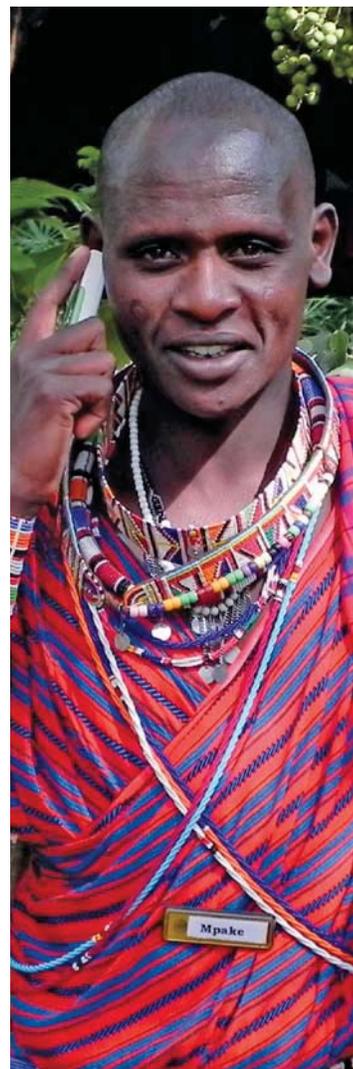




2010 ANNUAL REPORT



Helping to eliminate poverty and achieve sustainable development through public-private partnerships in infrastructure

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Message from the Program Manager

June 30, 2010

PPIAF's relevance as a unique upstream technical assistance program has been reinforced.

This was an active and challenging year for the Public-Private Infrastructure Advisory Facility (PPIAF). Active, because demand for PPIAF assistance was unprecedented as many countries, in particular in Sub-Saharan Africa, look to public-private partnerships as a means to improve and expand their infrastructure. However, it has also been challenging, as a decline in projected donor funding from fiscal 2011 onwards led to a restricted fiscal 2010 budget which did not allow PPIAF to fully meet increasing demand.

Since joining the PPIAF team as Program Manager in January 2010, PPIAF's relevance as a unique upstream technical assistance program has been reinforced. During fiscal 2010 we developed a new strategy for resource allocation. It is clear that in the context of high demand for PPIAF's services and a record need for infrastructure investment in our client countries, PPIAF must be more strategic and results-oriented in its support of technical assistance activities.

Key priorities in Program Management

Moving forward, we will be more selective when assessing grant applications; we will strive to replicate successful activities in other countries and regions; we will keep our activities small and specific; we will sequence interventions whenever possible to allow us to substantially build on previous results—leading to concrete opportunities for private participation—and collaborate with other programs and donors for subsequent phases of activity development.

Our improved focus on results has led us to develop and implement a new communication strategy. We are clearly communicating our accomplishments over the past 10 years as well as the positive implications of our activities on poverty

alleviation. Our new *Impact Stories* series and revamped website reflect these achievements, and much of PPIAF's work going forward will focus on a clearer distinction between the types of results the program generates—outputs, outcomes, and impacts—and better communication of these results to donors and other stakeholders.

In the next year we will put an emphasis on capacity building with client governments and rapid diagnosis to identify potential PPP projects, and we will continue knowledge dissemination through PPIAF-sponsored workshops and extending the outreach and communication of PPIAF's existing knowledge products. We are also currently developing a new web-based project database that contains over 800 PPIAF-funded activities which will help disseminate valuable information on public-private partnership projects in developing countries.

In the past year PPIAF has placed greater emphasis on monitoring activity progress and results. PPIAF's work is producing outcomes, and an external review in June 2010 concluded that 86 percent of all closed activities achieved measurable outcomes. These outcomes in turn lead to additional private investment in various infrastructure sectors, increased access by the poor to infrastructure services, improved level of services to the poor, increased employment opportunities, and fiscal benefits for client governments.

The Sub-National Technical Assistance (SNTA) program, established three years ago to help sub-national entities improve their creditworthiness to access market-based financing without sovereign guarantees, has established a solid brand reputation. It has generated outcomes and impacts exceeding initial expectations, including \$604

million* in financing raised and 13.3 million beneficiaries. In June 2010 Ernst & Young (E&Y) reported the results of their independent, comprehensive evaluation of SNTA's three-year pilot period. E&Y found that SNTA has achieved outputs, outcomes, and impacts in line with specific objectives in the business plan, the program has produced significant impacts, and resources have been used efficiently to create a strong, relevant program.

Donor support

PPIAF now has more than 10 years of successful operational experience. Without the support of its donors, PPIAF would not be able to deliver the high quality technical assistance that its clients need. In a time of great necessity for infrastructure investment, low levels of projected future funding are constraining PPIAF's ability to support such work. PPIAF thanks the donors for their support, which enables us to continue producing meaningful impacts and contributing to economic growth and poverty reduction in developing countries around the world.

PPIAF has been hailed a flexible, vital, and relevant program that serves as a unique conduit of information and experience, which acts as a catalyst to increase private infrastructure investment in emerging markets. PPIAF's comparative advantage, working to strengthen the enabling environment for private participation, is clear. Our team of experienced infrastructure professionals, aided by our regional presence, has successfully engaged with industry professionals and clients in a unique space at the upstream end of the project development cycle.

*Please note all figures included in this report are in US dollars.



PPIAF Washington, DC Office: Standing (from left to right): Anita Correa, Andrew Jones, Bailo Diallo (intern), Birama Subramanian, Bardia Massoudkhan (consultant), Amsale Bumbaugh, Pierre-Orel Dalexis (intern); Front Row (from left to right): Maria Butler, Theodora Rodman, Adriana de Aguinaga, James Leigland, Clemencia Torres de Mästle.

Fundraising and meeting demand

Very soon after joining the PPIAF team I realized with concern that although the program had been committing around \$20 million per year in new PPIAF and SNTA activities over recent years and was incurring around \$3 million per year in program administration expenditures, the projected levels of funding for fiscal 2011 and 2012 were at record low levels: \$4.8 million projected for fiscal 2011 and \$8.8 million projected for fiscal 2012, based on pledged amounts as per signed grant agreements with various donors.

During June 2010 the liquidity position of PPIAF somewhat improved as we received a new \$2 million contribution from the International Finance Corporation (IFC).

With the uncertainty of future funding, it has been difficult to estimate the level of funding available for new activity commitments for the coming years. We have allocated funds per region based on budgetary constraints rather than on client demand and we are controlling and reducing costs.

As Program Manager I am concerned about the projected low funding levels at a time when many activities funded by PPIAF are producing results. This is why one of my priorities has been to engage with our existing donors and to contact

other institutions and governments to assess possibilities for renewed and increased funding.

Strategic proposals for specialized PPIAF and SNTA technical assistance—on universal access, climate change, sub-national finance, and urbanization, among others—have also been prepared to offer donors new options for allocating their funding. These proposals are summarized in the following section on Emerging Themes. We expect to raise new contributions in support of PPIAF's 2011-13 Work Program.

At a time when the public-private partnership agenda has re-emerged at the front line of our clients' priorities, infrastructure needs are greatest, and access to capital markets is tight following the financial crisis. PPIAF and SNTA look to the donors for their continued support in helping to eliminate poverty and achieve sustainable development.

A key challenge for the members of PPIAF's Program Council is to restore the program's funding to prior levels; and the challenge for me as Program Manager is to ensure that the program continues to deliver high quality technical assistance to its clients and to produce meaningful impacts in terms of economic growth and poverty reduction.

PPIAF thanks the donors for their support, which contributes to economic growth and poverty reduction in developing countries.

Adriana de Aguinaga, Program Manager

Section 1: Emerging Themes and Evolution of the Financial Crisis



Emerging Themes: Looking Ahead

Introduction

Since inception PPIAF has provided upstream technical assistance to a range of countries at different development stages and with different needs to remove barriers to private investment and help mobilize private financial resources.

PPIAF intends to continue providing this type of support, but in order to better target its technical assistance and to raise new funds, PPIAF has developed a work program to be implemented over the 2011–13 period, structured around three strategic pillars and four strategic themes. These strategic pillars logically group several key development priorities identified by PPIAF's donors, reflect the "special themes" identified during International Development Association (IDA)'s sixteenth round of replenishment, and organize by theme the technical assistance PPIAF has provided to date and its priorities for future work. The strategic pillars are outlined below:

- **Universal access:** assisting governments in developing countries expand access to basic infrastructure services. Technical assistance will use innovative approaches to scale up access to services for underserved populations and contribute to poverty reduction.
- **Climate change:** facilitating private financing and public-private partnership arrangements that contribute to infrastructure-related climate change mitigation and adaptation efforts. PPIAF's expertise can help structure arrangements for private support in basic infrastructure sectors.
- **Urbanization:** helping municipal governments and utilities respond to rapid urbanization by developing their capacity to access private expertise and financing in order to extend and improve urban services. Financing might be accessed directly via banks or bond markets, or indirectly via public-private partnership arrangements along with private sector expertise.

A number of themes cut across these strategic pillars and will continue to be areas of focus for PPIAF attention and support. These themes include the following:

- **Sub-national finance:** helping sub-national entities improve their creditworthiness to access market-based financing without sovereign guarantees, with the proceeds used to fund improved and increased infrastructure services in all sectors.
- **Fragile States:** strengthening assistance to fragile states, where weak institutions and risks of conflict constrain national poverty reduction efforts and service delivery. Public-private partnerships may not be easily feasible in many fragile states, but legal, regulatory, and policy reforms are often possible and can represent important first steps toward improved infrastructure service provision through private participation.



- **Regional integration:** enabling developing countries, particularly those in Africa, to pursue regional integration by way of joint development projects of sufficient scale to attract private sector interest. Integration also has strong positive regional impacts in terms of trade facilitation and economic development.
- **Capacity building:** providing capacity building for decision makers and technical staff in developing countries. This assistance is critical to help them understand the benefits of increased private sector participation for improved service provision and develop sustainable infrastructure projects.

Pillar I: Universal access

PPIAF's poverty reduction goals are most challenging in rural and peri-urban communities that still lack access to basic infrastructure services. Private investment in public infrastructure has tended to concentrate in urban areas because of the likelihood that users can pay at least some of the full costs of service. Infrastructure services in rural areas have traditionally been heavily subsidized because these users are much less able—and often unwilling—to pay for these costs. As a result, even where infrastructure networks exist, many households remain unconnected, demonstrating that the physical rollout of networks is not the only barrier to universal access. In many countries, the private sector remains uninterested in rural infrastructure projects because high subsidy requirements mean that governments, rather than customers, must pay most of the service costs, and the stamina of many governments in developing countries to subsidize service provision on a long-term basis is often suspect. Governments are also wary of heavily subsidizing private operators.

These difficulties with rural and peri-urban service provision are underscored by historical data on changes in service coverage. Despite significant investment in infrastructure provision over the past 20

years, the percentage of populations covered by the provision of household services such as piped water, electricity, and landline telephones has not markedly increased. At the current rate, universal access to these basic services in Sub-Saharan Africa is more than 50 years away. Coverage expansion has been weakest in rural areas, where access to infrastructure services has always been significantly lower than in urban areas. Population dispersion in rural areas—where population densities are typically less than 15 people per square kilometer—means that the per capita cost of providing infrastructure is double that of doing so in densely populated cities.

The technical assistance supported by PPIAF and its SNTA program uses innovative approaches to scale up access to services for underserved populations across basic infrastructure sectors. PPIAF's upstream technical assistance focuses on service expansion by designing legal and regulatory frameworks, conducting options studies, and preparing pre-feasibility and feasibility assessments—all of which aim to enable and encourage private participation in, and financing of, universal access infrastructure programs, and ultimately facilitate public-private partnership arrangements based on cost-reflective pricing and/or results-based subsidies.

Ongoing work

PPIAF has a broad range of experience in supporting activities specifically aimed at expanding and extending access to underserved populations, and has built a critical mass of knowledge on ways to effectively involve the private sector in financing and managing universal access programs. PPIAF has combined results-based aid with public-private partnership models to expand rural electrification in Sub-Saharan Africa, helped locally-based public or private water service providers scale up access to water in rural and peri-urban areas, assisted the development of performance-based public-private partnership contracts for the design, construction, and maintenance of highways and roads, worked with regulators and policy-makers to extend telecommunications coverage to rural areas, and facilitated public-private partnerships in irrigation to enhance agricultural production and promote food security.

PPIAF uses innovative approaches to scale up access to services for underserved populations across basic infrastructure sectors.

Over the past year PPIAF has provided funding for several activities related to universal access programs. For example, in the telecommunications sector PPIAF is assisting Pakistan's Universal Service Fund Company develop an audit framework and build capacity to increase the delivery of broadband services awarded under public-private partnership arrangements.

PPIAF is also working with the Government of Thailand, through the Ministry of Information and Communication Technology, to create a rural broadband development strategy that will provide more cost-effective ways of delivering services—such as health and education—to rural and remote areas.

Looking forward

PPIAF and its SNTA program seek to respond to growing demands from clients for help in expanding access to basic and vital infrastructure services. Up to one billion people—six out of seven in rural areas—lack access to clean water, with demand expected to rise by 50 percent in developing countries by 2030. Furthermore, a rural electrification rate of only 12 percent in Africa means that more than 500 million people do not have access to electricity. Currently, the area equipped for irrigation in Africa, slightly more than 13 million hectares, makes up a mere 6 percent of the total cultivated area. Clearly, there is much work to do.

Expanding access to infrastructure services in rural areas is key to the attainment of the Millennium Development Goals. PPIAF and its SNTA program will seek to encourage private investment in these basic services by supporting innovative solutions to set appropriate tariffs, mitigate risks, and encourage results-based subsidies in cases where beneficiaries are unable to pay the full costs of services.



Countries need to develop appropriate policy strategies, action plans, and regulations that incorporate adaptation and mitigation measures to attract private sector participation.

Pillar II: Climate change

Addressing problems caused by climate change is critical to economic growth and poverty reduction and is particularly urgent for citizens in the world's poorest countries, who will suffer disproportionately from the negative impacts of climate change. Public funding alone cannot come close to meeting the costs of climate change-related mitigation and adaptation—estimates of the total bill range from \$170 to \$475 billion per year, and the European Commission estimates that 80 percent of needed funding will come from private sources. Most of this investment will be required in the infrastructure sectors within which PPIAF operates, such as power, transport, water, sanitation, and solid waste, in addition to urban and social infrastructure.

PPIAF's relevance lies in its work on the upstream enabling environment for public-private partnership projects, early stage project conceptualization, and pre-feasibility project development—precisely the kind of work that must be informed by climate change sensitivities if the private sector is to invest in infrastructure-related climate change mitigation and adaptation in developing countries. Specifically, government officials need help to plan and prioritize climate-friendly projects, design legal and regulatory environments that facilitate the development of such projects, incorporate specific climate change responses into project designs, find and justify subsidy funding to pay for costs or mitigate risks that make private participation non-viable, and regulate project implementation after contract closure.

SNTA is particularly relevant for climate change responses in cases where public-private partnerships are impractical or inappropriate. It offers municipalities and local utilities a non-exclusive public-private partnership approach for meeting the needs of increasing urbanization and population

growth with renewed and expanded infrastructure for water, electricity provision, wastewater treatment, and efficient transport.

Ongoing work

PPIAF has experience implementing activities relating to climate change mitigation or adaptation. Demand is expected to significantly increase PPIAF's exposure to this type of work, especially with the ongoing success of its Norwegian Agency for Development Cooperation (NORAD)-funded climate change non-core trust fund in Sub-Saharan Africa.

In the power sector PPIAF is working with Egypt to create an upstream enabling environment to support the government's ambitious wind commercialization program. This activity will help to markedly increase the contribution of wind energy and stimulate private investment by international and local investors in Egypt's power sector.

In the transport sector PPIAF is supporting a regional transport study on the role of the private sector in mitigation and adaptation efforts, building on ongoing work in Ethiopia, Ghana, and Mozambique. This study focuses on the climate change mitigation potential of public-private partnership arrangements in urban public transport delivery, and the implications of such arrangements for vehicle providers, service operators, and facilities service providers. On the adaptation front, this study examines ways of making transport infrastructure climate resilient to enable investment decisions that are better informed by climate change realities.

PPIAF's work related to public-private partnerships in climate change maintains the program's upstream focus on the policies, plans, and regulations needed to incentivize public-private partnerships for adaptation and mitigation. The ultimate impacts of this work would be realized in the form of infrastructure services provided in ways that help reduce the emission of greenhouse gases (mitigation), and/or services that are protected against the kind of harsh weather variability expected to result from climate change (adaptation).

Looking forward

PPIAF's experience with the NORAD-funded climate change program in Africa and growing demand from countries in

other regions suggest that climate change activities will assume an increased share of the PPIAF and SNTA portfolios. Countries need to develop appropriate policy strategies, action plans, and regulations that incorporate adaptation and mitigation measures to attract private sector participation in climate-friendly public-private partnerships (in sectors such as power, transport, water and sanitation, and solid waste). Public options for assistance with technology and financing are clearly insufficient to meet identified needs, and thus the private sector will be at the forefront of climate change mitigation and adaptation efforts.

Pillar III: Urbanization

Rapid urbanization is placing growing demands on governments in the developing world to deliver essential infrastructure and related services to an ever-increasing number of people. More than half of the world's population now lives in urban areas, and over 90 percent of urbanization is taking place in developing countries. Cities can potentially drive national economic development, but if urbanization is not well managed, that potential will be wasted, and urbanization will increase urban poverty and the number of slums that already trap over a billion people in the developing world. Many cities are beginning to view the private sector as a source of needed infrastructure financing and management expertise. Additionally, public-private partnerships and options for directly accessing private finance from banks or bond markets are increasingly being seen as key elements in cities' overall infrastructure delivery strategies.



PPIAF has a long track record supporting private sector participation in the delivery of urban infrastructure services.

PPIAF assistance can build capacity among city officials, who often lack the expertise needed to effectively engage with the private sector, especially in the identification and preparation of commercially viable projects or in understanding how their cities can become creditworthy borrowers of private finance or public-private partnership partners. PPIAF assistance also includes reforms to institutions, policies, and legal and regulatory frameworks necessary for sustainable public-private partnerships for urban services.

Through the SNTA program, PPIAF carries out similar work in support of direct government access to private financing. Municipal bonds represent a powerful capital allocation tool that is used by cities in many developed countries to build and maintain urban infrastructure, but have so far been untapped in many developing countries. SNTA facilitates financial transactions involving bonds or bank loans to help cities tackle urbanization problems by accessing market-based finance without sovereign guarantees.

Ongoing work

PPIAF has a long track record supporting private sector participation in the delivery of urban infrastructure services. PPIAF has supported policy and planning work for private sector participation in urban water supply in Laos, Cambodia, the Philippines, Vietnam, and India; solid waste management in Armenia, Maldives, Djibouti, the Philippines, and Egypt; and bus rapid transport and other urban transport services in Uganda, the Philippines, Malawi, and Botswana. PPIAF is also currently working with the South African Cities Network to fund pre-feasibility studies for public-private partnership projects that will expand the use of renewable energy and energy efficiency in several cities across southern Africa.

The SNTA program is positioned to accentuate the positive effects of urbanization, due to its exclusive focus on helping municipalities and local utilities develop their capacity to access market-based financing without sovereign guarantees. Proceeds from the resulting financing raised are intended to expand and improve infrastructure services, often in response to the emerging infrastructure challenges associated with rapid urbanization. For example, in the Mexican state of Quintana Roo, an SNTA grant helped secure nine credit ratings and went on to facilitate an innovative series of pooled borrowing transactions. As a result, \$370 million of domestic private capital was raised, to be invested in sub-

national infrastructure that will benefit over 1.2 million people in the state and 2 million more in the rest of the Mexican Mayan region.

Looking forward

Rapid urbanization and the pressures it places on cities to deliver necessary infrastructure and services such as transport, water and sanitation, waste disposal, and electricity means that demand for PPIAF and SNTA services is strong and likely to increase. In the next 20 years nearly 2 billion new urban residents are expected, and urban populations in South Asia and Africa are expected to double over the same period.

Cities currently account for some 70 percent of global GDP, and the new urban growth paradigm being embraced by most development experts underscores the economic benefits of urbanization, driven by rising productivity, fluid labor markets, and greater market access. PPIAF's upstream technical assistance will be especially important in realizing urbanization's full potential benefits in terms of growth and poverty reduction.

Evolution of the financial crisis

By mid-2010 many of the most visible impacts of the global financial crisis appeared to be receding. At first glance this also seemed to be true of the crisis' impacts on private sector participation in infrastructure—an area of concern for PPIAF since the end of 2008. However, apart from a handful of middle-income countries, the crisis continues to seriously restrict private investment in infrastructure. This fact helps account for the continued high level of demand for PPIAF services, particularly in low-income regions.

Private participation in infrastructure (PPI) immediately before the crisis was extremely positive. In 2007 the global level of PPI in developing countries reached its highest commitment ever, surpassing the 1997 peak by 10 percent in real terms. Telecommunications continued to dominate sectoral investment, but commitments grew across all developing country regions in all sectors except water and sanitation. However, all of that began to change in 2008 with the sharp declines in GDP growth and contractions in net capital flows to developing countries. Banking problems in developed countries helped dry up project finance globally, with severe consequences for projects in developing countries, where

Apart from a handful of middle-income countries, the crisis continues to seriously restrict private investment in infrastructure.

the higher cost of finance began to force project delays and cancellations.

From August to December of 2008, new PPI activity was down significantly from the previous year—15 percent lower by investment and 20 percent by number of projects. It was clear by the end of 2008 that PPI projects would reach financial closure only with strong economic and financial fundamentals, reform-minded government owners, and experienced sponsors. Normal bank syndication was being replaced by “clubs” of financiers who insisted on individual bilateral negotiations with borrowers (rather than negotiating through syndicate leaders), lower debt-equity ratios, shorter loan tenors, and higher interest rates. In many low-income countries perceived to be at high risk, financing was simply not available as of 2008.

However, by early December 2008 and on into 2009, global investment commitment numbers began to recover. In fact, except for a slight decrease in total commitments for 2008, the 12-month numbers were not appreciably different from those of 2007—and still higher than those during the 1997 peak. But the global totals masked a more sobering reality. By the end of 2008, large middle-income countries like India, Turkey, Brazil, and China were aggressively supporting their PPI pipelines and providing fiscal stimuli for their economies by sponsoring large PPI projects (\$3–\$4 billion each) that lifted investment totals for the entire developing world.

In the first half of 2009, Brazil, India, and Turkey accounted for three times the PPI commitments generated in all other developing countries combined. Despite reduced project financing liquidity and stringent borrowing requirements, these countries achieved financial closure for these huge projects by accepting more of the project risks that might otherwise have discouraged private partners and by supplementing private financing with funding from government-owned or controlled financial institutions. The sheer size of many of these projects probably gave comfort



to many prospective private partners that the projects were “too big to fail” because governments would not let such projects collapse for lack of government support.

Private participation in infrastructure in 2010 began somewhat more slowly, with India still driving investment totals with huge projects, but lower numbers registering in Brazil, China, and Turkey. If these middle-income countries replicate the shift from stimulus to austerity seen in European countries, and as a result diminish their aggressive support for mega PPI projects, the global PPI numbers for developing countries in 2010 could be sharply lower than the total for 2008, generally considered the worst year of the crisis.

In the countries where PPIAF focuses most of its resources, PPI has not yet returned to normal. And in some senses, what was normal in 2007 may not be seen again for a very long time. The crisis seems to have ended what many bankers feel were unrealistically low pricing levels for project finance debt before 2007, which were driven by excess liquidity and aggressive bank competition.

That liquidity is now gone and banks have shifted sharply in more conservative business directions. The higher interest rates, shorter tenors, and lower debt/equity ratios that characterized the “flight to quality” beginning in 2008 seem to have become longer-term characteristics of the project finance landscape. As long as countries like India, Turkey, China, and Brazil can accept higher contingent liabilities on projects and make available more government funding, their PPI projects will reach closure under the new conditions prevailing in the marketplace. But smaller, poorer countries continue to face much bigger obstacles to private sector participation project viability than existed in 2007. As these countries try to re-ignite their PPI project pipelines, traditional PPIAF assistance will be more valuable to them than ever before. Consequently, demand for basic PPIAF assistance, as well as for PPIAF’s new strategic pillars and cross-cutting themes, is expected to continue growing.

Section 2: PPIAF and SNTA Country and Regional Activities



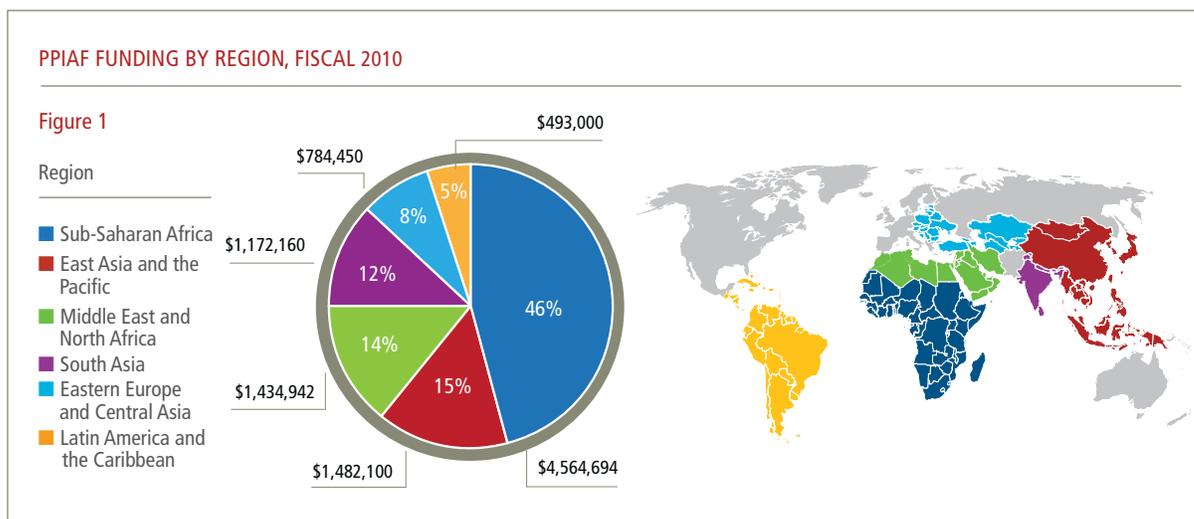
PPIAF: Country and Regional Activities

PPIAF approved \$11.2 million in funding for 60 activities in fiscal 2010 (see Annex 2 for a full list of activities). This represents a 40 percent decrease from PPIAF's record-high approvals totaling \$18.9 million in fiscal 2009. The drop in grant approvals reflected the decline in donor funding projected for fiscal 2010, as well as planning for fiscal 2011, when pledged funds are significantly lower than in prior years. In July 2009, at the beginning of fiscal 2010, donor funding for the year was projected at \$14 million. In June 2010, close to the end of the fiscal year, PPIAF received contributions totaling \$4.5 million, including an unexpected contribution of \$2 million from the IFC which will be allocated in fiscal 2011.

The 60 activities approved in fiscal 2010 were funded with donor contributions from both the Multi-Donor Trust Fund II and from PPIAF Non-Core Funds. The breakdown of Funds is included within the Program Finances report found in Section 3 of this report, and a full list of approved activities is presented in Annex 2.

Distribution of program activities in fiscal 2010

PPIAF continued to focus about half of its work on Sub-Saharan Africa, where infrastructure needs are greatest among developing country regions. PPIAF grants totaling \$4.6 million funded 24 new activities in the region, approximately 46 percent of country- and region-specific commitments for fiscal 2010 (Figure 1). In Sub-Saharan Africa 76 percent of funding for country-specific activities was focused on low-income countries—columns 1 and 2 on the Organisation for Economic Cooperation and Development (OECD)'s Development Assistance Committee (DAC) list of official development assistance recipients.



PPIAF continued to focus about half of its work on Sub-Saharan Africa, where infrastructure needs are greatest among developing country regions.

In East Asia and the Pacific, activities continued to receive above average funding commitments, such as a \$500,000 phase two grant to support the establishment of an infrastructure guarantee fund in Indonesia. The region secured the second largest share of funding despite a slight decrease in its share of the portfolio compared with fiscal 2009. Six new activities were approved in East Asia and the Pacific, totaling \$1.5 million, or 15 percent of country- and region-specific funding.

PPIAF has seen a burgeoning demand for its services in the Middle East and North Africa, which has typically received the lowest share of the program's funding. In fiscal 2010, seven activities, totaling \$1.4 million, were approved in the region, boosting its share of funding from 4 percent in fiscal 2009 to 14 percent in fiscal 2010.

South Asia received \$1.2 million, or 12 percent of approved funding, a slight increase from fiscal 2009.

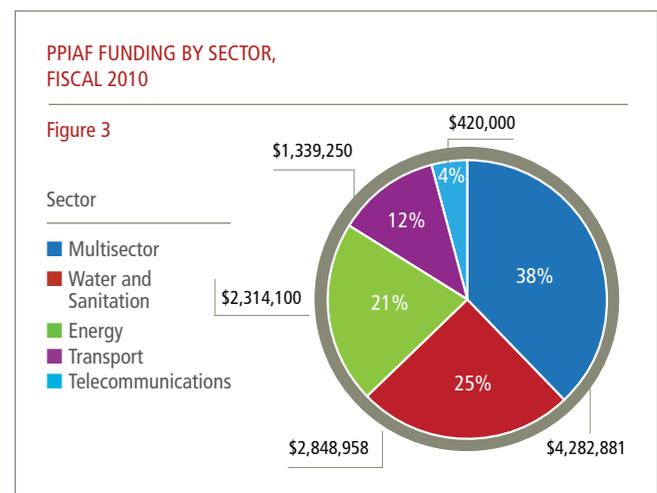
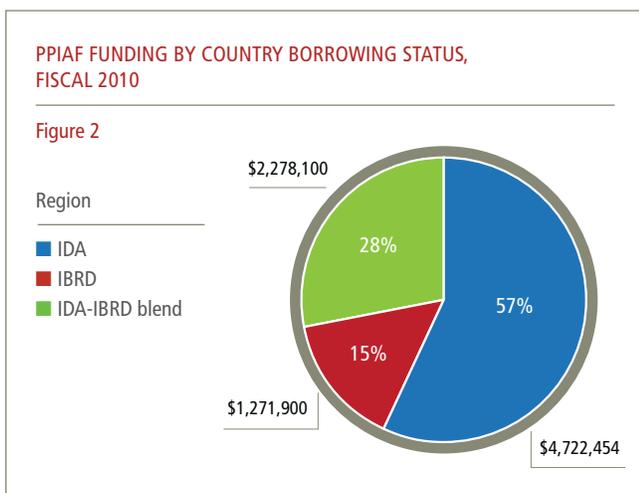
Approval totals fell slightly in Eastern Europe and Central Asia and in Latin America and the Caribbean, a shift partially attributable to the record high demand from the Middle East and North Africa.

PPIAF monitors the distribution of funding commitments by country borrowing status in order to ensure a continued emphasis on funding pro-poor activities in low-income countries (Figure 2). In fiscal 2010 PPIAF directed almost three-quarters of country-specific funding, including regional

Sub-Saharan Africa activities, to low-income countries eligible to borrow from the IDA ("IDA countries") or from both the IDA and the International Bank for Reconstruction and Development ("IDA-IBRD blend countries"). Remaining funding was allocated toward middle-income countries eligible to borrow from the IBRD ("IBRD countries"). Figure 2 excludes activities that were specifically targeted to middle-income countries under Switzerland's State Secretariat for Economic Affairs (SECO)'s Middle Income Countries Non-Core Fund.

Multisector activities accounted for two-thirds of total PPIAF commitments in fiscal 2010 (Figure 3). These activities typically provide broad-based support to the public-private partnership enabling environment across infrastructure sectors. They remain a particularly strong priority for governments focused on capacity building initiatives and institutional reforms such as the creation of public-private partnership units, policy and strategy frameworks, or infrastructure development funds.

Activities in the water and sanitation sector, which also includes irrigation, increased markedly in fiscal 2010, receiving \$2.8 million or about 25 percent of funding—an increase from 12 percent in fiscal 2009. There are several reasons for this increase. PPIAF has had particular success assisting small-scale water activities, municipal solid waste projects, and irrigation projects in Sub-Saharan Africa this year. PPIAF supported water, solid waste management, and



irrigation activities in urban areas in Armenia, the Central African Republic, India, and the Philippines, and in rural or peri-urban communities in Côte d'Ivoire, Ethiopia, the Maldives, and Mozambique.

Funding for energy activities decreased slightly in fiscal 2010, representing approximately 20 percent of total PPIAF funding. However, energy remains a key strategic sector for the program because of electricity's impact on economic growth, huge gaps in access to electricity services especially in Sub-Saharan Africa where frequent power cuts severely impede economic activity, and PPIAF's growing strategic focus on climate change adaptation and mitigation. For example, PPIAF is funding an activity in South Africa aimed at increasing energy efficiency, generating renewable energy, and reducing greenhouse gas emissions—a project that may prove to be replicable elsewhere. Due to the complex political and economic issues underlying regional energy projects, PPIAF did not fund any large regional or cross-regional energy projects in fiscal 2010, which helps to explain the slight decrease in funding for energy projects. Instead, funding was directed more toward universal access activities such as rural electrification.

In fiscal 2010 PPIAF approved 10 transport activities for a total grant funding of over \$1.3 million, focusing a large share of support on urban light rail, toll roads, and—particularly in the Middle East and North Africa region—port reform. In addition, a large transport activity in Côte d'Ivoire

is helping the government prepare a strategy for the development and maintenance of its transport infrastructure, with a particular focus on policies that will mitigate the impact of climate change.

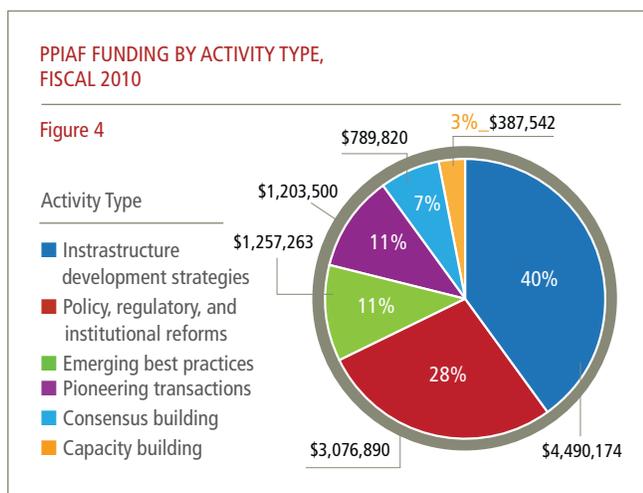
Telecommunications has traditionally received the smallest share of PPIAF funding as much of the market's needs are already met by the private sector on a purely commercial basis due to the sector's relatively strong and reliable revenue streams, low capital investment needs, and commercial-friendly regulation. This trend continued in fiscal 2010 with three telecommunications activities representing four percent of the portfolio. PPIAF funding in this sector is aimed at specific gaps in the market, especially involving service to the rural populations. In fiscal 2010 PPIAF funded two rural broadband activities in Thailand and Pakistan aimed at expanding broadband networks to achieve universal access. PPIAF will continue to provide support for telecommunications activities in fragile states and in rural areas.

Finally, PPIAF also tracks the specific types of activities approved. In practice, many individual PPIAF activities correspond to two or more of the specific activity categories approved in PPIAF's Program Charter. The breakdown below in Figure 4 is based on the Program Management Unit's judgment as to the primary focus of each approved activity, and should thus be treated as indicative only.

Infrastructure development strategies and policy, regulatory, and institutional reforms are PPIAF's most widely used activity types as governments seek PPIAF's advice, expertise, and funding to develop the requisite enabling environment to facilitate public-private partnerships. In fiscal 2010 these two activity types accounted for over two-thirds of PPIAF funding, worth over \$7.5 million.

PPIAF's commitment to emerging best practices, which supports reliable analysis on the replicability of public-private partnership models, what works and what hasn't worked, remains a key element of PPIAF's upstream work. Its share of the portfolio increased to 11 percent in fiscal 2010, from 7 percent in fiscal 2009. In addition, pioneering transactions, which have grown as PPIAF has sought opportunities to engage clients further downstream, also increased in fiscal 2010, accounting for another 11 percent of the portfolio.

Consensus building and capacity building activities accounted for the smallest share of PPIAF grant assistance in fiscal 2010, representing a combined 10 percent of the portfolio.





Sub-Saharan Africa

The negative impact of power cuts, massive traffic backlogs, and water shortages have all highlighted the importance of improved infrastructure for policymakers.



Prior to the financial crisis Sub-Saharan Africa showed consistently steady GDP growth over several years. While Sub-Saharan Africa was largely able to avoid the initial effects of the global financial crisis, the region has been hit hard by the subsequent crisis aftershocks and resulting global recession. However, one of the results of the crisis has been a renewed focus among governments on expanding the provision of infrastructure in Sub-Saharan Africa. According to the PPIAF-funded Africa Infrastructure Country Diagnostic (AICD), infrastructure has been responsible for more than half of Sub-Saharan Africa's recent improved growth performance and has the potential to contribute more in the future.

Despite increased investment in Sub-Saharan Africa, the infrastructure financing gap remains at about \$45 billion a year, approximately one third of which is for maintenance. Institutional and regulatory reforms, though still lacking in some areas, have already had a positive impact in the region. While interest in public-private partnerships has grown along with the commitment of African policy makers to create better conditions for successful implementation, the benefits that public-private partnerships hold for the region's development are yet to be fully achieved. The closing of Sub-Saharan Africa's infrastructure gap will be largely dependent on the continued commitment of governments to achieve an enabling environment that attracts effective private investment in, and management of, infrastructure projects throughout the region.

Overview

Demand for PPIAF support in Sub-Saharan Africa continues to be strong. PPIAF committed \$4.6 million for 24 activities in fiscal 2010, accounting for 46 percent of region-specific PPIAF commitments. Due to PPIAF's reduced fiscal 2010 budget, this represents a significant drop in commitments from \$7.6 million for 33 activities in 2009, though Sub-Saharan Africa's percentage share of the portfolio remains steady. Despite unprecedented demand for PPIAF's services in the region, over 40 activities worth over \$8 million were either not funded or postponed due to PPIAF's constrained budget.

Areas of PPIAF assistance

In addition to the financial crisis, many countries in Sub-Saharan Africa faced severe droughts that led to a food shortage crisis. In response, many governments are now formally adopting public-private partnerships as a means of improving service delivery by involving the private sector to design, build, finance, and operate infrastructure service facilities previously provided by the public sector.

Public-private partnerships in irrigation are a relatively recent phenomenon in Sub-Saharan Africa. Experience so far indicates that well-structured public-private partnerships can result in more irrigated crop land, increased agricultural productivity, as well as some relief for governments of at least part of the agricultural fiscal burden.



East and Southern Africa Office (Nairobi, Kenya). Francis Karuu, Njeri Gicheru, Serah Njoroge

In Malawi PPIAF funding is supporting the government in carrying out consultations with key stakeholders including the private sector and small-scale farmers to raise awareness and build capacity. PPIAF support will identify public-private partnership options for the development of the Shire Valley Irrigation Project. In Ethiopia follow-on work from a previous grant is assisting the government in establishing model contracts and related procurement documents, in line with the proposed public-private partnership arrangements agreed upon in the previous PPIAF activity.

A NORAD-funded Sub-Saharan Africa non-core fund has also allowed a sharper focus on public-private partnerships that integrate both private investments in infrastructure and climate change adaptation and mitigation considerations. In South Africa PPIAF is supporting the South African Cities Alliance in carrying out pre-feasibility studies to increase energy efficiency and generation of renewable energy and to reduce greenhouse gas emissions by focusing on improved infrastructure investments with financing generated through public-private partnerships.

Looking forward

Demand for PPIAF support remains strong, partly due to the significant Sub-Saharan African infrastructure deficit, but also because the global financial crisis has placed a renewed focus on infrastructure development across the globe. The negative impact of power cuts, massive traffic backlogs,

and water shortages have all highlighted the importance of improved infrastructure for policymakers, yet challenges remain in terms of capacity, legal and regulatory frameworks, risk allocations, and financial structuring.

Sub-Saharan Africa still faces a large, unmet demand, particularly in the provision of power, water, and transport. In response, PPIAF will continue to support activities that demonstrate clear downstream impacts in terms of poverty reduction and economic growth.

Box 1: Lighting Africa: Market Development

Currently \$10 to \$17 billion each year is spent on lighting products in Sub-Saharan Africa. These lighting products are typically kerosene lamps and other fuel-based lighting products which are costly, inefficient, polluting, and often hazardous.

Lighting Africa is a joint World Bank/IFC initiative launched in September 2007 that seeks to accelerate the development of markets for modern off-grid lighting products. Its purpose is to mobilize the private sector to provide clean, affordable lighting to people without access to electricity, with an immediate target of 500,000 high-quality lanterns distributed by 2012.

In 2008 PPIAF co-funded the market-based delivery of these off-grid lighting products through a Lighting Africa grant competition. Held in Ghana, the competition selected 16 projects from 11 African countries for implementation, providing each project with up to \$200,000.

One of these projects, "Providing Affordable Home and Business Lighting for Africa with Solar and Light Emitting Diode (LED) Technology", was implemented in Rwanda. Over its 18 months of implementation, the project introduced the innovative product to 32 districts and provided 8,000 LED lights to rural households and businesses.

The Rwanda project contributed valuable lighting services to households and businesses in rural areas of the country, benefiting over 40,000 people. Families use new lights to displace traditional kerosene lighting. Improved lighting allows children to be able to study more hours and results in productivity improvements in small businesses; for example, kiosks can remain open in the evening.



East Asia and the Pacific

Demand is expected to grow for PPIAF services in East Asia and the Pacific's larger economies to develop strong pipelines and prepare for potential transactions.



East Asia and the Pacific has emerged almost unscathed from the global financial crisis, with most of the region's economies seeing outputs, exports, and employment returning to pre-crisis levels. This turn-around has been facilitated by China's resilient domestic economy and aggressive monetary regimes, as well as fiscal stimulus measures adopted by a number of governments across the region. However, private sector investment, particularly in infrastructure, has yet to recover to pre-crisis levels.

Even before the global financial crisis, private sector investment in infrastructure had failed to fully recover to its pre-Asian financial crisis peak. Though financing for projects is again becoming available, the global "flight to quality" continues to have an impact in Asia: tenors remain relatively short, interest rates are high, and governments are shouldering more risks. Investors remain interested in investing in infrastructure in the region but require committed governments and stronger project pipelines, which are lacking in many East Asia and the Pacific countries. Improving the development and implementation of these pipelines and supporting the enabling environment for private participation in infrastructure remain priorities in the region and will continue to drive demand for PPIAF assistance.

Overview

PPIAF allocated \$1.4 million for six activities in fiscal 2010, accounting for 15 percent of region-specific PPIAF commitments. A surge continued in medium-to-large grants approved, particularly in Indonesia, Vietnam, and Mongolia. However, compared with fiscal 2009, the East Asia and the Pacific portfolio shrunk considerably from \$2.8 million for eight activities in 2009. Fiscal 2010 commitments are not reflective of demand, which remains at record levels, but are instead a consequence of PPIAF's reduced budget. As a result, activities approved in fiscal 2010 demonstrate a results focus and clear value-for-money.

Areas of PPIAF assistance

In fiscal 2010 PPIAF activities in the region dealt with providing the relevant underpinnings for transactions—specifically in identifying and developing strong project pipelines and frameworks to ensure proper risk allocation and financing.

In Indonesia PPIAF approved a follow-on grant to help operationalize the newly established Infrastructure Guarantee Fund, which is envisaged to provide public support to privately financed infrastructure projects (Box 2). PPIAF is also supporting the Vietnamese government to develop a

financing framework for public-private partnerships and establish a suitable pipeline of projects. In Mongolia PPIAF is helping the government develop a strategy to prioritize and sequence the most critical public-private partnership projects in the Gobi Desert region and prepare conceptual frameworks to guide pilot public-private partnership transactions.

Other PPIAF activities approved in fiscal 2010 aimed to identify the potential role of the private sector in infrastructure service delivery and develop capacity to prepare project documents. In Thailand PPIAF is helping the government develop a rural broadband telecommunications strategy and identify innovative approaches to promote private sector participation in the delivery of broadband connectivity. This activity will provide options for the cost-effective delivery of services such as health and education to rural and remote areas. Another PPIAF activity in Indonesia is assisting Surabaya's water company analyze available delivery options to address a major shortfall in water supply associated with non-revenue water. In the Philippines, PPIAF provided capacity building to General Santos City to assess bids and oversee the Design-Build-Operate contract for a sanitary landfill.

Looking forward

Demand is expected to grow for PPIAF services in East Asia and the Pacific's larger economies—Indonesia, Vietnam, and the Philippines—as committed governments require assistance to develop strong pipelines and prepare for potential transactions. Cultivating demand in the region's least developed countries—Laos, Cambodia, and the Pacific Island nations—is a strategic priority. Already, there is demand for PPIAF assistance to develop a strategy for ownership, financing, and implementing arrangements for new medium and large hydropower projects in Papua New Guinea, and for PPIAF support to determine options for water service delivery in the Solomon Islands.

PPIAF is also active in exploring potential areas for assistance with rural electrification in Laos, and with water service delivery in both Laos and Cambodia.



East Asia and the Pacific Office (Manila, Philippines). Paul Reddel, Hope Gerochi.

Box 2: Supporting the Establishment of Indonesia's Infrastructure Guarantee Fund

Indonesia currently faces a massive infrastructure backlog. Given the tight fiscal space, the government has recognized the need to attract private investment to help meet Indonesia's infrastructure needs. Government support is likely to be required in undertaking infrastructure projects with private sector participation, but caps on cost and exposure are needed.

In 2006 PPIAF assisted the Ministry of Finance with advice on an infrastructure risk management framework including the provision of government support, which included guarantees and subsidies for private infrastructure projects. A follow-on PPIAF activity in 2008 supported the development of a ring-fenced guarantee fund to improve the creditworthiness and quality of public-private partnership infrastructure projects and mitigate some of the key impediments to private investment. With PPIAF support a methodology was developed that estimated fiscal cost and risk of support for specific projects and allowed the government to monitor and disclose assumed financial obligations.

In May 2010 the government announced the establishment of an independent infrastructure guarantee fund, PT Penjaminan Infrastruktur Indonesia. Another PPIAF-supported activity is currently providing just-in-time advisory reports in operationalizing the infrastructure guarantee fund and will support a credit rating report on its final financing structure. This complements technical assistance from the World Bank for the establishment of the infrastructure guarantee fund and from Singapore's Temasek Foundation for the development of the fund's corporate governance framework, which includes financial controls and fund management functions.

Middle East and North Africa



The relevance of PPIAF's work has increased as governments restructured projects to compensate for lower levels of private project finance.



The Middle East and North Africa has become a hotbed for private participation in infrastructure over recent years as demand for infrastructure services has grown and governments in the region have sought to close the infrastructure gap while working with post-financial crisis fiscal constraints and falling commodity prices. As a result, demand for PPIAF's services has grown significantly as governments solicit PPIAF support to build the appropriate enabling environment for public-private partnerships as well as identify and implement them successfully. In fiscal 2010 PPIAF provided a record \$1.4 million in funding to seven projects, representing 14 percent of total region-specific PPIAF funding. In addition, over \$3 million of projects had to be rejected or postponed until fiscal 2011 as PPIAF was forced to balance client demand with budgetary constraints.

Overview

The financial crisis had a severe economic effect in the Middle East and North Africa. Sliding oil prices affected oil-producing states, while reduced foreign direct investment flows led to shrinking fiscal space in resource-rich and resource-poor states alike.

As a result, the relevance of PPIAF's work has increased in this region as governments restructured projects to compensate for lower levels of private project finance. In addition, attempts to diversify economies away from oil revenues

have also attracted governments to seek and rely on PPIAF's services. For example, countries such as Egypt, Djibouti, and Tunisia have sought assistance to design efficient ports as they aim to assert themselves as regional trading hubs. Demand for PPIAF assistance is therefore likely to remain high in fiscal 2011.

Areas of PPIAF assistance

PPIAF support to governments in the Middle East and North Africa has typically focused on upstream capacity building initiatives as reforming governments looked to develop the requisite strong legal, regulatory, and financial frameworks to enable and facilitate enhanced private sector participation in infrastructure projects. In fiscal 2010 this trend continued, although there was a shift toward sector-specific activities rather than broad-based multisector support.

PPIAF has successfully engaged with the Egyptian government in recent years, supporting three activities in fiscal 2010 as the country rapidly became a regional leader in the promotion of the public-private partnership agenda. PPIAF is providing support for the regulation and institutional reform of the port sector—as control of port operational services transfers to the private sector under concession or lease agreements—and delivering recommendations to the government on private sector participation in the municipal solid waste sector. PPIAF is also providing upstream assistance



to an innovative wind commercialization program that supports Egypt's aim to create a self-sustaining market for wind power using private sector participation.

In Jordan, PPIAF responded to a request from the government to support the Amman Green Growth Program through exploring the feasibility of private sector participation in the promotion and provision of solar water heaters to the public. PPIAF's innovative approach in the Middle East and North Africa also funded a study to assess the feasibility of the establishment of a Shariah-compliant Islamic financing facility to help finance large cross-border infrastructure projects and provide technical assistance to client governments to identify and prepare a pipeline of bankable projects.

Finally, PPIAF provided funding to support port regulation in Morocco and a regional seminar on public-private partnerships in the water and sanitation sector.

Looking forward

Fiscal 2010 was a record year for the Middle East and North Africa in terms of the proportion of funding committed to the region. In addition, with unmet demand totalling \$3 million in fiscal 2010, the region looks set to continue its rapid growth as low-income and middle-income countries alike seek PPIAF assistance in establishing the appropriate environment for public-private partnerships. With high demand expected in

fiscal 2011, the Middle East and North Africa portfolio will balance itself between providing support for fast-moving middle-income countries—such as Egypt and Morocco—and fragile states—such as Iraq, the West Bank and Gaza, and Yemen—that require more broad-based upstream support. As part of this balancing, the portfolio is expected to expand to include SNTA activities for the first time.

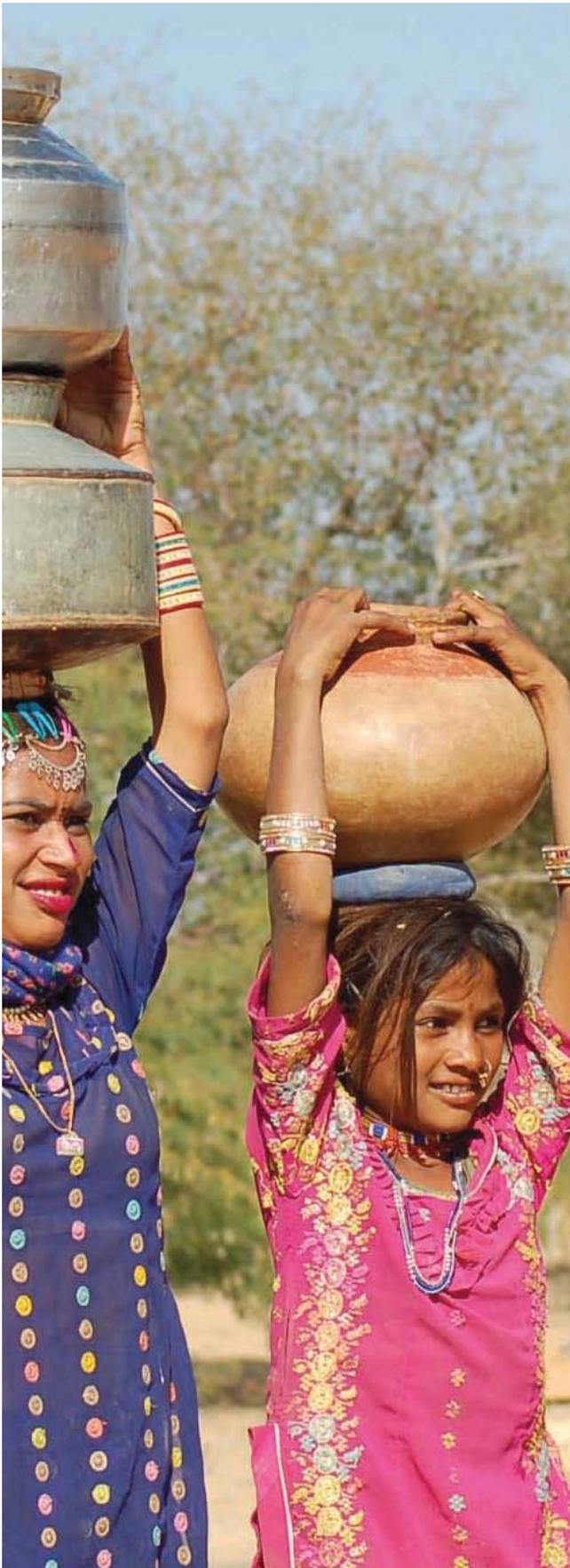
Box 3: Supporting Public-Private Partnerships in Egypt

With pressing infrastructure needs, but tight fiscal space to achieve the necessary investment, the Government of Egypt intends to implement a very ambitious PPP program, specifically in the water, transportation, and gas distribution sectors.

In 2007 PPIAF began assisting the nascent PPP Unit, housed within the Ministry of Finance. Specifically, the activity included the preparation of a comprehensive diagnostic report on PPP development issues and the legal, financial, and regulatory frameworks for PPPs in Egypt, the preparation of a business development plan for the central PPP Unit at the Ministry of Finance, and on the job technical assistance to review policy issues arising in the design of pilot PPP projects.

In May 2010 a PPP Law, reviewed and revised following legal advice provided by PPIAF, was enacted (Law Number 67 for 2010, "Promulgating the Law Regulating Partnership with the Private Sector in Infrastructure Projects, Services, and Public Utilities"). With the law enacted, the PPP Unit, which was reorganized based on the recommendations of PPIAF's diagnostic report and institutional development plan, now has a \$15 billion pipeline of PPP projects. The development of robust in-house capacity within the Ministry of Finance and the PPP Unit, helped by PPIAF, will be vital in prioritizing and developing this pipeline.

As a result of PPIAF assistance, the New Cairo Waste Water Treatment Plant (WWTP) was awarded to a consortium of Orascom and Aqualia. The WWTP project is a direct outcome of the preparation of technical options for PPPs within the PPIAF activity. The WWTP will significantly reduce pollution in the Nile River. A further five PPP projects are currently at tender stage.



South Asia

A rise in private participation in infrastructure is likely to occur in the region as the effects of the financial crisis subside.

South Asia was severely affected by recent oil and food price increases, but has been more resilient than other regions in responding to the effects of the global financial crisis. The region exhibited relatively strong performance sustained by strong domestic consumption, strong remittances and exports, and generally sound counter cyclical responses to the crisis. India is the largest recipient of private sector investment in infrastructure projects in South Asia. However, other countries in the region rely more on international finance, and thus a rise in private participation in infrastructure is likely to occur in the region as the effects of the financial crisis subside.

South Asia—home to 1.5 billion people with over 1 billion living on less than \$2 per day—has the largest global concentration of poor people. For the first time, all countries in South Asia have democratically elected governments, but governance and conflict continue to remain key challenges. Strengthening the upstream policy environments in Nepal, Bangladesh, Sri Lanka, and Pakistan, as well as supporting pioneering transactions across infrastructure sectors, will continue to drive demand for PPIAF assistance.

Overview

PPIAF committed \$1.1 million for eight activities in fiscal 2010, accounting for 12 percent of region-specific PPIAF commitments. Although the South Asia portfolio has seen a drop in commitments as compared to the previous fiscal year, a more balanced portfolio has been achieved with

assistance approved for Pakistan, Sri Lanka, and Maldives. In India, which has dominated the South Asia portfolio in previous years, PPIAF has been more selective, providing pro-poor assistance for the urban sector such as inner city roads and solid waste management.

Areas of PPIAF assistance

PPIAF has provided assistance for activities throughout the region. In Pakistan PPIAF support is aimed at developing audit methodologies for monitoring broadband telecommunications access through public-private partnerships. In Nepal PPIAF is helping water utilities prepare baseline data for water and sanitation services in collaboration with the Asian Development Bank. In Maldives PPIAF assisted the Waste Management Company to assess public-private partnership options for solid waste management in collaboration with the IFC. Fifteen expressions of interest were received in January 2010 from leading local and international developers to implement this waste management project.

In India, where PPIAF's priority has been to help the government maintain its investment program, much of the support has been for activities that focus on broader issues related to infrastructure strategies for private participation and the enabling environment. PPIAF assistance, predominantly to urban sectors, was aimed at assisting the government of the State of Maharashtra with the assessment of public-private partnership options and facilitating enabling frameworks for the implementation of solid waste facilities and the development of city roads.

Looking forward

PPIAF intends to continue engagement throughout the region while strengthening its results-oriented focus on new activities. PPIAF will strengthen partnerships with other donors across countries, engage with public-private partnership units in Sri Lanka and Bangladesh, and build on existing engagements with Pakistan and Nepal aimed at improving enabling environments. In India increased focus is being placed on lagging states and strengthening implementation mechanisms. In progressive states engagement with local governments to improve their creditworthiness and access to markets will be explored.



South Asia, and Eastern Europe and Central Asia Office (New Delhi, India).
Bernadette Nogueiro, Tarun Shankar

Box 4: Solid Waste Management in Maldives

The Republic of Maldives consists of about 1,200 small, low-lying coral islands in the Indian Ocean, of which about 200 are inhabited by approximately 300,000 people and another 84 developed as resort islands. Significant income disparities as well as differences in the provision of basic infrastructure services between Male, the capital of Maldives, and other islands or atolls is evident and increasing.

PPIAF is assisting the Waste Management Company, a state-owned enterprise mandated with the task of collecting and disposing waste in an environmentally friendly manner, with detailed due diligence on the technical aspects of the project such as waste characterization, suitable treatment and disposal technologies, waste transfer logistics, and development of public-private partnership options. This assignment is managed by the IFC, which is helping the Waste Management Company attract private sector participation in scientific management of the waste disposal site at Thilafushi Island and in developing an integrated regional waste management plan for the seven provinces (200 islands). The plan will include the collection, transfer, and disposal of waste.

The procurement process is currently underway. Strong private sector interest has been expressed in the first phase of procurement, in which 15 leading international and local firms have shown interest in implementing the project.

Eastern Europe and Central Asia



The region's many small, landlocked countries look to regional cooperation as a key to solving major challenges in infrastructure.



Eastern Europe and Central Asia is the region that has been hardest hit by the financial crisis as economic contraction has led to a sharp fiscal deterioration. Several countries experienced a decline in GDP, and the number of people living in poverty has increased by about 12 million. The drivers of growth (i.e., capital flows and high commodity prices accompanied by strong growth in export markets) are unlikely to return quickly to pre-crisis levels. The impact on private participation in infrastructure due to the crisis has been significant and is likely to increase the demand for PPIAF technical assistance.

PPIAF support to Eastern Europe and Central Asia has continued to focus on the Balkan states and various regional initiatives. The region's many small, landlocked countries look to regional cooperation as a key to solving major challenges in infrastructure. Several PPIAF grants have been aimed at supporting such cooperation.

Overview

PPIAF committed \$785,000 for three activities in fiscal 2010, accounting for eight percent of region-specific PPIAF commitments. Although the Eastern Europe and Central Asia portfolio has seen a drop in commitments as compared to the previous fiscal year, assistance was approved for engagement in Armenia and regional activities in Romania, Kyrgyz Republic, Serbia, Ukraine, and Georgia.

Areas of PPIAF assistance

In Armenia PPIAF technical assistance aimed at the preparation, implementation, and financial closure of two concessions for waste collection and sanitary cleaning of two city zones, as well as a landfill. In response to the financial crisis, PPIAF is also funding an assessment of the impact of the crisis on the energy sector of select countries, including Armenia, Romania, Kyrgyz Republic, Serbia, and Ukraine.

In Georgia and Armenia, assistance is underway to adapt and amend the existing Maintenance Microenterprise Mechanism for facilitating routine maintenance of local roads with limited support for implementing the pilots.

Looking forward

PPIAF intends to continue to engage with eligible countries in the region, and will strengthen its focus on results. In particular, PPIAF will support countries that have a credible track record of outcomes that resulted from earlier engagements. An increased effort to strengthen pro-poor engagement in Central Asia is a priority. Pre-transaction support assistance facilitating market access across countries in Eastern Europe and Central Asia will be encouraged.



Latin America and the Caribbean

Many countries are moving toward a second phase of private participation in infrastructure programs—mostly through public-private partnership schemes.



Latin America and the Caribbean Office (Lima, Peru). Joshua Gallo.

As a result of the financial crisis, Latin America and the Caribbean has experienced a marked slow-down in economic growth over the past year. At the same time, unemployment rates and the risk of rising poverty have increased. As the financial crisis becomes a fiscal crisis, there are fewer public resources to address increasing social needs. Governments in the region are looking for ways to cushion the impact of the crisis and to revitalize their economies. Many countries are moving toward a second phase of private participation in infrastructure programs—mostly through public-private partnership schemes.

Overview

Latin America has the most unequal income distribution in the world. Substantial pockets of the region's population, particularly indigenous groups, have limited access to infrastructure services. Disparities are also reflected by the different maturity levels of private participation in infrastructure markets across the region. PPIAF is providing support to Latin America and the Caribbean by spearheading private participation in infrastructure activities, piloting cutting-edge interventions, and consolidating know-how that will benefit initiatives worldwide.

Areas of PPIAF assistance

Latin America is a strong area of focus for PPIAF's SNTA program, receiving over 30 percent of SNTA's new grant commitments in fiscal 2010. As municipalities and other sub-national entities in the region's middle-income countries

become more financially viable, they look to capital markets for investment finance. This has led to a strong demand from governments for support to strengthen their creditworthiness and prepare transactions.

In Mexico PPIAF helped the State of Quintana Roo structure a series of pooled financing transactions—the first of its kind in the country. The SNTA grant covered about 25 percent of the total costs of the transaction, specifically helping with the most critical of crisis-related issues. As a result, domestic private capital in the amount of \$370 million was raised and is being invested in infrastructure at the sub-national level. Overall, SNTA activities in the region are currently spread over six countries—Brazil, Colombia, Guatemala, Honduras, Mexico, and Peru—with two additional region-wide activities that benefit an even larger pool of countries.

Two countries of strategic focus for PPIAF activities in the region are Colombia and Peru. Three activities in Colombia are supporting access to commercial financing by regional governments—Barranquilla, La Promotora, and Bucaramanga—with four credit lines already secured for these entities. PPIAF also supported traffic studies for structuring the Ruta del Sol road concession, one of Latin America's largest infrastructure projects with \$2.6 billion in expected investments (see Box 6). PPIAF is also helping the country tackle more upstream challenges such as regulatory bottlenecks in public transport, as well as the evaluation of private sector participation in water services.



In Peru PPIAF is supporting the government's recent decentralization efforts by strengthening the financial standing and management capacity of eight regional and municipal governments, including Lima, Cusco, Arequipa, San Martin, and Piura. In the case of Lima there was a need to finance key infrastructure works and replace existing short-term debt with more sustainable longer-term financing to comply with sub-national fiscal prudence rules. PPIAF's activities led to the signing on April 13, 2010 of a \$32 million IFC guarantee, associated with a \$70 million commercial bank loan provided by BBVA Banco Continental. In parallel, important milestones were reached in improving Lima's financial management, such as the consolidation of the accounts of the Metropolitan Municipality of Lima and the 19 public companies and other entities it controls.

Looking forward

In fiscal 2011 the Latin America and the Caribbean portfolio will focus on the poorest countries in the region and the poorest areas within middle-income countries. The objective will be to substantially increase the share of support to lower middle-income countries by reducing grant volumes in upper middle-income countries as defined by the DAC of the OECD.

Under the SNTA window, successful experiences realized by the program over the past years will be scaled up so that more countries can benefit from sub-national financing opportunities. PPIAF expects to support new client countries (e.g., Costa Rica, Argentina) as well as scale up the capacity secured in relatively mature markets (e.g., Lima) by shifting focus to more disadvantaged areas (e.g., the interior of Peru).

Box 5: Supporting Public-Private Partnership Models for Ruta del Sol Highway Concession in Colombia

One of Latin America's largest infrastructure projects, the \$2.6 billion Ruta del Sol highway will connect Bogota with the Port of Santa Marta on the Caribbean coast.

In collaboration with IFC Advisory, PPIAF supported traffic studies for structuring the Ruta del Sol road concession in 2008–10. The concession entails the rehabilitation of 950 km of road, expansion to double lanes of up to 840 kilometers, construction of a new 75 kilometer double lane road, and the operation and maintenance of the entire road system.

Winning bidders have been announced for the three road sections:

- Section one (78 kilometer greenfield road): the winning bid was about 20 percent less than the maximum approved government payments and resulted in government savings of about \$200 million.
- Section two (528 kilometer rehabilitation and double lane expansion): the net present value of revenues (government payments and tolls) of the winning bid was 6.5 percent less than the maximum ceiling defined for this road section.
- The consortium stipulated a minimum income of 4.48 billion pesos (\$2.4 million) per kilometer for building the 465 kilometer highway stretch under section three. The group will be responsible for the financing, construction, rehabilitation, expansion, improvement, operation, and maintenance of the stretch, which will connect districts San Roque, Ye de Cienaga, Carmen de Bolivar, and Valledupar.

PPIAF can help developing countries leverage emerging best practices to improve the provision of infrastructure services through efficient PPPs.

Global Knowledge Portfolio

As a global platform for the generation and dissemination of knowledge on private sector participation in infrastructure, PPIAF can help developing countries leverage emerging best practices to improve and expand the provision of infrastructure services through efficient public-private partnerships. PPIAF funded eight new global knowledge activities worth \$1.2 million in fiscal 2010, mostly related to cross-sector issues and transport related topics.

Overview

PPIAF supports a robust global knowledge agenda that complements its grant-funded technical assistance within countries. The program supports the development of new knowledge through research and helps make existing knowledge more accessible to policy makers and other stakeholders. Research findings are disseminated through books, user guides, notes, toolkits, workshops, videos, and specialized websites.

PPIAF's knowledge products and training resources contribute to developing countries' efforts to create an enabling environment for efficient and sustainable public-private partnerships in infrastructure and strengthen local capacity to undertake sound sector reforms. They cover cross-sector as well as sector-specific issues in gas, transport, electricity, telecommunications, and water and sanitation. They also focus on key themes that together constitute a reference framework for achieving significant and sustainable improvement in the delivery of infrastructure services.

Areas of PPIAF assistance

PPIAF's global knowledge portfolio placed a strong emphasis on the dissemination of knowledge to our client countries in fiscal 2010. Four of the eight activities approved during that period focused on the publication, dissemination, and in some cases translation of best practices for dealing with different issues in public-private partnerships, including the management of contingent liabilities, participation of the private sector in air transport infrastructure, financing of

urban infrastructure using land values, and participation of the private sector in road and highway infrastructure projects.

Toolkits and interactive websites from PPIAF's global knowledge portfolio make the latest knowledge and case studies in public-private partnerships available to a wide audience, which would otherwise not have access to such information. One such website includes the Public-Private Partnership in Infrastructure Resource Center for Contracts, Laws, and Regulations, which helps development specialists and government officials better manage the complex legal and contractual issues associated with infrastructure projects. In fiscal 2010, PPIAF provided additional support for the development and expansion of this website, and also developed a comprehensive toolkit to assess options for reforms and private participation in the railways sector.

In addition, PPIAF-sponsored workshops foster and encourage dialogue and knowledge dissemination on best practices on private sector participation in infrastructure. In fiscal 2010 PPIAF contributed to the financing of a Public-Private Partnerships Forum in Côte d'Ivoire to enable over 100 high level delegates from Francophone countries in Africa to share knowledge and exchange good practices and emerging experiences regarding the development of public-private partnerships in the region.

Looking forward

In fiscal 2011 PPIAF will continue its efforts to disseminate existing PPIAF knowledge products in our client countries and to provide capacity building through seminars and training events for senior government officials and technical staff in charge of structuring projects and implementing the reform agenda in infrastructure. PPIAF expects to continue supporting countries in identifying, prioritizing, and preparing specific projects, as well as in identifying regulatory and institutional reforms needed to incentivize private participation. Finally, PPIAF seeks to take an increasing role in supporting countries' efforts to design and implement infrastructure strategies that incorporate mitigation and adaptation measures to climate change.



Sub-National Technical Assistance Program

The SNTA program completed the third and final year of its pilot implementation period at the end of fiscal 2010. The program was created as a non-core PPIAF funding window in response to increasing decentralization and urbanization in PPIAF's traditional client countries. SNTA uses technical assistance grants to help sub-national entities improve their creditworthiness in order to access market-based financing without sovereign guarantees. The value of the program is as a means to increase the funds available for improved and increased infrastructure services such as water and electricity provision, treatment of wastewater, and efficient transport systems.

The technical assistance activities supported by the program include work to help clients structure and negotiate actual financing transactions, prepare for and obtain credit ratings, and carry out specific creditworthiness improvement activities.

Sub-national entities eligible to benefit from this technical assistance include the following:

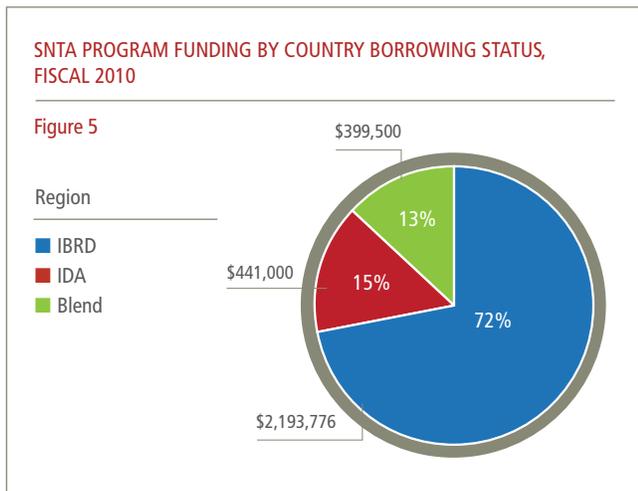
- Special-purpose government entities:
 - Local utilities and state-owned enterprises delivering public infrastructure services such as water companies, electricity utilities (vertically integrated or independent electricity generation, transmission, or distribution companies), companies responsible for solid waste collection, treatment, and disposal.
 - Public or mixed capital companies delivering transport services, which could be run on a more competitive basis such as airport authorities, rail, urban and inter-city bus, and other transport companies, particularly when private ownership or management of such services is premature.
- General-purpose sub-national government entities (e.g., states and municipalities) with infrastructure service delivery responsibilities.
- Development finance institutions (e.g., development banks and funds, with a primary focus on infrastructure lending).

Fiscal 2010 performance

Twelve SNTA activities were approved in fiscal 2010, for a total of \$3.0 million in funding—a slight decrease from the \$4.8 million committed in fiscal 2009. This reduction is partly attributable to continuing market uncertainties caused by the global financial crisis, and partly to the conscious efforts of the PPIAF Program Management Unit to slow disbursements as the pilot period came to a close. These efforts were meant to ensure that some funding remained for fiscal 2011 activities in case new donor funding arrangements were slow to take shape.

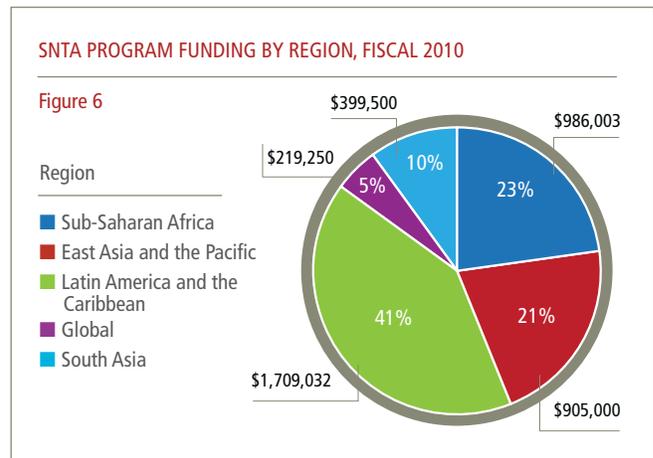
Distribution of program activities in fiscal 2010

Largely due to growing demand from Latin America and the Caribbean and East Asia and the Pacific, slightly more than 70 percent of SNTA funding was directed to IBRD countries in fiscal 2010. Less funding went to Sub-Saharan Africa in fiscal 2010 than in the previous year, reducing the emphasis on IDA countries seen in the previous two years. The original agreement with SNTA donors for the pilot period was a two-thirds, one-third funding split between low income and middle income countries, which has been achieved over the course of the pilot.

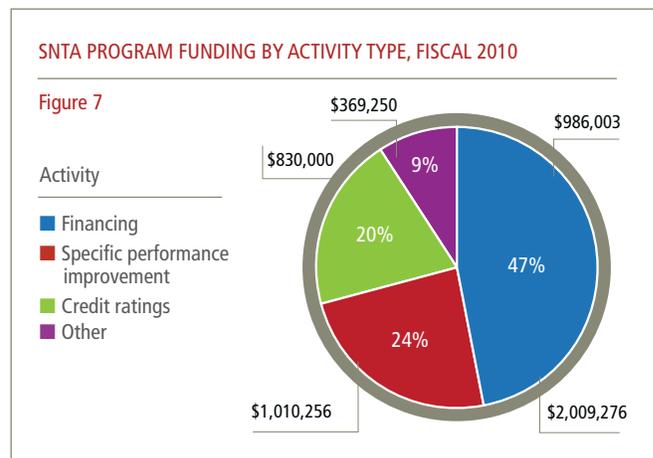


SNTA helps sub-national entities improve their creditworthiness in order to access market-based financing without sovereign guarantees.

Sub-Saharan Africa still attracted the second highest regional share in fiscal 2010, but East Asia and the Pacific made a strong comeback after receiving no SNTA funding in fiscal 2009. Demand for SNTA services for innovative projects in Latin America and the Caribbean grew as some of the recent financing successes in the region became well known.



SNTA demonstrated a strong focus on downstream results in fiscal 2010, with almost half of the funding used to help prepare actual financing transactions—the most difficult but most desirable outcome that the program targets. Credit ratings, which also typically involve pre- and post-rating capacity building, are the easiest activity to support, but the Program Management Unit has grown more and more cautious over the three-year pilot period to fund rating activities only where a strong possibility exists of actually financing transactions.



Performance over the three-year pilot, 2008-2010

In three years the program has established a solid brand reputation and has successfully disbursed \$14.4 million in donor funding for 50 activities in all developing country regions. It has generated outcomes and impacts exceeding initial expectations, including \$604 million in financing raised and 13.3 million beneficiaries. It has also achieved important qualitative results, including helping clients reduce the costs of borrowing and developing credit cultures at the level of sub-national governments.

For the three-year pilot period, the funding allocations by region are indicated in Table 1 below:

Table 1: SNTA funding allocations by region

Region	Funding (US\$)	Share of Funding (%)	Number of Activities	Share of Activities (%)
Sub-Saharan Africa	4,818,910	33	16	32
Latin America and the Caribbean	4,534,697	32	14	28
East Asia and the Pacific	1,809,000	12	8	16
South Asia	1,552,850	11	5	10
Global Knowledge	849,450	6	4	8
Eastern Europe and Central Asia	809,340	6	3	6
Totals	14,374,274	100	50	100

Funding allocations by type of activity and sector are indicated in Table 2 below:

Table 2: SNTA funding allocations by activity type and sector

Activity Type	Share of Funding (%)	Sectoral Focus	Share of Funding (%)
Financing Facilitation	44	Water	13
Credit Ratings	26	Energy	10
Performance Improvement	18	Transport	10
Other	12	Multisector	67

Pilot period results

Over the three-year pilot period, SNTA exceeded all expectations regarding quantitative measures of performance. By the end of fiscal 2010, SNTA had achieved the following results, based on an expenditure of \$14.4 million in donor funding:

- **2007–10: \$604 million in financing raised as of June 2010 (\$865 million is the expected total when all activities are completed)**

Indicator #1: This indicator is the number and size of financings that result from the improved financial management and project preparation provided by SNTA technical assistance. These are mostly actual financings from non-

governmental sources, without reliance on sovereign guarantees. In some cases, concessional financings, or borrowings backed by sovereign guarantees, may be supported by SNTA with appropriate justification.

- **2007–10: 59 credit ratings obtained or improved**

Indicator #2: This indicator is the number of sub-national entities that have increased their capability to raise financing from non-governmental sources, because they have earned an appropriate local currency credit rating or substantially improved a local currency credit rating.

- **2007–10: 61 creditworthiness improvement activities completed**

Indicator #3: This is a class of performance indicators reported on a portfolio basis, which measures the percentage of clients achieving entity-specific targets established in connection with the particular technical assistance provided by SNTA. Such targets might include unqualified audit opinions, improved cash flows, and would be useful in situations where formal credit ratings are unavailable or inappropriate given the narrow scope of a particular entity's assistance needs.

- **2007–10: 13.3 million beneficiaries (estimated by E&Y on the basis of 16 closed activities during its June 2010 evaluation of the program)**

Indicator #4: This indicator is the number of people who will benefit from expanded or improved infrastructure services as a result of investments facilitated by SNTA.

The program's ratio of private investment to donor funding was 42 to 1 for activities closed by June 1, 2010—about 20 of the 50 activities initiated during the pilot period. When all of the pilot period activities are closed, the program's likely final investment ratio is estimated to be about 60 to 1, making SNTA one of the most productive donor-funded facilities of its kind.

External independent evaluation

In June 2010 E&Y reported the results of their independent, comprehensive evaluation of SNTA's three-year pilot period, carried out based on an original commitment to SNTA donors. E&Y found that:

- "SNTA has achieved outputs, outcomes, and impacts in line with specific objectives in the business plan and DFID project memorandum"
- The program has produced "significant" impacts
- Resources have been "used efficiently"
- The relevance of the program has been strong

E&Y recommended minor improvements to the program targets, documentation, and activity selection strategy, which have already been incorporated into SNTA's operating procedures.

SNTA: Looking Ahead

SNTA has ended its three-year pilot period with an established reputation, proven results, and substantial unmet demand. To carry on with its work, it requires a minimum of \$1.5 million over the 2011–13 period to trigger the release of \$8.5 million already pledged by the United Kingdom's Department for International Development (DFID) and SECO. In addition, a further \$12 million is required over this period to bring the program to its optimal funding level to meet increasing demand. Program Management Unit fundraising for the SNTA program is ongoing.

SNTA has ended its three-year pilot period with an established reputation, proven results, and substantial unmet demand.

Section 3: Results and Program Finances



Results

Program Council

The Program Council held its 11th Annual Meeting on June 15–17, 2010 in Nairobi, Kenya. The meeting included a one-day workshop on June 15, the Program Council meeting on June 16, and site visits to recipients of PPIAF and SNTA funding on June 17. The meeting was attended by donor representatives and guests from the Private Infrastructure Development Group (PIDG), the Global Partnership on Output-Based Aid (GPOBA), the Water and Sanitation Program (WSP), the Secretariat of the Infrastructure Consortium for Africa (from the African Development Bank), the Efficient Securities Markets Institutional Development program and the Kenyan Public-Private Partnership Unit.

The June 15 workshop titled “Joining Forces to Deliver Infrastructure in Africa” provided a diverse group of speakers presenting on the most pressing infrastructure issues facing the continent. The workshop was co-chaired by Esther Koimett, Investment Secretary of the Republic of Kenya’s Ministry of Finance, and Zoubida Allaoua, Director of the Finance, Economics, and Urban Department at the World Bank.

Alasdair Maclay, Director of Actis Infrastructure, an emerging markets private equity investor, focused on evaluating the role of the private sector in delivering improved infrastructure services to Africa in the context of the 2008 global financial crisis. Mr. Maclay was followed by David Farley, the Vice President of DCM Ratings Advisory – Global Markets at Standard Bank and Kameel Virjee, a finance specialist formerly with WSP, who discussed the role of private finance in facilitating infrastructure development at the sub-national level. Taziona Chaponda, adviser to the Nigerian Public-Private Partnership Unit, concluded the morning session, presenting on public-private partnership unit development in Africa.

Box 6: Supporting Public-Private Partnerships in Mozambique

In 2006 PPIAF support in Mozambique increased the city of Maputo’s institutional capacity by establishing a policy, legal, and regulatory framework that led to the creation of a public-private partnership unit that has thus far been instrumental in the completion of 12 public-private partnership projects and \$7.7 million in private sector investments. An additional 11 projects, with an estimated value of \$52.3 million, are under negotiation, and PPIAF provided further support in 2008 for training and policy development that would allow for larger and more complex public-private partnership arrangements in the country.





The afternoon provided a series of sector-specific sessions. Mehboob Jesani, General Manager of Finance at Industrial Promotion Services (Kenya) Ltd. examined private investment in the energy sector; Sithole Mbanga, Chief Executive Officer of the South African Cities Network assessed public-private partnerships and climate change policy in local governments and municipalities; and Anil Bhandari, former Senior Advisor to the World Bank's Africa Transport Department opined on financing transport projects in East Africa. The meeting concluded with a consensus among participants that Africa's infrastructure gap is growing, and that the private sector's role in helping to close that gap through investment and efficiency gains will be crucial.

The Annual Program Council Meeting on June 16 focused on PPIAF support to Sub-Saharan Africa and emphasized the dramatic increase in demand for improved infrastructure services in the region, and with it, the growing awareness of the potential role of the private sector in contributing to and driving these improvements.

After 10 years of operation, an independent evaluation of closed activities was provided by John Flora, Manager of PIDG's Technical Assistance Facility. His review of the outputs, outcomes, and impacts of PPIAF activities implemented from 1999 to 2009 updated and expanded findings from the 2007 review. In total, 527 closed activities were reviewed to assess the effectiveness of PPIAF in terms of generating results. Mr. Flora's analysis found that 86 percent of activities successfully achieved at least one measurable outcome.

Following the completion of SNTA's three-year pilot period, Michael Cupit, Partner at Ernst & Young, presented on the findings of E&Y's evaluation of the program. Mr. Cupit noted that activity results have been substantial and that SNTA was able to sustain its focus on its priorities, and successfully meet all of the program targets outlined in the original business plan.

On June 17, the members of the Program Council and guests visited the Kenya Power and Lighting Company and Kenya Electricity Generating Company, previous recipients of PPIAF support. The visit helped them understand the role PPIAF played in catalyzing sector reforms to improve and expand the delivery of electricity in the country. Most of these reforms resulted from sector studies and workshops supported by PPIAF several years earlier.

The group also visited the Kiamumbi Community Water Supply project site (seen in the photo above). This project, which involved support from PPIAF and SNTA, WSP, and GPOBA, helped bring together a community-based organization, Kiamumbi Farmers Cooperative, and a micro-lender, K-Rep Bank, to undertake an innovative approach to finance residential water services in peri-urban areas. This visit provided the members of the Program Council with an opportunity to hear from direct beneficiaries, mostly members of the community cooperative, who discussed their experiences, the benefits generated by the water project, and the improvement in their living conditions.

PPIAF aims to make its operations more strategic and results-oriented.



Strategy for resource allocation

Based on the positive conclusions of independent reviews of its program, PPIAF has re-focused its strategy for resource allocation in order to remain relevant and responsive to the needs of client governments and find ways of collaborating with other development institutions that can provide complementary assistance. In particular, this strategy emphasizes more proactive and entrepreneurial program management in the following areas: operations, capacity building, dissemination, collaboration, monitoring and evaluation, new emphasis on outputs, outcomes, and impacts, and communication.

PPIAF aims to make its operations more strategic and results-oriented through the application and assessment processes, implementation of activities, and monitoring of progress and results.

PPIAF's capacity building focus will be targeted at beneficiary governments through PPIAF-sponsored workshops that will create awareness with decision-makers and build focused capacity of local counterpart technical staff. In particular, dissemination will focus on extending the outreach of PPIAF's existing knowledge products to client governments.

To improve monitoring and evaluation, PPIAF has undergone improvements in its internal applications and review process. PPIAF has implemented a new system to track and clearly distinguish between the different types of results (outputs, outcomes, and impacts) that emerge from its activities. This included an independent review of all PPIAF activities closed through June 2009 discussed further in the next section *Outcomes and impacts of PPIAF-funded activities*.

PPIAF's new communications strategy aims to create awareness about the program's relevance, increase visibility, and demonstrate how PPIAF's upstream work has an impact on the ground. Key communication tools include the new *Impact Stories* series, articles on cutting-edge issues related to infrastructure public-private partnerships, and a revamped website that gives greater access to a range of public-private partnership-related resources generated from PPIAF activities.

Outcomes and impacts of PPIAF-funded activities

The PPIAF Program Management Unit commissioned an independent consultant to review all activities since inception closed through June 2009 to identify and assess the nature of outcomes and impacts generated by those activities. Most importantly, because PPIAF has been active for 10 years, it is now possible to quantify some of the long-term impacts resulting from individual PPIAF activities, particularly those that closed in the earlier years.

Challenges to the review

The distinctive nature of PPIAF's work—in the early stages of, or actually preceding, the project cycle—makes tracking outcomes and impacts challenging. The work is “upstream” from actual transactions and typically involves developing enabling environments, providing project cycle related assistance, and disseminating knowledge materials. Many of these activities do not immediately lead to visible outcomes, let alone impacts. Attributing the associated results of a particular infrastructure project directly and exclusively to PPIAF's intervention is also difficult, because other causal factors are usually involved. And because PPIAF's interventions normally occur early in the project cycle, it is

often many years before any physical infrastructure services are finally available and the “impact” of PPIAF’s intervention in this sense is realized.

Defining results: outputs, outcomes, and impacts

The following definitions of results have been adopted by PPIAF:

Output: the direct deliverables, e.g., study reports, feasibility analysis, training courses, seminars, strategy recommendations, draft legislation, proposed institutional changes, etc.

Outcome: the action taken as a direct result of the outputs, e.g., acceptance by governments of the recommendations contained in strategic proposals and follow-up actions, adoption of draft legislation, implementation of institutional changes/recommendations, appropriate actions based on feasibility analysis, etc. These outcomes can usually be expected to occur within two to three years of completion of the outputs.

Impact: the changes at the government and/or direct beneficiary level resulting from implementation of the outcomes, e.g., change in number of people served, change in service quality, changes in affordability, employment generation, fiscal impact on government such as fees/tax income, reduced expenditure or subsidies avoided, and increase in private sector investment. Impacts usually take much longer to materialize, particularly in PPIAF’s case, and are usually the result of several interventions.

Outputs

Virtually all PPIAF activities successfully produced their target outputs.

Outcomes

Critical to measuring PPIAF effectiveness is the achievement of the projected *outcomes* identified in the design of the PPIAF activity. PPIAF’s Program Council has defined five indicators of successful outcomes for PPIAF activities: 1) Facilitating Transactions, 2) Legislation Passed/Appropriate Regulation Created, 3) Infrastructure Reform Strategies Adopted, 4) Creation or Strengthening of Institutions, and 5) Capacity Building and Training, Consensus Building, and Knowledge Dissemination.

With respect to outcomes, the review analyzed 527 activities completed in 114 different countries during the period 1999–2009 to determine a) how many activities have targeted outcomes that could be measured; b) of that total, how many activities actually achieved at least one measurable outcome; and c) how many outcomes in total, and what type, have been achieved by these PPIAF activities. This analysis revealed:

- Seventy-three percent of all activities had measurable outcomes as an objective. Of that number, 86 percent achieved at least one measurable outcome and, on average, 1.27 measurable outcomes were achieved per activity. Overall, 486 total outcomes representing categories 1 through 4 were achieved.
- A total of 143 activities (27 percent of total activities representing 15 percent of funding) did not have measurable outcomes. These activities consisted primarily of consensus building seminars, capacity building/training, and knowledge development and dissemination not explicitly targeted at motivating a particular government action such as approval or implementation of a law. These activities are essential to gaining stakeholder confidence to embrace private involvement in infrastructure projects, but are better defined as an *output* since the definition of an outcome is a demonstrated result of the production/dissemination of an output. Data on numbers and types of attendees are collected for all seminars and training events, and distribution of knowledge products, but the education of individual recipients and their contribution to ultimate change is very difficult to measure.
- Expected outcomes were not achieved for approximately 54 activities (about 14 percent). However, some activities evaluated for this review that had no measurable outcomes may develop some in the future. This reflects how it often takes years for outcomes to become visible.

Tables 3, 4, and 5 provide a summary of the effectiveness of PPIAF’s activity portfolio in achieving its desired outcomes, disaggregating the information according to number of outcomes by region (Table 3), type of outcome by region (Table 4), and type of outcome by sector (Table 5).

Table 3: Number of PPIAF activity outcomes by region, 1999–2009

Region	Total activities evaluated		Evaluated activities with expected measurable outcomes							Evaluated activities without measurable outcomes		
			Total		Activities achieving at least one outcome		Total number of outcomes	No measurable outcome achieved				
	Number	\$m	Number	\$m	Number	% of activities		Number	% of activities	Number	\$m	% of funding
EAP	111	23.0	88	20.0	75	85	104	13	15	23	3.0	3
ECA	75	17.8	66	16.9	61	92	82	5	8	9	0.9	1
LAC	66	11.8	53	10.4	46	87	70	7	13	13	1.4	1
MENA	28	3.4	18	2.5	14	78	22	4	22	10	0.9	1
SAR	72	13.1	46	10.5	40	87	48	6	13	26	2.6	2
SSA	175	36.6	113	29.1	94	83	160	19	17	62	7.6	7
Total	527	105.7	384	89.4	330	86	486	54	14	143	16.3	15
Ratio	100%		73%				27%					

Table 4: Type of PPIAF activity outcomes by region, 1999–2009

Region	Number of activities achieving at least one outcome	Number of measurable outcomes					
		Facilitating transactions	Legislation passed/ appropriate regulation created	Infrastructure reform strategies adopted	Creation/ strengthening of institutions	Total number of outcomes	Total outcomes (%)
EAP	75	18	12	50	24	104	21
ECA	61	8	13	39	22	82	17
LAC	46	20	16	21	13	70	14
MENA	14	4	3	13	2	22	5
SAR	40	4	7	23	14	48	10
SSA	94	62	15	46	37	160	33
Total	330	116	66	192	112	486	100

¹EAP: East Asia and the Pacific; ECA: Eastern Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; SAR: South Asia Region; SSA: Sub-Saharan Africa.

Table 5: Type of PPIAF activity outcomes by sector, 1999–2009

Sector	Total projects		Number of measurable outcomes					
	Number	%	Facilitating transactions	Legislation passed/ appropriate regulation created	Infrastructure reform strategies adopted	Creation/ strengthening of institutions	Total number of outcomes	% of total outcomes
Energy	103	20	15	12	46	28	101	21
Water and Sanitation	111	21	23	9	38	18	88	18
Telecommunications	52	10	10	18	29	9	66	14
Transport	75	14	44	7	35	15	101	21
Multi-Sector	186	35	24	20	44	42	130	27
Total	527	100	116	66	192	112	486	100

Impacts

It is more difficult for PPIAF to demonstrate direct impacts. In general, physical infrastructure projects must be implemented before impacts can be realized and are usually the result of several interventions. By design and mandate, PPIAF engages with clients very early in the process of transition to private participation; the majority of PPIAF activities are conducted at the “enabling environment” stage with less than a quarter of activities actually involved in transactions. These early activities are essential in facilitating the transactions, but are often far upstream from where infrastructure projects are implemented and impacts are realized. Attribution to PPIAF is therefore not always as evident as interventions at the end of the process.

Quite often, concessions and/or financing of private infrastructure projects supported by institutions that tend to work closer to the end of the project development process or directly in the transaction were facilitated by PPIAF interventions many years before. It takes several years for stakeholders to be convinced to adopt a strategy regarding private sector participation; for laws and regulatory regimes to be enacted; to encourage and provide comfort to the private sector to invest; and for institutions to be

strengthened to provide the capacity to engage the private sector.

But although participation is usually much earlier in the process, PPIAF is no less responsible for bringing about the change. For example, in late 2000, PPIAF made a grant of \$158,000 to study options, develop a strategy, and build consensus to improve the water supply and sanitation services through private sector participation in the Gjakovic-Rajovec area of Kosovo. Based on PPIAF recommendations, a water concession law was passed and subsequently, the Gjakove and Rahovec Water Supply Management Contract was awarded. By 2007 service connections had increased by 42 percent, intermittent supply was replaced with 24-hour service benefiting over 200,000 people, and system losses were reduced by 24 percent.

TAP report

The Technical Advisory Panel (TAP) met in Washington, DC, on February 22–26, 2010 to discuss the preliminary findings of the SNTA review underway by E&Y, and to conduct their annual ex post evaluation. During the week, the TAP met with the Program Management Unit, the Regional Program Leaders who traveled for the occasion, and Task

Team Leaders from the World Bank and IFC, to discuss the implementation progress of selected activities. As part of its regular responsibility for independent evaluation, the panel conducted an ex post review on 10 completed and ongoing activities and presented their findings at the Program Council meeting in Nairobi, Kenya.

There were no changes in the membership of the Technical Advisory Panel in fiscal 2010. The membership of the panel through the 2010 annual meeting is as follows: Anton Eberhard, Director, Management Program in Infrastructure Reform and Regulation, University of Cape Town, South Africa; Dianne Rudo, President, Rudo Advisors; Robin Simpson, Independent Consultant.

The 2010 TAP report is the result of the TAP's annual independent evaluation of PPIAF and its portfolio and includes detailed reviews of individual activities sampled from different sectors and countries. This year's report concentrated around two themes. The first focused on small-scale service provision, which took into account the context of the financial crisis during which the supply of capital to fund large-scale infrastructure projects has been disturbed. The second focused on global knowledge products pertaining to regulation and governance. In addition to these two broad themes, TAP members selected for examination a number of other individual projects that they deemed innovative and could provide potential lessons for the future.

The TAP report is not intended to be representative of the full set of PPIAF projects. Its aim is to uncover fresh insights, which would allow for broader observations and findings, by focusing on a few specific themes from PPIAF's project portfolio. Moreover, given the continuing effects of the financial crisis on capital liquidity, the TAP prioritized activities that were not contingent upon unlocking large capital sums but could instead be relatively easily budgeted within existing governance mechanisms.

In the report, several themes emerged that reveal the utility and effectiveness of PPIAF's upstream technical assistance, which typically constitutes the only source of funding for this type of work.

First, PPIAF's global knowledge portfolio continues to make a critical contribution to the enabling environment for private sector participation in infrastructure, as it produces cutting-edge material that fosters and encourages dialogue and best practices on infrastructure public-private partnerships. Due to the global nature of PPIAF's portfolio of infrastructure projects, it is in a unique position to reflect on what works and what doesn't, in addition to where the frontiers of experience and knowledge lie.

Second, the development of an enabling environment prior to the launch of a project is a long, time consuming, and often expensive process. Successful development of a legal and regulatory framework and implementation of a program to attract private sector participation in infrastructure is often measured in years. Furthermore, the cost and breadth of PPIAF activities are directly linked to the level of experience that governments have in engaging the private sector.

Third, despite more than a decade of disseminating general information about private sector participation in infrastructure, messages about the need to have a commercial and financially viable project are not clearly understood until the analysis is completed in a specific context. Analysis can be of an entity's commercial and financial operations or a willingness-to-pay study.

Fourth, PPIAF allows flexibility to innovate, a particularly valuable aspect of the program. This allows the program space to take risks and investigate at the frontiers of infrastructure financing, and is particularly important when dealing with small operators, where lending institutions will not devote the necessary time and energy due to the small project size and cost of project development. For this reason, PPIAF's work with small-scale providers has been truly groundbreaking, and further work in this area is likely to continue this trend.

Program Finances

PPIAF derives its resources from donor contributions, which are channeled through trust funds administered by the World Bank Group. The World Bank Group recovers an administrative fee for costs associated with this task.

Contributions

In fiscal 2010, PPIAF received cash contributions from its donors totaling \$30.15 million. Of this, the contribution for PPIAF Core activities received through its Multi-Donor Trust Fund II amounted to \$16.36 million. Non-Core trust funds for 1) Integrating the Climate Change Agenda in Public-Private Partnerships, 2) Middle-Income Countries, 3) Response to the Global Financial Crisis, and 4) Sub-National Technical Assistance Program received \$13.79 million during the fiscal year (Table 6).

Table 6: Member contributions receipts, fiscal 2009 and 2010

	Fiscal 2010 (US\$)	Fiscal 2009 (US\$)
PPIAF Core fund		
Australia	460,700	1,703,000
European Commission	n.a.	137,360
Germany	361,975	342,100
International Finance Corporation	2,250,000	500,000
Italy	n.a.	647,140
Millennium Challenge Corporation	250,000	n.a.
Sweden	1,661,051	327,739
United Kingdom	11,123,900	8,790,600
US Agency for International Development	n.a.	250,000
World Bank	250,000	118,000
Sub-total	16,357,626	12,815,939
Non-Core funds		
Norway: Climate Change	951,590	915,274
Sweden: for Sub-Saharan Africa	n.a.	1,638,700
Switzerland: for Middle-Income Countries	2,353,827	n.a.
Switzerland and United Kingdom: for Global Financial Crisis	2,809,778	n.a.
Sub-total	6,115,195	2,553,974
SNTA program		
France	429,240	n.a.
Italy	n.a.	647,140
Switzerland	1,878,463	1,766,160
United Kingdom	3,520,125	2,175,900
World Bank	1,850,000	2,000,000
Sub-total	7,677,828	6,589,200
Total contribution receipts	30,150,650	21,959,114
Net investment income	609,899	1,394,000
Total funding	30,760,549	23,353,114

Contributions received in fiscal 2010 brought cumulative donor contributions received since PPIAF's inception to \$221.12 million (\$198.28 million for PPIAF and \$22.84 million for SNTA) as indicated in Table 7.

Table 7: Member contributions received, inception to June 30, 2010

	Fiscal 2000-2010 (US\$)
PPIAF Core fund	
Asian Development Bank	1,750,000
Australia	3,333,400
Canada	2,134,000
European Commission*	1,254,610
France	2,768,202
Germany	2,767,905
International Finance Corporation	3,000,000
Italy	897,140
Japan	10,435,000
Millennium Challenge Corporation	250,000
Netherlands	3,749,970
Norway*	2,849,975
Sweden	4,210,625
Switzerland	9,554,431
United Kingdom	85,624,705
US Agency for International Development	1,000,000
World Bank	18,123,235
Sub-total	153,703,198
Non-Core funds	
Japan	5,608,000
Norway	1,866,864
Sweden	9,178,182
Switzerland	8,245,605
United Kingdom	19,676,000
Sub-total	44,574,651
Total	198,277,848
* Norway and the European Commission are no longer contributors to the Multi-Donor Trust Fund II effective 2007 and 2009, respectively.	
SNTA program	
France	429,240
International Finance Corporation	4,100,000
Italy	647,140
Switzerland	3,644,624
United Kingdom	8,169,525
World Bank	5,850,000
Total	22,840,529

Disbursements

In fiscal 2010, \$24.14 million was disbursed for PPIAF activities, an increase from the \$21.05 million disbursed in fiscal 2009. Disbursements were made for activities approved in fiscal 2010 as well as for activities approved in prior years, which are implemented over multiple years. In accordance with the administration agreements entered by the World Bank and PPIAF donors, \$0.49 million was collected as an administration fee.

In fiscal 2010, the Program Management Unit incurred a total of \$3.29 million in administrative costs as indicated in Table 8. This included \$1.52 million in expenses of the program management unit in Washington, DC such as staff salaries, benefits, overhead, travel, office space, administration, evaluation of proposals, and governance and coordination of donor relations. Regional coordination offices incurred expenses amounting to \$1.06 million, which included regional office staff salaries, benefits, overhead, office space, administration, and portfolio monitoring. Other expenditures amounted to \$0.71 million and included expenses for the technical advisory panel, independent evaluation of the SNTA program, annual meetings, communication, IT, and monitoring and evaluation.

Table 8: Disbursements, fiscal 2009 and fiscal 2010

	Fiscal 2010 (US\$)	Fiscal 2009 (US\$)
Disbursements		
Activity disbursements	24,143,152	21,052,000
Administration fee	488,468	397,000
Program Management Unit expenses:		
1) Program Management Unit headquarters	1,515,726	1,648,000
2) Regional coordination offices	1,057,859	1,512,000
3) Other expenditures	715,294	560,000
Total Program Management Unit expenses	3,288,879	3,720,000
Total Disbursements	27,920,499	25,169,000

Single audit process

The World Bank Group has instituted an annual "single audit" exercise for all trust funds. As part of this exercise the PPIAF Program Manager signs a trust fund representation letter attesting to the correctness and completeness of the financial process for all PPIAF trust funds. The task manager for each approved activity is required to confirm that due diligence has been exercised with respect to the administration, management, and monitoring of the funds awarded for the activity; and has ensured that all expenses and disbursements are made in accordance with World Bank procurement and administrative guidelines.

Annex 1: PPIAF at a Glance

PPIAF is a multidonor technical assistance facility, whose primary mission is to help reduce poverty and promote sustainable economic development in developing countries by acting as a catalyst to increase private sector investment and management in infrastructure. PPIAF's membership includes bilateral and multilateral development agencies and international financial institutions. Owned and directed by its participating donors, PPIAF is governed by a Program Council made up of representatives of these donors, and managed by the World Bank through a Program Management Unit.

How PPIAF pursues its mission

PPIAF helps developing countries improve their infrastructure through three main mechanisms:

- It offers governments technical assistance on strategies and measures to develop public-private partnerships in infrastructure
- It provides technical assistance grants to sub-national entities to help them improve their creditworthiness and mobilize financing
- It identifies, disseminates, and promotes best practices in matters relating to public-private partnerships in infrastructure and sub-national borrowing

What support is available?

PPIAF can finance the following advisory activities:

- Framing strategies for private involvement in infrastructure
- Building consensus on appropriate policy, regulatory, and institutional reforms
- Designing and implementing specific policy, regulatory, and institutional reforms

- Supporting the design and implementation of pioneering projects and transactions
- Building government capacity to design and execute private infrastructure arrangements and regulate private service providers
- Building creditworthiness to access financing without sovereign guarantees

PPIAF support can facilitate the financing, owning, operating, rehabilitating, maintaining, or managing of eligible infrastructure services through public-private partnerships in a range of sectors: roads, ports, airports, railways, electricity, telecommunications, solid waste, water and sewerage, and gas transmission and distribution. Countries eligible for PPIAF assistance are those classified, based on Gross National Income per capita, as least developed, low-income, lower-middle-income, and upper-middle-income by the DAC of the OECD. Entities eligible for PPIAF's SNTA program include municipal, state, and other local and regional authorities, as well as publicly owned utilities and authorities responsible for providing infrastructure services.

How PPIAF monitors results

PPIAF's systematic approach to monitoring results is an ongoing process that begins with an application form focused on expected outputs, outcomes, and impacts, and continues as the activity progresses with biannual project status reports. The process ends with a close-out form and post-completion reports.

PPIAF also communicates how its upstream work has had an impact on the ground through its *Impact Stories* series, published on the PPIAF website (<http://www.ppiaf.org/ppiaf/page/ppiafs-impact-stories>).

Annex 2: Activities Approved in Fiscal 2010

Table A2.1: Summary of PPIAF activities approved in fiscal 2010, by region and sector

Region	Number of Activities	Funding (US\$)	Share of Activities (%)	Share of Funding (%)
Sub-Saharan Africa	24	4,564,694	41	40
East Asia and the Pacific	6	1,482,100	13	10
Middle East and North Africa	7	1,434,942	13	12
South Asia	9	1,172,160	11	15
Eastern Europe and Central Asia	3	784,450	7	5
Latin America and the Caribbean	3	493,000	4	5
Global Knowledge	8	1,273,843	11	13
Total	60	11,205,189	100	100
Sector				
Multisector	27	4,357,881	45	39
Energy	7	2,239,100	12	20
Water and sanitation	13	2,848,958	21	25
Transport	10	1,339,250	12	17
Telecommunications	4	420,000	5	4
Total	60	11,205,189	100	100

Table A2.2: Summary of SNTA program activities approved in fiscal 2010, by region and sector

Region	Number of Activities	Funding (US\$)	Share of Activities (%)	Share of Funding (%)
Latin America and the Caribbean	4	1,709,032	34	41
Sub-Saharan Africa	3	986,001	25	23
East Asia and the Pacific	3	905,000	25	21
South Asia	1	399,500	8	10
Global Knowledge	1	219,250	8	5
Total	12	4,218,782	100	100
Sector				
Multisector	10	3,703,782	83	88
Energy	1	441,000	8	10
Water and sanitation	1	74,000	8	2
Transport	0	0	0	0
Telecommunications	0	0	0	0
Total	12	4,218,782	100	100

Table A2.3: PPIAF and SNTA program activities in Sub-Saharan Africa approved in fiscal 2010

- Activities approved from the PPIAF Non-Core Funds have been shaded using the key below; all other activities were approved from PPIAF's Core fund:

- NORAD: Integrating the Climate Change Agenda in PPPs
- JICA: Non-Core Fund
- Sida: Non-Core Fund
- SECO/DFID: Response to the Global Financial Crisis
- SECO: Middle Income Countries

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Burkina Faso	City of Ouagadougou Financial Management Diagnostic	Undertaking a diagnostic review of the financial management system to identify measures to improve the city's creditworthiness and provide a broad view of financial management through a framework for measuring management performance of local public finance. This activity will help to identify priority infrastructure investments as well as private sector participation options for the financing of such projects.	\$152,500	Infrastructure Development Strategies
Burkina Faso	Development of Institutional and Legal Public-Private Partnership (PPP) Framework	Helping enhance the use of PPPs as a mechanism for procuring and financing sustainable investment in infrastructure projects and services in the public sector through the development of a strategic implementation framework that will create an environment conducive for private investment.	\$437,500	Policy; Regulatory and Institutional Reforms
Central African Republic	Private Sector Participation for Waste Management for the Municipality of Bangui	Helping establish a pilot project for an innovative primary waste recycling and collection system in one arrondissement in Bangui, and drafting a solid waste management plan for the whole city of Bangui. Findings of this report will be presented to key actors in the water and solid waste sector during a stakeholders' workshop.	\$193,200	Infrastructure Development Strategies
Côte d'Ivoire	Private Sector Participation in Solid Waste Management	Developing a strategy for the sustainable management of solid waste management in the district of Abidjan. Diagnosing the issues affecting the current system of solid waste management, establishing a funding mechanism, and identifying options for greater private sector participation.	\$400,000	Infrastructure Development Strategies
Côte d'Ivoire	Strategic Framework for the Development of Transport infrastructure	Helping the government establish a sound strategy for the development and maintenance of transport infrastructure, and identifying options for private sector participation in future investments.	\$349,000	Infrastructure Development Strategies

Table A2.3: PPIAF and SNTA program activities in Sub-Saharan Africa approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Ethiopia	PPP Irrigation Model Contracts	Establishing models of contracts and related procurement documents for the government of Ethiopia, which is currently investigating how to structure PPPs in the irrigation sector. Long-term beneficiaries are expected to be: smallholder farmers who will benefit from irrigation and drainage services; private operators who would bid on future transactions; and other states that would most likely replicate the model contracts.	\$74,923	Infrastructure Development Strategies
Malawi	PPP Options Study and Awareness Raising for Irrigation Investment in Malawi	Assisting the government of Malawi undertake a study to identify options for private sector investment in the proposed Shire Valley Irrigation Project, and consult with key stakeholders in the government and the private sector, as well as with small scale farmers, to explain the PPP concept, raise awareness, and strengthen existing capacities among stakeholders.	\$109,000	Infrastructure Development Strategies
Mauritania	Updating of Study on Energy Sector Reform	Revising and updating a previous PPIAF activity (suspended due to political instability), which intended to assist the government of Mauritania with a comprehensive restructuring of the energy utility public electricity company of Mauritania (SOMELEC).	\$64,600	Policy; Regulatory and Institutional Reforms
Mozambique	Private Sector Participation in Water	Funding advisory services to the government of Mozambique and the asset holding company (FIPAG) to define the main strategies for involving the private sector in the management of water supply services. PPIAF support will also assist FIPAG in building consensus among stakeholders for the proposed strategic options.	\$494,950	Infrastructure Development Strategies
São Tomé and Príncipe	Revitalizing the Energy Sector Through Enhanced Private Sector Participation	Assisting with energy sector reform through identifying options for improved participation of the private sector. The aim is to overcome frequent blackouts that result from a shortfall in energy capacity, insufficient resources to pay for fuel, the high cost of energy production, technical and commercial inefficiencies that exacerbate financial losses, and a distortive and noneconomic tariff structure.	\$334,000	Infrastructure Development Strategies
Senegal	Analysis on Spatial and Growth Pole Approach for Sustainable Development	Providing a strategic framework for prioritizing infrastructure investments to maximize their contribution to economic growth and allow the government to make better use of limited public resources in leveraging transformational investments via direct investments, partnerships with the private sector, or allocation of donor resources.	\$75,000	Infrastructure Development Strategies

Table A2.3: PPIAF and SNTA program activities in Sub-Saharan Africa approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Senegal	Institutional Capacity Building Support to the National Agency for the Promotion of Investment in Infrastructures (APIX)	Helping APIX S.A. strengthen its institutional capacity in managing the design and development of priority PPP infrastructure projects, such as the Dakar–Diamniadio Toll Highway, the construction of a new international airport in Ndiass, and expanded port and rail links.	\$74,500	Capacity Building
Sierra Leone	Development of Institutional and Legal PPP Framework	Advising on the development of a strategic implementation framework to identify gaps in existing legal and regulatory instruments and recommend amendments to ensure that a comprehensive, fully harmonized legal framework is in place to support PPPs.	\$74,940	Policy; Regulatory and Institutional Reforms
South Africa	Independent Power Producer Regulatory Framework	Reviewing the existing regulatory environment, identifying gaps, and proposing an institutional structure best suited to legislation that enhances and enables the role of Independent Power Producers in South Africa.	\$440,000	Policy; Regulatory and Institutional Reforms
South Africa	South African Cities Energy Efficiency and Renewable Energy Program	Carrying out a prefeasibility study to increase energy efficiency, generating renewable energy and reducing greenhouse gas emissions by focusing on improved infrastructure investments with financing generated through PPPs.	\$400,000	Infrastructure Development Strategies
South Africa	Workshop on Options for the Efficient Provision of Housing	Supporting a workshop to explore the outcomes of South Africa's current housing subsidy and land use management systems. Analyzing the factors that cause sub-optimal outcomes and inefficiencies in the provision of housing to poor and low-income citizens, and enhancing the role of private financing in the provision of housing and its related infrastructure.	\$75,000	Consensus Building
Regional	Africa Infrastructure Country Diagnostic Dissemination	Supporting key final dissemination activities, road shows, and workshops relating to the AICD study—a major multi-donor initiative to improve the knowledge base of the infrastructure sectors in Sub-Saharan Africa and to define a baseline against which the renewed efforts of the international community to promote the development of African infrastructure can be assessed.	\$69,820	Consensus Building
Regional	Assessment of Chinese Industrial Zones in Nigeria, Ethiopia and Mauritius	Addressing the infrastructure needs of the four Industrial Zones (Lekki and Ogun in Nigeria, Jinfei Economic and Trade Cooperation Zone in Mauritius, and Oriental in Ethiopia) by estimating the infrastructure gap, ensuring the creation of the policy framework and enabling environment needed for effective PPPs, and identifying possible opportunities for infrastructure provision by the private sector.	\$99,086	Infrastructure Development Strategies

Table A2.3: PPIAF and SNTA program activities in Sub-Saharan Africa approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Regional	Assessment of Selective PPP Activities in Sub-Saharan Africa	Analyzing how PPP technical assistance is currently being delivered through an examination of selective PPIAF support, in order to assess whether changes to the technical content and/or delivery approach may be warranted within the Sub-Saharan Africa context.	\$75,000	Emerging Best Practices
Regional	Dissemination of Best Practice in Infrastructure Regulation in Africa	Facilitating the dissemination and discussion of best practices in infrastructure regulation and drawing lessons for the AFUR constituency of African sector regulators at AFUR's two-day Annual Conference in Abuja, Nigeria on April 20–21, 2010. This activity brings together international experts to shape the conference agenda and present recent research findings and practical lessons learned.	\$74,290	Emerging Best Practices
Regional	Lighting Africa Policy Issues	Providing a cross-country analytical framework to understand the nature and extent of policy-related barriers to the large-scale market penetration of improved high quality non-fossil fueled lighting products.	\$350,000	Emerging Best Practices
Regional	Supporting the Dissemination of Gridlines in Francophone Africa	Funding the translation of four Gridlines into French (a) risk mitigation instruments for infrastructure finance, (b) case studies of successful PPP units in infrastructure, (c) the effects of the financial crisis on project finance for infrastructure, (d) water partnerships in Côte d'Ivoire, and one yet to be determined.	\$13,130	Emerging Best Practices
Regional	Update of the Book on Building Bridges	Building on an earlier Building Bridges activity that looked at official infrastructure financing provided to Africa by emerging financiers such as China, India, and the Arab states from 2001 to 2007. This study aims to update and quantify trends in non-OECD finance to African infrastructure, particularly in the aftermath of the global financial crisis.	\$71,755	Infrastructure Development Strategies
Regional	West Africa Regional PPP Forum	Facilitating a forum "Fostering Infrastructure Development in Francophone Africa" on February 16–18, 2010 to enable over 100 high-level delegates from Francophone countries in Africa to share knowledge and exchange good practices and emerging experiences regarding the development of PPPs in the region.	\$62,500	Capacity Building
SNTA Program				
Cape Verde	Enhancing the Creditworthiness of the National Power and Water Utility (ELECTRA)	Developing a strategic recovery plan for ELECTRA and preparing a series of management tools to help improve its operational and financial performances in order to reach creditworthiness so it can access market-based financing. The plan is designed to lead to recovery through an increase in efficiency and revenues through an increase in the consumer base, tariff adjustments, and improvements in billing and collection.	\$441,000	Specific performance improvement

Table A2.3: PPIAF and SNTA program activities in Sub-Saharan Africa approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
SNTA Program (continued)				
South Africa	Enhancing the Policy Framework for Development Charges to Support Private Sector Participation in Municipal Infrastructure	Helping to develop an accepted policy and legal and administrative framework for reforms to the management of development charges and impact fees for South African municipalities. The objective is to clarify the rules, enhance equity, streamline their management, improve their revenue productivity, and lay the foundation for additional public and private capital investment in municipal infrastructure that supports growth and poverty reduction.	\$75,000	Other
Regional	Sustainable Municipal Finance for Infrastructure Development in Southern Africa	Assisting sub-national entities and local governments in Southern Africa achieve creditworthiness and secure private capital through loans or bonds for infrastructure development. Improving the technical capacity of creditworthy cities and sub-national entities through knowledge production and dissemination to facilitate their entry into the regional municipal finance market.	\$470,000	Financing

Table A2.4 PPIAF and SNTA activities in East Asia and the Pacific approved in fiscal 2010

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Indonesia	Non-Revenue Water Management Strategy for Surabaya Water Company	Helping Surabaya's water company (PDAM) analyze available options to tackle a major shortfall in water supplies associated with non-revenue water (NRW). Options will include the potential role of the private sector to partner with the City to implement NRW reduction programs more rapidly and more effectively than the public sector is likely to achieve on its own.	\$181,000	Infrastructure Development Strategies
Indonesia	Support the Establishment of the Infrastructure Guarantee Fund : Phase II	Supporting the establishment of the Infrastructure Guarantee Fund (IGF). The IGF will provide public support to privately financed infrastructure projects. Preparing just-in-time advisory reports describing the technical assistance provided in operationalizing the IGF and a credit rating report on the final financing structure.	\$500,000	Policy; Regulatory and Institutional Reforms
Mongolia	Framework for a Pilot PPP Transaction	Helping the government of Mongolia develop a strategy to prioritize and sequence the most critical PPP projects in the Gobi Desert and prepare conceptual frameworks to guide pilot transactions. The project will help the government to fully develop major mineral deposits in Southern Mongolia, which currently lack appropriate access infrastructure.	\$137,500	Infrastructure Development Strategies

Table A2.4 PPIAF and SNTA activities in East Asia and the Pacific approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Philippines	General Santos City Sanitary Landfill Capacity Building	Helping General Santos prepare to bid out and oversee a sanitary landfill Design-Build-Operate contract, and ensuring the quality of the outcome of the bid. The production of a toolkit, using the experience of General Santos as an applied case study, will provide adequate guidance to other cities in the planning and formulation of implementation plans for such projects.	\$63,600	Capacity Building
Thailand	Rural Broadband Infrastructure Development	Assisting the government of Thailand, through the Ministry of Information and Communication Technology (MICT), with the creation of a rural broadband development strategy. This activity recognizes the importance of broadband connectivity, which could provide more cost-effective ways of delivering services such as health and education to rural and remote areas, for the growth and development agenda.	\$100,000	Infrastructure Development Strategies
Vietnam	PPP Financing Framework	Assisting the government of Vietnam in developing a financing framework for infrastructure PPPs through strategic, long-term engagement aimed at establishing and processing a sustainable pipeline of PPP projects. The activity will also provide inputs into the May 2010 Prime Ministerial Decision on PPP Financing Framework.	\$500,000	Infrastructure Development Strategies
SNTA Program				
China	Sub-national Borrowing and Debt Management	Preparing a workshop to present international experience on regulatory and institutional frameworks for sub-national borrowing and debt management, and providing inputs to the process of developing a framework in China.	\$75,000	Other
Indonesia	Support for Financial and Credit Rating Assessment for Sub-national Governments (SNGs)	Conducting financial management assessments (FMA) and credit ratings in two cities (Surabaya and Bandung) and two provinces (Riau Islands and East Kalimantan). Supporting a workshop on international experience regarding issuing sub-national bonds and the dissemination of the results and lessons learned from the FMA and credit rating exercise with the broader aim of developing a framework for sub-national borrowing.	\$330,000	Credit Rating
Philippines	Local Government Units (LGUs) Credit Rating Program - Phase II	Building on a previous PPIAF-funded work that assessed the creditworthiness of eight local government units (LGUs), this activity undertakes creditworthiness assessments of up to four additional LGUs, providing technical assistance to help the initial eight LGUs address some of the weaknesses that have been identified in the creditworthiness assessment process to date.	\$500,000	Credit Rating

Table A2.5: PPIAF activities in the Middle East and North Africa approved in fiscal 2010

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Egypt	Improving Private Sector Participation in the Municipal Solid Waste Management Sector	Assessing the current state of private sector participation in the Municipal Solid Waste Management (MSWM) sector in Egypt, in the context of the National Strategy for Integrated Solid Waste Management prepared in 2000. Providing recommendations to increase involvement of the private sector in the MSWM sector and to improve cost effectiveness.	\$250,000	Policy; Regulatory and Institutional Reforms
Egypt	Support to Port Regulatory Reform	Assisting the Ministry of Transport to develop the concept, regulatory framework, and institutional arrangements of an effective regulation of the port sector. This will support the government's policy that focuses on progressively transferring the responsibility for operational services to the private sector under concession or lease agreements.	\$70,000	Policy; Regulatory and Institutional Reforms
Egypt	Support to Wind Commercialization Program	Providing upstream support to the government of Egypt's wind commercialization program, which aims to create a self-sustaining market for wind power through private sector participation, satisfying the Supreme Council of Energy's plan to have 20 percent of installed generation capacity met through a renewable energy source by the year 2020.	\$500,500	Pioneering Transactions
Jordan	Feasibility of a Public-Private Solar Water Heater Promotion Program for the Greater Amman Municipality	Determining the feasibility of a Solar Water Heater (SWH) promotion program in the city of Amman, in view of the failure of market forces alone to increase the SWH penetration rate, in order to establish the preferred mode and structure of a PPP that would enable the Greater Amman Municipality to ensure a rapid increase in SWH penetration.	\$75,000	Infrastructure Development Strategies
Morocco	Support to Port Regulation	Providing assistance to Morocco's ports agency, the Agence Nationale des Ports (ANP), to build capacity in the design, award, and regulation of concessions in the ports sector, which aims to further increase ports efficiency and competitiveness.	\$70,000	Capacity Building
Regional	Feasibility Study for a Middle East and North Africa (MENA) Islamic Finance Facility for Infrastructure	Conducting a feasibility study to guide the design and establishment of a MENA Islamic Finance Facility for Infrastructure (MIFFI). The Shariah-compliant facility would enable the financing of cross-border infrastructure projects, offer cost efficiency gains, and respond flexibly to emerging infrastructure needs and opportunities irrespective of country or cross-country location.	\$395,000	Consensus Building

Table A2.5: PPIAF activities in the Middle East and North Africa approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Regional	Seminar on PPP Experiences in Water and Sanitation	Funding the first in a series of seminars aimed at government officials in the MENA region, organized by the International Finance Corporation and taking place in Dubai. The seminars will focus on global experiences in PPP, particularly in the water and sanitation sector.	\$74,442	Capacity Building

Table A2.6: PPIAF and SNTA program activities in South Asia approved in fiscal 2010

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
India	Assessment of PPP Options and Developing Enabling Guidelines for Developing City Roads	Assisting 10 cities in Maharashtra that are trying to develop city roads through public and private financing. The support focuses on helping the cities assess feasible PPP options for city roads development. For three of the cities that have identified viable projects an assessment of the PPP model will be carried out, including a financial assessment and suggestions for measures to enhance project viability.	\$66,000	Infrastructure Development Strategies
India	Assessment of PPP Options and Developing Enabling Guidelines for Implementation for Solid Waste Management	Assisting the government of Maharashtra identify alternative PPP options for solid waste management across collection, transportation, and disposal services. Providing guidance on enabling legal, regulatory, institutional, and risk allocation frameworks for feasible PPP options, procurement guidelines, and any capacity building support required for implementation.	\$66,417	Infrastructure Development Strategies
India	Conclave on "Capacity Building for PPPs"	Supporting the participation of three international speakers to share international good practices, providing conference materials, providing a knowledge kit, sharing PPIAF publications for wide dissemination, and facilitating conference proceedings.	\$42,500	Capacity Building
India	Develop Appropriate Institutional Framework for Post-Contract Implementation of PPP Contracts	Assisting the government of Maharashtra reach consensus on options to improve the institutional framework for managing the PPP contracts in the post award phase, with the ultimate objective of ensuring that PPPs deliver efficient and affordable services throughout the life of the contracts.	\$77,583	Infrastructure Development Strategies
India	Dissemination Workshop on PPP Experience in Light Rail/ Light Metro Transit	Presenting a dissemination workshop aimed at Indian government ministries on the role of Light Rail Transit systems in providing cost effective and environmentally sound solutions for the provision of mass urban transportation.	\$21,400	Emerging Best Practices

Table A2.6: PPIAF and SNTA program activities in South Asia approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
India	Preparation of a Business Plan for India Infrastructure Finance Company Limited (IIFCL)	Preparing a new business plan for IIFCL necessitated by IIFCL's increased mandate as an apex institution able to set both benchmarks in lending to infrastructure projects and as a repository of best practices in lending for sustainable infrastructure development in the country.	\$218,000	Infrastructure Development Strategies
Maldives	PPP Options for Solid Waste Management	Assisting the recently established Waste Management Company, a State-Owned Enterprise mandated with the task of collecting and disposing waste in an environmentally friendly manner. Preparing detailed due diligence on the technical aspects of the project such as waste generated, waste characterization, suitable treatment and disposal technologies, waste transfer logistics, and development of PPP options.	\$145,260	Infrastructure Development Strategies
Pakistan	Developing Audit Methodologies for Monitoring Broadband Telecommunications Access through PPPs	Assisting the Universal Service Fund Company (USFCo) maximize the effectiveness of PPPs aimed at developing high-speed broadband networks to meet a broadband penetration of 1 percent throughout Pakistan by 2010, up from the current 0.1 percent.	\$245,000	Policy; Regulatory and Institutional Reforms
Sri Lanka	Facilitating PPPs for Infrastructure Development	Assisting the PPP Unit in identifying and addressing gaps in legal, institutional and regulatory frameworks for PPPs, preparing guidelines for screening PPP projects, and preparing a pre-feasibility study for a waste management facility.	\$290,000	Policy; Regulatory and Institutional Reforms
SNTA Program				
India	SNTA Program Design and Implementation of an Integrated Risk Management System for the India Infrastructure Finance Company Limited (IIFCL)	Reviewing the organizational structure, present Credit Risk Management systems, Asset Liability Management and Market Risk Management Systems, and treasury operations of IIFCL and preparing a gap analysis report covering policies, procedures, and guidelines and data availability and sufficiency for implementing the policies and procedures.	\$399,500	Specific performance improvement

Table A2.7: PPIAF activities in Eastern Europe and Central Asia approved in fiscal 2010

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Armenia	Transaction Advisory Support for Public Private Partnership (PPP) for Solid Waste Management for Yerevan City	Providing technical assistance to the government of Armenia in the preparation, implementation, and financial closure of two concessions for waste collection and sanitary cleaning of two city zones, as well as the Design-Finance-Build-Operate (DFBO) for the landfill.	\$535,000	Pioneering Transactions

Table A2.7: PPIAF activities in Eastern Europe and Central Asia approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Regional	Maintenance of Rural Roads under the Mechanism of Community-Based Micro-Enterprises	Adapting and amending the existing Maintenance Microenterprise Mechanism for routine maintenance of local roads (i.e., roads not administered by the national level road agency) in Armenia and Georgia, and supporting the implementation on a pilot basis.	\$99,450	Policy; Regulatory and Institutional Reforms
Regional	Study on Impact of the Financial Crisis on the Energy Sector of the Eastern Europe and Central Asia Countries	Studying the impact of the financial crisis on the energy sector of select Eastern Europe and Central Asia countries (Armenia, Bulgaria, Kyrgyz Republic, Latvia, and Ukraine).	\$150,000	Infrastructure Development Strategies

Table A2.8: PPIAF and SNTA Program activities in Latin America and the Caribbean approved in fiscal 2010

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Paraguay	Support for the Design of River Navigation Concessions - Phase II	Studying the technical, legal, and economic conditions of the Pilcomayo-Formosa segment of the Paraguay River and producing the final bidding documents that will serve as a structure for the future river concession. This project builds on a Phase I study of the Rio Apa-Pilcomayo segment of the river.	\$168,000	Pioneering Transactions
Peru	Strategic Plan for the Universal Service Fund in Peru	Reviewing the current objectives, organizational structure, and legal and regulatory framework of the Telecommunications Investment Fund (FITEL) in light of recent developments in the industry and global best practices. Preparing a report and presentation to be delivered in a workshop with all relevant stakeholders.	\$75,000	Policy; Regulatory and Institutional Reforms
Regional	Understanding Sector Performance: Utilities Benchmarking Analysis for Latin America and the Caribbean	Producing a report with a detailed analysis of the water and sanitation sector, a comparison of the role of private and public participation in sector performance, and a ranking of firms and countries that allows for the identification of best practices in the region. This study is envisaged to contribute towards a more consistent benchmarking analysis in the water and sanitation distribution sector.	\$250,000	Consensus Building
SNTA Program				
Brazil	Strengthening Creditworthiness of Municipal Water Company in Sergipe - Northeast Water Utilities Access to Non-Sovereign Guaranteed Debts	Facilitating water utilities in the northeast of Brazil in accessing medium-term bank loans and/or capital market funding without sovereign guarantees, including IFC's sub-national financing.	\$74,000	

Table A2.8: PPIAF and SNTA Program activities in Latin America and the Caribbean approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
SNTA Program (continued)				
Mexico	Market-based Infrastructure Financing for the State of Campeche	Preparing a pilot transaction where capital is mobilized to develop infrastructure through PPPs. Preparing a PPP legal framework and a PPP assessment unit.	\$640,000	
Peru	Access to Commercial Bank and Capital Markets (Phase II)	Preparing workshops to present experiences in access to market financing and to disseminate lessons learned. Providing assistance to selected sub-national entities to formulate debt policies, formulate financial plans to execute regional or local development plans, attain shadow or full credit ratings and recommendation of good practices to improve such ratings, identify projects to be financed in the local financial markets, formulate prefeasibility and feasibility studies and engineering designs, and structure financial transactions in local financial markets.	\$499,776	
Regional	Credit Rating Improvement Program for Sub-National Authorities in Latin America (ICMA – Phase II)	Preparing reports on the creditworthiness advisory services provided to the participating sub-nationals, including copies of the diagnostics and action plans, any shadow credit rating reports produced, minutes and lessons-learned reports prepared for the concluding virtual regional workshop, and a publication containing the management issues that are within the sub-national scope and can potentially improve their creditworthiness.	\$495,256	

Table A2.9: PPIAF and SNTA program Global Knowledge activities approved in fiscal 2010

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Global knowledge	Dissemination of the Study: Managing Contingent Liabilities in PPPs: Practice in Australia, Chile and South Africa	Disseminating this study amongst regional development banks and bilateral donors for use in support to client countries. Specifically, this study contributes to potential AusAID/World Bank work in the Philippines and supports ongoing World Bank work in Vietnam to develop a contingent liability management system.	\$21,500	Emerging Best Practices
Global knowledge	International Conference on Infrastructure Economics and Development	Supporting an international conference on issues related to infrastructure economics and development, such as infrastructure and social policies, infrastructure and industrial policies, infrastructure and economic geography, governance and capacity, regulation, public versus private ownership of infrastructure, political economy, climate change and infrastructure, and financial issues as they relate to infrastructure.	\$75,000	Policy; Regulatory and Institutional Reforms

Table A2.9: PPIAF and SNTA program Global Knowledge activities approved in fiscal 2010 (continued)

Country	Activity	Description	Funding (US\$)	Type of activity
PPIAF				
Global knowledge	Private Participation in Infrastructure (PPI) Project Database, fiscal 2010	Maintaining and enhancing the PPI Project Database, which tracks private activity in infrastructure in developing countries. The database produces sectoral and regional updates, "did you know?" notes, easy-to-use graphs, an interactive map, and quarterly financial crisis update notes.	\$409,000	Emerging Best Practices
Global knowledge	PPP in Infrastructure Resource Center for Contracts, Laws and Regulation (PPPIRC)	Maintaining, improving, consolidating, updating, and marketing the PPPIRC website. New sections on climate change and renewable energy and a series of explanatory notes on topical issues are introduced. A formal external quality control audit will be carried out to audit the materials and commentary on the site.	\$198,500	Emerging Best Practices
Global knowledge	Publication of Report on Private Sector Participation in Air Transport Infrastructure	Supporting the publication and dissemination of a study on global private sector experience in airports. The focus of this study is to help policy makers in delivering better and more efficient services relating to air transport.	\$20,000	Infrastructure Development Strategies
Global knowledge	Railway Reform Toolkit	Producing a user-friendly toolkit (available in CD and web format) consisting of several modules covering all elements of the railway reform process and options for private participation. Seminars for dissemination of the toolkit will also be organized.	\$455,400	Policy; Regulatory and Institutional Reforms
Global knowledge	Russian Translation of the Toolkit for PPPs in Roads and Highways	Assisting clients in Russian-speaking countries to identify, disseminate, and promote best practices on leveraging private participation in order to accelerate road infrastructure investments. The Toolkit's design contributes to improving the capacity of the public sector to properly manage and monitor PPP initiatives.	\$20,000	Emerging Best Practices
Global knowledge	Translating and Disseminating "Unlocking Land Values to Finance Urban Infrastructure"	Translating "Unlocking Land Values to Finance Urban Infrastructure." to Arabic, French, and Spanish. The translations are reviewed by subject area experts fluent in those respective languages.	\$74,443	Emerging Best Practices
SNTA Program				
Global knowledge	Strengthening Regulatory Frameworks for Sub-national Borrowing and Debt Management	Preparing an international conference with participation from policymakers and practitioners from countries where sub-national finance, reform, and sustainability are policy priorities, as well as participation from International Financial Institution representatives. Conference proceedings will synthesize cross-cutting issues, experiences and lessons, and key policy agenda for the short-to-medium term.	\$219,250	Other

Acronyms and Abbreviations

E&Y	Ernst & Young
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
PPI	Private participation in infrastructure
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-private partnership
SECO	State Secretariat for Economic Affairs
SNTA	Sub-National Technical Assistance

www.ppiaf.org

