Multilateral Aid Review: Assessment of the PIDG (Private Infrastructure Development Group)

Summary			
Organisation:	**PIDG**	Date:	**February 2011**

Description of Organisation

The Private Infrastructure Development Group (PIDG) aims to address market and institutional failures that constrain the private sector's involvement in infrastructure development that fosters economic growth and reduces poverty. Established in 2002 to launch the Emerging Africa Infrastructure Fund, the PIDG has developed a portfolio of related funds / facilities. Membership of the PIDG has grown to 8 agencies (Austria, Germany, International Finance Corporation (IFC), Ireland, The Netherlands, Sweden, Switzerland and United Kingdom. The donors invest in the PIDG facilities largely through an independently-managed trust fund which is 100% donor financed. All donor contributions to PIDG facilities are classified as Official Development assistance (ODA) under OECD Development Assistance Committee (DAC) rules. The PIDG comprises an overarching governing body of the donors, a programme management unit (PMU, more or less equivalent to a Secretariat) and several autonomously-managed facilities:-

- Emerging Africa Infrastructure Fund (EAIF)[i] - Long term loans for infrastructure
- GuarantCo[ii] - Local currency guarantees
- InfraCo Africa[iii] – Project development
- InfraCo Asia[iv] – Project development
- DevCo[v] (managed by the IFC) – Transactions advisory facility
- The Technical Advisory Facility (TAF)[vi] – Technical advice and capacity building
- International Crisis Facility Debt Pool (ICF-DP)[vii] – Loans to infrastructure projects with cash flow challenges due to the global economic crisis.

At the facility level, funding from the PIDG donors can be supplemented with funding from private financial institutions and official Development Finance Institutions (DFIs). Further funding from third parties is achieved at the project level. As of 31 July 2010, donors had disbursed $390 m[viii] to the PIDG. The PIDG facilities have helped 46 projects to reach financial close and these projects have attracted a total of $10.5 bn in private sector investment commitments.[ix]

The PIDG delivers good value for money with a lean PMU allowing the facilities appropriate flexibility to manage their operations dynamically within policies set by donors and subject to donors' strategic guidance.

Important reform areas include the creation of facilities to address new areas of work such as InfraCo Asia which has recently been established and Green Africa Power (GAP) which is intended to attract investment in renewable energy in Africa. Work is also needed on improving disclosure & transparency, improving gender policies and practice, and tightening some aspects of governance arrangements.

Contribution to UK Development Objectives	Score (1-4)
1a. Critical Role in Meeting International Objectives + Critical role of infrastructure in supporting growth and delivering basic services. + Specifically targeted at providing instruments and facilities not offered at scale by other DFIs, eg local currency guarantees. + Catalytic role to mobilise private sector support – As yet relatively small (total 2009 PIDG spend was $154m[x]) and PIDG is little known outside direct supporters and beneficiaries. – Tightly focussed facilities, so not delivering across the whole spectrum of development. = The PIDG holds a valuable position in the international architecture focussing on innovative methods of catalysing private investment into infrastructure but remains small.	**Satisfactory (3)**
1b. Critical Role in Meeting UK Aid Objectives + The PIDG renewable energy investments and proposals represent a targeted Climate Change response. + The PIDG supports direct access to basic services including through access to water, low cost urban housing and energy for poor people (although access to water has not been a priority) – The PIDG has made no effort to date to target investments at women and girls or to report using gender disaggregated data (although typically improvements in basic infrastructure have a positive gender impact). = The PIDG plays a growing role in delivering UK priorities of wealth creation and access to basic services and has potential to lever private resources for climate change response.	**Satisfactory (3)**
2. Attention to Cross-Cutting Issues: **2a. Fragile Contexts** + Investments are well targeted at poorer states with 58% of investments in sub-Saharan Africa. – No emphasis on mobilising private investment in conflict affected and immediate post-conflict countries. – No formal procedures for business model in fragile states – No formal policy on prioritising fragile states. = The PIDG has ambition to invest in fragile states and its facilities are willing to take the risks of working there but so far limited involvement **2b. Gender Equality** = No gender disaggregated reporting or proactive gender targeting of investments. **2c. Climate Change and Environmental Sustainability** + Investments in renewable energy, Green Africa Power and	**Weak (2)** **Unsatisfactory (1)** **Satisfactory**

AgDevCo facilities being explored. – Formal climate change policy still under development. = Responsive to the need to promote low carbon development.	**(3)**
3. Focus on Poor Countries + PIDG has spent 67% of its resources in countries in the top quartile of an index that scores countries based on their poverty need and effectiveness (the strength of the country's institutions) and most of these resources go to the neediest within the top quartile particularly the large African countries with large amounts of absolute poverty.	**Strong (4)**
4. Contribution to Results + PIDG-supported projects have attracted $10.5 bn of private investment commitments and are projected to provide new or improved services to over 50m people. + The PIDG sets ambitious targets, including bringing services to an extra 13mn people by 2012, and continuing to invest 75% of resources in the poorest countries. + The PIDG is wiling to take risk and makes innovative use of a range of financial instruments to drive development. + The structure and incentives for the facilities ensure strong stewardship of the portfolio, the financing facilities EAIF and GuarantCo have not suffered any impairments or defaults in their portfolios to date. = The PIDG can demonstrate good delivery against challenging objectives, its strong results focus is enhanced by incentives for management	**Strong (4)**
Organisational Strengths	**Score (1-4)**
5. Strategic and Performance Management + Well structured objectives and strategy to fulfil mission with a clear corporate (PIDG level) results framework which is cascaded through the facilities, through projects and to staff incentives. + Each facility is contracted to the PIDG on a performance basis with regular re-tendering + Strong monitoring and evaluation processes with all facilities evaluated every 3 years and board structures which hold the facilities' management to account. + Staff recruited on merit. = Focused and responsive structure	**Strong (4)**
6. Financial Resources Management + Transparent trust arrangements with extensive MOUs governing funding commitments. + Annual external audits. + Funding linked to strategies. = Efficient, well regulated financial management	**Strong (4)**

7. Cost and Value Consciousness + Procurement follows European Union/World Bank procedures. Independent reviews are conducted regularly. + Projects designed to achieve commercially viable returns. – If it expands further PIDG will need to achieve a good balance between low project management unit costs and good oversight of the facilities. = Light structure giving good value for money but needs to adapt to organisational growth.	**Strong (4)**
8. Partnership Behaviour + Strong partnership with host governments, financiers, developers and PIDG donors. + Follows WB standards on beneficiary inclusion. – Weaker partnership with civil society. Donor country offices including DFID poorly sighted on PIDG work. = More focus required on partnership within developing countries.	**Satisfactory (3)**
9. Transparency and Accountability + Strong accountability to donor partners. + Websites with reasonably full information on facilities and projects. – Line of accountability from donors to PMU to facility Board to facility management may need tightening in some cases. – Little evidence of PIDG's delivery partners being progressively transparent. – No proactive efforts made to bring information to potentially interested parties. – More information could be made available on websites. – Disclosure policy not yet fully developed. = Needs to be more proactive in highlighting available information.	**Weak (2)**
Likelihood of Positive Change	**Score (1-4)**
10. Likelihood of Positive Change + Good track record of responding to donors' priorities, developing new businesses to respond to changing needs. – Protracted negotiations for fund manager for two facilities. – Slow action on gender and transparency. – Increased risk as PIDG facilities explores scaling up and new frontiers. = Expected to continue to respond to DFID and other donors' priorities.	**Likely (3)**

[i] www.emergingafricafund.com

[ii] www.guarantco.com

[iii] www.infracoafrica.com

[iv] www.infracoasia.com

[v] www.ifc.org/ifcext/psa.nsf/content/Devco

[vi] www.pidg.org

[vii] www.pidg.org

[viii] Of this US$390m, DFID has contributed around 50% (US$200m) with others providing: DGIS (US$42m), FMO (US$25m), Sida (US$41m), IFC/World Bank (US$21m), SECO (US$37m), ADA (US$9.7m), Irish Aid (US$4m) and KFW (US$10m). In addition to these PIDG member contributions (US$390m) , the AfDB has provided US$1m.

[ix] PIDG MAR submission 7 Sept 2010.

[x] PIDG Annual Report 2009