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ADDENDUM TO THE DONOR PROFILES ON SUPPORT TO PRIVATE INVESTMENT FOR INFRASTRUCTURE: INTERIM REPORT

Advisory Group on Investment and Development

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This document is submitted for DISCUSSION under Item 7 of the Draft Annotated Agenda for AGID [COM/DAF/INV/DCD/DAC/A(2013)3].

It is s an addendum to the Donor Profiles on Support to Private Investment for Infrastructure: Interim Report [DCD/WKP(2013)2].

The document contains the detailed narratives of 10 donor profiles (Belgium, Canada, Germany, Korea, New Zealand, Norway, Portugal, Spain, Asian Development Bank, and African Development Bank) on support to private investment for developing country infrastructure.

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BELGIUM

Policies and Approaches

As stipulated by a 1999 law on international co-operation, basic infrastructure is one of the five focus areas of Belgian development co-operation. Within this context, Belgium identifies its comparative advantage as being in small-scale projects with strong local dimensions (roads to rural areas, local energy supplies, wells etc.), although it co-operates to some extent with other bilateral and multilateral donors on large-scale projects. The law also stipulates that partnership with private sector actors is one of the priorities of Belgian development co-operation. Focusing on small infrastructures, Belgium is not yet directly involved in PPP projects in developing country infrastructure.

The main agency responsible for promoting private sector development in partner countries is BIO, funded mostly by DGD. Consistently with the aforementioned Belgian government's focus on small-scale, local investments, BIO's objective is to prioritise public-private partnerships (PPPs) which aim at servicing local populations and businesses. Within the infrastructure sector, BIO stresses the importance of renewable energy and access to water and irrigation. With respect to operational aspects, it provides financing (directly or through intermediation of microfinance institutions) to SMEs, for example by investing in developing country-oriented equity funds which finance projects that would otherwise be ignored by commercial stakeholders. BIO has a co-operation agreement and division of labour with the Dutch development finance bank (FMO). Projects receiving BIO funding are required to comply with World Bank/IFC environmental standards.

BIO is active in about 60 developing countries, including fragile states. An example is co-financing of a loan together with the Emerging Africa Infrastructure Fund, FMO, and the African Development Bank for KivuWatt renewable energy project in Rwanda. The project, one of the largest private investments in the country, aims to double Rwanda's electrification rate.

BIO can invest in private or PPP projects, particularly in energy, water, telecommunications and transport infrastructure where the main purpose is to support the local private sector. BIO is mostly promoting private investment in infrastructure by means of direct and indirect investment in SMEs in developing countries. Main advantages of this approach is that it allows BIO to make more flexible investments; to be in line with the Belgian co-operation objective; focus on small infrastructures.

For any investment, BIO will provide its Board with a full *ex-ante* evaluation with financial, technical, environmental and social criteria. BIO also has access to Ducroire Delcredere SA.NV (a subsidiary of ONDD) that insures and reinsures the political and commercial risks of current trade transactions.

BIO's mandate was enlarged in 2010 to include the financing of private infrastructure projects. As project finance requires strong technical skills in addition to financial competence, a new Infrastructure Department was set up within BIO with 3 specialists in this field. To meet the instructions given by the Belgian Government to invest in larger infrastructure, BIO signed a Risk Sharing Agreement with FMO (Netherlands) in 2010 to co-operate and jointly finance infrastructure investments. FMO has extensive experience in this sector, amongst others *via* its Infrastructure Development Fund. BIO initially earmarked EUR 45 million for financing infrastructure projects in the context of this co-operation. At the end of 2011, the facility was renewed for another 3 years with a maximum amount of EUR 60 million. In 2012, BIO strengthened its co-operation with other specialised institutions such as the IFC or the AfDB. At the end of 2012, the infrastructure portfolio included 7 signed projects for a total of more than EUR 75 million.

Finexpo is a **governmental advisory committee - ma**naged and monitored by the Foreign Affairs Administration—actively supporting private investment in developing country infrastructure by offering interest rate subsidies, which are, to some extent, ODA eligible. Finexpo studies the dossiers submitted by companies and banks seeking public aid for export credits. It enables companies to export equipment and services to developing countries by either reducing or stabilising the credits granted by banks. Belgian Co-operation (DGD) participates to all FINEXPO meetings.

ONDD offers insurance services to Belgian private enterprises in their commercial or investment activities outside Belgium, which may include developing countries depending on its own risk analysis classification. ONDD does not administer any project. According to ONDD's 2011 Annual Report, it has offered insurance to several infrastructure projects in developing countries, such as delivery of telecom equipment to Brazil, rolling stock for the Santo Domingo metro in Dominican Republic, water supply system in Cameroon and extension of the sewerage of the Cua Lo in Vietnam.

Institutions and Instruments

The following table includes the institutions, roles, programmes or financial instruments in supporting private investment for infrastructure.

Institution	Role in Promoting Private Investment for Infrastructure	Programmes and Financial Instruments	Co-ordination with DGD
DGD of the Federal Public Service Foreign Affairs	Governmental co-operation in 18 countries Provides funding to BIO Funds 20 multilateral organisations, including European Development Fund, World Bank, etc.	Technical co-operation implemented by CTB	Not Applicable
FINEXPO (Interdepartmental Consultative Committee) advises the Minister in charge of foreign trade and the Minister of Finance)	Belgian federal instrument which aims at providing advice and financial assistance to Belgian companies to export capital goods and services Numerous project-type interventions in the form of interest rate subsidies for Belgian exporting enterprises	Interest stabilization Interest subsidies Interest subsidies with donations Pure donations Concessional State-to-State loans.	The Minister of Development Co-operation and DGD are represented in the Committee DGD, BTC and the Belgian embassies are involved in the advice on specific projects
BIO	Specific mandate to finance private infrastructure projects. Portfolio reached Euro 75 million in 2012	Dedicated investment portfolio (with FMO)	DGD is represented in the Board of BIO

BTC	Not active in directly promoting private investment, but active in small infrastructure projects through governmental co-operation and with rural producer organisations.		
Belgian Export Credit Agency (ONDD)	Provides risk mitigation of private investments in developed and developing countries .	Insurance, Guarantees	
Belgian Corporation for International Investment	Provides medium to long term co-financing of foreign investments by Belgian companies. Not ODA eligible.		
Ministry of the Environment (on green infrastructure)			

Coherence of policies is a main political objective of the Ministry for Co-operation, which was included in the new Law for Belgian Co-operation on 18 March 2013. However, efforts towards coherence of policies have already been on-going, such as through BIO's Boards of Administrators and several formal co-ordination meetings within Belgian Ministries (including Regional administrations) before any important co-ordination meeting with international organisation. Besides all the day-to day technical contacts, BTC and DGD also meet at least twice a year through a dialogue committee. Many Belgian actors are also involved in the preparation of all bilateral agreements between Belgium and the 18 official country partners.

The Ministry of Finance represents Belgium in the MDBs. Except for the World Bank, where a representative of DGD was recently posted in the office of the Belgian Executive Director, DGD has no direct link with the Belgian representation in the Executive Boards of MDBs. However, there is a regular co-ordination between DGD and the Ministry of Finance, especially on World Bank projects. Furthermore, BIO has strengthened its collaboration with IFC and AfDB.

Project Preparation Facilities

The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. As Belgium gives priority to core budget contributions to MDB, it does not generally contribute to PPFs managed by MDBs. On the other hand, BIO established a Capacity Building Fund in 2008 to help private sector companies (SME) to prepare feasibility studies for investment projects. It is however not specifically oriented towards infrastructure project preparation.

Evaluation

An internal evaluation in 2009 showed that BIO's infrastructure investments in Africa had shown some development impact: i.e., an increase in net government revenues in host countries; improved infrastructure supply due to network expansion and serving new areas; and improved performance in infrastructure provision due to private operators implementing cost-oriented tariffs, lower usage charges, improved operation and maintenance and more reliable supply.

Furthermore, an independent evaluation of BIO activities in 2012 concluded that BIO's financial instruments were filling a niche that would otherwise be ignored by commercial stakeholders. However, it also indicated that the catalytic role of BIO investments was uneven and that projects needed to address development objectives more clearly. `

Additional Information

Belgian is not yet involved in blending mechanisms, but is very interested in sharing experiences as it will promote blending mechanisms for small infrastructure. In particular, the New Belgian Co-operation law of March 2013 reinforces small infrastructure as one of five priority sectors. The relationship between BIO and DGD is actually under a review process. At the end of 2013, a new agreement should be signed; whereby BIO will be more closely involved in official development co-operation programmes with its development objectives reinforced. For the 1st 2014 trimester, DGD will provide the Minister with a new strategy paper on infrastructure.

CANADA

Policies and Approaches

Support for infrastructure development is included in Canada's development assistance priority of Sustainable Economic Growth. Infrastructure is a key component of the enabling environment for economic growth. Access to infrastructure services broadens economic potential and empowers communities to improve living standards. Investments in infrastructure contribute to growth and to improving access to key services such as clean and accessible water, efficient transport systems, reliable and affordable energy, and accessible information and communication services. Enterprises need adequate transportation networks, from rural roads to airports to access markets for their goods and services. The availability of reliable energy, and information and communication technologies makes enterprises more productive, innovative and competitive. Economic infrastructure, however, remains a critical gap and a massive infrastructure deficit exists for which innovative solutions are required.

DFATD's main instrument for supporting infrastructure investments is through multilateral institutions in particular through long-term institutional support to the regional development banks and through programming with the World Bank Group. This is because many large-scale projects require loan or equity-based investments to maximize long-term sustainability, and DFATD lacks such mechanisms internally. Through bilateral and partnership channels, DFATD supports the development of small-scale infrastructure as well as programs that build government capacity and the enabling environment needed to attract investments for large infrastructure projects.

The Government of Canada has also established an approach to work with the private sector as partners in development which includes a focus on investment. This new approach will bring a greater focus on attracting private investment for a number of development priorities, including infrastructure. For example, DFATD has provided an anchor investment (CAD 20 million over five years) to the Conflict-Affected and Fragile Economies Facility. Canada's support will help promote sustainable economic growth by providing access to insurance against political risks for private sector investment in a large number of fragile and conflict-affected countries, such as Haiti. The facility will offer private-sector investors coverage against expropriation, war, terrorism and civil disturbances, breach of contract, non-honouring of sovereign financial obligations, and currency inconvertibility and transfer restrictions. The new facility will support a range of investments in sectors such as agribusiness, finance, manufacturing, and infrastructure. The Multilateral Investment Guarantee Agency (MIGA), the political risk insurance arm of the World Bank Group, will establish and manage the facility.

Export Development Canada (EDC), Canada's export credit agency, is also active in the area of infrastructure. Given Canada's strengths in the sector and India's needed USD 1 trillion in infrastructure development, EDC is undertaking a multi-year effort to increase Canadian involvement in India's infrastructure sector through a series of initiatives that include: matchmaking, increased engagement with key Indian infrastructure developers and their financial partners and raising awareness of opportunities in the sector to Canadian business. The promotion of Canada's Clean technology, as a subset of the infrastructure sector, is also being considered within the scope of the India initiative. These are two of three strategic initiatives launched by EDC that will see additional resources and efforts made to create new trade and investment opportunities for Canada. India, a significant growth economy with a GDP exceeding $1.5 trillion will require massive investment in new infrastructure ranging from power generation and transmission, to transportation and municipal services.

EDC manages an equity investments program, under which funds are invested both directly in infrastructure projects, as well as in infrastructure funds, such as the Indian Infrastructure Development Finance Company In developing countries, EDC solely invests as an institutional limited partner investor in private equity and infrastructure funds. It currently manages a portfolio of more than 20 funds in India, China, Africa, South America, Eastern Europe, SE Asia and the Caribbean. Most of the fund investments have been made in mid-market private equity funds. While there is no specific allocation to infrastructure per se, EDC has invested in infrastructure and infrastructure-oriented funds in India and South America. In accordance with EDC's overall mandate, the primary purpose of the equity program is to facilitate the development of trade between Canada and the markets served by the fund investments. EDC has established a Connect program whereby it facilitates introductions and match-making to Connect Canadian companies with a value-add solution to opportunities in the developing markets identified by the fund managers backed by EDC. This program has led to new partnerships, relationships and business to support economic growth in the developing countries and enhance Canada's trade relationships with those markets.

Canada was also a founding donor to the Public Private Infrastructure Advisory Facility (PPIAF) hosted by the World Bank, and is a founding and the largest donor to the IDB Regional Infrastructure Integration Fund.

Institutions and Instruments

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Financial Instruments	Co-ordination with DFATD on Private Investment in Infrastructure
Department of Foreign Affairs, Trade and Development	Promoting infrastructure investment is included under the development assistance priority of Sustainable Economic Growth. A new approach to working with the private sector also includes a focus in investment (infrastructure included)	Grants, Contributions, IFI Replenishment and General Capital Increases, Technical co-operation	Not applicable
Department of Finance	In charge of contributions to IFC, primarily those involving investment or lending	Grants to IDIs, IFI Replenishment and General Capital Increases	Yes
EDC (Export Credit Agency)	Promoting Canadian investments in infrastructure in India and in clean energy in developing countries and emerging markets are among the key priorities of EDC	Political risk guarantees Equity participation Export credits Financing	Yes
Canadian Food Inspection Agency, Standards Council of Canada, Canadian Border Services	Promoting quality infrastructure	Technical assistance	Yes

Domestic PPP Experience

Canada is actively using PPPs in its domestic investment projects, including in economic infrastructure. The robustness of the Canadian PPP market between 2009-2011 is evidenced by the total number of PPP deals which reached financial close during the this period (39 in total) culminating in a combined capital investment of approximately $21.7 billion. Among these 39 projects, 14 were in infrastructure. Despite Canada's positive domestic experience with PPPs, DFATD considers MDBs as the most appropriate institutions to promote private investment for developing country infrastructure, given the extensive expertise and financial instruments at their disposal.

Comparative Advantage and Co-ordination with Other Donors

Canada has established strong cooperation with other multilateral donors in private infrastructure investment promotion. DFATD considers support to multilaterals, such as support to regional development banks and the World Bank Group, as the most appropriate channels to financially promote private investment in developing country infrastructure.

Support to the Enabling Environment

Canada considers the improvement of the enabling environment as one of the best ways to promote private investment in developing countries, including for infrastructure. Through bilateral and partnership channels, Canada supports the development of small-scale infrastructure as well as programs that build government capacity and the enabling environment needed to attract investments for large infrastructure projects. Support to multilateral and regional initiatives aims primarily to enable partners prepare bankable infrastructure projects. Examples of these include the Partnership for CARICOM Private Sector Development and the NEPAD-Infrastructure project preparation facility (IPPF), IDB's Regional Infrastructure Integration Fund and Multilateral Investment Fund. These aim at assisting African and Latin American and Caribbean countries, Regional Economic Communities (RECs) and related institutions to prepare high quality and viable regional infrastructure projects and programs that can sustainably attract loan based financing from IFIs or the private sector.

Canada has also recently contributed to the ASEAN infrastructure centre of excellence based in Singapore that will facilitate pioneering private-public partnerships devoted to ASEAN-wide connectivity. The ASEAN Infrastructure Centre of Excellence is being established to act as a regional infrastructure project development / structuring facility that will provide expert technical assistance to ASEAN governments in identifying and preparing commercially viable, gender-sensitive and environmentally sustainable bankable and high impact PPP infrastructure projects. Once structured, these PPP projects would then be referred to the ASEAN Infrastructure Fund for financing of the public sector portion, and be marketed for private sector participation, including through support to the Facility for Investment Climate Advisory Services of the World Bank Group. As noted above, DFATD is also supporting the creation of a new Conflict-Affected and Fragile Economies Facility established by MIGA to encourage investment through provision of political risk insurance.

DFATD also uses grant-based programming to build government capacity to manage investment and build capacity of companies active in utility sectors, as in the case of its project with Electricité d'Haiti (EDH), aimed at increasing the capacity and service quality of one of its local branches. Infrastructure programming must also ensure the integration of crosscutting issues (governance, equality between women and men, and environmental sustainability).

Project Preparation Facilities

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

- African Water Facility (AWF) hosted by the African Development Bank (AfDB)
- New Partnership for Africa's Development Infrastructure Project Preparation Facility (NEPAD IPPF) hosted by the African Development Bank (AfDB)
- Regional Infrastructure Integration Fund (hosted by IADB)

Green Infrastructure

As part of Canada's commitment to provide fast-track financing under the Copenhagen Accord, Canada contributed USD 400 million in climate change financing in 2010–2011. According to the CRS, approximately USD 270 million out of this total was channelled through IFC for clean energy projects in developing countries in 2011.

Canada believes that the scale of the long-term climate-change finance commitment made under the Copenhagen Accord will require the mobilization of private financing and investment, with donors playing a key role to play in providing the leverage and building the policy support.

In this context, Canada provides local currency funding through the $250 million Canadian Climate Change Fund for the Private Sector in the Americas. The Department of Finance Canada is also engaged in non-concessional climate change development finance, with a US $76.5 million investment in the International Finance Corporation Catalyst Fund - an innovative partnership designed to “crowd in” private capital and transform climate financing in emerging markets.

GERMANY

Policies and Approaches

The Federal Ministry of Economic Cooperation and Development (BMZ) emphasises the importance of strong private sector for sustainable development. It promotes efforts to increase German, foreign and local private investment in developing countries through numerous channels. German Investment and Development Corporation (DEG), Germany's Development Finance Institution (DFI) and a subsidiary of KfW, constitute the core of German efforts to directly promote private sector investment in developing countries. Its goal is to provide the necessary long-term funding for investments (including loans, equity, and to some extent guarantees) to businesses operating in developing countries. Its support to economic infrastructure projects is rapidly growing, which constituted 28% of all new commitments in 2011 (EUR 342 million). DEG supports international, local, and German[1] businesses and financing institutions, prioritising small and medium sized enterprises. Furthermore, DEG made substantial effort into expanding its operations to low-income countries in Asia and Africa. Within the infrastructure sector, climate friendly investments constitute another priority, with strong emphasis on renewable or efficient energy projects.

KfW Development bank finances infrastructure investments, some as PPP approaches—via direct project related finance to governments of developing countries as well as via financial intermediaries like the Private Infrastructure Development Group (PIDG) funds. Apart from this, KfW development bank supports measures addressing the enabling environment for private investment and also private infrastructure investment, such as: improving governance and public procurement, financial system development in developing countries. A board member of KfW participated in the G20 High Level Panel on Infrastructure Investment; the panel submitted a report (October 2011) with clear recommendations, *inter alia,* regarding private sector participation in infrastructure.

Through the develoPPP.de programme, BMZ provides companies engaging in developing and emerging countries with financial and, if required, also professional support. The company is responsible for covering at least half of the overall costs; BMZ contributes up to a maximum of EUR 200,000. These development partnerships with the private sector may last up to a maximum of three years and cover a wide variety of areas and topics. Since its creation in 1999, develoPPP.de contributed to more than 1,500 projects, including a few related to infrastructure such as renewable energy and water and sanitation. DeveloPPP does not finance large infrastructure investments.

BMZ co-funds a multitude of multi donor trust funds aiming at infrastructure investments or enabling environment for infrastructure investments:

- Public Private Infrastructure Advisory Facility *(PPIAF; a multi-donor trust fund that provides technical assistance to governments in developing countries in support of the enabling environment conducive to private investment)*
- Private Infrastructure Development Group (PIDG)

Institutions and Instruments

The objective of this section is to show the range of support by the donor government and the extent to which the BMZ, KfW or GIZ are co-ordinating with other parts of the government to promote private investment for infrastructure.

1 German companies accounted for 8% of all new commitments in 2011.

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Type of Co-ordination on Private Investment in Infrastructure
Ministry of Economic Co-operation and Development (BMZ)	Provides investment and study /TA finance from the public budget. BMZ considers the involvement of private sector to be of key importance for the goal of making global development sustainable. (It funds the develoPPP.de PPP program which is implemented by GIZ, DEG and Sequa).		Country and sector strategies
GIZ	GIZ provides some advice on respective PPP in infrastructure to partner governments. GIZ provides expertise to German and international businesses seeking support to engage in developing countries.		BMZ provides the finance, sets the country and sector focus, approves GIZ projects.
KfW Entwicklungsbank	Finances infrastructure investments, some as PPP approaches- via direct project related finance to governments of developing countries as well as via financial intermediaries Comprehensively supports measures addressing the enabling environment for private investment and also private infrastructure investment, such as: improving governance and public procurement, financial system development in developing countries. A board member of KfW participated in the G20 High Level Panel on Infrastructure Investment	Investment finance and technical assistance/studies, grants, concessional loans, guarantees, non-concessional loans	BMZ provides finances and approves projects

DEG	Provides financing and guidance to private companies and financial institutions investing in developing country infrastructure.	Equity guarantees and non-concessional loans	BMZ is member of the supervising board of DEG
German ECA (consisting of Euler Hermes and PriceWaterhouse Coopers); PwC is in charge of the investment guarantees	Political risk mitigation of German private investments in developing countries. In order to minimize pay outs, the German ECA actively intervenes, such as by giving diplomatic escort in case of conflicts.	Political risk guarantees for German companies	Mandated by the German federal government; decisions by "Interministerial Committee" consisting of the Federal Ministry of Economics and Technology, the Federal Ministry of Finances, the Federal Ministry of Foreign Affairs and the Federal Ministry of Economic Co-operation and Development
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)	Provides investment funds for climate related infrastructure (adaptation, mitigation) BMU funds the "Climate Partnerships with the Private Sector" programme operated by DEG, which invests in climate friendly technologies, including in renewable and efficient energy.	Grants to the public and private sector	

Whole-of-Government Approach

Topics of investment on infrastructure are discussed at the G8/G20/World Bank level. These projects are co-ordinated by the infrastructure department at BMZ, including those of the EU-Africa Infrastructure Trust Fund, as Germany has a seat in its Executive Committee. Co-ordination among the government institutions depends on the specific sector (e.g. energy with BMU).

At the same time, while responsible departments for countries in BMZ generally co-ordinate specific programmes, they do not necessarily have knowledge of projects of other government institutions outside their partner countries, such Euler Hermes support for the Bergama wind farm investment in Turkey.

Domestic PPP Experience

Starting from the mid-2000s, Germany made strong efforts to promote more frequent use of Public-Private Partnerships (PPPs) within Germany, with an objective of increasing its share in all public investments to 15%. At the same time, most PPPs in Germany have been in the non-economic sectors (schools, training centres, sports/cultural facilities, administrative buildings.

PPPs are not an objective but an instrument (among others) to achieve various objectives. Thus, PPPs should not be promoted *per se* but in an adequate context and with clear objectives (such as mobilisation of capital, efficiency gains, risk sharing).

Germany sees potential for PPPs in many regions and sectors. Challenges in the various regions and sectors are different and need to be addressed specifically. In the finance sector, co-operation with private actors (banks, finance institutions, fund managers) is widely spread, whereas in the health sector, there are fewer such co-operations. PPPs are not always the adequate implementation mode of projects. They have various prerequisites, such as an appropriate enabling environment (investment climate, political will, acceptance, etc.). Choosing a mode of service delivery (PPP or not PPP) should be done based on economic and pragmatic considerations, not based on ideological considerations. Delivering specific infrastructure or other services as a PPP should be an option to be compared with alternative ways of service delivery (public, user groups or other).

As PPP approaches often create high transaction costs in the government of the partner country and in the financing institutions (preparation of PPP projects is more demanding and complex, monitoring and regulatory requirements are higher, financing cost may be higher due to different tax regimes and profit expectations). These transaction costs are often underestimated. Hence, comparing capital and efficiency gains and the higher transaction cost of PPP approaches should guide the decision for or against a PPP.

Project Preparation Facilities

The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. In this context, Germany co-funds the following PPFs managed or financed by Multilateral Development Banks.

- A global project development fund (SBF) supporting projects with high probability of getting investment finance by KfW development bank: The fund is not specialized on infrastructure and on private or PPP infrastructure but may be used for the preparation of infrastructure PPP projects.
- New Partnership for Africa's Development Infrastructure Project Preparation Facility (NEPAD IPPF)
- South African Development Community Project Preparation & Development Facility (SADC PPDF)
- EU-Africa Infrastructure Trust Fund (EU-AITF)
- Energy Sector Management Assistance Program (ESMAP)
- *EU Neighbourhood Investment Facility* (NIF)
- EU Western Balkan Investment Framework (WBIF)
- EU Latin American *Investment Facility* (LAIF)
- Investment in Global Infrastructure Project Development Fund IFC InfraVentures (via the German contribution to IFC) Geothermal Risk Mitigation Facility for Eastern Africa

Germany emphasises that more should be done by donors to support project preparation. In order to enhance private investment for infrastructure, particularly for Public-Private-Partnerships (PPPs) multilateral and bilateral donors should follow the respective recommendations in the Final Report by the High Level Panel on Infrastructure—Recommendations to the G20 Submitted on 26 October 2011.

Support to the Enabling Environment

The need for reforms and development of the legal, political, financial and institutional framework for private sector participation in infrastructure differs very much according to countries, sometimes regions in countries, sectors and subsectors.

From Germany's point of view, improvements in all three areas of the enabling environment (political, institutional and regulatory) are necessary to enhance private investment in developing country infrastructure. In addition, improvements in labour force qualification and access to finance are needed. German development co-operation therefore supports its partner countries in reforms of the political, regulatory and institutional framework conditions, as well as in improving vocational training and access to finance for the private sector.

Germany sees a need for more active support in order to improve the enabling environment for private investment in low income countries, especially in Africa. Nevertheless, the choice whether to provide particular infrastructure services privately, as PPP or as a public services needs to be taken a case by case without discriminating or favoring any option.

Co-ordination with Other Donors

Germany actively co-operates with multilateral institutions such as the World Bank, the International Finance Corporation, and the Regional Development Banks in their efforts to promote private investment in developing countries. Furthermore, DEG co-operates with the European Development Finance institutions (EDFI, *www.edfi.be*); under this umbrella the DFIs jointly finance numerous projects. The DEG is co-operating with Dutch (FMO) and French (Proparco) DFIs, which led to the establishment of a joint office of FMO and DEG in Johannesburg.

Germany sees a particular strength of multilateral institutions in knowledge management and sector policy dialogue to improve the enabling environment. Global multilateral finance institutions have their strengths in risk diversification and enhancing south-south co-operation. In complex infrastructure projects, Germany sees an advantage in choosing a lead financing institution responsible for leading the dialogue in project structuring and transaction advice.

KfW is regularly involved in commenting on IFC's strategic documents. BMZ participates in a no-objection project approval of Public Private Infrastructure Advisory Facility (PPIAF). All PPIAF project proposals may be commented by KfW and GIZ.

Evaluation

BMZ and its implementing agencies GIZ and KfW apply general evaluation criteria; they are not specific to private sector participation.

DEG has developed its own monitoring instrument called the Corporate Policy Project Rating (GPR), which is now used by 15 other DFIs as well. The GPR is used to assess the project's effects throughout the entire project cycle. It places emphasis on four major elements: financial sustainability of a project, DEG's return on equity, the additionality of DEG's flows and project's developmental effects. In addition to a composite index which reunites all of the above factors, each project is evaluated separately on the developmental effects. In 2012, 74% of DEG's portfolio projects were evaluated as either "very good", "good" or "fully satisfactory" in the composite rating, whereas 73% of projects received "very good", "good" or "fully satisfactory" for their developmental effect.

The way a private sector investment contributes to development depends on the type of sector financed. Consequently, the GPR takes into account different indicators for different sectors to evaluate the impact of a project. In case of productive enterprises, these are quantitative effects, such as government revenues and net currency effects, but also qualitative effects such as qualification and advanced training or market and structural effects. Financial sector projects and private equity funds especially focus on the contribution of the project to financial sector development e.g. through savings mobilisation or diversification of credit allocation. In the case of infrastructure projects, the evaluation considers the contribution of the project to the mitigation of supply bottlenecks and to performance increases in connection with private operators. Effects directly contributing to poverty reduction, such as employment creation and gender effects, are taken into account in all types of projects.

In 2012, DEG committed 11 renewable energy projects and 3 energy efficiency projects (upgrade single cycle to combined cycle power plants). These projects will increase the existing capacity with ca. 1.500 MW. This additional capacity is expected to produce an extra 6.000 GWh p.a. and serve approximately 7 million people (calculated per project using consumption per connected capita for the respective country). Through the development of these projects, the energy bottlenecks in the respective countries will reduce, with the energy mix changing in favour of a more environmentally-friendly production.

Additional Information

Apart from the above mentioned factors, Germany considers the following factors as important in PPP promotion:

- Political will on behalf of the government and key stake holders
- Coherent sector context/reforms of the enabling environment/investment climate in a sector
- Creating a PPP project pipeline in a country instead of a single project approach
- Having a well-established database for designing and monitoring the performance of PPP contractors
- Institutional strengthening for PPP project preparation, project design and monitoring
- Transparency towards interested stakeholders and the public. Also in case of occurring problems.
- Developing the local financial systems for infrastructure finance (bond issuance, local currency finance, etc.)

KOREA

Policies and Approaches

Based on its own postwar development experience in transforming from an aid-recipient country, Korea underlines the importance of infrastructure for economic growth and poverty reduction. As a result, Korea supports large-scale infrastructure projects mostly through concessional and non-concessional loans to partner governments through the Economic Development Cooperation Fund (EDCF) of KEXIM.

KOICA underlines the importance of transportation and energy sectors as main contributor to sustainable economic development in developing countries. It assists partner governments' efforts to boost investment in infrastructure mainly through technical cooperation program named Development Experience Exchange Partnership (DEEP) as well as capacity building training program for government officials. DEEP program provides consultation to governments in developing countries on policy planning, feasibility studies, small scale pilot projects, and optimal project financing schemes for priority infrastructure investment.

For enabling environment for boosting investment in infrastructure, KOICA emphasize the need for reforms and development of the legal, political, financial and institutional framework for private sector participation and provides consultations to partner governments considering local context.

As well, KOICA puts high priority on enhancing efficiency and transparency in government functions to induce investment in infrastructure and it assists partner governments to build ICT capacity for specialized government functions. It provides technical expertise to establish master plan for ICT policies, detailed designs for administrations such as tax and customs or immigration management which may be crucial to boost foreign investment.

At the same time, while Korea itself has extensive experience in Public-Private Partnerships (PPPs) within its own country, it is not yet extensively supporting developing country infrastructure projects that involve private investment.

Nevertheless, EDCF/KEXIM is working on increasing its contributions towards PPP projects in developing countries' infrastructure[2], with the most notable example being the Stage II of the Jalaur River Multi-purpose Project in Philippines. Furthermore, EDCF has introduced a new guarantee programme for Korean companies in 2011 to invest in developing country infrastructure. In addition, PIMAC/KDI disseminates research regarding Korea's expertise in PPPs for infrastructure to developing countries. Throughout their activities in economic infrastructure, both KOICA and EDCF integrate a green growth approach by particularly using their expertise to promote the use of renewable energy.

EDCF/KEXIM is trying to increase its contributions towards PPP infrastructure projects in developing countries with the private sector, although the activities are not yet prominent. This is mainly due to the well-known obstacles in PPP implementation in developing countries, such as huge delays in project identification, unclear legal system, and political instability or risks. Furthermore, financing itself is one of the main bottlenecks: therefore, the private sector is requesting support from the Korean government to hedge these difficulties. This is the reason why EDCF has newly introduced a political risk guarantee programme which aims to diversify its portfolio beyond ODA loans.

[2] There are some recent efforts to develop PPP projects in Indonesia and Vietnam, but they are all in very early stages.

As particularly large PPP schemes in developing country are more likely to be risky and one-off cases, it is obvious that a rigorous approach to public-private collaboration is essential. In this regard, development assistance can play a catalytic role through many innovative instruments, such as guarantees, insurance, or equity investments. These instruments have been developed to address sources of market failure that may otherwise prevent or delay private investment.

Ministry of Foreign Affairs and KOICA recognize the catalytic role of ODA to boost private investment in developing countries, and established a “Consultative Group for Korean SME in Developing Countries”. The Group support institutional and financial framework to facilitate development activities and investment in developing countries of the Korean small and medium enterprises.

As well, KOICA recently introduced new program named “Innovative Public Private Partnership” to invite private sector involvement in developing countries. The program provides opportunities for Korean private companies and civil societies to develop matching projects which may boost local economy and decent employment in developing country. KOICA country offices and private actors review the feasibility of investment projects including small scale infrastructure highly demanded from local governments and communities.

Institutions and Instruments

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Co-ordination for Private Investment in Infrastructure
Ministry of Foreign Affairs	Promoting investment including infrastructure in developing countries is included under the development assistance priority	Advisory Services	MOFA and KOICA meet regularly to find ways for promoting investment in developing countries through ODA Korean Embassies and KOICA country offices holds regular consultative meetings for strategic planning and sharing information on investment in infrastructure in developing countries
Ministry of Strategy and Finance (MOSF)	Provide advisory services for developing countries to strengthen their institutional capacity building	Advisory Services	MOSF and EDCF meet regularly to find a way for the promotion of PPPs for Korean companies.
KOICA	Provide technical assistance projects (DEEP) for policy planning, feasibility studies, optimal project financing schemes and small scale pilot projectsfor infrastructure investment Provide capacity building of partner governments with consultations and training programs	Grants, Technical Cooperation	

		Assist improving transparency and efficiency of overall government functions through ICT technology Survey needs for small scale infrastructure in developing countries and encourage involvement and investment of Korean private actors to boost sustainable local economy		
KEXIM	**EDCF**	Assists developing country governments by providing funding for their industrial development and economic stability Provides risk mitigation for Korean companies to invest in developing countries Provide joint advisory services with MDBs for developing countries to strengthen their institutional capacity building	Concessional and non-concessional loans Guarantees Advisory Services	KOICA and EDCF have regular inter-agency meetings to strengthen communications on projects, although they are not limited to private investment projects. There are KOICA-EDCF Senior Officers' Meeting twice a year and working-level meetings four times to build regional networks and strengthen the linkage between grants and concessional loans. As a result, the amount of collaborated projects between KOICA and EDCF more than doubled from USD 50 million in 2009 to USD 199 million in 2011, thereby contributing toward aid effectiveness.
	Investment Business Office	Provide advisory service and financing for Korean companies to win bids in the global infrastructure market	Project development Advisory services Equity participation	
	Other parts (export credit agency)	Promotes overseas expansion of Korean companies into emerging markets in Africa and LAC, especially by large corporations and SMEs in large-scale projects.	Export related financing Export credit guarantees	
K-Sure		Extends diverse trade insurance programs to cover the import and export related risks and overseas investment related risks of Korean companies	Export credit Insurance	The two Korean ECAs, K-Sure and KEXIM, meet regularly to find co-financing opportunities for private investment infrastructure projects

Ministry of Environment (on green infrastructure)			
PIMAC/KDI	PIMAC shares Korea's experience in PPPs with partner countries through seminars and research on their PPP policies. Topics include PPP policies, planning, feasibility studies, implementation and capacity building.		
KOTRA (Korea Trade-Investment Promotion Agency)			

The Ministry of Foreign Affairs and Ministry of Strategy and Finance co-ordinate with different ministries and public organisations in supporting the social and economic development of developing countries within the Committee for International Development Co-operation (CIDC) chaired by the Prime Minister. The CIDC was established in 2006 as the country's highest decision-making body to oversee and strengthen policy co-ordination and the strategic aspects of Korean ODA. CIDC has been promoting the establishment of "Country Partnership Strategy (CPS)" for main partner countries for ODA since 2010. CPS details how Korea intends to assist partner countries to achieve its development objectives. It outlines the volume of assistance and the sectors supported.

The Ministry of Foreign Affairs serves as the Executive Secretary to the Inter-Agency Grants Committee while the Ministry of Strategy and Finance plays the same role for the Inter-Agency EDCF Committee. These committees co-ordinate the government's grant and concessional loan activities and report to the CIDC. In principle, other ministries and agencies must consult with and receive approvals from these committees for their own ODA activities in order to ensure a consistent approach across the government.

The Korean Embassies and KOICA country offices in developing countries establishes Consultative Group and holds regular meetings for strategic planning and sharing information on investment in infrastructure. They also meet the host country government bodies to plan priority ODA projects in alignment with the government policy.

EDCF has also established bilateral 'Consultative Groups', particularly in two partner countries (Philippines and Vietnam) to meet their needs of infrastructure projects.

Domestic PPP Experience

According to the OECD work on PPPs of Member countries in the Public Governance Committee as well as PIMAC/KDI publications, Korea is strongly committed to using PPPs domestically, having a stock of almost 600 PPP projects as of end of 2011, although not all of them are in economic infrastructure.

Korea's experience with domestic PPPs provides some important lessons. First, for PPPs to succeed, governments will need to stay engaged, as many of the risks associated with long-term investments are beyond the ability of the private sector to manage. Second, building public sector capacity is crucial. To understand the public-private interface and develop these transactions together, it helps reduce the political risks and attract private capital. This includes the prudent management of government undertakings and contingent liabilities arising from PPP contracts. Third, PPP projects require patient capital. The reality of private finance is that some transactions, especially in developing countries, may not be funded, if they do not support shorter pay-back periods for the private sector. In particular, utility projects typically require large up-front investments which the private sector may not be ready to make without adequate risk mitigation instruments.

In these cases, governments should undertake some of the early development work and mobilise a broad range of financing instruments to attract private capital from project developers and commercial lenders. Finally, the high volatility of private investment flows highlights the reality that, despite great promise, the private sector cannot substitute for the public sector, which remains central to the delivery of infrastructure services, either as a provider or an enabler. A great deal of the infrastructure development in China and Brazil has been financed by national development banks, while in other countries, private investment funds operate with extensive public guarantees. These lessons above could be applied to developing country PPPs for infrastructure.

To translate these lessons-learned from Korea's experience to developing countries, the Ministry of Strategy and Finance launched the Knowledge Sharing Programme (KSP) in year 2004. KSP is a demand-driven bilateral policy consultation programme to share Korea's development experience with developing countries. It offers comprehensive policy consultations for developing countries encompassing in-depth analysis, policy recommendations, and training opportunities. In 2011, the Korean government launched joint consulting programmes with Multilateral Development Banks (MDBs) to support technical assistance/capacity building projects in a wide variety of demanding areas related to public-private partnerships (PPPs) and infrastructure development in developing countries.

As well, KOICA disseminates Korean experience of economic development with DEEP programs tailored to country-specific needs and context of developing countries. With DEEP programs on transportation, urban planning, water resources development and renewable energy sectors, KOICA provides technical expertise to partner governments with master plan, feasibility studies, engineering designs and pilot projects in infrastructure.

Co-ordination with Other Donors

KOICA pursues principles of harmonization within donor society in planning and implementing its programs in developing countries. Through bilateral and multilateral consultative meetings with other donors in headquarter and country level, KOICA finances basket fund programs for regulatory reform and large scale projects with other donors.

Infrastructure project proposals submitted to the MDB Executive Boards are not reviewed by KOICA. Co-operation with MDBs is the sole responsibility of EDCF/KEXIM. KOICA pursues principles of harmonization within donor society in planning and implementing its programs in developing countries. Through bilateral and multilateral consultative meetings with other donors in headquarter and country level, KOICA finances basket fund programs for regulatory reform and large scale projects with other donors.

The EDCF is increasing its co-financing[3] with the MDBs to meet recipient countries' growing demand for large-scale infrastructure projects. From lessons-learned, developing countries can benefit from this co-financing scheme to reduce time and cost for project identification, formulation, and preparation. The advantage of EDCF co-financing programme is to bridge the financing gaps of huge development projects as well as enhance donor co-ordination and harmonisation.

In collaboration with MDBs, Korea also carries out knowledge sharing of Korea's experience with partner countries. An example of this triangular co-operation by Korea, Thailand and ADB was *"Comparative Infrastructure Development Assessment of the Kingdom of Thailand and the Republic of Korea"* which analysed and assessed infrastructure development in Thailand—specifically in transport, energy, and water sectors.

In addition, EDCF organises a Global Infrastructure Development Forum annually with the MDBs and the Korean private sector to share information and help their expansion into the overseas market.

[3] EDCF co-financing refers to any arrangements under which EDCF funds are associated with funds provided by the MDBs for a particular projects or programmes.

Project Preparation Facilities

Korea has expressed strong support to the recommendations by the G20 High Level Panel on Infrastructure to focus on the project preparation stage—including enhancing Project Preparation Facilities (PPFs)—in order to boost private investment for infrastructure. More recently, Korea expressed to the G20 Russian Secretariat that it believes that there is substantial room for improvement in tackling project preparation issues, particularly since PPFs are essential vehicles to improve the enabling environment and in attracting private investors. Korea supports the following PPFs:

- Asian Infrastructure Financing Initiative (in AsDB)
- EDCF Project Preparation Facility (see below)

During the project preparation stage, when the borrowing countries face difficulties in coming up with a well prepared feasibility study, mainly due to financial and technical limitations, grants from the EDCF Project Preparation Facility are made available for the borrowers. This facility can be used for 1) pre-feasibility studies, 2) project cost estimation, 3) establishment of project scope, 4) feasibility study on economic, financial and technical aspects, 5) analysis of the economic and social impact of the project, and 6) environmental impact assessment studies. Funding from the PPF increased from USD 2 million for 14 projects in 2008 to USD 6 million for 17 projects in 2011.

Korea sees that the current support among donors for project preparation for regional and national infrastructure projects in developing countries which require huge resources is inadequate to meet existing demands. Thus, one of the key priorities to improve project preparation is the mobilisation of additional resources from the donors that are interested in infrastructure development.

Green Infrastructure

To promote green development in developing countries KOICA established “Climate Change Strategy (2006-2012)” with focus on capacity building to adapt to climate change. KOICA has launched a regional program with the East Asia Climate Fund (EACP) with USD 200 million for five years (2008-2012). EACP program includes various infrastructure projects for solar power energy plants, green transportation, and climate-resilient water management. In 2013, KOICA renewed its strategy for environment “Green ODA” and plans mainstreaming environment and climate change components to all public building projects in partner countries considering climate-resilient design and construction in developing new infrastructure.

The share of EDCF’s commitments for green infrastructure projects[4] has been increasing in recent years as it plans to scale up its aid volume for them. EDCF aims to commit more than USD 1.5 billion or 30% of total commitments for green projects between year 2011 and 2015. To facilitate green infrastructure, EDCF provides various incentives such as lower interest rates and increased support for feasibility study of green projects in developing countries.

Evaluation

KOICA has evaluation criteria both in general and sector specific projects. KOICA has initial, mid-term and final monitoring sessions during the project period for each technical cooperation projects including DEEP programs. It also conducts post evaluation after years of the project period to learn lessons and implications for strategic planning and efficient project designing.

EDCF/KEXIM conducts and publishes evaluation reports on a regular basis; however, as stated earlier, PPP projects are all in very early states as EDCF has engaged with them only recently. Therefore, EDCF has not evaluated any infrastructure project with a private investment component yet.

[4] Notable examples are solar/wind/hydro powers, bio fuel, water management, and waste treatment projects.

The primary purpose of the evaluation is to improve the quality of EDCF assistance by incorporating lessons-learned and recommendations from similar projects in the past and to ensure accountability and transparency by providing the evaluation results to various stakeholders. In this context, EDCF/KEXIM will conduct evaluations as soon as the private component projects are completed, which will be made available.

Additional Information

Recently, many countries have shown interest in PPPs for infrastructure, which—if properly designed—can help achieve significant improvements in basic infrastructure delivery and associated development outcomes. The challenge facing governments moving forward is to establish credibility in the international PPP market to leverage private capital into a range of infrastructure sectors. This will require clear legislations based on internationally accepted norms to attract private investors, as well as taking well-prepared PPPs to the market. The world has rebounded gradually from the financial crisis, with private investments flowing back in; however, the key constraints—*institutional, political, and financial*—still remain. Korea sees the need to restore private sector interest in infrastructure and bring the more risk-averse investors back to the table. In short, it is necessary to have a multi-pronged approach, with an innovative blend of risk-mitigating policies and instruments to facilitate private capital for development.

NEW ZEALAND

Policies and Approaches

The New Zealand Aid Programme, managed by the New Zealand Ministry of Foreign Affairs and Trade (NZMFAT), is the government's development cooperation programme and considers private sector development one of the key enablers of growth. For New Zealand, infrastructure investment support is primarily about finding opportunities for developing countries' private sector to be involved in infrastructure operation and maintenance, as most PICs' domestic private sector is acutely short of its own investment capital. The vast majority of New Zealand Aid Programme investment is in the smaller south Pacific Island countries (PICs). In New Zealand's experience, in these countries, promoting local private sector investment is about helping small (and in many cases very small) businesses to grow and take on work created by infrastructure investment and by the operation and maintenance requirements of those investments. New Zealand identifies the main obstacles to private investment in infrastructure in PICs as follows: the private sector in PICs is short of capital to invest; the smallness, isolation and limited capacity of PICs mean they are of limited attractiveness to foreign private investors; and small markets and relatively low cash incomes in the community mean that most infrastructure investments are not fully commercially viable without subsidy support.

Based on its own experience, New Zealand sees its comparative advantage in providing economic infrastructure to small and distant communities and in boosting the role of green/climate resilient infrastructure (e.g. renewable energy and waste management). Promoting private sector development is considered by New Zealand as one of the key enablers of growth. At the same time, private sector development is broader than private investment, and furthermore, based on the CRS data and other information available, New Zealand does not necessarily promote private investment in the infrastructure sectors.

NZECO, New Zealand's Export Credit Office, underwrites a large portion of any commercial debt structure that may complement an equity investment into a commercially viable infrastructure project. If a private NZ company requests political risk insurance on any equity investment, NZECO refers them to the Multilateral Investment Guarantee Agency (MIGA) of the World Bank. NZECO may also underwrite the risk of non-payment by Government buyers in respect of infrastructure projects e.g. NZECO has been underwriting the risk of Fijian Government non-payment on a road construction project which is partly funded by ADB and the remainder funded by the Fijian Government. NZECO may also underwrite a NZ exporter's risk of non-performance of a project, where the funder / buyer requires performance bonds.

Over the last year NZECO has also been directly approached by other NZ companies who have either been awarded or are looking to bid for New Zealand Aid Programme-funded projects, but who are having difficulty in providing sufficient security to their banks to enable them to issue the related performance bonds (often 100% of the project amount, which is a barrier for many NZ companies).

New Zealand Trade and Enterprise (NZTE) supports the involvement of New Zealand's business abroad. It works with PIC Governments around project scope, private sector partnerships from both countries and potential providers of capital (Banks, IFC, Donors, etc.) NZTE has a Capital team who also provide specialist support and knowledge for inward and outward investment. NZTE currently is not formally engaged in activities in promoting private investment for developing country infrastructure on a regular basis. However, NZTE is currently working with Hawaiki cable, a New Zealand company, to secure funding for a submarine fibre optic cable to connect to several PICs as it transverses the Pacific Ocean between Australasia and the USA. Hawaiki is promoting this as an economic development opportunity and seeking Government and other economic development funding from New Zealand and other countries with a Pacific interest – e.g. France. In particular Hawaiki is proposing that capacity on the cable could enable the islands to join regional research and education information networks. In terms of financial instruments, NZTE is currently working through options for Hawaiki to secure a grant from the Strategic Investment Fund (SIF), which is administered by NZTE on behalf of NZMFAT, to contribute to the development of the project business plan. NZMFAT is aware of Hawaiki's proposal.

Institutions and Instruments

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Co-operation with MFAT
NZMFAT (New Zealand Aid Programme)	NZMFAT supports public infrastructure in developing countries, primarily in PICs. It also provides funding to improve the enabling environment for private investment in infrastructure in these countries.		
The Export Credit Office	NZECO underwrites a large portion of commercial debt structures that may complement an equity investment into a commercially viable infrastructure project, including in developing countries.	Export credit Guarantee Short-term trade credit insurance Contract Bond Guarantee	Minimal to date
New Zealand Trade and Enterprise	NZTE Pacific supports the development of New Zealand's business enterprises. It works with PIC Governments around project scope, private sector partnerships from both countries and potential providers of capital (Banks, IFC, Donors, etc.)		

Comparative Advantage and Co-ordination with Other Donors

New Zealand concentrates its private investment promotion efforts on PICs, with which it has long-standing relations, its comparative advantage in private investment promotion stemming from it in-depth knowledge of social, economic and political conditions in these countries.

New Zealand cooperates actively with MDBs on private investment promotion, particularly in the Pacific region. For instance, it reviews infrastructure project proposals from the MDBs via the Pacific Regional Infrastructure Facility (PRIF) whose members are: New Zealand, Australia, the EU, the EIB, the World Bank Group (including the IFC), and the ADB.

Green Infrastructure

New Zealand sees considerable opportunity for local private sector growth and development built around investment in clean and renewable electricity generation. In this context, New Zealand, together with the European Union, hosted the Pacific Energy Summit in March 2013. The summit focussed on how to encourage foreign direct investment in the clean and renewable electricity sector of Pacific Island countries (PIC).

NORWAY

Policies and Approaches

The Ministry of Foreign Affairs emphasises the role of private investment in development. It promotes efforts to significantly increase Norwegian and foreign private investment in developing countries through various stakeholders such as Norfund, Norad and GIEK. Norfund is fully owned by the Norwegian state. Norfund generally provides equity financing of up to 35% to potential businesses which would otherwise not have been established due to high commercial risk. It expects the equity to leverage the remainder from other private actors and exits within 4 to 10 years to reinvest funds in other businesses.

Norfund prioritises equity since, although capital available for renewable electricity production generally is scarce, equity is particularly scarce. This is due to the fact that equity requires extensive upfront investments and that commercial investors generally would prefer less capital intensive energy investments such as gas or diesel/HFO plants.

Norfund is set up to take political and currency risks and does not secure its investments against such risks. Its investees, however, has to make appropriate arrangements to ensure bankability of the investments, which may include obtaining guarantees for PPA payments etc. MIGA, ATI and others are relevant guarantee providers for renewable power projects.

Norfund prioritises small and medium sized enterprises and low-income countries, including fragile states, such as South Sudan (Fula Rapids Hydropower Public-Private Partnership project) and Myanmar. In terms of sectors, half of its operations are in energy—particularly renewable energy, which would contribute to the UN goal of universal access to modern energy by 2030.

Norfund activities are complemented by Norad which finances feasibility studies and supports training of local employees of companies wishing to invest in developing countries. In addition, GIEK (Norwegian Export Credit Agency) offers political risk guarantees to Norwegian companies.

According to MFA, in addition to its involvement in Nordic Development Fund, Norway also actively co-operates with multilateral institutions such as the World Bank, the International Finance Corporation, and the Regional Development Banks in their efforts to promote private investment in developing countries. Furthermore, while not necessarily to promote private investment, Norway sees the importance and actively supports the improvement of the enabling environment for infrastructure in its partner countries.

Institutions and Instruments

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Co-ordination with Ministry of Foreign Affairs or Norad on Private Investment in Infrastructure
Ministry of Foreign Affairs	Ministry of Foreign Affairs oversees both Norad and Norfund. It offers grants to the local private sector in difficult markets and fragile states, particularly for renewable energy projects. Through its Energy+ program, MoFA promotes public-private partnerships in renewable energy sector in developing countries.	Grants Concessional loans to partner governments	Not applicable
Norad	Offers support to companies that consider establishing their operations in developing countries. Among others, Norad can contribute to feasibility studies, training of local employees and necessary infrastructure investment linked to establishment of the business	Grants	Norad is part of the decision-making process in the Project Development Facility for renewable energy established by Norfund. The PDF provides finance for project preparation to projects identified by Norfund as its future investments. For project development in general, Norfund and Norad have a continuous cooperation and some grant funds at their disposal.

Norfund	Norfund's mandate is to contribute to the development of sustainable business activity in developing countries by contributing to the establishment of sustainable, profitable businesses that would otherwise not be established due to a high risk.	Equity investment Non-concessional loans for private sector actors Commercial risk guarantees	Norad is part of the decision-making process in the Project Development Facility for renewable energy established by Norfund. The PDF provides finance for project preparation to projects identified by Norfund as its future investments. For project development in general, Norfund and Norad have a continuous cooperation and some grant funds at their disposal.
The Information Office for Private Sector Development in Developing Countries	Provides specialist advice and guidance, particularly regarding financing opportunities, to Norwegian companies seeking to invest in or trade with developing countries.		It is hosted by Norad and administered by Norfund.
GIEK	Political risk mitigation of Norwegian private investments in developing countries infrastructure.	Political Risk Guarantees	Under the development country scheme, GIEK submits the potential projects to Norad for an assessment of development effect.
Ministry of the Environment, MoE (with respect to private investment in renewable energy projects)	MoE takes part in the Energy+ team led by Ministry of Foreign Affairs. Energy+ supports the efforts of developing countries to increase access to sustainable energy services by development and implementation of renewable energy and energy efficiency. The following principles underpin design of the programme; sectoral approach, payment by results and enabling a better framework for private and commercial investments.	Energy+ co-operation at country level has started in Ethiopia, Kenya, Liberia, Bhutan and Nepal. The Energy+ team will provide information about "best practice" and successful policy instruments, but the developing countries will have the responsibility to choose instruments and to provide incentives to leverage private and commercial investments. Energy+ will provide payments by results in terms of *measured, reported and verified* results on increased access to sustainable energy services.	MoE is through the Energy+ Initiative cooperating very closely with MFA and Norad.

There is a close collaboration between the responsible department in MFA for the overall co-ordination (i.e. clean energy), the country co-ordinators in MFA, Norad and the relevant embassies with regard to clean energy infrastructure projects. The embassies, in most cases, responsible for follow-up of grants, are crucial to maintain the dialogue at the country level to ensure ownership and alignment with the host country development objectives.

A similar structure is developed between MFA, Norfund and relevant embassies to ensure co-operation and co-ordination.

According to the Creditor Reporting System (CRS) data and consistently with the “Business Creates Development” report, more than half of Norfund’s equity financing in renewable energy goes to SN Power, which was established in 2002 as a joint venture between Norfund (40%) and Statkraft, a Norwegian state-owned fully commercial power producer (60%). SN Power, a leading commercial investor and developer of hydropower projects in emerging markets, is Norfund's largest investment.

The investment in SN Power has been crucial in developing Norfund as a prominent investor in renewable energy in developing countries. Together, Norfund, SN Power and two other Norwegian hydropower companies have established Agua Imara, which focuses on hydropower investments in Sub-Saharan Africa and Central America. In the current strategy, Norfund prioritises the hydropower investments in LDCs and in Sub-Saharan Africa.

Co-ordination with Other Donors

Norway sees itself in the forefront with regard to renewable energy. Norway’s energy and climate partnership was launched at the Energy for all conference in Oslo 2011 with the aim to use a broad based international partnership to improve access to energy and promote energy efficiency, reduce emissions and stimulate private sector investments in the energy sector in developing countries. The Government has also initiated measures to stimulate Norwegian energy companies in particular. At least half of the NOK 1,18 billion that has been allocated to increase Norfund’s basic capital in 2013 is to be channelled into renewable energy. Norfund has thus been tasked with developing suitable mechanisms for involving Norwegian investors in the projects.

There is no system in place to capture information and knowledge of MDB projects that promote private investment for infrastructure; it is more ad-hoc. However, fewer projects appear to be submitted to the Executive Boards, as decision can be taken at a lower level.

Support to the Enabling Environment

Measures intended to help reduce risk, in different ways, to trigger private investment is crucial to promote business activity and private investments. These measures should facilitate various forms of public private co-operation subject to the nature of the country as regard to governance, corruption and vulnerability.

Unpredictable business environment represents a significant risk for investors. When a country adopts and commits to complying with international, regional and bilateral agreements and rules, business activity can take place in a more predictable environment. Investment into good governance and institutional building is an important area for international development assistance to improve business climate.

The need for energy in poor countries is enormous, especially renewable energy. This is important for development. Economic growth is closely linked to higher consumption of energy, particularly electricity. An unreliable electricity supply is often cited as an important obstacle to economic growth, particularly among small and medium-sized enterprises. Without a reliable source of electricity, enterprises are dependent on private diesel or petrol generators, which are very expensive. A power cut can also mean a substantial loss of income for these companies.

Investment in electricity production capacity in developing countries has been too low to meet the growth in demand. Many countries therefore have to resort to emergency solutions, in many cases in the form of a large number of generators based on diesel or heavy fuel. The operating costs normally exceed the income from electricity sales, which exacerbates the already difficult financial situation of the power companies. The only way to break this vicious circle is to increase investment in more long-term solutions. Although they are capital-intensive, the costs associated with both hydropower and wind power technologies have been substantially reduced in recent years. In many developing countries there is a high potential for making better use of water and wind in electricity production. With cheaper technology this is an increasingly better alternative to coal power (often the only alternative).

In most developing countries independent producers depend on selling all or most of the power they produce to the national electricity agency, often an uncertain payer with weak finances and low creditworthiness. This is a major risk for the power companies and increased effort should be made to develop suitable guarantee instruments (political and financial) to reduce the off taker's risk.

Project Preparation Facilities

The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. In this context, Norway funds the following PPFs managed by Multilateral Development Banks.

- African Water Facility (AWF)
- South Asia Water Initiative (SAWI)
- Energy Sector Management Assistance Program (ESMAP)
- Green Africa Power (GAP)

Norway has also established in 2011 its own PPF for investments in renewable energy, called Project Development Facility (PDF), which is administered by Norad and Norfund. Only investments that have prior Norfund approval for financing are eligible to use PDF for project preparation. Norfund will offer up to USD 2 million in equity or convertible loans and Norad will provide up to USD 1 million as grant. However, Norad can also approve project development financing to projects that are not linked to Norfund.

There are many challenges and barriers in enhancing private investment for infrastructure, which could be country/project specific. It is important to as far as possible focus on addressing the underlying risks (e.g. regulations, utilities credit rating, transparency etc.). Furthermore, a major challenge for such investment is to obtain sufficient security for future payments from governmental or sub-governmental power off-takers. Measures to address this risk should be sought.

Evaluation

"*Evaluation of Norwegian Business-Related Assistance: Main Report", 3/2010, Evaluation Department, Norad*, is a recent study that has evaluated some of Norfund's projects in the energy sector. According to the report, in financial terms, over half of Norfund's investment portfolio (equity and loans) is in hydropower projects. The major part of these investments are channeled through the renewable energy companies SN Power (Norfund has an ownership share of 40 percent) and Agua Imara (Norfund has a direct ownership share of 10 percent and 18 percent indirectly through SN Power). The investments have had high leveraging effect on Norfund's capital and have proved to be quite profitable. Initially, Norfund's geographical coverage was quite wide; however, the Budget Resolution to the Norwegian Parliament from 2004 onwards states that 1/3 of Norfund's investments should be in LDCs. Subsequently, LDCs, and especially Sub-Saharan Africa, has emerged as prioritised investment areas for Norfund.

Evaluation Department's report can be downloaded from:
http://www.norad.no/no/evaluering/publikasjoner/publikasjon?key=176080

Another relevant report is: Evaluation of Norwegian Power-related assistance, November 2007. It can be found on Norad's web-page: http://www.norad.no/en/evaluation/publications/evaluation-reports.

Additional Information

In general, it is key to have a holistic view on the energy systems and take into account how the individual project might affect the utility (e.g. ensure that the project does not negatively affect their long term sustainability/financial situation), the cost of energy and the stability in the energy system etc. It is in general important to focus on addressing the underlying risks (e.g. regulations, utilities credit rating, transparency etc.) and to support the establishment/improvement of the local supply chain and financial sector.

PORTUGAL

Policies and Approaches

Portugal is a focused donor, including in the infrastructure sectors, with virtually all of its disbursements being made to six Lusophone countries: Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao Tome and Principe, and Timor Leste.

SOFID’s, Portugal’s DFI, co-owned by the Portuguese state (60%) and four major Portuguese banks (10% each), goals are to support Portuguese companies investing in developing countries and emerging markets as well as to promote private sector development in these countries. It offers long-term loans, guarantees and mezzanine finance to companies with a minimum of 20% Portuguese stake investing in productive sectors, including infrastructure (particularly renewable energy). The emphasis is placed on assisting local small and medium sized enterprises.

Since 2010, SOFID has been managing InvestimoZ, a fund created to support private investment in Mozambique, with infrastructure as one of its core priorities. SOFID is also actively co-operating with the European Union and other EU bilateral donors on PPFs, such as the EU Africa Infrastructure Trust Fund and EU Neighbourhood Investment Facility, as well as the Latin America Investment Facility, aimed at mobilizing additional investment in Latin America’s regional infrastructure.

The Strategic Council for Economic Internationalization (CEIE), chaired by the Prime Minister, ensures policy coherence among the different government actors. It integrates the following Ministries: Finance, Foreign Affairs, Economy and Employment, plus presidents of private sector associations. CEIE is responsible for evaluating and setting objectives for public policies related to promoting Portuguese investment abroad, attracting foreign investment in Portugal, and development co-operation policy. The future strategy for private sector engagement in development co-operation will set the guidelines and use the existing coordination mechanisms such as CIC, FCD and CEIE, also to promote policy coherence for development. Coordination at the field level is foreseen involving in particular MFA, Camões, I.P. and AICEP. Furthermore, the Ministry of Foreign Affairs is frequently consulted when preparing the national position on the discussions of MDBs’ Board of Directors regarding projects in partner countries.

The Ministry of Foreign Affairs and Camões, I.P. are actively supporting the enabling environment by providing technical co-operation and grants aimed at capacity building.

Institutions and Instruments

Institution	Role or Activities in Promoting Private Investment for Developing Country Infrastructure	Programme or Financial Instrument	Co-ordination with the Ministry of Foreign Affairs or Camões, I.P. on private investment in infrastsructure (regular meetings, common strategy, etc)
Ministry for Finance	The Ministry of Finance is directly responsible for managing Portugal’s participation in the international financial	Grants and capital subscription to multilateral	As coordinator of the Portuguese Development Cooperation Policy, Camões, I.P. defines the guidelines for this policy.

	institutions (European and multilateral institutions) and for bilateral co-operation in the area of Public Financial Management.	institutions;	A joint initiative between the Ministry of Finance and AICEP was established to promote the participation of Portuguese companies in the business opportunities in the framework of the international finantial institutions. Camões I.P. is a member of the respective Consultative Committee.
Ministry of Foreign Affairs	The Ministry for Foreign Affairs holds the responsibility for defining and coordinating all the External Policy, including external economic co-operation. AICEP is the MFA Department responsible for managing and implementing the external economic co-operation.	Please refer to AICEP	Not applicable.
Camões (Portuguese Institute for Cooperation and Language)	Camões, I.P. has the responsibility to coordinate all Portuguese Development Cooperation and to oversight the overall ODA budget. Projects and initiatives from line Ministries and from other actors engaged in development co-operation, including private sector activities with ODA support, should be coordinated by Camões, I.P. in order to ensure their consistency with the co-operation programs agreed with partner countries and coherence with overall objectives of the Portuguese Cooperation.	Grants	A Strategy for private sector development and private sector engagement in development co-operation is presently being drafted. Coordination with line Ministries and relevant Departments in the Ministry for Foreign Affairs (ex. AICEP) is foreseen, as well as coordination at field level. A partnership with “Observatório das Parcerias Público Privadas” (PPP Observatory) is currently under consideration. Development Cooperation Forum (FCD), as well as Interministerial Commission for Cooperation (CIC), for broad policy issues
SOFID (Sociedade para Financiamento do Desenvolvimento, Portuguese Development Finance Institution)	Supports Portuguese companies and business partners investing in emerging and developing countries, including in infrastructure sector. Promotes sustainable private sector development in those countries.	Loans, guarantees and equity with companies with minimum 20% of Portuguese stake Equity	Camões has a seat in SOFID´s Executive Board.

	Investimoz - Portuguese Investment Fund managed by SOFID, geared to fund private investment in Mozambique and to foster the development of corporate partnerships between the two countries.		
COSEC (Companhia de Seguro de Créditos, Portuguese Export Credit Agency)	Provides state-guaranteed risk insurance products for companies involved in developing countries and emerging markets	State-guaranteed political risk insurance	Articulation with the MOF through the *Conselho de Garantias Financeiras.*
AICEP (Portuguese Trade & Investment Agency)	Promotes and disseminates information on Portuguese companies competencies products and services abroad. It also holds the responsibility for attracting FDI and for promoting Portuguese investment abroad.	Risk capital, Financial Incentives for investment projects, equity	Collaborates, through a strategic articulation with the Ministry for Foreign Affairs, in the implementation of the external – bilateral, regional and multilateral - economic co-operation. Supports, coordinates and promotes private sector external co-operation.
Ministry of the Environment (with respect to private investment in renewable energy projects)	The Ministry for Agriculture, Sea, Environment and Territorial Planning (MAMAOT) is responsible for developing and implementing, as well as for monitoring and evaluating, national strategies in the following areas: rural development, Nature Conservation and Biodiversity, Forests, Coastal Zone, Sea, and Climate Change Adaptation, including the external co-operation in those domains.	Grants, Portuguese Carbon Fund financed by the proceeds from the application of fiscal measures and from the selling of emissions licenses.	A joint working group was established involving the Portuguese Environment Agency (APA) and Camões, I.P. with the mandate to appraise, approve and assess projects and programs financed by the Portuguese Fast Start Initiative. Up until now no Fast Star project has involved private investment, but private sector participation is foreseen for 2014 and beyond.

Domestic PPP Experience

Starting from the mid-90s, Portugal has gained extensive experience with respect to Public-Private Partnerships. Public-Private Partnerships were used extensively throughout the early 2000s, particularly in infrastructure. In this period, PPP investment values reached more than 1.2% of Portugal GDP. This was double compared to approximately 0.6% in the UK, the second largest PPP user in the EU. Today, Portugal still has one of Europe's most extensive PPP portfolios. While it may be too early to draw definitive conclusions, the experience to date seems to be mixed, as the reliance on PPPs contributed to over-investment prior to the 2008 crisis. Moreover, many contracts had to be renegotiated several times, often at the expense of the public budget.

Comparative Advantage and Co-ordination With Other Donors

Portugal views its in-depth knowledge of the political, economic, social and cultural conditions prevailing in Portuguese-speaking countries as its comparative advantage in private infrastructure investment promotion and accordingly concentrates its efforts there. Furthermore, Public-Private Partnerships are used extensively in Portugal, particularly in infrastructure throughout the early 2000s.

Project Preparation Facilities

Portugal funds the following PPFs:

- EU Africa Infrastructure Trust Fund (EU-AITF)
- EU Neighbourhood Investment Facility (NIF)

Support to the Enabling Environment

Portugal considers strengthening the enabling environment as a priority in promoting private investment in developing countries. It identifies the following factors as main obstacles to private investment: lack of political and military stability in certain countries; difficulty in raising capital on the part of public entities and deficient local financial sectors, namely concerning risk evaluation, high interest rates, risk aversion, etc. In order to stimulate private sector participation, regulatory frameworks need to be set up and institutional reforms promoted. Overall, Portugal believes a more competitive environment is needed to foster private investment.

SOFID is a member of the group of European Development Finance Institutions and cooperates actively with other DFIs to identify and finance infrastructure projects.

Evaluation

SOFID produces performance reports on all the projects it finances, monitoring project execution and implementation, not only in terms of each project´s economic and financial performance but also with reference to their development impact (environment, job creation, etc. based on the ESG criteria).

SPAIN

Policies and Approaches

The Spanish Development Cooperation Master Plan 2013 – 2016 underlines the importance of domestic resource mobilisation and using official development assistance to leverage private investment in developing countries. Within the set of co-operation and development tools and modalities, the Development Promotion Fund (FONPRODE), managed by AECID, offers financial support to private sector-oriented programmes or private investments in developing countries, including among others infrastructure projects. Although FONPRODE aims at mobilising and leveraging private flows, it is designed to abstain from any commercial goal and serve the purposes of the Spanish Cooperation Policy keeping the effectiveness and delinkage guidelines for multilateral development agencies. In 2011, FONPRODE did not report projects aimed at private investment support for infrastructure to the CRS. Additionally, the Cooperation Fund for Water and Sanitation (FCAS), provides direct financial support to programs and projects in the water and sanitation sector in partner countries in Latin America and the Caribbean region. Its investments focus on the provision of infrastructure to ensure access to water and sanitation.

COFIDES, the Spanish Development Finance Institution[5], constitutes the backbone of Spanish efforts to promote private investment in developing countries. Its role is to promote the internationalisation of Spanish businesses and contribute to the economic and social development of developing countries. Infrastructure projects constitute an important part of COFIDES' portfolio, with the transport sector accounting for 22% of all new commitments in 2011 (more than any other industry), followed by energy at 12%. While the company is active on all continents, the majority of its projects are focused in Latin America and the Caribbean. Furthermore, COFIDES places particular emphasis on its efforts to promote Spanish SMEs by providing them with finance to invest abroad. Despite being the official Spanish DFI, it does not report its project data to the DAC because its financing is not related to ODA.

In addition, the Ministry of Economy and Competitiveness manages its Corporate Internationalization Fund (FIEM) which promotes the internationalisation of Spanish companies. While FIEM has no explicit development agenda, it co-finances some Spanish private sector exports to developing countries' economic infrastructure. Most of FIEM´s support is focused on Spanish companies exporting abroad. FIEM provides buyer credits for exports, both in concessional terms or commercial terms.

Furthermore, CESCE (Spanish Export Credit Agency) promotes the internationalization of Spanish companies by offering them the possibility to cover the possible losses that they could incur in their foreign investment stemming from the occurrence of political risks which could have a considerable impact on the result of his foreign investment. This sort of financial support represents a small percentage of CESCE´s total activity, more focused on exports support.

[5] It is important to mention that while COFIDES is the official Spanish DFI, it also finances projects in developed countries, such as the EU member states or the United States.

Institutions and Instruments

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Co-ordination with MAEC or AECID on Private Investment in Infrastructure
Ministry of Foreign Affairs and Cooperation (MAEC)	MAEC is the main policy making and co-ordinating body of Spanish development co-operation efforts.		Not applicable
AECID (including FONPRODE)	AECID is the main implementing body of Spanish development co-operation. It is responsible for the implementation of the Spanish Development Multiyear Master Plans. FONPRODE, managed by AECID, provides support to development programmes as well as loans,. equity and quasi equity to private actors working in developing countries, either directly or through financial institutions. The Cooperation Fund for Water and Sanitation (FCAS), established in 2007 and handled by AECID, manages 1,330 million euros to finance infrastructure projects to ensure access to safe water and sanitation to the neediest populations in Latin America and the Caribbean.	Loans to private sector Equity participation	Not applicable
COFIDES (Spanish DFI)	COFIDES' dual mission as a financial institution consists of furthering the internationalisation of Spanish enterprises and the country's economy while contributing to the development of the countries hosting its investments. Within this framework, COFIDES supports investment in developing countries' infrastructure	Subordinated/ mezzanine loans, long term loans to and equity participation in private investments	No
Ministry of Economy and Competitiveness-	FIEM's objective is to foster the internationalization of Spanish	Concessionary and non-	No, beyond the participation of MAEC

MINECO (including FIEM)	economy and businesses.	concessionary loans to foreign clients of Spanish companies	and AECID in FIEM Committee and the participation of MINECO in the FONPRODE Committee
ICO (supervised by the Ministry of Economy and Competitiveness)	ICO is a state-owned bank attached to the Ministry of Economy and Competitiveness. It administers, as financial agent, FONPRODE and FIEM, as well as FCAS and Reciprocal Interest Adjustment Contract (CARI) which promotes Spanish exports.	Not applicable	Not applicable
CESCE (Export Credit Agency)	CESCE provides political risk insurance coverage to Spanish companies investing in infrastructure projects abroad, including developing countries.	Insurance policies	Participation of MAEC in CESCE Committee

Domestic PPP Experience

Starting from the mid-2000s, Spain made strong efforts to promote more frequent use of Public-Private Partnerships within Spain, with plans to increase the private sector share in all investment capital for economic infrastructure projects to up to 40%(ports, railways, highways, airports) until 2020. At the same time, emphasis was placed strongly on the fiscal benefits of raising capital from the private sector at the expense of the broader questions of value-for-money or overall cost-benefit analysis of PPPs, resulting in projects which were not financially viable and required renegotiations which put additional burden on Spanish public budgets.

Project Preparation Facilities

Spain funds the following PPFs:

- New Partnership for Africa's Development Infrastructure Project Preparation Facility (NEPAD IPPF) hosted by African Development Bank (AfDB)
- African Water Facility (AWF) hosted by African Development Bank (AfDB)
- Finally, the Cooperation Fund for Water and Sanitation (FCAS) provides assistance in establishing systems of governance and in strengthening institutions and agencies of the recipient countries to promote the design and implementation of comprehensive policies to ensure the sustainability of water resources.

Evaluation

COFIDES evaluates its projects on a regular basis using its Operation Impact Rating (RIO), however there were no evaluations for infrastructure projects with private involvement publicly available. It is not clear whether projects by FIEM are evaluated according to development objectives. FONPRODE and FCAS projects are considered as ODA and evaluated correspondingly, although they are not reported in the CRS in 2011 (whatever) nor are the evaluations available to the public.

AFRICAN DEVELOPMENT BANK (AFDB)

Policies and Approaches

The AfDB emphasises the importance of infrastructure for economic growth and poverty reduction in Africa. In collaboration with the African Union and the NEPAD, it is the executing agency of the Programme for Infrastructure Development in Africa (PIDA), which is the strategic framework for the continent's infrastructure development. AfDB also hosts and actively supports the Infrastructure Consortium for Africa (ICA), launched in 2005 by the G-8, which tries to scale up both public and private investments in African infrastructure.

AfDB considers that private investment and public-private partnerships (PPPs) for infrastructure are important—in which the Bank is particularly well suited to participate. AfDB's private sector operation strategy specifies the Bank to serve three roles: an advisor, a financier, and a partner. However, it is now shifting from being an investor in private sector operations to acting more as a catalyst for private investment. In this context, AfDB is uniting and co-ordinating with different Development Finance Institutions (DFIs) that are active in Africa through the African Financing Partnerships initiative. The Bank also works on the development of the Sokoni platform, the first online marketplace for infrastructure projects in Africa, which was endorsed by the G-20 as a solution to scale up financing for Africa's infrastructure. More recently, AfDB also issued a study on how domestic capital markets, such as infrastructure bonds, can provide long-term financing for infrastructure.

According to the AfDB, Opportunities for private sector investments in infrastructure presents themselves mostly in:

- Mining: resources explorations,
- Energy: Independent Power Plants and off-grid schemes
- Transport: airport, ports and urban mass transit
- ICT: submarine and land-cable, telecom expansion.
- Water, social infrastructure (hospitals), real estate and manufacturing.

Countries targeted for development assistance are across the whole continent, in line with the African Union's vision of a self-sustaining and peaceful African continent that can compete in a global arena.

Regional conditions for infrastructure investment have improved significantly, with most of the Regional Economic Communities (RECs) and member countries having prioritised infrastructure for regional integration and ultimately economic development. The adoption of a continental masterplan has also greatly contributed to firming up a credible blueprint for the development of infrastructure backbones.

The AfDB is now articulating sector specific strategies to operationalise its Ten Year Strategy. In essence, it intends to develop ways to enhance its upstream engagement in preparation and policy dialogue, which will proportionally increase in relative terms. The Bank does not really intend to implement formal incentives for PPP. This will be dealt with at the consolidated strategic level, to ensure gradual increase in private sector involvement.

Institutions and Instruments

Institution	Role in Promoting Private Investment for Developing Country Infrastructure	Programmes and Financial Instruments	Co-ordination with AfDB main operations on Private Investment in Infrastructure
AfDB main operations (sovereign lending)	The issues paper on AfDB's Long Term Strategy stipulates that AfDB should focus on using its investments as levers to mobilise private investment.	Grants Non-concessional loans Concessional loans Guarantees for Government performance Policy Based Operations	Not applicable
Private Sector Department (OPSM)	Private sector led, limited recourse project infrastructure finance.	Lines of credit Equity Participation Guarantees Technical Assistance	Co-ordination at Country level All inclusive appraisal missions
African Development Institute	Capacity building in PPPs focusing on PPP techniques and processes required for expert management in key infrastructure projects, including railways, roads, energy, telecommunications, water and sewerage.	Trainings Workshops	
African Financing Partnership	AFP is a co-financing platform amongst DFIs active in private sector project financing in Africa. Infrastructure constitutes one of the three main sectors of AFP operations.	It has potential to mobilise debt and equity resources up to USD 25 billion	

Bodies hosted by the AfDB	**ICA**	Plays a convening role to catalyse both public and private investment in African infrastructure	Technical assistance Knowledge	
	NEPAD IPPF	Provides capacity building and creates an enabling environment for private participation in infrastructure	Grants	Co-ordination at Country level All inclusive appraisal missions
	African Water Facility	Established to attract increased investment to meet water sector targets in Africa. Provides direct capital investments to leverage private sector participation.	Grants	Co-ordination at Country level All inclusive appraisal missions
	Sustainable Energy Fund for Africa	Established to support the implementation of the AfDB's Private Sector Development Strategy by providing untied grants and equity support to smaller-size renewable energy and energy efficiency players.	Grants Equity participation	

At Bank level, co-ordination between the main sovereign lending and other relevant unites has improved through joint dialogue mission and full input into Country Assistance Strategies. Synergies with hosted facilities are good, notably on transnational projects. Regular meetings with key staff and the establishment of sector workgroup has helped achieving this.

Comparative Advantage

Unlike other development partners, the Bank has a single interlocutor under the "One Bank" concept, combining both public and private lending. Its comparative advantages are:

- Closer partnership with AU, RECs and RMCs;
- Intimate knowledge of the African continent;
- Good track record within the continent has manifested into the most trusted agent of change within the continent.

Project Preparation Facilities

The G20 has supported the need to increase resources for project preparation—including Project Preparation Facilities (PPFs) - in order to enhance private investment for infrastructure. The PPFs hosted by the AfDB are:

- NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF)
- African Water Facility (AWF)
- Sustainable Energy Fund for Africa (SEFA)
- Green Climate Fund (GCF)
- Africa 50 Fund (still being set up)
- Fund for African Private Sector Assistance (FAPA)
- African Development Fund Project Preparation Facility (ADF-PPF)

According to AfDB, investing in infrastructure projects has been constrained by the lack of bankable and well-structured projects ready for financing; therefore, project preparation is highly adding value to ensure bankability of projects.

The potential role for multilaterals in project preparation is:

- Continued sponsorship/funding;
- Targeted Technical Assistance for Capacitation of RECs and RMCs;
- Tailored solutions for credit enhancement mechanisms;
- Targeted technical assistance that will deal with market creation and regulatory framework;
- Procurement reforms to provide a legally acceptable framework for "unsolicited bids";
- PPF network to truly implement the "Tunnels of Funds" concept;
- Matchmaking platforms for project sponsors and financiers.

Furthermore, the role of development assistance backed project preparation should not be limited to technical compliance preparation of projects, but should also extended to sustainable capacity building of government sponsors of projects and related stakeholders, for example, the REC professionals. It can also be used by beneficiaries to acquire a fair equity share in PPP endeavours, hence sharing the benefits.

Green Infrastructure

AfDB sees a challenge in balancing "going green" and addressing energy backlogs quicker by using conventional coal-sourced energy. In addition, the cost of green projects and the scarcity of skills associated with some of the technologies being introduced in the African terrain can be obstacles.

On the other hand, "Green" is not at the detriment of growth. The opportunity is to offer a sustainable development for future generations, which is particularly important in commodity based economies. In this respect, there are abundant opportunities for green projects, for example, in water and natural gas. In infrastructure projects, AfDB enforces adaptation and mitigation standards. Furthermore, there is now a dedicated Green Climate Fund for green infrastructure projects.

Evaluation

Evaluations of private sector operations are not freely available as they impact the credit rating of the Bank. An independent evaluation is, however, ongoing at portfolio level, to draw key conclusions.

Additional Information

As private sector investment in infrastructure is much need, it should be offered at an early stage of project development. Various models have been presented as there is no once size fits all. Opportunities for private sector involvement should also be explored by working with governments in addressing institutional challenges that often causes delays for projects to be implemented. These range from capacity building in policy reform and project implementation. With assistance from development partners, these challenges can be addressed; and experiences and lessons could be identified for further refinement and adaptability in other projects within the continent. Lastly, development assistance should also be availed as means of mitigating risks and ensuring long term sustainability of projects.

ASIAN DEVELOPMENT BANK (ADB)

Policies and Approaches

The ADB Strategy 2020 considers infrastructure as one of its core areas of operations, to which private sector development is a key factor. In particular, the strategy stipulates that by 2020, 50% of ADB activities (both in terms of number of projects and share of portfolio) should be aimed at promoting private sector development and private investment. ADB's non-sovereign lending commitments for infrastructure in 2011 amounted to USD1.2 billion[6], compared to USD10.7 billion in sovereign lending commitments for infrastructure managed by the ADB public sector operations.

The Private Sector Operations Department (PSOD) manages the ADB's non-sovereign portfolio in infrastructure and financial markets, with the bulk of its operations concentrated in the former, particularly in energy. While conventional energy is still dominant, in 2010 -2012, 33% of PSOD's approvals were eighteen renewable and clean energy projects in Azerbaijan, Bangladesh, China, India, Pakistan, and Thailand.

At the end of 2012, 30% of PSOD's portfolio by amount and 28% by number were in low-income countries eligible for concessional financing, excluding India. In terms of geographical distribution, PSOD is increasingly focusing on underserved markets such as Afghanistan, Papua New Guinea and Laos, although India, China and Pakistan still account for almost 60% of the portfolio.

PSOD uses a variety of instruments such as loans, equity investments, credit enhancements, risk mitigation instruments (political and commercial risk guarantees), as well as technical assistance. Since its goal is to catalyse private financing, ADB does not generally acquire more than 25% of equity stake in any investment, will not be the single largest investor in an enterprise or assume managing responsibilities.

In order to meet its 2020 strategy objectives, ADB created a Public-Private Partnership (PPP) Operational Plan in 2012 which adopts a comprehensive approach towards PPPs by focusing on four pillars: advocacy and capacity, enabling environment, project development and project financing. As part of its efforts to foster PPPs for infrastructure, ADB created the National Infrastructure Information Systems (NIIS) platform which supports infrastructure project preparation and financing, by providing project information templates covering technical data, environmental and social impact assessments, risk assessments, and financial information. By offering the templates, NIIS aims to facilitate and harmonise

Comparative Advantage

ADB has a number of unique advantages in supporting private investment for infrastructure: its high credit rating, ONE ADB (public and private sector window under one roof) approach, professional skills, renowned experience and knowledge in major economic and social sectors and new thematic areas such as climate change, relationships with Developing Member Country (DMCs) both individually and collectively, technical assistance facilities, and existing partnerships with public and private sector stakeholders and other development-finance partners.

Notwithstanding these unique advantages, ADB seeks out opportunities for partnerships with other development partners in its private sector operations. This is especially because in general, ADB cannot finance more than 25% of the cost of a project.

[6] We did not include amounts related to guarantees in order to allow for comparisons with amounts of other donors, particularly as they are not real flows.

ADB has an ongoing collaboration with other MDBs, bilateral aid agencies and DFIs in the delivery of capacity development programmes, provision of knowledge products and financing to leverage private sector investment in infrastructure.

ADB, together with the World Bank Institute and the Inter-American Development Bank, launched a capacity development program to develop and implement a learning program that is relevant for a diverse group of PPP practitioners. Under this platform, MDBs collaborate to deliver a training program on an annual basis. Meanwhile, ADB's Climate Public Private Partnership Fund (CP3) is also mobilising the public and private sector in a USD1+ billion investment vehicle co-managed by ADB and another global financial institution. Through this platform, ADB will expand its traditional role of financier and participate for the first time in fundraising, deal sourcing, risk mitigation and fund management activities of a private equity fund. The vision is to offer investment products attractive enough to commercial investors, bringing scale beyond traditional multilateral bank capabilities and at the same time meaningfully impact the market.

Co-ordination within AsDB

Regional departments and PSOD—given their frontline interface with DMCs, private sector investors, and banks—have significant catalysing roles in leveraging private sector funds for PPPs. Regional departments support the development and financing PPPs through their work to establish a conducive enabling policy, institutional frameworks, and the enabling environment for PPPs; provide project development support for DMC; and provide sovereign financing including sovereign-backed credit enhancement for demonstration projects, if needed. Regional departments provide the necessary institutional guidance to initially develop projects, support commercial and financial structuring of PPP transactions, and guide the bidding and negotiation process.

PSOD's role in PPP transactions includes supporting regional departments during the initial identification of potential PPP transactions during preparation of the country partnership strategy and country operations business plan; processing non-sovereign funding support for PPP projects; mobilising commercial funds for PPPs; investing in private equity funds for PPPs; and directly supporting capital market and financial intermediaries in DMCs to increase availability of long-term financing for PPPs. PSOD also mobilises co-financing and credit enhancement products from private sector banks and guarantors to fund regional departments' PPP initiatives and financing.

Staff Incentives

The MDB Action Plan and the High Level Panel on Infrastructure for the G 20 suggests changing staff incentives in order to promote more frequent engagement in PPP transactions. In this context, and given ADB's goal of reaching 50% of its operations in private sector development-related activities, all departments were directed to maximise co-financing in their respective operations. In leveraging and supplementing ADB's assistance to DMCs, PSOD and regional departments will (i) foster greater co-financing partnerships, using the entire array of ADB's financing instruments and modalities; (ii) increase and strengthen the use of PPPs, in line with the PPP Operational Plan 2012-2020; and (iii) engage in consultations with clients to support early identification of projects suitable for PPPs and co-financing. To promote PPP operations, an incentive scheme of USD500 million was established. In addition, for PPP project preparation, technical assistance resources of USD8 million will be set aside for 2012-2013.[7]

[7] An amount of USD500 million in OCR has been set aside in 2015. Departments that contribute towards successful financial closure of a PPP project between 2012 and 2014 will be eligible to receive an award of OCR allocation from the set-aside pool, covering up to 70% of either the private sector (when either PSOD or a third party is a financier) or 100% of ADB-financed amount for the public sector, subject to a maximum of USD100 million per project. Further to facilitate PPP project development, up to USD8 million in TA resources will be set aside for 2012-2013.

Support to the Enabling Environment

A growing body of international evidence points to the importance of a favourable regulatory environment and robust institutional framework in developing sustainable and efficient PPP infrastructure projects. A country's public-sector capacity and implementation experience also have a bearing on viability, as does the investment climate and availability of financial instruments for long-term financing.[8]

Support to improve the enabling environment constitutes one of the four pillars of ADB's PPP Operational Plan; between 1998 and 2010, 46% of all sovereign lending projects with PPP component were aimed at improving the enabling environment. They constituted mainly country- or sector-specific activities aimed at developing and improving policy, legal, regulatory and institutional frameworks to facilitate the development of PPPs. Furthermore, additional 23% of sovereign lending projects with PPP component were mostly oriented towards capacity building in designing, piloting and/or implementing model PPP arrangements, as well as advocacy, training and knowledge on PPPs.

At the same time, PPP is not a one-size-fits all solution. While a number of good practices on strengthening enabling environment have been documented, the strategy will largely depend on the existing country condition. Public sector capacity needs to be strengthened in terms of institutions, policies, legal and regulatory frameworks, investment guidelines, and finance sector development. Creating confidence in embracing the PPP pathway with stakeholders involves:

i) Establishing policies and frameworks to address the nature and extent of government support for PPP projects across sectors;
ii) Creating mechanisms within government to support sustainable PPP revenue models;
iii) Assisting DMCs in developing fiscal risk management mechanisms to ensure that PPPs are fiscally affordable and economically sustainable;
iv) Establishing a transparent, predictable, flexible, responsive, and equitable procurement system for PPPs, including arrangements to deal with unsolicited projects and contracts negotiated with only one counterparty;
v) Where appropriate, establishing monitoring, measurement, and assessment mechanisms (e.g., affordability from a budgetary perspective, value for money and/or public sector comparator, or performance of public services) to initially determine whether PPP is the appropriate financing scheme and, subsequently, made a part of a program of continuous review and improvement on decision-making framework and management practice; and
vi) Assisting DMCs in establishing a predictable, equitable, and timely system for the compulsory purchase and clearance of land required for PPP projects in a manner that conforms to ADB environmental and social safeguards.

Project Preparation Facilities

The G20 has identified the need to increase resources for project preparation—including Project Preparation Facilities (PPFs)—in order to enhance private investment for infrastructure. In this context, Under the Pillar 3 of the PPP Operational Plan, ADB could support a project development fund that may be established in DMCs for creating the foundation of successful PPP projects. Examples of these are the Project Development and Monitoring Facility of the PPP Center of the Philippines and the recently established project development facility (PDF) in Singapore in support of structuring PPPs in ASEAN.

There needs to be a holistic approach in supporting PPP project development in DMCs. DMCs need to be guided throughout the process – with government policy makers beforehand; with project teams during development; and with monitoring and oversight functions after a project is operational, particularly in countries where PPP frameworks are new, untested, and therefore evolving.

[8] ADB and Economist Intelligence Unit. March 2012. *Evaluating the environment for public-private partnerships in Asia-Pacific – The 2011 Infrascope.*

Rural Infrastructure

As rural infrastructure projects tend to be small, ADB finances capital expenditure programmes of firms that are in the business of acquiring, upgrading, expanding or operating rural infrastructure facilities. An example of such a project is the Dynagreen Waste to Energy Project in China. This project supports the installation and operation of waste-to-energy projects of small-to medium – sized cities.

Evaluations

In 2009, the ADB carried out an internal evaluation of its assistance to PPPs over two decades (1988-2008) in power, transport and water, by assessing its strategic approach, development impact and performance. The evaluation rated ADB's support to PPPs as generally successful. At the same time, it identified low levels of PPP expertise in ADB's regional departments (in the case of public sector assistance for PPPs) and weak sectoral and geographic diversity of PSOD projects as the main factors limiting the impact of its PPP operations in infrastructure.

Furthermore, PSOD conducts self evaluations for all projects and internal independent evaluations for 60% of projects. Evaluation criteria, developed by the MDB Evaluation Co-operation Group for private sector evaluations[9], include: development impact, investment profitability, work quality; and additionality. Development impact is evaluated according to: (i) private sector development; (ii) business success, (iii) economic development, and (iv) environment, social, health, and safety performance. With respect to poverty reduction, it is one of the issues to be considered when analysing the "social" performance within the development impact.

The following evaluations on the ADB evaluation use the ECG criteria, although the reports in the evaluation resources portal are redacted versions that have been cleared for release to the public by ADB and the client.

- AES Kelanitissa Power Project in Sri Lanka
- Bangladesh: Ninth Power Project
- Bangladesh: Third Natural Gas Development Project
- Dahej Liquefied Natural Gas Terminal Project

[9] They are detailed in a 40-page document "Guidelines for Preparing Performance Evaluation Reports on Non-sovereign Operations".