



The Private Infrastructure Development Group

Technical Assistance

Operating Policies and Procedures

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Glossary of Terms

Term	Definition
DAC 1 and DAC 2 Countries	Those countries in the first and second columns of the Organisation for Economic Cooperation and Development 's (OECD) Development Assistance Committee's (DAC) list of countries and territories eligible to receive official development assistance as may be amended or replaced from time to time.
Declaration of Trust	The declaration of trust for the establishment of The Private Infrastructure Development Group Trust, a purpose trust under Mauritius law, as amended by an Amended and Restated Declaration of Trust dated 14 March 2003, a Second Amended and Restated Declaration of Trust dated 4 September 2018 and a Third Amended and Restated Declaration of Trust dated 25 February 2020 and as otherwise amended from time to time.
DevCo	The Infrastructure Development Collaboration Partnership Fund housed within the International Finance Corporation (IFC) on behalf of the PIDG and managed by IFC's Advisory Services in Public Private Partnerships.
Fragile State	A country on PIDG's "List of Fragile States and Conflict-Affected States" as set out in PIDG's Results Monitoring Handbook as amended from time to time.
Funding Instrument	An instrument by which a PIDG Owner may provide funding to the PIDG Trust.
Head of TA	The individual appointed by PIDG Ltd to oversee the management and administration of PIDG TA Activities and who has authority to approve applications (including on behalf of PIDG Ltd) for PIDG TA Grants of USD 500,000 or less.
KPIs	Key performance indicators for PIDG TA Activities implemented by the PIDG TA Team as agreed on an annual basis as part of the PIDG TA business planning process.
LoA	A letter of arrangement between the PIDG Trust and a PIDG Company or PIDG Ltd or IFC (for DevCo activities) for a PIDG TA Grant (excluding VGF Grants).
OPPs	These operating policies and procedures as amended from time to time.
PIDG	The Private Infrastructure Development Group, which was established by the PIDG Owners to mobilise private sector investment to assist developing countries in providing infrastructure vital to boosting their economic growth and combating poverty; including PIDG Ltd, the PIDG Trust, the PIDG Companies and DevCo.
PIDG Company	A corporate entity (e.g. a private company limited by shares or a limited liability partnership or equivalent) owned (either wholly or in part) by the PIDG Trust or PIDG Ltd including The Emerging Africa Infrastructure Fund Ltd (EAIF), GuarantCo Ltd (GuarantCo), InfraCo Asia Development Pte. Ltd., InfraCo Asia Investments Pte. Ltd., InfraCo Africa Ltd, InfraCo Africa Investment Ltd and ICF Debt Pool LLP (but excluding PIDG Ltd) and any other corporate entity established by the PIDG Trust or PIDG Ltd.
PIDG Executive Team	The Chief Executive Officer (CEO), Chief of Staff, Chief Finance Officer (CFO), Chief Risk Officer (CRO), Head of Investor Relations, Head of Sustainable Development Impact, General Counsel, Health, Safety, Environment and Social (HSES) Director of PIDG Ltd and any other person that the CEO may agree is a member of the PIDG Executive Team from time to time.

PIDG Ltd	The Private Infrastructure Development Group Limited, a company wholly owned by the PIDG Trust and registered in England and Wales with number 11265124 whose registered office is at 6 Bevis Marks, London EC3A 7BA, United Kingdom.
PIDG OPPs	The operating policies and procedures approved by the PIDG Owners and PIDG Ltd from time to time and which the PIDG Owners require all PIDG Companies and PIDG Ltd to adopt and incorporate into their governing documents as a minimum standard.
PIDG Owner	An organisation that has acceded to the memorandum of understanding for the PIDG dated 10 October 2013 (as amended or superseded from time to time) and therefore has become a member of the PIDG.
PIDG Project	An infrastructure or infrastructure related project being developed or financed or otherwise supported by a PIDG Company or IFC (in relation to DevCo activities) or expected to be developed or financed or otherwise supported by a PIDG Company or IFC (in relation to DevCo activities).
PIDG TA Activities	The general technical assistance and capital grant activities of the PIDG, which are funded by the TA Owners (via the PIDG Trust) and administered and managed by the Trustees and PIDG Ltd. in accordance with these OPPs, any PIDG TA Owner Funding Instrument and the Declaration of Trust.
PIDG TA Grant	A grant (including a PIDG VGF Grant) made by the PIDG Trust using PIDG TA Owner Funding to PIDG Ltd. or to a PIDG Company or to the IFC (for DevCo activities) or any third party approved by PIDG Ltd to undertake PIDG TA Activities or to cover the administration costs of PIDG TA Activities in accordance with these OPPs.
PIDG TA Owner	A PIDG Owner that has provided funding to the PIDG Trust (or to another entity approved by the PIDG Owners) for the PIDG TA Activities.
PIDG TA Owner Funding	Funding made available by a PIDG TA Owner under a Funding Instrument for PIDG TA Activities, including PIDG TA Grants and the administration costs of PIDG TA Activities.
PIDG TA Returned Funds	Unspent PIDG TA Grant funds that have been returned to the PIDG Trust by a PIDG Company (or IFC in relation to DevCo activities) or any third-party recipient approved by PIDG Ltd to undertake PIDG TA Activities.
PIDG TA Team	The employees and contractors (or equivalent) of PIDG Ltd with responsibility for administering and managing the PIDG TA Activities (but excluding the TA Committee).
PIDG Trust	The Private Infrastructure Development Group Trust.
PIDG VGF Grant	A capital grant made by the PIDG Trust using PIDG TA Owner Funding to a PIDG Company or PIDG Ltd or IFC (for DevCo activities) or any third party approved by PIDG Ltd. in accordance with these OPPs.
Strategic Partnership	An arrangement in writing between PIDG Ltd. or the PIDG Trust and a third party for the purposes of exploring innovative approaches to sectors, countries, and types of projects and which is in accordance with PIDG's approved strategy and its Investment Policy.
TA	Technical assistance activities designed to meet a range of needs associated with the infrastructure project development cycle and enhancement of impact.
TA Committee	The committee formed by a resolution of the PIDG Ltd. Board, which has provided delegated authority to the PIDG Executive Team to approve its Terms of Reference and oversee its operation. The TA Committee members are specialist consultants appointed by PIDG Ltd. The TA Committee provides expertise to PIDG Ltd in relation

	to PIDG TA Activities and I reviews and approves all applications for PIDG TA Grants in excess of the Head of TA's level of authority, all PIDG VGF Grants and all PIDG TA Grants for any Strategic Partnership. The terms of reference for the TA Committee are set out in Annex 2 of these OPPs.
TA Recommendation Memo	The recommendation from the Head of TA in relation to each application for a PIDG TA Grant as described in paragraph 2.9.
Transaction Adviser(s)	Adviser(s) appointed by either PIDG Ltd, a PIDG Company, the PIDG Trust or a third party to support a particular transaction or a series of transactions and funded by a PIDG TA Grant.
Trustees	The trustees of the PIDG Trust from time to time.
Investment Policy	The PIDG investment policy approved by PIDG Ltd and the PIDG Owners from time to time.
VGF or Viability Gap Funding	Upfront capital funding that is designed to reduce the costs of infrastructure projects to make economically viable projects financially viable in order to attract private finance.
VGF Concept Note	A document produced for a PIDG VGF Grant for review by the PIDG TA Team and the TA Committee to support the assessment of a PIDG VGF Grant request by a PIDG Company and which sets out a response to the questions set out in Annex 1 of these OPPs (covering the development impact of the PIDG VGF Grant, the rationale for the requested amount of PIDG VGF Grant, the risks associated with the PIDG VGF Grant, as well as the economic and financial costs and benefits of the PIDG VGF Grant).

1 Introduction and Objectives

1.1 General overview

These OPPs relate to PIDG TA Activities. The aim of the PIDG is to facilitate the provision of infrastructure needed to eliminate poverty in developing countries by encouraging long-term private investment.

PIDG TA Activities contribute to the aims of the PIDG by helping to investigate, define, and prepare potential investment opportunities in support of poverty reduction and economic growth through increased private sector investment in infrastructure, and by supporting capacity building. PIDG TA Grants are also available to enhance and achieve development objectives of the PIDG and to assure affordability of essential infrastructure services.

These OPPs set out how PIDG ensures that the PIDG TA Owner Funding is utilised in the manner intended by the PIDG TA Owners and that PIDG TA Activities are aligned with the objectives set by the PIDG.

1.2 Key Objectives

The key objectives for the PIDG TA Activities are to:

1. Build capacity in both the public and private sector to facilitate the aims of the PIDG;
2. Facilitate private investment and mobilise additional resources directed towards the implementation of PIDG Projects;
3. Promote better co-ordination in the delivery of any technical assistance needed for PIDG Projects to reach financial close and begin successful implementation;
4. Play a central role in enabling PIDG to initiate group-wide programmes and centrally driven initiatives that align with PIDG strategic objectives, but are not specific to a particular PIDG Company;
5. Collaborate with the IFC to implement upstream technical assistance through DevCo in support of downstream project work by the PIDG Companies;
6. Enhance social and development impact, including (but not limited to) gender, disability, social inclusion, health and safety, climate change mitigation, and governance considerations associated with PIDG Projects;
7. Provide post-transaction support for PIDG Projects;
8. Strengthen environmental sustainability of PIDG Projects;
9. Promote development or improvement of capital market systems;
10. Facilitate affordability by the poor of infrastructure services provided on a commercially viable basis;
11. Identify new areas for programmatic investigation that would benefit from PIDG TA Grants; and
12. Identify and maintain Strategic Partnerships.

2 Operating Policies

2.1 Activities

PIDG TA Activities support the efforts of the PIDG to develop viable opportunities for investment in infrastructure by the private sector as described in these OPPs. These OPPs set out how PIDG (primarily through PIDG Ltd) will administer, govern and manage the PIDG TA Owner Funding and PIDG TA Grants.

The PIDG Trust can make PIDG TA Grants, on an application basis, to the PIDG Companies and IFC (in relation to DevCo activities) undertaking the development and/or funding of a PIDG Project or, in the specific circumstances described below, to PIDG Ltd. The types of PIDG TA Grant available and the procedures for applying for, and approving applications for, PIDG TA Grants are detailed in these OPPs. If a PIDG Company, IFC (for DevCo activities) or PIDG Ltd receives a PIDG TA Grant, they will be responsible for managing the procurement of consultants to be paid for using the PIDG TA Grant and managing their work in accordance with PIDG OPPs.

On a highly selective basis, the PIDG Trust can make PIDG TA Grants, based on an application by PIDG Ltd, to a third-party for Strategic Partnerships.

The PIDG TA Team, working with the PIDG Sustainable Development Impact team, may apply (on behalf of PIDG Ltd) for a PIDG TA Grant for PIDG Ltd or a third-party for programmatic initiatives that align with PIDG strategic objectives, but are not necessarily specific to a particular PIDG Company.

The PIDG TA Team may apply (on behalf of PIDG Ltd) for a PIDG TA Grant to fund the costs of expert consultants (contracted by either PIDG Ltd or the PIDG Trust).

The PIDG TA Team shall provide support and advice to the PIDG Executive Team, PIDG Companies and IFC (in relation to DevCo activities) on PIDG TA Activities.

2.2 Eligible Types of PIDG TA Grant

Approval of PIDG TA Grants is on a highly selective basis. PIDG TA Grants will not be approved for “business as usual” project preparation or due diligence work for which the PIDG Companies and IFC (for DevCo activities) already have working capital. PIDG TA Grants are to be used for technical assistance to support unusual or unusually expensive project development costs and as set out in more detail below.

Subject to the application and approval procedures set out in these OPPs, PIDG TA Owner Funding may be used to make PIDG TA Grants for the following PIDG TA Activities:

General Technical Assistance: A PIDG TA Grant to a PIDG Company or to PIDG Ltd for studies intended to guide governments, public or private agencies, private sector entities (including financiers and project developers) on options for financing of infrastructure; advice and training on the designs and implementation of specific reforms; support to the design and implementation of pioneering projects and transactions including transaction advisory, feasibility studies; institutional strengthening, training, and capacity building; activities to enhance development effectiveness and/or have direct impact on the poor, including but not limited to gender empowerment/transformation and climate resilience and adaptation; activities to address health, safety and environmental and social concerns; support for capital market development; and post-transaction support. Such PIDG TA Grants may be fully or partially returnable depending on the degree of likely project commerciality and proximity to the onset of commercial operation.

PIDG TA Grants can only be used to pay for up to half (50%) of the costs of environmental and social impact assessments (ESIAs) and resettlement action plans (RAPs) for PIDG Projects.

Programmatic Initiatives: A PIDG TA Grant to PIDG Ltd for the investigation of group-wide programmes and centrally driven initiatives that align with PIDG strategic objectives but are not specific to a PIDG Company or IFC (in relation to DevCo activities). This type of PIDG TA Grant will be used to investigate

programmatic initiatives with the help of expert consultants. These activities, managed directly by the PIDG TA Team, identify the opportunities in detail, consider their impacts, and offer criteria by which suitable projects can be selected and their implementation evaluated.

Corporate Social Responsibility: Corporate Social Responsibility activities are considered part of business-as-usual project costs and are generally considered ineligible for PIDG TA grant funding. Exemptions can be made for projects that provide a vital services to a community in the following circumstances: (i) the activity is not part of the project (not an expected project cost); (ii) the activity would not happen at the same scale or standard without PIDG TA funding; (iii) the activity has co-funding committed to it by the project company or other providers; and (iv) the activity is designed and implemented in such a way as to ensure gender empowerment or transformation as per PIDG SDI's scoring matrix on gender.

Strategic Partnerships: A PIDG TA Grant made on a highly selective basis to a non-PIDG entity in relation to a Strategic Partnership. The PIDG TA Grant will enable PIDG to enter into Strategic Partnerships to explore innovative approaches to sectors, countries, and types of projects or financing instruments. Several different kinds of Strategic Partnership are possible in different sectors, provided that the relationships are cost-effective, consistent with PIDG priorities, and generate benefits for PIDG. Such PIDG TA Grants are subject to the same limits and approval processes as the PIDG TA Grants for General Technical Assistance, after due diligence on prospective partners and subject to the approval of the PIDG CEO, TA Committee, and PIDG Ltd Board of Directors.

DevCo: A PIDG TA Grant to IFC for DevCo activities. The PIDG TA Team will work directly with its counterparts at IFC's Transaction Advisory Services Department to ensure that DevCo activities are fully consistent with PIDG's overall strategy. PIDG TA Grants are available for the following DevCo activities: (i) for PPP transaction advisory work; (ii) for upstream preparation work (workshops, pre-feasibility studies, etc.); (iii) post transaction support; (iv) VGF.

PIDG VGF Grants: A PIDG TA Grant in the form of substantial up-front capital grant (>USD 1.5 million) to help economically beneficial but not-financially viable PIDG Projects become financially viable. Applications for PIDG VGF Grants are submitted by the PIDG Companies in the form of a VGF Concept Note that presents an economic as well as a financial cost-benefit analysis. As with the PIDG TA Grants for General Technical Assistance, PIDG VGF Grants may be fully or partially returnable depending on the degree of likely project commerciality and proximity to the onset of commercial operation.

Capital Grants: A PIDG TA Grant in the form of a smaller capital grant (<USD 1.5 million) to pay for capex or operating costs on PIDG Projects. Such PIDG TA Grants are applied for using the standard PIDG TA application form, and may be drawn down prior to financial close if warranted.

2.3 Geographical Coverage and Sector Focus

PIDG TA Grants can only be used to fund activities in those countries and sectors permitted under the Investment Policy.

2.4 Competitive Tendering and Procurement

It is the general policy of the PIDG to promote transparent and competitive processes for the provision of private sector services and participation in projects and the PIDG supports good public policy and transparency in all transaction processes. The PIDG Trust, PIDG Companies and PIDG Ltd are required to comply with the PIDG Procurement Policy and Guidelines in relation to all their activities, including in relation to any goods and services to be paid for using PIDG TA Owner Funding.

The PIDG TA Team's compliance with the PIDG Procurement Policy and Guidelines will be reported on by PIDG Ltd as part of its annual self-assessment of its compliance with the PIDG OPPs, or under such other procedure as may be required by PIDG Ltd and/or the PIDG TA Owners.

2.5 Reporting

The PIDG TA Team shall ensure that regular reports are provided to the PIDG Executive Team on PIDG TA funded activities, in accordance with the reporting regime agreed with the PIDG Executive Team. The PIDG Executive Team will report to the Board of PIDG Ltd and the PIDG TA Owners on PIDG TA Activities in accordance with PIDG Ltd's reporting obligations to the PIDG TA Owners. Reports will be provided to the PIDG Ltd Board on PIDG VGF Grants above US\$10m for approval after view by the TA Committee.

2.6 Performance Measurement

KPIs for PIDG's performance of PIDG TA Activities will be agreed by PIDG Ltd on an annual basis as part of the PIDG Ltd business planning process and will be assessed on a quarterly and annual basis by the PIDG Executive Team and PIDG Ltd's Board of Directors.

2.7 Amendment

These OPPs may only be amended or modified with the prior written approval of PIDG Ltd's Board of Directors with notification being provided to the PIDG TA Owners.

2.8 PIDG TA Owner Funding

Each PIDG TA Owner enters into a Funding Instrument with the PIDG Trust for the PIDG TA Owner's contribution to the PIDG Trust for the PIDG TA Activities.

The PIDG Trust (supported by PIDG Ltd) draws down PIDG TA Owner Funding in accordance with the terms and conditions of the PIDG TA Owner Funding Instrument.

PIDG TA Owner Funding will be administered by the PIDG Trust and PIDG Ltd in accordance with the Declaration of Trust, the PIDG TA Owner Funding Instrument and these OPPs.

The PIDG Trust (supported by PIDG Ltd) may request a disbursement from a PIDG TA Owner for PIDG TA Activities in such period as may be agreed between the PIDG Trust, PIDG Ltd and the PIDG TA Owner.

Administration costs of the PIDG TA Activities are covered by a deduction of 6% from each disbursement of PIDG TA Owner Funding made by a PIDG TA Owner. The administration costs are reviewed by PIDG Ltd on an annual basis and funds earmarked for administration costs may be reallocated to PIDG TA Activities if it is considered that the pool of earmarked funding for administration costs is too high and will not be used.

The administration costs of the PIDG TA Activities include, but are not limited to, PIDG Ltd's staffing costs (the pro-rata costs of those employees and/or contractors (or equivalent) of PIDG Ltd supporting the PIDG TA Activities (e.g. the PIDG TA Team, PIDG Ltd's sustainable development impact team, PIDG Ltd's finance team, PIDG Ltd's legal team, the Executive Team (to the extent not already charged under another team) and the TA Committee) and any other costs associated with the operation and administration of PIDG TA Activities, including any performance reviews or other evaluations of PIDG TA Activities that may be required. The PIDG Trust will make a PIDG TA Grant to PIDG Ltd to cover the administration costs of PIDG TA Activities borne by PIDG Ltd.

A PIDG Company may apply (as part of the PIDG TA Grant application process but excluding PIDG VGF Grants) to use up to 7% of each PIDG TA Grant it receives to cover the administrative costs it incurs in managing the PIDG TA Grant (the "Administrative Cost Element"). Any application for an Administrative Cost Element will be considered on a case-by-case basis. The total amount of approved Administrative Cost Elements at any point in time shall not be more than 3% of the aggregate amount of all approved PIDG TA Grants, excluding PIDG VGF Grants.

The IFC is permitted to use 5% of any PIDG TA Grant that it receives to cover the costs of administration and other expenses incurred by IFC in undertaking the DevCo activities.

2.9 Approval of PIDG TA Grants

Applications for a PIDG TA Grant (excluding PIDG VGF Grants) shall be submitted using the PIDG TA Grant application form completed by the PIDG TA Team (in the case of grants to PIDG Ltd) or submitted to the PIDG TA Team. Upon receipt of a PIDG TA Grant application from a PIDG Company (or the IFC in relation to DevCo activities), the PIDG TA Team will work with the PIDG Company submitting the application to finalise the application and secure the information necessary for an assessment of the application. Following such activity, the PIDG Company or PIDG Ltd (as applicable) will submit the final PIDG TA Grant application for approval in accordance with the process set out below:

PIDG TA Grants within the Head of TA's Level of Authority:

The Head of TA has authority to approve all applications for PIDG TA Grants (excluding PIDG VGF Grants and PIDG TA Grants for Strategic Partnerships) up to USD 500,000 (including applications from PIDG Ltd for PIDG TA Grants for upstream and for programmatic initiatives). Before making the first disbursement from a PIDG TA Grant, each application approved by the Head of TA must be reviewed by PIDG Ltd's Head of Sustainable Development Impact and by PIDG Ltd's Health and Safety, Environment and Social Director. In addition, all applications approved by the Head of TA must also be approved on a five-day no-objection basis by the PIDG CEO or his/her designee. The Head of TA will record their approval/rejection of the application in the TA Recommendation Memo.

The Head of TA may approve changes to the budget line items set out in the PIDG TA Grant application form provided that the total amount of the PIDG TA Grant is not increased above USD 500,000. In situations where the Head of TA considers such changes to be material, he/she would seek further approval on a five-day no-objection basis by the PIDG CEO or his/her designee.

PIDG TA Grants above the Head of TA's Level of Authority:

All applications for PIDG TA Grants above USD 500,000, all applications for PIDG VGF Grants (whatever the amount) and all applications for PIDG TA Grants for Strategic Partnerships (whatever the amount) will be submitted by the PIDG TA Team with the TA Recommendation Memo to the TA Committee for approval.

Applications to be considered by the TA Committee must be submitted by the PIDG TA Team to the TA Committee no later than five working days before the date of the TA Committee Meeting to enable the TA Committee members to review the documentation.

All applications for PIDG TA funding above US\$10m will be submitted to the PIDG Board of Directors for approval following review and recommendation by the TA Committee.

The TA Recommendation Memo shall set out the Head of TA's reasons for his/her decision to recommend for approval by the TA Committee an application for a PIDG TA Grant. At a minimum, the TA Recommendation Memo will document the following:

The background to, and rationale for, the proposed activity;

- a) The scope of the activity;
- b) Procurement and implementation details;
- c) The activity financing plan and justification for the amount of funding allocated;
- d) Confirmation that the underlying PIDG Project meets the PIDG sustainable development impact criteria (as confirmed by PIDG Ltd's Head of Sustainable Development Impact);
- e) Consistency with PIDG objectives as well as the development plans agreed to by the country involved with its development partners;
- f) Any risks to PIDG from involvement in the activity;
- g) Sources of information used in preparing the recommendation memo.

The PIDG TA Team shall maintain complete and up-to date files in relation to each PIDG TA Grant application and each approved PIDG TA Grant.

The PIDG TA Team will notify the PIDG Executive Team of all PIDG TA Grants approved each quarter, as part of the PIDG TA Team's reporting to the PIDG Executive Team. The PIDG TA Owners will be notified of new PIDG TA Grants approved in any reporting period in accordance with PIDG Ltd's reporting obligations to the PIDG TA Owners.

2.10 Approval of DevCo PIDG TA Grants

The PIDG TA Team and the IFC discuss the prospective annual pipeline of DevCo activities, as well as the amount of PIDG TA funding available for DevCo activities, prior to the start of and throughout each PIDG Ltd financial year. The countries and projects in the agreed pipeline for PIDG TA funding must be generally consistent with the PIDG strategy and the Investment Policy as amended from time to time.

During the course of each PIDG Ltd financial year, the IFC will submit applications for DevCo PIDG TA Grants for specific projects, as the projects are ready for development.

The evaluation of these applications will follow the same process described in section 2.9.

2.11 Approval of VGF Grants

Procedures for approving PIDG VGF Grants are detailed in Annex 1.

2.12 Commitment of PIDG TA Owner Funding

PIDG TA Owner Funding is committed to a PIDG TA Grant on the date of approval of the PIDG TA Grant. This is because the PIDG Trust needs certainty of funding before it enters into a LoA for the PIDG TA Grant as it has no other source of funding for PIDG TA Grants.

PIDG TA Owner Funding is committed to PIDG TA Grants in the following order:

- By date of expiry of each Funding Instrument (e.g. a Funding Instrument with an expiry date of 31 December 2021 will be committed in full before a Funding Instrument with an expiry date of 31 March 2022 is committed);
- Funds held by the PIDG Trust in the "PIDG TA Returned Funds" will be recommitted before any uncommitted PIDG TA Owner Funding held by the PIDG Trust.
- If a Funding Instrument sets out that the PIDG TA Owner's Funding is to be used for specific purposes (e.g. projects in specific countries or sectors) or within a specific time-frame, that PIDG TA Owner Funding will be committed to eligible PIDG TA Grants in full before any other PIDG TA Owner Funding is committed for PIDG TA Grants.

2.13 Disbursement of PIDG TA Grants

PIDG TA Grants will be primarily disbursed by the PIDG Trust in US Dollars. PIDG TA Grants in other currencies may be applied for by the PIDG Companies and IFC (for DevCo activities), provided that a detailed plan for mitigating any currency exchange risk to the PIDG Trust is submitted by the PIDG Company or IFC in its application.

General Technical Assistance, Capital Grants and DevCo PIDG TA Grants

If a PIDG TA Grant is approved in accordance with the procedures set out above, the PIDG TA Team will circulate a draft LoA to the PIDG Trust and the relevant PIDG Company, or PIDG Ltd, for approval. In relation to PIDG TA Grants (other than a PIDG VGF Grant) to the PIDG Companies, the LoA will usually be in the form attached to the Framework Agreement entered into on 6th August 2020 between the PIDG Companies, PIDG Ltd and the Trustees. Once the LoA has been approved by all the parties, the PIDG TA Team will arrange execution of the LoA by the parties. As a condition of the PIDG TA Grant, the

PIDG Company is required to enter into a back-to back agreement with the recipient of the PIDG TA Grant reflecting the terms and conditions set forth in the LoA.

Typically, PIDG TA Grants will be disbursed in tranches by the PIDG Trust every six-months in advance of need, subject to execution of the LoA by the PIDG Trust and the PIDG Company, PIDG Ltd or IFC in relation to DevCo activities and subject to the PIDG Company's, PIDG Ltd's or IFC's compliance with its reporting obligations under the LoA. If a PIDG Company, PIDG Ltd or IFC does not meet its reporting obligations under the LoA, no further funds will be disbursed until any outstanding reporting obligations have been fulfilled. PIDG TA Grants can be disbursed in one tranche if the PIDG Company, PIDG Ltd, or IFC expects to use the funds within six months. If a PIDG Company, PIDG Ltd, or the IFC has already made disbursements in relation to the activity that is the subject of the PIDG TA Grant application using its own funding, the first disbursement from the PIDG TA Grant can also include an amount equal to the disbursements already made to allow for reimbursement.

Where the amount set out in the disbursement request does not differ from the amount set out in the approved budget in the PIDG TA Grant application, the Head of TA (or such other member of the PIDG TA Team as the Head of TA may delegate such approval to) may approve the disbursement request. If approval is delegated, the Head of TA must be notified of such a disbursement request and its approval.

If the amount set out in the disbursement request differs materially from the approved budget in the PIDG TA application, approval will be sought from the Head of TA for the disbursement.

Strategic Partnerships

The PIDG TA Team will undertake due diligence on each potential strategic partnership in accordance with the PIDG Due Diligence Policy and Procedures. Once approved in accordance with section 2.9 above, PIDG Ltd or the PIDG Trust will enter into an LoA or such other form of partnership agreement as the parties may agree for the strategic partnership. The approval process for disbursements will follow the same processes that apply to General Technical Assistance and DevCo PIDG TA Grants.

Programmatic Initiatives

Once a programmatic initiative has been approved by the PIDG Executive Team, PIDG Ltd will procure any necessary consulting services in accordance with PIDG's Procurement Policy and Guidelines and the PIDG TA Team will manage the initiative. Payments to third parties will be processed in accordance with PIDG Ltd's financial procedures (if the contracting party is PIDG Ltd) and in accordance with the process set out above for General Technical Assistance if the PIDG Trust is the contracting party.

PIDG VGF Grants

PIDG VGF Grants are usually disbursed once the relevant PIDG Project has reached financial close and equity subscriptions have been made. PIDG VGF Grants are disbursed by the PIDG Trust pari passu with debt drawdowns. In exceptional cases, where the PIDG VGF Grant needs to be integrated into the capital structure of the project to attract lenders, the Head of TA may approve disbursement from a PIDG VGF Grant prior to debt draw-downs if such disbursement can be supported by enhanced due diligence and monitoring of project milestones submitted by the relevant PIDG Company. See Annex 1 for further details.

"Directors and Committee Members Appointment and Evaluation Policy" OR "PIDG Appointment and Evaluation of Directors Policy and Procedures".

2.14 Expiry, Completion and Return of PIDG TA Grants

Completion and Extension

If a PIDG TA Grant has not been fully disbursed or spent (if disbursed) by the recipient thirty days before the date of expiry of the relevant LoA, the recipient will be required to confirm in writing to the PIDG TA Team whether or not the PIDG TA Grant is still needed. If the PIDG TA Grant is still needed, the recipient is required to submit to the PIDG TA Team a request for an extension to the LoA, which may be approved by the Head of TA.

If the PIDG TA Grant is no longer required, or a request for an extension is not submitted, or has not been approved, the PIDG TA Team will request the return from the recipient of any unspent funds.

Return of PIDG TA Grants

From time to time, PIDG TA Grants may no longer be required, due to projects or activities supported by a PIDG TA Grant being cancelled or completed before the PIDG TA Grant is disbursed to or spent by the PIDG Company, or PIDG Ltd, (or IFC in relation to DevCo activities) either in part or in full. In such situations the unspent PIDG TA Grant will be returned by the PIDG Company, PIDG Ltd, or IFC to the PIDG Trust (if already disbursed by the PIDG Trust) or designated as “uncommitted” by the PIDG TA Team if not yet disbursed by the PIDG Trust. Such PIDG TA Grants will be allocated back to the account of the PIDG TA Owner that originally provided the PIDG TA Grant and recommitted to new PIDG TA Activities. The exception to this is if the Funding Instrument under which the PIDG TA Grant came from has expired, in which case the funds will be allocated to the “PIDG TA Returned Funds” account and will not be returned to the PIDG TA Owner unless specifically required under the PIDG TA Owner’s Funding Instrument.

For the purposes of these OPPs, “uncommitted” PIDG TA Owner Funding is PIDG TA Owner Funding that has not been committed to a PIDG TA Grant or other PIDG TA Activities (including administration costs).

PIDG TA Owner Funding (whether committed or uncommitted for PIDG TA Activities) held by the PIDG Trust will be managed by the PIDG Trust and PIDG Ltd in accordance with the Declaration of Trust and PIDG’s Treasury Policy for funds held by the PIDG Trust.

2.15 Reporting on PIDG TA Grants

Reporting Requirements

All recipients of PIDG TA Grants must provide regular reports to the PIDG TA Team on all active PIDG TA-funded activities on a quarterly basis, in accordance with the reporting obligations set out in the LoA. The PIDG TA Team will report to PIDG Ltd’s Executive Team on all PIDG TA Activities that it is responsible for (as set out in section 2.2 above). The quarterly reports must be submitted to the PIDG TA Team not later than the last working day of the month following the quarter end.

Reporting Information

The following, as a minimum, shall be included in the reports provided to PIDG TA:

Project description: A brief summary of the underlying project and of the PIDG TA Activities.

Progress against major deliverables and implementation schedule: A work plan with details of TA Activities, timelines and deliverables.

Financial status: Financial overview, with additional information on change in budget, or change in project scope against PIDG TA application.

Risk register: Details of risks, risk rating, impact to TA Grant / grant-funded activities, and proposed/implemented mitigation measures.

LoA status: Details on when the grant letter expiry date and the desired extension period.

Invoices: All invoices incurred up to the reporting month.

On a case by case basis, PIDG TA may request that a lessons learned paper is drafted on completion of the PIDG TA Activities.Approval of Reports

Upon receipt of a report from a PIDG TA Grant recipient in accordance with its obligations under the relevant LoA, the PIDG TA Team will review the report and if necessary, ask the recipient any follow-up questions they consider necessary to clarify information in the report.

The PIDG TA Grant recipient will have five working days to respond to any follow-up questions raised by the PIDG TA Team.

Once the follow-up questions have been answered to the PIDG TA Team’s satisfaction, the PIDG TA Team will confirm to the recipient that the report has been approved.

Annex 1: Operating Policies and Procedures for PIDG VGF Grants

1.1 Purpose of PIDG VGF Grants

PIDG VGF Grants (over USD 1.5 million) are intended to reduce the upfront capital costs of privately financed infrastructure projects by, in most cases, making a grant available at the time of financial close so it can be used during construction. The “gap” addressed by VGF is between project costs and expected project revenues, assuming affordable user tariffs or unitary payments by government or the private sector off taker. The intention is to make economically viable projects financially viable, while helping to mobilise private sector investment and ensuring that the private sector still shares in the risks of infrastructure delivery and operation.

1.2 VGF Eligibility Criteria

VGF eligibility criteria are used to establish whether or not a PIDG VGF Grant application meets the minimum criteria for a PIDG VGF Grant. The intention is to minimise as much as possible the risks associated with using PIDG VGF Grants, and maximize the benefits generated by these grants.

Eligible PIDG Projects: Applications for PIDG VGF Grants can be made for PIDG Projects that meet the following criteria:

- a) The PIDG Project must be in a DAC 1 or DAC 2 Country. Exceptions to this rule may be considered by the PIDG TA Team. All PIDG Projects must have strong, demonstrable, development impact as approved by PIDG Ltd’s Sustainable Development Impact team.
- b) The PIDG Project should be a ‘first mover’ and capable of revealing information about the viability of a technology, consumer preferences or a service delivery model through demonstration effects or other indirect effects.
- c) The PIDG VGF Grant cannot be above 20% of the project’s capital costs. Exceptions to this rule may be considered by the PIDG TA Team.
- d) The following additional project characteristics are desirable:
 - 1) Clear, strong positive impact on females or female-headed households.
 - 2) Clear, strong climate change mitigation benefits.
 - 3) Located in a Fragile State.

Ineligible PIDG Projects: PIDG Projects that have the following characteristics will not be considered eligible for PIDG VGF Grants:

- a) Projects that do not meet a minimum threshold for development impact through the implementation of its core route to impact.
- b) The government of the country in which the project is based sets prices for the service below cost as a matter of general policy. Exceptions to this are if the government:
 - a. Has mandated uniform tariffs that cover cost of service on average, but not in all areas of the country in order to directly benefit poor people through the services provided.
 - b. Sets the user charges below costs for specific poor communities for affordability reasons. For example, if the project is providing services directly to poor users who cannot pay the full value of the service, VGF may be provided to the project if it is making services more affordable for poor users.
- c) The cost of the project is unreasonably high in comparison to similar projects in the same country or region, without good reason. Exceptions to this are:
 - a. If the project is in a Fragile State where the capital and financing costs reflect the suppliers of credit, equity investment or construction/operation services’ assessment of risks.

- b. If the project is a ‘first mover’ in the market with potential for transformation, but the market lacks the scale and coordination to lower the costs.
- d) The project was awarded to a private bidder that referred to a PIDG VGF Grant or the promise (or expectation) of a PIDG VGF Grant in its bid for a competitive project tender (or competitive negotiations) – either all bidders must be offered the benefits of a PIDG VGF Grant, or none.
- e) The project was awarded to private sponsors or operators who intend to use a PIDG VGF Grant to achieve low-level market-distorting costs because of unrealistic demands by government counterparts. If a PIDG Company and/or its partners can achieve commercial sustainability without a PIDG VGF Grant, at a market-realistic price, then a PIDG VGF Grant is not warranted if its only purpose is to achieve unrealistically low prices for government counterparts.
- f) The price for the project’s output was deliberately set by a below-cost bid. This is to avoid a PIDG VGF Grant being provided to a project that won by bidding below cost and where that the bidder may not be the least-cost provider.

1.3 VGF in Competitive Tenders

PIDG can provide PIDG VGF Grants in conjunction with competitive tenders. Tender processes would be managed to ensure that the PIDG VGF Grant is made available to all bidders on equal terms. This ensures that no bidder has preferential treatment in the tender as a result of the PIDG VGF Grant. Additionally, the PIDG VGF Grant can also be awarded following a tender, if the project is transformational, but the winning bidder’s price would make the project unaffordable or if the winning bid is above the government’s reserve price.

1.4 VGF Risks and Risk Management

The chief risk for the PIDG is that a PIDG VGF Grant is disbursed, but final developmental outputs of the PIDG Project are not achieved (because the PIDG Project is not completed or fails to perform, which in turn could be the result of a number of factors such as failure of the contractor or operator, or the government failing to honour relevant obligations, etc.).

The PIDG Company applying for a PIDG VGF Grant must demonstrate to the satisfaction of the PIDG TA Team that all risks associated with VGF Grants have been or will be managed as described below:

Financial viability. The VGF Grant must be clearly justified on the grounds that it transforms an economically viable project into a financially viable one by attracting the necessary investment at affordable costs. This justification must be tested via early stage project appraisals, including cost-benefit analysis and value-for-money assessments.

Development Impact. Adequate mechanisms should be in place to ensure that poor people benefit from the use of the PIDG VGF Grant. Development Impact outputs can be required by the terms of project contracts or where no such contract is likely to exist, development impact benefits can be ensured by the nature of the project itself (locus, sector, expected users). Early stage assessments need to confirm that these mechanisms and/or characteristics are in place and capable of working as anticipated. The PIDG TA Team will require the PIDG Company applying for a PIDG VGF Grant to show that the PIDG Project meets the PIDG development impact criteria (as confirmed by PIDG Ltd’s Head of Sustainable Development Impact);

Equity first, pari passu with debt. To help manage the risk that VGF Grants might be made to non-viable projects, the money is not accessed, even after award, until the equity for the project is in place. The logic of this is that equity investors will not contribute equity unless they are fully convinced of project viability, so this phasing tends to align interests and reduce the risks of project failure. Furthermore, for projects that are also funded with debt, VGF Grant disbursement will usually take place pari passu with debt disbursements, ensuring that the PIDG benefits from lender due diligence of project viability and monitoring of construction milestones (as well as due diligence by the equity investors). Under exceptional circumstances, as noted above, the PIDG may allow disbursements from a PIDG VGF Grant to be made prior to debt disbursements.

In case of early termination. In the event of non-performance on a project of the sponsor, project company or contractors and there being a performance guarantee in place, the PIDG may make it a condition of the particular PIDG VGF Grant that the proceeds of the guarantee are used to reimburse any PIDG VGF Grant disbursements on the basis that the PIDG VGF Grant is in effect a payment in advance for services that have not been delivered. Similarly, in the event that any compensation is due to the sponsor by the government on early termination of the project, repayment of the PIDG VGF Grant would form part of the termination compensation on the basis that the equity is also compensated for lost equity return.

Grant size limits. Except in exceptional circumstances, a PIDG VGF Grant should not comprise more than 20% of the capital costs of a PIDG Project to ensure that equity is genuinely at risk for performance and has 'skin in the game' to ensure project success.

Competitive processes to determine grant size. One of the more tested ways of ensuring maximum value for money in the allocation of PIDG VGF Grants is to link the determination of grant size to a competitive process for selecting private sponsors/operators (operators selected on the basis of lowest grant required) in accordance with PIDG Procurement Policy and Guidelines.

When competition is not possible. When the determination of the amount of a PIDG VGF Grant required cannot be linked to the selection of a sponsor/operator through a competitive process, the recipient of the PIDG VGF Grant is responsible for showing to the satisfaction of the TA Committee that the underlying PIDG Project costs have been established through a competitive process or equivalent (i.e. are at a level that would have reasonably been achieved through competition, as determined through appropriate expert review and benchmarking), which in turn would impact the level of the PIDG VGF Grant. This is to ensure that the PIDG VGF Grant represents good value for money and does not excessively benefit the various project suppliers (of credit, equity investment, or construction/operation services). The assessment shall be designed to ensure the same grant outcome as that reached if the grant determination process were linked to the competitive selection of the sponsor/ operator.

Disbursement of PIDG VGF Grants. For PIDG Projects funded by both debt and equity, PIDG VGF Grants are intended primarily to address affordability issues and therefore make projects bankable. Such PIDG VGF Grants will usually be disbursed once all equity subscriptions are made and then disbursed *pari passu* with debt drawdowns. In exceptional cases, where the capital grant needs to be integrated into the capital structure of the project in order to attract lenders, the Head of TA may approve disbursement of a PIDG VGF Grant prior to debt disbursements, if such disbursement can be supported by enhanced due diligence and monitoring of project milestones.

For equity-only projects, the VGF Grant is not intended to share construction risk, but again to address affordability issues. Therefore, for equity-only projects the PIDG VGF Grant will usually be disbursed when construction completion is certified. There may be circumstances with equity-only projects where the Head of TA may approve disbursement after staged equity disbursements, if these are linked to reliable project delivery milestones – the disbursement issue will be considered during the PIDG VGF Grant approval process.

1.5 Role of the TA Committee

It is the responsibility of the PIDG Company (or PIDG Ltd or IFC as applicable) applying for a PIDG VGF Grant to undertake the necessary up-front appraisals and assessments, which must then be presented to the TA Committee together with the grant application(via the PIDG TA Team) for evaluation and approval.

1.6 Application Process

There are four stages in the application for a PIDG VGF Grant.

Stage 1:

Subsequent to discussions with the PIDG TA Team, a PIDG Company will submit an application using the standard PIDG TA application form requesting funds to develop a Concept Note for the proposed PIDG VGF Grant and an independent financial audit review of the proposed application. When the Head of TA receives an application for the procurement of a consultant to prepare a VGF Concept Note, the Head of TA will make an initial assessment to ensure that the PIDG Project is potentially eligible for a PIDG VGF Grant. If the Head of TA's initial assessment is that the PIDG Project is not eligible for a PIDG VGF Grant, the application will be rejected. If the Head of TA assesses that the PIDG Project is eligible for a PIDG VGF Grant, the application will move to Stage 2.

Stage 2:

If the Head of TA assesses that the PIDG Project is eligible for a PIDG VGF Grant, the PIDG TA Team will start an in-depth analysis of the need for VGF funding, carried out in close collaboration with the applying PIDG Company. This analysis results in the production of a VGF Concept Note (described in more detail in section 1.7 below) which is then considered by the TA Committee in Stage 3 of the application process.

Stage 3:

Once the VGF Concept Note has been produced, the Head of TA will circulate the VGF Concept Note and any supporting documentation to the TA Committee, who will assess the application in terms of (i) eligibility, (ii) appropriateness of the size of the PIDG VGF Grant requested, as well as (iii) the relative priority of the application, compared with other applications for a PIDG VGF Grant. The PIDG Company submitting the PIDG VGF Grant application will be asked to discuss their application and the VGF Concept Note with the TA Committee at a TA Committee meeting. The TA Committee will assess the PIDG VGF Grant application against the eligibility criteria set out in section 1.2 above, the VGF evaluation criteria set out in section 1.7 below, and the business case for the PIDG Project. The application may be rejected, or approved (or approved with specified modifications), or a final decision may be put on hold pending the submission and review of more information. The TA Committee's decision is final.

Role of the TA Committee in Projects for which PIDG VGF Grant Size will be Determined During Sponsor/Operator Selection

In cases where the size of the PIDG VGF Grant will be determined as part of the competitive process for selecting a sponsor/operator, the VGF Grant application will be submitted to the TA Committee based on an estimate of the final PIDG VGF Grant amount required for the PIDG Project.

If the actual amount of the PIDG VGF Grant eventually requested by the selected sponsor/operator is equal to or less than the estimated amount approved by the TA Committee, the PIDG VGF Grant will be considered approved provided that the TA Committee is satisfied with the fairness and transparency of the competitive process for selecting the sponsor/operator.

If the actual amount of the PIDG VGF Grant eventually requested is higher than the estimated amount approved by the TA Committee, the application must be amended and resubmitted to the TA Committee for approval, with a written justification by the PIDG Company applying for the PIDG VGF Grant of the value for money of the amount of PIDG VGF Grant requested and confirmation that the total PIDG Project costs estimated by the winning bidder have been determined through a competitive process or appropriately reviewed/ benchmarked in a manner that is satisfactory to the TA Committee. The TA Committee may reject or approve (or approve with specified modifications) the application or put a final decision on hold pending the submission and review of more information. The TA Committee's decision is final.

Role of the TA Committee in Projects for which PIDG VGF Grant Size is not Determined During Sponsor/Operator Selection

In cases where a sponsor/operator is already in place or is established by the PIDG Company as part of a PIDG Project's development, the amount of the PIDG VGF Grant will be determined via a financial and economic cost-benefit analysis carried out by the PIDG Company and reviewed by the TA Committee during Stage 3. The TA Committee will determine whether or not it is satisfied that the amount of the PIDG VGF Grant requested by the PIDG Company represents good value for money and that total

project costs have been determined through a competitive process or appropriately reviewed/benchmarked in a manner that is satisfactory to the TA Committee.

Based on such determination, the application may be rejected, or approved (or approved with specified modifications), or a final decision may be put on hold pending the submission and review of more information. The TA Committee's decision is final.

Stage 4:

If the PIDG VGF Grant is approved by the TA Committee, prior to the first drawdown of the PIDG VGF Grant the PIDG Company must commission an independent audit of the project financial model, and can apply for a PIDG TA Grant to cover the costs of such audit in accordance with the procedures set out above. This audit should confirm the accuracy and appropriateness of the calculations and assumptions made in the financial model that serves as the basis for the PIDG VGF Grant application to the satisfaction of the Head of TA and this will be one of the conditions to draw down under the PIDG VGF Grant agreement

The PIDG VGF Grant agreement is entered into between the PIDG Trust and the PIDG Company to document the terms and conditions of the PIDG VGF Grant. The PIDG Company is also required to enter into a back-to back agreement with the recipient of the PIDG VGF Grant reflecting the terms and conditions of the PIDG VGF Grant agreement. This is prepared by the PIDG Company's legal team and reviewed by PIDG Ltd's legal team prior to execution.

1.7 VGF Concept Notes

The PIDG TA Team will manage and procure services (on behalf of PIDG Ltd.) for the completion of a VGF Concept Note, in close collaboration with the applying PIDG Company.

The terms of reference for the VGF Concept Note sets out the following areas that need to be addressed:

PIDG Project:

- a) Which PIDG Company is involved with the project?
- b) Where is the project located?
- c) What sector is the project in?
- d) Who are the other Project parties?

Development Impact:

- a) Provide a description of the PIDG Project's development impact and additionality.
- b) Who are the primary beneficiaries of the PIDG Project's services?
- c) How is "poor" defined in the context of this PIDG Project?
- d) Annual per capita income of expected PIDG Project beneficiaries.
- e) Percentage of per capita or household income spent on the PIDG Project services with and without the impact of VGF Grant.
- f) How are poor beneficiaries targeted and what mechanisms will be put in place to ensure positive impacts for targeted beneficiaries?
- g) Number of households expected to benefit from the project in the project area and the number of people per household in the project area.
- h) How the project is being designed and implemented to take into consideration gender and inclusion.
- i) Number of women and girls that are expected to benefit from the project's services in the area.
- j) Percentage of population in the project area expected to have access to the service.

VGF Level and Timing:

- a) Maximum amount of PIDG VGF Grant required for the project and how was this determined. If not by competition, explain why and how this will be done.
- b) Indicate expected timing of PIDG VGF Grant payments. Will the PIDG VGF Grant be disbursed after equity or pari passu with debt?

Investment:

- a) What is the estimated economic rate of return (ERR) of the PIDG Project with and without the PIDG VGF Grant included? List the assumptions used.
- b) What is the estimated internal rate of return (IRR) of the PIDG Project with and without the PIDG VGF Grant included? List the assumptions used.
- c) What other project options were considered and how does the chosen option represent the best benefit to cost ratio?
- d) What is the estimated capital cost of the PIDG Project and how has this been determined – in particular, where the amount of PIDG VGF Grant itself is not determined through a competitive process, have the project costs been arrived at through a competitive process or appropriately benchmarked?
- e) How much private sector financing will be committed to the project (debt, equity)?
- f) How much financing from other sources is involved (government funding and / or co-financing)?

Affordability of Tariffs:

- a) Minimum user-based revenue required to cover operations and maintenance costs (in USD).
- b) Average expected tariff (if relevant) for project beneficiaries.
- c) Collection rate, if relevant.
- d) Where relevant, if collected tariff is less than the minimum required to cover operations and maintenance costs, how is the gap being filled?
- e) Describe other subsidies, if any, affecting targeted beneficiaries for same service (e.g., lifeline tariff or cross subsidy).

Outputs and Service Quality:

- a) Indicate nature of service and current availability level (e.g., average hours per day of access to the service) and comparison with existing availability and quality (e.g., number of interruptions or outages per day).
- b) How will the project outputs be measured, e.g., through a PPP contract or through regulation?
- c) Will a VGF Grant be used for any grants or performance-based payments made on the basis of output achievement? If so, indicate outputs (or milestones) and corresponding grant as % of total grant.

Public Authority Obligations or Other Major Contracting Parties to the Project:

- a) What principal risks (if any) are being allocated to the party(s)?
- b) What is the value of any liabilities (actual and contingent) that the party(s) is being asked to bear, if any?
- c) Is the party(s) obliged to repay part of all of the PIDG VGF Grant in the event of termination of the PIDG Project by the authority?
- d) How is the party(s), if relevant, organised to manage the project procurement process in an equal, fair, transparent and non-discriminatory way and deliver value for money?
- e) How well is the party(s) organised for subsequent management of the contract, if relevant?

- f) What is the risk (if any) that the service delivered by the project will change and how easily can the project respond to such changes while delivering value for money?

Commercial Case:

- a) How will competition be generated for the supply of the project inputs (capex, opex and, if relevant, finance) and how will the PIDG VGF Grant be used to address a clear issue of affordability.

How Will Key Project Risks be Mitigated?

- a) Risk that government lacks ownership of, commitment to, the project and its objectives.
- b) Risk that the contractor fails to complete the project (are there performance guarantees and would the PIDG be a beneficiary of these?).
- c) Risk that the project operation is unsustainable and/or inefficient once any capital grants disbursed.
- d) Risk that customers are unwilling or unable to pay tariffs.
- e) Risk that service provider lacks technical, financial, and/or managerial capacity.
- f) Risk that regulator or implementing agency, if relevant, is unwilling or unable to manage post-closure contract/regulatory compliance.
- g) Risk that the project loses focus on service benefits for the poor after the capital grant is disbursed.
- h) Risk of market distortion because of unfair competitive advantage afforded the project receiving the PIDG VGF Grant.

Conclusions – Key Alternatives Eliminated? A concluding section should confirm the following:

- a) That the tariff/user charges cannot be increased to eliminate or reduce the project viability gap;
- b) That the project term cannot be increased in order to eliminate or reduce the viability gap;
- c) That the capital and finance costs are reasonable and based on the standards and specifications normally applicable to such projects;
- d) That the capital and finance costs cannot be further reduced in order to eliminate or reduce the viability gap.

Annex 2: Terms of Reference of the Technical Assistance Committee

The Private Infrastructure Development Group Limited

Terms of Reference of the Technical Assistance Committee

Approved on 10 July 2020

1 DEFINITIONS

“CEO” means the chief executive officer of PIDG Ltd. or in their absence a person nominated by PIDG Ltd. to act in their place.

“Chair” means the Head of Technical Assistance (“TA”) or in their absence a person nominated by the Head of TA to act in their place.

“Committee” means Technical Assistance (TA) Committee.

“Member” means a member of the Committee.

“Monthly Report” means a report that is submitted to the PIDG Board on a monthly basis covering PIDG companies’ activities.

“Nomination Committee” means PIDG Ltd. Nomination Committee.

“PIDG Code of Conduct” means the code of conduct approved by the PIDG Members and the Company.

“PIDG Companies” means a corporate entity (e.g. a private company limited by shares or a limited liability partnership or equivalent) owned (either wholly or in part) by the PIDG Trust or PIDG Ltd including The Emerging Africa Infrastructure Fund Limited, GuarantCo Limited, InfraCo Asia Development Pte. Ltd., InfraCo Asia Investments Pte. Ltd., InfraCo Africa Limited, InfraCo Africa Investment Limited (but excluding PIDG Ltd.) and any other corporate entity established by the PIDG Trust or PIDG Ltd..

“PIDG Ltd.” means the Private infrastructure Development Group Limited.

“PIDG OPPs” means the operating policies and procedures approved by PIDG Ltd. from time to time (or equivalent policies and procedures) and which the PIDG Owners require all PIDG Companies and PIDG Ltd. to adopt and incorporate into their governing documents as a minimum standard.

“PIDG TA Grant” means a grant (including a VGF Grant) made by the PIDG Trust using PIDG TA Owner Funding to a PIDG Company, PIDG Ltd., or to IFC (for DevCo activities) or any other third party approved by PIDG Ltd. to undertake PIDG TA activities.

“PIDG TA Team” means any member of staff of PIDG Ltd. or other contractor (or equivalent) with responsibility for administering and managing the PIDG TA.

“Strategic Partnerships” means a PIDG relationship with entities outside PIDG for the purposes of exploring innovative approach to sector, countries and types of projects.

“Investment Policy” means the investment policy for the PIDG Companies approved by PIDG Ltd. and the PIDG Owners.

“VGF Concept Note” means a document produced by or on behalf of an applicant for a VGF Grant for review by the TA Committee to support the application and which sets out the applicant’s response to the questions set out in Annex 1 of PIDG TA operating policies and procedures.

“VGF Grant” means a grant for VGF made by the PIDG Trust from PIDG TA Owner Funding to a PIDG Company, PIDG Ltd., or to IFC (for DevCo activities) or any other third party approved by PIDG Ltd.

2 ROLE AND SCOPE

2.1 The role of the Committee is to:

- 2.1.1 Review all PIDG TA and VGF Grant applications that are above the Head of TA’s delegated authority;
- 2.1.2 Approve or reject PIDG TA and VGF Grant applications that are above the Head of TA’s delegated authority, notifying the PIDG Board in accordance with 4.1.4.1 in the event of an approval of a grant of an amount above USD10 million ; and
- 2.1.3 review potential Strategic Partnerships and make recommendations to the CEO for subsequent approval or rejection by the PIDG Board.

3 COMPOSITION AND APPOINTMENT OF MEMBERSHIP

3.1 Appointment, Evaluation and Term

- 3.1.1 Members shall serve a term of 2 years or, in the case of vacancies, such other time period as determined by the CEO and the Head of TA. The Members shall be nominated to the Nomination Committee by the CEO and the Head of TA and the recruitment process will be undertaken in line with the process agreed with the Nomination Committee.
- 3.1.2 The performance of the Committee Member shall be regularly evaluated (and as a minimum annually). The performance of Committee members shall be evaluated by the chair of the Committee. All evaluations shall be carried out in line with the process for the evaluation of Directors set out in the PIDG Appointment and Evaluation of Directors OPP.
- 3.1.3 Members will comply with all relevant PIDG OPPs and the PIDG Code of Conduct
- 3.1.4 Members of the Committee, other than the Head of TA, may serve a maximum of three terms (six years) in line with the PIDG Appointment and Evaluation of Directors OPP.
- 3.1.5 The Head of TA is a member of the Committee and shall preside at all meetings of the Committee and perform any duties as may be assigned by PIDG Ltd.
- 3.1.6 The Head of TA may cast a vote in the event of a tie.

3.2 Conflicts

- 3.2.1 Each Member has responsibility to disclose to the Committee any interest which constitutes, in their reasonable opinion, an actual or perceived conflict of interest. If it is decided that there is an actual or perceived conflict, they may be asked to absent themselves from parts of the meeting.

3.3 Independence of the Committee

- 3.3.1 Each Member shall act independently, impartially and shall not be representative of, and shall act without undue regard to, the particular interest of any particular body, person or class of persons.

3.4 Chair

- 3.4.1 The Head of TA shall be Chair and preside at all meetings of the TA Committee and perform any duties as may be assigned by PIDG Ltd. As Chair, the Head of TA shall also be responsible for ensuring that key actions taken, and significant matters discussed by the Committee are reported to the CEO on a regular basis.

3.5 Skills, experience and training

- 3.5.1 All Members should be suitably qualified by training and / or experience.
- 3.5.2 PIDG Ltd. will provide a tailored induction programme for all new Members.
- 3.5.3 Training will be provided to Members on an ongoing and timely basis.

3.6 Performance

- 3.6.1 The Chair shall be responsible for the evaluation of the Members.
- 3.6.2 The Committee shall, at least annually, review its performance and its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the CEO.

4 DUTIES AND TERMS OF REFERENCE

4.1 The Committee shall carry out the duties below.

- 4.1.1 PIDG TA Grants above the Head of TA's delegated authority (USD500,000 as at the date of these ToR and as subsequently amended by the PIDG Board from time to time).
 - 4.1.1.1 The Committee will review the structure, size and purpose of PIDG TA grant applications.
 - 4.1.1.2 The Committee will approve or reject PIDG TA grants, taking into consideration PIDG TA's mandate and PIDG's strategy and Unified Investment Policy.
- 4.1.2 VGF Grants
 - 4.1.2.1 The Committee will review the VGF Grant Concept Notes and the size and nature of each VGF Grant.
 - 4.1.2.2 The Committee will approve or reject VGF Grants and provide justifications for each decision and where appropriate provide

conditions precedents for each stage of disbursement of the VGF Grant.

4.1.3 Strategic Partnerships

4.1.3.1 The Committee shall review all applications for Strategic Partnerships and make recommendations to the CEO for subsequent approval or rejection by the PIDG Board.

4.1.4 Grants above USD10 million

4.1.4.1 Where a grant is approved by the Committee but is over USD10 million, the details of the grant will be circulated to the PIDG Board within 3 days of approval. Where an item is notified to the PIDG Board, it (or a member thereof) has the right, within four days of receipt, to call for a meeting or further discussion prior to execution of the decision. If no meeting or discussion is called, execution may happen on or after day 8 from the date of the decision.

5 REMUNERATION

5.1 The remuneration of the Members shall be determined by the Head of TA after consultation with the PIDG CEO, PIDG Head of HR and PIDG Board Chair, and in line with the PIDG Remuneration Framework.

6 MEETINGS

6.1 The quorum for the transaction of business shall be 2 Members.

6.2 A meeting of the Committee may be validly held by telephone or video conference call (or such other similar means) or by correspondence.

6.3 The Committee shall meet on a regular basis, usually no more than once a month.

6.4 Where the Head of TA considers it appropriate, clarifications to items considered at Committee meetings may be discussed and approved by telephone conference or by email correspondence.

6.5 The PIDG TA team shall maintain minutes and other relevant records of the meeting and activities of the Committee.

6.6 Draft minutes shall be agreed with the Head of TA and circulated to the Members of the Committee for approval. Once approved, the minutes should be circulated to the PIDG CEO.

Notice of meetings:

6.7 Meetings of the Committee shall be convened by the meeting Secretary or Head of TA.

6.8 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each Member and any other person required to attend, no later than five working days before the date of the meeting, unless the item is of an urgent nature. The agenda shall be circulated together with relevant supporting papers to Members and to other attendees as appropriate.

7 REPORTING RESPONSIBILITIES

7.1 The Head of TA shall report formally to the CEO on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

7.2 The Committee shall make whatever recommendations and approvals it deems appropriate on any area within its remit where action or improvement is needed.

7.3 The Head of TA will provide a summary for the Monthly Report that is submitted to the PIDG Board and the Quarterly Reports that are submitted to the Owners.

8 AUTHORITY

8.1 The Committee is authorised to seek any information it requires from the PIDG TA team or PIDG Companies in order to perform its duties.

Version Control

Version No.	Date	Author	Details
Version 1	10/07/2020	L Foley / M Hill	First set of draft ToR agreed by the Board by Written Resolution on 10 July 2020