This document is a revised version of [DCD/WKP(2014)2/PROV] which was discussed at the Advisory Group on Investment and Development meeting of 21 March 2014. It incorporates comments, factual corrections, and updated data, as well as the At a Glance Profiles of 22 donors regarding their policies, institutions and activities in supporting the private sector for infrastructure.

The report is one of the outputs of the DAC’s 2013-14 Programme of Work and Budget 5.1.3.3.2 on Aid for Infrastructure Investment.

The longer versions of the 22 donor profiles will be issued separately.

Please send comments and factual corrections to this report to the Secretariat by 16 June 2014.

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<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AFFI</td>
<td>Arab Finance Facility for Infrastructure</td>
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<td>AFP</td>
<td>African Financing Partnership</td>
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<tr>
<td>AICEP</td>
<td>Associação Internacional das Comunicações de Expressão Portuguesa</td>
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<td>AsDB</td>
<td>Asian Development Bank</td>
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<tr>
<td>BIO</td>
<td>Belgian Investment Company for Developing Countries</td>
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<tr>
<td>BOO</td>
<td>Build-own-operate</td>
</tr>
<tr>
<td>BOT</td>
<td>Build-own-transfer</td>
</tr>
<tr>
<td>BTO</td>
<td>Build-transfer-operate</td>
</tr>
<tr>
<td>CESCE</td>
<td>Compañía Española de Seguros de Crédito a la Exportación</td>
</tr>
<tr>
<td>CDC</td>
<td>CDC Group (British DFI)</td>
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<tr>
<td>CIF</td>
<td>Climate Investment Funds</td>
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<tr>
<td>COFACE</td>
<td>French Export Credit Agency</td>
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<tr>
<td>COFIDES</td>
<td>Spanish Development Finance Company</td>
</tr>
<tr>
<td>COSEC</td>
<td>Companhia de Seguro de Créditos</td>
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<td>CP3</td>
<td>Climate Public Private Partnership</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DEG</td>
<td>German Investment Corporation</td>
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<td>DFI</td>
<td>Development Finance Institution</td>
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<tr>
<td>ECA</td>
<td>Export Credit Agency</td>
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<td>ECGD</td>
<td>Export Credits Guarantee Department (UK)</td>
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<td>EDC</td>
<td>Export Development Canada</td>
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<td>EDFI</td>
<td>European Development Finance Institutions</td>
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<td>EFIC</td>
<td>Export Finance and Insurance Corporation</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<tr>
<td>FASEP</td>
<td>Private Sector Aid Fund (France)</td>
</tr>
<tr>
<td>FIEM</td>
<td>Fund for the Internationalisation of Companies</td>
</tr>
<tr>
<td>Finexpo</td>
<td>Belgian Interministerial Advisory Committee</td>
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<tr>
<td>FMO</td>
<td>Dutch Entrepreneurial Development Bank</td>
</tr>
<tr>
<td>FONPRODE</td>
<td>Fondo para la Promoción del Desarrollo</td>
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<tr>
<td>G20</td>
<td>Group of Twenty</td>
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<tr>
<td>GHG</td>
<td>Greenhouse gases</td>
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<tr>
<td>GIEK</td>
<td>Norwegian Export Credit Agency</td>
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<tr>
<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit</td>
</tr>
<tr>
<td>GPOBA</td>
<td>Global Partnership on Output Based Aid</td>
</tr>
<tr>
<td>HLP</td>
<td>G20 High Level Panel on Infrastructure</td>
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<td>IADB</td>
<td>Inter-American Development Bank</td>
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<tr>
<td>ICA</td>
<td>The Infrastructure Consortium for Africa</td>
</tr>
<tr>
<td>ICD</td>
<td>Islamic Corporation for the Development of the Private Sector</td>
</tr>
</tbody>
</table>
ICIEC  Islamic Corporation for Insurance of Investment and Export Credit
ICT     Information and communications technology
IFC     International Finance Corporation
IIC     Inter-American Investment Corporation
IOPSDDC International Office for Private Sector Development in Developing Countries
JBIC    Japan Bank for International Co-operation
K-Sure  Korea Trade Insurance Corporation
KEXIM   Export-Import Bank of Korea
LDC     Least Developed Country
LIC     Low Income Country
LMIC    Lower Middle Income Country
MCC     Millenium Challenge Corporation
MDB     Multilateral Development Bank
MIGA    Multilateral Investment Guarantee Agency
NEXI    Nippon Export and Investment Insurance
NZECO   New Zealand Export Credit Office
ODA     Official Development Assistance
ODF     Official Development Finance
ONDD    Belgian Export Credit Agency
OOF     Other Official Flows
OPIC    Overseas Private Investment Corporation
OPSM    Private Sector Department (AfDB)
PPIAF   Public-Private Infrastructure Advisory Facility
PIC     Pacific Island Country
PIDG    Private Infrastructure Development Group
PPP     Public Private Partnership
PSD     Private Sector Development
PSOD    Private Sector Operations Department
PWC     Price Waterhouse Coopers
RPE     Emerging Markets Reserve (France)
SADC    South African Development Community
SCF     Structured and Corporate Finance Department
SOFID   Sociedade para o Financiamento do Desenvolvimento
UMIC    Upper Middle Income Country
US-EXIM Export-Import Bank of the United States
WBG     World Bank Group
EXECUTIVE SUMMARY

1. The objective of this study is to take stock of what bilateral and multilateral donors are doing to support the private sector’s participation in developing country infrastructure. By doing so, it tries to draw out opportunities and challenges, ongoing collective activities to address them, and possible further actions for the Development Assistance Committee (DAC). The exercise aims to advance the DAC’s High Level Meeting mandate to use development co-operation more strategically to leverage other development related flows.

2. The methodology involved research on 22 donor policies and institutional arrangements, as well as data analysis by mostly using the DAC’s Creditor Reporting System. An agreed template was also used as a format to compile the information, which was followed by factual checking and feedback by the donors concerned. The initial report was presented to the DAC and Investment Committees’ joint Advisory Group on Investment and Development in March 2014. This version incorporates comments made at the meeting, updated data and information, as well as the At a Glance profiles of the 22 donors.

3. The results of the study indicate that official development finance (ODF) for infrastructure is increasing, with a sizable proportion disbursed to support the private sector directly, mostly through loans and equity by bilateral and multilateral development finance institutions (DFIs). On average, funding to the private sector amounts to roughly 15% of disbursements to infrastructure among those that provide this type of support in this study. However, almost 70% is directed to infrastructure in upper middle income countries as opposed to lower middle income (23%) or low income countries (8%). In particular, as the top three recipient countries—Turkey, Brazil, and India—have an active domestic financial market, a general question of additionality of official support arises.

4. In terms of sectors, 60% of support to the private sector goes to energy, particularly to renewables, such as hydro, wind, solar, and geothermal energy. This is followed by transport (20%), telecommunications (15%) and water (5%). Export credit agencies—which generally do not have development objectives—also provide a significant amount of financing to developing country infrastructure, totaling an equivalent of roughly a quarter of bilateral donor countries’ ODF to infrastructure. Donors also provide about 15% of funding for infrastructure in general to help improve the enabling environment for investment or in dealing with the private sector by building the capacity of partner government ministries, public-private-partnership units, regional organisations, or local administrations.

5. Conclusions include the need for better co-ordination among various agencies involved in supporting infrastructure development within countries or institutions and the establishment of a transparent monitoring mechanism of DFI activities to ensure additionality and development effectiveness.
BACKGROUND AND INTRODUCTION

6. The Monterrey Consensus of 2002 emphasised the need to mobilise private resources to complement Official Development Assistance (ODA) for developing countries to achieve the Millennium Development Goals (MDGs). More recently, there has even been stronger interest in the international community to include the private sector’s contribution to the Post-2015 MDG framework. In recognising the rapidly changing development landscape of more actors and a greater range of development finance, the Development Assistance Committee (DAC) also concluded in its Strategic Reflection Exercise of 2009 that donors would need to ensure that ODA mobilises non-aid sources of development finance, including Foreign Direct Investment (FDI).¹

7. Furthermore, at its High Level Meeting of December 2012, the DAC agreed on the need to understand the wider development financing landscape, particularly the relationship of the different flows and types of finance, in order to maximise development impact. It reiterated the need for ODA to be strategically combined with and leverage other development-related flows.² Moreover, it called for improved measuring and monitoring of all external development finance with implications for ODA.³ To implement this mandate, the DAC is currently developing the statistical categories and methods to better capture the full picture of external resources flowing to developing countries, particularly non-concessional finance offered by bilateral and multilateral development finance institutions (DFIs), export credits and FDI statistics. There is also an on-going effort to adapt measurements to the post 2015 MDG development framework led by the United Nations.

8. Notwithstanding these efforts to capture and harmonise basic statistical aspects related to development finance, it is also important to analyse in tandem policy dimensions on sectoral activities, particularly on how development co-operation is currently used to mobilise other sources of finance. Here, activities include those by traditional aid agencies but also DFIs that provide direct funding or subsidies to private sector entities with the objective of assisting the economic development of developing countries. Recently, the role of DFIs has been increasing, as their contribution to economic development and poverty reduction through private sector-led growth is being emphasised. It is also expected that their role will further expand in the post-2015 MDG development architecture.

9. In this respect, economic infrastructure—water, transport, energy and telecommunications—is a topic that could be examined closely.⁴ There are several reasons: first, its contribution to economic growth and human development is well established; second, it is an area that requires major funding; third, there is significant potential for more private investment, bearing in mind that it is not necessarily appropriate in all situations; and lastly, development co-operation has a key role to play in supporting private sector participation and leveraging private finance, including through DFIs. In fact, infrastructure investment for developing countries has become an area of work for the G20 and G8, to which the OECD has been contributing its knowledge from various policy angles, such as the role of long-term investors and financing low-carbon infrastructure.

10. The objective of the current work stream within the DAC⁵ is to determine what donors could collectively do more and better to support private sector participation or leverage private finance for infrastructure. To achieve this, it is necessary to take stock of what donors—bilateral and multilateral development banks (MDBs) — are doing, as well as to draw out common challenges, opportunities, and lessons-learned. The DAC Secretariat thus carried out initial research on 15 bilateral donors, 6 MDBs, and one special multi-donor institution that are active in supporting developing country infrastructure and/or expressed interest in participating in the study, i.e. Australia, Belgium, Canada, European Union (EU) Institutions, France, Germany, Japan, Korea, Netherlands, New Zealand, Norway, Portugal, Spain, United
Kingdom (UK), United States of America (USA), Asian Development Bank (AsDB), African Development Bank (AfDB), Inter-American Development Bank, Islamic Development Bank (IsDB), European Bank of Reconstruction and Development (EBRD), World Bank Group (WBG), and the Private Infrastructure Development Group (PIDG). The research was based on a template that was discussed in AGID and commented by the DAC’s informal infrastructure group. This was followed by factual checking and comments on the research findings by each donor.

11. From earlier work, as well as studies and discussions held elsewhere among MDBs, think tanks and the G20, it is generally agreed that developing countries need the following from donors to support private sector participation in infrastructure: help to improve the enabling environment for investment; financial instruments to support the private sector or leverage private finance; and help in developing bankable projects through Project Preparation Facilities (PPFs) and in closing deals. Donor activities in these aspects have therefore been closely examined in this study. In addition, general principles, such as better co-ordination and information sharing, division of labour, working on comparative advantage, focus on poverty reduction, as well as transparency and accountability, have been addressed.

12. To be comprehensive, this study covers not only ODA but also Other Official Flows (OOF): otherwise, the significant non-concessional financing by particularly MDBs towards infrastructure would be excluded. In addition, although official support by export credit agencies (ECAs) for domestic companies to export goods for commercial purposes are currently captured only at aggregate levels, they are nevertheless covered in the study from an institutional standpoint, as their official financing can significantly affect developing country infrastructure.

13. Furthermore, while it is desirable to capture the leveraging effects of donors, the amounts possibly mobilised are not included in this study due to the difficulties in measuring and attributing them to the support in a uniform way (see Section VI for on-going work on the measurement of leverage). In addition, donors can also be indirectly financing infrastructure by supporting local banking and financial services which could then be lending for infrastructure; however, they are also not included in this study since it is not easy to capture the amounts specifically provided for infrastructure.

14. Leveraging can also occur by the mere fact that major donors have decided to finance a particular infrastructure project as it signals their confidence in the project. At the same time, the study did not attempt to capture this “stamp of approval” function either, as assessment of this type of leveraging is even more challenging. Therefore, this report only focuses on the support by donors to the private sector without any judgement as to whether it has led to leveraging. In other words, data in this report mostly refer to official disbursed funds recorded in the Creditor Report System (CRS) which do not include mobilised funds or total project costs for private infrastructure investments.

15. The document summarises findings from the review of 22 donors’ support to private sector participation in infrastructure. It incorporates points raised in the earlier version of the report that was discussed at the AGID meeting of 21 March 2014, as well as comments and corrections sent to the Secretariat. On-going DAC activities that are addressing some of the challenges identified are listed at the end of the summary, as well as some further remaining issues. At a Glance profiles of each donor’s relevant policies and activities are attached, while the longer versions of the profiles are issued separately. After incorporating further corrections or comments, the report is expected to be finalised in June.
OFFICIAL SUPPORT FOR PRIVATE SECTOR PARTICIPATION IN DEVELOPING COUNTRY INFRASTRUCTURE

I. Overview of Official Support to Infrastructure

| Official support for infrastructure has been increasing significantly, reaching USD 48 billion in 2011. |

16. The importance of economic infrastructure\(^8\) has been increasingly emphasised during the last decade, driven by the recognition of its crucial role in economic development and poverty reduction, as evidenced particularly in Asia. At the same time, with demographic growth and urbanisation, the significant financing gap for infrastructure is becoming a challenge.\(^9\) While developing countries worldwide currently spend about USD 800-900 billion per year on infrastructure, annual investment needs are estimated to grow from USD 1.8 to 2.3 trillion in 2020\(^{10}\).

17. In light of this situation, ODF\(^{11}\) to economic infrastructure by bilateral and multilateral donors reported to the DAC has increased significantly in real terms from USD 15 billion in 2002 to USD 48 billion in 2011.\(^{12}\) Of the amount, roughly 56% was ODA (concessional) and 44% was OOF (non-concessional), of which the latter was mainly loans by MDBs. Among the donors, the WBG was the largest, with disbursements amounting to roughly USD 11 billion, or about a quarter of the total ODF for infrastructure by donors reported. This was followed by Japan, the EU Institutions, AsDB and the IADB (Figure 1). Overall, multilateral donors, including the EU Institutions\(^{13}\), provided 62% of total financing for infrastructure in 2011, with bilateral donors providing 38%. While emerging economies such as the People's Republic of China and India are also providing significant levels of financing for infrastructure, these amounts are not included, as they do not report to the DAC. However, according to estimations, the two economies provided nearly USD 2.1 billion for infrastructure in 2011 through south-south cooperation.\(^{14}\)

18. At the same time, donor ODF generally accounts for only 5-8% of all infrastructure financing in developing countries: the majority (55-75%) is paid by the public sector and citizens of developing countries themselves, with 20-30% financed by the private sector\(^{15}\). In addition, the financing gap for infrastructure requires further mobilisation of resources, which is unlikely to be provided either by the donor community — given tightening budgets — or by developing country governments who are constrained by affordability and sustainable debt levels. In this context, trying to leverage more private resources becomes an important avenue for infrastructure financing, especially given the private sector’s ability to innovate and use resources efficiently.
Figure 1. ODF to infrastructure in 2011

Source: CRS data on gross disbursements 2011. AsDB data includes only public lending since AsDB started reporting non-sovereign lending in 2012 only. IFC disbursements for 2011 are based on data provided by the DAC5 database. The data provided for Netherlands include disbursements by FMO for infrastructure (OOF reported to the Secretariat separately for this study); data for the IsDB is based on commitment figures provided by the IsDB in its Annual Report 2011.
19. Infrastructure constitutes a high priority activity for many donors, particularly IsDB, Japan, AsDB, AfDB, and IADB which allocated around half of their respective sector allocable ODF disbursements to infrastructure in 2011, as well as, the EU Institutions, WBG and EBRD, which allocated over 30% (Figure 2). Several donors have integrated the importance of supporting private sector participation in their strategies to assist infrastructure development, particularly among MDBs which state the need to shift from providing project financing to becoming a catalyst for private investment. This is consistent with the recommendations of the G20 High Level Panel on Infrastructure (HLP) which called for more focus by the MDBs on activities that can crowd in private capital, such as financing for risk mitigation and supporting the enabling environment. A few bilaterals also emphasise the additional opportunities created for domestic enterprises, such as Japan.

![Figure 2. Share of ODF for infrastructure in total sector-allocable ODF in 2011](image)

Source: CRS data, gross disbursements 2011. AsDB data includes only public lending since AsDB started reporting non-sovereign lending in 2012 only. IFC disbursements for 2011 are based on data provided by the DAC5 database. The data provided for Netherlands include disbursements by FMO for infrastructure (OOF reported to the Secretariat separately for this study).

Support for private sector participation in infrastructure is roughly 15% of total support to infrastructure.

20. Figure 3 below shows the amounts disbursed in 2011 to the private sector for infrastructure by the respective donors in this study. The support generally consists of either non-sovereign loans or equity for companies or funds investing in developing country infrastructure. Guarantees are not included as they are not financial flows (see Section IV). The WBG's International Finance Corporation (IFC) is by far the largest financier at about USD 1.64 billion in disbursements, followed by the European Investment Bank (EIB) at about USD 1.07 billion. The combined amount by the 14 donors that directly finance the private sector for infrastructure and whose comparable data are available amounted to USD 5.4 billion. Of this amount, multilateral donors provided 74% while bilaterals provided 26%.

![Figure 3. Amounts disbursed to private sector for infrastructure in 2011](image)
21. Figure 4 shows the share of finance to the private sector in total infrastructure ODF for each donor—which ranged from 6% to 62%. Spain has the highest share due to its support to the Spanish private sector by the Corporate Internationalisation Fund (FIEM), administered by the Ministry of Economy and Competitiveness. Others with more than a third of the share included, Norway, UK, EBRD and Belgium. In total, the USD 5.4 billion amounted to roughly 15% of the combined disbursement to infrastructure by these donors.

Figure 3. Amount of support to private investment in infrastructure

![Bar chart showing the amount of support to private investment in infrastructure for various donors.]

Source: CRS gross disbursements in 2011. Data for France is an estimate based on commitments reported in its annual reports for 2011. Data for AfDB is an estimate based on its sovereign loans portfolio reported to CRS and non-sovereign loans portfolios reported in the Summary of ADB’s Nonsovereign Operations for 2011. IFC disbursements for 2011 are based on data provided by the DAC5 database. Canada’s support to private investment for infrastructure consists entirely of its contribution to the IFC-Canada Climate Change programme. Disbursements for Netherlands (FMO) were not extracted from CRS but reported to the Secretariat separately. The following donors are not included as they did not provide significant support to private investment in infrastructure in 2011: New Zealand, Portugal, Australia, Korea, and Japan. IsDB has not provided comparable data regarding their support to private investment in infrastructure.

Figure 4. Share of support to private investment in infrastructure within total ODF for infrastructure

![Bar chart showing the share of support to private investment in infrastructure for various donors.]

Source: See sources for Figure 3.
22. For some donors, however, prioritising infrastructure does not necessarily entail supporting the private sector, particularly when the enabling environment or the private sector in partner countries is weak. Several bilateral donors also view MDBs as having a distinct comparative advantage in their capacity to mobilise private capital—owing to their high credibility and regional expertise. Furthermore, depending on the type of project and the level of legal and regulatory framework of certain developing countries, private sector participation may not be the most cost-efficient option for a particular infrastructure plan.18

Examples – Policies on private sector participation in infrastructure

- For the USA, engagement with the private sector in developing country infrastructure is essential throughout all channels of its development co-operation, as well as in its export promotion. Japan recently placed support to public private partnerships (PPPs) in infrastructure at the heart of its development co-operation. Furthermore, the potential for infrastructure-related investment overseas is also emphasised in Japan’s domestic growth strategy.

- New Zealand sees that local enterprises in Pacific Island Countries rarely have sufficient resources to share construction costs of infrastructure investments. However, New Zealand promotes private sector participation in operation and maintenance of public sector infrastructure projects.

- Given the unstable political situation in many of the client countries, the IsDB sees that private sector interest in infrastructure investment is currently very low.

II. Institutions Supporting Private Sector Participation in Developing Country Infrastructure

DFIs, special and multdonor programmes and ECAs support private sector participation in infrastructure.

23. Bilateral institutions that support private sector participation in infrastructure are DFIs, special programmes, and ECAs (see Table 1). Many countries have established a DFI with a development mandate and special objective of catalysing private investment for developing countries where access to capital markets is limited. The role of DFIs is to bridge the gap between commercial investment and government aid, while avoiding market distortions. The stated objectives of bilateral DFIs differ depending on the country. The first group consists of those with a single stated mandate to support private sector development in developing countries, as in the case of the Belgian Investment Company for Developing Countries (BIO), the German Investment and Development Corporation (DEG) within Kreditanstalt für Wiederaufbau (KfW), the CDC Group of the UK, the Promotion et Participation pour la Coopération Économique (PROPARCO) of France, and Norfund of Norway.

24. The second group has an additional objective of promoting their domestic companies in contributing to economic development of their partner countries, such as Overseas Private Investment Corporation (OPIC) of USA, Sociedade para o Financiamento do Desenvolvimento (SOFID) of Portugal, and the Spanish Development Finance Company (COFIDES)19. At the same time, as information regarding the types of companies that receive support are not always transparent—nor is there currently a system to collect this data—it is difficult to determine the extent to which non-national companies are supported in the first group. As a result, whether or not there is a significant difference between the first group with only
a development objective and the second group which has an additional objective of promoting their
domestic companies needs to be further explored.

25. In particular, with the exception of Belgium, most donors do not explicitly express an objective
of supporting partner countries’ local private sector in infrastructure investment. This may be because,
particularly in African countries, local small and medium sized enterprises (SMEs) are usually not
competitive enough to ensure quality infrastructure. Furthermore, companies of donor countries often work
with their subsidiaries or local companies in partner countries anyway. On the other hand, allowing greater
ownership by local actors is more conducive to private sector development, inclusive growth, and
enhanced social impact. Small scale feeder roads and involving small independent power producers and
local communities can also be more pro-poor. It is therefore important to try and connect local SMEs to
international foreign investors. Discussions at an AGID meeting highlighted that, be it foreign or local
company, the key is to support the best deal with the right balance among development impact, job
creation, labour intensity of projects, and the business case. 20

Table 1. Institutions promoting private investment for infrastructure

<table>
<thead>
<tr>
<th>Country/MDB</th>
<th>DFI</th>
<th>Other Programmes</th>
<th>ECA</th>
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<tbody>
<tr>
<td>Australia</td>
<td>-</td>
<td></td>
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<tr>
<td>Belgium</td>
<td>BIO</td>
<td>Finexpo</td>
<td>ONDD</td>
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<tr>
<td>Canada</td>
<td>-</td>
<td></td>
<td>EDC</td>
</tr>
<tr>
<td>France</td>
<td>PROPARCO (AFD)</td>
<td>FASEP, RPE</td>
<td>COFACE</td>
</tr>
<tr>
<td>Germany</td>
<td>DEG (KfW Banking Group)</td>
<td></td>
<td>Euler Hermes</td>
</tr>
<tr>
<td>Japan</td>
<td>-</td>
<td>PSIF (JICA)</td>
<td>NEXI, JBIC</td>
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<tr>
<td>Korea</td>
<td>-</td>
<td></td>
<td>KEXIM, K-Sure</td>
</tr>
<tr>
<td>Netherlands</td>
<td>FMO</td>
<td></td>
<td>Atradius</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-</td>
<td></td>
<td>NZECO</td>
</tr>
<tr>
<td>Norway</td>
<td>Norfund</td>
<td>IOPDDC</td>
<td>GIEK</td>
</tr>
<tr>
<td>Portugal</td>
<td>SOFID</td>
<td>AICEP</td>
<td>COSEC</td>
</tr>
<tr>
<td>Spain</td>
<td>COFIDES</td>
<td>FIEM, FONPRODE</td>
<td>CESCE</td>
</tr>
<tr>
<td>UK</td>
<td>CDC</td>
<td></td>
<td>ECGD</td>
</tr>
<tr>
<td>USA</td>
<td>OPIC</td>
<td>MCC, DCA (USAID)</td>
<td>US EXIM</td>
</tr>
<tr>
<td>AfDB</td>
<td>OPSM</td>
<td></td>
<td>-</td>
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<tr>
<td>AsDB</td>
<td>PSOD</td>
<td>CP3 Asia Fund</td>
<td>-</td>
</tr>
<tr>
<td>EBRD</td>
<td>Regional/sector departments</td>
<td>SEI</td>
<td>-</td>
</tr>
<tr>
<td>EU</td>
<td>EIB</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>IADB</td>
<td>SCF, IIC</td>
<td>MIF</td>
<td>-</td>
</tr>
<tr>
<td>IsDB</td>
<td>PPP Division in Infrastructure Department, ICD, ICIEC</td>
<td>AFFI</td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td>IFC, MIGA</td>
<td>PPIAF, CIF, GPOBA</td>
<td></td>
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</tbody>
</table>

Note: Acronyms are spelled out in the Abbreviation section of this document.

26. The institutional arrangements of DFIs vary depending on the country: some are supervised by
the Ministry of Foreign Affairs (MFA) or the aid agency (BIO, DEG, Norfund); others are a branch within
an aid agency or owned by it (PROPARCO, CDC); and some are supervised by a ministry unrelated to
development co-operation, usually in charge of trade or finance (COFIDES, SOFID). More specifically,
for example: Norfund is fully owned by the state; DFID is the sole shareholder of CDC; 51% of FMO’s
shares are held by the state while 49% are held by commercial banks, trade unions, and other Dutch private sector representatives; and SOFID is 60% co-owned by the state while four major Portuguese banks own 10% each. In addition, the composition of boards of the bilateral DFIs shows that, in general, members are represented from a wide range of stakeholders, including academia, commercial banks, trade unions, local public entities, elected offices, lobby groups, consulting firms, investment firms and central government. In fact, it appears that, aside from PROPARCO which is part of the French Agency for Development, aid agencies or those who represent the development viewpoint in the board appears to be limited. Possibly due to these governance arrangements, in most cases, DFIs operate autonomously from aid agencies that are responsible for mainstream development co-operation.

27. Among MDBs, the institutional structure of support to private sector participation in infrastructure also differs. Typically, non-sovereign operations for infrastructure are managed by a specific department, such as the Private Sector Operations Department in the AsDB, the Structured and Corporate Finance Department in the IADB and the Private Sector Department of the AfDB. The WBG’s IFC is currently the only institution that is financially independent, although IADB is considering creating a similar one. In contrast, in EBRD, non-sovereign operations are mainstreamed within regional and sector departments.

28. The attention towards DFIs is increasing in recent years, with several countries currently without one either planning or exploring possibilities to establish a DFI. This trend is due to: the growing recognition of the private sector as an important vehicle for development; increasing pressure on aid budgets to leverage other sources of financing; reduced lending capital by commercial banks with tighter regulations resulting from the global financial crisis; and the possibility of increasing business opportunities for domestic companies in times of economic downturn. For example, Japan is establishing a government-owned corporation under the Ministry of Land, Infrastructure, Transport and Tourism, to support Japanese companies in construction and project management especially in Southeast Asia. Canada has recently set up an interdepartmental group which provided recommendations for innovative development financing options that included establishing a DFI. The Australian parliament is also examining issues such as financial instruments that could be used by the government to enhance the role of the private sector in development, particularly in the Indo-Pacific region.

29. In addition to DFIs, many countries have established special programmes within existing institutions aimed at supporting developing country infrastructure projects by domestic or local enterprises such as Japan's Private Sector Investment Finance (PSIF) within Japan International Cooperation Agency (JICA) and Spain’s FIEM mentioned above. Many countries also channel their support for private sector participation in infrastructure through multi-donor programmes, usually hosted in MDBs. This is particularly the case of Canada and the UK. These programmes allow bilateral donors to benefit from the expertise of MDBs and create synergies among their collective efforts. They are also generally untied from the contributing countries. Multi-donor programmes often support a particular region, infrastructure sector—such as transport or climate change mitigation and adaptation—or specifically for the project preparation stage (see Section V).
Examples – Multi-donor Programmes to Support private sector participation

- Ten donors, including Australia, Germany, the Netherlands, and the UK, provide equity finance to the Private Infrastructure Development Group (PIDG)’s eight facilities which are managed individually to fund early-stage capital, long-term debt finance, local currency guarantees, grants and technical assistance for developing country infrastructure. In 2012, PIDG facilities committed a total of 239 million to nine infrastructure projects, leveraging finance of 24 times the amount.

- EU-Africa Infrastructure Trust Fund blends grants from EU member states and the European Commission (EC) with long-term loan finance from eligible public and private financiers. In 2012, it committed approximately USD 113 million for 17 projects primarily in the energy and transport sectors, leveraging approximately USD 1.6 billion of investment.

- Bilateral donors contribute grants, concessional loans and guarantees to the Climate Investment Funds to leverage private finance for climate-friendly infrastructure projects that are implemented by EBRD, AfDB, AsDB, IADB and the WBG.

ECA activities in developing country infrastructure is equivalent to a quarter of ODF by bilateral donor countries.

30. Whether they have a DFI or not, a majority of donor countries support exports and foreign investments by domestic enterprises through ECAs, which may have an impact on developing country infrastructure. While ECAs—often supervised by the Trade or Finance Ministries—do not usually have development-related objectives, their activities involving low-income countries (LICs) are subject to an agreement on sustainable lending practices. This is in addition to the Arrangement on Officially Supported Export Credits that provide a framework for a level playing field among ECA operations globally. The Sustainable Lending guidelines stipulate that export credits for public buyers and publicly guaranteed buyers in LICs should generate net positive economic returns, foster sustainable development by avoiding unproductive expenditures, preserve debt sustainability and support good governance and transparency. The adherence to these principles by members of the OECD Trade Committee's Working Party on Export Credits and Credit Guarantees (ECG) is monitored regularly by its Secretariat.

31. Data collected by the ECG shows that there is significant funding for infrastructure in ODA eligible developing countries (excluding non-fixed assets such as aircrafts, ships, vehicles, etc.), which amounted to approximately USD 11.3 billion in commitments in 2010. This was equivalent to roughly a quarter of ODF commitments by bilateral DAC countries in the same year, although most of the export credit amount comprised of private credits that were insured or guaranteed by ECAs. Of this total, roughly 4% went to LICs. Some examples of infrastructure projects with export credits in LICs, which ranged from USD 4 million to USD 112 million commitments, are shown in Table 2 below. The DAC and ECG are currently collaborating on deriving better DAC statistics on members’ officially supported export credits (direct lending or guarantees/insurance) to ODA-eligible countries in 2010-12, including with sectoral information.

32. While ECAs become engaged in the details of infrastructure projects after plans for the projects have been established—as opposed to DFIs which tend to finance longer-term investments and be engaged from the beginning—the distinction between the two types of institutions are blurred by the growing
overlap in their respective sets of financial instruments, particularly those of DFIs that only support their domestic enterprises. Therefore, the division of role between DFIs and ECAs in financing developing country infrastructure could be better clarified in order to maximise development impact. The OECD Business and Industry Advisory Committee representatives have also made repeated calls for better cooperation between DFIs and ECAs in AGID meetings.28

Table 2. Examples of infrastructure projects involving DAC members official export credits in LICs

<table>
<thead>
<tr>
<th>Reporting country</th>
<th>Buyer Country</th>
<th>Buyer/ Guarantor Type</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Sri Lanka</td>
<td>Sovereign</td>
<td>Ampara District Water Supply Project</td>
</tr>
<tr>
<td>Germany</td>
<td>Viet Nam</td>
<td>Non-Bank Private/ Sovereign</td>
<td>Nhon Trach 2 gas Power Plant</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Tanzania</td>
<td>Public/ Sovereign</td>
<td>Harbour (Project Unspecified)</td>
</tr>
<tr>
<td>Portugal</td>
<td>Angola</td>
<td>Public/ Sovereign</td>
<td>Benguela-Lobito Road rehabilitation</td>
</tr>
<tr>
<td>USA</td>
<td>Honduras</td>
<td>Non-Bank Private</td>
<td>Cerro de Hula Wind Farm</td>
</tr>
<tr>
<td>Portugal</td>
<td>Angola</td>
<td>Instituto de Estradas de Angola</td>
<td>Cabinda-Cacongo Road Rehabilitation</td>
</tr>
<tr>
<td>France</td>
<td>Mozambique</td>
<td>Moçambique Celular SARL</td>
<td>Moçambique Celular's GSM Network Extension</td>
</tr>
</tbody>
</table>

Examples – ECA Activities in Developing Country Infrastructure

• **Belgium’s Office National du Ducroire (ONDD)** provided a guarantee covering 75% of the bond issue worth USD 50 million that helped finance a Safaricom telecommunications venture in Kenya.

• **New Zealand Export Credit Office** is supporting a New Zealand enterprise in connecting Pacific island countries to a submarine fibre optic cable linking the USA and Australasia.

• **Korea’s KEXIM and K-Sure** guaranteed loans of USD 350 million by EIB, USD 150 million of EBRD, and several commercial banks to a Turkish-Korean venture to finance the underwater tunnel which connects Istanbul’s European and Asian sides.

Information sharing among agencies is often weak, particularly at the partner country level.

33. With a few exceptions (see Examples below), co-ordination or information sharing among the different institutions of donor countries involved in private participation in developing country infrastructure appears to be weak. This applies particularly at the country and regional level, with field offices or embassies often having limited knowledge of even major DFI operations in their partner countries. MDBs such as IADB also self-assessed that lack of co-ordination particularly between the sovereign guarantee and non-sovereign guarantee sides of the Bank impeded synergies in private sector support which resulted in significant lost opportunities to foster infrastructure PPPs. The WBG is also trying to enhance co-operation within its group in promoting the enabling environment and developing PPP project pipelines.

34. The lack of knowledge by embassies may also apply to operations by ECAs which do not have developmental objectives. ECAs generally respond to demands for support from exporters, which will be decided based on the ECA’s assessment of the risk. From a partner country perspective, it would be useful for donor countries to share information among their relevant official support to the private sector for
infrastructure, particularly for LICs, by aligning with their infrastructure and development priorities. This would particularly be in line with efforts made through the Global Partnership for Effective Development Co-operation which is developing ground rules on working with the private sector as an important partner in development.

Examples – Inter-Agency Co-ordination for Private Participation in Infrastructure

- Responsible departments in Norway’s MFA regularly co-ordinate with Norad, Norfund, and embassies on the ground to ensure synergies among the activities of different agencies, including for infrastructure.

- In 2010, Japan established a “one voice” framework to support initiatives of private companies in the export of infrastructure systems. This has led to increased co-operation between agencies such as JICA and Japan Bank for International Cooperation (JBIC), including in reviewing and co-ordinating respective financial instruments and approaches. More recently, it has been organising Cabinet level multiple ministry meetings to implement the Strategy Relating to Infrastructure Export and Economic Co-operation. The new governmental corporation to export infrastructure systems is also expected to co-operate with JBIC, JICA, NEXI, public banks and construction consultants to help support Japanese construction companies win overseas contracts, particularly in Asia.

- In the USA, co-ordination occurs among many actors. USAID and the Millenium Challenge Corporation (MCC) co-ordinate regularly with other agencies to reduce duplication of efforts. On specific projects, OPIC co-ordinates with USAID and the US State Department; US-EXIM frequently collaborates with State Department and embassies for information; and the US Trade and Development Agency (USTDA) holds regular consultations with US-EXIM and OPIC, particularly in helping host countries identify investment opportunities in PPPs.

DFIs often collaborate amongst each other, but there is no official and transparent mechanism to monitor agreed standards.

35. While co-ordination within donor country governments may be weak in supporting private sector participation in infrastructure, there appears to be active collaboration among the various DFIs—sometimes together with MDBs—presumably to share costs and risks. This is welcome particularly when they harmonise their efforts to ensure synergies in supporting partner countries’ priorities, in accordance with principles of the Global Partnership for Effective Development Co-operation. Co-ordination is especially important in infrastructure, given the significant financing involved. At a more general level, IFC organises the Private Sector Development Institutions Roundtable around the Bretton Woods Annual Meeting for heads of multilateral and bilateral DFIs to foster collaboration in better serving clients and enhancing development impact. For example, at its meeting in 2013, over 20 DFIs endorsed common guidelines for the use of concessional finance where there are market failures and potential development impact is high, such as investments for climate change. All European DFIs are members of the European Development Finance Institutions (EDFI) association, which facilitate information sharing, finding joint projects, and harmonising evaluation criteria.

36. At the same time, there is no official forum for DFIs where financing private sector activities for development is monitored formally, regularly and transparently, based on agreed and committed standards. This is in contrast with ECAs where the ECG requires standardised reporting on data and activities against the Arrangement and Common Approaches mentioned above, as well as traditional aid agencies which are
bound by the DAC Recommendation on Untying ODA to the Least Developed Countries and Highly Indebted Poor Countries, not to mention various aid effectiveness principles agreed in Paris and Busan. As the main objective of DFIs is to contribute to development—unlike ECAs—the establishment of a more formalised mechanism for their accountability may be worth considering.

### Examples – Co-operation among DFIs

- In 2010, **FMO** and **BIO** signed a Risk Sharing Agreement to jointly identify and finance bankable infrastructure projects. In 2012, **PROPARCO** also signed an agreement with **FMO** and **DEG** to co-finance projects, particularly in infrastructure. In the same year, **FMO** and **DEG** opened a joint office in Johannesburg, South Africa, to serve as a point of contact for several African countries and to facilitate the identification of co-financing opportunities.

- The **EC**, **EBRD** and **EIB** signed a Memorandum of Understanding in 2011 to improve co-ordination and collaboration regarding their activities outside the EU through early information exchange for portfolio co-ordination and project co-financing. It aims to make use of the comparative advantages of the concerned organisations.

### III. Geographical and Sector Distributions of Support

The majority of financing for the private sector in infrastructure is directed towards UMICs.

37. In terms of regional distribution, the share of support to private sector participation in infrastructure was relatively balanced in 2011, although Europe had the largest share at 32% and Africa the smallest at 19% (see Figure 5). At the same time, while the support aims to provide financing in countries with limited access to commercial lending, 69% of the support went to Upper Middle Income Countries (UMICs) (see Figure 6). This is followed by Lower Middle Income Countries (LMICs) at 23% and 8% to LICs. Of the donors that provided above average support to LICs—Belgium, the Netherlands, Norway, UK and USA—only the Netherlands, Norway and UK focused on LICs more than other income groups. In particular, the Netherlands disbursed 82% of its support to LICs.
Figure 5. Regional distribution of support to private investment in infrastructure

Figure 6. Income level distribution of support to private investment in infrastructure

Source: Sources: CRS (gross disbursements 2011 for AfDB, Belgium, Germany, Norway, Spain, the United Kingdom, the United States, EIB, EBRD and IaDB), DAC5 and DAC2b for IFC and projects reported in the Summary of ADB’s Nonsovereign Operations 2011 for AsDB. Canada is not included in the analysis because its contribution is channeled through the IFC. The regional distribution of IFC disbursements for 2011 is based on OECD estimates applying the regional distribution of IFC disbursements for all sectors to the share of infrastructure sectors as IFC does not report its regional distribution by sector to the DAC. IFC is not included in Figure 6 as country breakdowns are not provided by the DAC2b database by sectors. DFID and DEG are not included in Figure 6 as they provide the regional distribution of projects by sectors but not the country breakdown. Disbursements for Netherlands (FMO) were not extracted from CRS but reported to the Secretariat separately.

38. While DFIs such as DEG, IFC, PROPARCO and FMO do not report the country breakdown of their support by sector to the Creditor Reporting System (CRS), Figure 7 below illustrates the top ten recipient countries among those that do report. These countries were all MICs with Brazil, China, Costa Rica, Serbia, South Africa, Tunisia and Turkey being UMICs. The top three—Turkey, Brazil and India—amounted to a quarter of total financing to the private sector in infrastructure. At the same time, analysis from the World Bank’s Private Participation in Infrastructure (PPI) database shows that, in these three countries—in terms of number of projects—there is substantial financing of their infrastructure by national banks, such as the Brazilian Development Bank, the Industrial Development Bank of India, the Industrial Development Bank of Turkey, as well as local commercial banks. More specifically, Figure 8 shows that, in 2008-2012, 75-91% of the infrastructure projects with private sector participation in these countries was financed only by domestic lenders, 3-15% was financed by both domestic lenders and donors, and 3-11% was financed only by donors.
Figure 7. Top ten recipients of support to private investment for infrastructure

Source: CRS (gross disbursements 2011 for Norway, EBRD, IADB, Belgium, AfDB, Spain, the United Kingdom, the United States, EIB) and projects reported in the Summary of ADB’s Non-sovereign Operations 2011 for AsDB. Canada is not included in the analysis because its contribution is channeled through the IFC. IFC is not included either as country breakdowns are not provided by the DAC2b database by sectors. DFID and DEG are not included as they provide the regional distribution of projects by sectors but not the country breakdown. Disbursements for Netherlands (FMO) were not extracted from CRS but reported to the Secretariat separately.

Figure 8. Distribution of the financing of infrastructure projects by donors and domestic lenders (2008-2012)

Source: PPI Database. The analysis is based on the number of infrastructure projects with private investment that reached financial closure and were not cancelled or distressed between 2008 and 2012.

39. Examining the level of FDI flows to the above top ten recipients shows a mixed picture, although data are for all sectors combined—thus not exclusively FDI for infrastructure—since disaggregated data are currently not available. For example, for some countries, the ODF to support the private sector for infrastructure was very low with respect to total inward investment volumes in 2011. For instance, the proportion of ODF for China was equivalent to only 0.1% of Chinese inward investment in 2011 and 0.4% in Chile. In contrast, this proportion was much higher for other countries such as Ethiopia where the ODF was equivalent to 25% of inward investment. As the DAC is currently working on better capturing FDI flows to developing countries, particularly disaggregated by main sectors, a better picture may be obtained.
in the near future, thus enabling comparison between ODF finance to the private sector and FDI—although the extent to which the former leverages the latter would be difficult to determine.

Examples – Geographical Focus

- **Norfund**'s objective is to support Norwegian, international, and local enterprises in LICs, mainly in renewable energy through direct equity investments. **BIO** targets LICs where over one fifth of its infrastructure support was directed in 2011. It identifies its expertise in providing finance to small-scale local infrastructure projects.

- **CDC** is now targeting poor countries in Africa and South Asia and **PROPARCO**'s priority is Subsaharan Africa in a financial markets and infrastructure. **PIDG** also states that it focuses on LICs and LMICs in Asia and Africa.

- As the second largest provider of guarantees for development after OPIC, **MIGA** insures investors against losses resulting from political risks. In 2011, infrastructure made up about a third of its issued guarantees. MIGA has extensive expertise in guaranteeing complex infrastructure projects, particularly in LICs and conflict-afflicted countries.

40. In principle, ODF to fund the private sector should bring financial additionality, i.e. catalyse private finance for bankable projects which would otherwise not be financed due to limited access to capital markets. Here, since the majority of the support is going to UMICs, including in countries where the domestic financial sector is relatively developed, the question of additionality may rise. CSO studies also point to the excessive focus on commercial gains which results in overemphasising investments in UMICs—where official support may be even crowding out commercial funding—at the expense of poorer countries that have the greatest needs.

41. However, the low proportion to LICs may be reflecting the difficulties in financing projects in these countries with a weak enabling environment when many DFIs need to realise returns on investment. One could therefore argue that it would be more efficient to continue supporting traditional infrastructure procurement in LICs and try to leverage private investment in countries where there are higher potential. Additionality could also be assessed at the project level — since donors may be supporting poorer areas or higher risk projects of UMICs and LMICs where domestic financiers may not want to invest. DFIs also argue that they can bring additionality by making projects more commercially viable and improving development outcomes. IFC, IADB, and EBRD have also developed guidelines on concessional finance to improve the additionality of MDB financing.

42. On the other hand, a review commissioned by the European Parliament on mainly European DFIs and MDBs concludes that evidence for additionality is very weak, although the coverage goes beyond support to infrastructure. It cites studies that found most of the projects would have gone ahead without the public finance. It also points to worse results on operational or institutional additionality in that there is very little evidence on DFIs actively seeking to influence project design or policy to improve poverty outcomes. Furthermore, it finds that, despite DFIs’ claim to financial additionality, the measures are actually varied, inadequate, and moreover considered as one of multiple criteria for projects rather than as a necessary condition to be filled.
43. Furthermore, the Donor Committee for Enterprise Development, a platform of bilateral and multilateral agencies to share knowledge on private sector development, also sees that assessment criteria are often limited or vague, with assessment processes often being confined to brief justifications by potential partner companies—although this applies more generally than just the infrastructure sectors. Therefore, in terms of financial additionality, it suggests some criteria and indicators, such as unavailability of commercial finance (e.g. with proof of loan rejections from banks), no displacement of competitors in the market; the ability to leverage other private investment, and so on. Building on these existing efforts, the DAC could discuss ways to enhance accountability and transparency in implementing agreed standards to assess additionality of official support to the private sector.

**Energy is the priority sector, including renewables.**

44. The private sector in energy receives by far the largest funding in infrastructure at 60% (see Figure 9). This reflects growing initiatives to support the energy sector, such as the UN Energy for All, US's Power Africa, PIDG's Green Africa Power, and so on. Within energy, renewables such as hydro, solar, wind, geothermal, and others receive roughly 40% of the disbursements (see Figure 10). Overall, bilateral institutions tended to finance renewables than MDBs, some of which could be supporting independent power producers. The tendency may be due to the flexibility of bilateral agencies in specialising in certain sectors whereas MDBs are obliged to be more multi-sectoral. Furthermore, MDB member-client countries may be expressing stronger preferences for non-renewables in borrowing loans for large infrastructure projects, as renewable or clean energy may not always be the most obviously cost-efficient solution in the short term.

45. While renewable energy can have positive impact on climate change, studies indicate that long-term contracts such as PPPs might be unsuitable for sectors where technology and prices can rapidly change. More information is required to assess the extent to which support to renewable energy projects are directed towards complex PPPs or independent power producers that are not part of PPPs. Furthermore a recent comprehensive study on actual costs of hydropower megaprojects concluded that, in most countries, they will be too costly and take too long to build to deliver a positive risk adjusted return. The study advises particularly developing countries to prioritise agile energy alternatives that can be built over shorter time horizons. Concerning nuclear energy, while Canada, France, Japan, Korea and the USA are supporting this type of technology in developing countries such as India, Turkey, Vietnam and in the Middle East, ODF does not appear to be used to support private sector participation.

46. Beyond renewable energy, reference to low-carbon and climate resilient infrastructure in the transport sector is absent in most strategies of donors in supporting the private sector, except for the EBRD which has a specific focus on environmentally sustainable transport systems (see Examples). It appears that bilateral donors tend to consolidate their support to the private sector for low-carbon and climate resilient infrastructure through contributions to multilateral funds established for this purpose rather than trying to mainstream it explicitly in their bilateral aid programme outside renewable energy.

47. After energy, transport was the next focus at 20% and ICT at 15%. Until the late 1990s, telecoms tended to be an important beneficiary of support to private sector participation in infrastructure. However, this is no longer the case since most of the large profitable transactions have been completed. The least support goes to water and sanitation which encounter difficulty in mobilising private and public finance, despite being crucial for human well being. This situation is driven by several factors, including: unstable or insufficient revenue streams to pay back the investment; mismatch between the large infrastructures that financiers prefer to invest in and the small size and business model of water projects (except for big desalination plants or wastewater treatment plants); and unclear responsibilities and insufficient
capabilities of local agencies often in charge of water supply and sanitation. In particular, the need for household tariffs for water to remain low, due to social and political considerations, is not conducive for financiers. At the same time, as water and wastewater treatment is also necessary for manufacturing and industrial development, some major private investment and advisory firms such as Blackstone are developing initiatives to tap into IFC expertise as well as partner with the public and private sectors to leverage long term investment for water in developing countries.

![Figure 9. Sectoral distribution of support to private investment in infrastructure](image)

![Figure 10. Distribution of support to private investment in infrastructure within energy](image)

Source: For Figure 9, CRS (gross disbursements 2011 for AfDB, Belgium, Germany, Norway, Spain, the United Kingdom, the United States, EIB, EBRD and IADB), DAC5 Database for IFC disbursements and projects reported in the Summary of ADB’s Nonsovereign Operations 2011 for AsDB. For Figure 10, CRS for energy generation disbursements only for 2011 (AfDB, Belgium, Germany, Norway, Spain, the United Kingdom, the United States, EIB, EBRD, IADB). Disbursements for Netherlands (FMO) were not extracted from CRS but reported to the Secretariat separately.
Examples: Energy and transport

- **JBIC** introduced the GREEN programme as Japan’s commitment to the 2009 COP15 Conference on Climate Change in providing Fast-Start Finance for climate change in developing countries. It provides loans, equity, and guarantees to Japanese financial institutions and businesses for renewable and efficient energy projects. To date, JBIC has provided USD 2.4 billion, which mobilised USD 2 billion from private financiers.46

- The Power Africa programme of **USA**, implemented by USAID, OPIC, EXIM, MCC and the USTDA, aims to increase access to electrical power on the continent. So far, the programme has committed USD 7 billion in the form of equity, loans and guarantees, which has leveraged USD 14 billion in private investments from US, African and other international enterprises and financial institutions.

- In its transport strategy, **EBRD** spells out its aim to support environmentally sustainable transport systems, focusing on energy efficiency through optimised transport networks. Furthermore, under its Sustainable Energy Initiative, it has provided almost Euro 870 million of loans and equity since 2007 for projects aimed at fostering more fuel efficient locomotives, ships and other vehicles, as well as better use of traffic management systems. EBRD also supports the adoption of best practice in energy efficiency for airports and port terminals. These investments are expected to reduce CO₂ emissions by an estimated 600,000 tonnes per year.

### IV. Types of Support and Instruments

48. Information from the Word Bank’s PPI database indicate that most of the private sector participation in infrastructure occurs in greenfield projects, as opposed to concessions, management and lease contracts and divestitures of existing facilities.47 There are also different modalities of participation for the private sector, such as: service contracts, concessions, design-build-operate-maintain, build-own-operate-transfer, build-own-operate, and so on. Furthermore, there is private infrastructure with a minimal public sector component as well as private investment in public infrastructure through PPPs, which normally require years of development and negotiation among various parties. These arrangements differ in their risk distribution between the public and private sectors. The CRS data do not provide the different types of private participation, but some information can be obtained from the PPI database.48

#### Loans and equity to finance the private sector for infrastructure amounted to roughly 15%.

49. DFIs generally use three main financial instruments to support private sector participation in infrastructure: loans, equity and guarantees. In some cases, they provide technical assistance in the form of advisory services as well. Loans — used extensively by MDBs, PROPARCO, DEG and to some extent by BIO and Norfund49 — are usually valued below market rates but are not reported as ODA, except for some EIB non-sovereign loans. Furthermore, in addition to generally charging a lower premium than commercial lenders, DFIs assume greater lending risks by offering long-term and junior loans that are less likely to be repaid compared to senior loans when the project fails.

50. Equity investments are also used to support private sector participation in infrastructure by several bilateral DFIs, including FMO, CDC, BIO and Norfund, while others do not use it at all, such as OPIC. It can consist of either direct equity investment in an infrastructure-related company or investment in equity funds, which raise additional finance from other DFIs and commercial investors. However, if equity investments are successful, they would count as negative ODA after reflows have been taken into account. Therefore, the DAC is currently discussing the potential to better valorise this instrument so as to incentivise the use, in recognition of its significant catalytic potential. While it is difficult to clearly distinguish the breakdown between loans and equity due to reporting issues, estimates suggest that in 2011,
roughly USD 5.4 billion was disbursed as mostly either loans or equity to support private sector participation in infrastructure by donors covered in this study. This constituted approximately 15% of their combined ODF for infrastructure among those that finance the private sector. The DAC is currently discussing the establishment of more granular classification of financial instruments such as subordinated loans, blended loans, asset-backed securities, common equity, preferred equity, first-loss shares in structured investment fund, and so on\(^50\), which would enable better analysis of the different types of instruments used when Members report on them.

Guarantees mobilised on average USD 1 billion for infrastructure annually.

51. In addition to loans and equity, donors are increasingly expanding the use of risk mitigation mechanisms such as guarantees to catalyse private finance. Guarantees are sometimes matched with a loan or an equity investment, which acts as insurance in countries or activities rejected by commercial insurers. Guarantees for development often have better contractual terms than what private insurers offer in developed countries. For instance, coverage tends to be longer term with rates tailored to the risks typically associated with infrastructure projects, although political and regulatory risks are among the hardest to insure in private markets.\(^51\)

52. According to a recent survey by the DAC, guarantees for development—which could cover commercial and/or political risks—mobilised an average of USD 1 billion per year for infrastructure projects between 2009 and 2011 by the donors in the survey.\(^52\) At the same time, guarantees are not captured in the DAC statistical framework or in international financial statistics more generally as they are not financial flows.\(^53\) In light of reforming the measurement of development finance to support the new Post-2015 agenda, the DAC is currently discussing the options of better capturing guarantees and other risk mitigation instruments, particularly the amounts mobilised, without double counting by different DFIs financing the same projects.\(^54\)

Examples – Financial Instruments

- EIB, IADB, IFC and PROPARCO extended long-term loans and equity totaling over USD 253 million to TransJamaican Highway Ltd, a Jamaican company, to upgrade and extend Jamaica’s only toll motorway. This was carried out to support a 35-year concession agreement of the company with the Jamaican government.

- Facilities of PIDG such as InfraCo Africa and InfraCo Asia shoulder much of the upfront costs and risks of early-stage infrastructure project development. Furthermore, GuarantCo is one of the few facilities that provide local currency guarantees which could mitigate exchange rate risks on loans and also encourage local financial institutions to provide local capital.
Long-term investment, Islamic finance, blending, and output-based aid are gaining increasing attention.

53. Since the financial crisis, commercial banks are being restricted by new regulations such as Basel III which generally raises capital requirements that can lead to reduced amounts and tenors of their lending, thereby disincentivising long-term project finance for infrastructure projects. To meet the growing financing needs for infrastructure, development stakeholders are therefore increasingly looking towards alternative sources of finance, including long-term institutional investors—such as pension funds, insurance companies, and mutual funds—which held over USD 85 trillion in assets in 2012. Faced with volatile stock markets and low-interest rates, infrastructure projects could provide institutional investors with long-term inflation-protected returns.

54. However, currently only a small share of total assets under management actually flow into the infrastructure sectors, particularly in LICs. Some barriers include lack of investor capability, suboptimal investment conditions in host countries, and the need to improve risk-return profiles that involve feed-in tariffs, user charges, and network pricing. More notably, long-term institutional investors have been reluctant to become involved because of uncertainty of the size, risk, return and correlations of the diverse asset class in infrastructure. Moreover, infrastructure assets also involve new types of investment vehicles, ownership issues, as well as the need to assess regulatory, political and environmental risks that are unfamiliar to fund managers.

55. In order to improve the supply of finance for infrastructure, specific measures need to facilitate long-term investment by institutional investors. These measures are reflected in the G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors presented in St Petersburg in September 2013. The Principles recommends, inter alia: governments to promote policies to support long-term savings; governing bodies of institutional investors to follow a prudent approach in its investment strategy; the financial regulatory framework for institutional investors to reflect appropriate risk characteristics; public interventions to avoid crowding out private investments; information on long-term investment to be shared; and financial education and awareness strategies to be put in place.

56. Furthermore, MDBs such as the IFC and AsDB have begun to operationalise investment by institutional investors in developing country infrastructure (see Examples below). Development partners could further play a pivotal role in attracting these investors to developing countries by helping the host countries improve the enabling environment as well as by developing new financial instruments, including guarantee mechanisms and subordinated debt that would allow institutional investors to access lower risk investment opportunities.

57. In addition, Islamic finance, which is compliant with Shariah—the Islamic moral code and religious law—is also gaining traction for its potential to fund infrastructure, particularly in Africa and the Middle East. As lending with interest is forbidden according to Shariah, Islamic finance is instead based on principles of risk-sharing or profit-and-loss sharing. For example, rather than providing a loan for a road construction project, the IsDB purchases and then leases the machinery and equipment needed by the client for a specified period of time. The procured assets remain the property of IsDB throughout the lease financing period. In addition to providing Islamic finance to the private sector, IsDB is assisting countries such as Senegal to issue infrastructure sukuk bonds, which are Islamic government or private bonds.
Examples – Long-Term Investment and Islamic Finance

- **IFC’s Asset Management Company** manages funds on behalf of large institutional investors which allows them to expand their exposure to emerging markets while accessing IFC’s pipeline projects and expertise. Of its six funds of approximately USD 6 billion in assets, the Global Infrastructure Fund makes equity investments in emerging market infrastructure. The **AsDB** is also investing USD 25 million in the Philippine Investment Alliance for Infrastructure fund, worth USD 625 million, with the rest of the funds being provided by the Dutch pension fund manager APG, Australia’s Macquarie Group and the Philippine Government Service Insurance System.

- **IsDB** collaborated with **IFC and World Bank** to establish the Arab Finance Facility for Infrastructure (AFFI) to attract private finance in infrastructure in low and middle income Arab countries. It includes a Private Window, aimed at providing finance to the private sector for both non-Shariah and Shariah compliant projects; the latter to which the IsDB provided USD 150 million. AFFI aims to address the lack of access to infrastructure in Arab countries, particularly in light of the recent political and economic upheavals throughout the region.

58. Furthermore, the blending of grants with loans, equity, or guarantees from public or private financiers is also becoming an important instrument for infrastructure as it reduces the financial risk of projects. Currently, seven regional EU blending facilities, such as EU-Africa Infrastructure Trust Fund, are combining grants from the EC and EU member states with long-term financing in the form of loans or equity by DFIs and private financiers. At the same time, further information would be useful to gauge the extent to which existing EC blending has been to support the private sector.

59. Finally, by means of performance-based subsidies, **Output Based Aid** links the payment of aid to the delivery of basic services such as electricity, water and sanitation to poor communities. The delivery is contracted out to a third party—public or private—which then receives a subsidy to top-up or replace the user fees. Since the service provider is responsible for pre-financing the project, it takes on a significant amount of risks, as it will be reimbursed only after delivery and independent verification of the pre-agreed “outputs”. Australia provided grants to the Global Partnership on Output Based Aid which has leveraged private finance in projects aimed at electrification in Africa and solid waste management in Nepal.

V. Enabling Environment and Project Preparation Facilities

A larger share of support goes to the enabling environment for LICs and water and sanitation.

60. Many donors view improvements in the enabling environment as an essential prerequisite to private investment. This entails support to "upstream" aspects of developing countries’ enabling environment, such as institutional and legal frameworks, as well as the skills of civil servants necessary for dealing with the private sector. The support is usually carried out by aid agencies, rather than DFIs by helping build the capacity of central government, PPP centres, inter-regional institutions for regional harmonisation, or local administrations for decentralised management. They may focus on specific sectors such as water or energy. Others try to help establish a well-functioning local capital market which is adequately regulated and supervised. Several donors facilitate south-south knowledge exchange on PPPs.
61. Furthermore, Investment Policy Reviews carried out in the Southern Africa Development Community (SADC) highlighted the need for host governments to, inter alia: avoid policy reversals; provide better protection from expropriation; establish independent regulators to oversee changes in tariffs; and ensure a level playing field between potential private investors and state-owned enterprises, which currently provide 80% of Africa's infrastructure. A World Bank 2006-2010 survey among thousands of firms of different sectors also indicated that major obstacles to operations include more general issues such as corruption, crime, theft, disorder, customs and trade regulations, inadequately educated workforce, political instability, tax administration, and so on.

62. In addition to providing support to the "upstream" aspect of the enabling environment, donors also engage in "downstream" support for the preparation of specific infrastructure projects, including providing advisory services or financing PPFs and feasibility studies. This may be carried out by DFIs or traditional aid agencies. For example, in helping establish "bankable" and long-term power purchase agreements with a creditworthy off-taker which could provide a predictable revenue stream, the USA provides assistance to ensure that such agreements specifically lay out contract terms and risks such as foreign exchange, legal or regulatory changes, tariff schedule, and appropriate termination. In general, Donors allocate on average 15% of their infrastructure support to these “soft” types of activities, as opposed to directly financing the private sector or paying for the hardware of infrastructure.

63. While most of the support to the enabling environment is provided by aid agencies—which also work with private consulting firms, industry actors, and NGOs—funding is also channelled through multilateral programmes and funds, such as the Public-Private Infrastructure Advisory Facility (PPIAF) hosted by the World Bank or the Global Energy Efficiency and Renewable Energy Fund sponsored by the EU, Germany and Norway. In terms of regional distribution, more support is directed towards LICs for the enabling environment than direct finance to the private sector for infrastructure (see Figures 11 and 6). While difficult to measure, this is possibly because LICs require substantial improvements in their legal, institutional and regulatory frameworks to enhance more private or public investments in infrastructure. This is the same for sectoral distribution as support to the enabling environment for water and sanitation also receives more than the direct support to the private sector (see Figures 12 and 9).
Examples – Support to the Enabling Environment

- **Australia** is committed to help establish a PPP Centre in Indonesia and to assist the Ministry of Finance to build capacity in designing and managing PPPs for infrastructure. It aims to help establish such centres in other Asian countries as well.

- **Norway** supports the enabling environment for regional infrastructure by providing technical assistance to the Southern African Development Community secretariat to develop competitive electricity markets and harmonise transmission pricing through the Southern Africa Power Pool.

- **IADB’s Multilateral Investment Fund** and the Economist Intelligence Unit developed Infrascope, an interactive index, to evaluate the capacity of 19 Latin American and Caribbean countries to implement PPPs in infrastructure. The index, which is published annually allows analyses of laws, institutions and practices that affect the enabling environment. **AsDB and EBRD** have also started producing Infrascopes for Asia and Europe, respectively.
Donors are supporting many PPFs, which is leading to proliferation.

In addition to the enabling environment, many donors emphasise the need to support the project preparation stage. Financing is provided primarily to PPFs, which is needed to increase the stock and quality of bankable infrastructure projects, as echoed by the G20 HLP. The MDB Working Group on Infrastructure estimated that project preparation for complex PPPs can cost around 5-10% of the total project costs. Most PPFs are hosted by MDBs or other multilateral institutions (Annex 1). Some donors create their own PPFs which usually support their domestic companies. While most multilateral PPFs provide financing and technical co-operation to all sectors of economic infrastructure, particularly for projects in Africa, there are some PPFs that are only active in one sector, such as the South Asia Water Facility hosted by the World Bank. On the other hand, some MDBs such as AsDB and IADB are helping to create national capacity to manage a centralised country-specific mechanism which would allow a more co-ordinated host government-wide approach to project preparation.

Given the increasing prevalence of PPFs, the G20 HLP has cautioned against their proliferation, recommending instead to reduce the number and consolidate funding and expertise. Furthermore, as PPFs are not sustainable—being dependent on grants from donors—the HLP has also proposed to structure them as revolving funds so that they would be repaid once the project reaches closure or becomes successful. In response, the Infrastructure Consortium for Africa, housed in the AfDB, commissioned a comprehensive study of PPFs in Africa and is now in the process of creating a PPF Network. During its current presidency of the G20, Australia aims to explore the effectiveness of PPFs in Asia in promoting long-term investment financing for infrastructure, with the view to identifying appropriate G20 actions to increase infrastructure investment in LICs.

Examples – Project Preparation Facilities

- **New Partnership for Africa’s Development – Infrastructure Project Preparation Facility** provides grants to African countries, Regional Economic Communities and specialised agencies to, *inter alia*, prepare viable regional infrastructure projects that could be financed from public and private sources (hosted by AfDB, and supported by Canada, Germany, Norway, Spain, UK and USA).

- **InfraFund**, established by the IADB, assists public and private entities in Latin America in the identification, development and preparation of infrastructure projects. With a capital stock of USD 69 million, it finances up to USD 1.5 million per project preparation. A fast-approval mechanism is in place for funding less than USD 500,000.

Domestic lessons learnt on PPPs and FDI restrictiveness could inform the approach for development.

Private sector participation in infrastructure—particularly through PPPs—is a relatively recent form of procurement in many countries, including in OECD countries. PPPs can actually represent substantial fiscal risks if the country is not ‘PPP ready’ or uses PPP for the wrong reasons. In this context, the OECD has developed the Principles for Public Governance of PPPs, which underline the importance of issues such as institutional capacity, value for money, and budgetary transparency. The country must also
offer a credible pipeline of projects and a sound investment climate to ensure sufficient competition in the market for the PPP contract.

67. Donor countries that have domestic experience in private participation in infrastructure should take them into account—success and failures—when promoting private sector participation in developing country infrastructure. This applies to countries including Spain and Portugal where the extensive use of PPPs led to overinvestment in domestic infrastructure. However, it is not clear whether most donor countries link their domestic experience with their views and approaches towards supporting private sector participation in developing country infrastructure. In particular, with a few exceptions (see Example), there is a disconnect between the branches of government dealing with development assistance and the institutions in charge of implementing PPPs for domestic infrastructure investment. Private participation in infrastructure can be complex, time consuming and subject to frequent renegotiation and restructuring. If certain modalities are hugely unsuccessful in OECD countries, careful analysis would be useful to determine whether they could succeed in less developed countries where cost recovery is more difficult. It would therefore be worth consolidating more lessons-learned from OECD countries, emerging economies, and developing countries on the different forms of private participation in infrastructure.

Examples – Lessons Learned from Domestic Experience

- In the early 2000s, PPP investments reached over 1.2% of Portugal’s GDP, making it one of the largest European users of PPPs, particularly for infrastructure. Overly optimistic projections for usage volumes, interest rates and profitability by both the private and public sectors, however, led to over-investment in infrastructure PPPs. Spain was faced with similar challenges in renewable energy. Germany has significant domestic PPP experience in sectors such as healthcare and education, but not extensively in economic infrastructure.

- UK and France have been significant users of PPPs for their domestic infrastructure market. Based on their experience, they have specialists in the Ministry of Finance who provide expertise on PPPs in developing country infrastructure on a fee basis. As for Korea, with 10-15% of public sector infrastructure investment taking place through PPPs, it is trying to share its knowledge with developing countries through the Public & Private Infrastructure Investment Management Centre of the Korea Development Institute.

68. Furthermore, according to the OECD’s 2013 FDI Regulatory Restrictiveness Index, which measures countries’ investment climate, some DAC donor countries are more restrictive in terms of foreign investors in the infrastructure sectors than ODA recipient countries. The indicators are assessed on criteria such as limitations on: foreign equity, approval mechanisms, employment of foreigners as key personnel, capital repatriation, land ownership, and so on. For example, Argentina and Malaysia are less restrictive than Norway and Korea in transport, South Africa and Brazil are less restrictive than Austria and Switzerland in electricity, and Egypt and Morocco are less restrictive than Canada and Australia in communications. Therefore, in assisting developing countries improve the enabling environment for infrastructure investments, bilateral donors would need to be conscious of the constraints that partner countries may be facing, based on its own difficulties in opening up to FDI back home.
VI. Accountability, Transparency, Reporting and Measurement

**Evaluation methodologies are shared, but commercial confidentiality limits access to results.**

69. While a sub-objective for DFIs is to crowd-in profit-seeking commercial investors, their primary objective—by definition—is to contribute to sustainable development and poverty reduction. In order to know whether or not this objective is met, a clear results framework needs to be in place. Evaluations should therefore be carried out to test assumptions and to assess design, implementation and results based on the core development evaluation criteria: relevance, sustainability, effectiveness, efficiency and impact. In addition, evaluations are critical in assessing the additionally of official assistance: support to private actors should be given to viable investments—which otherwise would not secure financing due to perception of excessive risks—without crowding out the market.

70. CSOs point out that evaluation assessment tools developed by DFIs have several shortcomings, such as: information essentially collected by the benefiting company, lack of triangulation through independent sources; focus only on potential positive development; excessive emphasis on financial and quantitative aspects; and ex-post application on determined investment as opposed to prior to assessment of different investment alternatives. Key evaluation principles, including credibility, transparency and independence, are thus not being applied in this field. Despite the need for evidence, considerable enthusiasm among donors, and a large number of programmes in the field, there appears to be something of an evaluation gap in the field of supporting private sector participation in infrastructure.

71. Some DFIs such as PROPARCO and Norfund have based their evaluations on a set of criteria developed by DEG, while CDC's evaluation system was based on the IFC's Development Outcome Tracking System. However, DFIs are increasingly harmonising efforts—in October 2013, 25 DFIs, including MDBs, signed a memorandum to standardise development result indicators for private sector investment operations. The common indicators include, for example: energy delivered to offtakers in GWh; number of phone subscriptions; volume of water produced or wastewater treated; and number of passengers using transportation services.

72. Furthermore, a workshop in 2013 by the DAC Network on Development Evaluation and World Bank's Independent Evaluation Group identified key challenges around evaluating private sector support. Practitioners and policy makers demonstrated keen interest to support informed dialogue by providing more and better evidence on what works and what does not in this field. In general, there is growing consensus on applying core DAC evaluation criteria for sovereign operations to private sector support, as opposed to developing separate approaches.

73. Regarding transparency and accountability, though, public access to evaluations of individual DFI projects remains limited due to commercial confidentiality. In annual reports, DFIs such as FMO, BIO, Norfund, and EIB describe in a general way the efficiency and impact of their projects supporting the private sector. The information is sometimes accompanied by aggregate statistics from individual project evaluations, such as the number of people reached by the services or fiscal benefits to the government. However, only a few exceptional DFIs such as PIDG and CDC provide individual evaluation results on their websites. This may partially be due to the complexities of the results chain and attribution issues, as well as specific challenges with the collection of quality data on the private sector, which complicate evaluations. But it is mostly due to the private sector’s concern over loss of competitiveness resulting from financial disclosure and possible critical evaluation results.
The lack of transparency poses challenges in adequately assessing the extent to which official support contributes to the overarching goal of sustainable development as well as providing additionality. It also reduces the opportunities to learn from experience and share lessons between institutions. Comparing effectiveness and across financing approaches in private sector participation in infrastructure is also difficult. In this context, the 2013 G8 summit in Lough Erne called for more transparency with respect to DFI activities.  

Examples – Evaluation systems and Public Scrutiny

- **DEG** uses a Corporate-Policy Project Rating system which evaluates: financial sustainability; return on equity; additionality; and developmental effects. According to its 2012 annual report, 74% of DEG’s projects were evaluated as either “very good”, “good” or “fully satisfactory” in the composite rating of all four indicators. **PIDG** estimates development impact of a project (e.g. mobilised capital, additional employment, alignment with national development plans) at the time of commitment, which will then be assessed when the project becomes operational. PIDG provides an extensive list of project evaluations on its website, which include information on outcomes and impacts such as job creation, fiscal benefits to the host country, and number of new beneficiaries connected to the service.

- The British Parliament raised questions regarding **CDC**’s lack of additionality and weak focus on poverty impact of its investments since 2008. As a result, CDC underwent a strategic reform in 2011 to focus exclusively on poor countries in South Asia and Africa. **Eurodad** also reviewed the activities of **BIO**, **CDC**, **Cofides**, **DEG**, **FMO**, **Norfund**, **Proparco**, **Sofid**, and other European DFIs. It recommended DFIs to, *inter alia*: align to developing countries’ investment priorities; make development outcomes the overriding criteria for project selection; target local companies; and improve transparency.

- A study commissioned by the **European Parliament** issued in April 2014 also concluded that—although not limited to infrastructure—leveraging private finance has faced many problems including in proving additionality, intransparency, lack of developing country ownership, and poor evidence of development impact.

**Reporting and measurement of funding to the private sector need to be improved.**

There are several challenges concerning development finance statistics and reporting related to infrastructure. First, project descriptions in the CRS are generally not very informative, although there are exceptions (see Examples). Moreover, donor reporting to differentiate between disbursements to the private and public sector is imperfect as the current “channel of delivery” code in the CRS does not specify a separate entry for private sector actors. Categorisation between sovereign and non-sovereign activities is also missing. In addition, it would be useful to identify the country of origin of the private actors that are being supported, given CSO claims that the support is disproportionately directed to domestic businesses and large multinationals. Furthermore, resources aimed at improving the enabling environment may be undercounted because some donors report their funding at a highly aggregated level—they include capacity building and technical co-operation activities as part of their support to the hardware of infrastructure without identifying them separately.
**Examples – Reporting to the CRS**

- **AfDB** clearly designate their non-sovereign lending disbursements in the CRS, although project descriptions need to be filled.

- **OPIC** provides detailed reporting on private sector support to the CRS, including project descriptions with names of the private enterprises that are supported. For instance, in 2011 OPIC disbursed a direct OOF loan to Contour Global for a coal-fired power plant project in Togo (USD 22 million) and another one to Sustainable Energy Services Afghanistan (USD 0.5 million) for a solar project.

- Project descriptions of **Norfund** indicate that in 2011, they provided equity investment as ODA to SN Power, a company owned by the Norwegian state entities Statkraft and Norfund (USD 78 million) for hydropower projects in Brazil, the Philippines, Kenya and Chile. It also reported equity investment for Agua Imara—a member of the SN Power Group focused on renewable energy in developing countries—for hydropower projects in Zambia and Panama (USD 24 million).

76. To date, there is no harmonised approach to measure leveraging, i.e. amounts of additional commercial capital mobilised by official support. Therefore, the totality of leveraged flows cannot be estimated or compared across DFIs or financial instruments in a meaningful way. Moreover, some DFIs do not make publicly available details of the leveraging effect of their projects. Where information on leveraging effects is available, there seems to be double counting at the aggregate level. In other words, to a large extent, amounts leveraged by DFIs consist of funds by other DFIs, MDBs or bilateral aid agencies, with commercial financiers contributing less. This may raise questions regarding the effective degree of financial additionality of DFIs collectively in trying to leverage private resources for infrastructure. Finally, given ECAs' role in private participation in developing country infrastructure, it is important to capture the relevant activities within the framework of development finance, which will enable a more transparent and informed approach among relevant official funds, with a view to maximise development impact.84

**VII. On-Going Activities and Remaining Issues for the DAC**

**Actions are need for better co-ordination, statistics, evaluation, and accountability.**

77. The above provided an overview of donor support to private sector participation in infrastructure, highlighting trends as well as emerging issues. There are already on-going activities that are addressing some of the issues identified, which may go beyond the infrastructure sectors.

- Case studies in Africa and several other regions are being carried out that could provide insights into the role played by bilateral and multilateral donors in supporting private sector participation or leveraging private resources for infrastructure.

- The DAC is trying to improve reporting by donors on development finance beyond traditional aid, such as: non-concessional loans and equity provided to the private sector for development; measurement on leveraging effects (e.g. by guarantees); and better identification of the type of recipient institutions (e.g. sovereign vs. non-sovereign). Furthermore, DFIs are being encouraged to improve the coverage and level of detail of their CRS reporting.
• DAC Peer Reviews, which have started to examine development finance more systematically, is covering activities by DFIs and ECAs more prominently in the reviews to reflect their growing role within the broader development landscape.

• The DAC Network on Development Evaluation, working with the Evaluation Cooperation Group of the MDBs, is sharing findings and exchanging lessons from experience in evaluating private sector support. It is looking at improving transparency and covering activities to support the private sector in their existing development evaluation portfolios, encouraging robust approaches to results management and evaluation among DFIs. More could be done to support credible evaluation analysis of private sector support, while managing the need for commercial confidentiality—for example by making anonymised evaluations available to the public or by assessing performance across several projects in a generic way that does not reveal confidential information.

78. Given the increasing number of relevant institutions and financial instruments to support private sector participation in development, the DAC could further address some of the issues identified, such as:

• Enhancing exchange of information and co-ordination among aid agencies, MFAs, DFIs and—where appropriate—ECAs on funding specific projects, particularly based on partner country priorities.

• Standardising, monitoring, and making more transparent the activities by DFIs, including measuring additionality of support to the private sector for development.
ENDNOTES

1 Official Development Finance consists of the sum of bilateral Official Development Assistance (ODA) and developmental Other Official Flows (OOF), as well as concessional and non-concessional resources from multilateral sources. Thus it only includes non-export-credit OOF. Since a large share of lending operations by Multilateral Development Banks is non-concessional (hence not ODA), ODF better represents the reality of support to infrastructure.

2 OECD (2012), DAC HLM Communique, Available at: http://www.oecd.org/dac/HLM%20Communique%202012%20final%20ENGLISH.pdf

3 Summary Record of the 48th HLM [DCD/DAC/M(2012)11/FINAL]

4 Here, infrastructure includes water & sanitation, transport & storage, energy, and information, communication & technology. It corresponds to the sectors 140 (water & sanitation), 210 (transport & storage), 220 (communications), and 230 (energy generation and supply) in the DAC Creditor Reporting System.

5 Output 5.1.4.3.2 of the DAC Programme of Work and Budget 2013-14 on Aid for Infrastructure Investment


7 Which includes multilateral concessional flows

8 See Endnote 4 for definition of Economic infrastructure


11 See Endnote 1 for definition of ODF

12 This increase is due to both growth in ODF disbursements by development partners that disbursed throughout 2002-2011, as well as an increase in the number of reporting development partners

13 Multilateral donors are the World Bank, AfDB, AsDB, EBRD, IADB and IsDB. The EU, a DAC member with its own sources of financing and budgetary authority, is also included here, although it has a sui generis legal nature

14 Based on estimations in Development Initiatives; Investments to End Poverty; 2013; Bristol, United Kingdom

High-Level Panel on Infrastructure; Recommendations to G20 – Final Report; 26 October 2011; Available at: http://www.g20-g8.com/g8-g20/root/bank_objects/HLP_-_Full_report.pdf, p. iii

The figure is not significantly different from the roughly USD 7.8 billion for infrastructure commitments by 31 DFIs in 2009. See IFC, International Finance Institutions and Development Through the Private Sector: A joint report of 31 multilateral and bilateral development finance institutions, 2011, page 37

OECD (2013a), op. cit., pp 5-6; Available at: http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/WKP%282012%291/REV1&docLanguage=Fr

However, in 2011, Spain provided the entirety of its support for private investment in infrastructure through its Corporate Internationalisation Fund (FIEM), also aimed at promoting Spanish businesses abroad, including in the infrastructure sector of developing countries


For more details on the Arrangement on Export Credits please see: http://www.oecd.org/tad/xcred/arrangement.htm


Data from the power point presentation by the ECG Secretariat made at the OECD Advisory Group on Investment and Development meeting of 21 March 2013

According to the CRS Database, in 2010 bilateral ODF commitments for infrastructure for ODA recipient countries amounted to USD 47 billion. To be comparable with the ECA data, ODF commitments by the European Union, which does not have an ECA, was not included

The amount of activities to LICs was derived from Table 10a in Sustainable Lending: Review of Official Export Credit Commitments to Countries Covered by the Principles and Guidelines (2001-2010) [TAD/ECG(2012)2]. Special Drawing Rights are converted into USD using the average exchange rate for 2010. This estimate totals Official Export Credits for 2010 in the following categories: Water Supply and Sanitation (All), Road Transport (Infrastructure), Water Transport (Infrastructure), Communications (All), Energy Generation and Supply (All)

Ibid.


FMO does not report projects to the CRS for the moment. However, the Ministry of Foreign Affairs provided data to the Secretariat on FMO’s disbursement to infrastructure in 2011 for this study
31 See OECD (Forthcoming), Case studies on levering private investment for infrastructure. Overview, Proposal and TOR, DCD/WKP (2014)1

32 Norfund; About Norfund; Available at: http://www.norfund.no/about-norfund/category296.html, accessed on 4 February 2014

33 However, this cannot be verified since PIDG does not report to the DAC CRS nor was this information available in their annual report


35 International Finance Institutions and Development Through the Private Sector, IFC, 2-11, page 26

36 Comments from Martin Chrisney, Senior Advisor, Vice Presdience for Private Sector and Non-Sovereign Guaranteed Operations, IADB, in communication to the Secretariat dated 30 March 2014


42 Since 1998 the DAC has been monitoring aid targeting the objectives of the 1992 Rio Climate Conventions through the CRS using the so called "Rio markers": Biodiversity; Climate Mitigation; Climate Adaptation and Desertification. Every aid activity reported to the CRS should be screened and marked as either (i) targeting the Conventions as a 'principal objective' or a 'significant objective', or (ii) not targeting the objective. MDBs do often not use Rio markers in their CRS reporting due to methodological issues. Aside from intentions, the actual extent of support by DFIs to green infrastructure is difficult to analyse since—of those reviewed in this study—only BIO, CDC and Norfund indicate the Rio markers in their reporting to the DAC's Creditor Reporting System (CRS). Currently a separate exercise is being conducted in the DAC on improving the Rio Markers and examining overall aid to green infrastructure. Therefore, the more general issue of how to enhance green investment including for the transport sector is expected to be addressed there


48 These modalities are explained in the Annex of Case Studies on Leveraging Private Investment for Infrastructure [DCD/WKP(2014)1]

49 BIO reports its loan operations to the CRS as ODA grants and Norfund as equity


51 Estache, Antonio, page 79


53 A proposal for collecting data on guarantees for development on a regular basis is currently being discussed


57 Estache, A., page 80


60 Financing for Development Post-2015: Improving the Contribution of Private Finance states that all existing EC blending has been to support public institutions, page 23

61 However, there was no reporting of the GPOBA to the CRS in 2011


63 International Finance Institutions and Development Through the Private Sector, IFC, 2011, pp16-17

64 These include all DAC members as well as other multilateral institutions beyond the main 22 donors covered in this report

65 High Level Panel on Infrastructure, Recommendations to G20 – Final Report, 26 October 2011

66 Infrastructure Action Plan: Submission to the G20 by the MDG Working Group on Infrastructure, October 2011

67 High Level Panel on Infrastructure, Recommendation to G20


70 P Burger and I Hawkesworth, How to Attain Value for Money: Comparing PPP and Traditional Infrastructure Public Procurement, OECD Journal on Budgeting, Volume 2011/1


72 However, the index does not account for monopolies which are not discriminatory towards foreigners. Therefore, there may be cases where the country with a monopoly in a sector will appear as more open to private investment than other countries with some restriction on foreign investment. This can be particularly important in the infrastructure sectors


74 Sinha Sunil, Cristina Bortes, Anders Grettve (2011), Literature review of development returns to DFIs investment in private enterprise, DFID, London
75 Summary Record of the Network on Development Evaluation, 

76 Lough Erne G8 Leaders’ Communiqué (2013), Available at 
https://www.gov.uk/government/publications/2013-lough-erne-g8-leaders-communique

77 House of Commons, International Development Committee (2011), Inquiry into the CDC, Memorandum from The Corner House and Jubilee Debt Campaign; Available at: 
http://www.publications.parliament.uk/pa/cm201011/cmselect/cmintdev/writev/607/m03.htm

78 House of Commons, International Development Committee, The Future of CDC, Fifth Report of Session 2010 – 2011; 3.3.2011; Available at: 

79 There is a separate assessment for Bio, Doing Business to Fight Poverty, National Centre for Development Co-operation, 11.11.11

80 Kwakkenbos, J. (2012), op. cit.

81 European Parliament, 2014

82 Ibid.

83 The DAC Working Party on Development Finance Statistics is currently working on establishing a methodological framework to better capture the measurements

84 Currently, ECAs report their operational data to the ECG on a confidential basis. However, as recent data on their financing are expected to be made available to the public soon, this should help in obtaining a clearer picture of their contribution and role in developing country infrastructure
# ANNEX I – TABLE OF PROJECT PREPARATION FACILITIES

<table>
<thead>
<tr>
<th>Project Preparation Facility</th>
<th>Regions</th>
<th>Sectors</th>
<th>Hosts/ Contributors (inter alia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Private Infrastructure Advisory Facility (PPIAF)</td>
<td>All</td>
<td>All</td>
<td>Hosted by the World Bank. Contributions from Australia, United Kingdom, United States, World Bank.</td>
</tr>
<tr>
<td>Infrastructure Development Collaboration Partnership Fund (DevCo)</td>
<td>All</td>
<td>All</td>
<td>Hosted by the World Bank (IFC). Contributions from IFC, Netherlands, United Kingdom.</td>
</tr>
<tr>
<td>Infrastructure Crisis Facility-Debt Pool (ICF-DP)</td>
<td>All</td>
<td>All</td>
<td>Part of PIDG. Contributions from Germany, PIDG Trust.</td>
</tr>
<tr>
<td>PIDG Technical Facility</td>
<td>All</td>
<td>All</td>
<td>Hosted by PIDG. Contributions from IFC, United Kingdom.</td>
</tr>
<tr>
<td>Preparatory Survey for PPP Infrastructure Programme</td>
<td>All</td>
<td>All</td>
<td>Hosted by JICA. Contributions from Japan.</td>
</tr>
<tr>
<td>Energy Sector Management Assistance Program (ESMAP)</td>
<td>All</td>
<td>Energy</td>
<td>Hosted by the World bank. Contributions from Australia, France, Germany, Japan, Netherlands, Norway, United Kingdom.</td>
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<tr>
<td>Global Infrastructure Project Development Fund</td>
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<td>Energy, Transport</td>
<td>Hosted by the World Bank (IFC)</td>
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<td>Africa 50 Fund</td>
<td>Africa</td>
<td>All</td>
<td>Hosted by AfDB</td>
</tr>
<tr>
<td>African Development Fund Project Preparation Facility (ADF-PPF)</td>
<td>Africa</td>
<td>All</td>
<td>Hosted by AfDB</td>
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<tr>
<td>Fund for African Private Sector Assistance</td>
<td>Africa</td>
<td>All</td>
<td>Hosted by AfDB</td>
</tr>
<tr>
<td>New Partnership for Africa's Development Infrastructure Project Preparation Facility (NEPAD IPPF)</td>
<td>Africa</td>
<td>All</td>
<td>Hosted by AfDB, Contributions from Canada, Germany, Norway, Spain, United Kingdom and United States.</td>
</tr>
<tr>
<td>New Economic Partnership for Africa’s Development Project Preparation and Feasibility Study (NEPAD PPFS)</td>
<td>Africa</td>
<td>All</td>
<td>Hosted by AfDB. Contributions from France.</td>
</tr>
<tr>
<td>South African Development Community Project Preparation &amp; Development Facility (SADC PPDF)</td>
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<td>Part of SADEC. Contributions from Germany, European Union.</td>
</tr>
<tr>
<td>EU-Africa Infrastructure Trust Fund (EU-AITF)</td>
<td>Africa</td>
<td>All</td>
<td>Hosted by EIB. Contributions from Belgium, European Commission, France, Germany, Netherlands, Portugal, Spain and United Kingdom.</td>
</tr>
<tr>
<td>InfraCo Africa</td>
<td>Africa</td>
<td>All</td>
<td>Part of PIDG. Contributions from Netherlands, United Kingdom.</td>
</tr>
<tr>
<td>USAID Africa Infrastructure Program (AIP)</td>
<td>Africa</td>
<td>All</td>
<td>Hosted by USAID. Contributions from the United States.</td>
</tr>
<tr>
<td>Organisation</td>
<td>Region(s)</td>
<td>Sector</td>
<td>HostedBy</td>
</tr>
<tr>
<td>---------------------------------------------------------</td>
<td>----------------------------</td>
<td>--------</td>
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</tr>
<tr>
<td>Green Africa Power</td>
<td>Africa</td>
<td>Energy</td>
<td>PDIG</td>
</tr>
<tr>
<td>Sustainable Energy Fund for Africa</td>
<td>Africa</td>
<td>Energy</td>
<td>AfDB</td>
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<tr>
<td>African Water Facility (AWF).</td>
<td>Africa</td>
<td>Water</td>
<td>AfDB</td>
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<tr>
<td>Arab Financing Facility for Infrastructure Technical Assistance Facility</td>
<td>Middle East and North Africa (MENA)</td>
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<td>IsDB</td>
</tr>
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<td>The Development Bank of Southern Africa – European Investment Bank Project Development and Support Facility (DBSA-EIB PDSF)</td>
<td>Southern and Eastern Africa</td>
<td>All</td>
<td>EIB, DBSA</td>
</tr>
<tr>
<td>Project Preparation Implementation Unit (PPIU) – (part of Trademark Southern Africa programme)</td>
<td>Southern and Eastern Africa</td>
<td>All</td>
<td>DBSA</td>
</tr>
<tr>
<td>InfraCo Asia</td>
<td>Asia</td>
<td>All</td>
<td>PIDG</td>
</tr>
<tr>
<td>South Asia Water Initiative (SAWI)</td>
<td>Asia</td>
<td>Water</td>
<td>World Bank</td>
</tr>
<tr>
<td>EU-Latin America Investment Facility (LAIF).</td>
<td>Latin America</td>
<td>All</td>
<td>European Commission</td>
</tr>
<tr>
<td>Inter-American Development Bank Regional Infrastructure Integration Fund</td>
<td>Latin America</td>
<td>Transport</td>
<td>IADB</td>
</tr>
<tr>
<td>EU Neighbourhood Investment Facility (NIF).</td>
<td>Europe, North Africa, Middle East, Central Asia</td>
<td>All</td>
<td>European Commission</td>
</tr>
<tr>
<td>EU Western Balkan Investment Framework</td>
<td>Europe</td>
<td>All</td>
<td>European Commission</td>
</tr>
</tbody>
</table>

44
DONOR PROFILES AT A GLANCE

This section provides an overview of individual donors’ support to private participation in infrastructure. The full profiles can be found in a forthcoming document [DCD/WKP(2014)2/ADD/REV1].
TECHNICAL NOTE ON DONOR PROFILES

The following describes how the data, tables, and graphs in the donor profiles were calculated or estimated. Data for 2011 was used since reporting for 2012 by some donors was incomplete at the time of writing.

1. Infrastructure Disbursements in 2011

Infrastructure is used as a short hand for Water and Sanitation, Transport & Storage, Communications and Energy. The amounts are disbursements in 2011 USD, except for the Islamic Development Bank and France where the amounts are commitments in 2011 USD. The data was extracted from the DAC Credit Reporting System (CRS) using channel codes 140 (Water and Sanitation), 210 (Transport & Storage), 220 (Communications) and 230 (Energy Generation and Supply).

The total Official Development Finance, which combines both Official Development Assistance (ODA) and Other Official Flows (OOF), was used instead of only the former since, otherwise large amounts of non-concessional lending (i.e., OOF) particularly by the MDBs will be excluded. Some bilateral donors also disburse significant amounts of OOF for infrastructure as well, particularly to support the private sector.

2. Disbursements for support to private sector participation in infrastructure

This amount is the ODF disbursed by a donor in 2011 to support a private entity to participate in infrastructure. The amounts are usually disbursements by DFIs or programmes that support private sector participation in infrastructure, identified generally by agency name, channel of delivery code (50 000 and 52 000) and/ or project description in the CRS.

<table>
<thead>
<tr>
<th>Country</th>
<th>Source</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>CRS</td>
<td>Disbursements by BIO (equity) and Finexpo (interest rate subsidies)</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td>Disbursement to the IFC – Canada Climate Change Program</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td>Disbursements by DEG (equity and non-concessional loans)</td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td>Disbursements by Norfund (equity)</td>
</tr>
<tr>
<td>Spain</td>
<td></td>
<td>Disbursements through channel of delivery code 52 000 (Other private channel)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>CRS</td>
<td>Disbursements by CDC (equity), DFID (grants) and DECC (grants)</td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td>Disbursements by OPIC (non-concessional loans)</td>
</tr>
<tr>
<td>AfDB</td>
<td></td>
<td>Disbursements for projects reported as &quot;AfDB non-sovereign lending&quot; (Project Title)</td>
</tr>
<tr>
<td>EBRD</td>
<td></td>
<td>Disbursements through channel of delivery code 50 000 (Other) (non-concessional loans)</td>
</tr>
<tr>
<td>IADB</td>
<td></td>
<td>Disbursements through channel of delivery code 52 000 (Other private channel)</td>
</tr>
<tr>
<td>France</td>
<td>PROPARCO 2011 Annual Report</td>
<td>Commitments by PROPARCO. Commitments reported in euros were converted to US Dollars according to OECD exchange rates for 2011.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Ministry of Foreign Affairs</td>
<td>Disbursements by FMO through the Infrastructure Development Fund and the Access to Energy Fund (equity, grants, loans)</td>
</tr>
</tbody>
</table>
Estimated disbursements. According to data provided by AsDB, public sector operations accounted for 90% of 2011 commitments to infrastructure with private sector arm accounting for the remaining 10% ($1.2 billion non-sovereign, $10.65 billion sovereign). According to CRS, ADB public sector disbursements to infrastructure in 2011 were equal to $3969 million. Within its public sector operations, 95% of disbursements to infrastructure in 2011 were supporting hard infrastructure and 5% went to enabling environment. Assuming the 10%-90% split, disbursements to private sector were estimated at $445 million.

Disbursements by EIB for projects where the borrower is marked as "Non-sovereign".

Disbursements by IFC

Commitments by PIDG Facilities

The following donors did not provide significant support to private investment in infrastructure in 2011 or did not provide comparable data regarding direct financing to the private sector for infrastructure: New Zealand, Portugal, Australia, Korea, Japan and IsDB.

3. **Figure 1 - Disbursements by sector**

This figure shows the share of ODF disbursed towards infrastructure and other major areas. The objective is to show the relative importance of infrastructure in a donor’s total allocable ODF. The data was extracted from the CRS.

4. **Figure 2 - Disbursement by type of support**

The graph combines the Share of Private Sector Support described above, the Share of Support to the Enabling Environment, and the share of the rest of ODF disbursements to infrastructure in 2011, which is referred to as “Hard Infrastructure”.

“Support to the enabling environment” consists in technical co-operation, training, capacity building, etc in the four sector covered in this study. The share of support to the enabling environment was calculated from the CRS, based on the total disbursements of donors in the following categories:

- Water resources policy and administrative management (14010)
- Education and training in water supply and sanitation (14081)
- Transport policy and administrative management (21010)
- Education and training in transport and storage (21081)
- Communications policy and administrative management (22010)
- Energy policy and administrative management (23010)
- Energy education/training (23081)
- Energy research (23082)

“Hard Infrastructure” generally implies donor support to procure goods (materials) for the construction of infrastructure, such as concrete, pipes, wind turbines, transmission lines, and so on. It is derived from disbursements to the infrastructure sectors that are not direct financing to the private sector nor for the enabling environment (i.e. the rest). While this amount is presumably not exclusively to procure hard
infrastructure materials (due to aggregated reporting), the assumption is that a large part is used for this purpose.

5. **Figures 4, 5, and 6 - Sectoral, Income Level, and Regional Distribution of Private Sector Support for Infrastructure**

The share of 2011 ODF disbursements to the private sector in infrastructure described above is disaggregated according to:

- The four sectors of Water and Sanitation (140), Transport & Storage (210), Communications (220), and Energy Generation and Supply (230), excluding support to the enabling environment.
- Regional distribution of Africa, Asia, Latin America and Europe. Disbursements to Unallocated Area are excluded from the data.
- Income level distribution of: Low Income Countries (LICs), Lower Middle Income Countries (LMICs), and Upper Middle Income Countries (UMICs). LICs combine the Least Developed Countries (LDCs) and Other LICs because there as only a few of the latter countries in the DAC list. Disbursements to Unallocated income level and Regional projects are excluded from the data.

6. **Figures 4, 5, and 6 - Sectoral, Income Level, and Regional Distribution of Support to the Enabling Environment for Infrastructure**

Some donors did not provide significant support to private investment in infrastructure in 2011, but did provide support to strengthen the enabling environment in the sectors covered in the study. Therefore, for Australia, Japan and Korea, the distribution of support to the enabling environment is displayed according to sectors, income levels and regions.

7. **Table 1 - Tables on Top 5 recipient countries of private sector support for infrastructure**

The 2011 total ODF disbursements for the private sector in infrastructure is disaggregated according to recipient countries. The top 5 recipients, their income level, disbursed amounts in 2011 USD million, and percentage in total support for the private sector are displayed in the table.
Australia

1. Data

- Infrastructure disbursements in 2011: USD 482 million (USD 481 million ODA, USD 0.3 million OOF)
- Disbursements for support to private sector participation in infrastructure: N/A

2. Institutions, Policies and Approaches

Until recently, Australia’s development co-operation was managed by the Australian Agency for International Development (AusAID), which was an independent agency, reporting to the Minister for Foreign Affairs. In September 2013, the Australian Government announced the integration of AusAID into the Department of Foreign Affairs and Trade (DFAT).

In August 2012, AusAID launched its Private-Sector Development Strategy, which focuses on support for private participation in infrastructure primarily to improve the enabling environment for PPPs by providing technical assistance to partner governments. Australia also supports private sector involvement through Output-Based Aid, which links payment of aid to the delivery of basic services such as water and electricity to poor consumers.

Australia does not have a DFI. However, the parliament is currently examining issues such as financial instruments that could be used by the government to enhance the role of the private sector in development, particularly in the Indo-Pacific region.

The Export Finance and Insurance Corporation (EFIC), the country’s export credit agency (ECA), supports private investment by Australian companies in emerging markets through (1) the provision of guarantees, (2) loans and (3) project finance, including re-insurance. EFIC is currently supervised by the Minister for Finance along with a governing board of representatives from a number of related ministries, including DFAT.

3. Comparative Advantage and Co-ordination

Australia, together with the United Kingdom, is the most active user of PPPs among OECD countries for financing and operating its domestic infrastructure. Australia views this extensive domestic experience as its comparative advantage in promoting them in Asian countries. Furthermore, Australian long-term institutional investors, such as pension funds, have been investing in infrastructure since the 1990s which is also viewed as a comparative advantage.

As for donor co-ordination, a substantial number of projects aimed at improving the enabling environment for private investment have been co-financed with multilateral agencies such as the AsDB and the IFC. EFIC also has several reinsurance agreements, including for infrastructure projects, with multilateral agencies and other export credit agencies.

More generally, throughout its G20 presidency in 2014, Australia plans to prioritise the promotion of private investment for infrastructure, including for developing countries.

4. Geographic and Sectoral Distribution of Private Sector Support

Australia does not directly provide support to private investment in infrastructure with a development objective.
5. Enabling Environment

In 2011, 39% of Australia’s total infrastructure disbursements went towards strengthening the enabling environment for infrastructure in partner countries. This was allocated primarily to the transport sector (57%), followed by the water sector (40%). The vast majority of support to the enabling environment went to Asia and Oceania. In terms of income levels, 80% of support to the enabling environment went to LMICs.

Table 1: Top 5 recipient countries of Australia’s support to the enabling environment

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Code</th>
<th>Support (millions)</th>
<th>Support (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Papua New Guinea</td>
<td>LMIC</td>
<td>69</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>LMIC</td>
<td>25</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Kiribati</td>
<td>LIC</td>
<td>7</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Iraq</td>
<td>LMIC</td>
<td>6</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Laos</td>
<td>LIC</td>
<td>5</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>76</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>189</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: OECD DAC Statistics, ODF Disbursements in constant 2011 USD million

6. Project Preparation Facilities

Australia supports the African Water Facility (AWF), hosted by the AfDB. Following the Infrastructure Consortium of Africa’s (ICA) recommendations on PPFs in Africa during its presidency of the G20, Australia is committed to further explore the effectiveness of PPFs in Asia in promoting long-term investment financing for infrastructure.

7. Green Infrastructure and Local Investors

In 2011, AusAID’s infrastructure policy stated its commitment to support green infrastructure in development co-operation, particularly with renewable energy. However, as Australia does not directly finance private participation in infrastructure for development, there is no explicit policy on how to support the private sector in renewable energy projects.

8. Evaluation

Not applicable.

9. Project Example

DFAT directly manages the water and sanitation ‘Hibah’ programme in Indonesia, an Output-Based Aid programme that has provided around 599,272 people with increased access to safe water and more than 307,110 people with increased access to basic sanitation or sewerage since 2010.
Belgium

1. Data

- Infrastructure disbursements in 2011: USD 157 million (all ODA)
- Disbursements for support to private sector participation in infrastructure: USD 47 million (all ODA)

![Figure 1: Belgium's allocable disbursements by sector](image)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

The Directorate General for Development (DGD) states that basic infrastructure and private sector development are among the priorities of Belgian development co-operation.

The main agency responsible for promoting private sector development in partner countries is the Belgian Investment Company for Developing Countries (BIO), the Belgian DFI, funded mostly by DGD. 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’s mandate was enlarged in 2010 to include the financing of private infrastructure projects.

Finexpo is an inter-ministerial advisory committee of representatives from the Ministries of Foreign Affairs, Foreign Trade, Development Cooperation, Finance, Economy and the Budget, managed by the Ministry of Foreign Affairs. It provides financial assistance to Belgian companies exporting capital goods and services.

The Belgian Development Agency (BTC) provides technical assistance to support the enabling environment, in particular for investments in water and sanitation.

The Belgian Export Credit Agency (ONDD) offers insurance against political and commercial risks to Belgian private enterprises for their investment activities in developing countries, including in infrastructure.

DGD is currently revising its co-ordination mechanisms, including its relationship with BIO, to assure stronger coherence of development policies.

3. Comparative Advantage and Co-ordination

Belgium identifies its expertise in small-scale projects with strong local dimensions (roads to rural areas, local energy supplies, etc.) as its comparative advantage in supporting private investment in infrastructure. Due to this focus on small infrastructure, it is not yet directly involved in PPPs which tend to be large scale. BIO has an agreement with the Dutch Development Bank (FMO) to co-operate and jointly finance infrastructure investments.

4. Geographic and Sectoral Distribution of Private Sector Support

When combining both BIO and Finexpo support, USD 157 million, transport accounts for almost half of Belgian support to the private sector for infrastructure in 2011, followed closely by energy. In terms of geographical distribution, more than half of disbursements went to Africa and LMICs, with the largest recipient being Ghana.

At the same time, there are significant differences between Finexpo and BIO, in particular with respect to sectoral...
distribution – 80% of BIO’s support was in the energy sector, while two thirds of Finexpo disbursements went to transport. In addition, BIO has an objective of targeting LICs, which accounted for one fifth of all its infrastructure-related disbursements in 2011, compared to just 1% of Finexpo support.

5. Enabling Environment
DGD is actively supporting the enabling environment, most notably in water and sanitation and energy sectors. More than half of its disbursements go to Sub-Saharan African countries and LMICs. In Tanzania, for instance, DGD finances a research project carried out by the Flemish University Council on the quality of subterranean water basins around Dar-es-Salaam and their management.

6. Project Preparation Facilities
Belgium contributes to the EU-Africa Infrastructure Trust Fund (EU-AITF). In addition, BIO has a Capacity Building Fund that helps SMEs prepare feasibility studies for investment projects, although not specifically for infrastructure.

7. Green Infrastructure and Local Investors
Virtually all of BIO’s energy sector-related disbursements in 2011 went to renewable energy projects. At the same time, most private projects supported by Finexpo do not target climate change mitigation, according to OECD-DAC Rio markers in the CRS.

8. 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.

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. At the same time, it also indicated that the catalytic role of BIO investments was uneven and that projects needed to address development objectives more clearly.

9. Project Example
BIO is co-financing the KivuWatt renewable energy investment made by Contour Global, a private energy sector company in Rwanda. It offers a loan together with the Emerging Africa Infrastructure Fund, FMO, and the AfDB to complement Contour Global’s equity investment. The project, one of the largest private investments in the country, aims to double Rwanda’s electrification rate.
Canada

1. Data

- Infrastructure disbursements in 2011: USD 123 million (USD 108 million ODA, USD 15 million OOF)
- Disbursements for support to private sector participation in infrastructure: USD 15 million (all OOF)

![Figure 1: Canada’s allocable disbursements by sector](image)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

Canada does not directly provide financial support for private sector investments in developing country infrastructure with development as the main objective. Therefore, it does not have a DFI nor does it provide financial instruments such as loans or equity to leverage private for infrastructure projects through its other government institutions for development purposes.

Instead, the Government of Canada provides indirect support to the private sector for infrastructure by channelling ODA through MDBs, as they are considered to be the most appropriate institutions in promoting private investment for developing country infrastructure, given the extensive expertise and financial instruments at their disposal.

For example, the Department of Finance and the IFC established the IFC-Canada Climate Change Program. In 2011, Canada disbursed USD 14.9 million to the programme which constituted Canada’s support to private investment in developing country infrastructure. Canada’s contribution is blended with IFC funds to provide loans at concessional terms, to support initiatives that (a) seek to promote market transformation activities that can move markets towards low-carbon and climate-sensitive environments; (b) support private sector engagement in climate change mitigation and adaption activities; and (c) encourage private sector financing in other areas that would contribute to addressing the climate change challenge, including in green infrastructure. Another part of the fund is used to finance advisory services.

The Department of Foreign Affairs, Trade and Development (DFATD) also supports the Conflict-Affected and Fragile Economies Facility, administered by the MIGA. DFATD, which includes the former Canadian International Development Agency (CIDA) since July 2013, also supports the enabling environment for infrastructure investments (see Enabling Environment below).

Export Development Canada (EDC), Canada’s export credit agency, is a central institution in the promotion of infrastructure investments by Canadian companies in developing countries. For example, with India’s need for USD 1 trillion in infrastructure development, EDC is undertaking a multi-year effort to increase Canadian involvement in India’s infrastructure sector through matchmaking, engagement with key Indian infrastructure developers and raising awareness of opportunities in India among Canadian enterprises. In keeping with this focus on India, EDC invests in the Infrastructure Development Finance Company (IDFC)’s India Infrastructure Fund through an equity investments programme. This programme has also financed investments in Africa and South America. EDC reports to the Canadian parliament through DFATD.

![Figure 3: Institutions and Instruments](image)

Oversees IFC contributions

3. Comparative Advantage and Co-ordination

Canada actively uses PPPs in its domestic economic and social infrastructure. Between 2009 and 2011, 39 PPP projects worth USD 22 billion were initiated, of which 14 were in economic infrastructure. Projects include, for example, local roads and wastewater infrastructure projects.
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. In the case of the IFC-Canada Climate Change Program, for example, financial instruments include grants and concessional financing.

4. Geographic and sectoral distribution of IFC-Canada Climate Change programme support 2011-2013

According to the IFC, to date, 16 projects have been granted IFC-Canada Climate Change Support Programme financing. Nine are investment projects worth USD 831 million and seven advisory projects worth USD 9 million. The vast majority of IFC-Canada funds goes to projects in Africa, while over half of total financing is invested in projects in LMICs. This focus is also reflected in the list of top recipients of IFC-Canada funds. All IFC-Canada Climate Change Programme projects are in the energy sector.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Income Level</th>
<th>USD millions</th>
<th>Share in allocable infrastructure disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ghana</td>
<td>LMIC</td>
<td>360</td>
<td>43%</td>
</tr>
<tr>
<td>2</td>
<td>Kenya</td>
<td>LIC</td>
<td>108</td>
<td>13%</td>
</tr>
<tr>
<td>3</td>
<td>Mexico</td>
<td>UMIC</td>
<td>105</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>India</td>
<td>LMIC</td>
<td>85</td>
<td>10%</td>
</tr>
<tr>
<td>5</td>
<td>Bosnia</td>
<td>UMIC</td>
<td>70</td>
<td>8%</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td></td>
<td>112</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>840</td>
<td>100%</td>
</tr>
</tbody>
</table>

In 2011, the majority of Canada’s support to the enabling environment for infrastructure went to the water and sanitation sector, followed by energy. Africa was the largest region of support, receiving over half of total disbursements. Overall, LICs are the clear focus of Canada’s support.

6. Project Preparation Facilities

Canada funds the following project preparation facilities:

- NEPAD-Infrastructure Project Preparation Facility hosted by AfDB
- African Water Facility (AWF) hosted by AfDB

7. Green Infrastructure and Local Investors

Green infrastructure and climate change adaptation are clear priorities. Canada believes that the scale of the long-term climate-change finance commitment made under the Copenhagen Accord will require the mobilisation of private financing and investment, with donors playing a key role in leveraging and supporting policies.

In addition to its contribution to the IFC-Canada Climate Change Programme, Canada committed approximately USD 245 million in 2012 to establish the Canadian Climate Fund for the Private Sector in the Americas with the IADB. The fund was created to support private sector investment in climate mitigation and adaptation technology, particularly renewable energy projects. The IADB estimates that the Canadian Climate Fund for the Private Sector in the Americas will leverage up to USD 5 billion in private sector investments by 2025.

8. Evaluation of Support to the Private Sector

Assessments of Canada’s support through MDBs are not yet available.

9. Project Example

The IFC-Canada Climate Change Program extended a USD 15 million concessional loan to the Takoradi International Company, a joint venture between Abu Dhabi National Energy Company and Volta River Authority in Ghana. In addition, IFC committed USD 80 million to the same project, which enabled it to leverage USD 265 million in private sector financing. The project aims to expand the electricity production of gas-fired power plant by 50% through waste heat recovery technology without additional fuel consumption. The Program also provided advisory services to support the Ministry of Energy of Thailand to review the country’s legal and regulatory framework, particularly to design business models that will reduce market barriers and support the development of clean energy, with a focus on wind and solar power.
European Union Institutions

1. Data

- Infrastructure disbursements in 2011: USD 4.9 billion (USD 4.5 billion ODA, USD 475 million OOF)
- Disbursements for support to private sector participation in infrastructure: USD 1.1 billion (all ODA)

2. Institutions, Policies and Approaches

The new policy paper issued in May 2014 on supporting the private sector for development states that the EU commits to leveraging private sector capital and expertise for infrastructure investments in developing countries through EU regional blending facilities such as the EU-Africa Infrastructure Trust Fund. The EU will also aim at introducing design, build and operate contracts, as well as concepts of sustainability and life-cycle costs into EU procurement procedures. It will further promote co-operation on the development and use of space technology for sustainable development through research programmes, technology transfer, capacity building, and joint business initiatives, including for satellite navigation infrastructure and Earth Observation services.

The European Investment Bank (EIB) focuses on local private sector development, social and economic infrastructure, and climate change mitigation and adaptation. Support to non-EU Member countries constitute only about 10% of the EIB portfolio, which mostly consist of EU candidate countries, European Neighbourhood Policy (ENP) countries and the Africa Caribbean and Pacific (ACP) countries, with Turkey being the single largest recipient of infrastructure disbursements. EIB manages the ACP Investment Facility aimed at promoting private sector development in ACP countries, including for infrastructure.

EuropeAid in the European Commission increasingly uses blending as one of its tools for achieving EU policy objectives. Seven facilities have been set up to combine EU grants with loans and equity for investments in partner countries, including for infrastructure:

- EU-Africa Infrastructure Trust Fund (ITF)
- Neighbourhood Investment Facility (NIF)
- Latin America Investment Facility (LAIF)
- Investment Facility for Central Asia (IFCA)
- Asian Investment Facility (AIF)
- Caribbean Investment Facility (CIF)
- Investment Facility for the Pacific (IFP)

Until today, Euro 1.2 billion grants from the EU budget, the European DFIs and member states have contributed to financing 168 blending projects. Overall, the EU grant contributions to individual projects have enabled investments with a total volume of approximately Euro 30 billion. However, almost all existing EC blending has been to support public institutions.

3. Comparative Advantage and Co-ordination

The EU is often a large donor in the field, making the potential leveraging effect greater, improving access to finance for local businesses and attracting additional financing from local and foreign investors.

Furthermore, by building on EU experience in overcoming key obstacles, EuropeAid has commissioned a study on how to further engage the private sector in development, extend the blending activities, and promote PPPs. In addition, as the EU hosts the European PPP Expertise Centre, EuropeAid tries to share the EU lessons-learned on PPPs with the Neighbourhood region.

(See Organisation chart and instruments below)
4. Geographic and sectoral distribution of private sector support

According to the CRS data and a special DAC survey on loans, EU’s support to the private sector included EIB’s non-sovereign lending to infrastructure. The majority of this support went to developing countries in Europe, but a third was directed to Africa and Latin America combined. Most support went to the energy sector and to UMICs. Turkey was the top recipient country by far (61%) due to two major projects in telecommunications (upgrading of broadband networks) and in energy (gas-fired power-plant).

5. Enabling Environment

According to the CRS, support for policy and administrative management-related projects in infrastructure accounted for 7% of total EU funding for infrastructure in 2011. The majority of support to the enabling environment was provided by Europaid and the EC, with EIB providing less than 1%. The EU support to improve the enabling environment is generally aimed at policy reforms across all sectors and all partner countries, with particular emphasis on energy sector reforms in the Neighborhood and Candidate countries. In addition, EU is also strongly promoting water sector reforms in ACP states.

6. Project Preparation Facilities

The EU hosts or finance the following facilities which include a project preparation component:

- EU-Africa Infrastructure Trust Fund (EIB)
- Neighbourhood Investment Facility, Caribbean Investment Facility, Investment Facility for the Pacific, Latin America Investment Facility, Investment Facility for Central Asia, and Asian Investment Facility (hosted by EuropeAid)
- Development Bank of Southern Africa-EIB Project Development and Support Facility (hosted by DBSA)
- African Water Facility (hosted by AfDB)

7. Green Infrastructure and Local Investors

The new policy on supporting the private sector for development commits the EU to increase the provision of risk capital through private investment for energy efficiency, renewable energy and rural electrification projects, following the successful example of the Global Energy Efficiency and Renewable Energy Fund (GEEREF). The policy also mentions the plan to set up a risk-sharing mechanism with European DFIs to increase private investment in sustainable energy-related projects.

EIB is currently advising the Global Energy Efficiency and Renewable Energy Fund, a fund-of-fund that aims at catalysing private sector capital into clean energy projects in developing countries and economies in transition. First closing took place in December 2013, with accepted commitments of EUR 24 million.
9. Evaluation

In 2012, EIB introduced the new Results Measurement framework, which evaluates projects on: its contribution to lending objectives; project results; and financial and non-financial additionality. In the Evaluation of EU’s Support to Private Sector Development in Third Countries 2013, it states that the Investment Facility of the EIB, which includes higher-risk instruments besides senior loans, had a positive effect on the balance sheet of the beneficiaries. Furthermore, the combination of technical assistance with other EIB facilities—including the EU-Africa infrastructure TF—allowed smoothening implementation and strengthening investee companies.

10. Project Example

In 2011 the EIB disbursed USD 278 million to support the construction of a gas-fired combined-cycle power plant in the Samsun province of eastern Turkey. The project is expected to be one of a handful of large gas fired combined cycle power plants to be constructed in the next couple of years, providing the extension of electricity generation capacity.
France

1. Données clés

- Engagements dans le secteur des infrastructures en 2011 : 2 milliards de dollars US
- Engagements visant à soutenir le secteur privé dans le secteur des infrastructures : 351 millions de dollars US (nature des prêts - concessionnelle ou non-concessionnelle non précisée dans le rapport annuel de Proparco)

![Graphique 1: Répartition du Financement Public du Développement (FPD) total ventilable par secteur en engagements](image1)

Source : SNPC, Engagements, 2011

2. Institutions, Politiques et Approches

Dans le cadre de la diplomatie économique, le Ministère des Affaires Étrangères (MAE) et le Ministère de l’Économie et des Finances (MINEFI) mettent en avant le savoir-faire reconnu des entreprises françaises dans la réalisation et la gestion d’infrastructures. Dans ce contexte, la Direction générale du Trésor (DGT) du MINEFI a mis en place la Réserve Pays Émergents (RPE) et le Fonds d’Études et d’Aide au Secteur Privé (FASEP), qui visent à fournir un soutien financier aux entreprises françaises prenant part à des projets d’infrastructures dans les pays en voie de développement. Les fonds FASEP et RPE sont comptabilisés au titre de l’APD de la France.

L’Agence Française de Développement (AFD) et sa filiale, la Société de Promotion et de Participation pour la Coopération Économique (PROPARCO), l’institution financière de développement française financent des projets d’infrastructure dans les domaines de l’énergie, des transports et des télécommunications, principalement en Afrique subsaharienne. En ce qui concerne le soutien à l’investissement privé, les financements de PROPARCO sont ouverts à toutes les entreprises privées et tous les projets relevant du secteur privé à l’exclusion des projets immobiliers ou de court terme. Les promoteurs du projet doivent avoir une expérience significative dans le secteur concerné ou avoir pour partenaire une société bénéficiant d’une reconnaissance internationale dans le domaine, et apporter un capital minimum d’environ 20% du coût du projet dans le cas d’un projet nouveau (greenfield project). PROPARCO promeut également l’investissement en Afrique auprès des acteurs privés par le biais de la publication de la revue trimestrielle Secteur Privé et Développement.

La Compagnie Française d’Assurance pour le Commerce Extérieur (COFACE) gère, pour le compte et avec la garantie de l’État, des garanties publiques destinées à encourager et soutenir le développement international des entreprises françaises, y compris les entreprises dans le secteur des infrastructures. Le groupe AFD et les Fonds gérés par la DGT proposent également des garanties destinées à encourager les investissements privés dans les pays en voie de développement, y compris dans les infrastructures.

![Graphique 3 : Organisation et instruments](image3)

Graphique 3 : Organisation et instruments

3. Avantage Comparatif et Coordination

En 2011, la France a joué un rôle moteur pendant sa présidence du G20 dans les discussions du Groupe des experts de haut niveau sur les investissements en infrastructures (High Level Panel on Infrastructure Investment).

PROPARCO est membre de l’EFDI, l’association des institutions financières de développement européennes. Dans ce cadre, elle participe au financement de deux facilités : (1) la European Financing Partners qui vise à financer des projets contribuant au développement des pays de la zone ACP et (2) l’Interact Climate Change Facility qui finance des projets d’énergie renouvelable. En 2012 PROPARCO a également signé un accord avec FMO et la DEG afin de
cofinancer une quantité croissante de projets, notamment des projets d’infrastructures.

Compte tenu de son expérience passée en financement de projets sur le continent africain, PROPARCO se considère comme un bailleur naturel pour le financement d’infrastructures construites et gérées par le secteur privé sur le continent. Le groupe peut ainsi se positionner comme arrangeur de financements structurés pour des projets d’infrastructure.

4. Répartition Géographique et Sectorielle du Soutien au Secteur Privé dans le Secteur des Infrastructures

En 2011, sur 11 projets identifiés dans le Rapport Annuel de PROPARCO, l’Amérique Latine a reçu plus d’un tiers des engagements destinées à soutenir la participation du secteur privé dans le secteur des infrastructures, contre 25% pour l’Asie et 21% pour l’Afrique. Le soutien au secteur privé est principalement dirigé vers les Pays et Territoires à revenu intermédiaire tranche supérieure (Upper Middle Income Countries), 20% étant alloué aux Pays les moins avancés (Low Income Countries).

D’un point de vue sectoriel, le secteur énergétique a reçu le soutien le plus important avec 46% des engagements de la France en termes de soutien à l’investissement privé dans le secteur des infrastructures.

5. Appui à l’Environnement des Affaires

Selon le SNPC, en 2011, 4% des versements dédié au secteur des infrastructures ont été utilisés pour soutenir l’amélioration de l’environnement des affaires dans le secteur des infrastructures. Le MINEFI considère la stabilité, la cohérence et la confiance comme des éléments essentiels aux décisions d’investissement. Le renforcement des compétences des institutions publiques est nécessaire à la fois pour la structuration et le montage d’opération de PPP et dans le suivi et la régulation des projets et secteurs. Les projets visant à appuyer l’amélioration de l’environnement des affaires se concentrent sur les secteurs de l’énergie et de l’eau et assainissement, ainsi que sur les réformes des organismes de régulation et administrations locales.

6. Soutient à la Préparation des Projets d’Infrastructure

La France, pendant sa présidence du G20, a souligné l’importance de la préparation de projets d’infrastructure et a particulièrement soutenu le développement et l’amélioration des facilités de préparation des projets (PPFs) pour augmenter l’investissement privé dans les infrastructures des pays en voie de développement. Dans ce contexte la France soutient financièrement les PPF suivantes :

- NEPAD - Infrastructure Project Preparation Facility Special Fund au sein de la Development Bank of Southern
- African Water Facility, au sein de la Banque Africaine de Développement
- EU Africa Infrastructure Trust Fund au sein de la Banque Européenne d’Investissement
- PPIAF, au sein de la Banque Mondiale

7. Infrastructures Écologiques et Investisseurs Locaux

La France n’a pas indiqué mener de politique spécifique visant à soutenir l’investissement privé dans les infrastructures écologiques. Elle a cependant souligné à plusieurs reprises son implication sur le terrain de la lutte contre le changement climatique par le biais de projets d’énergies renouvelables et d’efficacité énergétique.

8. Évaluation

Les projets financés par PROPARCO sont évalués de façon systématique ex ante lors de l’instruction via le GPR, méthode adaptée d’un outil développé par la DEG qui évalue la viabilité du projet, son impact sur le développement, la valeur ajoutée du rôle de PROPARCO vis-à-vis des banques commerciales et la rentabilité de l’opération. À moyen terme, une évaluation GPR de suivi est réalisée 5 ans après le financement. Des études ex post approfondies sont également menées de façon ponctuelle.

9. Exemple de Projet

En 2012, PROPARCO a financé le premier projet privé de production d’énergie solaire à concentration en Afrique du Sud. Une entreprise espagnole, spécialisée en technologie solaire, a été sélectionnée dans le cadre du premier appel d’offres de projets d’énergie renouvelable pour construire une centrale à concentration solaire de 50MW. PROPARCO l’a accompagnée dans la phase de construction de ce projet en lui octroyant un prêt de 17,7 millions d’euros.
1. Data

- Infrastructure disbursements in 2011: USD 2.6 billion (USD 2.2 billion ODA, USD 381 million OOF)
- Disbursements for support to private sector participation in infrastructure: USD 257 million (USD 65 million ODA, USD 193 million OOF)

![Figure 1: Germany’s allocable disbursements by sector](image)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

The Federal Ministry of Economic Cooperation and Development (BMZ) promotes German, foreign and local private investment in developing countries, including for infrastructure.

KfW Development Bank funds infrastructure investments, including PPPs, through direct financing to governments as well as through financial intermediaries such as PIDG.

Deutsche Investitions- und Entwicklungsgesellschaft (DEG), a DFI and subsidiary of KfW provides long-term funding (non-concessional loans, equity and guarantees) to businesses in developing countries. According to the CRS, DEG’s support to economic infrastructure projects constituted 28% of commitments in 2011.

German Society for International Cooperation (GIZ), Germany’s development co-operation agency, provides infrastructure PPP-related advice to governments.

The Hermes Cover is Germany’s official export credit instrument, managed by Euler Hermes with PwC (former Price Waterhouse and Cooper). It consists of political risk guarantees to German companies investing in developing countries, including in infrastructure sectors.

The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (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 for developing countries.

BMZ co-ordinates all infrastructure projects, including with other ministries on specific sectors, such as energy projects with BMU.

![Figure 2: Disbursements by type of support](image)

Source: OECD DAC Statistics

3. Comparative Advantage and Co-ordination

From the mid-2000s, Germany has been promoting domestic PPPs, aiming to increase their share in all public investments to 15%. At the same time, most PPPs in Germany have been in the non-economic infrastructure (schools, training centres, sports/cultural facilities).

Germany co-operates with the World Bank, the IFC, and the Regional Development Banks in their efforts to promote private investment. It sees a particular strength of these multilateral institutions in enhancing the enabling environment, diversifying investment risks, and promoting South-South co-operation, particularly in the field of infrastructure investments.

KfW regularly comments on IFC’s strategic documents on infrastructure. BMZ reviews PPIAF projects, which may also be commented by KfW and GIZ.

DEG is co-operating with FMO and PROPARCO, including by establishing a joint office with FMO in Johannesburg.

4. Geographic and Sectoral Distribution of Private Sector Support

Almost half of DEG’s disbursements for infrastructure went to the energy sector, followed by transport. Water sector,
despite accounting for almost a third of Germany’s overall infrastructure disbursements, amounted to less than 5% of its support to the private sector. As for the regional distribution, Asia was the largest recipient, followed closely by America. Germany does not report DEG’s country or income level breakdown to the CRS.

Source: OECD DAC Statistics

5. Enabling Environment

GIZ supports reforms of the political, regulatory and institutional frameworks, as well as vocational training and access to finance for the private sector. BMZ co-funds multi donor facilities which support the enabling environment for infrastructure investments, such as PPIAF. As in the case of private sector support, Asia was the largest recipient of Germany’s support to the enabling environment at 42% followed by Africa and America, both at 26%. With respect to income level groups, UMICs accounted for 60%.

6. Project Preparation Facilities

Germany is strongly committed to following the G-20 High Level Panel recommendations to support Project Preparation Facilities (PPFs). It finances the following:

- Global project development fund (SBF), hosted by KfW Development Bank
- New Partnership for Africa’s Development Infrastructure Project Preparation Facility (NEPAD IPPF), hosted by the AfDB
- South African Development Community Project Preparation & Development Facility (SADC PPDF), hosted by the Development Bank of South Africa
- Energy Sector Management Assistance Program (ESMAP), hosted by the World Bank
- EU-Africa Infrastructure Trust Fund (EU-AITF), EU Neighbourhood Investment Facility (NIF), EU Western Balkan Investment Framework (WBIF), and EU Latin American Investment Facility (LAIF), hosted by the EIB
- Geothermal Risk Mitigation Facility for Eastern Africa, hosted by the African Union
- Infrastructure Crisis Facility-Debt Pool (ICF-DP) hosted by PIDG.

7. Green Infrastructure and Local Investors

DEG considers climate friendly investments as a priority, with strong emphasis on renewable or efficient energy projects. All disbursements in 2011 for DEG recorded in the CRS went to electrical transmission and distribution projects. At the same time, DEG states that, in 2012 it committed to 11 renewable energy and 3 energy efficiency projects.

BMZ states support to local investors as a clear priority. While the proportion of funds going to local businesses is not clear, according to DEG, only 8% of its approvals in 2011 were destined for German companies, with the remaining activities oriented towards international and local businesses.

8. Evaluation of Support to Private Sector

DEG has developed its own monitoring instrument which looks at financial sustainability of a project, return on equity, the additionality of support and developmental effects. In 2012, 74% of DEG’s portfolio projects were self-evaluated as either “very good”, “good” or “fully satisfactory”. DEG’s evaluation criteria is serving as a model for other DFIs such as PROPARCO and Norfund.

9. Project Example

DEG has recently provided a USD 9 million quasi-equity loan to a private consortium consisting of German SoWiTec group and Spanish Banco Santander for four wind parks in Mexico, which aim to significantly increase energy supply and reduce CO2 emissions.
Japan

1. Data

- Infrastructure disbursements in 2011: USD 6.5 billion (all ODA)
- Disbursements for support to private sector participation in infrastructure: N/A

![Figure 1: Japan’s allocable disbursements by sector](image)

Source: OECD DAC Statistics

![Figure 2: Disbursements by type of support](image)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

The government’s Japan Revitalisation Strategy and the Infrastructure Systems Export Strategy of 2013 positions export of infrastructure systems as one of the pillars of the country’s domestic growth. The government therefore aims to increase sales by Japanese companies to approximately USD 290 billion by 2020 to meet external infrastructure demands, particularly in South East Asia.

To this effect, Ministerial Meetings on Strategy relating to Infrastructure Export and Economic Co-operation have been organised, consisting of the Chief Cabinet Secretary, Deputy Prime Minister, as well as Ministers for Finance, Internal Affairs and Communications, Foreign Affairs, Economy, Trade and Industry, Land, Infrastructure, Transport and Tourism, Economic Revitalisation and State for Economic and Fiscal Policy.

As part of the Infrastructure Systems Export Strategy, the Ministry of Land, Infrastructure, Transport and Tourism will establish a government owned corporation to promote infrastructure exports in 2014 which will support Japanese companies in construction and project management. The budget request for this organisation was approximately USD 824 million. In co-operation with JBIC, JICA, NEXI, (see below) public banks and construction consultants, the new organisation will help support Japanese companies in mostly railway transport or urban development, particularly in Southeast Asia.

The Ministry of Foreign Affairs’ 2013 Priority Policy for International Co-operation states that Japan aims to promote PPPs in its development co-operation, including for infrastructure.

The Ministry of Economy, Trade and Industry (METI) promotes Japanese companies to become active in overseas infrastructure, including in developing countries. The focus is on a “package-type infrastructure”, which includes delivery of individual equipment and facilities, as well as design, construction, maintenance and management. METI particularly sees the importance of complementing ODA grants and loans with private funds for infrastructure investments in ASEAN.

Japan International Co-operation Agency (JICA) resumed the Private Sector Investment Finance (PSIF) in 2012 to accelerate the private sector’s contribution to poverty reduction and long-term growth by providing loans or equity for development projects by Japanese, international, and local companies. Eligible areas are: contribution to MDGs and poverty reduction; infrastructure and rapid growth; and counter-measures against climate change. PSIF must bring financial additionality—i.e., projects which cannot be covered by existing commercial and public financial institutions. JICA also supports private companies in project formulation through a new Preparatory Survey for PPP Infrastructure programme, which may contribute to METI’s initiative above. However, only projects that are in line with the host country governments’ development policies are selected.

Japan Bank for International Co-operation (JBIC), one of Japan’s ECA, established the Facility for African Investment and Trade Enhancement in 2013, which provides financial support to projects including infrastructure by primarily Japanese companies in African countries. Instruments include equity and local currency denominated loans and/or guarantees. Nippon Export and Investment Insurance (NEXI), the other ECA, is a state-owned institution that provides trade and investment insurance to support Japanese companies in developing countries, including for infrastructure.
3. Comparative Advantage and Co-ordination

Japan considers that JICA’s comparative advantage lays in its ability to lead stakeholders’ dialogue. Japan is also actively engaged in the G20 discussion on infrastructure development.

While Japan has had relatively few PPP projects for its domestic economic infrastructure, it sees that securing host governments’ clear understanding on the demarcation between the public and private sectors and establishing legal frameworks as essential in pursuing PPPs in developing countries.

4. Geographic and Sectoral Distribution of Private Sector Support

In 2011, Japan did not provide significant direct support to private investment in infrastructure for development.

5. Enabling Environment

Japan’s support for policy and administrative management-related projects in infrastructure accounted for 3% of disbursements in total disbursement for infrastructure in 2011. They were mostly in Asia, LMICs, and in transport.

6. Project Preparation Facilities

Japan maintains that in order to enhance private investment in developing country infrastructure, bankable project preparation needs to be enhanced. In this respect, JICA’s Preparatory Survey for PPP Infrastructure programme is a type of PPF. Japan also underlines the importance for partner countries to understand their financial risks, burden, and obligations.

7. Green Infrastructure and Local Investors

JICA administers the Climate Change Program Loan (CCPL) to support policy reforms for climate change, which includes renewable energy development and management of water resources. The agency also provides technical assistance to partner country governments for PPPs in climate-friendly transportation, such as the mass-transit system in Manila.

The Ministry of Finance also provided about USD 15 billion (of which USD 7 billion is ODA) between 2010-12 to the Fast-Start Finance for Developing Countries initiative under COP15, which supported areas such as clean energy, energy efficiency, and rural electrification. As part of this initiative, JBIC introduced the GREEN programme which provides loans and equity to Japanese financial institutions and guarantees to Japanese businesses for renewable energy and energy efficiency projects. To date, JBIC has provided USD 2.4 billion, mobilising USD 2 billion from private financiers.

8. Evaluation

As JICA just started its PSIF programme it does not yet have any evaluation of relevant projects. The evaluation framework will be similar to the one for yen loan projects, which focuses on development impacts.

9. Project Example

Japan supported Indonesia’s “Master Plan Study for Metropolitan Priority Area (MPA)” which took stock of infrastructure investments and the needs of the private sector in order to improve the investment environment in the Jakarta Metropolitan area.
Korea

1. Data

- Infrastructure disbursements in 2011: USD 1.6 billion (USD 406 million ODA, USD 1.2 billion OOF)
- Disbursements for support to private sector participation in infrastructure: N/A

2. Institutions, Policies and Approaches

Korea’s Economic Development Cooperation Fund (EDCF) of the Korea Export Import Bank (KEXIM) provides concessional and non-concessional loans to partner governments for large scale infrastructure. Since 2010, EDCF has also been offering guarantees for Korean companies to invest in developing country infrastructure. Furthermore, the export credit arm of KEXIM and K-Sure respectively offer trade related finance, such as insurance, to mitigate risks of Korean companies, including for infrastructure. Otherwise, Korea does not yet directly provide significant direct support to the private sector for development purposes.

The Korea International Co-operation Agency (KOICA) provides technical co-operation for policy planning, feasibility studies, small-scale pilot projects and optimal financing schemes in infrastructure. The Ministry of Strategy and Finance (MOSF) and Public & Private Infrastructure Investment Management Centre (PIMAC) of the Korea Development Institute (KDI) are also active in knowledge sharing of infrastructure investment and PPPs.

The Investment Business Office, which is also part of KEXIM, provides advice and financing for Korean businesses competing for infrastructure contracts in both developed and developing countries.

KOICA and EDCF meet regularly to strengthen linkages between Korean development grants and loans. In addition, K-Sure and KEXIM look for co-financing opportunities for Korean private investment infrastructure projects on a regular basis.

3. Comparative Advantage and Co-ordination

Korea believes that its recent development experience of becoming a DAC member from being an aid-recipient makes it suitable for knowledge sharing with developing countries. In addition, Korea focuses on the ICT sector due to its expertise in this area.

Korea has been an active user of PPPs for its domestic infrastructure investment, with almost 600 operating partnerships. This experience with domestic PPPs results in emphasis on the importance of strong public sector capacity and engagement in PPP projects, as well as on the need for patient capital and long term investors. At the same time, as a relatively new donor, Korea has only recently begun to promote them in developing countries.

Korea has engaged in joint consulting programmes with MDBs to support capacity building projects related to infrastructure PPPs. An example is an assessment of infrastructure development in Thailand, undertaken with AsDB. EDCF also organises a Global Infrastructure Development Forum annually with MDBs to help the Korean private sector expand into the overseas market.
4. Geographic and Sectoral Distribution of Private Sector Support
Korea does not directly provide support to private investment in infrastructure.

5. Enabling Environment
Korea tries to share infrastructure-related lessons learned from the development experience of its own country. KOICA and MOSF support capacity building through technical co-operation, policy recommendations, and training. PIMAC shares Korea’s policies and experience in PPPs with partner countries through seminars and research. KOICA supports the use of ICT technology to increase transparency and efficiency in government functions, which could improve the enabling environment for investment in infrastructure.

As for the geographic and sectoral distribution of Korea’s support to enabling environment, a large majority of its projects is in the ICT sector and in Upper Middle Income Countries, most notably China.

Table 1: Top 5 recipient countries of Korea’s support for the enabling environment 2011

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<tr>
<td>Total</td>
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</table>

Source: OECD DAC Statistics, ODA Disbursements in constant 2011 USD million

6. Project Preparation Facilities
Korea observes that there is a substantial financing gap for project preparation for infrastructure. In this respect, EDCF has a Project Preparation Facility for infrastructure, but Korea does not generally contribute to multilateral PPFs.

7. Green Infrastructure and Local Investors
KOICA established a “Green ODA Strategy” in 2006 which mainstreams environment and climate change components into all infrastructure projects. Furthermore, KOICA scaled up the volume for green infrastructure projects in developing countries with the East Asia Climate Partnership Fund worth USD 200 million. Renewable energy is one of the fund’s main areas of focus. Projects include the establishment of a fuel cell power plant for supplying drinking water to Jakarta’s Ancol district.

According to the CRS, a majority of EDCF disbursements to the energy sector in 2011 went to coal-fired plants projects. At the same time, EDCF tries to integrate a green growth approach in its economic infrastructure activities, particularly by using their expertise to promote the use of renewable energy. According to EDCF, almost one third of its new commitments are for green projects. To facilitate this, EDCF provides various incentives such as lower interest rates for partner governments and increased support for feasibility studies.

8. Evaluation
There are currently no relevant evaluations as EDCF has only recently started to give direct support to the private sector.

9. Project Example
EDCF is financing 80% of the Jalaur River Stage II Project in the Philippines. While traditional procurement was used for the construction phase, the hydro power generation and water supply components will be operated under a PPP scheme.
Netherlands

1. Data

- Infrastructure disbursements in 2011: USD 417 million (USD 417 million ODA, USD 56 million OOF)
- Disbursements for support to private sector participation in infrastructure: USD 56 million (all OOF)

2. Institutions, Policies and Approaches

In the framework of its Aid, Trade, and Investment Agenda of 2013, the Netherlands continues to focus its efforts on a limited number of countries, as well as on four thematic areas: water, ‘security and the legal order’, ‘food security and nutrition’, and ‘sexual and reproductive health and rights’. In addition, it stresses the importance of private investment for economic growth in developing countries.

The Directorate-General for International Co-operation of the Dutch Ministry of Foreign Trade and Development Cooperation (BHOS), funds a number of programmes aimed at promoting investment in infrastructure by Dutch, international and local companies in developing countries, such as the Private Sector Investment (PSI) programme, the African Enterprise Challenge Fund (AECF), and the Facility for Infrastructure Development (ORIO). These programmes are implemented by the Netherlands Enterprise Agency. BHOS also funds the Infrastructure Development Fund (IDF), PIDG, and the Access to Energy Fund (AEF) implemented by the Entrepreneurial Development Bank (FMO).

In addition to these programmes, the Ministry of Foreign Affairs (MBZ) funds bilateral and multilateral projects and programmes aimed at improving the enabling environment for private infrastructure investments in partner countries; these funds are also managed by the Netherlands Enterprise Agency (RVO). RVO implements several programmes for BHOS, which aim to contribute to private sector development, including in infrastructure.

3. Comparative Advantage and Co-ordination

The Dutch Entrepreneurial Development Bank (FMO), the Dutch DFI, is a public-private partnership, with 51% of shares held by the Dutch state, and 49% held by commercial banks, trade unions and other Dutch private sector representatives. FMO provides financing to the private sector in developing countries particularly in energy, water, food and financial institutions.

Atradius manages the Dutch State Export Credit Insurance Facility by issuing credit insurance for risks related to export transactions of Dutch enterprises with buyers in emerging markets, including infrastructure. Atradius is supervised by the Ministry of Finance.

4. Geographic and Sectoral Distribution of Private Sector Support

In 2011, support to private investment for infrastructure consisted in FMO’s disbursements through the Infrastructure Development Fund (IDF) and Access to Energy Fund (AEF). FMO’s support is strongly focused on low-income
countries, especially in sub-saharan Africa. Overall, most of FMO’s support to private investment in infrastructure was directed to energy, especially to electricity generation through renewables.

Source: MFA

| Table 1: Top 5 recipient countries of FMO’s private sector support for infrastructure in 2011 |
|---|---|---|
| 1 | Sierra Leone | LIC | 15 | 26% |
| 2 | Rwanda | LIC | 10 | 19% |
| 3 | Nicaragua | LMIC | 8 | 15% |
| 4 | Afghanistan | LIC | 7 | 13% |
| 5 | Mongolia | LMIC | 4 | 8% |
| 6 | Others | LIC | 11 | 20% |
| Total | 56 | 100% |

5. Enabling Environment

Out of the total infrastructure disbursements by the Netherlands reported to the DAC in 2011, 20% went towards strengthening the enabling environment in partner countries. Water received the majority of the support, as well as LICs, particularly in Africa and Asia. In 2011, Netherlands provided a USD 7.8 million grant to the government of Mozambique for the ASAS program, a sector support mechanism for water and sanitation initiated in 2002 for an initial period of three years. The program supports, inter alia, the preparation of sector-wide strategic plans and the improvement of financial and administrative management systems.

1 Data regarding support to the enabling environment was extracted from CRS.

6. Project Preparation Facilities

The Netherlands supports the following PPFs:
- Energy Sector Management Assistance Program (ESMAP), hosted by the World Bank
- PPIAF, hosted by the World Bank
- Technical Facility (TAF) of PIDG

7. Green Infrastructure and Local Investors

FMO’s new policy-goal is to double its impact and to reduce by half its environmental footprint. In consequence, since the beginning of 2014, IDF can only support sustainable energy projects when investing in the energy sector.

8. Evaluation

FMO evaluates development outcomes across three indicators: (1) a project’s business success, (2) its contribution to the economy; and (3) environmental and social outcomes. Projects are evaluated either after five years or when FMO exits a project.

In its Annual Evaluation Report 2012/2013, the FMO’s Evaluation Unit found that, out of a random sample of projects in 2007, those with the greatest positive development impact were infrastructure projects, particularly in energy, in LICs and LMICs.

9. Project Example

In 2012, FMO arranged a USD 24 million senior loan for the financing of a 14MW run-of-the-river hydropower project in Western Uganda. The project is being developed by South Asia Energy Management Systems LLC ("SAEMS"), a renewable energy company engaged in acquiring, developing and operating hydropower projects in emerging markets.
New Zealand

1. Data

- Infrastructure disbursements in 2011: USD 37.6 million (all ODA)
- Disbursements for support to private sector participation in infrastructure: N/A

![Figure 1: New Zealand’s allocable disbursements by sector](image)

Source: OECD DAC Statistics

![Figure 2: Disbursements by type of support](image)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

The **New Zealand Aid Programme** is the government’s development co-operation programme managed by the **Ministry of Foreign Affairs and Trade (NZMFAT)**. The aid programme defines private sector development as one of the key enablers of growth for developing countries. At the same time, it does not explicitly promote private investment in developing country infrastructure with the objective of development. This is because, in the small Pacific Island Countries (PICs) where New Zealand mainly supports, it is necessary to first strengthen the development of the local private sector before infrastructure investments can be promoted.

New Zealand’s **Export Credit Office (NZECO)** supports equity investment in viable infrastructure projects, including in developing countries, by offering to underwrite large portion of the debt. Furthermore, NZECO underwrites New Zealand exporters’ risk of non-payment by developing country government buyers, as well as risk of non-performance of a project in developing countries, where the funder/buyer requires performance bonds. If New Zealand companies request political risk insurance, NZECO refers to them to MIGA of the World Bank. The New Zealand **Treasury** oversees the NZECO.

The **New Zealand Trade and Enterprise (NZTE)** supports the involvement of New Zealand’s business abroad by providing knowledge on investment. It works with PIC governments around project scope, private sector partnerships from both countries and potential providers of capital (banks, IFC, donors, etc.) While it is not NZTE’s explicit goal to provide support to private investment in developing countries, it is currently working with a New Zealand company to secure funding for a project to connect several PICs to a submarine fibre optic cable connecting the USA and Australasia. The New Zealand Aid Programme is aware of this activity, although it is not directly involved in it.

![Figure 3: Institutions and instruments](image)

3. Comparative Advantage and Co-ordination

New Zealand concentrates its efforts in infrastructure on PICs, with which it has long-standing relations. 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). In its promotion of private investment in PICs, however, New Zealand states that their priority lies on first developing these states’ still weak private sectors, before private investment can be promoted effectively.

New Zealand cooperates actively with other donors and MDBs on private investment promotion, particularly in the Pacific region, NZMFAT is a partner of the Pacific Region Infrastructure Facility (PRIF), a multi-partner investment co-ordination and technical facility, which review infrastructure project proposals from donors and MDBs in order to harmonise support and improve project prioritisation. The PRIF partners are: AsDB, Australia, EC, EIB, the World Bank Group (including the IFC), and NZMFAT.
4. Geographic and Sectoral Distribution of Private Sector Support
Not applicable.

5. Enabling Environment
New Zealand supports the enabling environment for private investment primarily by helping to strengthen state institutions in the design of policies and regulation. In the energy sector, for instance, New Zealand provided a grant financing a project aimed at designing a renewable energy policy in Samoa. In the Solomon Islands, New Zealand supports improving the administration of airport operations and revenue management in order to create greater opportunities for economic growth. Finally, New Zealand is assisting the Vanuatu Government’s Department of Geology, Mines and Water Resources in establishing a rural water sector strategy.

6. Project Preparation Facilities
New Zealand presently does not contribute to PPFs.

7. Green Infrastructure and Local Investors
New Zealand sees considerable opportunity for local private sector growth based on clean and renewable electricity generation. In this context, New Zealand, together with the European Union, hosted the Pacific Energy Summit in March 2013, which focussed on how to encourage foreign direct investment in the clean and renewable electricity sector of PICs.

NZMFAT states that in order to further private sector investment in infrastructure, first the development of the local private sector in the PICs must be supported. It thus aims to strengthen small and medium-sized enterprises in developing countries which will create the conditions needed to attract private infrastructure investment.

8. Evaluation
Not applicable.

9. Project Example
Not applicable.
Norway

1. Data

- Infrastructure disbursements in 2011: USD 304 million (all ODA)
- Disbursements for support to private sector participation in infrastructure: USD 121 million (all ODA)

2. Institutions, Policies and Approaches

The policy of Norway’s Ministry of Foreign Affairs (MFA) is to support private sector participation in developing country energy, particularly through hydropower projects.

Norfund, which is Norway’s DFI fully owned by the state, tries to increase Norwegian and foreign private investment in developing countries. It provides equity, which is particularly scarce for renewable energy projects in developing countries due to higher initial risks. It invests in nascent companies and sells its investment shares on the market within four to ten years. A large share of Norfund’s investments in hydropower projects are made through SN Power, a joint venture between Norfund and Statskraft, a Norwegian state owned enterprise. Norfund’s renewable energy investments raise commercial financing with an average leveraging ratio of 1:10.

Norad finances feasibility studies and supports training for Norwegian companies wishing to invest in developing countries.

The Information Office for Private Sector Development in Developing Countries, jointly owned by Norad and Norfund, provides specialist advice on financing opportunities to Norwegian companies seeking to invest in developing countries.

GIEK (Norwegian Export Credit Agency) offers political risk guarantees to Norwegian companies for developing countries including for infrastructure.

The Ministry of Environment collaborates with Norad and the MFA on the International Energy and Climate Initiative - Energy+, which aims to scale up commercial investments in developing country renewable energy.

On an individual project basis, there is collaboration among the MFA’s clean energy department, its country coordinators, Norad, and the relevant embassies in developing countries. At the same time, an evaluation points to weak cooperation among the different actors (see Evaluation).

3. Comparative Advantage and Co-ordination

Norway sees its comparative advantage in supporting hydropower energy in developing countries, as virtually all of its domestic electricity production comes from hydropower plants. In this context, it has supported an international coalition to promote private investment in renewable energy by hosting the Energy for All conference in 2011, which established the Energy and Climate Partnership—Energy+.

At a more general level, the Norwegian government believes that MDBs should prioritise support for smaller businesses improving the business environment in LICs.

4. Geographic and Sectoral Distribution of Private Sector Support

In 2011, all Norfund investments in the private sector reported to the CRS went to the energy sector. While...
Norfund states that it prioritises Sub-Saharan Africa and Least Developed Countries. Brazil was the largest recipient in 2011. This was due to a large investment by SN Power in Brazil that year. SN Power invests in different geographical areas, but single investments can have a large effect on the geographical distribution in one year (SN Power accounts for slightly less than half of Norfund’s total investments). Norfund’s target is to invest at least 50 percent of the portfolio in Sub-Saharan Africa and 33 percent in LDCs, excluding SN Power’s investments. Support by Norad and MFA for the public sector in infrastructure sectors was targeted mostly to Least Developed Countries and Sub-Saharan Africa.

Norad and Norfund also manage the Project Development Facility, which supports private investment in energy projects through grants and convertible loans for early project stage financing.

6. Project Preparation Facilities
Norway finances the following PPFs:
- African Water Facility, hosted by the AfDB
- South Asia Water Initiative, hosted by the World Bank.
- Energy Sector Management Assistance Program, hosted by the World Bank
- Green Africa Power, hosted by PIDG

While Norfund does not have an explicit policy for targeting local enterprises, it invests in SMEs in infrastructure, particularly in the energy sector, through private equity funds. At the same time, in Norway’s view, MDBs are best suited to promote local businesses.

7. Green Infrastructure and Local Investors
Norfund prioritises renewable energy projects, in particular hydropower investments. Norway is also actively promoting renewable energy investment through the aforementioned Energy+, whose aim is to improve access to energy and promote energy efficiency, reduce emissions and stimulate private sector investments in the renewable energy sector in developing countries.

Source: OECD DAC Statistics

| Table 1: Top 5 recipient countries of Norfund private sector investments in infrastructure in 2011 |
|-----------------|-----------------|-----------------|
| 1. Brazil       | UMIC 64.5       | 63%             |
| 2. Zambia       | LIC 17.4        | 17%             |
| 3. Philippines  | LMC 8.0         | 8%              |
| 4. Panama       | UMIC 6.9        | 7%              |
| 5. Kenya        | LIC 3.3         | 3%              |
| 6. Other        |                  | 2.7%            |
| **Total**       |                  | **102.8 100%**  |

Source: OECD DAC Statistics, ODA Disbursements in constant 2011 USD million

5. Enabling Environment
MFA and Norad support the improvement of the enabling environment, particularly with respect to the predictability of the business environment in energy and water & sanitation. They do this mainly through financing multilateral facilities such as the Clean Energy Financing Partnership at AsDB and the Eastern Europe Energy Efficiency and Environment Partnership Fund at EBRD. More than half of MFA and Norad support to the enabling environment goes to LICs, particularly to Sub Saharan Africa and South & Central Asia.

8. Evaluation
According to Norad’s evaluation, Norfund’s investments have had a high leveraging effect. At the same time, not all Norfund investments met the additionality criteria. Furthermore, the evaluation states that some private equity funds which received Norfund contributions were too risk averse in their investment decisions. In 2012, Norfund adopted a new fund strategy that will concentrate the investments in private equity funds to projects where Norfund’s participation will have a significant additional effect by filling gaps in the market. Norad’s evaluation also pointed to weak co-operation among different actors involved in promoting private investment, recommending the MFA to enhance its co-ordinating capacity.

9. Project Example
Agua Imara, a subsidiary of SN Power where Norfund is a co-investor, is currently developing the Bajo Frio project which consists of building a 58 MW run-of-river hydropower plant in Panama. Completion of construction is scheduled for 2014. Agua Imara has a 50.1% stake in the project, while the Panama-based private bank, Credicorp, owns the remaining 49.9%. The project is worth USD 225 million, of which USD 75 million is in equity financing by Agua Imara and Credicorp and USD 150 million comes from debt financing by FMO (USD 48 million), PROPARCO (USD 35 million), DEG (USD 25 million) and the Norwegian bank, DNB ASA (USD 48 million). In addition, Norfund provided USD 7 million in guarantees to lenders to underpin the financing of the project.
1. Data

- Infrastructure disbursements in 2011: USD 54 million (all ODA)
- Disbursements for support to private sector participation in infrastructure: N/A

2. Institutions, Policies and Approaches

Infrastructure is one of the top priorities of Portugal’s development co-operation. In 2011, it allocated the second highest proportion of ODA to infrastructure after education. Portugal focuses all its co-operation to six Portuguese-speaking countries: Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao Tome and Principe, and Timor Leste. However, it does not yet have an explicit policy on promoting private investment in development co-operation for these countries, including in infrastructure.

The Portuguese Institute for Co-operation and Language, Camões, defines, co-ordinates, and oversees Portuguese development co-operation and the ODA budget. A strategy for engaging with the private sector in development co-operation is presently being drafted within Camões in collaboration with relevant line ministries. Camões is supervised by the Ministry of Foreign Affairs (MFA).

The main agency responsible for promoting private sector development in partner countries is SOFID (Sociedade para o Financamento do Desenvolvimento) (Portugal’s DFI), co-owned by the Portuguese state (60%) and four major Portuguese banks (10% each). Its goals are to support Portuguese companies investing in developing countries and emerging markets as well as to promote private sector development in these countries, including for infrastructure.

SOFID offers long-term loans, guarantees and mezzanine finance to fund projects investing in the productive sectors, including infrastructure (particularly renewable energy). These projects need a stake from a Portuguese company of a minimum 20% and pursue social and environmental goals.

Since 2010, SOFID has been managing InvestimoZ, a fund created to support private sector participation in Mozambique, with infrastructure as one of its core priorities. However, there was no reporting to the CRS of SOFID activities in infrastructure in 2011. Both MFA and the Ministry of Finance (MEF) supervise SOFID.

3. Comparative Advantage and Co-ordination

Portugal views its in-depth knowledge of the political, economic and social conditions in Lusophone countries as its comparative advantage.

Specifically on infrastructure, Portugal has used PPPs extensively for its domestic infrastructure. However, the experience to date is mixed, as the reliance on PPPs had contributed to overinvestment prior to the 2008 financial crisis. At the same time, it is unclear how this domestic experience has shaped Portugal’s approach to private sector investments in developing country infrastructure.

SOFID is member of EDFI and co-operates with other DFIs.
4. Geographic and Sectoral Distribution of Private Sector Support

Overall, Portugal’s ODA support to developing country infrastructure is concentrated in the Lusophone countries. However, there is no CRS data on SOFID’s activities supporting the private sector for infrastructure in 2011.

5. Enabling Environment

Camões identifies the following factors as main obstacles to private investment: lack of political and military stability; difficulties in raising capital on the part of public entities; and an underdeveloped local financial sector. Overall, Camões believes that a more competitive environment is needed to foster private investment. Therefore, Camões actively provides technical co-operation and grants aimed at capacity building, particularly in regulatory and institutional reform.

6. Project Preparation Facilities

Portugal funds the following Project Preparation Facilities:
- EU-Africa Infrastructure Trust Fund, hosted by the EC
- EU-Neighbourhood Investment Facility, hosted by the EC

7. Green Infrastructure and Local Investors

As renewable energy is one of SOFID’s priorities, it provides financing for the involvement of Portuguese companies in renewable energy of developing countries. Furthermore, Portugal has pledged Euro 36 million for the Fast-Start Financing for Climate Change, following the Copenhagen Summit on Climate Change, to which EUR 12 million has already been committed.

8. Evaluation of Support to Private Sector

SOFID states that it assesses its projects not only on the basis of financial performance, but on their developmental impact, e.g. environmental aspects, job creation, and so on. At the same time, as with most other DFIs, project evaluations are not publicly available.

9. Project Example

Not available.
Spain

1. Data

- Infrastructure disbursements in 2011: USD 304 million (all ODA)
- Disbursements for support to private sector participation in infrastructure: USD 188 million (all ODA)

**Figure 1: Spain’s allocable disbursements by sector**

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

Infrastructure is one of the main priorities of Spain’s development co-operation. At the same time, it does not have an explicit policy on promoting private investment for infrastructure.

The Ministry of Foreign Affairs and Cooperation (MAEC) is the body responsible for designing and co-ordinating Spanish development co-operation. It supervises the Spanish Agency for International Development Co-operation (AECID), the main implementing agency. AECID is responsible for the implementation of the Spanish Development Multiyear Master Plans.

AECID manages the Spanish Development Promotion Fund (FONPRODE)\(^2\), which provides financing for private sector-oriented programmes in developing countries, with a particular focus on infrastructure projects. FONPRODE’s instruments include non-tied loans on concessional terms, as well as equity investments. FONPRODE’s financing, aimed at both public and private entities is provided either directly or through local financial institutions.

The Ministry of Economy and Competitiveness (MINECO) engages in promoting private investment for infrastructure through its Corporate Internationalisation Fund (FIEM). While FIEM does not have development objectives, it co-finances a significant part of Spanish companies’ exports and investments in developing country infrastructure. Its main instruments include concessional and non-concessional loans to foreign private clients of Spanish companies, as well as grants for feasibility studies and advisory services. FIEM-supported projects make up the entirety of private sector support reported to the CRS for 2011.

MINECO also supervises the Official Credit Institute (ICO), a state-owned bank which acts as financial administrator of FONPRODE and FIEM.

COFIDES, Spain’s DFI, actively promotes private investment by Spanish companies in developing country infrastructure through instruments such as subordinated/mezzanine loans, long-term loans and equity investments. According to COFIDES, the transport sector accounted for 22% of all new commitments in 2011, with energy accounting for an additional 12%. However, COFIDES data is not reported to the CRS.

The Spanish Export Credit Agency (CESCE) provides political risk insurance coverage to Spanish companies investing in infrastructure projects abroad, including in developing countries.

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\(^2\) In 2011, one FONPRODE infrastructure project in the water and sanitation sector in Afghanistan (National Area-Based Development Programme executed by the UNDP, USD 4.6 million), was reported to the CRS. This was however not a project of direct support to the private sector.
3. Comparative Advantage and Co-ordination

PPPs have gained in popularity in Spain itself since the mid-2000s, particularly in the area of renewable energy and transport. In 2005, the government planned to increase private investment for infrastructure projects to 40% by 2020. Spain’s domestic experience with PPPs, however, has been mixed. A reliance on these partnerships led to overinvestment, particularly in infrastructure projects, preceding the 2008 financial and economic crisis in the country. Based on this experience, Spain acknowledges that the promotion of private investment or PPPs in developing country infrastructure requires thorough pre-assessment and sound planning beforehand.

COFIDES, a member of EDFI, co-operates on a European-wide level on development financing issues, including for infrastructure.

4. Geographic and Sectoral Distribution of Private Sector Support (FIEM)

Over half of Spain’s support to private infrastructure investment in developing countries in 2011 (i.e. by FIEM) went to the energy sector, followed by transport and water. In geographic terms, half went to North African countries, with 5% to Sub-Saharan countries. This translates into a clear focus on UMICs, with only 2% going to LICs.

### Table 1: Top 5 recipient countries of FIEM private sector support for infrastructure in 2011

<table>
<thead>
<tr>
<th>Rank</th>
<th>Recipient Country</th>
<th>Income Group</th>
<th>Support (million)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tunisia</td>
<td>UMIC</td>
<td>74</td>
<td>39%</td>
</tr>
<tr>
<td>2</td>
<td>Bosnia-Herzegovina</td>
<td>UMIC</td>
<td>35</td>
<td>19%</td>
</tr>
<tr>
<td>3</td>
<td>Dominican Republic</td>
<td>UMIC</td>
<td>18</td>
<td>10%</td>
</tr>
<tr>
<td>4</td>
<td>Morocco</td>
<td>LMIC</td>
<td>15</td>
<td>8%</td>
</tr>
<tr>
<td>5</td>
<td>Philippines</td>
<td>LMIC</td>
<td>8</td>
<td>4%</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td></td>
<td>38</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>188</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: OECD DAC Statistics, ODF Disbursements in constant 2011 USD million

5. Enabling Environment

Spain considers strengthening the enabling environment as one of the most effective ways to promote private investment in developing country infrastructure. Therefore, support in 2011 by AECID, MFA and other ministries—such as the Spanish Ministry for Industry—to this end went almost entirely to the water and sanitation sector through capacity building and adaptation of relevant policies and regulations. In Tanzania, for instance, Spain supported a project aimed at securing universal access to water through strengthening the management of water supply services at the local and district levels.

6. Project Preparation Facilities

Spain funds the following Project Preparation facilities:

- New Partnership for Africa’s Development Infrastructure Project Preparation Facility (NEPAD IPPF) hosted by African Development Bank (AfDB)
- African Water Facility (AWF) hosted by AfDB.

7. Green Infrastructure and Local Investors

In 2011, approximately half of Spain’s support to private sector investment in developing countries went to renewable energy projects. Out of these disbursements, nearly all (96%) aimed to foster investments in wind power projects, with the rest going to solar energy projects.

8. Evaluation of Support to Private Sector

COFIDES states that it evaluates its projects regularly using its Operation Impact Rating system; however there were no evaluations for infrastructure projects with private involvement available. It is not clear whether projects by FIEM are evaluated against development objectives.

9. Project Example

Examples of support by FIEM are not available.
United Kingdom

1. Data

- Infrastructure disbursement in 2011: USD 671 million (all ODA)
- Disbursements for support to private sector participation in infrastructure: USD 242 million (all ODA)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

Support to infrastructure, including for private investments, is also part of Department for International Development (DFID)’s policy objective to help boost economic growth in developing countries. As DFID recognises the pivotal role of the private sector for poverty reduction, it is increasing its support to promote private investment in basic services, including infrastructure. However, DFID channels more than half of its funding to infrastructure through multilateral institutions; therefore, the support consists of mainly funding facilities such as PIDG, PPIAF and the Global Partnership on Output-Based Aid (GPOBA).

While DFID is also the sole shareholder of the UK’s DFI, CDC Group, the latter operates autonomously. CDC underwent a major reform in 2011, which led to its refocusing solely on Africa and South Asia. It has also expanded its portfolio of instruments, departing from a model based exclusively on the fund-of-funds approach to one that uses direct equity investments, debt instruments, mezzanine finance and guarantees.

The Department of Energy and Climate Change (DECC) finances the Clean Technology Fund which supports both public and private sector investments aimed at improving energy efficiency. DECC also finances the PIDG Green Africa Power facility.

The Export Credits Guarantee Department (ECGD) supports the private sector by providing insurance and guarantees to British exporters and investors, including for developing country infrastructure.

3. Comparative Advantage and Co-ordination

The UK considers that it has limited specialist knowledge in infrastructure in general compared with some other donors, especially MDBs which tend to be better resourced for supporting infrastructure investments. However the UK has a leading role in supporting private sector infrastructure development due to its early engagement in these issues and its willingness to commit large amounts of funding to support multilateral institutions.

Furthermore, the UK is considered to be one of the most active users of PPPs in its domestic infrastructure projects among the EU member states. While the current British government considers PPPs vital to the country’s infrastructure development, it sees that value for money and transparency are important principles to ensure.

4. Geographic and Sectoral Distribution of Private Sector Support

As the majority of UK’s support to private investment in infrastructure was channelled through multilateral institutions in 2011, it is difficult to determine the geographical and sectoral distribution of this type of support. However, the majority of CDC’s direct support to private investment in infrastructure projects went to Africa and LMIIs. In terms of sectors, CDC mostly supported projects in communications while DFID and DECC focused on energy and transport.
Among the few projects reported to the CRS in 2011 that had country breakdown, India was the top recipient for the UK’s support to private investment in infrastructure, followed by China and Tanzania.

**Table 1: Top 5 recipient countries of the United Kingdom’s support to private investment for infrastructure**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Type</th>
<th>Support</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td>LMIC</td>
<td>7</td>
<td>3%</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>UMIC</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>3</td>
<td>Tanzania</td>
<td>LIC</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>4</td>
<td>Congo, Dem. Rep.</td>
<td>LIC</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>5</td>
<td>Indonesia</td>
<td>LMIC</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>6</td>
<td>Regional or Multilateral</td>
<td>228</td>
<td>94%</td>
<td></td>
</tr>
</tbody>
</table>

Total | 242 | 100% |

Source: OECD DAC Statistics, ODF Disbursements in constant 2011 USD million

**5. Enabling Environment**

The UK believes that, to help improve the enabling environment, bilateral and multilateral donors should focus mostly on improving governments’ capabilities to legislate, plan, finance, regulate, tender, negotiate and operate infrastructure delivery.

**6. Project Preparation Facilities**

The UK funds the following PPFs:

- NEPAD IPPF hosted by the AfDB
- African Water Facility hosted by AfDB
- Project Preparation Implementation Unit hosted by COMESA
- DevCo hosted by IFC
- EU Africa Infrastructure Trust Fund hosted by the EIB
- Energy Sector Management Assistance Program hosted by the World Bank
- PPIAF, hosted by the World Bank

**7. Green Infrastructure and Local Investors**

The UK does not have explicit policies on supporting private investment in green infrastructure in developing countries. However, in 2011, DECC’s contribution to the Clean Technology Fund represented 70% (USD 170 million) of the UK’s support to private investment in infrastructure.

**8. Evaluation**

CDC underwent a reform in 2011 which resulted from strong criticism by the British parliament and NGOs with respect to perceived lack of additionality and weak focus on poverty impact. Following the reform, CDC is now focusing solely on Africa and South Asia, with a goal to create jobs in the poorest places.

CDC’s current evaluation rating is based closely on IFC’s Development Outcome Tracking System. Every investment is evaluated at the mid-point and towards the end of a fund’s duration, based on a range of quantitative and qualitative indicators: financial performance; economic performance; environmental, social, and governance performance; private sector development; added value; and catalytic effect. Evaluations are scrutinised by the CDC Board’s Development Committee, but cannot be published due to the highly confidential nature of the content related to fund managers and portfolio investee companies.

The UK is also strongly supporting aid transparency, as the G8 Summit in Lough Erne, hosted by the UK government, committed the G8 members to gradually apply the Busan common transparency standards for development co-operation, including for DFIs. CDC became a signatory to the International Aid Transparency Initiative in November 2011, the first bilateral DFI to do so. It has since published data to the IATI registry.

**9. Project Example**

Detailed descriptions of projects supported by CDC are not available.
United States of America

1. Data

- Infrastructure disbursements in 2011: USD 2.3 billion (USD 2.2 billion ODA, USD 128 million OOF)
- Disbursements for support to private sector participation in infrastructure: USD 128 million (all OOF)

2. Institutions, Policies and Approaches

The United States Aid for International Development (USAID) has developed the Global Development Alliance (GDA), a programme aimed at creating partnerships with businesses in several sectors in developing countries, including infrastructure. USAID also leverages private investment by providing guarantees to local companies through its Development Credit Authority (DCA) programme. Other programmes include: the Private Financing Advisory Network (PFAN), initiated with the UN, to prepare bankable projects in clean energy infrastructure; the Renewable Energy Microfinance and Microenterprise Program (REMMP) which seeks to demonstrate the commercial viability of a range of consumer payment models and facilitate private sector finance of decentralised clean energy; and the Power Africa Initiative that supports physical infrastructure and the enabling environment.

The Overseas Private Investment Corporation (OPIC), USA’s DFI, provides long-term funding for infrastructure investments to American businesses—especially SMEs—operating in developing countries. American companies wishing to export for developing country infrastructure may also apply for support from US EX-IM Bank. Infrastructure, together with mining, constitutes the biggest sector of EX-IM activity.

The Millennium Challenge Corporation (MCC) provides grants for projects designed to remove binding constraints to economic growth such as infrastructure. MCC’s support can include: funding for project preparation; investing in capital assets; and strengthening the capacity of governments to execute and manage PPP contracts post-closure through transaction advisors or to improve the enabling environment more generally.

The Department of State (DoS) created the Accelerating Market-Driven Partnerships programme, a global collaboration platform that aims to empower the public and private sectors to identify sustainable investment opportunities, including for infrastructure. The US Trade and Development Agency (USTDA) offers assistance to US companies active in developing country infrastructure by financing the early project stages. The Department of Energy (DoE) promotes policy and regulatory capacity building for energy diversification in developing countries. Within the Department of Defense (DoD), the Task Force for Business and Stability Operations aims to leverage American economic power as a strategic tool for promoting economic stabilisation and security in developing countries.

Regarding inter-agency co-ordination, USAID consults periodically with other US agencies as well as multilateral organisations on infrastructure projects. The DoS also coordinates with USAID’s Desk Officers and Embassy staff to support private sector participation in infrastructure. OPIC coordinates with USAID, DoS, USTDA, as well as other agencies like the US Environmental Protection Agency.

Furthermore, OPIC’s Board of Directors include the Office of the United States Trade Representative, USAID, and the Departments of State, Labor, Commerce, and Treasury. EX-Im staff also frequently collaborate with DoS and Embassy staff for information on specific projects, as well as assistance when liaising with buyer country government officials.

3. Comparative Advantage and Co-ordination

The US often plays a lead role in bringing donors together for donor co-ordination. It also sees comparative advantage in areas such as project proposal analysis, project design and feasibility studies. As the one of the largest shareholders in most MDBs, the US plays a leading role in calling for transparency and in influencing policy formulation, project design and implementation within MDBs. The DOS, Treasury, USAID and other US agencies review infrastructure project proposals submitted to the MDB’s Executive Boards on a systematic basis, particularly on US’s priority partner countries.
4. Geographic and Sectoral Distribution of Private Sector Support

In 2011, out of the US top 100 disbursements for infrastructure reported to the CRS, five projects involved direct support to private investment, amounting to USD 128 million or 7% of US disbursements for infrastructure.

Of this amount, the transport sector received most support, followed by water and energy. Africa received more than two thirds, while half of the support was directed to LICs.

5. Enabling Environment

In supporting the enabling environment, the US priorities depend on the level of economic and financial sector development of the country. The US believes that countries should focus on implementing sustainable policies backed by transparent and effective institutions. For a number of emerging economies that do not face a shortage of long-term capital, there is a higher priority on improving the effectiveness of financial intermediation by developing deep and well-functioning local capital markets and a soundly regulated and supervised national financial system.

According to the CRS, the US support for policy and administrative management-related projects accounted for 44% of all disbursements for infrastructure projects in 2011. The largest contributions focus on increasing the efficiency and reliability of energy services and on supporting reliable and affordable transport systems.

6. Project Preparation Facilities (PPFs)

The US has or contributes to the following PPFs, most of which are managed by the US:

- US Trade and Development Agency. As the US sees the primacy of project preparation, this specialised development agency provides financing for feasibility studies, project planning and pilot projects, including for infrastructure.
- U.S.-Africa Clean Energy Finance Initiative (ACEF) USAID collaborates with OPIC, DoS and USTDA to fund this initiative which supports project development costs.
- USAID Africa Infrastructure Program (AIP)
- PPIAF, hosted by the World Bank

The Department of Treasury also supports the G-20’s work on improving the prioritisation, planning, funding and transparency of infrastructure investment projects.

7. Green Infrastructure and Local Investors

To be elaborated.
8. Evaluation

OPIC monitors and evaluates the economic effects by its projects on the US and host-country through both an annual self-monitoring questionnaire and selected project site visits. Projects are evaluated using the same criteria applied for project approval to assess whether or not development impacts have materialised. OPIC aggregates the results and reports them to Congress and on the OPIC website. Individual project evaluations are not made public as they contain commercially confidential information.

USTDA employs an evaluation process that identifies information about what its programme activities have achieved for US companies and host country partners. The Program Evaluation Office monitors and analyses the outcomes of the Agency's activities to determine their effectiveness and inform stakeholders.

MCC’s “continuum of results” framework seeks to measure, collect, and report on: policy reforms associated with MCC compact eligibility and programme investments; inputs and outputs that indicate whether projects are on track; interim outcomes as programmes reach completion; and impacts as measured through independent evaluations.

9. Project Example

OPIC is supporting Azure Power, a solar power developer with offices across India and California to construct a 2-megawatt solar power plant in Punjab. The objective is to promote power generation from renewable sources in India and bring power to rural areas located outside the existing electricity grid. In 2011, OPIC disbursed a USD 28 million non-concessionnal loan to the company.
African Development Bank

1. Data

- Infrastructure disbursements in 2011: USD 1.9 billion (USD 988 million ODA, USD 942 million OOF)
- Disbursements for support to private investment in infrastructure: USD 158 million (all OOF)

![Figure 1: ADB’s allocable disbursements by sector](source)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

AfDB emphasises the need to mobilise private investment for infrastructure, which is important for economic growth and poverty reduction in Africa. For this purpose, it emphasises co-ordination among its different departments through joint missions and in the field.

The **Private Sector Department** supports private investment through credit, equity, guarantees and technical assistance. It is changing its role from being an investor in private sector operations to acting as a catalyst for private investment through more enhanced use of risk mitigation instruments.

The **African Development Institute** carries out capacity building in PPPs, such as for management of large infrastructure projects. It organises an annual PPP conference reuniting Africa PPP experts.

![Figure 3: Institutions and instruments](source)

3. Comparative Advantage and Co-ordination

AfDB has in-depth knowledge of the African continent, as well as close relationship with African countries and multilateral bodies such as the African Union and Regional Economic Communities. To better integrate its private sector support, the Bank has a holistic approach to combine public and private lending.

In collaboration with the African Union and NEPAD, AfDB is the executing agency of the Programme for Infrastructure Development in Africa (PIDA), the strategic framework for the continent’s infrastructure development, which includes efforts to mobilise private investment. It also hosts the Infrastructure Consortium for Africa (ICA), which tries to scale up both public and private investments in African infrastructure.

4. Geographic and Sectoral Distribution of Private Sector Support

More than half of AfDB’s support to the private sector for infrastructure goes to transport, followed closely by energy. In terms of income distribution, 60% of disbursements went to LICs. The single largest recipient was Ethiopia, followed by Cameroon and Cape Verde.

![Figure 4: Support focuses on transport and energy](source)

![Figure 5: AfDB Distribution by income](source)
Table 1:
Top 5 recipient countries of AfDB private sector support for infrastructure in 2011

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Type</th>
<th>Amount</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ethiopia</td>
<td>LIC</td>
<td>52</td>
<td>33%</td>
</tr>
<tr>
<td>2</td>
<td>Cameroon</td>
<td>LMIC</td>
<td>31</td>
<td>20%</td>
</tr>
<tr>
<td>3</td>
<td>Cape Verde</td>
<td>LMIC</td>
<td>27</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>Senegal</td>
<td>LIC</td>
<td>20</td>
<td>13%</td>
</tr>
<tr>
<td>5</td>
<td>Rwanda</td>
<td>LIC</td>
<td>12</td>
<td>8%</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td></td>
<td>15</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>158</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: OECD DAC Statistics, ODF Disbursements in constant 2011 USD million

5. Enabling environment

Support to the enabling environment is considered important in the private investment strategy for infrastructure. AfDB hosts the Investment Climate Facility for Africa, which seeks to mobilise resources to improve Africa’s business environment by supporting reforms in legal, regulatory and administrative frameworks, including for infrastructure. AfDB’s support to the enabling environment focuses significantly on transport in LICs, such as Uganda and Ethiopia, which also received over a third of total AfDB’s private investment support in 2011.

6. Project Preparation Facilities

AfDB sees PPFs as very important in supporting the bankability of projects. It hosts the following PPFs:

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

The Bank is also developing 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.

7. Green Infrastructure and Local Investors

AfDB believes there is a challenge for African infrastructure in balancing between more capital- and knowledge-intensive green infrastructure and conventional solutions. Therefore, it promotes renewable energy projects on a case-by-case basis.

8. Evaluation

AfDB does not provide information on the evaluation system of its non-soverign lending nor give access to the evaluations.

9. Project Example

AfDB provided a USD 75 million loan to Henry Konan Bedie Toll Bridge Project in Abidjan, Ivory Coast. The investment, which has a total cost of USD 350 million, consists of construction, operation and maintenance of the 1.9 km-long toll bridge under a 30-year concession agreement between the Bouygues Group, a private French conglomerate and the project sponsor, and the Ivorian government. The equity is provided by Bouygues, with additional debt financing given by Pan African Infrastructure Development Fund (subordinated loans), Africa Finance Corporation (subordinated and senior loans), and FMO and BMCE Bank International (senior loans). In addition, MIGA provides guarantee coverage of up to USD 150 million.
Asian Development Bank

1. Data

- Infrastructure disbursements in 2011: USD 4 billion (USD 716 million ODA, USD 3.3 billion OOF). This consists entirely of sovereign lending as AsDB did not report its non-sovereign lending to CRS until 2012.
- Disbursements for support to private sector participation in infrastructure: USD 445 million

Source: OECD DAC Statistics

Figure 1: AsDB’s allocable disbursements by sector

2. Institutions, Policies and Approaches

Infrastructure is one of AsDB’s core operations, to which private investment is considered as an important contributor. AsDB’s strategy stipulates that by 2020, half of its activities should promote private sector development and private investment.

The Private Sector Operations Department (PSOD) uses instruments such as non-sovereign loans, equity, credit enhancements, political and commercial risk guarantees and technical assistance to promote private investment. According to PSOD, 61% of its commitments in 2011 were in infrastructure. In its operations, it does not generally acquire more than 25% of equity stake in any investment or assume managing responsibilities. PSOD co-operates closely with AsDB’s Regional Departments on PPP projects.

Source: OECD DAC Statistics; AsDB 2011

Figure 2: Disbursements by type of support

3. Comparative Advantage and Co-ordination

AsDB’s comparative advantage in promoting private infrastructure investment include: its high credit rating; holistic approach to public and private sector operations; strong regional expertise; and existing partnerships with public and private sector stakeholders and other development finance partners.

PSOD partners with other MDBs, bilateral aid agencies and DFIs in financing to leverage private sector investment in infrastructure.

4. Geographic and Sectoral Distribution of Private Sector Support

According to PSOD, energy accounts for a large majority of its infrastructure-related operations. While there is strong focus on LMICs, with India, China and Pakistan accounting for more than half of its portfolio, PSOD states that it will also focus on underserved markets such as Afghanistan, Papua New Guinea and Laos.
5. Enabling Environment

While the private sector support by PSOD is concentrated in LMICs and UMICs, more than half of the support towards the enabling environment by the Regional Departments through sovereign lending was directed towards LICs. In particular, the Regional Departments support the enabling environment for PPPs by establishing or strengthening:

1) centralised, cross-sectoral PPP framework;
2) PPP fiscal risk management mechanisms;
3) PPPs procurement systems;
4) Mechanisms to assess when to use PPPs; and
5) land acquisition laws with environmental and social safeguards.

6. Project Preparation Facilities

Instead of hosting many PPFs, AsDB supports project development funds established within its client countries to facilitate PPP projects. Furthermore, it has created the National Infrastructure Information Systems (NIIS) platform which facilitates infrastructure project preparation and financing by providing project templates, which cover technical data, environmental and social impact assessments, risk assessments, and financial information.

7. Green Infrastructure and Local Investors

PSOD states that one third of its new projects are in renewable and clean energy, including in Azerbaijan and Bangladesh.

AsDB manages the Climate Public Private Partnership Fund (CP3), which provides equity to mobilise public and private sector resources for climate change adaptation, including green infrastructure, through a USD 1 billion investment vehicle. In addition, AsDB provides risk mitigation for specific PPP projects in green infrastructure financed by the CP3.

AsDB does not have a specific policy to support small infrastructure and local investors. At the same time, it provides capital to companies that acquire, upgrade, expand or operate rural infrastructure facilities.

8. Evaluation

AsDB has carried out an internal evaluation, which rated its assistance to PPPs over two decades in power, transport and water as generally successful. However, it also pointed to low levels of PPP expertise in the Regional Departments’ public sector assistance, as well as to the excessive focus on large countries (China, India) on the PSOD side.

PSOD projects are evaluated with respect to their development impact, investment profitability, work quality and additionality.

9. Project Example

AsDB approved a USD 97 million loan to Star Hydro Power Ltd, an Independent Power Producer, for a 150MW Patrind hydropower project in Pakistan. The hydropower plant will be operated by Star Hydro Power Ltd under a BOOT (Build-Own-Operate-Transfer) contract for a period of 30 years with a total cost of USD 330 million. The equity investment for the project is provided by owners of Star Hydro Power—K-Water and Daewoo Engineering & Construction Company of Korea—while other lenders consist of KEXIM, IFC and IsDB, with guarantee coverage provided by MIGA.
European Bank for Reconstruction and Development

1. Data

- Infrastructure disbursements in 2011: USD 1.3 billion (all OOF)
- Disbursements for support to private sector participation in infrastructure: USD 428 million (all OOF)

![Figure 1: Allocable disbursements by sector](image)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

The majority of EBRD financing goes to the private sector. In contrast with other MDBs, the EBRD’s non-sovereign lending is mainstreamed within regional and sectoral departments. Support to private investment in infrastructure is primarily pursued in the three following departments: Banking, Finance and Risk.

Regarding transport, EBRD finances roughly four to five projects per year, for which it disburses a total of EUR 1.1 – 1.2 billion. EBRD also finances about 40 infrastructure projects per year at municipal level, for which it disburses around EUR 600 million in total. The tenors of all commercialised lending by the EBRD are linked to the asset life cycle, with a grace period of 2 to 4 years.

The Bank committed to increase the loans, equity and quasi-equity instruments, as well as guarantees to support private sector participation in infrastructure. Aside from these financial tools, the EBRD also provides technical assistance to partner country governments on reforming the enabling environment.

![Figure 2: Disbursements by type of support](image)

Source: OECD DAC Statistics

3. Comparative Advantage and Co-ordination

The EBRD views its comparative advantage in its experience of lending support to countries in political and economic transition. As its geographical mandate has recently been expanded, it intends to use it in countries in North Africa and the Middle East, such as Egypt.

EBRD co-operates closely with European institutions such as the EIB and the European Commission. The three parties signed a Memorandum of Understanding in 2011 to prevent overlaps and increase synergies. The EBRD has also established co-operation with the United Nations Economic Commission for Europe (UNEP), which manages the International PPP Centre of Excellence. The two institutions work together on PPP infrastructure projects in sectors such as energy efficiency.

EBRD also collaborates with bilateral institutions. It has established a partnership with JBIC, the Japanese export credit agency. Joint activities include co-financing of large national and municipal projects particularly climate related ones. They also carry out joint local currency financing in the EBRD client countries.

4. Geographic and Sectoral Distribution of Private Sector Support

In 2011, EBRD’s support to private investment in infrastructure mostly went to transport and energy. In coherence with the regional mandate of the Bank, support was concentrated in Europe and Central Asia, especially Turkey which received 64% of EBRD’s support. Furthermore, almost 80% of the support was directed towards UMICs.

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3 The UNECE’s International PPP Centre of Excellence produces international standards on PPPs, for countries that extend beyond EBRD client countries.
Table 1: Top 5 recipient countries of EBRD’s support to private investment for infrastructure

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Type</th>
<th>Support Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Turkey</td>
<td>UMIC</td>
<td>272</td>
<td>64%</td>
</tr>
<tr>
<td>2</td>
<td>Georgia</td>
<td>LMIC</td>
<td>47</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>Albania</td>
<td>UMIC</td>
<td>27</td>
<td>6%</td>
</tr>
<tr>
<td>4</td>
<td>Kazakhstan</td>
<td>UMIC</td>
<td>24</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>Ukraine</td>
<td>LMIC</td>
<td>23</td>
<td>5%</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td></td>
<td>36</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>428</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: OECD DAC Statistics

5. Enabling Environment

Out of total infrastructure disbursements by the EBRD in 2011, 17% (USD 225 million) went towards strengthening the enabling environment in infrastructure for client countries. Nearly all of this support went to the energy sector. In 2011, the EBRD signed a Memorandum of Understanding with the International Confederation of Energy Regulators to share knowledge and experience in building transparent, predictable legal and regulatory frameworks.

6. Project Preparation Facilities

The EBRD finances the following PPFs:
- Technical Assistance Facility of the Arab Financing Facility for Infrastructure, which is a regional partnership by World Bank Group and the IsDB;
- Joint Assistance to Support Projects in European Regions, hosted by the EC;
- Western Balkan Investment Framework Infrastructure Project Facility, hosted by the EC.

7. Green Infrastructure and Local Investors

In its Environmental and Social Policy the Bank commits to prioritise projects that respect sustainable energy. In 2006, the EBRD established the Sustainable Energy Initiative (SEI), which aims at developing financial tools to leverage private investment in energy efficiency and renewable energy, as well as improving the enabling environment. In 2012, SEI investments amounted to Euro 2.6 billion, accounting for 26% of the EBRD’s total activities. In addition, since 2007, the Bank has provided almost Euro 870 million for investments aimed at increasing energy efficiency in the transport sector.

The EBRD also co-operates with four other MDBs to fund the Climate Investment Funds (CIFs) to promote the transition towards low-carbon and climate-resilient development. Over a third of support to this end goes to projects in the private sector.

8. Evaluation

All EBRD financed projects, including with non-sovereign loans, are self-evaluated based on a template when deemed ready by the Evaluation Department (EvD) and management. A sample of these operations is then subject to independent evaluation by the EvD, according to the following criteria: relevance (‘project rationale’ and ‘additionality’); effectiveness (‘fulfilment of operational objectives’ and ‘project/client financial performance’); efficiency (‘Bank handling’ and investment returns); and impact and sustainability (‘transition impact’ and ‘environmental and social impact’).

Out of 33 EvD-evaluated infrastructure projects approved between 2004 and 2009, 73% were rated Successful, 21% Partly Successful and 6% Unsuccessful. While these include 28 sovereign and 5 non-sovereign loans, almost all EBRD finance is ‘in the style of’ private sector financing. Therefore, EBRD treats sovereign and non-sovereign lending practically equally for evaluation purposes.

9. Project Example

In 2013, EBRD, JBIC and the private Turkish Bank Denizbank, established a USD 25 million credit line for local renewable energy projects under the Turkey Sustainable Energy Financing Facility Extension, supervised by EBRD.
Inter-American Development Bank

1. Data

- Infrastructure disbursements in 2011: USD 3.4 billion (USD 338 million ODA, USD 3 billion OOF)
- Disbursements for support to private sector participation in infrastructure: USD 248 million (all OOF)

2. Institutions, Policies and Approaches

The IADB Group is composed of the Inter-American Development Bank (IADB – “Bank”), the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), all three of which are active in supporting private investment in infrastructure.

Within the Bank, support to private businesses is administered by the Structured and Corporate Finance Department (SCF) which particularly encourages private investment in infrastructure. It provides: non-sovereign guaranteed loans sourced from its own resources, syndicated loans together with international banks and institutional investors and partial credit and political risk guarantees. SCF also provides non-reimbursable resources for project preparation. In addition, the Country and Sector Departments of the Bank engage in support to partner countries in improving the enabling environment for infrastructure investments by providing, inter alia, sovereign loans and technical assistance.

The IIC finances SMEs with equity investments, loans, and guarantees. The MIF also provides equity investment and technical assistance to the private sector. In 2011, each dollar invested in equity leveraged 11 dollars in private investment (1:11) in the MIF’s overall equity portfolio. In terms of technical assistance, one of its most important activities is the “Regional PPP Advisory Services Program”, which focuses on capacity and knowledge sharing, as well as support in project selection and preparation. The MIF also annually organises “PPP Americas”, a conference to enhance knowledge and capacity in the execution of PPPs on the continent.

In March 2013, the Board of Governors mandated a review of the Group’s activities in the private sector to establish a new vision and improve synergies in private sector support. As a result, a proposal to create an independent arm of the Group solely focused on dealing with the private sector, similar to the IFC was proposed.

3. Comparative Advantage and Co-ordination

See “Enabling environment” and “Green infrastructure”.

4. Geographic and Sectoral Distribution of Private Sector Support

In 2011, most of IADB’s disbursements to the private sector for infrastructure went to UMICs, with Costa Rica, Brazil, and Jamaica receiving 40% in total. Support is concentrated in the energy sector (67%) followed by transport (33%). IADB’s support to the private sector in water and communications sectors was negligible.
Table 1:
Top 5 recipient countries of IADB’s support to private investment for infrastructure

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Income Category</th>
<th>Support (millions)</th>
<th>Support %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Costa Rica</td>
<td>UMIC</td>
<td>45</td>
<td>18%</td>
</tr>
<tr>
<td>2</td>
<td>Brazil</td>
<td>UMIC</td>
<td>41</td>
<td>17%</td>
</tr>
<tr>
<td>3</td>
<td>Jamaica</td>
<td>UMIC</td>
<td>36</td>
<td>15%</td>
</tr>
<tr>
<td>4</td>
<td>Nicaragua</td>
<td>LMIC</td>
<td>18</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Panama</td>
<td>UMIC</td>
<td>10</td>
<td>4%</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td></td>
<td>99</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>249</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: OECD DAC Statistics, ODF Disbursements in constant 2011 USD million

5. Enabling Environment

According to the CRS, in 2011, 28% of the Bank’s disbursements were aimed at policy and administration management in recipient countries. The majority of these projects were carried out in the transport and energy sectors, focusing primarily on issues of regulatory reform and policy design and implementation.

In order to assess the quality of the enabling environment in recipient countries, the MIF and the Economist Intelligence Unit have developed the ‘Infrascope’, an interactive index evaluating the readiness and capacity of 19 Latin American and Caribbean countries to implement PPPs in infrastructure. This tool is used to analyse laws, regulations, institutions and practices that affect the enabling environment. Infrascope has attracted interest from other MDBs, such as the AsDB and the EBRD.

6. Project Preparation Facilities

The Bank created the Infrastructure Project Preparation Fund (InfraFund), which assists public and private entities in Latin America to identify, develop and prepare bankable and sustainable infrastructure projects.

In addition, the Fund for Integration Infrastructures provides funding for feasibility and impact studies for regional infrastructure projects, as well as public-private collaborations for specific projects. The Bank has also established the Brazil Infrastructure Project Preparation Fund.

7. Green Infrastructure and Local Investors

Adopted in 2006, the Bank’s Sustainable Energy and Climate Change Initiative is being implemented to move the Group away from fossil fuel-based energy projects to support clean energy.

The MIF-IADB Public-Private Partnership Program combines funds from the Global Environment Facility (GEF) with IADB Group to target equity investments to promote energy efficiency, renewable energy, and biodiversity in Latin America. In 2011, the Bank and Canada established a co-operation on the Canadian Climate Fund for the Private Sector in the Americas, worth USD 250 million. The fund aims at financing climate change adaptation, renewable energy and energy efficiency projects in Latin America by providing loans to the private sector.

The Bank has also established a series of donor partnerships with AsDB, AfDB, EBRD, and World Bank to standardise climate risk methodologies, inventories of greenhouse gas emissions, and assessments of climate change finance options for recipient countries.

8. Evaluation

SCF recently introduced a private sector Development Effectiveness Matrix which assesses: (1) strategic fit, (2) non-financial and financial additionality, and (3) evaluability. It also establishes a results framework and identifies a monitoring and evaluation plan.

Annually, private sector operations that have reached early operating maturity are selected for expanded supervision, which measures development outcomes, additionality and work quality. The Bank’s internal evaluation group validates each self-evaluation report.

The IIC uses two tools to track the development outcomes of its operations: (1) the Development Impact and Additionality Scoring system which is used to estimate a project’s potential development impact; and (2) the Expanded Annual Supervision Report, which assesses IIC investment performance, work quality, and additionality.

9. Project Example

In Costa Rica, IADB and OPIC are involved in financing Alterra Partners Costa Rica S.A, a project company owned by Andrade Gutierrez Concessoes and ADC & HAS Finance Limited that currently operates the Juan Santamaria International Airport in San José. According to the CRS, the IADB disbursed USD 45 million for this project in 2011.
The Islamic Development Bank Group

1. Data

- Infrastructure commitments in 2011: USD 1.8 billion (USD 145 million ODA, USD 1.6 billion OOF).
  In 2013 the IsDB improved its reporting by providing disbursement data by recipient and mode of (Islamic) financing. Current reporting only includes financing from the Bank’s ordinary resources but the IsDB has announced its plan to broaden reporting so as to include data for all entities of the IsDB Group, including special funds.
- Disbursements for support to private sector participation in infrastructure: N/A
- Share of enabling environment: N/A

2. Institutions, Policies and Approaches

In 2009, the Islamic Development Bank (IsDB) Group issued its Infrastructure Strategic Plan 2010-2012, which set out a focus on low-income member countries. In 2012, the IsDB Group Board of Directors approved a “3 by 3 Strategic Framework” making infrastructure one of the Group’s priority sectors, along with poverty alleviation and the promotion of Islamic Finance.

The Islamic Development Bank (the Bank) supports private investment in infrastructure primarily through the PPP Division within the Infrastructure Department, which oversees the Bank’s non-sovereign operations. The Islamic financial instruments, compliant with Shari’ah, that are used to support private sector participation in infrastructure includes primarily the following:

- Leasing (The Bank procures the asset and leases it to the beneficiary for a specific period of time. During this period, the asset remains property of the Bank.)
- Istisna’a (The Bank and its client sign a contract to build an asset; the Bank is responsible for building the facility according to agreed specifications through subcontractors, and delivers it to its client at a determined price); and
- Instalment Sale (The Bank allows the client to pay the price of an asset at a future date in lump sum or installments.)

The Islamic Corporation for the Development of the Private Sector (ICD) particularly supports the development of small- and medium-enterprises in its member countries. The ICD provides equity investments, non-sovereign loans and technical assistance to the private sector, including for infrastructure.

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) provides investment insurance to exporters from non-member countries engaged in infrastructure related projects in its member countries.

3. Comparative Advantage and Co-ordination

The IsDB Group sees its comparative advantage in its position as a unique provider of Shari’ah compliant finance for infrastructure projects. Islamic financing is gaining in popularity with the private sector in its member countries, particularly in the infrastructure sectors.

The IsDB Group co-operates with bilateral and multilateral donors both at policy and project level in supporting private infrastructure investment in its member countries. For example, in 2009, the Bank established the Islamic Infrastructure Development Fund (IIF) together with AstDB, which provides equity to finance PPPs in 12 common member countries.

In 2011, the Bank also established with the IFC the Arab Finance Facility for Infrastructure (AFFI), which includes a Shari’ah compliant mezzanine fund for private investments in low and middle income Arab countries.

In 2012, the Bank established a co-financing agreement with the Korea Development Bank to develop a pipeline of projects during 2012-2014, which will focus on infrastructure and private sector development in IsDB member countries.
4. Geographic and sectoral distribution of support to private investment

It was not possible to distinguish IsDB’s direct support to private investment in infrastructure among projects reported to the CRS.

5. Enabling Environment

The IsDB Group recognises support to the enabling environment for private investment as a crucial factor in fostering private participation in its member countries’ infrastructure. Therefore, it provides technical assistance to member country governments in the reform of regulations and institutional capacities surrounding Islamic finance through initiatives such as AFFI.

6. Project Preparation Facilities

The IsDB Group stresses the importance of investing in sound feasibility studies. As part of AFFI, the Bank, together with the IFC, finances government capacity building for PPPs, feasibility studies, and project preparation.

7. Green Infrastructure and Local Investors

The IsDB Group states that promotion of “green” energy projects and energy efficiency enhancement are key priorities. While renewable energy projects still represent only a small share of the Group’s total energy investments, sustainability is an issue that has gained increasing attention within the Bank in the past years.

8. Evaluation

IsDB Group projects are evaluated by the Operations Evaluations Office, but information is unavailable on how it evaluates infrastructure projects with private participation.

9. Project Example

The ICD provided technical assistance to the Senegalese government in 2013 to prepare and launch its first Sukuk, an Islamic government bond worth USD 200 million.

Sukuk structures resemble cash flows of conventional bonds. As profit needs to be linked to a productive activity under Shariah law which forbids charging interest, a Sukuk represents a shared ownership of e.g. an asset. Capital is thus protected under Sukuk in a form of a promise by the issuer to repurchase an asset, while a rent, benchmarked to interest rates such as the London Interbank Offered Rate, is paid in the meantime. The Senegalese Sukuk, which aims to finance infrastructure projects particularly in energy, is the first of a number of Islamic finance bonds planned to be issued by the Senegalese government in the near future.
World Bank Group

1. Data

- Infrastructure disbursements in 2011: USD 10.7 billion (USD 2.7 billion ODA from IDA, USD 8 billion OOF from IFC and IBRD)
- Disbursements for support to private sector participation in infrastructure (IFC only): USD 1.6 billion (all OOF)

Source: OECD DAC Statistics

2. Institutions, Policies and Approaches

The WBG has been the largest official financier for developing country infrastructure among the traditional bilateral and multilateral donors in recent years. The International Finance Corporation (IFC), the private sector-oriented arm of WBG, is the main body that carries out investment financing-related activities, including for infrastructure. IFC also advises governments on how to engage the private sector in service delivery and to structure PPP contracts. It has also established the Asset Management Company (AMC), which manages large institutional investor funds to, inter alia, make equity investments in emerging market infrastructure.

Infrastructure now constitutes as the main sector of activity for the Multilateral Investment Guarantee Agency (MIGA), as it accounted for 58% of total volume of its guarantees distributed in 2012 (compared to 43% in 2011). MIGA places strong emphasis on fostering private investment in Least Developed Countries and conflict zones, as well as on promoting South-South investments.

The Public-Private Infrastructure Advisory Facility (PPIAF), a multi-donor technical assistance facility hosted by the World Bank, also provides grants for enabling environment-related projects to catalyse private sector investment for infrastructure. The World Bank Institute (WBI) has a PPP Practice programme that aims to provide developing countries with PPP-related expertise and best practices. The International Bank for Reconstruction and Development (IBRD) and International Development Agency (IDA) (together called the Bank) operations also promote the enabling environment, in addition to engaging in pilot innovative PPP initiatives with IFC.

Under the current reorganisation, the WBG is creating a Cross Cutting Solutions Area for PPPs to allow specialised staff to provide advice to clients. The PPP units of the Bank, MIGA and IFC are also co-operating on a pilot PPP initiative in six focus countries or regions (Ghana, Kenya, Nigeria, Indonesia, Pakistan and the Caribbean) to promote the enabling environment necessary for private sector development as well as to develop a pipeline of PPP projects. The WBG aims to double its PPP projects and advisory activities by 2015.

The WBG also hosts relevant initiatives such as the Global Partnership for Output Based Aid, the Water and Sanitation Programme, and Climate Investment Funds which engage with the private sector for infrastructure.

3. Comparative Advantage and Co-ordination

The WBG is well positioned to provide global knowledge from its experience in developing projects with an attractive financial profile to private investors. Its advisory services complement its lending and investment programmes that operate closely with other DFIs and organisations.

The WBG works closely with other donors to prepare the Country Partnership Strategy by clearly defining the mechanisms for co-ordination at the country level. The Country Management Units from the different arms of the WBG carry out the co-ordination function. In projects where there is potential for private sector participation, the WBG
works together at the appraisal stage to identify the different roles.

4. Geographic\(^1\) and Sectoral Distribution of Private Sector Support

As IFC does not report to the CRS, estimates for 2011 indicate that a large share of support to private participation in infrastructure by IFC went to Asia and more than half to the energy sector.

**Table 1:** Top 5 recipient countries of the World Bank’s support to the enabling environment

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Category</th>
<th>Support</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mexico</td>
<td>UMIC</td>
<td>342</td>
<td>30%</td>
</tr>
<tr>
<td>2</td>
<td>Brazil</td>
<td>UMIC</td>
<td>99</td>
<td>9%</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>UMIC</td>
<td>91</td>
<td>8%</td>
</tr>
<tr>
<td>4</td>
<td>Ghana</td>
<td>LMIC</td>
<td>77</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Dem. Rep. Congo</td>
<td>LIC</td>
<td>72</td>
<td>6%</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td></td>
<td>444</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>717</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: CRS, IDA and IBRD disbursements in 2011 USD million

5. Enabling Environment\(^2\)

The Bank promotes improvement in the investment climate by reforming the legal and regulatory frameworks to foster new entry and competition in infrastructure sectors. It also works with clients to develop methodologies to identify, evaluate and prioritise projects capable of attracting commercial participation. Furthermore, through initiatives such as “PPP in Infrastructure Resource Center for Contracts, Laws and Regulations” and “Private Participation in Infrastructure Database”, co-hosted by PPIAF, the Bank provides access to sources which enable the governments to plan, design and structure PPP projects in infrastructure as well as learn from similar projects in other countries.

In 2011, most of the Bank’s support to the enabling environment in infrastructure went to the energy sector, Americas and Africa, and UMICs (55%).

6. Project Preparation Facilities

The WBG has the following PPFs:
- Energy Sector Management Assistance Programme, hosted by the Bank
- Arab Financing Facility for Infrastructure Technical Assistance Facility, co-hosted by the Bank, IFC, and IsDB
- InfraVentures hosted by the IFC
- DevCo co-hosted by the IFC

7. Green Infrastructure and Local Investors

To be elaborated.

8. Evaluation

IFC conducts self-evaluations of all its projects as well as internal independent evaluations of a random sample of its projects using criteria developed by the MDB Evaluation Co-operation Group. In addition, IFC has developed a Development Outcome Tracking System which monitors development effectiveness of its investment and advisory services. IFC is also working on new methodologies in assessing impacts of infrastructure projects, including PPPs.

In 1998, the WBG created the Compliance Advisor/Ombudsman (CAO) for the IFC and MIGA, as an effort to increase the accountability of the private sector side of the WBG operations by providing a mechanism for local communities affected by IFC and MIGA supported projects to raise their concerns. In its report, Review of IFC’s Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information of May 2010, it recommended IFC to, for example, improve project level engagement and address gaps in environmental and social performance.

More generally, the Independent Evaluation Group of the WBG is finalising an evaluation on the organisation-wide support to PPPs, which includes the Bank, IFC, and MIGA. This report is expected to become public towards the third quarter of 2014.

Outside the Bank, academics and CSOs also assess WBG activities in supporting the private sector. Some examples specifically examine the effectiveness of the CAO itself as well as the risks of leveraging private sector finance.
The Private Infrastructure Development Group (PIDG)

1. Data

PIDG facilities committed USD 201 million for infrastructure projects in water, transport, communications and energy according to PIDG’s 2011 Annual Report.

![Figure 1: Allocable commitments by sector](image1)

Source: PIDG Annual Report 2011

2. Institutions, Policies and Approaches

The Private Infrastructure Development Group (PIDG), established in 2002, is a multi-donor organisation governed by development agencies. It is funded by the Australian Department of Foreign Affairs and Trade; the Austrian Development Agency; Germany’s KfW; Irish Aid; the Netherlands Ministry of Foreign Affairs and FMO; the Swedish International Development Cooperation Agency; the Swiss State Secretariat for Economic Affairs; the UK DFID; and WBG’s IFC.

PIDG Members commit funds that are invested through a portfolio of Facilities to mobilise flows of local, regional and international investor capital, lending and expertise for infrastructure investment. PIDG operates through a Governing Council which sets the overall strategy. The Program Management Unit (PMU) provides the secretariat services.

The eight PIDG Facilities fall into the following categories:

- Early-stage project development capital and expertise in Africa and Asia (InfraCo Africa and InfraCo Asia).

![Figure 2: Institutions and instruments](image2)

- Long-term debt finance in foreign currency (EAIF, ICF-DP) and guarantees in local currency (GuarantCo).

- Technical assistance, affordability and capacity-building support to PIDG projects (TAF) and to public authorities seeking private sector involvement (DevCo).

3. Comparative Advantage and Co-ordination

PIDG’s comparative advantage lies in its gathering of grant funding from a variety of Members which allows it to leverage equity funds from the private sector and other DFIs. Furthermore, PIDG complements PPIAF in creating appropriate and enabling environment for infrastructure investment. For Co-operation with other donors, see “Enabling environment”.

4. Geographic and Sectoral Distribution of Private Sector Support

In 2011, the distribution of sector support by PIDG was balanced among energy, transport, and ICT, but very little to the water sector (0.5% of total commitments). Regarding

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| PIDG Annual Report 2011, p.32 and p.36 |
regional distribution, 76% of PIDG commitments was directed towards Africa. PIDG data do not provide country breakdown nor income level information.

5. Enabling Environment

Approximately 3% of PIDG Facility commitments in 2012 went to support policy and administrative management, education, training, and research of developing country governments to enhance private investment. PIDG supports the enabling environment primarily through technical assistance by DevCo and TAF and by working with PPIAF. There is extensive collaboration among “upstream” facilities, “downstream” project development facilities, and PPIAF.

6. Project Preparation Facilities

PIDG engages actively in project preparation through InfraCo Africa, InfraCo Asia and TAF, by identifying and structuring financially viable infrastructure projects with the public and private sectors. These facilities have created a strong pipeline of projects, including innovative and developmentally impactful projects in Africa.

InfraCo Africa can be considered, at least partially, a revolving fund, with about 11% of its funding sourced from reflows, such as profits and repayments. Over the long term, the goal for InfraCo Africa is to seek sufficient revenue from successful sales to fund its general operational costs.

7. Green Infrastructure and Local Investors

PIDG launched a new fund, Green Africa Power, which aims to stimulate private investment in renewable energy projects in Sub-Saharan Africa. With a total of USD 156 million, it aims to finance renewable energy generation projects through: quasi-equity capital to reduce upfront cost of finance; contingent lines of credit to cover specific construction phase risks; and dialogue to move towards cost reflective tariffs.

In 2012, the other PIDG Facilities made commitments to nine renewable energy projects, representing potentially more than 1,400MW in new generation capacity.

8. Evaluation

All PIDG-supported projects are subject to detailed financial assessment and due diligence by the Facility Managers and Boards before they can be approved. The PMU monitors and evaluates PIDG projects through the Results Monitoring System, which tracks development impact achieved once projects become operational against the projected impact at the time of commitment.

The seven main indicators are: 1) mobilised additional private capital; 2) the number of people connected to the infrastructure services; 3) fiscal benefits to the host country; 4) additional employment from the new infrastructure; 5) alignment with national development plans; 6) viability and benefits of the infrastructure to host governments, potential investors and users; and 7) financial additionality and improvements in the regulatory environment.

PIDG provides an extensive list of project evaluations on its website, which include information on outcomes and impacts such as job creation, fiscal benefits to the host country, and number of new beneficiaries connected to the service.

In DFID’s multilateral aid review, PIDG came second among 43 organisations in terms of value for money for UK aid. In the Australian Multilateral Assessment, PIDG also received the highest “Very Strong” rating for cost and value consciousness.

9. Project Example

The US-based AES, a private energy generation and distribution enterprise, partly owns and operates a hydropower plant in Cameroon. To generate power when the plant’s capacity was reduced due to decreased water flows, the company planned to construct a 85MW heavy fuel oil-fired power plant. For this project, AES secured a USD 554 million financing package by EAIF, FMO and Finnfund, as well as USD 168 million raised through domestic commercial equity. PIDG’s evaluation found that the plant indeed increased generating capacity by 10%, ensured electricity supply to 820,000 people, created 508 new jobs and added EUR 166 million of fiscal benefits to the country.

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