priorities.

PIDG plays an important role in creating the necessary conditions to attract private investment, by supporting and building local capacity. PIDG aims to enable countries to develop and fund their own infrastructure projects, as well as to facilitate investor confidence and investment flow into infrastructure projects in our targeted markets.

During the year we have successfully delivered baseload and renewable energy solutions to remote regions – through both on and off-grid services (Kenya, Tanzania, Zambia); developed and funded an innovative water PPP project (Rwanda); demonstrated how we can turn a distressed asset into one that is attractive to the private market (Vietnam); and developed local capital markets by providing credit enhancements on domestic corporate bonds (Ghana, India, Nigeria, Pakistan, Philippines, Vietnam) extending tenors (Mali, Nepal) and attracting local investment. These pivotal achievements demonstrate that we are both innovative and responsive in our ability to deliver high impact in frontier markets, and in line with PIDG's strategic vision to support local currency financing for infrastructure projects in low-income countries.

While we delivered much in 2018, we fell short of our expectations. This in part reflects the difficult markets in which we operate – where we are mobilising expertise, negotiating legal and regulatory frameworks, obtaining government approvals, overcoming delays, and all the while providing patient capital.

We have just kicked off our new five-year strategy which will allow us to take forward the themes of scale and replicability to deliver a greater demonstration effect and impact. Our significant restructuring, together with the co-location of teams, means that we can be more collaborative. Acting as one organisation through our three business lines: Upstream Technical Assistance, Developer-Investor and Credit Solutions, gives us the tools to meet the gaps in infrastructure finance.

As we grow, we will continue to position our people close to where they are needed on the ground, because having the right expertise in the right places is critical if we want to optimise our value and our reach. This will also be key to building local capacity and providing the necessary training.

There is much to do and we know that we cannot do it alone. We need to work with others - to work together. I therefore very much look forward to working with our partners as we position ourselves as an innovative, unparalleled infrastructure finance provider, bringing positive economic development and high impact to the people who need it the most.



# 02 PATHFINDERS AT THE FRONTIER

# PIDG'S FIVE-YEAR STRATEGY

PIDG's mandate is to operate at the frontier

PIDG is focused on delivering pioneering infrastructure projects that offer an innovative, agile and sustainable way of combating poverty and delivering high development impact.

Operating at the frontier through the lens of geographies, sectors, products or standards, PIDG develops early-stage projects that explore new approaches or technologies

– creating investment-ready, bankable infrastructure opportunities and building local capability and capacity, while providing innovative financing solutions.

Through its strategic priorities of delivering projects that offer scale, replicability, affordability and transformation, PIDG provides an innovative vehicle for investment that delivers both life-changing opportunities for the poorest and most fragile countries, and sustainable returns.

STRATEGIC PRIORITY	DEFINITION	POTENTIAL PROGRAMMATIC AREAS
<b>Scale</b>	Projects that can provide infrastructure services to a large number of people and businesses, creating benefits for individual households and for the economy	On-grid renewable projects; large-scale infrastructure associated with economic zones; and water projects
<b>Replicability</b>	Projects that can be developed – perhaps initially on a small scale and pilot basis – and can then be replicated either by PIDG and its partners or by others, reducing transaction costs and enabling growth at speed	Off-grid mini-hydro projects or off-grid solar with storage; biomass solutions; and replicable financing models (e.g. InfraCredit)
<b>Affordability</b>	Projects that enable access to infrastructure by low-income groups or which improve economic efficiency and competitiveness	Affordable housing; affordable agri-processing solutions; affordable transport solutions
<b>Transformation</b>	Projects that fundamentally change behaviour or market function	New models for private sector investment in water; transforming and strengthening the capacity of local developers and developing local capital markets and investor confidence; and empowering women

PIDG will deliver its pioneering infrastructure through three business lines – Upstream Technical Assistance, Developer-Investor, and Credit Solutions – that deploy a unique set of capabilities together with the identification and leverage of programmatic themes.

This will enable PIDG to demonstrate its additionality and to maximise development impact, while ensuring that priorities such as gender equality, women's empowerment and climate change are incorporated across its portfolio.

**The programmatic initiatives currently under consideration include:**

- affordable housing;
- replicable mini and micro-grids based on renewable technologies (solar, hydro);
- water;
- replicable solutions for finance of infrastructure; e.g., InfraCredit, a Nigerian credit guarantor, established by GuarantCo, which is focused on unlocking the potential for long-term local currency financing in Nigeria from

local insurance companies, local pension funds and financial institutions through innovative credit enhancement solutions;

- agricultural infrastructure; and
- infrastructure associated with economic zones, including renewable energy, transport, storage/logistics and housing.

PIDG recognises the trade-offs between different types of impact (e.g. high-risk pioneering activities in FCAS, leveraging substantial private sector investment, and balancing larger projects against smaller projects delivering greater need and depth of impact locally) and will achieve a blend of these impacts within its portfolio.

PIDG also recognises there are trade-offs between financial sustainability and development impact. PIDG's mandate is to operate at the frontier. Frontier projects may have greater impact and success but often entail higher levels of financial risk than projects in more proven countries and sectors. However, sustainability and impact are also linked, because infrastructure which is not commercially viable and, therefore unsustainable, may result in limited impact.

PIDG plans to be financially sustainable at the consolidated level in the medium-term (excluding its Upstream Technical Assistance business). This is defined as PIDG being able to continue to operate by the end of this five-year strategy period, albeit at a reduced rate of activity, on an ongoing basis, if funding were to cease at the end of the current Owners' funding periods. PIDG will continue to rely on an element of donor funding to maximise delivery against its mandate, but greater financial sustainability will be evidence of its success and ensure that it continues to deliver against its mission.

**To achieve this, PIDG requires:**

- ongoing profitability at GuarantCo and a strong, diversified and profitable EAIF portfolio, alongside an expanded product offering;
- increased holding periods for Developer-Investor investments will enable them to exit through the sale of projects to the private sector and benefit from the higher value that reflects the risk taken during the project development and construction phase; and
- implementation of an intra-group funding model which supports ongoing operating expenses, whilst capital gains on disposal and the subsequent recycling of funding on disposal are achieved.

To retain its niche, PIDG will seek complementarity with other players in its space. This will require continued engagement with other DFIs, commercial financial institutions and commercial companies to ensure that PIDG is able to articulate and demonstrate how it is adding value. It also requires PIDG to develop greater partnership skills – to develop formal strategic partnerships with key infrastructure players (established partners such as MDBs, DFIs as well as impact funds, private equity firms, pension funds) in order to expand PIDG's influence and profile and to harness the benefits of partnership in a more joined-up manner.

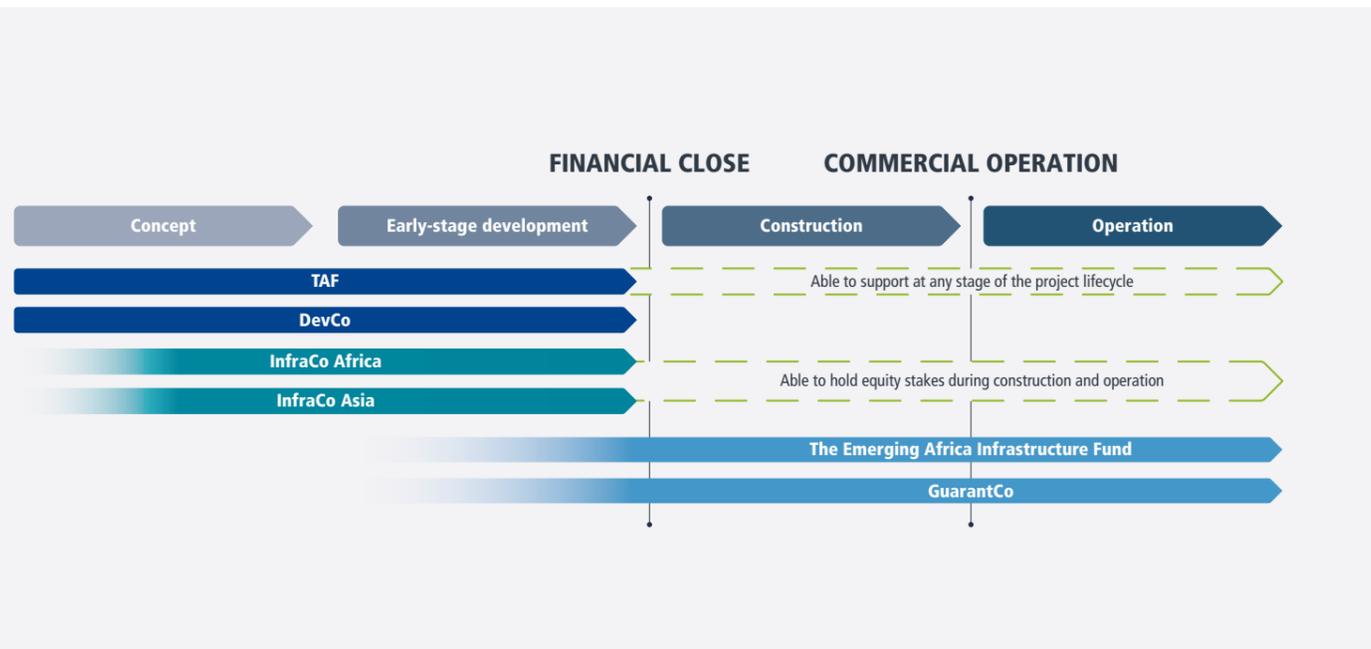
PIDG will continue to reinforce its emphasis on local capacity-building. Its aim is to enable countries and local partners to develop and fund their own infrastructure projects, as well as to facilitate investor confidence and investment flow into infrastructure projects in the target markets. As local capacity is built, it can extend to overall project implementation and follow-on investments.

In addition, PIDG's long-term development impact depends on proving, through its activities, that it is possible for the private sector to invest sustainably in infrastructure in the poorest countries. PIDG's success will be evident when it is no longer required because the local, regional or international market has the confidence and capability to replace it.

Read PIDG's new five-year strategic plan, 2019-2023 at: <https://www.pidg.org/about-us/our-strategy>

# PIDG IS UNIQUE

PIDG operates collaboratively along the project life-cycle and across the capital structure, to help projects overcome financial, technical or environmental challenges, creating investment-ready, bankable infrastructure opportunities.



## UPSTREAM TECHNICAL ASSISTANCE

**TAF** grants support PIDG companies at any stage of the project lifecycle.

**DevCo** helps fund PPP advisory services to governments, delivered through the IFC.

## DEVELOPER-INVESTOR

**InfraCo Africa** and **InfraCo Asia** originate, develop, structure, invest in and manage projects. They can make equity investments in innovative and pioneering projects, or to remedy the absence of capital.

## CREDIT SOLUTIONS

**EAIF** provides long-term foreign currency loans in sub-Saharan Africa.

**GuarantCo** provides innovative local currency contingent credit solutions, including guarantees to banks and bond investors to develop local capital markets.

Established in 2002, PIDG has addressed market failures prevalent in its target markets in sub-Saharan Africa and south and south-east Asia.

It has done so by demonstrating to the market at large the commercial viability of private infrastructure investment in the poorest countries.

### These failures include:

- Limited supply of long-term, foreign currency financing for infrastructure projects;
- Lack of local currency financing options to support infrastructure, largely as a result of limited local capital market development;
- Absence of bankable projects being developed by the private sector to facilitate private sector investment; and
- Limited government capacity to support the development of publicly-originated infrastructure projects.

Despite the progress made in the market in terms of projects that have reached financial close, infrastructure provision in countries in which PIDG operates, particularly in sub-Saharan Africa, continues to be low relative to developed markets, and the market failures mentioned above continue to persist.

Although the global pool of private sector (including institutional) finance is relatively large, the finance currently available for infrastructure investment in low-income countries does not match the needs of countries more widespread provision. Whilst there have been increases in the long-term finance available from DFIs for infrastructure projects, their focus is often on middle-income countries through hard-currency debt provision in project financing transactions or intermediated equity.

PIDG's experience and expertise allows it to do things which other organisations are unable to do. This 'additionality' gives PIDG a clear and unique value both to the private sector, by enabling it to engage in infrastructure deals in

frontier countries, and to the development community, by successfully engaging the private sector in the creation of pro-poor infrastructure developments.

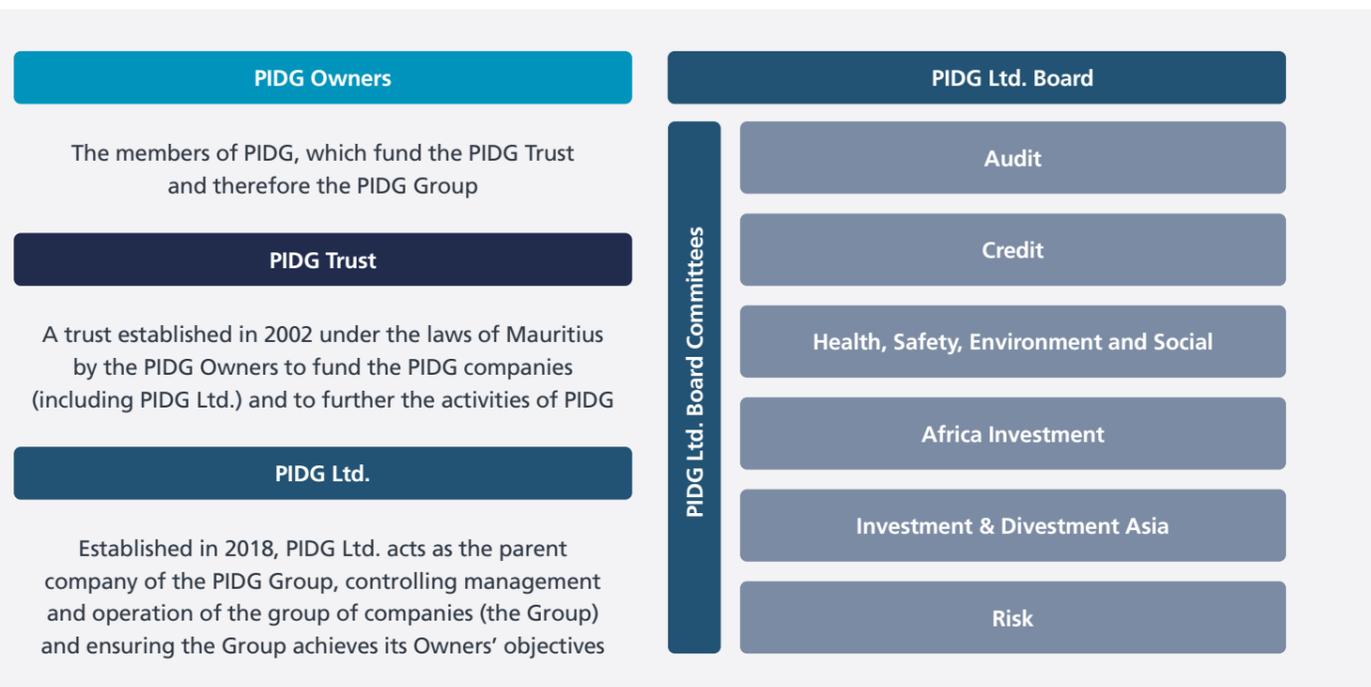
What differentiates PIDG from others operating in the market is the concentration of different types of risk within its portfolio arising from operating at the frontier of what is possible from a private infrastructure financing perspective. No large development organisation is as dedicated to infrastructure in FCAS countries as PIDG.

### Its exposure to higher risk can be in terms of:

- the countries in which it works;
- the type of projects (e.g. greenfield); and/or
- the type of finance product (e.g. local currency guarantees).

# GOVERNANCE

The new PIDG “parent company” governance structure, established in 2018, enables the PIDG Ltd. Board and Executive team greater clarity and unity of direction from the companies and provides more effective direction, guidance and control.



### The Board of PIDG Ltd.

The Board is comprised of seven Non-executive Directors who collectively bring a broad range of business and development experience, which is essential for the effective running of PIDG.

The Board is ultimately responsible for and accountable to the Owners of PIDG and to the Trust not just for its own activities, but for the activities of the Group as a whole. Certain PIDG Ltd. and company matters are reserved for Board approval and there is a clear delegation of authority to the Chief Executive Officer (CEO) and other senior Executives within the Company for other matters.

Certain matters also require the approval of the PIDG Owners.

Exercising its independent judgement, the Board is responsible for overseeing the management of the business and for ensuring that high standards of corporate governance and health and safety, as well as environmental and social standards are maintained throughout the Group. The Board is also responsible for ensuring that the resources of the PIDG Group are used to generate a high development impact.

The Board is chaired by Andrew Bainbridge and meets formally four times a year and at other times as necessary.

The Board has established six committees to assist it in fulfilling its responsibilities. The Board has delegated investment decision powers to the Credit Committee, the Africa Investment Committee and the Investment and Divestment Asia Committee. The terms of reference of the PIDG Ltd. Board committees are available online at [www.pidg.org](http://www.pidg.org).

### The Chair and CEO

There is a clear division of responsibility and authority between the Chair and the CEO. The Chair is responsible for leading the Board, ensuring its effectiveness and steering its agenda and ensuring that there is a healthy culture of challenge and debate. The Chair also evaluates the performance of the CEO and is responsible for succession planning. The CEO is responsible for the management of PIDG on a day-to-day basis. This includes making recommendations to the Board on strategy and other issues.

Both the Chair and the CEO provide updates to PIDG Owners through regular informal and formal quarterly meetings and at an Annual General Meeting. Additionally, the Executive team provides the Trust with a monthly update on activities and ensures that matters requiring escalation to or approval by the Trustees are promptly actioned and managed.

### Executive team

The Company's Executive team meets regularly with the Executive Directors and CEOs of the PIDG companies (together called the "ExCo"). The ExCo also meets to review the PIDG companies' performance against their key performance indicators including development impact, financial performance, risk management, staff and communications developments.

### Independent Panel on Development Impact

PIDG has contracted three individuals to act as an Independent Panel on Development Impact, reporting to the PIDG Ltd. Board.

This Independent Panel provides an expert view to the Board on whether PIDG is evaluating the development impact of its activities in a way which properly reflects the nature of those activities, enables useful conclusions to be reached about the impact of those activities, and generates learning about what delivers the greatest development impact. The Independent Panel plays an important role in providing the Board with assurance that PIDG's reported development impact is robust and that suitably rigorous evidence is being generated efficiently and cost-effectively to inform strategic decision-making.

# PIDG BUSINESS LINES

PIDG will deliver its pioneering infrastructure through three business lines that deploy a unique set of capabilities

## 01 UPSTREAM TECHNICAL ASSISTANCE

– comprising PIDG’s Technical Assistance Facility (TAF) and DevCo

## 02 DEVELOPER – INVESTOR

– comprising InfraCo Africa and InfraCo Asia

## 03 CREDIT SOLUTIONS

– comprising the Emerging Africa Infrastructure Fund (EAIF) and GuarantCo

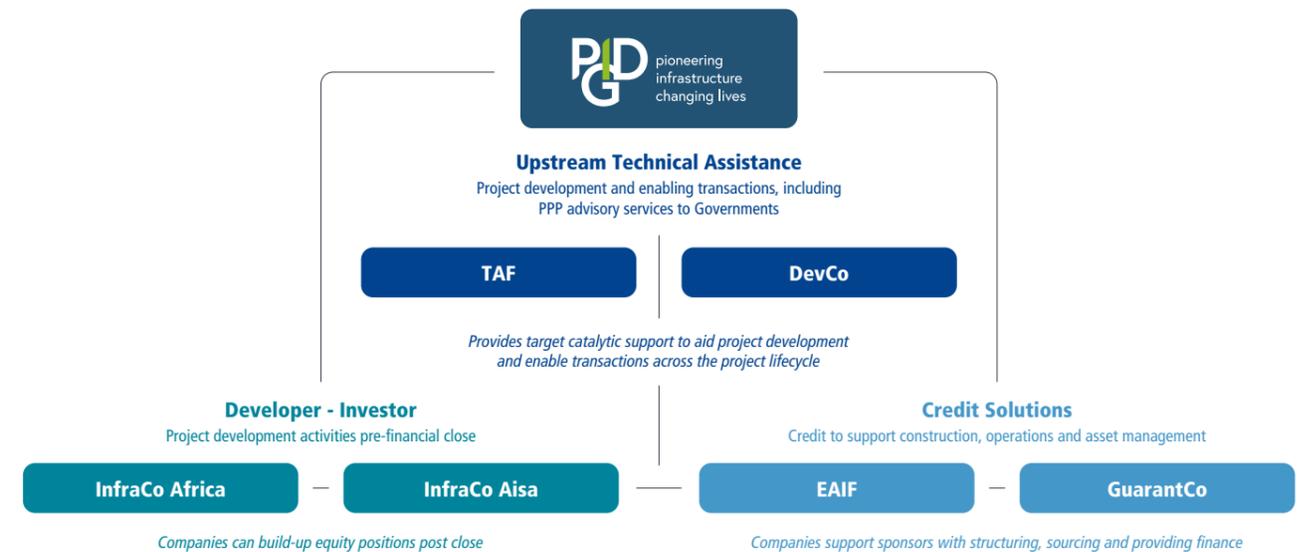
This structure embeds PIDG’s collaborative personality, improves alignment, and allows its companies to be better coordinated to improve efficiency. By providing a common point of entry for investors and developers, PIDG will deliver greater impact and improve value for money for its Owners.

PIDG aims to maximise the development impact of its activities with available resources and to consistently develop its financial sustainability over time.

### Upstream Technical Assistance:

PIDG’s Upstream Technical Assistance business supports the other PIDG companies through grants for project development and enabling transactions; improving the affordability and/or impact of projects through viability gap funding; and providing transaction advisory services, including embedded advisers, in some of the countries in which PIDG operates.

The consolidation of PIDG’s Upstream Technical Assistance work provides a more powerful tool for the exploration of centrally-driven initiatives that align with its objectives, but which are not specific to a particular company or necessarily focused on a particular country. The Upstream Technical Assistance funding will be used in a more proactive way to provide targeted catalytic and returnable grants in support of projects and initiatives, including programmatic investigations and strategic partnerships.



### Developer – Investor:

PIDG’s InfraCos seek to address the lack of suitable ‘bankable’ private infrastructure projects, high upfront costs and risks of infrastructure project development, and the inadequate capacity and expertise in public and private sectors in some of the world’s poorest countries.

InfraCo Africa and InfraCo Asia play a critical role in helping to originate innovative opportunities and to structure projects so that they achieve a greater level of impact, making them more attractive to private sector investment and reducing transaction costs. They undertake early-stage project development, providing management and capital to address risks and develop bankable projects that can attract debt and equity at financial close.

This supports projects where private sector developers are generally unwilling or unable to take on the upfront costs and risks (whether actual or perceived) on their own.

Hence the InfraCos will continue to focus on investing in and developing commercially viable projects. This will enable financial close, long-term sustainability and the crowding-in of private sector funding/follow-on investment that permits the InfraCos to exit through the sale of projects to the private sector, recycling funds into new projects.

### Credit Solutions:

PIDG’s Credit Solutions business addresses a shortage of long-term, patient funding and a lack of local currency financing and local capital market development for private sector infrastructure projects in developing countries. GuarantCo and EAIF provide funded and contingent hard currency and local currency credit solutions. With greater flexibility to respond to the needs of the market, PIDG’s Credit Solutions business will expand its existing local currency and local capital market activities, both of which have significant potential to strengthen markets.

They will be more creative in applying a range of financing approaches that are responsive to market needs and thus play a greater role in stimulating financial market development whilst also facilitating increased private investment in infrastructure. Some of the options that will be considered include: tailoring financing approaches to the needs of (local and cross- border) institutional investors, particularly local pension and insurance funds. PIDG’s preference is to seek local financing solutions where appropriate or, recognising this will not be possible in all markets at this stage, financing in conjunction with hard currency financing.

# 03 INNOVATIVE SOLUTIONS PROVIDER

## OPERATING AT THE FRONTIER: **CHANGING LIVES**



*PIDG's projects are transformative – they drive change and improve people's daily lives.*



PIDG operates in the world's poorest and most fragile states, where 2 billion people live on less than \$3.20 per day, and 753 million people live on less than \$1.90 per day.

In these countries 1.1 billion people lack access to electricity supply and 2.3 billion lack access to basic sanitation with almost 800 million denied access to clean water. In some of the African countries where PIDG operates, infrastructure constraints are estimated to cut productivity by around 40%, severely affecting competitiveness and limiting opportunities for jobs to help lift people out of poverty.

According to World Bank figures, 10% of the world's population remain in extreme poverty and more than two-thirds of people live in rural areas where there is severely restricted infrastructure, access to social amenities as well as healthcare provision. Rural development is essential, not only to poverty eradication, employment generation and economic development, but also to sustainable urbanisation.

PIDG aims to deliver high-impact development to combat poverty in these rural and remote populations, to increase the supply of jobs, improve livelihoods and create essential links to urban areas.



**INFRACO AFRICA**  
REDAVIA Off-Grid Solar

“Previously, I used diesel to power my milling machines. It polluted the air and the flour we produced was not as high quality - it had a diesel smell because of the exhaust fumes. This system (off-grid solar) is safe health-wise, I can see the difference when I consider the environment and hygiene for my customers. Now, the community bring maize to my milling machine. My aim is to produce maize in tonnes and start processing my own maize right here. This is how I want to use this electricity.”

**Hakim Simchimba, mill owner, Isenzanya, Tanzania**



**INFRACO AFRICA / TAF / GUARANTCO / EAIF**  
Kalangala Infrastructure Services

“I was unemployed before coming to work on the Kalangala Infrastructure Services road resurfacing team. As a single mother of one, I travelled from Mukono District in mainland Uganda to take up my position, managing traffic flow to ensure the safety of public and construction vehicles travelling on the road during resurfacing works...”

I believe that this road project will do wonders for the island! Working here is enabling me to earn an income to look after my family. In the future, I would like to start up a business using my savings.”

**Bisirikirwa Anna, road worker, Bugala Island, Uganda**



**INFRACO AFRICA / TAF / GUARANTCO / EAIF**  
Kalangala Infrastructure Services

“We now have light available for delivering babies safely at night, for monitoring inpatients and for handling emergencies. We can analyse lab results under microscopes later in the day and it even helps us to see into dental patients’ mouths. With safe water, we can prevent the spread of infections. Also, ambulances can transport patients more quickly and safely via the newly resurfaced road and scheduled ferry service. KIS has made a real difference.”

**Dr Batuusa Florence, former Director of Health Centre IV, Bugala Island, Uganda**



**INFRACO ASIA / TAF**  
Trincomalee Biomass to Pellets, Sri Lanka

“I returned home to Sri Lanka to develop a renewable energy model that benefits the environment, improves the economy and empowers small farmers. Gliricidia Sepium is a drought-tolerant tree crop that acts as a nitrogen-fixing soil improver. We plan to work with 500,000 smallholder farmers to plant this species as living fences around existing crops, the aim is to plant 1 billion trees and have 15 million tonnes per annum of growing fuelwood in Sri Lanka.”

**Lucky Dissanayake, Founder, Biomass Ventures Pte. Ltd, Sri Lanka**



**GUARANTCO / TAF**  
Pakistan Mobile Communications Ltd

“We are very excited about this initiative at Institute of Social and Policy Sciences which we are implementing in collaboration with the Mobilink Foundation and GuarantCo.

We are excited that we can surmount the challenges faced by the community, by using technology for the promotion of literacy and numeracy in the Khyber Pakhtunkhwa region. We have been able to reach out to 4,000+ women who are very eager to develop their literacy and numeracy skills but were seriously constrained by the cultural setting of their area. Technology has enabled us to reach out to them and impart these skills and help them to be more productive in their households and in the neighbourhood.”

**Director Dr Salman Humayan, Institute of Social and Policy Sciences, Pakistan**



**INFRACO ASIA / TAF**  
Coc San Hydropower

“Coc San helps the poor in remote areas of the Lao Cai Province so they can have the opportunity to access energy and power...”

I hope that women will see that they can do this job. Working in the power sector is not easy, but I do believe that women can do anything.”

**Nhu Quynh Ta, General Director, Lao Cai Renewable Energy, Coc San Hydropower, Vietnam**

## OPERATING AT THE FRONTIER: EMPOWERING EQUALITY

“

*Women and girls represent half of the world's population and therefore half of its potential. Today gender inequality persists everywhere and stagnates social progress. Improving outcomes for women and girls is fundamental to PIDG's mission to improve infrastructure for economic development and poverty reduction.*

”

Regardless of where you live, gender equality is a fundamental human right. Advancing gender equality is critical to all areas of a healthy society, from reducing poverty to promoting the health, education, protection and the well-being of girls and boys.

Providing women and girls with equal access to education, health care, decent work, and representation in political and economic decision-making processes will fuel sustainable economies and benefit societies and humanity at large.

Implementing new legal frameworks regarding female equality in the workplace and the eradication of harmful practices targeted at women is crucial to ending the gender-based discrimination prevalent in many countries around the world.

Women's and girls' empowerment is essential to expand economic growth and promote social development. The full participation of women in the labour force would add percentage points to most national growth rates – double digits in many cases.



### ALICE CHAPPLE

Head of Development Impact,  
PIDG Ltd.

“Having gender equality in all of PIDG’s projects is a basic premise for making good development decisions. By consulting with women and girls on how they are affected by infrastructure development decisions, we make that infrastructure so much better. We are also keen to understand how women and girls can be included in the design and delivery of infrastructure projects, to make better outcomes for development as a whole. I believe that, for women around the world, it is about the voice that they can bring to bear on the challenges we have and, I think, through our projects we can enable that voice and engage women in creating the solutions for us around these projects.”

### CHRISTINA MACGILP

Senior Legal Counsel,  
InfraCo Africa

“PIDG’s commitment to gender equality is very important to me. I’ve been working in project finance for ten years now. Project finance, historically, hasn’t been a very diverse sector (in my experience) and sometimes it’s still a shock to walk in and find I’m the only woman in a room or working on a project. However, since joining InfraCo Africa and working with PIDG, I have seen how they are leading the way; hiring female developers both at a junior and senior level in London, and in Nairobi. PIDG is also putting women on boards and committees; that’s so important in terms of representation and helping us all to feel that we have something to aspire to, that we’ve got female role models.”

### CLAUDINE LIM

Chief Operating Officer,  
InfraCo Asia

“As a female professional, it’s great to be able to work for an organisation whose priorities align with what I believe is important. It’s very motivating to have the opportunity to play a part through InfraCo Asia’s projects to help improve economic and educational opportunities for women and girls in regions where they may have limited access to such opportunities.”



### DAHLIA NACEF

Development Impact Analyst,  
InfraCo Africa

“In my work, I am responsible for measuring the impact of our projects and their benefits to communities and individuals. One of the projects where we’ve seen the impact on women is the Kalangala Infrastructure Project (KIS) in Uganda. The project trained many local people from the Bugala Island to become certified mariners and two of them are women. They are the first female certified mariners in the whole of Uganda and this has enabled them to develop their career skills, and also to provide healthcare and education for their children. This project has, therefore, had a hugely positive impact upon the entire family.”

### JANICE KOTUT-SANG

Regional Director,  
East & Southern Africa, GuarantCo

“GuarantCo and PIDG have a very open and transparent culture where everybody is able to bring their best to the table. It’s quite important when you are talking about women in the workplace because women need to be recognised for their very different way of providing input. Women have working styles that may differ from the conventional working style, and it makes a lot of sense to have an open culture where different styles of management and leadership can thrive. Everyone, including myself, as a business leader subscribes to this notion, and if that means accommodating flexi-hours and working around a school drop-off schedule, then we are more than happy to do that because it’s not about how many hours you work, it’s really about the results you can deliver. The women that I’ve had the pleasure and the honour of working with, have delivered phenomenal results for us.”

### JENNY KOH

Regional Director,  
South-East Asia & Pacific, GuarantCo

“I am Malaysian. While Malaysia is considered developed, I have seen how infrastructure development has changed lives, not just from an economic perspective but also to enable the population to gain higher status and climb out of the poverty cycle over the years. In some of the developing markets that I work with, young girls do not go to school or they stop going to school at the age of 10 or 12 and are married off. I believe there is a cultural mindset that needs to be changed in these societies where young girls and women are given the opportunity to be who they are and able to pursue their dreams.”

## OPERATING AT THE FRONTIER: GEOGRAPHIES



***PIDG is leading the way. To date, PIDG has committed \$1.7 billion to projects in Fragile and Conflict-Affected States.***



**PIDG is focused on delivering high development impact in the poorest and most fragile countries. Through its work, PIDG strives to promote social and economic growth and to meet its commitments to the UN Sustainable Development Goals.**

Fragile and Conflict-Affected States (FCAS) are generally defined by political instability, weak governance and institutional capacity, economic and social insecurity, and greater susceptibility to the effects of climate change. PIDG adopts a strategic approach in FCAS states, striving to deliver sustained economic progress and improve the daily lives of many thousands of people.

Modern energy is an enabler. It illuminates classrooms so that children have access to regular and sustained learning. It replaces dirty charcoal with efficient electric stoves so that villagers can prepare food safely. It connects businesses with their customers, narrowing the digital divide and facilitating economic growth. To energise an entire country, high levels of investment are needed – and many of the countries in which PIDG operates struggle to attract the funding required.

### **MALI**

Although a United Nations-led ceasefire in Mali has been in effect since 2015, it remains a fragile state, where investment in critical infrastructure has been severely restricted. As a result, only 27% of Mali's population has access to electricity – and with Mali's population growing at an average rate of 2.9% per annum, basic services remain under increasing strain.

Mali has limited power generation capacity which comes mainly from hydro and thermal power plants and temporary generators, and what is available domestically

is supplemented by energy imports from neighbouring countries. Demand for energy in Mali has risen by 10% annually in the past five years, outstripping supply, and the country's population is projected to double by 2035.

PIDG has provided vital support for the parallel development of both the renewable energy infrastructure and the development of more traditional energy sources required to create enough baseload power for the successful operation of renewable facilities in the country.

### **PAKISTAN**

Pakistan has a population of 200 million, which is projected to grow by 30% in the next ten years.

29.5% of the population is below the national poverty line, with half of the rural population in the country lacking access to electricity. Imports of fossil fuels are rising while domestic production of oil and gas is slowing down.

These factors, coupled with inadequate investments in power sector infrastructure, will likely have a negative impact on the social and economic development of the country.

From 2006 to 2016, the country's electrification rate increased from 54% to 73%, however a gap in demand and supply remains. Pakistan's situation has escalated into an energy crisis, whereby demand for power outstrips supply, and frequent power cuts can last up to 18 hours per day. The impact on business and industry is equivalent to a loss of around 2% to 3% of annual GDP.

By harnessing the potential of its renewable energy resources, Pakistan could improve fuel security and power supply for its population, as well as cut carbon emissions and reduce spending on expensive fossil fuel imports.



## THE FUTURE IS BRIGHT

The successful completion of Albatros Energy is paving the way for clean energy across Mali, including PIDG's second project in the country, the Akuo Kita solar plant, which reached financial close in October 2018. Mali's first utility-scale solar initiative will provide renewable power for over 700,000 people.

In October 2015, the Government of Mali signed a concession agreement with French independent power producer Akuo Energy, giving the company rights to build, own, operate and transfer a 50MW solar plant at Kita, 150km west of the capital, Bamako. Power will be sold to the government utility, Electricité du Mali SA, under a 28-year power purchase agreement.

Akuo Kita Solar will deliver much-needed energy to Mali's national grid, increasing the country's installed generation capacity by up to 12%. The project will create over 300 construction jobs and, post-construction, the operations of the plant will be performed by 30 local employees.

As joint Mandated Lead Arranger (MLA) for the €78m project, EAIF arranged the senior debt facility for a total of €54 million over 15 years. The project marked EAIF's first MLA role in a French-speaking African country – and once again, PIDG companies worked closely together to maximise impact. EAIF's share of the debt package is €18m and it provided an additional €8m mezzanine facility over 20 years.

The local banks in Mali did not have the risk appetite to provide payment guarantees on behalf of the scheme to improve its financial viability. GuarantCo therefore

provided an innovative Debt Service Reserve Account guarantee facility for \$2.8m to help mobilise debt financing and to support Akuo Energy in achieving financial close.

The Akuo Kita Solar Project demonstrates the importance of credit enhancement in improving the viability of infrastructure programmes, setting a precedent for similar renewable energy schemes in Mali. The ability of PIDG companies to combine a range of financial instruments to provide a creative overall solution was a key factor in the development of the venture.

Akuo Kita Solar will be one of the largest solar plants in west Africa and marks Akuo Energy's first African project to reach construction, bringing vital expertise and finance to the region and demonstrating the value of solar power in Mali's energy mix.

PIDG continues to support the development of renewable energy projects in fragile economies, encouraging economic growth and helping to provide greater confidence for investors.

Its ability to address investment challenges in an innovative way, playing a pathfinding role and opening up new markets, is part of what makes PIDG so unique.

## GENERATING NATURAL POWER

Pakistan's mountain glaciers and rivers could serve as an abundant, renewable resource for hydropower projects, especially in the Khyber Pakhtunkhwa (KPK) Province, formerly the North-West Frontier Province, which has a population of nearly 36 million people and shares a border with Afghanistan.

InfraCo Asia signed a Joint Investment and Development Agreement (JIDA) with Markhor Energy – a renewable energy investor and developer in Pakistan – for a portfolio of four hydropower projects totalling 100MW in output, in Pakistan's KPK Province.

It is hoped that the success of the KPK projects will accelerate investment in small hydropower plants in the country. Growth in hydropower will help to diversify Pakistan's energy mix and reduce electricity tariffs. Currently nearly a third of Pakistan's total oil demand is met by imports, which leads to spikes in off-take prices due to fluctuations in the international market. By developing its hydropower capability, Pakistan can drive down its fuel import bill and lower carbon emissions.

Environmental considerations, population growth, and changes in fuel prices mean energy independence is paramount for Pakistan's sustainable future development. Pakistan has hydropower potential of 41,700MW, and 24,000MW of this potential is in the KPK Province. All small hydropower projects currently in operation are in the public sector and to date the private sector has stayed out of the projects in the KPK Province that are currently in operation. While private sector investors have expressed interest in small-to-medium size projects (less than 100MW), development has been slow due to the high risk profile. InfraCo Asia's involvement in the Swat KPK Hydro Portfolio Projects builds on its successful end-to-end participation in the development of the Metro and Gul Ahmed Wind Power projects. After investing in, developing, and bringing the Metro and Gul Ahmed Wind Power projects into operation in 2016, InfraCo Asia divested its shareholding in both projects to Daelim Energy

in 2017. Together the Metro and Gul Ahmed projects contribute 100MW in renewable energy generation capacity to Pakistan's grid. These projects not only help address the country's power deficit, but also reduce its exposure to the high cost and insecurity of fuel imports, while lowering carbon emissions.

Similar to the 'demonstration effect' provided by the successful development and exit of the Metro and Gul Ahmed Wind Power Projects, PIDG believes that the Swat KPK Hydro Portfolio Projects will provide further evidence of PIDG's success in operating at the frontier in fragile countries. In tapping into the vast potential for hydropower development in the region, PIDG aims to act as a catalyst for other private sector investors.

## EXPANDING RURAL TELECOMS ACCESS AND IMPROVING LITERACY

GuarantCo developed an innovative structure to provide a 8 billion Pakistani Rupee (\$9.2m) local currency guarantee to credit enhance the issuance of a new local currency sukuk (a bond-like Islamic financing instrument). As the first transaction of its kind, this guarantee improved Pakistan Mobile Communications Limited (PMCL) local credit rating to AAA, attracting Islamic investors. PIDG also supported the legal and regulatory work required to adapt sukuk rules to allow for a third party guarantee.

GuarantCo and TAF, in partnership with Institute of Social and Policy Sciences and PMCL, successfully supported the 'SMS-Based Adult Female Literacy Programme' which enabled over 4,000 adult females to read the newspaper, write in Urdu, perform everyday calculations and gain necessary life skills.

## OPERATING AT THE FRONTIER: NEW MARKETS

“

*PIDG will be creative in applying a range of innovative financing solutions that are responsive to market needs, thus playing a greater role in stimulating local capital market development and increased private investment in infrastructure.*

”

### FOSTER THE DEVELOPMENT OF EMERGING AND FRONTIER CAPITAL MARKETS

Through partnerships, PIDG collaborates with institutions that share its vision and draw on its extensive experience in delivering guarantee and credit enhancement solutions.

### PARTNERING WITH THE LONDON STOCK EXCHANGE

The partnership will use GuarantCo's local currency guarantees to help businesses from frontier markets place investment bonds on the LSE, bringing infrastructure investment opportunities in the poorest countries to an expanded range of commercial financiers, thereby enabling innovative local currency structures to go global.

Through this partnership, GuarantCo has facilitated the listing of a series of local currency bonds at the LSE. These represent significant market firsts.

### CO-GUARANTEE PLATFORM FOR AFRICA

AfDB and its partners, ICIEC, ATIA and GuarantCo, created the Co-Guarantee Platform for Africa, an innovative and collective de-risking instrument, to address the perceived high risk across the continent and the lack of capacity of traditional lenders to provide risk mitigation products for projects.

Focused on mobilising greater amounts of investment that would otherwise not take place in the region in the absence of affordable risk mitigation products, the platform is intended to increase the volume of insurance and guarantee solutions available to project sponsors and their bankers in a market-responsible manner.



### BRINGING LOCAL CURRENCY BONDS TO LONDON

In November 2018, Quantum Terminals Group (QTG), a leading energy infrastructure developer in Ghana, listed a GHS 45m (\$10m) corporate bond on the LSE's International Securities Market to support the operations of its liquid petroleum gas (LPG) storage business. It is the first local currency corporate bond from West Africa to be listed on the LSE.

In May 2018, the bond was listed on the Ghanaian Stock Exchange as the first corporate and first 10-year tenor bond issued by a non-financial institution on the Ghana Fixed Income Market. The bond has a 75% partial credit guarantee from GuarantCo for the benefit of local pension fund investors who have subscribed to the issue.

This is the first tranche of a planned GHS 140m bond programme by QTG and follows on from GuarantCo's guarantee of its LPG loading and storage facility in Atuabo, Ghana, which is key to the country's long-term fuel security and access to cleaner and more sustainable energy.

The bond's innovative nature and ability to strengthen capital markets in Ghana aligns with PIDG's strategic vision to support local currency financing for infrastructure projects in lower-income countries. The bond issuance is expected to have a tangible demonstration effect in Ghana.

### GOING GREEN FOR THE LONG-TERM

In the same month, GuarantCo also facilitated the LSE listing of three dual-currency bonds by Singapore-based Sindicatum Renewable Energy Company, an award-winning developer and operator of clean energy projects in Asia.

The Green Bonds, all guaranteed by GuarantCo, were issued in three tranches: INR 951,100,000, due in 2023; INR 1,585,300,000, due in 2025; and PHP 1,060,200,000, due in 2028. The proceeds of the bonds, totalling an approximate \$60m equivalent as at the respective issue dates, have been or will be used to finance renewable energy projects in India and the Philippines, as well as refinancing existing debt. These projects are expected to benefit over 250,000 people thanks to improved service levels through nearly two billion kWh net electricity exports.

The Green Bonds were issued in accordance with the International Capital Market Association's Green Bond Principles 2017 and the ASEAN Green Bond Standards. The INR-denominated Green Bonds were the first-ever issued in accordance with these standards to be admitted to the ISM Green Bond segment.

Sindicatum Renewables is the first-ever offshore private sector corporate entity to issue a 7-year INR Bond. The PHP-denominated Green Bond is the first to list on LSE and GuarantCo's 100% guarantee of these bonds allows a longer tenor period thereby reducing risk for the developer and attracting funding from international institutional investors.

PIDG recognises that local currency and local capital market activities have significant market-building potential and will continue to focus its efforts in these areas over the coming years.

### UNLOCKING THE POTENTIAL FOR INFRASTRUCTURE FINANCING IN NIGERIA

Investment by Nigeria's pension funds in infrastructure-linked bonds has been constrained by lack of precedents and insufficient credit quality to satisfy investors. In 2011 GuarantCo drew on its local AAA credit rating by Bloomfield to credit enhance Tower Aluminium's bond issue, making it eligible for pension fund investment in a ground-breaking transaction for Nigeria's debt capital markets. Following this transaction, GuarantCo and TAF provided technical assistance for the Nigerian Securities & Exchange Commission (NSEC) and National Pension Commission (NPC), bringing both funds to the attention of the Nigerian Sovereign Investment Authority (NSIA). GuarantCo and TAF worked with NSIA to build local capacity resulting in the establishment of the Nigerian Infrastructure Credit Enhancement Facility, InfraCredit Nigeria. As a founding sponsor, GuarantCo's expertise and strong working partnership with NSIA facilitated the development of InfraCredit Nigeria.

InfraCredit Nigeria is designed to provide local currency guarantees for corporate and project bonds issued across a range of sectors. GuarantCo committed NGN 15bn (\$50m) to InfraCredit Nigeria through a Callable Capital Funding Facility Agreement, with NSIA providing NGN 7.5bn (\$25m) of paid-in equity. A returnable grant from TAF to support feasibility studies and a capital markets training programme with NSEC and NPC was fundamental to establishing InfraCredit Nigeria and wider efforts to institutionalise bond market reforms. The grant has since been returned to PIDG in full.

The unusual nature of InfraCredit Nigeria means that there are few, if any, commercial entities that would be willing to provide the facility afforded to it by GuarantCo, particularly for a start-up guarantee company. GuarantCo's involvement allowed InfraCredit Nigeria to commence and grow operations as it builds its own experience and track record. GuarantCo's involvement also helped to credit enhance InfraCredit Nigeria's capital structure and achieve a higher credit rating, thereby increasing its attractiveness to borrowers and bond investors/banks that will invest in infrastructure through bonds covered by InfraCredit Nigeria.

The leverage provided by GuarantCo offers a more efficient capital structure that will facilitate a viable business and allow InfraCredit Nigeria to achieve its long-term aim of attracting private sector investors. InfraCredit Nigeria's guarantees de-risk bonds issued by eligible companies, increasing the confidence of Nigeria's pension and insurance funds to invest in long-tenor, Naira-denominated bonds.

InfraCredit Nigeria acts as a catalyst to attract alternative sources of finance, opening an asset class to pension funds, helping to diversify fund portfolios heavily concentrated in Nigerian Government securities. InfraCredit Nigeria's domestic ratings of AAA, issued by Global Credit Ratings and Agosto, enables it to crowd in domestic private sector investment.

InfraCredit Nigeria will facilitate access to the corporate bond market to first-time issuers, providing them access to long-term financing more appropriate for funding infrastructure. Subsequent bond refinancing of infrastructure-linked bank debt will also enable banks to more efficiently recycle their capital for new infrastructure loans.

Since it was established, InfraCredit Nigeria has successfully issued its first guarantee, supporting a ten-year NGN10bn corporate infrastructure bond, as well as its first 15-year corporate infrastructure green bond. InfraCredit Nigeria's success is demonstrated by its ability to attract further investment, including a \$25m equity investment from the Africa Finance Corporation and €31m of subordinated capital from KfW.

Working in partnership, PIDG will promote the InfraCredit Nigeria model for replication in sub-Saharan Africa and Asia. PIDG's InfraCredit business in Pakistan is expected to be established in 2020, and discussions are underway in a number of other regions and countries.

## OPERATING AT THE FRONTIER: **BUILDING CAPACITY**



*The Coc San Hydropower project goes to the heart of why PIDG exists: working across the infrastructure development lifecycle to de-risk projects and demonstrating to the private sector that successful investments can be made in a project that was once considered too risky. By exiting Coc San on commercial terms, InfraCo Asia is supporting PIDG's self-sustaining model.*



### **BUILDING LOCAL CAPACITY**

PIDG's strategy remains focused on encouraging more private sector funding into frontier activities and markets. The private sector will only invest in infrastructure projects which are financially sustainable, and when they have the confidence that the project is to be properly executed.

PIDG therefore plays an important role in creating the conditions in which that is possible, by supporting and building capacity, supporting early-stage projects to become bankable, and enabling projects to replicate and scale up.

By building local capacity, PIDG aims to enable countries to develop and fund their own infrastructure projects, as well as to facilitate investor confidence and investment flow into infrastructure projects in the targeted markets.



### COC SAN HYDROPOWER: FROM DISTRESSED ASSET TO MARKETABLE RESOURCE

In November 2018, InfraCo Asia divested its stake in the 29.7MW Coc San Hydropower project to TEPCO, the largest electric utility company in Japan. This sale completed a six-year journey that resolutely proves PIDG's ability to de-risk infrastructure projects across the infrastructure development cycle, demonstrating to the private sector that successful investments can be made in the frontier markets in which it operates.

Located in Vietnam's Lao Cai Province, the \$44.5m Coc San project is owned and operated by Lao Cai Renewable Energy (LCRE), which is backed by Vietnamese and foreign private investment. It represents the first foreign direct investment in hydropower in the mountainous province of Lao Cai, which is situated in the rural, northern part of the country.

InfraCo Asia was first involved in 2012 when it was a distressed asset, having failed to secure long-term financing in 2011. InfraCo Asia provided the equity and leadership capital needed to help the project progress.

InfraCo Asia took a significant equity interest in the project and identified the need to completely restructure the Engineering, Procurement and Construction (EPC) contract and create a robust new financing plan. InfraCo Asia successfully brought the project to financial close in 2014.

InfraCo Asia's efforts to secure debt financing for Coc San included negotiating the terms of the restructure of the EPC contract to ensure greater transparency and higher bankability for lenders. By identifying and mitigating risks

early on, InfraCo Asia attracted private sector investment to a project that was once considered 'too risky'.

Collaboration with other PIDG companies was critical to the project's success. This included support from PIDG's Technical Assistance Facility (TAF), which funded an environmental impact assessment and provided the viability gap funding needed to facilitate financial close.

In mid-2014, as Coc San was nearing financial close, Vietnam's electricity regulator produced a draft proposal that if enacted, would have rendered the project unbankable and unviable from a commercial perspective. The proposal included severing the Consumer Price Index (CPI) link for tariff payments for any hydro project under 30MW that had not yet begun operations. On a broader industry level this change could have served to discourage investment as lenders and investors would not be comfortable with a flat tariff applied across 20 years. InfraCo Asia, supported by PIDG Owners, engaged with the government and through these negotiations managed to have the proposal repealed. This stakeholder management was instrumental to the project's ultimate success.

In 2016, Coc San began delivering clean power to the people of Lao Cai province under the direction of Nhu Quynh Tra, General Director of LCRE – one of the first women to take a lead role in Vietnam's renewable energy sector.

The operational plant is expected to provide clean, affordable power to 87,000 people and result in a reduction of 76,000 tonnes of carbon emissions.

Once the Coc San Hydropower plant was fully operational, InfraCo Asia quickly completed a refinancing with the

same local lender and managed to secure substantially improved pricing. The improved financing, along with an operating track record and timely payments from the offtaker, positioned InfraCo Asia to go to market to sell its remaining equity stake in the project. Following a competitive bid process which involved five parties submitting final bids in August 2018 and an extensive due diligence process the winning bidder, TEPCO, eventually bought InfraCo Asia's stake in the project.

Having created approximately 300 short-term jobs and over 30 long-term employment opportunities, Coc San continues to be run by LCRE, Coc San's Vietnam-based project company. It generates over 120GWh per year of clean energy and has been implemented to stringent international standards with respect to governance, environment, health and safety, and community relations.

Environmental studies carried out to IFC standards ensured the impact of the Coc San project – which is set amid beautiful terraced rice paddies – was minimal. Little land was lost by surrounding communities and there was no displacement of people.

The operational performance of the plant post-construction and PIDG's commitment to positive health, safety, environmental and social impacts, is what made TEPCO confident in PIDG's standards and led to its first investment in hydro-electricity outside of Japan. By divesting its equity stake, InfraCo Asia can now recycle the proceeds into future infrastructure projects.

Paving the way for future collaboration, InfraCo Asia has subsequently signed an MoU with TEPCO to collaborate on hydropower projects in south and south-east Asia, pairing InfraCo Asia's development capability with TEPCO's extensive hydropower experience.

### SUPPORTING THE LOCAL COMMUNITY

LCRE, with the backing of its shareholders, has implemented two programmes to support local people:

**- Community Development Programme:** to date, the Community Development Programme has achieved the rehabilitation of three schools and the construction of an access road, enabling easier movement of farm produce. Scholarships continue to be provided to enable children to attend school and purchase books and uniforms, and LCRE recently sponsored a local community sports competition.

**- Livelihoods Restoration Programme:** designed to assist people whose land was impacted by the project to reinstate income-producing activities, this programme included the provision of training in construction, along with a project to improve crop yields, with support from local agricultural departments. The maize-cropping has been so successful in improving income that participating households are continuing this programme at their own cost. The programme also included the provision of breeding sows and goats, along with relevant training.

## OPERATING AT THE FRONTIER: BLENDED FINANCE



***As an early proponent of blended finance, PIDG is committed to ensuring that it is used efficiently, by being targeted, transparent and supporting national priorities. It must not be used to offer a higher return to the investor than necessary to bring them to the table or as a general government subsidy.***



### MOBILISING PRIVATE SECTOR FUNDING

A key part of PIDG's mission is to mobilise private sector funding. PIDG leverages Owner funding, blending it with Private Sector Investment from local, regional and international sources and debt or equity from Development Finance Institutions.

There is a growing need for blended finance and its potential to mobilise private finance for development-related investments. This is evidential from the increasing demand for PIDG's intervention and our record of achievements in the sector. It also underpins PIDG's new five-year strategy.

In least developed countries the barriers to attracting private capital are often higher than elsewhere because of both the real and perceived risks, a lack of investment-ready opportunities or robust policy and regulatory frameworks.

At PIDG, we believe increased public and private financial flows are vital for the world's most vulnerable countries and their rural and remote communities, or they risk being left behind.

### EAIF – INNOVATIVE FINANCING

PIDG is an exemplar blended finance organisation. Its first company, EAIF was established in 2002, to address a specific market failure by providing long-term debt to private sector infrastructure projects in sub-Saharan Africa.

It is funded through a blended capital structure comprising a first-loss equity, which is funded by the PIDG Owners that elected to support the Fund and senior debt, provided on commercial terms by DFIs and private institutional lenders.

Following a number of successful funding rounds, in 2018 EAIF closed an additional debt financing of \$385m, which included a \$110m commitment from Allianz Global Investors. Allianz is the first institutional investor to provide a long-term debt to a donor-backed Africa-focused infrastructure fund. The latest round of funding also includes senior debt from Standard Chartered (\$50m), AfDB (\$75m), KfW (\$50m and €75m) and FMO (\$50m). This reflects a conscious effort by PIDG to attract greater levels of funding from institutional and commercial sources for all PIDG companies.

### KIGALI BULK WATER: AGILE FINANCING FOR AN EVOLVING SCHEME

As part of the programmatic initiative identified in its new five-year strategy, PIDG is evaluating the potential for investments in a range of areas, including the water sector. In the countries in which PIDG operates almost 800 million people lack access to clean water and PIDG's innovative approach will seek to bring tangible solutions to address life-cycle infrastructure challenges.

**The barriers to private investment in water infrastructure in Rwanda are similar to those encountered in many other developing countries and LDCs, namely:**

- There is a lack of long-tenor commercial loans necessary for an infrastructure PPP project;
- First-time project under an untested regulatory framework. While PPP legislation was in place it had never been applied to bulk water supply, only to water distribution;
- Uncertainties surrounding the sector's governance framework. The off-taker's financial performance and credit history were unknown, a risk for its counterparties in a long-term off-taker agreement, which forms the basis of a PPP; and
- The need to ensure a financial structure that makes water affordable to low-income groups and provide a return to investors.

An example of this is the Kigali Bulk Water project. Rwanda's capital, Kigali is a city of over 1 million people and is growing rapidly, placing strain on the city's water infrastructure. Water rationing is common, because of limited production capacity. PIDG, working together across its specialist companies, provided a package of blended finance vital to support the development of a viable infrastructure solution.

In the project's early stages, PIDG company DevCo provided Transaction Advisory Services to the Government for the legal, financial, technical and environmental feasibility assessment of the project. This helped structure one of the first long-term water sector PPP in sub-Saharan Africa and creating a benchmark for future transactions. In addition, throughout the project structuring phase, DevCo provided additional support in the form of government advisory services.

Following a competitive tendering process, facilitated by DevCo, the developer Metito won a 27-year licence to build, operate and transfer the 40,000m<sup>3</sup> per day Kigali Bulk Water scheme in the city's Kanzenze district. Through a purchase agreement, Metito subsidiary Kigali Water Ltd will sell potable water to the government-owned Water and Sanitation Corporation of Rwanda for service delivery and distribution.

Extracting and treating water from the Nyabarongo River, the scheme will provide around one-third of Kigali's water, delivering health benefits and meeting growing demand from households and water-dependent businesses.

It is expected that reduced spending on public health and related productivity losses will enable the Government to redeploy funds to support its wider economic development and poverty reduction agenda.

Based on its experience in financing two independent power producer concessions in Rwanda (Kivuwatt and Gigawatt), EAIF was the Mandated Lead Arranger of the debt element of the financing. EAIF worked with Metito to refine the financing model and identified a need for subsidies to make the project viable for all parties – EAIF and the AfDB as commercial lenders, Metito as equity investor and the off-taker with its tariff affordability objectives.

EAIF led the arrangement of \$40.6m of the \$60.8m required to finance the project, co-ordinating a debt package with the AfDB that included two tiers of capital. EAIF provided \$2.6m in junior debt and \$19m in senior debt, and AfDB matched EAIF with another \$19m of senior debt. The loans were issued with 18-year tenors, with the balance provided as equity by Metito.

As a result, PIDG's Technical Assistance Facility (TAF) agreed to provide a \$6.25m grant as viability gap funding to ensure the project was both commercially viable and affordable. This funding was crucial to reduce upfront capital costs and allow the Government to enhance services and establish new connections to new customers classified as poor by international standards without the need to raise tariffs.

EAIF's flexibility and willingness to adapt the funding structure to the evolving nature of the transaction was key to the success of Kigali Bulk Water. In arranging financing, EAIF focused on the business viability and commercial sustainability of the project, while also playing an important role coordinating between Metito, government entities and co-financiers.

Due for completion in 2020, Kigali Bulk Water will provide a reliable source of clean water to 500,000 people a day.

In recognition of the innovative financing solution enabled by PIDG, the project won IJGlobal's African Water Deal of the Year in 2017, Projects Grand Prix and Best Utilities Project at the Partnership Awards in 2018, Global Water Deal of the Year at the World Water Summit in 2018 and African Investor's Water Deal of the Year 2018.

## OPERATING AT THE FRONTIER: A CLEANER WORLD



***PIDG aims to provide affordable power while always evaluating the potential climate impact of its energy initiatives. PIDG seeks to increase supply in the most challenged countries, while contributing towards SDG 7, Affordable and Clean Energy.***



### DEVELOPING RENEWABLE ENERGY

With nearly 80% of those lacking access to electricity based in rural areas, off-grid renewables solutions are a critical route to electrification.

Providing affordable and clean energy for all is a key UN SDG, and one that is fully embedded in PIDG's portfolio. An increased focus on renewable energy is needed in the years ahead, to enable the decoupling of economic growth from carbon emissions so that spending on infrastructure can increase without contributing to climate change. Solar, wind, geothermal and hydro projects, which diversify the energy supply, are all a key part of the future energy mix.

PIDG's involvement in renewable energy demonstrates the possibilities of scale – from the mini-grids enabling rural communities in Tanzania to plug into solar power to the 82MW Lower Solu run-of-river hydro project in north-eastern Nepal. Lower Solu is the country's largest private sector plant, capable of delivering sustainable power to 4 million people.

In 2018, all of PIDG's commitments to the energy sector were renewable energy projects.

PIDG will continue to develop those areas where it has acquired expertise (small hydro, wind, solar and geothermal) and increasingly explore more programmatic off-grid and mini-grid solutions, including storage solutions co-located with renewable generation, to provide power in remote areas.



## HARNESSING THE SUN

Global demand for solar power was forecast to reach 85GW by the end of 2018, more than doubling over three years. This rapid growth has driven technology advances that have in turn driven down costs, however providing 24-hour power remains a challenge.

The International Energy Agency forecasts that 140 million people will be connected to a mini-grid by 2040. Off-grid solar's rapid deployment is predominantly driven by a proliferation of solar-home system solutions on a pay-as-you-go basis. PIDG has been leading the drive for off-grid and mini-grid power solutions for some time. In 2015, InfraCo Africa's 1.6MW solar hybrid power plant with battery storage became fully operational on Bugala Island, Uganda, as part of the company's Kalangala Infrastructure Services project. InfraCo Africa has since invested in highly replicable off-grid solutions in rural Tanzania and Zambia.

In Tanzania, the REDAVIA project is enabling local businesses to grow and thrive. To date, 61 businesses have been connected to solar power in the remote villages of Isenzanya and Shitunguru. 38 of these are new businesses started up as a direct result of access to electricity. Among the new businesses there are those which provide services never previously seen in the villages.

InfraCo Africa is also looking to the future by working closely with innovators in the solar sector to explore battery storage technology that could expand access to 24-hour solar power.

Meanwhile, TAF provided a grant to cover part of the costs of a comprehensive vetting of each of the 500 locations chosen for the installation of Solaric solar nano-grids in poor rural areas of Bangladesh. These are micro power grids serving 50-60 households each, with enough energy to supply basic household needs and support micro-businesses.

Alongside its off-grid portfolio, InfraCo Africa has also worked with its partners to develop the 60MW Salima Solar project through to construction. As Malawi's first commercial-scale solar project and the country's first Independent Power Project, Salima Solar is truly pioneering and is expected to begin delivering much-needed clean power to Malawi's national grid in the next twelve months.

At an even larger scale, InfraCo Asia has co-developed the 168MWp Ninh Thuan Solar Power project on the south-central coast of Vietnam. The Ninh Thuan Solar Power project will be one of the country's first large, utility-scale solar farms, providing power up to 190,000 people through a 20-year PPA with the national utility company EVN. The project will also make a significant contribution to Vietnam's renewable energy mix and is hoped to create a demonstration effect for future solar projects in the country. This range of capacity is proof of PIDG's agile approach towards meeting the energy needs of the communities in which it operates.

## WHERE THE WIND BLOWS

In many of the countries in which PIDG operates, there is the potential for wind power to help solve energy challenges, but a lack of measurable data and the absence of a successful project-implementation track record keeps new projects from getting off the ground. Through the Myanmar Wind Power project, a portfolio of wind power projects, which is targeted to have a generation capacity of approximately 263MWp, InfraCo Asia is collaborating with key local stakeholders to develop a deeper understanding of available wind resource in the country, and helping build local government capacity around the techno-commercial aspects of development, construction, management and operation of wind power facilities. Once complete, the Myanmar Wind Power project will provide improved access to power for over 2 million people.

This initiative builds on InfraCo Asia's successful participation in the development of the Metro Wind and Gul Ahmed Wind Power projects in Pakistan. InfraCo Asia provided development-stage expertise and capital to complete the projects and secured debt financing from international and local lenders. When a funding gap was identified after securing debt from lenders, InfraCo Asia provided additional capital through a fellow PIDG subsidiary company, InfraCo Asia Investments to enable Metro Wind and Gul Ahmed to reach financial close.

Together, the Metro Wind and Gul Ahmed Wind Power projects contribute 100MW renewable energy generation capacity to Pakistan's grid – not only helping to address the country's power deficit, but also reducing its exposure to the high cost and insecurity of fuel imports, while reducing carbon emissions.

Metro Wind and Gul Ahmed became operational in 2016, and InfraCo Asia successfully divested its shares in both projects to Daelim Energy in the following year.

## A RIVER RUNS THROUGH IT

Run-of-river hydro projects have a modest environmental footprint and are particularly effective in areas where there is very limited water storage. In Cameroon the 420MW run-of-river Nachtigal hydropower plant on the Sanaga River is a cornerstone of the country's electricity sector development plan.

As a national priority project, Nachtigal will enhance the reliability of the country's power system. Its expected power generation will increase by 30%, amounting to an annual output of nearly 3TWh. In addition to supplying clean, green baseload power, the PPA tariff for Nachtigal is highly competitive and, once operational, the plant is expected to enhance the overall viability of the sector.

The size and scale of the financing required for this project was significant and its certainty was secured with a €50m loan from EAIF. In recognition of the level of complexity involved, Nachtigal was awarded the Multilateral Deal of the Year in the Global category at the PFI Awards 2018 and the IJGlobal award for African Power Deal of the Year in 2019.

Another example of PIDG's ability to overcome development obstacles is the Lower Solu run-of-river hydro plant in the Solukhumbu District of north-eastern Nepal. At the time of its financial close in December 2014, it was the first internationally funded hydropower plant to reach financial close in the country in nearly two decades.

GuarantCo's local currency credit guarantee of NPR 2.785bn (\$28.2m) for the project was the first of its kind, developing Nepalese financial markets and securing long-term financing from the local private sector. GuarantCo's support enabled the project to incorporate international standards and mobilised \$191m in funding from DFIs and regional private sector sources.

By scaling up Nepal's power generation capacity by 11%, Lower Solu will substantially improve access to clean power, underpinning social and economic development in the country. Like the rest of PIDG's renewables portfolio, it also underlines its capacity to demonstrate the bankability of clean energy in emerging markets.



# 04 CHANGING LIVES

## MEETING THE SDGs

Investment in, implementation of, and provision of financing and support for, infrastructure is critical to achievement of the SDGs. PIDG's strategy contributes to this in several ways. Focused solely on infrastructure, PIDG is uniquely able to improve lives through the role that infrastructure plays in underpinning economic growth and job creation.

PIDG's activities are at the heart of what is needed in order to deliver a number of SDGs. All of its activities are designed to have a pathway to poverty reduction, contributing to SDG 1, and all are designed to enable decent work and economic growth (SDG 8). PIDG's investments in specific sectors deliver against SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy) or SDG 9 (industry, innovation and infrastructure).

PIDG is focused on managing potential negative impacts as well as enhancing its positive impact. PIDG Companies map their portfolio against the SDGs. All new projects are assessed against efficiency and responsible consumption in alignment with SDG 12 (responsible consumption and production). For all projects, PIDG companies consider the potential risk to biodiversity and ecosystem, and the health of the project impacted communities, through PIDG's risk management and Environmental Social Health Impact Assessment (ESHIA) process. This aligns with SDG 3, 14 and 15 (good health and well-being, life below water and life on land).

### PIDG FOCUSES SOLELY ON INFRASTRUCTURE WHICH IS CRITICAL TO THE ACHIEVEMENT OF THE SDGS



### PIDG contributes to the SDGs in a clear and measurable way.

Providing access to cheaper or more efficient power supplies, better routes to market, improved communication or enhanced irrigation, storage or processing facilities should enable businesses to become more productive and enable them to grow and employ more people. Where its investments improve the availability and cost of infrastructure, this can increase the opportunities for full and productive employment and decent work. This in turn will create opportunities for local employment, so that people do not have to leave/migrate from their countries in pursuit of economic opportunities.

PIDG's new five-year strategy has an enhanced focus on the affordability of the infrastructure it enables. PIDG will test how each investment is expected to improve access to infrastructure, whether for low-income individuals or for businesses or for both. Where PIDG can support areas of economic activity with associated infrastructure, it may be possible to forge strong links so that the revenues of the businesses and the infrastructure providers are mutually supported.

Gender equality is another universal principle core to achievement of the SDGs and embedded in PIDG's approach in a number of ways. There is the requirement for all parts of the portfolio to have policies and processes in place to safeguard against violence against women and girls and to respond immediately in the event of any possible concerns. PIDG and its companies and its projects have policies on non-discrimination in place. PIDG is seeking to ensure many of its projects have a particularly positive impact on women and girls hence we are trialling a framework for assessing which projects can deliver empowerment for women. PIDG will use grant funding from TAF to enhance the design of projects to achieve better outcomes for women and girls.

PIDG also contributes to the SDGs relating to the battle against climate change, continuing to prioritise renewable technologies in project selection, seeking out projects which provide a longer-term move towards cleaner energy/low carbon pathway.

It is clear that the SDGs will only be achieved if organisations like PIDG can mobilise private sector capital at scale.

Through its Credit Solutions business, PIDG is demonstrating its success at mobilising private sector investment financing to infrastructure projects, drawing in funding from sources such as local pension funds which have not been willing to invest in those types of projects before.

### PIDG PROJECTS THAT ACHIEVED FINANCIAL CLOSE IN 2018 WILL:

#### SDG 6

Produce **5m** litres of water per day once operational

#### SDG 7

Improve access to energy for **12.3m** people

#### SDG 8

Create long-term jobs for **1,919** people

#### SDG 9

Open up access to infrastructure for **17.5m** people

#### SDG 11 / 17

Mobilise more than **\$2.7bn** of private sector capital

PIDG is working to measure effectively the impact of its activities on SDGs 5 and 13 (gender equality and climate action).

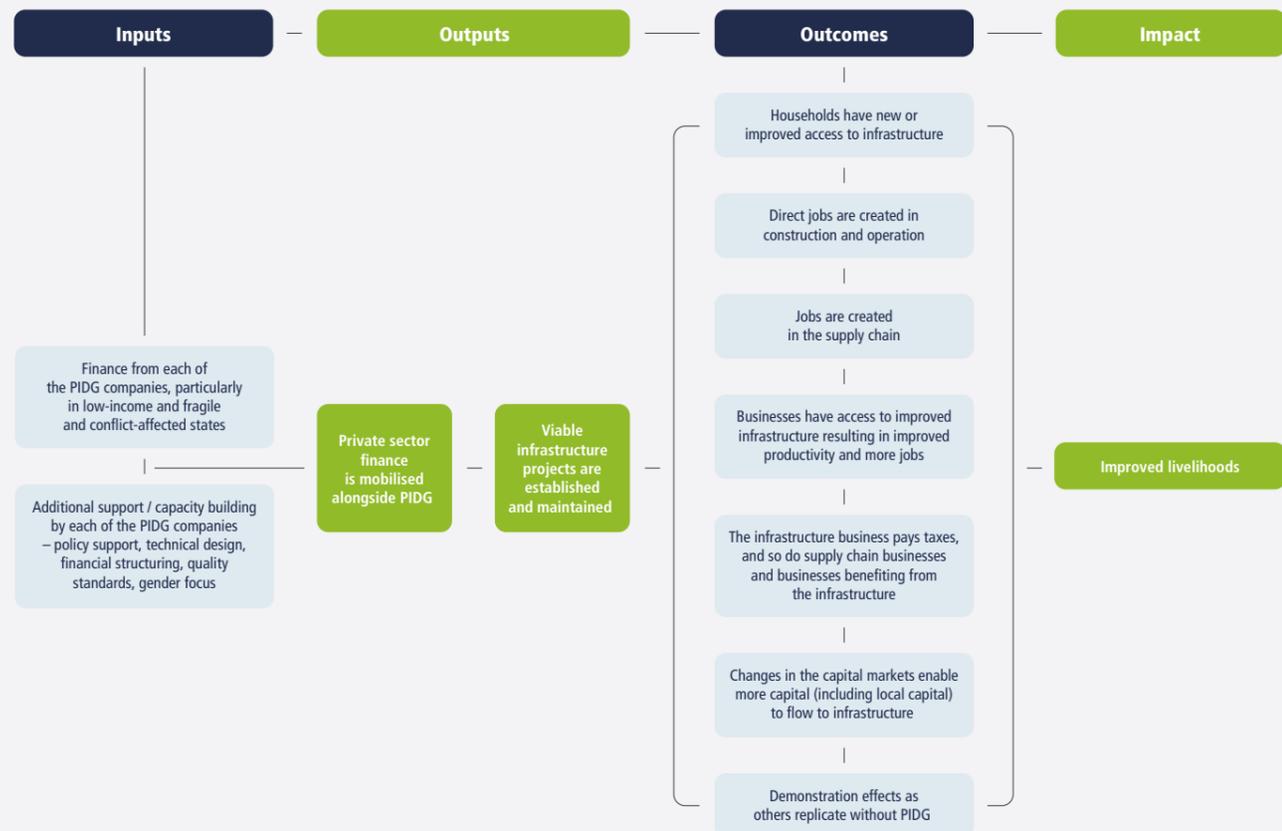
# DELIVERING IMPACT

PIDG helps transform economies and improve lives. It mobilises private sector funding, leverages public sector funding, and blends it with private sector investment from local, regional, international sources, and debt or equity from DFIs to achieve greater impact.

**PIDG's pathway to impact relies on the following steps:** PIDG provides finance and technical support to infrastructure projects in low-income countries, alongside private sector funds.

These infrastructure projects are commercially viable, either immediately or over time, providing a sustainable model for delivering essential services and a demonstration effect to crowd in more private sector investment.

## PIDG'S PATHWAY TO IMPACT



Projects generate positive outcomes for society by providing new or improved access for households to essential services such as energy, water, communications or transport. In order to achieve impact, these infrastructure services must be affordable to households. They may achieve a scale of impact either through their size or through their replication. Positive outcomes for women and girls are particularly important.

Alternatively, or additionally, improved infrastructure helps businesses to grow and create more and better jobs. In order to achieve impact in this way, these services must be affordable to businesses. There may also be employment opportunities generated in the supply chain of the PIDG-supported infrastructure.

Infrastructure projects can also have significant impacts on climate change. PIDG seeks infrastructure projects which contribute to the mitigation of – and adaptation to – climate change, and which are themselves resilient in the face of climate change. While PIDG prioritises low-carbon solutions, higher emissions projects are also supported where there is an urgent social need and no viable alternative.

Impact may be achieved at scale through a virtuous cycle of improved economic activity enabling increased incomes.

The infrastructure company will pay taxes, as will the companies in the supply chain and the companies benefiting from the infrastructure.

PIDG's investments may also have an influence on the wider capital market, enabling more funds to flow to infrastructure in the future. This has the potential to create a scaling-up of activities, leading to a transformation in the market.

PIDG's investments may also demonstrate the viability of a structure (for example, a public private partnership), a technology or a geography, so that other investors are attracted into that market and engage without the need for PIDG's involvement. This replication can lead to further scale and transformation.

Each PIDG company is expected to deliver impact in a different way, depending on its position in the infrastructure financing system and the financial instruments at its disposal.

### SINCE 2002 PIDG HAS DELIVERED HIGH DEVELOPMENT IMPACT

PIDG has committed over **\$3.6bn** to infrastructure projects

Alongside which **\$35.8bn** has been committed by Private Sector Investors and DFIs

Over **240,000** long-term jobs created

Predicted access for an estimated **243m** people to new or improved infrastructure

## DELIVERING IMPACT THROUGH HSES STANDARDS

### PIDG IS FOCUSED ON CHANGING LIVES – WHILE ENSURING THAT IT IS ALSO SAVING LIVES.

#### The PIDG HSES policies drive HSES governance across PIDG and its companies.

Their purpose is to define PIDG's intent with respect to all aspects of Health, Safety, Environmental and Social management.

Developed at PIDG, they are approved by the HSES Committee on behalf of the PIDG Ltd. Board and cascaded to all PIDG companies for implementation across all projects. The PIDG HSES policies are of equal importance and consistent with PIDG's other operating policies. PIDG's HSES policies define how its values shall be realised through its standards, procedure, safeguarding protocols and guidelines.

### HEALTH, SAFETY, ENVIRONMENT AND SOCIAL (HSES) POLICIES AND STANDARDS

PIDG operates in a complex developing world that is subject to diverse economic, societal, financial, environmental and political drivers. Its challenge is to combat poverty in the poorest and most fragile countries through pioneering infrastructure and assuring project delivery excellence, while effectively managing the Health, Safety, Environmental and Social impacts associated with such infrastructure development projects.

In 2018 PIDG made significant strides towards creating a HSES Framework aligned to International Finance Corporation (IFC) performance standards and an assurance system that monitors and reports HSES performance within PIDG and to its Owners. PIDG appointed a dedicated HSES Executive whose role is to review and advise on policies and performance in accordance with international best practice, and where applicable, to adopt new thinking on sustainability and safeguarding.

PIDG is seeking to develop capability of projects to raise standards on road safety, gender equality, worker protection, and environmental conservation, creating a legacy of best practice in the areas in which it operates. This includes the continued development of a fit-for-purpose HSES Management System to support the planned growth and reach of PIDG projects in the coming years.

PIDG will uphold high standards of HSES governance and will have robust risk management processes in place so that all critical HSES activities are identified and subsequently managed to reduce the overall risk.

PIDG maintains a strong focus on developing safe working environments for all its stakeholders, including employees, partners, contractors and the communities within which it operates and is introducing a clear set of PIDG Life-Saving Rules across its offices and project sites.

PIDG will work responsibly and support the SDGs. This means delivering infrastructure in a secure and environmentally and socially responsible manner.

PIDG is committed to delivering and demonstrating HSES performance and continuously improving through annual HSES reporting.

PIDG is continually enhancing its safeguarding governance structures, with policies and standards for safeguarding that apply to every PIDG company and project and that influence the decisions taken at every level of PIDG, from Board through to the individuals who work on projects on the ground.

Using a risk-based methodology, PIDG selects and visits a selection of projects each year to speak to employees, other investors, partners, project developers and contractors, as well as with community members and external stakeholders who may be impacted by the project. PIDG has implemented a management system to effectively and proactively manage community and stakeholder feedback, grievances and concerns.

These visits are an opportunity to further embed safe working practices reinforcing safety considerations such as working at heights, or electrical safety, only encouraging workers to follow safety rules by focusing on the human angle — that will help everyone get safely back home to their families. The visits are also an opportunity to inspect building materials and to evaluate road safety and emergency preparedness.

PIDG develops HSES assurance programmes based on a project's risk profile and undertakes regular HSES reviews and safeguarding inspections. In the event of serious incidents and accidents, appropriate investigations are carried out and lessons learnt are shared and actioned across the group. Work is ongoing to develop a safety culture through HSES training and competency development, and all of PIDG's people are expected to be leaders in health and safety and safeguarding.

PIDG's approach has always been about doing what is practical, sensible and proportionate – managing risks so that they are 'As Low As Reasonably Practicable' in other words, to manage foreseeable risk in a way that allows it to achieve effective project outcomes.

### LEARNING

PIDG has started publishing an 'Impact Series' which looks to support its commitment to accountability and learning. In this, PIDG summarises its annual programme of evaluations and research, as well as emerging lessons and implications for future activities.

The reports draw on other key resources for learning and accountability. In addition, the series explores the methodology PIDG uses to gather, review and evaluate data from its projects and highlights lessons learned about what works well and where the key challenges remain.

PIDG will engage with others in the infrastructure sector who can provide insights from their perspective. This 'Impact Series' is a step towards that. In future, PIDG will look to develop a programme of targeted workshops focused on bringing together key parties to share learning.

[www.pidg.org/our-impact/impact-series](http://www.pidg.org/our-impact/impact-series)

## EMBEDDING IMPACT

**PIDG has a number of internal processes for embedding additionality and development impact in all its activities and demonstrating linkage to PIDG's areas of strategic priority.**

All projects must be in line with PIDG's climate change policy, which includes a requirement that non-renewable energy projects will only be accepted on an exceptional basis.

For each project, PIDG's additionality must be clear and PIDG must be able to indicate how this can be evidenced. If the additionality is weak, the project will not be supported.

For each project, a clear pathway to impact must be articulated in the investment paper. If the pathway to impact looks weak, the project will not be supported.

Each investment paper must explain how the project is expected to have an impact on women and girls and to consider how this might be enhanced. In the future, this approach is to be applied to disability as PIDG refines the methodology.

For each project, it must be clear that systems are, or will be, put in place to ensure that operations will be in compliance with IFC Environmental and Social Performance standards and PIDG's Environmental and Social Management System. This includes working practices, community, health and safety, and environmental issues. If PIDG cannot obtain assurance on this, the project will not be supported.

Projects are scored on the different elements of their development impact. The scoring system varies by PIDG company because they each have slightly different impact pathways. For InfraCo Africa for example, the score includes categories on alleviating poverty (including the number and income level of people reached), prioritising frontier markets, mobilising investment and enabling economic development. For GuarantCo, the categories include affordability, job creation, deepening the financial sector and replicability of the transaction.

PIDG monitors and reports on projects' development impact milestones and results. Additionality is also assessed closely and scored by individual companies to ensure that PIDG is doing something that others cannot or will not do. A sample of projects will be subject to in-depth evaluations to understand their impacts (expected or unexpected, positive or negative).

In addition, the selected programmatic areas will be tested to assess how / whether they exhibit PIDG's strategic priorities as shown on page 12. These processes and their effectiveness at driving impact will be reviewed by an Independent Panel on Development Impact which reports to the PIDG Ltd. Board. Together, these processes provide a framework for ensuring that all projects are aligned with the PIDG strategy and enable it to assess its impact.

### Early stage DI review

The DI team engages with the deal teams in the PIDG companies at an early stage to discuss the expected development impact and additionality of projects in its pipeline. This provides an opportunity for the companies and PIDG to get comfortable that a transaction is worth investigating further, to identify the specific issues that will need to be reviewed during due diligence and to consider where impact could be enhanced.

### Development Impact scorecards

PIDG is piloting company-level scorecards which will enable them to score their transactions against the different elements of their own Theory of Change.

#### These scorecards will:

- Ensure the expected pathways to impact are clearly articulated at an early stage;
- Help with discussions on project strengths and weaknesses;
- Enable consideration of factors such as affordability, replicability and transformation;
- Examine elements of system change such as capacity-building and capital market development;
- Help identify where TAF funding could be deployed; and
- Ensure balance across the PIDG portfolio – for example projects focused on delivering results for the poor directly, catalyse capital markets or demonstrate the viability of a new technology.

## MEASURING IMPACT

**Measurement of PIDG's development impact is integral to its ability to achieve its purpose in two ways:**

### Accountability

PIDG must provide robust evidence to account for and justify the use of public funding. In this, it is accountable to its owners, and their parliaments, host Governments, civil society and the communities it seeks to serve.

### Learning, improving and demonstrating

Impact measurement provides PIDG with data that can be used to improve performance and guide its strategy. When selecting projects and questions for evaluation, PIDG draws on the CART Principles put forward by the Innovations for Poverty Action (IPA) network. Sharing knowledge with the wider market also supports its work to crowd in more investment and promote effective models for infrastructure in low-income countries.

PIDG's 'Impact Series' is a new resource to support its commitment to accountability and learning. It summarises PIDG's annual programme of evaluation and research, as well as emerging lessons and implications for future activities.

### Looking forward, evaluations and thematic studies will include:

- Baseline studies;
- 'Lean Data' studies;
- Blended finance studies;
- A study on non-financial support provided by PIDG to developers and projects; and
- Owner-commissioned country studies.

## CLIMATE CHANGE

**PIDG invests in infrastructure in some of the poorest countries of the world. These countries are amongst the most susceptible to climate change shocks. PIDG seeks to fulfil its development mandate to support people and lift them out of poverty.**

PIDG supports infrastructure projects which contribute to the mitigation of, and adaptation to, climate change, and which are themselves resilient in the face of climate change.

PIDG also contributes to the SDGs relating to the battle against climate change, continuing to prioritise renewable technologies in project selection. PIDG will not finance coal projects in any circumstances. Projects relating to other thermal technologies will only be considered under specific circumstances: where there are clear pro-poor benefits; where there are no viable alternatives and the solution, such as baseload power, is better than the status quo and part of a longer-term view to move towards cleaner energy/low-carbon pathway. PIDG will consult with experts on the low-carbon transition as required.

### Climate change and energy infrastructure

Infrastructure provision is a key driver of economic development: increasing access to energy powers businesses, and improved transport opportunities enable better access to markets and greater labour mobility. However, the energy and transport infrastructure that can help to underpin growth and reduce poverty in these ways can also result in increased carbon emissions. An increased focus on renewable energy is required in the years ahead to try to decouple economic growth from carbon emissions so that spending on infrastructure can increase without contributing to climate change, ensuring that the most carbon efficient methods and highest available standards of technology are used.

PIDG prioritises renewable energy generation. There are, however, occasions where urgent needs for dispatchable energy in PIDG's target countries cannot currently be met by renewable energy.

Drought and extreme weather systems have placed increasing pressure on hydropower in eastern and southern Africa. While solar PV use has accelerated across Africa and Asia, the battery technology to support dispatchable power at scale from solar plants is currently some way from being commercially viable.

In addition to PIDG's no coal policy, PIDG will support fossil-fuel based energy generation only where there is an urgent need for electricity and no viable lower carbon alternative. Emissions from these projects are a negative contribution to climate change; however they can also represent an improvement on the existing or alternative emissions profile, for example by replacing emergency diesel generators.

### PIDG will seek to apply the following criteria when considering any carbon intensive energy generation:

- The project that is being funded is in a Least Developed Country, in a Low-Income Country, or in a country included on the list of Fragile or Conflict-Affected States;
- No cleaner/less polluting technologies are feasible, or likely to become feasible in the foreseeable future, in the country from a technical, cost and economic perspective;
- The project is aligned with the country's commitments under the Paris Agreement, as outlined in its Nationally Determined Contributions;
- All other environmental impacts can be/are being managed effectively so that they are at an acceptable level; and
- All reasonable steps are being/will be taken to enable the project to be modifiable at a future date to a lower carbon alternative – for example, in the case of the requirement for a heavy fuel oil plant which could be converted to gas.

PIDG is currently conducting a carbon accounting exercise and will seek to identify priority types of project for greater scrutiny on GHG emissions. PIDG will also publish a climate change standard to outline expectations for its projects on climate change adaptation, mitigation and resilience.

## ACCESS AND AFFORDABILITY

**13 PIDG projects became operational in 2018, improving access to essential infrastructure for an estimated 31 million people.**

Many of PIDG's investments help to improve access to, and the affordability of, basic services, including clean energy, clean water, information and communication technology, safe housing and sustainable transport systems.

In addition, better infrastructure enables businesses to improve their productivity, grow and create more jobs. In both of these pathways to impact, PIDG's aim is to improve the lives of people in the poorest and most fragile countries.

In 2018 PIDG started building greater insight into the distribution of improved access across local populations. Based on data from the nine countries where this information is available, 28% of the people accessing improved electricity as a result of PIDG projects in those countries were below the national poverty line.

The poverty lines in the countries in which PIDG operates are often very low, representing those living in extreme or chronic poverty. A much larger proportion of the populations are poor by international standards (living below \$3.20 per day) or low-income (below \$5.50 per day).

In 2019, PIDG will expand its analysis of access to electricity to cover more PIDG priority countries and provide estimates for those below international poverty and low-income lines. It will also measure the pro-poor performance of a sample of projects from PIDG's growing off-grid energy infrastructure portfolio, looking both at who gains access to electricity and how livelihoods change as a result.

However, poor and low-income households are less likely to be able to cover the costs of electricity or be in a position to take full advantage of free-to-use infrastructure such as roads. This represents a particularly important challenge for PIDG.

In line with PIDG's new strategy, it will support small scale but replicable businesses, such as off-grid solutions, which are often in remote areas. While the scale of access to new or improved infrastructure maybe less than large-scale power plants, the depth of impact to those with new or improved access is often greater.

PIDG's strategy also has an enhanced focus on the affordability of the infrastructure it supports. PIDG will test how its investments are expected to improve access to infrastructure, whether for low-income individuals or for businesses or for both.



### Financing up-front costs to ensure access for poor people: Kalangala, Uganda

Bugala Island in Uganda lacked much of the basic infrastructure required to facilitate economic growth.

The complexity inherent to multi-sector small-scale island infrastructure had deterred the private sector and required significant expertise to balance commercial viability and affordability.

InfraCo Africa, along with other PIDG companies, designed and financed multi-sector infrastructure projects known as Kalangala Infrastructure Services (KIS) and Kalangala Renewables (KR). KIS and KR improved transportation infrastructure and provided much needed water and energy to the island. TAF provided Output-Based Aid (OBA) grants worth \$5m that directly subsidised power and water connections to 2,000 poor households on the island. This subsidy ensured that poor people had access to the new infrastructure services and could afford to use them.



**05**  
**MAKING FINANCE  
WORK HARDER**

## OWNER FUNDING: MEMBER AND OTHER OWNER FUNDING DISBURSED TO PIDG (\$m)

	 DFID	 DGIS	 SECO	 DFAT	 Sida	 FMO	 KfW	 IFC	Other <sup>1</sup>	Total
<b>2018</b>										
<b>PIDG</b>	35.9	35.1	8.7	6.5 <sup>2</sup>	0.5	-	-	0.5	-	87.2 <sup>3</sup>
<b>CUMULATIVE (2002-2018)</b>										
<b>TAF</b>	63.0	7.9	15.0	0.6	0.2	-	-	7.9	3.5	98.1
<b>DevCo</b>	63.5	5.5	-	-	3.3	-	-	11.7	7.0	91.0
<b>InfraCo Africa</b>	135.0	48.5	30.5	-	-	-	-	-	6.4	220.4
<b>InfraCo Africa Investment</b>	0.1	-	-	-	-	-	-	-	-	0.1
<b>InfraCo Asia Development</b>	97.4	13.0	17.0	28.4	-	-	-	-	-	155.8
<b>InfraCo Asia Investment</b>	27.3	-	-	-	-	-	-	-	-	27.3
<b>EAIF</b>	322.9	29.0	22.0	-	20.0	-	-	-	-	393.9
<b>GuarantCo</b>	214.9	2.0	39.8	5.9	15.0	34.0	-	-	-	311.6
<b>ICF-DP</b>	-	-	-	-	-	-	7.8	-	-	7.8
<b>GAP</b>	28.0 <sup>4</sup>	-	-	-	-	-	-	-	16.7	44.7
<b>AgDevCo<sup>5</sup></b>	67.0	-	-	-	-	-	-	-	-	67.0
<b>Project Development</b>	2.6	0.1	0.3	-	0.1	-	-	0.3	0.5	3.9
<b>Total Excluding General Admin</b>	1,021.7	106.0	124.6	34.9	38.6	34.0	7.8	19.9	34.1	1,421.6
<b>General Admin</b>	14.4	5.2	5.4	2.8	4.5	-	2.0	4.5	4.1	42.9
<b>Totals</b>	1,036.1	111.2	130.0	37.7	43.1	34.0	9.8	24.4	38.2	1,464.5

1. Includes Irish Aid, ABD, AECID, ADA-BMF and MFA.

2. Includes \$2.5m of cash disbursed in 2017 that was converted into equity in 2018. In 2017 this was included as part of 'Other sources of funding' table overleaf.

3. 2018 contributions represents all cash disbursements received by PIDG Trust from the Owners as at 31 December 2018 (aside from note 2). As a result, there are some timing variances between cash being disbursed from the PIDG Trust to the PIDG companies and thus the subsequent PIDG company shares being issued in relation to Owner disbursements made in and around the year-end.

4. DFID includes disbursements from BEIS to GAP.

5. PIDG Owners are no longer funding AgDevCo through PIDG.

## OTHER SOURCES OF FUNDING (\$m) as at 31 December 2018

In addition to the \$1.5bn of cumulative Owner disbursements made to date, PIDG companies draw on a range of other sources of capital to deliver their strategies and targets. PIDG and its companies also have access to other funding sources, such as debt financing, contingent capital and UK Government-backed promissory notes. The total of all funding disbursed or committed is now cumulatively in excess of \$3bn.

During PIDG's 16 years of operations, its Owners have benefited from the flexibility to allocate funding across

all of PIDG's activities, or to particular PIDG companies or geographies enabling them to fund their priority areas as required. PIDG's agile structure also enables it to access other sources of funding, including private sector funds, supporting its drive to mobilise greater amounts of funding.

PIDG is focused on broadening and deepening its funding, working with new public and private sector partners, across the capital structure.

	 DFID	 FMO	 KfW	 AfDB	 Allianz	 Standard Chartered	Total
<b>TAF</b>	23.6	-	-	-	-	-	23.6
<b>InfraCo Africa</b>	65.2	-	-	-	-	-	65.2
<b>InfraCo Asia Development</b>	-	-	-	-	-	-	-
<b>InfraCo Asia Investment</b>	14.9	-	-	-	-	-	14.9
<b>EAIF<sup>2</sup></b>	-	50.0	335.2	75.0	110.8	50.0	621.0
<b>GuarantCo<sup>3</sup></b>	50.8	30.0	-	-	-	-	80.8
<b>ICF-DP<sup>4</sup></b>	-	-	323.5	-	-	-	323.5
<b>GAP</b>	16.4	-	-	-	-	-	16.4
<b>Totals</b>	170.9	80.0	658.7	75.0	110.8	50.0	1,145.4 <sup>1</sup>

1. Of \$1,145.4m, of other sources of funding, \$704.3m is outstanding and available to use.

2. EAIF - access to committed loans as at 31 December 2018 of:

- \$50m (maturing in 2028) from FMO;
- \$135m (maturing 2028-2030) and €175m (maturing 2024-2030) from KfW;
- \$75m (maturing 2028) from African Development Bank (AfDB);
- \$25m and €75m (maturing 2030) from Allianz;
- \$50m (revolving credit facility available in USD and EUR maturing in 2020) from Standard Chartered.

3. GuarantCo

- Access to £40m (\$50.8m) callable capital arrangement with DFID allowing GuarantCo under certain circumstances, to draw further capital.
- Access to \$30m stand-by facility with FMO which can be triggered as debt instrument after the callable capital with DFID is fully drawn.

4. ICF-Debt Pool - as at 31 December 2018, €283m was disbursed net of repayment from an original commitment of €500m.

Promissory notes

In addition to the funding disbursed by DFID, UK Government promissory notes are lodged with the Bank of England to the PIDG Trust for the PIDG Companies. These instruments allow companies to draw down cash disbursements on demand and as at 31 December 2018, the amount of undisbursed cash under issued promissory notes stood at £94.7m (\$120.1m).

## UNAUDITED CONSOLIDATED RESULTS FOR THE PIDG GROUP

### UNAUDITED CONSOLIDATED INCOME STATEMENT

\$m	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Guarantee fees and net interest income	57.2	61.6
Profit on disposal of projects	5.8	5.2
Other income	18.1	16.1
<b>Total income</b>	<b>81.1</b>	<b>82.9</b>
Fund manager fees	(23.7)	(21.8)
Project development expenditure	(30.9)	(22.4)
Administrative and other costs	(33.8)	(32.1)
<b>Total Expenditure</b>	<b>(88.4)</b>	<b>(76.3)</b>
Fair value movements and impairments	1.4	(13.6)
<b>(Loss) before Tax</b>	<b>(5.9)</b>	<b>(7.0)</b>
Tax	(2.5)	(1.0)
<b>(Loss) after Tax</b>	<b>(8.4)</b>	<b>(8.0)</b>
<b>Attributable to:</b>		
Owners of the Company	(8.0)	(9.2)
Non-controlling interests	(0.4)	1.2
<b>(Loss) after Tax</b>	<b>(8.4)</b>	<b>(8.0)</b>
<b>Other comprehensive income (OCI)</b>	<b>(8.8)</b>	<b>5.9</b>
<b>Total comprehensive (loss) / income for the year</b>	<b>(17.2)</b>	<b>(2.1)</b>
<b>Attributable to:</b>		
Owners of the Company	(16.8)	(3.3)
Non-controlling interests	(0.4)	1.2
<b>Total comprehensive (loss) / income for the year</b>	<b>(17.2)</b>	<b>(2.1)</b>

### UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

\$m	As at 31 Dec 2018	As at 31 Dec 2017
Investments in subsidiaries, JVs and associates	36.3	32.8
Loans and advances and related instruments	821.0	809.0
Guarantee and financial instruments at FVTPL	226.4	239.8
Other assets	51.8	41.4
Cash at bank	239.9	254.7
<b>Total assets</b>	<b>1,375.5</b>	<b>1,377.8</b>
Loans and borrowings & related instruments	(446.7)	(486.1)
ECL on guarantees payable	(19.2)	(16.8)
Other liabilities	(38.1)	(34.6)
<b>Total liabilities</b>	<b>(504.0)</b>	<b>(537.5)</b>
<b>Total equity</b>	<b>871.5</b>	<b>840.2</b>
<b>Attributable to:</b>		
Owners of the Company	871.0	839.4
Non-controlling interests	0.5	0.8
	<b>871.5</b>	<b>840.2</b>

## UNAUDITED CONSOLIDATED RESULTS FOR THE PIDG GROUP

The Unaudited Consolidated Income Statement and the Unaudited Consolidated Statement of Financial Position have been prepared from the following audited statutory accounts for the year ended 31 December 2018:

- The Emerging Africa Infrastructure Fund Limited (EAIF);
- GuarantCo Ltd (GuarantCo);
- InfraCo Africa Limited (InfraCo Africa);
- InfraCo Africa Investments Limited (InfraCo Africa Investments);
- InfraCo Asia Development Pte. Ltd (InfraCo Asia Development);
- InfraCo Asia Investments Pte. Ltd (InfraCo Asia Investments);

ICF-Debt Pool LLP audited statutory accounts are also included for the year ended 30 September 2018.

All of these statutory accounts received unqualified audit opinions.

The amount shown excludes Green Africa Power (GAP). Following a strategic review it became clear that there were insufficient projects in the African renewable power sector that were sufficiently developed to justify continuing with this specialised facility. GAP has ceased taking new mandates and is in voluntary liquidation.

### Basis of Unaudited Consolidation

The Income Statements and the Statement of Financial Positions for the aforementioned audited statutory accounts have been summed on a line by line basis. InfraCo Africa Limited and InfraCo Africa Investments have been translated (at year end rate for the Statement of Financial Position and period average rate for the

Income Statement) from their presentational currency of GBP to USD for the purposes of this consolidation and the foreign exchange on translation recognised in Other comprehensive income. PIDG General Administration (GA) costs have also been included in the consolidation. These represent the general administration costs incurred by the Private Infrastructure Development Group Limited (PIDG Ltd.) statutory entity for the period ended 31 December 2018 with the expenditure (actual and accrued) that has passed through two general administrative bank accounts held in the name of the PIDG Trust for the year ended 31 December 2018.

TAF and DevCo costs have been excluded as PIDG's objective is to achieve ongoing sustainability without the consideration of TAF. Other intra group balances are deemed non-significant for presentation in these statements and therefore remain un-eliminated.

### Audited Consolidated Group Accounts are not required as:

- Whilst PIDG Ltd. controls the other PIDG Companies as a fellow subsidiary of the PIDG Trust, it does not have the rights to the variable returns of these companies; e.g. dividends, so is not entitled to consolidate the group under IFRS 10.
- The primary shareholder of the PIDG Companies, the PIDG Trust, accounts for the PIDG Companies on a non-consolidated basis as the subsidiary activities carry on activities distinct from the PIDG Trust and the Trustees consider that the consolidation of these special purpose entities would not be appropriate and therefore consolidated accounts are not prepared.

### Unaudited Consolidated Income Statement

The PIDG Group plans to be financially sustainable in the medium-term (excluding our Upstream Technical Assistance business). To achieve this requires ongoing profitability in our Credit Solutions businesses and increased holding periods for the Developer-Investor business.

Fund manager fees relate to the fees paid to GuarantCo Management Company, Investec Asset Management and Cordiant Capital for running GuarantCo, EAIF and ICF-Debt Pool respectively.

The rise in project development expenditure reflected a higher project spend rate in the Developer-Investor business.

Fair value movements and impairments includes fair value adjustments in the Developer-Investor business and IFRS 9 related expected credit losses and reversals of historic provisions in the Credit Solutions business. EAIF in particular benefited from successful restructuring of a number of transactions in 2018.

Non-controlling interests is comprised of FMO's direct shareholding in GuarantCo and minority shareholdings in InfraCo Asia's projects, where consolidated.

In 2018, Other comprehensive income (OCI) included \$9.4m of negative fair value OCI movements in financial instruments in EAIF on bonds and equities held at Fair Value through OCI.

### Cash balances

Cash balances in 2018 include \$30m disbursed by DGIS just prior to the year-end. Cash balances (and government promissory notes) are required in the Developer-Investor businesses to meet project commitments as they fall due.

Cash balances in the Credit Solutions businesses are required for loan disbursements planned or to meet liabilities for guarantees as and when called.

## VALUE FOR MONEY METRICS

PIDG has considered what constitutes good value for money for our Owners and therefore the efficiency by which it manages Owner funds.

PIDG has considered and tracked a wide range of metrics; below are those deemed currently most suitable and meaningful to demonstrate the efficiency of PIDG entities across the PIDG Group which differ in their business drivers. PIDG aims to collect comparative data for benchmarking purposes and to refine the methodology in future periods.

For the Developer-Investor business PIDG considers both costs as a percentage of Owner contributions but also as a percentage of current and future commitments available for the companies as operating costs do not necessarily need to scale up as and when these commitments are drawn.

For the Credit Solutions business both GuarantCo and EAIF are able to leverage off Owner contributions and hence their capacity to fund or guarantee projects is a multiple of their net assets.

### DEVELOPER - INVESTOR EFFICIENCY

	2018	2017
<b>InfraCo Africa Developments</b>		
Operating costs <sup>1</sup> / average total owner contributions <sup>2</sup>	2.9%	4.1%
Operating costs <sup>1</sup> / average total owner commitments <sup>3</sup>	1.8%	2.1%
<b>InfraCo Asia Developments</b>		
Operating costs <sup>1</sup> / average total owner contributions <sup>2</sup>	2.9%	2.8%
Operating costs <sup>1</sup> / average total owner commitments <sup>3</sup>	1.8%	1.6%
<b>InfraCo Asia Investments</b>		
Operating costs <sup>1</sup> / average total owner contributions <sup>2</sup>	1.9%	2.7%
Operating costs <sup>1</sup> / average total owner commitments <sup>3</sup>	0.6%	0.8%

### CREDIT SOLUTIONS EFFICIENCY

	2018	2017
<b>GuarantCo</b>		
Total costs <sup>6</sup> / total owner contributions' capacity <sup>4</sup>	1.2%	1.0%
Total costs <sup>6</sup> / total owner commitments' capacity <sup>5</sup>	0.9%	0.7%
Total costs <sup>6</sup> / total guarantees & loans on balance sheet	1.7%	1.9%
<b>EAIF</b>		
Total costs <sup>6</sup> / total owner contributions' capacity <sup>4</sup>	2.6%	4.9%
Total costs <sup>6</sup> / total owner commitments' capacity <sup>5</sup>	2.4%	4.4%
Total costs <sup>6</sup> / total loan book on balance sheet	3.6%	3.7%

### PIDG GENERAL ADMIN

	2018	2017
<b>PIDG general admin</b>		
Total costs <sup>6</sup> / total owner contributions <sup>7</sup>	0.5%	0.5%
Total costs <sup>6</sup> / total group net assets <sup>8</sup>	0.7%	0.7%

### PIDG GROUP COSTS

	2018	2017
<b>PIDG group</b>		
Total Group costs <sup>9</sup> / total owner commitments <sup>7</sup>	2.7%	2.5%

- Operating costs exclude external developer fees.
- Average total owner contributions represents average share capital in the period.
- Average total owner commitments represents average share capital in the period as well as future Owner commitments per active Letters of Arrangement with each Owner and outstanding commitments on active promissory notes.
- Total owner contributions capacity represents average share capital in the period (and callable capital for GuarantCo) multiplied by leverage capacity.
- Total owner commitment capacity represents average share capital in the period as well as future Owner commitments per active Letters of Arrangement and outstanding commitments on active promissory notes, multiplied by leverage capacity.
- Total costs represents costs of PIDG Ltd. and costs within two PIDG Trust General Administrative bank accounts.
- Owner contributors represents Accumulated Owner contributions into the Trust; Owner Commitments Represents; Accumulated Owner contributions into the Trust plus all future commitments via Letters of Arrangement or undrawn promissory notes.
- Total net assets of the group per the unaudited consolidated statement of financial position.
- Includes operating costs of the Developer-Investor businesses, total costs of the Credit Solutions businesses and total costs of PIDG General Admin.

# INVESTMENT MOBILISED

## A key part of PIDG's mission is to mobilise private sector funding:

PIDG companies leverage Owner funding, blending it with Private Sector Investment from local, regional and international sources and debt or equity from Development Finance Institutions.

Since 2002, PIDG has committed \$3.6bn to nearly 440 transactions. PIDG-supported projects have mobilised \$35.8bn in total funding, including \$23.4bn from the private sector.

PIDG focuses on frontier countries: 48% of total investment commitments in PIDG-supported companies has been in Least-Developed and Other Lower Income Countries; and 56% in Fragile and Conflict-Affected States.

There is a need to mobilise trillions of dollars of private sector money alongside the billions invested by public sector institutions. Donors and other stakeholders need a clear picture of how private sector investment is mobilised.

To avoid double counting, the amounts raised on each transaction need to be attributed to the DFIs involved, rather than each claiming the full amount.

The OECD has been developing a methodology for this since 2014, taking into account the different ways in which funding is mobilised. In 2018, the OECD refined its approach to take account of the funding mobilised via project finance, including via equity investments;

this – for the first time – has enabled the inclusion of the mobilisation of private sector investment by the Developer-Investor business. The methodology has been applied by OECD to all results since 2012.

PIDG has taken part in OECD reporting and monitors its PSI mobilised according to the OECD methodology alongside its traditional approach.

## The table opposite shows and monitors the amount of PSI mobilised:

- a comparison for the years 2012-17 between the mobilisation in accordance with the OECD published results and PIDG's standard methodology; and
- a comparison of PIDG's standard approach for mobilisation from projects reaching financial close in 2018 with the figures calculated according to the OECD's methodology. The OECD figures will be confirmed when its exercise takes place towards the end of 2019.

As the table shows, during 2012-17 PIDG-supported projects – including DevCo whose mobilisation is not recognised by the OECD – mobilised \$10.0bn, as compared to the OECD mobilisation figures of \$3.8bn. For 2018, PIDG-supported projects mobilised \$2.7bn in private sector financing; it is calculated that the OECD approach would allocate \$1.7bn of this to PIDG.

## TOTAL INVESTMENT COMMITMENTS IN PIDG-SUPPORTED PROJECTS (2002-18)

\$m	Total Investment Commitments	Private Sector Investment	DFI Investment	Grant <sup>1</sup>
Agri-Infrastructure	613.1	337.8	263.6	11.7
Energy <sup>2</sup>	12,379.7	6,531.4	5,787.2	61.1
Housing	385.7	347.7	38.0	-
Industrial Infrastructure	4,419.4	2,505.2	1,914.2	-
Mining Associated Infrastructure	655.0	346.7	308.3	-
Multi-Sector	534.2	400.5	128.7	5.0
Telecoms	9,929.1	8,000.0	1,929.1	-
Transport	6,183.3	4,390.6	1,663.7	129.0
Urban Development / Infrastructure	104.8	104.8	-	-
Water, Sewerage and Sanitation	568.8	392.2	161.8	14.8
<b>Total</b>	<b>35,773.1</b>	<b>23,356.9</b>	<b>12,194.7</b>	<b>221.5</b>

Notes

1. Grants are included in TICs for projects funded by DevCo, InfraCo Africa and InfraCo Asia, as these are a key part of the PIDG's efforts to make the projects viable
2. The TIC and PSI figures exclude DevCo's Central Java IPP project which - at \$4.3bn mobilised PSI funding - would have a misleading impact on the percentages for DAC I/II and FCAS (see page 81)

## COMPARISON OF PIDG CLAIMED MOBILISATION VS. OECD APPROACH

2018 Results	\$m	OECD results compared to PIDG 2012-17	\$m
PIDG: Total PSI in PIDG-supported projects	<b>2,658.8<sup>1</sup></b>	PIDG: Total PSI in PIDG-supported projects	<b>9,981.9</b>
OECD: PIDG-mobilised PSI as calculated by the OECD methodology*	<b>1,678.9</b>	OECD: PIDG-mobilised PSI as calculated by the OECD methodology	<b>3,803.7</b>

1. Estimated figure - see narrative on page 72

## PERCENTAGE OF TOTAL INVESTMENT COMMITMENTS IN FRAGILE AND CONFLICT-AFFECTED STATES (FCAS) BY SECTOR (2002-18)

Agri-Infrastructure	88%
Energy	53%
Housing	25%
Industrial Infrastructure	74%
Mining Associated Infrastructure	0%
Multi-Sector	39%
Telecoms	70%
Transport	39%
Urban Development / Infrastructure	0%
Water, Sewerage and Sanitation	9%

## PERCENTAGE OF TOTAL INVESTMENT COMMITMENTS IN LEAST DEVELOPED AND OTHER LOW-INCOME COUNTRIES BY SECTOR (2002-18)

Agri-Infrastructure	81%
Energy	35%
Housing	0%
Industrial Infrastructure	25%
Mining Associated Infrastructure	100%
Multi-Sector	9%
Telecoms	68%
Transport	57%
Urban Development / Infrastructure	5%
Water, Sewerage and Sanitation	16%

# COMMITMENTS BY SECTOR

## PIDG COMMITMENTS BY SECTOR: 2018

	\$m	%
Agri-Infrastructure	24.6	6%
Capital Market Development	1.4	0%
Energy	151.7	34%
Housing	36.2	8%
Industrial Infrastructure	74.7	17%
Multi-Sector	50.5	11%
Transport	75.0	17%
Urban Development / Infrastructure	29.0	7%
Water, Sewerage and Sanitation	0.2	0%
<b>Total</b>	<b>443.3</b>	<b>100%</b>

## OF THE COMMITMENTS MADE BY PIDG TO NEW PROJECTS IN 2018:

**36%** were to projects in Fragile and Conflict-Affected States (FCAS)      **8%** were to projects in Least Developed Countries (LDC) or Other Low-Income Countries (OLIC)

## PIDG COMMITMENTS BY SECTOR: CUMULATIVE (2002-18)

	\$m	%
Agri-Infrastructure	150.6	4%
Capital Market Development	4.1	0%
Energy	1,461.0	40%
Housing	142.2	4%
Industrial Infrastructure	447.4	12%
Mining Associated Infrastructure	46.2	1%
Multi-Sector	168.5	5%
Telecoms	520.4	14%
Transport	555.1	15%
Urban Development / Infrastructure	30.2	1%
Water, Sewerage and Sanitation	85.3	2%
<b>Total</b>	<b>3,610.9</b>	<b>100%</b>

## OF THE CUMULATIVE COMMITMENTS MADE BY PIDG TO PROJECTS SINCE 2002:

**49%** were to projects in Fragile and Conflict-Affected States (FCAS)      **42%** were to projects in Least Developed Countries (LDC) or Other Low-Income Countries (OLIC)

## PIDG COMMITMENTS BY SECTOR: CUMULATIVE (2002-18) - ENERGY

	\$m	%	PIDG Commitments to Energy Sector %
<b>Renewable Energy</b>			<b>49%</b>
Biomass	42.2	6%	
General, Multiple Sub-Sectors	9.1	1%	
Geothermal	52.1	7%	
Hydro	260.8	37%	
Solar	247.8	35%	
Wind	99.3	14%	
<b>Total</b>	<b>711.3</b>	<b>100%</b>	

	\$m	%	PIDG Commitments to Energy Sector %
<b>Non-renewable Energy</b>			<b>51%</b>
Gas	477.5	64%	
General, Multiple Sub-Sectors	129.3	17%	
Oil	143.0	19%	
<b>Total</b>	<b>749.8</b>	<b>100%</b>	

PIDG's focus to date has largely been on the energy sector, preferring renewables where they make sense from a cost and grid perspective. With one in seven people globally lacking access to electricity, and as the demand continues to rise, there needs to be a substantial increase in the production of renewable energy across the world. Hence, power will remain an important part of the PIDG portfolio, as it is a powerful enabler of infrastructure development and impact.

With an increasing focus on renewable energy and off-grid technologies, PIDG will continue to develop areas where it has acquired expertise (small hydro, wind, solar, geothermal). PIDG will increasingly explore off-grid and mini-grid solutions, including storage solutions co-located with renewable generation, thereby providing power in remote areas and promoting a greater depth of impact.

In 2018, PIDG committed \$152m (34%) to energy projects, all of which were renewable energy.

# PREDICTED ACCESS BY SECTOR

13 projects became operational in 2018, improving access to essential infrastructure for an estimated 18 million people

PIDG companies collect data on the expected number of people gaining access to new or improved infrastructure. These figures often rely on estimates and conversion methodologies where it is unrealistic to track end-users of services directly, but PIDG seeks ways to refine these conversion methodologies and make them more robust.

A key conversion methodology is for grid-tied energy generation, which makes up over half of PIDG's cumulative access figures. The number of people served is currently calculated by dividing the energy generated by the per capita electricity consumption for the relevant country, but PIDG is aware that this method faces challenges.

PIDG's preferred approach would be to apply the percentage increase of grid-energy provided by the project to the population connected to the grid; this would be a more robust number representing the impact of the

energy generated by its projects and remove double-counting where multiple projects are in the same country. However, this methodology is not yet possible due to the lack of data on the number of grid connections per country.

In the interim, PIDG has calculated an adjustment of its current approach – accounting for the percentage of the population with access to energy (which includes those accessing electricity outside the main grid) – and applied this to the 2018 figures for access to energy from PIDG projects. Using this more prudent methodology for the proxy calculation would reduce the estimated number of people with access to energy from PIDG supported projects reaching financial close in 2018, from 12.3m to 7.5m, a reduction of 39%.

## PREDICTED ACCESS FOR ALL PIDG COMPANIES BY SECTOR: CUMULATIVE (2002-18)

	Predicted access (millions)
Agri-Infrastructure	0.3
Energy	129.0
Housing	0.01
Industrial Infrastructure	23.5
Mining Associated Infrastructure	0.00
Multi-Sector	1.3
Telecoms	67.9
Transport	18.4
Urban Development / Infrastructure	0.2
Water, Sewerage and Sanitation	2.6
<b>Total</b>	<b>243.1</b>

# PROJECTED CUMULATIVE EMPLOYMENT

PIDG contributes to the improvement of people's lives through the role that infrastructure plays in underpinning economic growth and job creation

Economic growth and job creation are essential to alleviating poverty and improving lives. More reliable, accessible and affordable infrastructure helps businesses grow and create more and better jobs. Inadequate infrastructure can also place additional costs on developing economies, making it more expensive to access essential goods and services.

Providing access to cheaper or more efficient power supplies, better routes to market, improved communications, or enhanced irrigation, storage or processing facilities should enable businesses to become more productive and enable them to grow and employ more people.

Where PIDG's investments improve the availability and cost of infrastructure, this can increase the opportunities for full and productive employment and decent work.

This in turn will create opportunities for local employment, meaning people do not have to leave/migrate from their countries in pursuit of economic opportunities.

In addition to wider economic effects, PIDG projects also create jobs more directly. The 18 projects reaching financial close in 2018 will create 14,849 short-term jobs in construction and 1,919 long-term jobs in operation of infrastructure, as well as extensive opportunities in local supply chains.

Where power projects are on-grid, it is not possible to specifically identify the jobs created so PIDG is developing models to assess the impact of these at a macro level. Where it supports smaller, mini-grid solutions, PIDG is working with others to develop a model to help to access the impact of on-grid energy generation on jobs at a macroeconomic level.

## PROJECTED CUMULATIVE EMPLOYMENT DIRECTLY GENERATED BY PIDG-SUPPORTED PROJECTS (2002-18)

	Short-term employment	Long-term employment
Agri-Infrastructure	4,437	8,364
Energy	20,003	3,015
Housing	2,470	70
Industrial Infrastructure	15,683	6,412
Mining Associated Infrastructure	1,000	1,425
Multi-Sector	175	160
Telecoms	2,665	(2,253)
Transport	11,631	222,064
Urban Development / Infrastructure	370	45
Water, Sewerage and Sanitation	861	1,386
<b>Total</b>	<b>59,295</b>	<b>240,688</b>

# 06

# TAF

TAF plays a central role in enabling PIDG to enhance the impact of its projects and to initiate multi-company programmes and centrally-driven initiatives that are not specific to a particular company and that align with PIDG's strategic objectives

# DevCo

DevCo provides advisory services to governments in the poorer (Least Developed and Other Low Income) countries to help them structure transactions that facilitate private sector participation in infrastructure projects

UPSTREAM TECHNICAL ASSISTANCE	DEVELOPER - INVESTOR	CREDIT SOLUTIONS
-------------------------------	----------------------	------------------

## AT A GLANCE

Established	2004
PIDG Owners currently funding	DFID, DGIS, SECO, Sida, DFAT, IFC
Cumulative PIDG Member funding disbursed to the PIDG Trust	\$98.1m
Total Commitments as at 31 Dec 2018	\$20.5m to 74 completed grants \$44.3m to 61 live grants \$2.9m to 29 completed grants where the PIDG parent-projects were cancelled or permanently stalled
2018 Commitments	\$11.2m to 20 grants

## 20 NEW TAF GRANTS APPROVED IN 2018, INCLUDING:

Countries in Africa	Project	Countries in Asia	Project
Côte d'Ivoire	Biomass VGF Preparation	Bangladesh	Bond Market Study
Ethiopia	Corbetti VGF	Bangladesh	Solar Nano Grid
Gabon	Special Economic Zone Training	India	Local Currency Green Bond
Kenya	Housing Finance	Indonesia	Concentrated Solar Project
Kenya	Pooled Water Fund	Pakistan	Credit Enhancement Facility Pt. 2
Kenya	Power Transmission	Vietnam	Wind Power IPP
Malawi	Salima Solar VGF Preparation		
Mozambique	Pavua HydroPower		
Nigeria	Clean Energy Finance		
Rwanda	Solar Storage		
Tanzania	Virunga - Mini Grid		
Zambia	Western Power Hydro IPP		

UPSTREAM TECHNICAL ASSISTANCE	DEVELOPER - INVESTOR	CREDIT SOLUTIONS
-------------------------------	----------------------	------------------

## AT A GLANCE

Established	2003
PIDG Owners currently funding	DFID, DGIS, Sida, IFC
Cumulative PIDG Member funding	\$91.0m
Managed by	IFC, a member of the World Bank Group
Total Commitments as at 31 Dec 2018	\$48.4m to 69 projects/mandates, including 33 that have reached financial close, 15 that have reached commercial close, 16 under active development, and 5 closed after completing Phase I or Post-Transaction work
2018 Commitments	\$5.9m to 5 projects

## EXPECTED DEVELOPMENT IMPACT

	2018	Cumulative
Financially-closed and/or fully exited projects	3	33
Total investment commitments (TICs) (\$m)*	358.4	3,107.5
% of TICs in LDC/OLIC and 8 poor states of India	n/a	60%
% of TICs in FCAS	n/a	53%
Access (in millions)*	0.1	27.3
Job creation: short-term	590	1,685
Job creation: long-term	270	(8,412)
Fiscal benefits (\$m)	n/a	2,758.1

\* The cumulative figures exclude the results from the Central Java IPP project (TICs of \$4.3bn, Access of 7.5m), as the size would skew DevCo's results. \$4.3bn, Access of 7.5m), as the size would skew DevCo's results.

## PROJECTS THAT REACHED FINANCIAL CLOSE IN 2018

Project
Clean Ganga Haridwar, India
Tibar Bay Port PPP, Timor Leste
Zambia Scaling Solar – Enel, Zambia

## PROJECTS THAT BECAME OPERATIONAL IN 2018

Project
Bhubaneswar PSL - Street lighting, India
Myingyan IPP, Myanmar

# InfraCo Africa

InfraCo Africa provides responsible leadership in bridging the infrastructure gap in sub-Saharan Africa. Through early stage project development capital and expertise, InfraCo Africa is a catalyst for the private sector to invest in sustainable infrastructure projects in Africa's frontier markets

# InfraCo Asia

InfraCo Asia provides responsible leadership in bridging the infrastructure gap in south and south-east Asia. Through early stage project development capital and expertise, InfraCo Asia is a catalyst for the private sector to invest in sustainable infrastructure projects in Asia's frontier markets

UPSTREAM TECHNICAL ASSISTANCE	DEVELOPER - INVESTOR	CREDIT SOLUTIONS
-------------------------------	----------------------	------------------

## AT A GLANCE

Established	2004
PIDG Owners currently funding	DFID, DGIS, SECO
Cumulative PIDG Member funding	\$220.4m
Managed by	InfraCo Africa Limited
Total Commitments as at 31 Dec 2018	\$108.9m to develop 22 projects, 11 of which have reached financial close and/or have been sold
2018 Commitments	\$4m across 2 projects which reached JDA

## EXPECTED DEVELOPMENT IMPACT

	2018	Cumulative
Financially-closed and/or fully exited projects	1	11
Total investment commitments (TICs) (\$m)	1.4	1,103.2
% of TICs in LDC/OLIC	n/a	93%
% of TICs in FCAS	n/a	4%
Access (in millions)	0.01	8.5
Job creation: short-term	46	3,542
Job creation: long-term	-	692
Fiscal benefits (\$m)	n/a	514.8

## PROJECTS THAT SIGNED A JOINT DEVELOPMENT AGREEMENT OR EQUIVALENT IN 2018

Project
Élan Solar, Cameroon
Golomoti Solar, Malawi

## PROJECTS THAT REACHED FINANCIAL CLOSE IN 2018

Project
Standard Microgrid, Zambia

## PROJECTS THAT BECAME OPERATIONAL IN 2018

Project
Redavia Solar - proof of concept, Tanzania

UPSTREAM TECHNICAL ASSISTANCE	DEVELOPER - INVESTOR	CREDIT SOLUTIONS
-------------------------------	----------------------	------------------

## AT A GLANCE

Established	InfraCo Asia Development (IAD): 2010 InfraCo Asia Investments (IAI): 2014
PIDG Owners currently funding	IAD: DFID, SECO, DFAT, DGIS IAI: DFID
Cumulative PIDG Member funding	IAD: \$155.8m IAI: \$27.3m
Managed by	InfraCo Asia Development
Total Commitments as at 31 Dec 2018	IAD: \$127.5m to develop 34 projects, 9 have reached financial close and 25 have signed a JDA IAI: \$37.2m on 4 projects that have reached financial close
2018 Commitments	IAD: \$34.0m across 7 projects which reached JDA, one of which also reached financial close IAI: \$9.0m on 1 project which reached financial close

## EXPECTED DEVELOPMENT IMPACT

	2018	Cumulative
Financially-closed projects	3	9
Total investment commitments (TICs) (\$m)	173.8	587.6
% of TICs in priority countries*	n/a	63%
% of TICs in FCAS	n/a	62%
Access (in millions)	0.3	2.6
Job creation: short-term	1,248	3,258
Job creation: long-term	203	744
Fiscal benefits (\$m)	40.4	41.2

\* Priority countries: Bangladesh, Bhutan, Cambodia, Laos, Myanmar, Nepal, Pakistan and DFID focus states in India.

## PROJECTS THAT SIGNED A JOINT DEVELOPMENT AGREEMENT OR EQUIVALENT IN 2018

Project
Ayeyarwady Rice Husk Briquette, Myanmar
Cambodia Mango Processing Facility, Cambodia
Durgapur Affordable Housing, India
Endikat Hydropower Project, Indonesia
Jabalpur Biomass Power Plant, India
Ninh Thuan Solar Power, Vietnam
Solar Nano Grid Rural Electrification, Bangladesh

## PROJECTS THAT REACHED FINANCIAL CLOSE IN 2018

Project
Myanmar Hybrid Rice Seed, Myanmar
Ninh Thuan Solar Power, Vietnam
Vietnam Water Supply Portfolio - Kim Lien Project, Vietnam

## PROJECTS SOLD IN 2018

Project
Coc San Hydropower, Vietnam
Myanmar Hybrid Rice Seed, Myanmar

# EAIF

The Emerging Africa Infrastructure Fund provides long-term foreign currency loans in sub-Saharan Africa

# GuarantCo

GuarantCo provides innovative local currency contingent credit solutions, including guarantees to banks and bond investors to develop local capital markets

UPSTREAM TECHNICAL ASSISTANCE	DEVELOPER - INVESTOR	CREDIT SOLUTIONS
-------------------------------	----------------------	------------------

## AT A GLANCE

Established	2001
PIDG Owners currently funding	DFID, DGIS, SECO, Sida
Cumulative PIDG Member funding	\$393.9m
Fund capacity	As of 31 December 2018, EAIF has lending capacity of up to \$1bn through a combination of equity, debt raised, and cash flow from operations
Managed by	Investec Asset Management Ltd
Total Commitments as at 31 Dec 2018	\$1,468.6m to 75 projects that have reached financial close or been repaid
2018 Commitments	\$124.6m to 4 projects that reached financial close

## EXPECTED DEVELOPMENT IMPACT

	2018	Cumulative
Financially-closed projects	4	75
Total investment commitments (TICs) (\$m)	2,899.8	20,082.8
Private sector investment commitments (\$m)	1,218.9	12,052.5
% of TICs in LDC/OLIC	n/a	62%
% of TICs in FCAS	n/a	72%
Access (in millions)	12.9	141.5
Job creation: short-term	7,400	26,065
Job creation: long-term	1,235	22,325
Fiscal benefits (\$m)	320.7	1,930.4

## PROJECTS THAT REACHED FINANCIAL CLOSE IN 2018

Project
GSEZ Ports, Gabon
Indorama Eleme Fertilizer & Chemicals Line 2 Expansion, Nigeria
Nachtigal, Cameroon
Quantum Terminals Ltd. II (QTL), Ghana

## PROJECTS THAT BECAME OPERATIONAL IN 2018

Project
Albatros Energie, Mali
Azura Power West Africa Limited, Nigeria
CTRG, Mozambique
Indorama Eleme Fertilizer & Chemicals Ltd, Nigeria
Kenya Power & Lighting Company Ltd (KPLC), Kenya
Lubelia Hydro DI Frontier, Uganda
Plantation et Huileries du Congo (PHC), Congo DR.
Siti 1 DI Frontier, Uganda

UPSTREAM TECHNICAL ASSISTANCE	DEVELOPER - INVESTOR	CREDIT SOLUTIONS
-------------------------------	----------------------	------------------

## AT A GLANCE

Established	2006
PIDG Owners currently funding	DFID, SECO, Sida, DGIS/FMO and DFAT
Cumulative PIDG Member funding	\$311.6m
Fund Capacity	Capacity of over \$1bn
Managed by	GuarantCo Management Company Ltd
Total Commitments as at 31 Dec 2018	\$1,163.1m to 50 projects for which GuarantCo has signed a recourse agreement and/or have reached financial close
2018 Commitments	\$254.7m to 7 projects for which GuarantCo has signed a Recourse Agreement and/or reached financial close, and \$31m increase in exposure to already-existing projects

## EXPECTED DEVELOPMENT IMPACT

	2018	Cumulative
Financially-closed projects	7	50
Total investment commitments (TICs) (\$m)	1,101.0	6,445.0
Private sector investment commitments (\$m)	1,101.0	5,544.1
% of TICs in LDC/OLIC/LMIC*	n/a	95%
% of TICs in FCAS	n/a	35%
Access (in millions)	4.1	43.2
Job creation: short-term	5,565	14,684
Job creation: long-term	211	220,616
Fiscal benefits (\$m)	453.8	2,144.0

\* All GuarantCo projects have been made in LDC/OLIC/LMIC except for 3 projects in South Africa and 1 project in Gabon, where the Owners gave specific permission.

## PROJECTS THAT REACHED RECOURSE AGREEMENT IN 2018

Project
Acorn Holdings, Kenya
Dalmia ('Calcom Cement 2'), India
Delta Industries International, Cameroon
Ho Chi Minh Infrastructure Investment JSC ('CIH'), Vietnam
Nam Long Investment Company ('NLIC'), Vietnam
Renew Vaya Urja Private Limited, India
SREI Equipment Finance Ltd, India

## PROJECTS THAT BECAME OPERATIONAL IN 2018

Project
Albatros Energie Mali SA, Mali
Sindicatum Renewable Energy Company ('SREC'), India and Philippines
Technaf Solar Energy Limited ('TSEL'), Bangladesh

## Infrastructure Crisis Facility - Debt Pool

A time-limited partnership, set up in 2009 and closed to new business in 2015, Infrastructure Crisis Facility - Debt Pool (ICF-DP) provided long-tenor loans to support infrastructure projects which had become stranded by the global financial crisis

## Green Africa Power

Providing financing and support for renewable projects in Africa. Green Africa Power (GAP) has ceased taking on new projects and is in voluntary liquidation

### AT A GLANCE

<b>Established</b>	<b>2009</b> - ICF-DP is a closed-end fund and is no longer making any further investments
<b>PIDG Owners who have provided funding</b>	KfW
<b>Cumulative PIDG Member funding</b>	\$7.8m
<b>Managed by</b>	Cordiant Capital Inc.
<b>Total Commitments as at 31 Dec 2018</b>	\$568.4m to 19 projects that have reached financial close and/or have been repaid

### EXPECTED DEVELOPMENT IMPACT

	Cumulative
Financially-closed projects	19
Total Investment Commitments (TICs) (\$m)	4,416.5
% of TICs in LDC/OLIC	17%
% of TICs in FCAS	32%
Access (in millions)	12.3
Job creation: short-term	9,981
Job creation: long-term	4,699
Fiscal benefits (\$m)	633.7

### PROJECTS THAT BECAME OPERATIONAL IN 2018

<b>Project</b>
Azura Power West Africa Limited, Nigeria

The Infrastructure Crisis Facility – Debt Pool (ICF-DP) investment period ended in December 2015.

The ICF-DP was the mechanism for delivering Chancellor Merkel's pledge of €500m to fund stranded infrastructure projects in the emerging markets during the financial crisis of 2008-9.

Designed to help bridge the transition from pre-crisis to post-crisis, ICF-DP led to 19 projects, enabling access to infrastructure to an incremental 12 million people and creating nearly 5,000 long-term jobs directly.

The facility is in run-off.

### AT A GLANCE

<b>Established</b>	<b>2013</b> - During 2017, the decision was made to wind-down GAP, and it ceased taking on new projects
<b>PIDG Owners who have provided funding</b>	DFID (including BEIS), MFA (Norway)
<b>Cumulative PIDG Member funding</b>	\$44.7m
<b>Total Commitments as at 31 Dec 2018</b>	\$21.1m to 1 project that has reached financial close

### EXPECTED DEVELOPMENT IMPACT

	Cumulative
Financially-closed projects	1
Total Investment Commitments (TICs) (\$m)	30.5
% of TICs in LDC/OLIC	100%
Access (in millions)	0.2
Job creation: short-term	80
Job creation: long-term	24
Fiscal benefits (\$m)	1.1

PIDG strives to meet the demands of the market in which it operates. Following a strategic review of its activities and priorities, it became clear that there were not enough projects in the African renewable power sector that were sufficiently developed to justify continuing with

a specialised facility which trades only in intermediate capital products, such as GAP.

While PIDG's commitment to renewable energy in Africa continues, GAP has ceased taking new mandates and is in voluntary liquidation.

[www.pidg.org](http://www.pidg.org)

All pictures © PIDG and PIDG companies except where otherwise indicated.

**Sri Lanka Biomass Ventures:** Page 25

**Unsplash.com:** Biel Morro-235394, Clay Knight-185437, Dayne Topkin-101954, Dikaseva-35077, Linus Nylund-465861, Luca Bravo-132630, Mariana Proenca-1235973, Matthew T Rader-1144645, Saad Salim-765833, Yannis A-1168795

**Shutterstock.com:** lmg-276445445, lmg-763546810, lmg-1102392059

Every attempt has been made to clear copyright.  
Please contact PIDG should there be any inadvertent omissions.

**Design and illustration by PIDG.**

