

## DEVELOPMENT CO-OPERATION DIRECTORATE

OFFICIAL SUPPORT FOR PRIVATE INVESTMENT IN DEVELOPING COUNTRY  
INFRASTRUCTURE

## Advisory Group on Investment and Development

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*The paper is one of the outputs of the Development Assistance Committee's Programme of Work and Budget 5.1.3.3.2 on Aid for Infrastructure Investment.*

*It is an update of the document, Donor Profiles on Support to Private Investment for Infrastructure: Interim Report [DCD/WKP(2013)2/REV1], which covered the profiles of 10 DAC Members and Multilateral Development Banks. This report summarises the profiles of 22 development partners.*

*The individual profiles (at a glance and full narratives) will be issued separately.*

*Please send comments and factual corrections to this report to the Secretariat by 4 April 2014.*

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## ABBREVIATIONS

|          |   |
|----------|---|
| AfDB     | African Development Bank  |
| AFFI     | Arab Finance Facility for Infrastructure                          |
| AFP      | African Financing Partnership                                     |
| AICEP    | Associação Internacional das Comunicações de Expressão Portuguesa |
| AsDB     | Asian Development Bank  |
| BIO      | Belgian Investment Company for Developing Countries               |
| BOO      | Build-own-operate   |
| BOT      | Build-own-transfer  |
| BTO      | Build-transfer-operate  |
| CESCE    | Compañía Española de Seguros de Crédito a la Exportación          |
| CDC      | CDC Group (British DFI)   |
| CIF      | Climate Investment Funds  |
| COFACE   | French Export Credit Agency                                       |
| COFIDES  | Spanish Development Finance Company                               |
| COSEC    | Companhia de Seguro de Créditos                                   |
| CP3      | Climate Public Private Partnership                                |
| DAC      | Development Assistance Committee                                  |
| DEG      | German Investment Corporation                                     |
| DFI      | Development Finance Institution                                   |
| ECA      | Export Credit Agency  |
| ECGD     | Export Credits Guarantee Department (UK)                          |
| EDC      | Export Development Canada   |
| EDFI     | European Development Finance Institutions                         |
| EFIC     | Export Finance and Insurance Corporation                          |
| EIB      | European Investment Bank  |
| FASEP    | Private Sector Aid Fund (France)                                  |
| FIEM     | Fund for the Internationalization of Companies                    |
| Finexpo  | Belgian Interministerial Advisory Committee                       |
| FMO      | Dutch Entrepreneurial Development Bank                            |
| FONPRODE | Fondo para la Promoción del Desarrollo                            |
| G20      | Group of Twenty   |
| GHG      | Greenhouse gases  |
| GIEK     | Norwegian Export Credit Agency                                    |
| GIZ      | Deutsche Gesellschaft für Internationale Zusammenarbeit           |
| GPOBA    | Global Partnership on Output Based Aid                            |

|         |   |
|---------|---|
| HLP     | G20 High Level Panel on Infrastructure                                      |
| IADB    | Inter-American Development Bank   |
| ICA     | The Infrastructure Consortium for Africa                                    |
| ICD     | Islamic Corporation for the Development of the Private Sector               |
| ICIEC   | Islamic Corporation for Insurance of Investment and Export Credit           |
| ICT     | Information and communications technology                                   |
| IFC     | International Finance Corporation   |
| IIC     | Inter-American Investmen 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    | Begian 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  |
| WP-STAT | Working Party on Development Finance Statistics                             |

## EXECUTIVE SUMMARY

1. The Monterrey Consensus of 2002 emphasised the need to mobilise private resources to complement official development finance for developing countries. In particular, there is significant potential for the private sector in contributing to the sizeable financing gap for economic infrastructure in light of tightening government budgets. Against this background, the OECD Development Assistance Committee (DAC) has taken stock of official support provided by 15 DAC members, six multilateral development banks (MDBs), and the Private Infrastructure Development Group to support private investment for developing country infrastructure.

2. In 2011, development partners reporting to the DAC funded roughly USD 45 billion for infrastructure, part of which was used to support the private sector through equity and loans to mobilise their investment towards infrastructure. These financial instruments, as well as guarantees, are administered by MDBs, bilateral development finance institutions (DFIs) and in some cases aid agencies. While MDBs are providing the bulk of the support, bilateral development partners are also contributing significant amounts. Among those that provide financing to the private sector for infrastructure in this study, the support ranged from 7 to 70% of their respective official development finance for infrastructure—or roughly 17% of the total support combined.

3. The geographical distribution of support to private investment in infrastructure is relatively balanced among Asia, Africa, Latin America, and Europe & Central Asia. At the same time, a majority of the support goes to the upper middle-income countries as opposed to low income countries (LICs). In particular, the top three recipients—Turkey, Brazil, and India—are countries where their local lenders are also playing a significant role in financing infrastructure. This may question the additionality of support provided by development partners in these countries, although additionality should be assessed at the project level. Furthermore, the low level of support to LICs reflects the difficulty of maximising returns on investment in poor countries which generally have a weak enabling environment. To address this issue, aid agencies are placing more effort in LICs to help improve the enabling environment by building the capacity of governments.

4. As for sectoral distribution, the majority of development partner support for private investment in infrastructure is directed towards the energy sector, followed by transport and information, communication & technology. Very little leveraging is carried out for water since tariffs need to be low due to social and political considerations which may hinder cost recovery. Within energy, about 40% of the support is for renewables—hydro, solar, wind, and geothermal projects. While this can have a positive impact on climate change, lessons learned to date indicate that long-term contracts such as public-private partnerships might be unsuitable for technologically evolving sectors.

5. More information sharing between aid agencies and DFIs may be useful for supporting infrastructure projects in partner countries. This may also apply to export credit agencies which provided financing for infrastructure in LICs that was equivalent to 18% of official development finance for infrastructure by bilateral donors for these countries in 2010. Furthermore, while an overall picture of official support to private investment for infrastructure can be provided, there are still challenges around reporting and measuring financial instruments used, including capturing guarantees and relevant support by ECAs. Public access to evaluations of DFI projects also remains limited due to commercial confidentiality, which poses difficulties in assessing additionality and development effectiveness. Thus more transparency of this type of official support for private investment, particularly by the DFIs, should be further addressed.

## BACKGROUND AND INTRODUCTION

6. The Monterrey Consensus of 2002 and the follow-up Doha Declaration of 2008 emphasised the need to mobilise development finance — especially private resources — to complement official development assistance (ODA) for developing countries to achieve the Millennium Development Goals (MDGs). In 2009, recognising the rapidly changing development landscape of more actors and a greater range of development finance beyond traditional ODA, the Development Assistance Committee (DAC) carried out a Strategic Reflection Exercise to address how the Committee can sustain and increase its relevance in the global development architecture. This concluded that, *inter alia*, the DAC would need to increase efforts to ensure that ODA mobilises non-aid sources of development finance, including foreign direct investment (FDI)<sup>1</sup>.

7. More recently in 2012, the DAC, at its High Level Meeting of December 2012, 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 of these flows. It reiterated the need for ODA to be strategically combined with and leverage other development-related flows<sup>2</sup>. Moreover, it called for improved measuring and monitoring of all external development finance with implications for ODA<sup>3</sup>. To support this effort, the DAC and its Working Party on Development Finance Statistics (WP-STAT) are currently working on defining a new measure of total official support for development and how to modernise ODA, including establishing a clear and quantitative definition of concessionality. The WP-STAT is also currently developing the statistical categories and methods to better capture financial flows, particularly instruments offered by bilateral and multilateral development finance institutions (DFIs) such as guarantees, as well as export credits and FDI statistics with relevant OECD bodies. There is also an ongoing 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, in recognition of their contribution to economic development and poverty reduction through private sector-led growth. It is also expected that their role will further expand in the post-2015 MDG development architecture.

9. In this respect, economic infrastructure is a topic that could be examined closely<sup>4</sup>. 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 investment 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 DAC already has a body of work in the area of supporting the private sector for infrastructure. Jointly with the Investment Committee's NEPAD-OECD Africa Investment Initiative, it examined Official Development Finance (ODF) by development partners to help improve the enabling environment as well as their financial instruments to support private investment for infrastructure in Africa<sup>5</sup>. There has also been an exercise which broadly mapped out more globally the challenges and

opportunities of private investment in developing country infrastructure, as well as the role of development partners in addressing them<sup>6</sup>. In terms of committee discussion, the joint DAC and Investment Committee's Advisory Group on Investment and Development (AGID) has organised a series of sessions around how to enhance private investment in developing country infrastructure<sup>7</sup>.

11. The objective of the current work stream within the DAC<sup>8</sup> is to determine what development partners could collectively do more and better to support private investment or leverage private finance for infrastructure. To achieve this, it is necessary to take stock of what development partners — DAC members 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 DAC Members, 6 MDBs, and one special multilateral institution that are active in supporting developing country infrastructure, 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<sup>9</sup>. This was followed by factual checking and comments on the research findings by each development partner.

12. 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 development partners to support private investment for infrastructure: help to improve the enabling environment for investment; financial instruments to leverage private finance; and Project Preparation Facilities (PPFs). Development partner 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.

13. To be comprehensive, this study covers not only ODA<sup>10</sup> 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 only captured at the aggregate level in the DAC statistics, they are nevertheless covered in the study from an institutional standpoint, as their official financing can significantly affect developing country infrastructure.

14. Furthermore, while it is desirable to capture the leveraging effects of development partners, 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). Therefore, this report only focuses on the support by development partners to the private sector without any judgement as to whether these supports have led to leveraging. In addition, development partners can also be indirectly financing infrastructure by supporting local banking and financial services which could then be lending for infrastructure; however, since it is not possible to capture the amounts specifically provided for infrastructure, they are also not included in this study. Finally, leveraging can also occur by the mere fact that major development partners have decided to finance a particular infrastructure project as it signals their confidence in the project. However, the study did not attempt to capture this as assessment of this type of leveraging is even more challenging.



15. The document summarises findings from the review of 22 development partners' support to private investment in infrastructure. On-going or future DAC activities that could address some of the challenges identified are listed at the end of the summary. The compendium of At a Glance profiles and the full narrative of each development partner's relevant policies and activities are issued separately. After incorporating further corrections, comments, and key points from the AGID meeting of 21 March 2014, the report is expected to be revised and finalised in May.

## OFFICIAL SUPPORT FOR PRIVATE INVESTMENT IN DEVELOPING COUNTRY INFRASTRUCTURE

### I. Overview of Official Support to Infrastructure

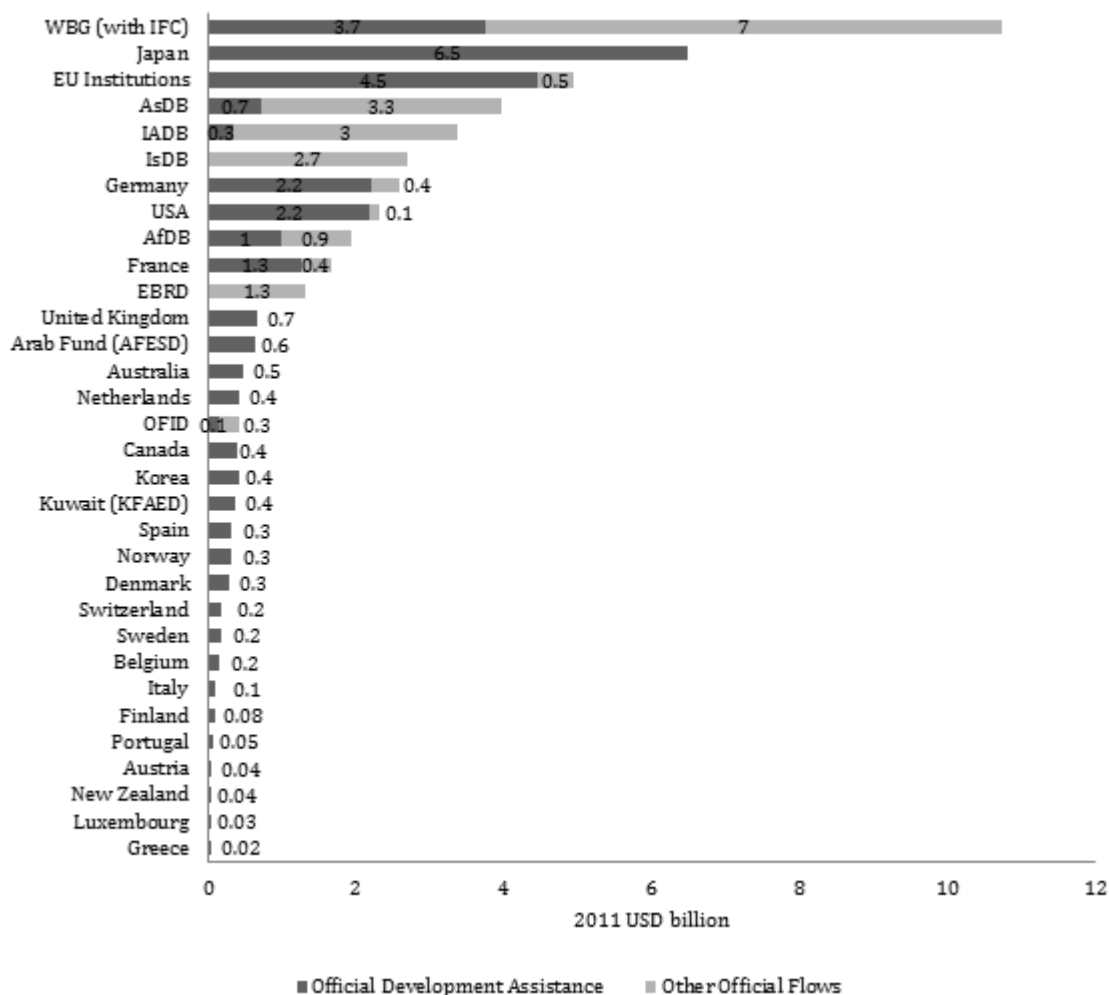
**Official support for infrastructure has been increasing significantly, reaching USD 45 billion in 2011.**

16. Promotion of economic infrastructure<sup>11</sup> has been highlighted 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<sup>12</sup>. 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<sup>13</sup>.

17. In light of this situation, ODF<sup>14</sup> 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 45 billion in 2011<sup>15</sup>. Of this amount, roughly 60% was concessional and 40% was non-concessional, which was mainly loans by MDBs. Among the development partners, the WBG was the largest, with disbursements amounting to roughly USD 11 billion, or about a quarter of the total ODF for infrastructure by development partners reported. This was followed by Japan, the EU Institutions, AsDB and the IADB (Figure 1). Overall, multilateral donors, including the EU Institutions<sup>16</sup>, 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 through south-south co-operation in 2011<sup>17</sup>.

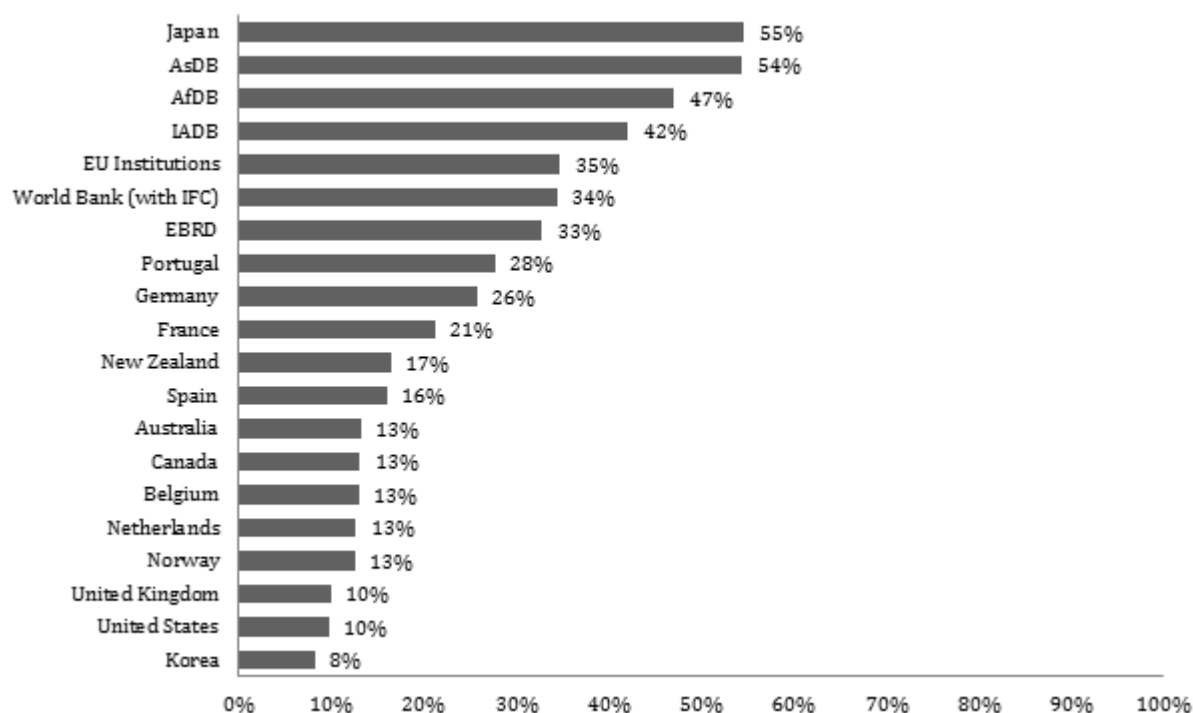
18. At the same time, donor ODF accounts for only 5-8% of all infrastructure financing in developing countries: the majority (55-75%) is paid by the public sector and citizens of developing countries themselves, with 20-30% financed by the private sector<sup>18</sup>. In addition, the financing gap for 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 does not include disbursements by FMO for infrastructure as these were not reported to the CRS in 2011; 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 development partners, particularly Japan, AsDB, and AfDB which allocated around half of their respective sector allocable ODF disbursements to infrastructure in 2011, as well as IADB, EU Institutions, WBG and EBRD, which allocated over 30% (Figure 2). Several development partners have integrated the need to support private investment 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<sup>19</sup>. A few bilaterals also emphasise the additional opportunities created for domestic enterprises, such as Japan.

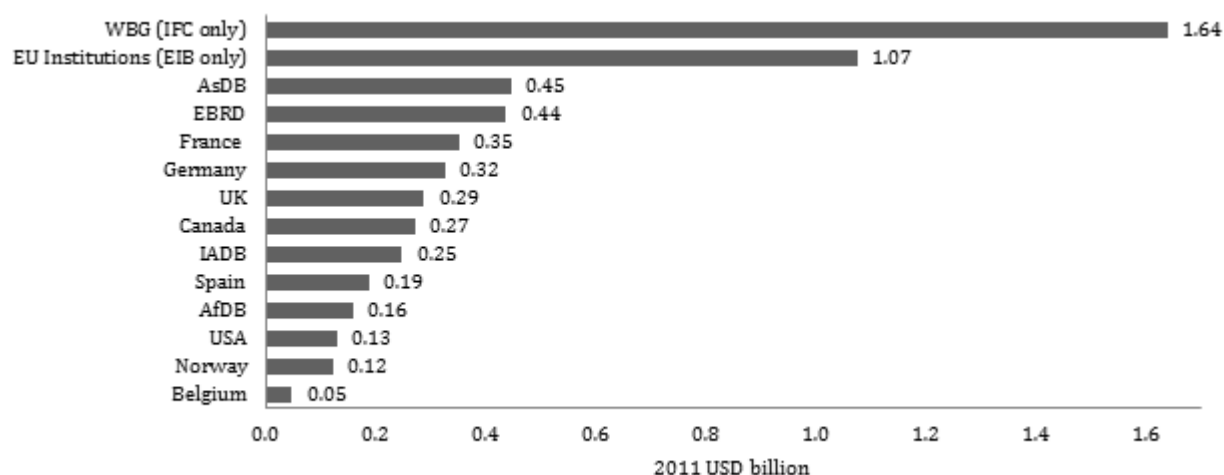
**Figure 2. Share ODF for infrastructure in total sector-allocable ODF in 2011**

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 does not include disbursements by FMO for infrastructure as these were not reported to the CRS in 2011.

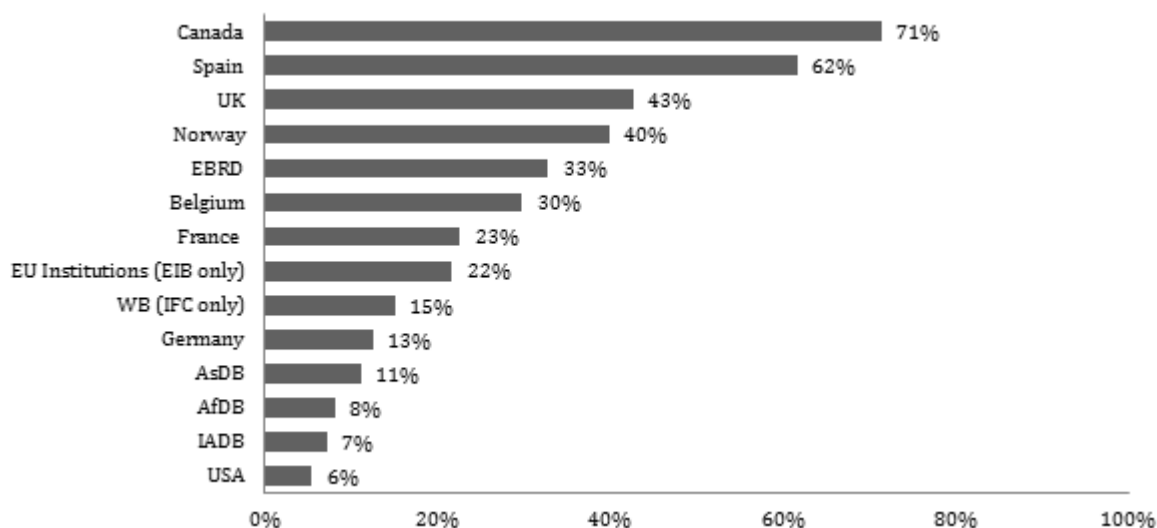
**Support for private investment in infrastructure is roughly 17% of total support to infrastructure.**

20. Figures 3 below shows the amounts disbursed in 2011 to support private finance for infrastructure by the respective development partners in this study. The support generally consists of either non-sovereign loans or equity for companies or funds engaged in developing country infrastructure. The WBG's International Finance Corporation (IFC) is by far the largest financier at about USD 1.6 billion, followed by the European Investment Bank (EIB) at about USD 1.1 billion. The combined amount of these support by the 14 development partners that support private investment and whose comparable data are available amounted to USD 6.1 billion. Overall, multilateral donors provided 63% of the support for private investment for infrastructure, while bilaterals provided 37%, which is similar to the distribution for overall disbursement to infrastructure mentioned above<sup>20</sup>.

21. Figure 4 shows the share of these support in total infrastructure ODF for each development partner—which ranged from 6 to 70%. Canada has the highest share due to its contribution to the IFC-Canada Climate Change programme. This was followed by Spain's contribution to the private sector by the Corporate Internationalisation Fund (FIEM). In total, the USD 6.1 billion amounted to roughly 17% of the combined disbursement to infrastructure by these development partners (see section IV).

**Figure 3. Amounts of support to private investment in infrastructure**

Source: CRS gross disbursements in 2011. Data for France is an estimate based on commitments reported in its annual reports for 2011. Data for AsDB 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<sup>21</sup>. 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. 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 and Netherlands(FMO) have 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**

Source: See sources for Figure 3.

22. For some development partners, however, prioritising infrastructure does not necessarily entail supporting private investment, 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 this area, stemming from 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, having private investment may not be the most cost-efficient option for a particular infrastructure plan<sup>22</sup>.

### Examples – Policies on private investment in infrastructure

- **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.
- 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.
- **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 the private sector to invest in developing country infrastructure

### DFIs, special and multilateral programmes and ECAs support private participation in infrastructure.

23. Bilateral institutions that support private participation in infrastructure are development finance institutions, special programmes, and ECAs (See Table 1). Many DAC members 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 governments aid while avoiding market distortions. At the same time, the stated objectives of bilateral DFIs differ depending on the country. The first group consists of those with a single stated mandate to leverage private investment 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 Economique (PROPARCO) of France, and Norfund of Norway.

24. The second group has an additional objective of promoting their domestic companies in supporting economic development in 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)<sup>23</sup>. In addition, many DAC members have established special programmes within existing institutions aimed at supporting developing country infrastructure projects by domestic enterprises such as Japan's Private Sector Investment Finance (PSIF) within Japan International Cooperation Agency (JICA) and Spain's Fund for the Internationalisation of Companies (FIEM) within the Ministry of Industry and Energy.

25. On the other hand, the extent to which the first group of DFIs with a clear development objective are also promoting their domestic businesses is unclear. In fact, there is currently a lack of transparent information and little evidence to suggest that there is a fundamental difference between the above first and second groups. In particular, with the exception of Belgium, most development partners do not explicitly express an objective of supporting partner countries' local private sector in infrastructure investment. However, since companies of DAC Member countries often work with their subsidiaries or local companies in partner countries, the support is most likely to indirectly benefit the local private sector as well.

**Table 1. Institutions promoting private investment for infrastructure**

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

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, CDC); others are a branch within the aid agency (PROPARCO); and some are supervised by a ministry unrelated to development co-operation, usually in charge of trade or finance (COFIDES, SOFID). In most cases, with the exception of PROPARCO, DFIs operate autonomously from aid agencies that are responsible for mainstream development co-operation. The institutional structure of support to private investment for infrastructure also differs among MDBs. Typically, non-sovereign operations for infrastructure are either managed by a separate institution, such as the WBG's IFC, or 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. Only in a few MDBs, such as the EBRD, non-sovereign operations are mainstreamed within regional and sector departments.

27. Besides DFIs, many DAC members channel their support for private investment in infrastructure through multilateral programmes, usually hosted in MDBs. These programmes allow bilateral development partners to benefit from the expertise of MDBs and create synergies among their collective efforts. They are also generally untied from the contributing DAC members. Multilateral 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 – Multilateral Programmes to Support Private Investment**

- Ten development partners, 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 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 development partners 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.

#### **The division of role between DFIs and ECAs could be better clarified.**

28. Whether they have a DFI or not, the majority of DAC member countries impact developing country infrastructure by supporting exports and foreign investments by domestic enterprises through ECAs. While ECAs — often supervised by the Ministry of Trade — do not usually have development-related objectives, there are guidelines to promote sustainable lending practices in the provision of official export credits to Low-Income Countries (LICs). This is in addition to the Arrangements that provide a framework for a level playing field among ECA operations globally<sup>24</sup>. The 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<sup>25</sup>. 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.

29. Data collected by the ECG shows that there is significant funding for infrastructure in LICs (excluding non-fixed assets such as aircrafts, vehicles, etc.), which amounted to approximately USD 646 million in commitments in 2010<sup>26</sup>. This is equivalent to 18% of ODF commitments for infrastructure for LICs by bilateral donors in the same year<sup>27</sup>. Some examples of infrastructure projects with export credits, which ranged from USD 5 million to USD 171 million commitments in 2010, are shown in Table 2 below.

30. While ECAs tend to finance or become engaged after infrastructure plans have been established, as opposed to DFIs which tend to 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. This is particularly the case in MICs since a large majority of ECA-backed exports tend to target medium and high-income countries, although data is not easily accessible. 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 co-operation between DFIs and ECAs<sup>28</sup>.

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

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

#### Examples – ECA Activities in Developing Country Infrastructure

- **Belgium's Office National du Ducroire** 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.**

31. With a few exceptions (see Examples below), co-ordination or information sharing among the different institutions of DAC members 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. The lack of knowledge by embassies may also apply to operations by ECAs which do not generally have developmental objectives and respond to demands for support from exporters which they will either decide to support or not, based on their assessment of the risk. Conversely, some regional development banks appear to be more co-ordinated as their private sector operations are incorporated in country and sector strategies, which enables synergies with sovereign lending operations. From a partner country perspective, it would be useful for DAC members to share information among their relevant official support to the private sector for infrastructure and try to generate net positive returns, particularly by aligning with the LICs' infrastructure and development priorities.

### 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 Japan International Cooperation Agency and Japan Bank for International Cooperation (JBIC), including in reviewing and co-ordinating respective financial instruments and approaches.
- 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 co-finance projects among each other.

32. While co-ordination within DAC member governments may be weak in supporting private participation in infrastructure, there appears to be active collaboration among the various DFIs, sometimes together with MDBs. This is welcome particularly when they harmonise their efforts to ensure synergies in supporting partner countries' priorities, in accordance with aid effectiveness principles. It is especially important in infrastructure given the significant financing involved.

### 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, **FMO** and **DEG** also 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.
- All European DFIs are members of the **European Development Finance Institutions (EDFI) association**, which facilitate information sharing and finding joint projects, including in infrastructure.

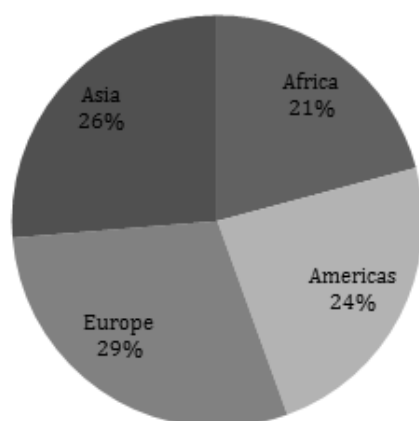
## III. Geographical and sector distributions of support

### The majority of financing is directed towards UMICs.

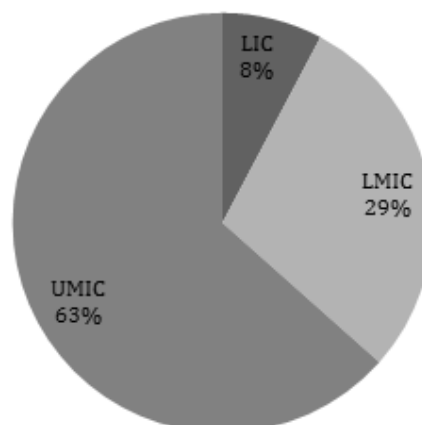
33. In terms of regional distribution, the share of support to private investment for infrastructure was relatively balanced among Africa, Asia, Americas and Europe in 2011 (See Figure 5). At the same time, while the support aims to provide financing in countries with limited access to commercial lending, 63% of

the support went to Upper Middle Income Countries (UMICs) (see Figure 6). This is followed by Lower Middle Income Countries (LMICs) at 29% and 8% to LICs. The low proportion to LICs may reflect the difficulties in financing projects in these countries with a weak enabling environment when many DFIs need to maximise returns on investment. In spite of this situation, development partners that provided above average support to LICs were, *inter alia*, Norway, Belgium and the USA.

**Figure 5. Regional distribution of support to private investment in infrastructure**



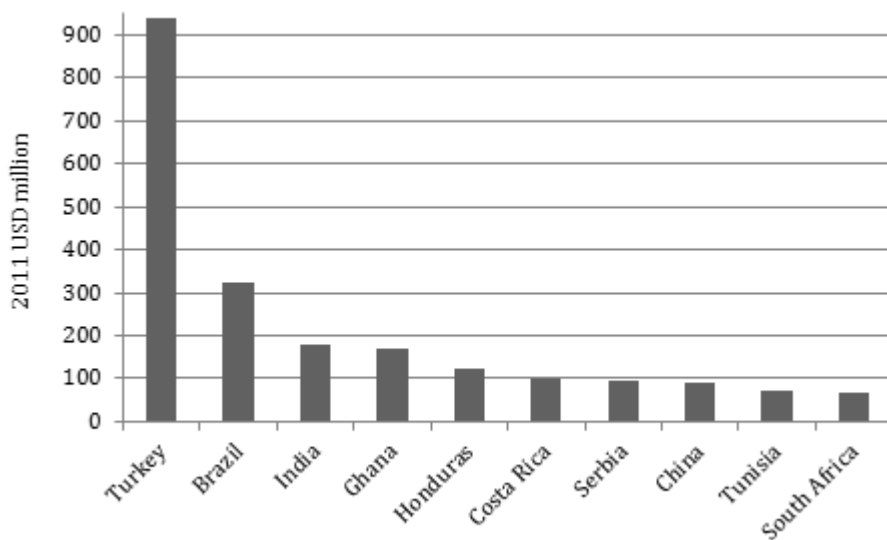
**Figure 6. Income level distribution of support to private investment in infrastructure**



Sources: CRS (gross disbursements 2011 for AfDB, Belgium, Germany, Norway, Spain, the United Kingdom, the United States, EIB, EBRD and laDB), DAC5 and DAC2b for IFC and projects reported in the *Summary of ADB's Nonsovereign Operations 2011*<sup>29</sup> 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.

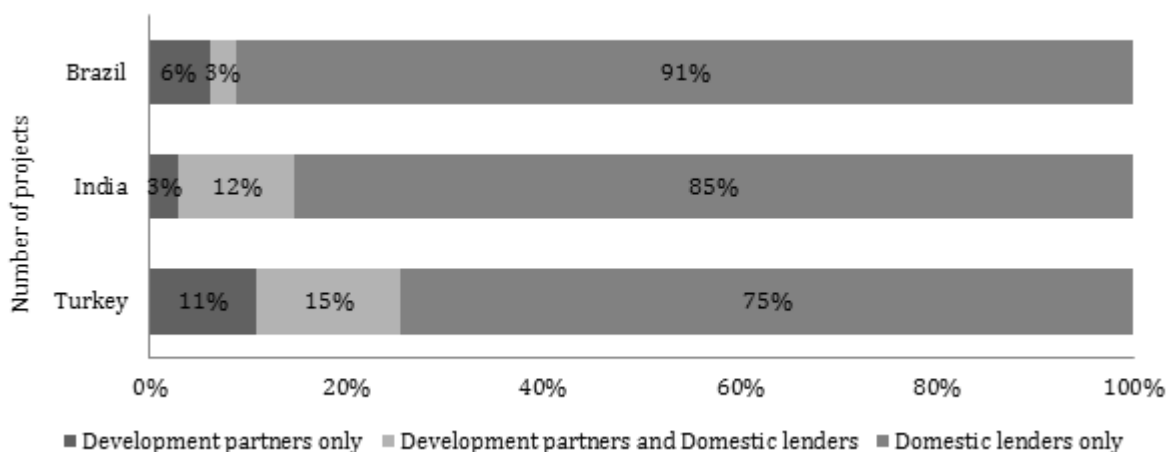
34. While development partners such as DEG, IFC, PROPARCO and FMO do not report the country breakdown of their support by sector to the Creditor Reporting System (CRS), Figure 7 below illustrates the top ten recipient countries among those that do report. These countries were all MICs with Brazil, China, Costa Rica, Serbia, South Africa, Tunisia and Turkey being UMICs. The top three—Turkey, Brazil and India—amounted to a quarter of total support to private investment for infrastructure. At the same time, analysis from the World Bank's Private Participation in Infrastructure (PPI) database shows that in these three countries, 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<sup>30</sup> (See Figure 8).

**Figure 7. Top ten recipients of support to private investment for infrastructure**



Source: CRS (gross disbursements 2011 for Norway, EBRD, laDB, 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.

**Figure 8. Distribution of the financing of infrastructure projects by development partners 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<sup>31</sup>.

35. In principle, ODF to support private investment should bring 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 and LMICs as opposed to LICs—particularly in countries where the domestic financial sector is relatively developed — the question of additionality may rise. At the same time, additionality could be assessed at the project level — since development partners may be supporting poorer areas of UMICs and LMICs where domestic financiers may not want to invest. Therefore, justification of additionality needs to be discussed further by sharing more information, especially in countries or areas where there are already active private finance markets.

#### Examples – Geographical Focus

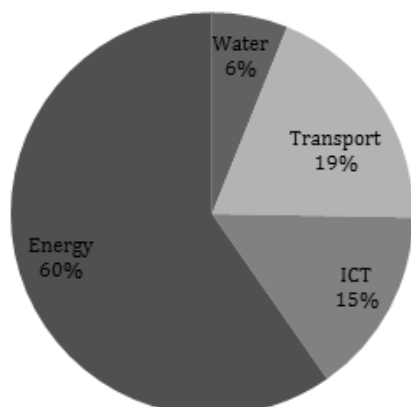
- **Norfund's** objective is to support Norwegian, international, and local enterprises in LICs<sup>32</sup>, mainly in renewable energy through direct equity investments. **BIO** targets LICs where over one fifth of its infrastructure support was directed in 2011. It identifies its expertise in providing finance to small-scale local infrastructure projects.
- **CDC** is now targeting poor countries in Africa and South Africa and **PROPARCO's** priority is Sub-Saharan Africa in agriculture, financial markets and infrastructure.
- As the second largest provider of guarantees for development, **MIGA** insures investors against losses resulting from political risks. It has extensive expertise in guaranteeing complex infrastructure projects, particularly in LICs and conflict-afflicted countries. In 2011, infrastructure made up about a third of its issued guarantees.

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

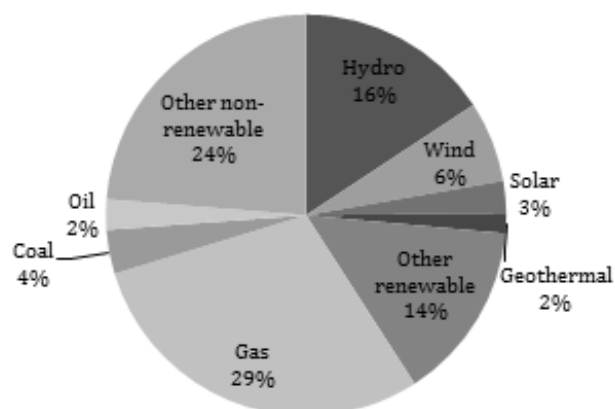
36. Energy is by far the largest sector of support to private investment in infrastructure at 60%, followed by transport at 19% (see Figure 9). There is significantly less support in ICT and even less in water & sanitation which encounters difficulty in mobilising private finance, despite being crucial for human well being. Indeed, competition in the water sector is often limited since tariffs need to be low due to social and political considerations<sup>33</sup>. Within energy, renewables, such as hydro, solar, wind, geothermal, and others receive roughly 40% of the disbursements (see Figure 10). Overall, bilateral institutions disbursed a larger share for renewables than MDBs. This may be because bilateral agencies have more flexibility to specialise in certain sectors such as renewable energy 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 energy or green infrastructure may not always be the most obviously cost-efficient solution in the short term.

37. While renewable energy can have positive impact on climate change, studies indicate that long-term contracts such as public-private partnerships (PPPs) might be unsuitable for sectors where technology and prices can rapidly change<sup>34</sup>. 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 investment<sup>35</sup>. Beyond renewable energy, reference to green infrastructure in the transport sector is absent in most strategies of development partners, except for the EBRD which has a specific focus on environmentally sustainable transport systems<sup>36</sup> (see Examples).

**Figure 9. Sectoral distribution of support to private investment in infrastructure**



**Figure 10. Distribution of support to private investment in infrastructure within energy**



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).

#### **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 2.8 billion, which mobilised USD 2 billion from private financiers.
- 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 CO<sub>2</sub> emissions by an estimated 600,000 tonnes per year.

#### **IV. Types of support and instruments**

38. It appears that most of the private sector participation in infrastructure occurs in greenfield projects<sup>37</sup>. 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 World Bank's PPI database<sup>38</sup>.

**Loans and equity to leverage private finance for infrastructure amounted to roughly USD 6.1 billion in 2011.**

39. DFIs generally use three main financial instruments to support private sector investments: loans, equity and guarantees. In some cases, they provide technical assistance as well. Loans — used extensively by MDBs, PROPARCO, DEG and to some extent by BIO and Norfund<sup>39</sup> — 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.

40. Equity investments are also used to support private investment in infrastructure by several bilateral DFIs, including FMO, CDC, BIO and Norfund. 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 trying to better valorise this instrument so as to incentivise its 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 6.1 billion was disbursed as either loans or equity to support private investment for infrastructure among the development partners covered in this study. This constituted approximately 17% of their combined ODF for infrastructure.

**Guarantees mobilised on average USD 1 billion for infrastructure annually.**

41. In addition to loans and equity, development partners are increasingly expanding the use of risk mitigation mechanisms such as guarantees to catalyse private finance. According to a recent survey by the WP-STAT, 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 development partners in the survey<sup>40</sup>. 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<sup>41</sup>. 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 as well<sup>42</sup>.

**Examples – Financial Instruments**

- **EIB, IADB, IFC and PROPARCO** extended long-term loans of USD 92 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.**

42. To meet the growing financing needs for infrastructure, development stakeholders are increasingly looking towards alternative sources of finance, including long-term institutional investors<sup>43</sup>—such as pension funds, insurance companies, and mutual funds—which held over USD 85 trillion in assets in 2012<sup>44</sup>. Faced with volatile stock markets and low-interest rates, infrastructure projects could provide institutional investors with long-term inflation-protected returns. The G20 and OECD have therefore established an initiative to encourage institutional investment towards longer-term assets such as infrastructure, which has resulted in the High-Level Principles of Long-Term Investment Financing by Institutional Investors<sup>45</sup>. Furthermore, MDBs such as the IFC and AsDB have begun to promote investment in developing country infrastructure by institutional investors (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 guarantee mechanisms.

43. 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 sukuks, which are Islamic government bonds.

44. 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<sup>46</sup>. Currently, seven regional EU blending facilities, such as EU-Africa Infrastructure Trust Fund, are combining grants from the European Commission and EU member states with long-term financing in the form of loans or equity by DFIs and private financiers. Finally, by means of performance-based subsidies, Output Based Aid (OBA) 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”.



### Examples - Alternative sources of financing

- **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.
- **Australia** engages in OBA primarily through providing 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<sup>47</sup>.

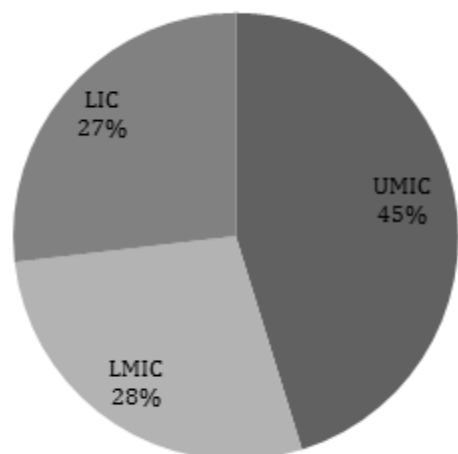
## V. Enabling environment and project preparation facilities

**Compared with direct support to private investment, a larger share of support to the enabling environment goes to LICs and water and sanitation.**

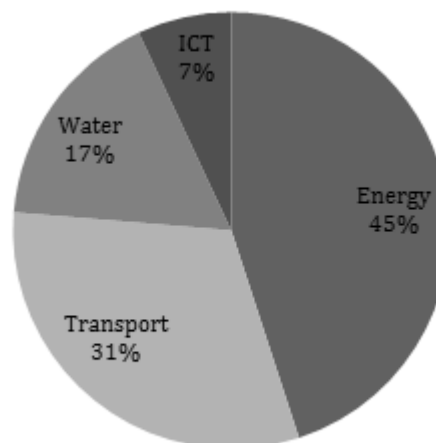
45. Many development partners view improvements in the enabling environment as an essential prerequisite to private investment. This entails support to "upstream" aspects of developing countries' enabling environment, such as institutional and legal frameworks, as well as the skills of civil servants necessary for dealing with the private sector. This is usually done by aid agencies, rather than DFIs. In addition, development partners also engage in "downstream" support for the preparation of specific infrastructure projects, including financing PPFs and feasibility studies.

46. Development partners allocate on average 15% of their infrastructure support to these activities. Some of this is 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 support to the private sector (see Figure 11). While difficult to measure, this is presumably 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 & sanitation also receives more than the direct support to the private sector (see Figure 12).

**Figure 11. Income level distribution to support to the enabling environment**



**Figure 12. Sectoral distribution to support to the enabling environment**



Source: CRS data for Greece, Luxembourg, New Zealand, Austria, Portugal, Finland, Italy, Belgium, Sweden, Switzerland, Denmark, Norway, Spain, Kuwait (KFAED), Canada, OFID, Netherlands, Australia, Arab Fund (AFESD), the United Kingdom, EBRD, France, Korea, AfDB, the United States, Germany, IADB, AsDB, EU Institutions, Japan, World Bank Group (IBRD and IDA), using ODA and OOF disbursements reported 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), and Energy research (23082).

### Examples – 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 (SADC) secretariat to develop competitive electricity markets and harmonise transmission pricing through the Southern Africa Power Pool.
- **IADB** and the Economist Intelligence Unit developed Infrascopes, 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.

#### 47. Development partners are supporting many PPFs, which is leading to proliferation.

48. In addition to the enabling environment, many development partners 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<sup>48</sup>. Most PPFs are hosted by MDBs or other multilateral institutions (Annex 1). Some development partners 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.

49. 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 unsustainable—being dependent on grants from development partners—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<sup>49</sup>. 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 could inform the approach for development.

50. Private 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<sup>50</sup>. 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.

51. Donor countries that have domestic experience in private participation in infrastructure should take them into account—success and failures—when promoting private 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, contributing to the countries' financial crises. However, it is not clear whether most DAC members link their domestic experience in private participation in infrastructure with their views and approaches towards supporting private investment for 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, they are unlikely to 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. Many contracts had to be renegotiated several times, often at the expense of the public budget. **Spain** was faced with similar challenges in renewable energy. Other countries, such as **Korea**<sup>51</sup> and **Germany**<sup>52</sup>, have 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.

## **VI. Accountability, transparency, reporting and measurement**

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

52. While a sub-objective for DFIs is to crowd-in profit-seeking commercial investors, their primary objective, by definition, is to contribute to the advancement of developing countries. In order to ensure that this objective is met, a clear results framework needs to be in place. In other words, evaluations should be carried out to test assumptions and to assess design, implementation and results based on the core DAC evaluation criteria: relevance, sustainability, effectiveness, efficiency and impact. In addition, as the 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, evaluations are also critical in assessing the additional value of official assistance.

53. DFIs such as FMO, BIO, Norfund, and EIB publish annual or multi-annual reports on their activities in supporting the private sector, which describe in a general way the efficiency and impact of their projects overall. This is sometimes accompanied by aggregate statistics from individual evaluations, such as the number of people reached by the services or fiscal benefits to the government. Furthermore, DFIs are increasingly harmonising the evaluation criteria of private sector operations. For example, PROPARCO and Norfund base their evaluations on a set of criteria developed by DEG, while CDC's evaluation system is based on the IFC's Development Outcome Tracking System system<sup>53</sup>. All MDBs are also part of the Evaluation Co-operation Group which collaborates regularly to share good practice standards, including for private sector operations. Recent discussions have illustrated renewed interest in applying core evaluation criteria to private sector support, as opposed to developing separate approaches<sup>54</sup>.

54. On the other hand, there are several studies by CSOs that question the development impact, additionality, and transparency of some DFI activities. They claim that, for example, excessive focus on commercial gains<sup>55</sup> results in overemphasising investments in the UMICs—where official support may be even crowding out commercial funding—at the expense of LICs<sup>56</sup>. CSOs and local media have also expressed concerns over adverse environmental and social effects resulting from premature privatisations supported in particular by regional development banks<sup>57</sup>.

55. Furthermore, public access to evaluations of individual DFI projects remains limited due to commercial confidentiality. Only a few exceptional DFIs such as PIDG and CDC provide extensive case studies on their websites. This is partially 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.

56. 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 efficiency across financing approaches in private investment for infrastructure is also difficult. In this context, the 2013 G8 summit in Lough Erne called for more transparency with respect to DFI activities<sup>58</sup>. Several donors and multilateral development banks are also working to improve their approach to evaluating private sector financing.

### 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 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<sup>59</sup>. As a result, CDC underwent a strategic reform in 2011 to focus exclusively on poor countries in South Asia and Africa<sup>60</sup>. Eurodad also reviewed the activities of **BIO**<sup>61</sup>, **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<sup>62</sup>.
- Latin American and international NGOs, as well as voices in the **IADB** itself, have repeatedly pointed out that the IADB’s support to private participation in infrastructure often neglected to take sufficient account of social and environmental aspects<sup>63</sup>, particularly in the water sector<sup>64</sup>.

### Reporting and measurement of support to leverage private resources need to be improved.

57. There are several challenges concerning development finance statistics and reporting related to infrastructure. First, project descriptions in the CRS are generally poor. Moreover, development partner 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<sup>65</sup>. Furthermore, resources aimed at improving the enabling environment may be undercounted because some development partners 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** and **AsDB** clearly designate their non-sovereign lending disbursements in the CRS, although project descriptions currently lack detail.
- **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).

58. 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<sup>66</sup>. This may raise questions regarding the effective degree of 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<sup>67</sup>.

## VII. Possible Action by the DAC to better support private investment in infrastructure

### Actions are need for better information sharing, statistics, evaluation, and accountability.

59. The above provided a summary of development partner support to private investment for infrastructure, highlighting trends as well as emerging issues. Given the increasing number of relevant institutions and financial instruments, the following activities by the DAC could address some of the challenges:

- Aid agencies and/or MFAs could pursue more co-ordination in the country's official support towards developing country infrastructure by informing DFIs of development co-operation policies based on partner country priorities. In particular, better exchange of information among aid agencies, DFIs and—where appropriate—ECAs on specific projects could be enhanced. DAC Peer Reviews, which have started to cover development finance more systematically, could follow-up on activities by DFIs and ECAs more prominently in the reviews to reflect their growing role within the broader development landscape.

- The AGID could discuss the issue of additionality of providing ODF to leverage private finance for infrastructure by sharing information, especially in countries or areas where there are already active private finance markets.
- WP-STAT should continue to improve donors' reporting on development finance beyond traditional aid such as non-concessional loans and equity provided to the private sector for development, as well as the measurement on leveraging effects (e.g. guarantees). This includes better identifying in the CRS the type of recipient institutions, i.e. sovereign vs. non-sovereign. Furthermore, DFIs could be encouraged to improve the coverage and level of detail of their CRS reporting.
- DAC members should include private sector investment activities in their existing development evaluation policies, encouraging robust approaches to results management and evaluation among DFIs and partners. The discussion could include the need for greater transparency and access to results of DFI evaluations, which is necessary for better assessment of development impact of their private sector support. The DAC Network on Development Evaluation should continue sharing findings and exchanging lessons from experience in evaluating private sector support.
- Following the G20 recommendations with respect to PPFs, development partners could collectively consider ways to optimise support to improve the enabling environment and to contribute to ongoing discussions on rationalising and enhancing effective PPFs.
- Case studies that could elaborate on the role played by development partners including DAC members and MDBs in supporting private participation or leveraging private resources for infrastructure will be carried out for projects in Africa and several other regions.



## ANNEX I – TABLE OF PROJECT PREPARATION FACILITIES

| Project Preparation Facility  | Regions | Sectors           | Hosts/ Contributors ( <i>inter alia</i> )   |
|---|---------|-------------------|---|
| Public Private Infrastructure Advisory Facility (PPIAF)   | All     | All               | Hosted by the World Bank. Contributions from Australia, United Kingdom, United States, World Bank.                                |
| Infrastructure Development Collaboration Partnership Fund (DevCo)                                       | All     | All               | Hosted by the World Bank (IFC). Contributions from IFC, Netherlands, United Kingdom.  |
| Infrastructure Crisis Facility-Debt Pool (ICF-DP)   | All     | All               | Part of PIDG. Contributions from Germany, PIDG Trust.   |
| PIDG Technical Facility   | All     | All               | Hosted by PIDG. Contributions from IFC, United Kingdom.   |
| Preparatory Survey for PPP Infrastructure Programme   | All     | All               | Hosted by JICA. Contributions from Japan.   |
| Energy Sector Management Assistance Program (ESMAP)   | All     | Energy            | Hosted by the World bank. Contributions from Australia, France, Germany, Japan, Netherlands, Norway, United Kingdom.              |
| Global Infrastructure Project Development Fund  | All     | Energy, Transport | Hosted by the World Bank (IFC)  |
| Africa 50 Fund  | Africa  | All               | Hosted by AfDB  |
| African Development Fund Project Preparation Facility (ADF-PPF)   | Africa  | All               | Hosted by AfDB  |
| Fund for African Private Sector Assistance  | Africa  | All               | Hosted by AfDB.   |
| New Partnership for Africa's Development Infrastructure Project Preparation Facility (NEPAD IPPF)       | Africa  | All               | Hosted by AfDB, Contributions from Canada, Germany, Norway, Spain, United Kingdom and United States.                              |
| New Economic Partnership for Africa's Development Project Preparation and Feasibility Study (NEPAD PFS) | Africa  | All               | Hosted by AfDB. Contributions from France.  |
| South African Development Community Project Preparation & Development Facility (SADC PPDF)              | Africa  | All               | Part of SADEC. Contributions from Germany, European Union.  |
| EU-Africa Infrastructure Trust Fund (EU-AITF).  | Africa  | All               | Hosted by EIB. Contributions from Belgium, European Commission, France, Germany, Netherlands, Portugal, Spain and United Kingdom. |
| InfraCo Africa  | Africa  | All               | Part of PIDG. Contributions from Netherlands, United Kingdom.   |
| USAID Africa Infrastructure Program (AIP)   | Africa  | All               | Hosted by USAID. Contributions from the United States.  |
| Geothermal Risk Mitigation Facility for Eastern Africa  | Africa  | Energy            | Hosted by the African Union Commission. Contributions from Germany  |
| Green Africa Power  | Africa  | Energy            | Hosted by PIDG. Contributions by Norway, United Kingdom.  |
| Sustainable Energy Fund for Africa  | Africa  | Energy            | Hosted by AfDB.   |
| African Water Facility (AWF).   | Africa  | Water             | Hosted by AfDB, Contributions from Australia, Canada, France, Norway, Spain, United Kingdom and European Commission.              |

|   |   |           |   |
|---|---|-----------|---|
| Arab Financing Facility for Infrastructure Technical Assistance Facility  | Middle East and North Africa (MENA)             | All       | Hosted by IsDB. Contributions from IBRD, IFC, IsDB.   |
| The Development Bank of Southern Africa – European Investment Bank Project Development and Support Facility (DBSA-EIB PDSF) | Southern and Eastern Africa                     | All       | Contributions from EIB and DBSA.  |
| Project Preparation Implementation Unit (PPIU) – (part of Trademark Southern Africa programme)                              | Southern and Eastern Africa                     | All       | Hosted by DBSA. Contributions from DFID.  |
| InfraCo Asia  | Asia  | All       | Part of PIDG. Contributions from Netherlands, United Kingdom.                                 |
| South Asia Water Initiative (SAWI)  | Asia  | Water     | Hosted by the World Bank. Contributions from Australia, Norway, United Kingdom, World Bank.   |
| EU-Latin America Investment Facility (LAIF).  | Latin America                                   | All       | Hosted by the European Commission. Contributions from France, Germany, IADB, Portugal, Spain. |
| Inter-American Development Bank Regional Infrastructure Integration Fund  | Latin America                                   | Transport | Hosted by IADB. Contributions from Canada, USA.   |
| EU Neighbourhood Investment Facility (NIF).   | Europe, North Africa, Middle East, Central Asia | All       | Hosted by the European Commission. Contributions from EBRD, France, Germany, Portugal, Spain. |
| EU Western Balkan Investment Framework  | Europe  | All       | Hosted by the European Commission. France, Germany, Netherlands, Norway, Spain.               |

## ENDNOTES

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- 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 OECD (2012a), Mapping Support for Africa's Infrastructure Investment, OECD Publishing, Paris, Available at: <http://www.oecd.org/daf/inv/investment-policy/MappingReportWeb.pdf>.
- 6 OECD (2013a), Support to Enhance Private Investment for Infrastructure in Developing Countries: Issues Paper, OECD Publishing, Paris, [http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/WKP%282012\)1/REV1&docLanguage=En](http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/WKP%282012)1/REV1&docLanguage=En).
- 7 See, for example, AGID Summary Record [COM/DAF/INV/DCD/DAC/M(2013)2/ADD]
- 8 Output 5.1.4.3.2 of the DAC Programme of Work and Budget 2013-14 on Aid for Infrastructure Investment
- 9 OECD (2013b), Template for Donor Profiles: Development Co-operation for Private Investment in Infrastructure, OECD Publishing, Paris [DCD/WKP(2013)1/REV1].
- 10 Which includes multilateral concessional flows.
- 11 See Endnote 4 for definition of Economic infrastructure
- 12 Some estimates of infrastructure financing gap in different regions are provided by Kingombe C. (2011), "Mapping the new infrastructure financing landscape", Overseas Development Institute, Available at: <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6311.pdf>
- 13 Bhattacharya A, Romani M, Stern N (2012), Infrastructure for Development: Meeting the Challenge, Centre for Climate Change Economics and Policy Grantham Research Institute on Climate Change and the Environment, in collaboration with Intergovernmental Group of Twenty Four, Available at: <http://www.cccep.ac.uk/Publications/Policy/docs/PP-infrastructure-for-development-meeting-the-challenge.pdf>
- 14 See endnote 1 for definition of ODF

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- 15 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.
- 16 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.
- 17 Based on estimations in Development Initiatives; Investments to End Poverty; 2013; Bristol, United Kingdom.
- 18 Estache A. (2010), “Infrastructure finance in developing countries: An overview”, EIB Papers, Volume 15(2), p. 72.
- 19 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](http://www.g20-g8.com/g8-g20/root/bank_objects/HLP_-_Full_report.pdf), p. iii.
- 20 However, the proportion of bilaterals will be higher if this study covered other DAC members such as Austria, Denmark, Finland, and Sweden and if FMO reported its data to the DAC.
- 21 ADB (2012), Summary of ADB’s Nonsovereign Operations, Available at: <http://www.adb.org/sites/default/files/pub/2012/summary-adb-nonsovereign-operations.pdf>
- 22 OECD (2013a), op. cit., pp 5-6; Available at: <http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/WKP%282012%291/REV1&docLanguage=Fr>
- 23 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.
- 24 For more details on the Arrangement on Export Credits please see: <http://www.oecd.org/tad/xcred/arrangement.htm>
- 25 OECD (2008), Principles and guidelines to promote sustainable lending practices in the provision of official export credits to low income countries, OECD Publishing, Paris, [TAD/ECG(2008)15], Available at: <http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TAD/ECG%282008%2915&doclanguage=en>
- 26 Table 10a in OECD (2012), 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).
- 27 According to the CRS Database, in 2010 bilateral ODF disbursements for infrastructure directed towards LICs (“Least Developed countries” and “Other Low Income Countries”) accounted for USD 3.5 billion. Here bilateral development partners include the following donors: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom and the United States of America.
- 28 Report on the Special Session on Infrastructure of the AGID Meeting of 28 June 2013 [COM/DAF/INV/DCD/DAC/M(2013)2/ADD], Report on the Infrastructure Session of the AGID Meeting of 18 October 2013 [COM/DAF/INV/DCD/DAC/M(2013)3/ADD].

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- 29 ADB (2012), Summary of ADB’s Nonsovereign Operations, Available at: <http://www.adb.org/sites/default/files/pub/2012/summary-adb-nonsovereign-operations.pdf>
- 30 See OECD (Forthcoming), Case studies on leveraging private investment for infrastructure. Overview, Proposal and TOR, DCD/WKP (2014)1
- 31 The analysis of the data provided by the PPI Database will be available in a forthcoming paper (Case studies on leveraging 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 February 4, 2014
- 33 Marin P. (2009), Public-Private Partnerships for Urban Water Utilities A Review of Experiences in Developing Countries, The World Bank, Washington, Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/2703/530170PUB0Tren101Official0Use0nly1.pdf?sequence=6>
- 34 Araújo, S. and D. Sutherland (2010), “Public-Private Partnerships and Investment in Infrastructure”, OECD Economics Department Working Papers, No. 803, OECD Publishing, p. 10, <http://dx.doi.org/10.1787/5km7jf6q8f0t-en>
- 35 See e.g. Kotaro Ono, “Abe oversees Japan’s 1st nuclear plant export after 2011 disaster”, The Asahi Shimbun, 30/10/2013, Available at [http://ajw.asahi.com/article/behind\\_news/politics/AJ201310300043](http://ajw.asahi.com/article/behind_news/politics/AJ201310300043); Simon Mundy, “South Korea cuts target for nuclear power”, Financial Times, 14/01/2014, Available at: [http://www.ft.com/intl/cms/s/0/4e8c1872-7cf7-11e3-81dd-00144feabdc0.html?ftcamp=published\\_links%2Frss%2Fworld%2Ffeed%2F%2Fproduct#axzz2r2DnNYTZ](http://www.ft.com/intl/cms/s/0/4e8c1872-7cf7-11e3-81dd-00144feabdc0.html?ftcamp=published_links%2Frss%2Fworld%2Ffeed%2F%2Fproduct#axzz2r2DnNYTZ)
- 36 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.
- 37 See OECD (Forthcoming), Case studies on leveraging private investment for infrastructure. Overview, Proposal and TOR, DCD/WKP (2014)1
- 38 These modalities are explained in the Annex of Case Studies on Leveraging Private Investment for Infrastructure [DCD/WKP(2014)1]
- 39 BIO reports its loan operations to the CRS as ODA grants and Norfund as equity.
- 40 Mirabile, M., J. Benn and C. Sangaré (2013), “Guarantees for Development”, OECD Development Co-operation Working Papers, No. 11, OECD Publishing. <http://www.oecd.org/dac/stats/guaranteesfordevelopment.htm>; Figure 6, p.7; USD 3 billion from 2009-2011 is an aggregate of the categories “Infrastructure” and “Energy Generation and Supply”
- 41 A proposal for collecting data on guarantees for development on a regular basis is currently being discussed.

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- 42 For more information please see the following publications: Guarantees for Development: Options for Data Collection [DCD/DAC/STAT(2013)17] <http://www.oecd.org/dac/stats/guaranteesfordevelopment.htm>; Development Finance-Modernising ODA [DCD/DAC(2014)3] <http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/ERG%20S1%20Jan%202014%20-%20Options%20for%20Modernising%20the%20ODA%20Measure%20DCD-DAC-2014-3-ENG.pdf>; and A New Measure of Total Official Support for Development: Issues and Options [DCD/DAC(2013)36] [http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/DAC%282013\)36.pdf](http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/DAC%282013)36.pdf).
- 43 World Bank (2013), Long-Term Investment Financing for Growth and Development: Umbrella Paper, Available at: [https://www.g20.org/sites/default/files/g20\\_resources/library/Long\\_Term\\_Financing\\_for\\_Growth\\_and\\_Development\\_February\\_2013\\_FINAL.pdf](https://www.g20.org/sites/default/files/g20_resources/library/Long_Term_Financing_for_Growth_and_Development_February_2013_FINAL.pdf)
- 44 Della Croce, R. and J. Yermo (2013), “Institutional Investors and Infrastructure Financing”, OECD Working Papers on Finance, Insurance and Private Pensions, No. 36, OECD Publishing. Available at: <http://dx.doi.org/10.1787/5k3wh99xgc33-en>; and <http://www.oecd.org/daf/fin/private-pensions/survey-large-pension-funds.htm>
- 45 OECD, “Leaders endorse new G20/OECD principles on long-term investment financing”, 6/9/2013, Available at: <http://www.oecd.org/g20/meetings/saint-petersburg/leaders-endorse-new-g20oecd-principles-on-long-term-investment-financing.htm>
- 46 European Commission (2013) Financing beyond ODA – Blending as a catalyser for private financing; European Development Days; available at: <http://eudevdays.eu/topics/blending-catalyser-private-financing>, accessed on 4. February 2014.
- 47 However, there was no reporting of the GPOBA to the CRS in 2011.
- 48 High Level Panel on Infrastructure, Recommendations to G20 – Final Report, 26 October 2011
- 49 Ibid.
- 50 OECD (2012b), Recommendations of the Council on Principles for PPPs, OECD Publishing, Paris, Available at: <http://www.oecd.org/governance/oecdprinciplesforpublicgovernanceofpublic-privatepartnerships.htm>
- 51 Public and Private Infrastructure Investment Management Center (PIMAC) website: <http://pimac.kdi.re.kr/en> ; OECD (2013c), 6th Annual Meeting of Senior PPP Officials: Capital Budgeting and Procurement Practices, [GOV/PGC/SBO(2013)2], Available at: [http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=GOV/PGC/SBO%282013\)2&doclanguage=en](http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=GOV/PGC/SBO%282013)2&doclanguage=en)
- 52 OECD (2010), Dedicated Public-Private Partnership Units: A survey of institutional and governance structures, Available at: <http://www.oecd.org/gov/budgeting/dedicatedpublic-privatepartnershipunitsasurveyofinstitutionalandgovernancestructures.htm>
- 53 Sinha Sunil, Cristina Bortes, Anders Grettve (2011), Literature review of development returns to DFIs investment in private enterprise, DFID, London
- 54 The DAC Network on Development Evaluation also recently co-organised a workshop with the World Bank’s Independent Evaluation Group on evaluating support to private sector development, which, inter alia, discussed lessons from evaluations of infrastructure PPPs by the Netherlands and AsDB.

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- 55 Kwakkenbos, J. (2012), Private profit for public good? Can investing in private companies deliver for the poor, Eurodad, 2012, Brussels, pp. 4 – 5.
- 56 Ibid.
- 57 See: Constance, Paul; Who won the water wars?, IADB Magazine, 2005; Available at: <http://www.iadb.org/idbamerica/index.cfm?thisid=3537>; Olivera, M. ; History Repeats Itself, Food and Water Watch; 2012; Available at: <http://www.foodandwaterwatch.org/global/latin-america/bolivia/bechtel-history-repeats-itself/>; Goldberg et al., The European Bank for Reconstruction and Development: An Environmental Progress Report, Center for International Environmental Law; 1995; Available at: <http://www.ciel.org/Publications/summary1.html>
- 58 Lough Erne G8 Leaders' Communiqué (2013), Available at <https://www.gov.uk/government/publications/2013-lough-erne-g8-leaders-communiqué>.
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- 64 Food and Water Watch, <http://www.foodandwaterwatch.org/global/latin-america/bolivia/bechtel-history-repeats-itself/>
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