THE CRITICAL UPSTREAM

FISCAL 2018-2022

STRATEGY AND BUSINESS PLAN

PPIAF


NOVOTEL

CONTENTS

EXECUTIVE SUMMARY

The Public-Private Infrastructure Advisory Facility (PPIAF) is the only global facility dedicated to building sound operating frameworks and public-sector capacity through the provision of technical assistance (TA) grants designed to underpin private participation in infrastructure (PPI). Instead of focusing on preparing projects, PPIAF takes the longer-term approach of building institutions so that markets generate a pipeline of bankable projects. A long-standing partnership between the World Bank and its donors, PPIAF catalyzes private involvement in infrastructure through a range of public-private partnership contracts (PPPs), as well as commercial financing of sub-national entities through technical assistance and knowledge grants.

PPIAF's mission to improve enabling environments for sustainable infrastructure is proving more critical than ever. Declines in global growth, coupled with increased global risks from climate, urbanization and fragility, pose a huge challenge, especially for least developed countries. These dynamics further inflate an infrastructure bill that cannot be offset by public resources alone. PPIAF believes that if the right framework is not established in the medium term, negative consequences will be harder to mitigate. The next five years is the window for laying down the foundations for future infrastructure sustainability—what we call the "critical upstream."

This document expounds on PPIAF's strategic priorities, which are as follows:

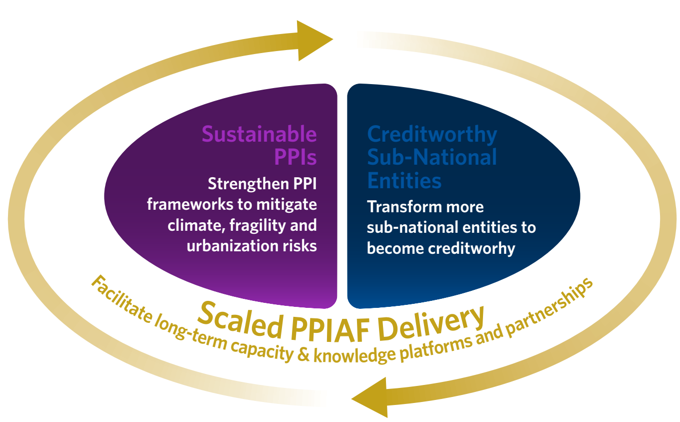
1. **Strategic Area 1—Promote investment in sustainable infrastructure** through stronger PPI frameworks and risk management at the national and local levels, including in fragile states;

2. **Strategic Area 2—Assist sub-national entities responsible for infrastructure to become creditworthy** and increase their access to financing without sovereign guarantees; and

3. **Strategic Area 3—Facilitate knowledge and capacity of client countries at scale** to engage the private sector.

It then lays out the business plan PPIAF will implement during the next five years, in line with these strategies. In sum, the plan compels PPIAF to increase private participation through PPPs and sub-sovereign financing in 30 impact countries. More specifically, this is broken down along the following lines.

FIGURE 1: PPIAF Strategic Areas (Fiscal 2018 to 2022)

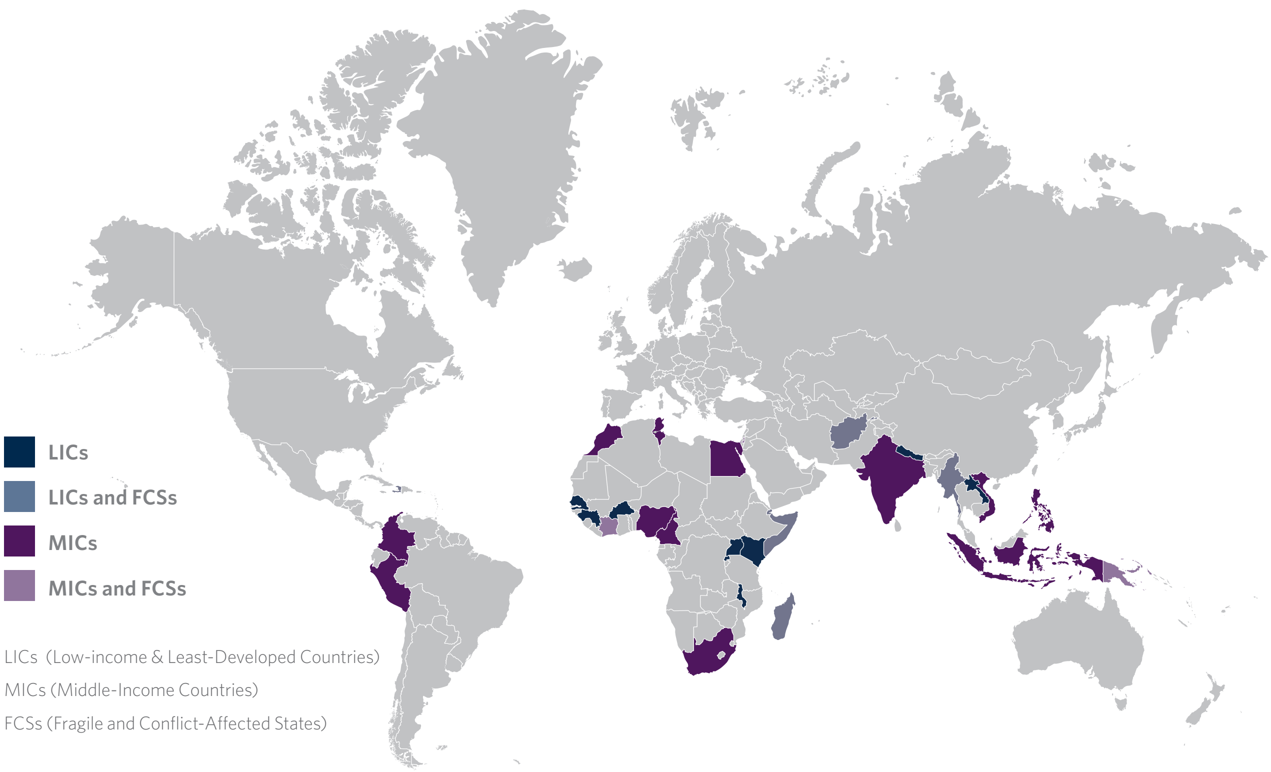


GEOGRAPHIC FOCUS

PPIAF will consolidate impacts in countries where it has either previously invested or plans to invest (over the next five years) more than $2 million. These fall into the following categories:

- Fifteen low-income and least-developed countries (LICs):
  - » Nine countries that are only classified as LICs—Lao PDR, Nepal, Senegal, Burkina Faso, Guinea, Malawi, Rwanda, Uganda and Kenya (7 sub-Saharan Africa - SSA, 2 Asia)
  - » Six countries that are classified as both LICs and fragile and conflict-affected states (FCSs)—Afghanistan, Haiti, Madagascar, Myanmar, Somalia and Djibouti. (2 SSA, 2 Asia, 1 Latin America, 1MENA)
- Fifteen middle-income countries (MICs):
  - » Twelve countries that are only classified as MICs—India, Indonesia, the Philippines, Vietnam, Colombia, Peru, South Africa, Cameroon, Nigeria, Tunisia, Morocco and Egypt; (4 Asia, 2 LAC, 3 SSA and 3 MNA)
  - » Three countries that are classified as both MICs and FCSs—Papua New Guinea, Côte d'Ivoire, and West Bank and Gaza. (1 Asia, 1 SSA, 1 Middle East and North Africa)

PPIAF may also occasionally support other countries on an opportunistic basis.



LICs (Low-income & Least-Developed Countries)
MICs (Middle-Income Countries)
FCSs (Fragile and Conflict-Affected States)

EXECUTIVE SUMMARY (cont.)

PROGRAMMING TARGETS

PPIAF aims to disburse 50 percent of its country-based grants in sub-Saharan Africa, and 13 percent of its country-based grants in FCSs, with the potential to increase the latter if additional resources become available. PPIAF also recognizes the importance of continuing to strengthen potential impacts in MICs.

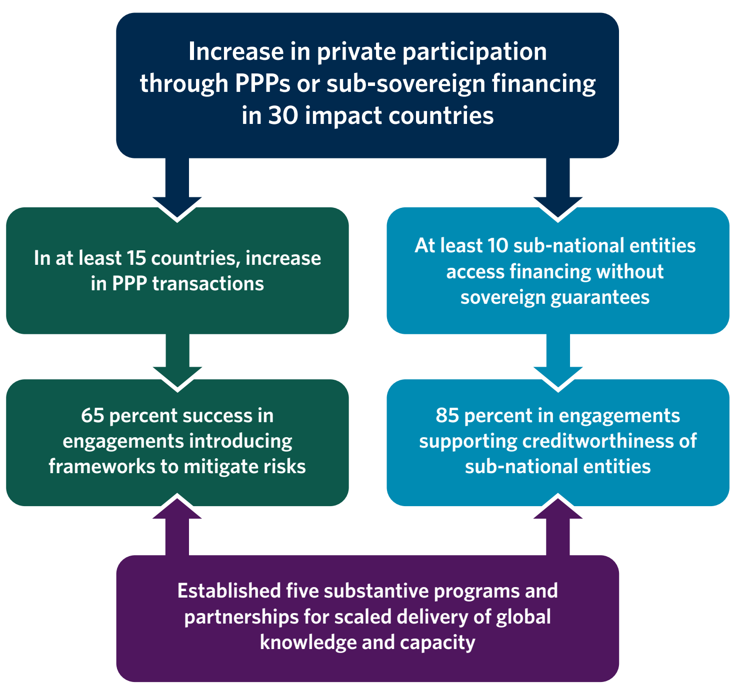
PRIORITY AREAS

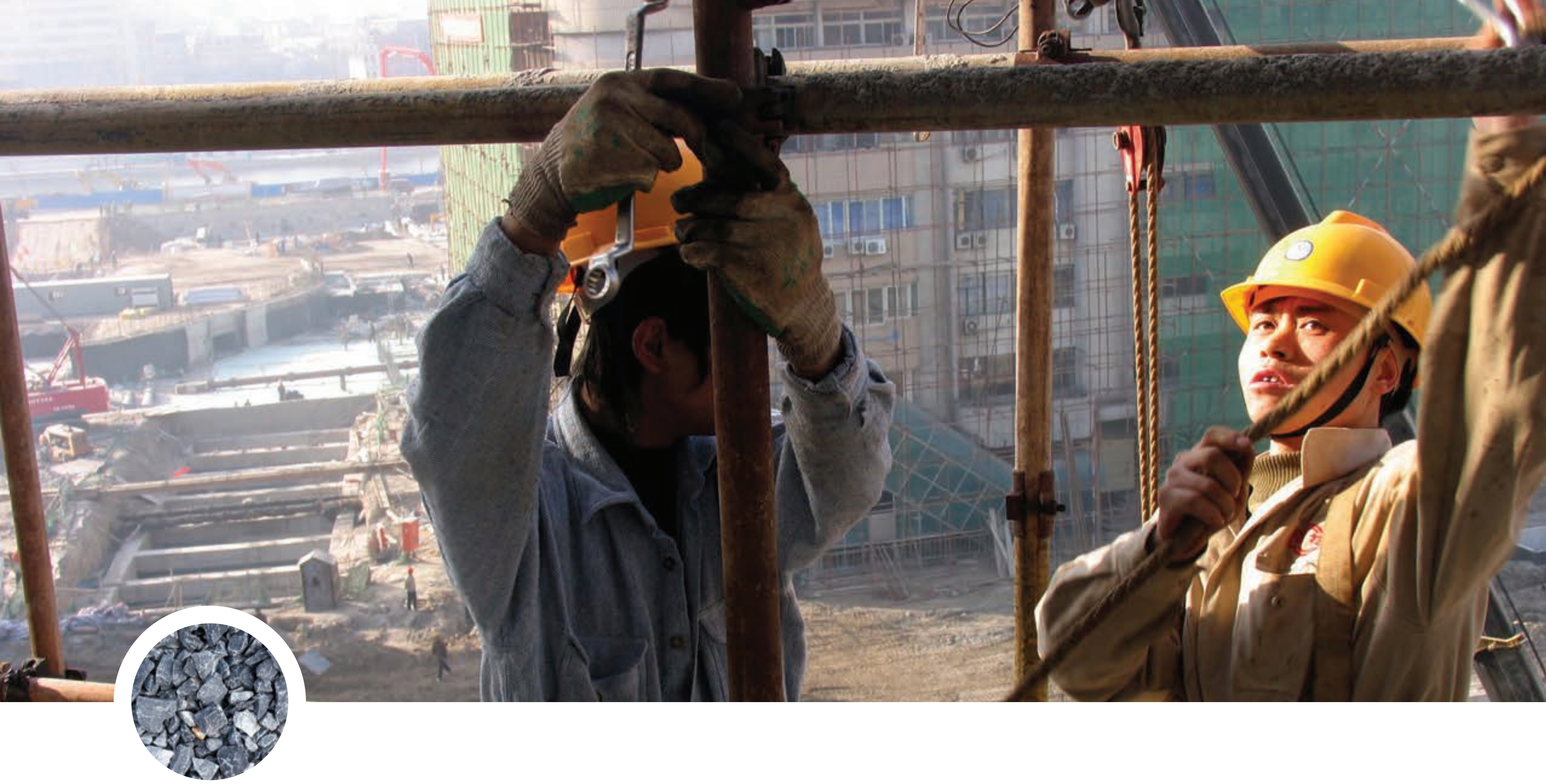
PPIAF will:

- Increasingly address sustainability, including climate risks, while strengthening PPP frameworks and improving national and local capacities (Strategic Area 1);
- Elevate the priority and profile of the Sub-National Technical Assistance Program within PPIAF's programming (Strategic Area 2); and
- Channel at least 20 percent of its resources to the knowledge program, and increase efforts in monitoring and evaluation (Strategic Area 3).

Highlights of PPIAF results are presented in the figure below.

FIGURE 2: PPIAF's Expected Results (Fiscal 2018 to 2022)





Because of the longer horizon required to generate results in FCS countries, or at the sub-national level, and to minimize transaction costs associated with the elaboration of a new strategy, the Program Council has agreed to extend the new strategy period to cover five years instead of the three years it has covered in the past.

Over that period, PPIAF plans a $65 million base-case level of programming. The $13 million annual base-case programming is much more modest than the actual average annual outlay of $20 million during the previous three years (fiscal 2015 to fiscal 2017). This activity level is considered a minimal threshold to maintain an operational network of correspondents in the field and among sectoral and thematic global practices of the World Bank, while keeping the ratio of PMU costs to total funding at about 20 percent. This activity level primarily reflects constraints on funding mobilization. Whereas the previous three-year business plan expected an average annual contribution of $22 million from donors, actual contributions stood at only 60 percent of this, and programming relied on significant drawdown on cash balances.

Mobilizing appropriate levels of resources from donors remains a key risk over this planning period. PPIAF's opening balance at the beginning of this period (fiscal 2018) is just more than half of what it was in fiscal 2015.

To maintain a minimum level of $12 million of fund balances over the period, corresponding to approximately eight months of activity grants plus PMU operating costs, PPIAF needs to raise $70 million over the five-year business plan ($14 million per year). Although it is in line with previous levels of contributions until fiscal 2012, this amount nonetheless requires active prospecting of new donors to complement the current basis of mostly European donors. The base case would be revised upwards if or when more contributions appear likely.

THE CRITICAL UPSTREAM

STRATEGY

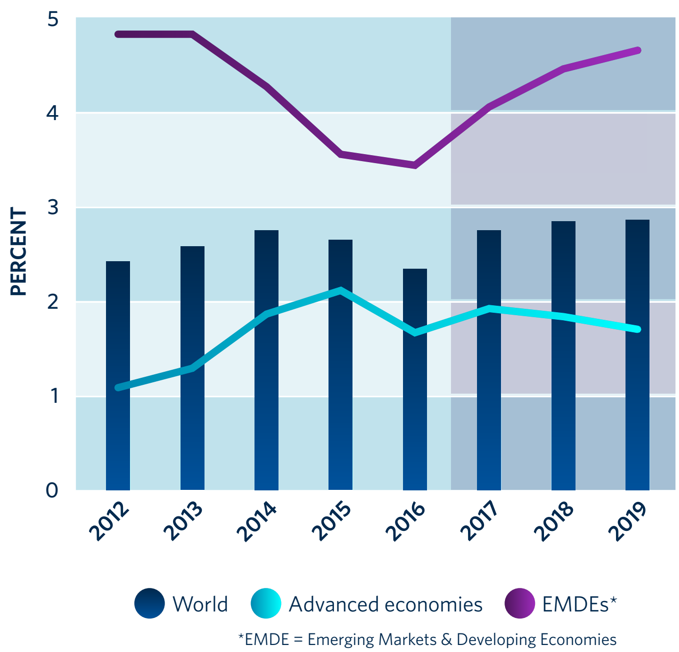
PPIAF

STRATEGIC CONTEXT OF PPIAF'S APPROACH

Infrastructure, Development and Fiscal Challenges

A robust enabling framework will make the difference between countries that will be able to meet the infrastructure challenge of the coming decades and those that will not. Compared to the last 10 years where average global GDP growth was 5.8 percent, growth has declined recently, but is expected to gradually rebound in the coming decade in Emerging Markets and Developing Economies (EMDE).

FIGURE 3: Annual Global GDP Growth (%)



Source of forecast: World Bank, Global Economic Prospect (2017).

Weak global recovery has brought back old challenges – fiscal space narrows for investment, while fiscal risks tend to rise. Public debt ratios are increasing with the largest effects in emerging and middle-income countries, and the end of the commodity super cycle for resource-rich developing countries means they can no longer count on trade surplus to fund infrastructure.

If growth is weak, poverty is harder to push out. A common, but short-sighted policy response is to cut spending in capital expenditure, rather than to cut politically sensitive subsidies or to push out inefficiency in public operations. Investment in infrastructure is both an enabler and a key driver of growth for all economies. The increase in quantity and quality of infrastructure has a positive and significant impact on economic growth[1], and indirectly on job creation, an essential dimension of a sustained, inclusive development path.[2]

1 An elasticity of 0.08, according to Calderón, Moral-Benito and Servén (2011).

2 The Gini coefficient was estimated to have fallen by three percentage points, due to the impact of quantity and quality of global infrastructure increase, according to Calderón and Servén (2010).

World infrastructure investment requirements over the next 15 years are estimated to be $6 trillion per year, compared to current levels of $3 trillion. About two-thirds of this amount will be needed in developing countries. A low-carbon infrastructure mix will add another $270 billion a year to this bill.[3] PPI can potentially make up this gap. Countries with sound investment frameworks can take advantage of historically low borrowing costs to invest in infrastructure. This can be justified even in countries with few in countries with limited fiscal space is narrow, if there are clear policies, a commitment to sound investment and fiscal management, and good projects in which to invest. Poor enabling frameworks, on the other hand, can have disastrous consequences in volatile global financial conditions.[4]

Over the medium term, these three trends will have the largest effects on infrastructure and development: climate change, urbanization and fragility.

- ***Climate Change.*** The world's existing infrastructure accounts for more than 60 percent of global greenhouse gas (GHG) emissions. Nearly all projected GHG emissions growth is expected to come from rapidly urbanizing developing countries. More frequent and intense droughts, floods and storms will adversely affect infrastructure assets in these countries, costing up to $150 billion per year to ameliorate. Adapting to climate change is estimated to cost an additional $70 billion to $100 billion a year, the majority of it in the Infrastructure sector. Without further action to curb climate change, 100 million more people are at risk of being pushed into poverty in 2030 than otherwise anticipated.

  A total of 189 countries, representing 96 percent of the global GHG emissions have submitted Nationally Determined Contributions (NDCs), commitments that aim to provide clear, ambitious goals for low-carbon development. An immediate opportunity arises in assisting governments to translate NDCs into clear policy frameworks and investment pipelines that provide positive signals to private investors in sustainable, climate-smart infrastructure.

- ***Urbanization.*** The world is urbanizing quickly and the policy and infrastructure choices made in cities and towns today could lock in global futures into sustainable or unsustainable investment paths. While today, 50 percent of population lives in urban areas, by 2050, almost three-quarters will. Future infrastructure development challenges and energy and water needs will occur mostly in cities, which are growing rapidly—over the next 35 years, for example, the urban population of Africa is likely to triple, and that of Asia to increase by 61 percent. Megacities aside, urbanization in developing countries will happen mostly in small towns and "emerging cities." Cities are more "path dependent"

3 New Climate Economy, "Better Growth, Better Climate" (2014).

4 Ibid.

than countries: their long-term future is shaped by past and present decisions. That means today's policy and infrastructure choices can lock the world into either a sustainable or unsustainable investment path. Infrastructure capital requirements in urban areas over the next 15 years are estimated to be $50 trillion.[5]

Cities are important engines of economic growth but are vulnerable to social and environmental perils. Capacity and resources at local levels are weak. The type of investments needed to develop sustainable urban areas—such as transit-oriented infrastructure, closed-loop water and waste management systems, and renewable-based energy—are usually complex and carry high upfront costs, making them out of reach for small towns and emerging cities. Enhancing the creditworthiness of local governments and sub-national can help them serve as counterparties to PPP projects.

- ***Fragility.*** Fragility increases risks not only to fragile communities, but also to neighboring and host countries, which often also have weak institutions.[6] Fragile and conflict-affected states (FCSs), which are home to about 18 percent of people living in extreme poverty, make slower development progress than countries with more robust institutions. Key economic assets have often been destroyed by conflict or are in the control of hostile groups. Not only is it extremely difficult to operate in failed situations, but interventions may also unwittingly upset the delicate peace balance that has been achieved.

  Fragility is caused by the structurally increased risk of events with extreme consequences. The key drivers of these risks are: weak state capacity and poor legitimacy and accountability; societal mistrusts and fractures; poor economic resilience (shocks to income are associated with increases in conflicts); and the lack of capacity to protect firms and families from violence and conflicts.[7] Developing institutions that are able to address these risks and mitigate their impacts matter greatly in fragile contexts.

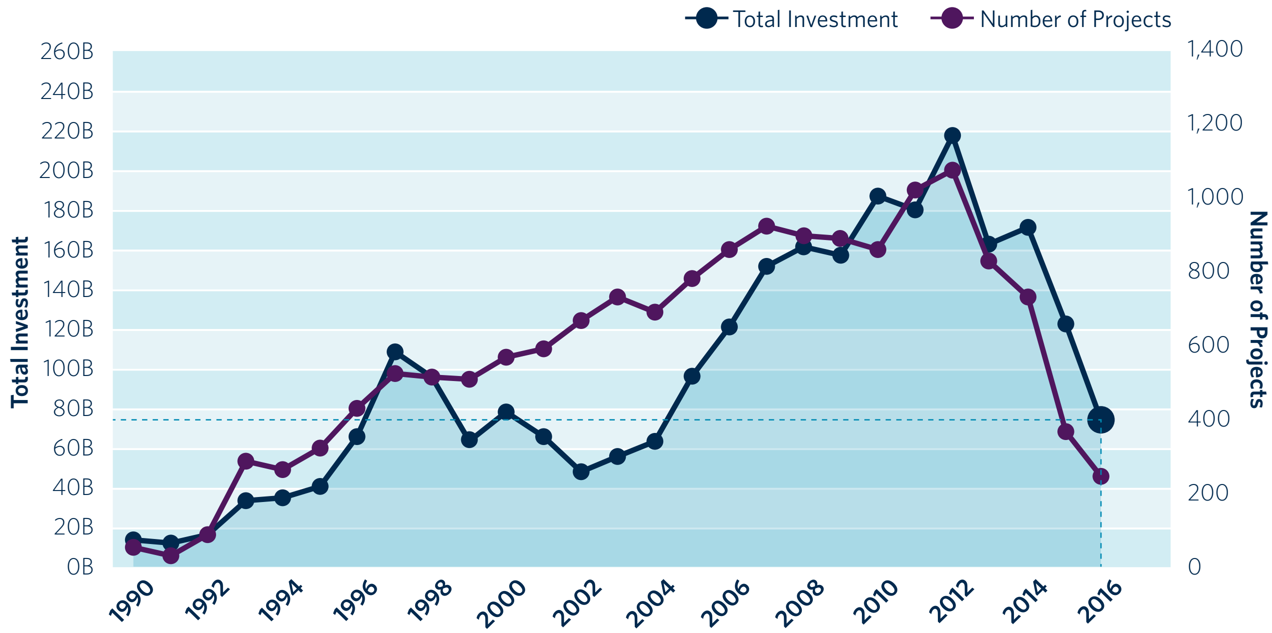
5 Ibid.

6 UNHRC, "Global Trends: Forced Displacements in 2015" (2015).

7 Ibid.

PPI[8] Trends in Developing Countries

FIGURE 4: Total PPI Investment (in $ billion and number of projects)



Source: PPI Database

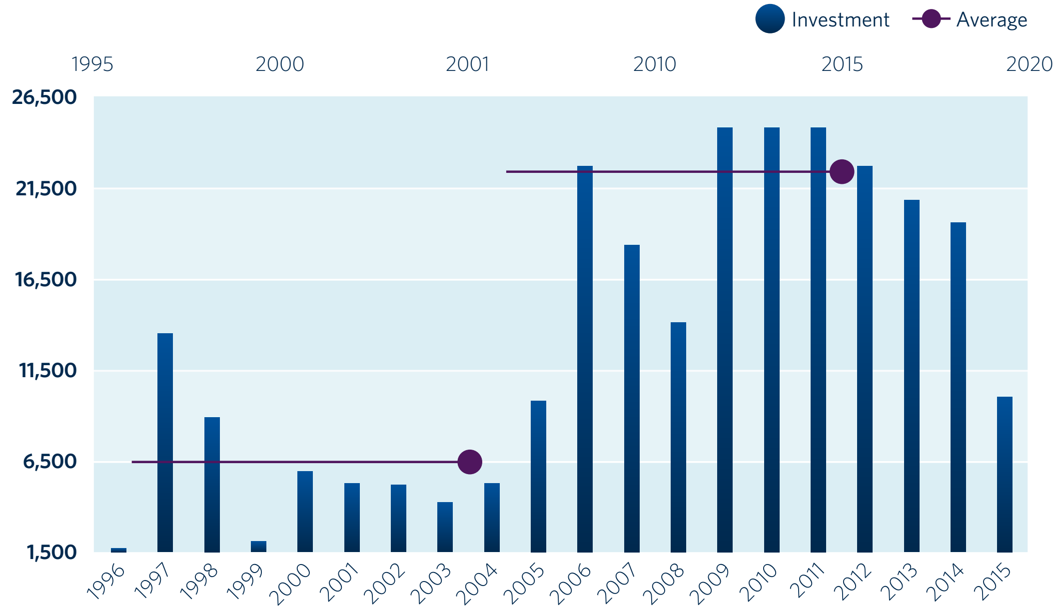
National PPPs are consolidating. Although the level of PPI continued to grow after the global financial crisis, averaging more than $120 billion[9] from 2010 to 2015, it collapsed to about $70 billion in 2016. The number of transactions that reached financial close between 2006 and 2015 was also significantly lower (4,480) in the last 10 years than in the previous decade (7,688), and continued to decline in 2016. This has resulted in a more concentrated landscape, with a higher average PPP project size and 15 fewer countries recording PPIs. Fewer countries also passed the $10 billion mark this past decade (16), compared to the previous decade (21). PPP activities in International Development Association (IDA) countries remained very limited, having no material impact on their economic growth.

Surge of state- and local-level PPPs. The story is different, however, in the state- and local-government markets. Average PPI involving contracts granted by municipal or state authorities grew 3.5-fold between the two decades, and up to 20-fold in the top countries. New markets for local PPPs opened in countries such as Turkey, Pakistan, Iraq and Kazakhstan.

8 As opposed PPPs, where there is a contractual relationship delegating a public service or obligation to the private sector entailing risk transfer, PPI encompasses other forms of participation that may not fit this definition, such as divestiture or engagement through licenses, etc.

9 Amount actually half backed by public financing or guarantees.

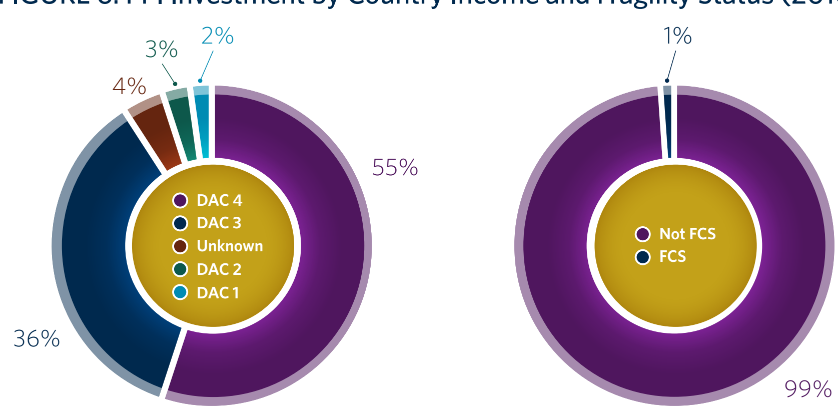
FIGURE 5: Total PPI Investment at Local and State/Provincial Levels (in $ million)



Source: PPI Database

Income correlates to PPI level. In the last decade, India, Brazil, Turkey, Russia and China dominated total PPI, with cumulative investments of $50 to $200 billion. They were followed by middle-income countries such as Mexico, Colombia, Peru, the Philippines, Chile and South Africa, which had investments of nearly $20 to $40 billion. High GDP is correlated with the level of PPI (coefficient of 0.51) and even more highly correlated with the number of PPP transactions closed (coefficient of 0.80). The investment levels in least-developed and low-income countries represent only five percent of total PPI from 2010 to 2015. Of note are Bangladesh, Rwanda, Nepal, Senegal and Zambia, which during that period managed to close PPP transactions (of modest sizes) almost every year. During the same period, countries of a fragile status that closed PPPs only accounted for one percent of overall PPI investment. These included low-capacity countries such as Haiti, Liberia, Myanmar, Nepal, Sierra Leone, Somalia and Togo, as well as middle-income countries (Bosnia, Côte d'Ivoire, Georgia, Kosovo and Iraq).

FIGURE 6: PPI Investment by Country Income and Fragility Status (2010-2015)



DAC = Development Assistance Committee

Source: PPI Database.

PPIAF STRATEGY (FISCAL 2018 TO 2022): THE CRITICAL UPSTREAM

PPIAF's Mission Remains Even More Relevant

The global development community has made an unprecedented commitment to end poverty by 2030 and to leverage development resources with private financing through the "Billions to Trillions" agenda. The sustainable development goals aim to leverage official development assistance to catalyze private financing for development. The development financing landscape for infrastructure has changed a lot since PPIAF was founded 18 years ago. PPIAF (including its SNTA component) was established to mobilize resources to facilitate multilateral and bilateral efforts towards supporting increased private-sector involvement in infrastructure at a time when these efforts were only starting. Today the global development community, and especially multi-lateral development banks, is much better positioned to catalyze private-sector funding to achieve the sustainable development goals. However, initiatives continue to focus on project-by-project leverage. PPIAF is the only global facility focused on strengthening the institutional underpinnings of sustained engagement of the private sector.

PPIAF support can establish the upstream link around the "Billions to Trillions" agenda, inside and outside the World Bank Group. The World Bank Group is pushing harder on leveraging private financing, by crowding in private-sector participation in infrastructure. Starting in fiscal 2018, it is introducing a new approach, called the "cascade," that describes how it will engage and advise its clients to maximize financing for development and minimize public liabilities, by expanding their options for financing and delivering infrastructure services. World Bank Group (WBG) investment decision-making will thus transition from defaulting to public funding and delivery, toward assessing the desirability of opening markets to the private sector and then addressing market failures and financing risks.

The IDA and the International Bank for Reconstruction and Development portfolios feature modest levels of PPP engagement (about 12 percent last year). However, the World Bank Group in recent years has ramped up the use of guarantees and insurance: It has committed more than $5 billion in guarantees, which has brought in $25 billion in private investments to $48 billion worth of infrastructure projects.

The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) will play a greater role in developing frontier markets. IFC is a contributor to PPIAF and can support a more holistic approach to LICs and FCS. IFC and MIGA can deploy investment financing and credit enhancements downstream of PPIAF support in markets in which the private sector would traditionally not have invested. Last year, IFC delivered a record $18.8 billion ($7.7 billion of it mobilized from investment partners) of financing for private-sector development; $1.8 billion of this was invested in infrastructure. Investments in FCSs rose to nearly $1 billion, an increase of more than 50 percent over the previous year. MIGA issued a record $4.3 billion in political-risk and credit-enhancement guarantees, with 45 percent of its active portfolio in IDA-eligible countries and 10 percent in FCSs. The World Bank has also established a $2.5 billion IFC-MIGA Private Sector Window focused on IDA-only countries, with an emphasis on FCSs. It is expected to support instruments such as guarantees and first-loss coverage that will crowd in private investments.

Two years ago, the World Bank and its development partners established the Global Infrastructure Facility (GIF), a pilot coordination platform for development financing institutions, investment companies and clients to promote investments in infrastructure. It provides grants and reimbursable technical assistance for project definition and preparation, in order to bring more bankable, privately financed projects to market. Non-WBG facilities such as the Private Infrastructure Development Group (PIDG) have also been successful in mobilizing donor resources to make projects viable for private financing. Much like other programs, PIDG focuses on deploying concessional funding to address risks at the project level, and on providing policy and regulatory assistance to bring projects to the market.

In contrast to the relative commercial sustainability of donor support for project preparation, financing and risk mitigation, resources to support LICs and FCSs to invest in their own institutions, knowledge and capacities on a systems level are becoming increasingly scarce.

PPIAF's critical upstream focus area turns hundreds of thousands into hundreds of millions. Deals in such environments will be scarcer, and project-by-project support will not transform markets, if policy, legal and institutional risks remain systematically high. PPIAF's role is therefore to strengthen the capacity of the counterparties. PPIAF funding is usually modest (grants average $300,000 to $400,000) but catalytic—in most cases, downstream projects would not have happened without its support. This is exemplified in Timor-Leste's first ever PPP, which raised nearly $500 million in financing for the Tibar Bay Port. PPIAF grants were not only instrumental in identifying a suite of projects, but also, critically, in establishing the public counterparty entity and its PPP operating systems. At the sub-national level, PPIAF's support for creditworthiness assessments and improvement programs has catalyzed $1.4 billion over 10 years in market financing for utilities and municipal entities and helped to build entities that are bankable in the long run.

PPIAF SUPPORT TO TIMOR-LESTE'S FIRST PPP PROJECT

BOX 1

A PPIAF grant of $825,000 for pipeline screening and PPP unit strengthening leveraged $490 million for a 30-year concession to Bolloré (France).

2011

PPIAF provided $75,000 (through the IFC) to assist the government to screen 24 projects with the potential to be procured as PPPs

2013

PPIAF provided $500,000 to the IFC to support the development of the first pathfinder PPP—the Tibar Bay Port

2013

PPIAF provided $250,000 to train the staff of the PPP unit and establish their work processes

Recommendations on external debt policy for project finance agreed upon; project-specific policies such as Tibar Bay viability-gap-funding option developed

2013

PPIAF provided $300,000 to develop airport master plans and study to proceed with PPP option

Traffic and other due diligence documents; airport masterplan. Project did not go ahead as a PPP but a public financed development with a management contract

2016

Tibar Bay concession awarded to Bolloré (France)

Thirty-year concession for $490 million project viability gap cost tens of millions of dollars less than anticipated, resulting in good value for money

PPIAF Expertise and Value Proposition

PPIAF is the only global facility dedicated to strengthening the policy, legal and institutional underpinnings of private-sector investment in infrastructure. In developing countries, increased private investment is not limited by capital, but by public-sector shortcomings and government failure to provide efficient and competitive markets. The biggest impediment to PPI lies in the policy arena. PPIAF has many years of experience in selecting, designing and supporting activities that result in significant leverage. Its global reach and its status as a partnership between a premier global-development financial institution and most major bilateral development agencies allow it to engage in many areas and offer unique insights through its proposal process.

BOX 2

PPIAF CUMULATIVE RESULTS SINCE INCEPTION

- PPIAF supported the creation and strengthening of 185 institutions around the globe to better identify, assess and enable private-sector participation opportunities.
- PPIAF advised on 140 policies and laws and more than 180 infrastructure strategies that catalyzed private participation in infrastructure.
- PPIAF catalyzed about $1.4 billion in financing for sub-national entities and strengthened 91 such entities, improving their creditworthiness, administration, and technical and fiscal capacity so they can raise additional financing.

PPIAF advisory draws from a pool of experts from the World Bank Group. The quality of PPIAF's work is enhanced by the fact that its assistance to clients is managed by a WBG expert team and is implemented in the context of strategic dialogue between the client and its development-financing partners. This also supports building on best practices from around the world, with a specific emphasis on south-south experience sharing.

PPIAF's rigorous approval and monitoring systems ensure accountability and open opportunities for partnership. PPIAF has a well-functioning proposal-review process that includes: expert proponents (via WBG teams) working with clients on the scope definition; reviews by sector and PPP experts in the PPIAF PMU; and a no-objections process from its contributing partners. The latter allows PPIAF donors to confirm alignment with their strategic priorities and, importantly, to identify linkages with other initiatives in which they may be engaged for a coordinated approach. In past years, PPIAF has strengthened its monitoring and reporting system to generate financial reports, survey activity progress and content, and gain insights into the relationship between an improved enabling environment and better infrastructure services with private participation.

BOX 3

WHY THE CRITICAL UPSTREAM AND WHAT DOES IT ENCOMPASS?

Investing in the upstream can improve downstream value-for-money and enhance outcomes of PPI.[10] In this document, the enabling environment (also called the upstream) is a set of conditions that induces the private sector to participate in infrastructure service delivery that leads to the desired, sustained outcomes. Private participation encompasses the provision of service (through operating contracts) and the provision of financing (debt or equity) either through other forms of PPPs at the national level, or to sub-national entities.

The concept encompasses not only the presence of policy and regulations, but also the presence and capacity of administrative, implementing and financing institutions, as well as their performance, culture and interactions. The enabling environment includes incentives as well as de-risking factors/instruments, and their interaction manifested as a track record of the specific sector, municipal or national market for producing the right outcomes (i.e., socially beneficial PPI).

PPIAF's concept of the enabling environment is slightly narrower. For example, although consistency in structuring transactions is important, in the PPP space, this is a downstream area in which PPIAF is not usually involved. And in the sub-national TA space, PPIAF supports the structuring of deals given the context-specific nature of sub-sovereign financing, but not the design of political decentralization policies.

PPIAF invests in the upstream by deploying technical advice and resources for consensus building and knowledge in areas such as:

- Policy, legal and regulatory reforms;
- Strategy development;
- Capital investment programs and finance planning;
- Robust decision-making and operating procedures;
- Project pipeline development and selection and screening (pre-feasibility) for private participation;
- Strengthening oversight institutions and counterparties;
- Operational guidance and response capacity on unsolicited proposals;
- Improving the viability of service providers, including state-owned enterprises;
- Diagnosing and rating the credit of sub-national entities;
- Increasing the capacity of implementation agencies (national and local); and
- Supporting financial intermediaries of sub-national entities.

PPIAF is not just concerned with more private participation, but that such participation leads to improved value for money and sustainable service. PPIAF promotes informed decision making by governments and all stakeholders regarding the quality and volume of infrastructure services, and their access by poorer residents. Not all PPIAF support leads to PPI—sometimes we recommend public procurement or financing. And not all PPI leads to improved services. For example, any short-term fiscal gains from PPI are not always sufficient to offset long-term additional costs emerging from renegotiations. And although the evidence is largely in favor of PPI for efficiency, this is not true for all sectors or regions, and fiscal costs are often not accurately foreseen.[11]

10 Adam Smith International, "Measuring and Maximizing Value For Money in Infrastructure Programmes" (2012).

11 Estache, Antonio and Philippe, Caroline, "The Impact of Private Participation on the Performance of Infrastructure in Developing Countries: Summary of the Academic Evidence" (2012).

GOAL AND OBJECTIVES

PPIAF's overarching goal is to facilitate private-sector involvement in the provision of infrastructure assets and services by improving the enabling environment. During this strategy period, PPIAF's objectives are to increase PPI through PPPs or sub-sovereign financing with a particular focus on 30 impact countries. PPIAF will prioritize the following:

1. **Strategic Area 1: Promote investment in sustainable infrastructure** through stronger PPI frameworks and risk management at national and local levels, including in fragile states;

2. **Strategic Area 2: Transform sub-national entities responsible for infrastructure to become creditworthy** and increase their access to financing without sovereign guarantee; and

3. **Strategic Area 3: Facilitate knowledge and capacity of client countries at scale** to engage the private sector.

The following table highlights indicative results that PPIAF expects to deliver over the next five years.

TABLE 1: Highlights of Expected Results for the Strategy Period

Performance Indicators for PPIAF Strategy Period (Fiscal 2018 – Fiscal 2022)	2017 Baseline*	2022 Target
Impact: Number of PPIAF impact countries with acceleration in the availability of water, transport and energy infrastructure (out of 19 current impact countries)	14	16
Outcome #1: Cumulative number of PPP transactions reaching financial close in PPIAF impact countries	1,446	1,676
Outcome # 2: Cumulative amount of total investments in infrastructure through PPPs (in $ millions in PPIAF impact countries)	398,377	508,440
Outcome # 3: Number of PPIAF impact countries that are improving their enabling-environment scores	4	10
OUTPUTS (baseline and targets based on data from post-completion reviews of a 50-percent sample of activities closed 36 months ago)		
1. **PPP Capacity and Reform Consensus.** Public institutions in PPIAF client countries better identify, assess and enable private-sector participation opportunities		
a. Number of country engagements where PPIAF successfully builds public-sector capacity to catalyze private participation	4	6 per year
b. Number of PPP transactions successfully catalyzed in PPIAF countries each year	5	6 per year
2. **Policy and Strategy.** PPIAF client countries (at national or local levels) adopt policies, regulations and institutions that catalyze private-sector participation in infrastructure-service delivery		
a. Number of country engagements operationalizing their Nationally Determined Contributions through PPI	N/A	8
b. Percentage of successful PPIAF engagements concerning policies/laws/regulations that focus on at least one of the following themes: fragility, sub-national financing frameworks, and local PPPs.	20 percent (based on outcome realizations with successful ratings for activities with a fragile or SNTA angle)	65 percent
3. **SNTA Financing.** Sub-national entities are able to access increased financing in infrastructure without sovereign guarantees.		
a. Number of sub-national entities that are able to access commercial financing without sovereign guarantees	1	At least 2 per year
4. **Sub-National Entity Creditworthiness and Capacity.** Sub-national entities improve their creditworthiness, technical, financial and managerial capacity to raise finance.		
a. Percentage of activities successfully supporting sub-national entities to become creditworthy	80 percent	85 percent
5. **Global Knowledge.** High-quality knowledge products on private-sector investment in infrastructure prepared and shared to demonstrate how such investment can add value.		
a. PPIAF-supported global partnerships, public goods platforms and public-private dialogues successful in catalyzing sustainable PPPs and creditworthy sub-national entities	1 per year	2 per year

* *Baseline calculated based on outcome realizations done in fiscal 2016 for activities closed in fiscal 2013 – 2014, except for global knowledge, for which the number of flagship products per year was used.*

1

STRATEGIC AREA

SUSTAINABLE PPI

Promote Investment in Sustainable Infrastructure Through Stronger PPI Frameworks and Risk Management at National and Local Levels, Including in Fragile States

Because of economic consolidation, private sources of finance from mature economies will become increasingly selective. Meanwhile, low capacity in the public sector leads to a dearth of well-structured projects. The World Bank 2017 benchmarking report of 82 countries' PPP regulatory frameworks found project preparation to be the weakest of four areas (preparation, procurement, unsolicited proposals, and contract management). Only a third of countries have specific procedures for assessing bankability, affordability and value for money; furthermore, half of the countries don't require market assessment. Only 55 percent of countries require consistency between PPP and other public-investment priorities. Post-transaction publication of contract and contract performance is also weak in most countries. Although project preparation is weak across all types of countries, procurement performance among low-income and lower-middle-income countries is worse than in middle-income countries.[12]

Because of increasing decentralization, establishing capacity and robust PPI frameworks is more and more a challenge of local governments. In Organisation for Economic Cooperation and Development (OECD) countries, local-government investment accounts for more than two thirds of total public-capital expenditure; the share is lower (but growing rapidly) in emerging markets and developing economies.

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12 World Bank, "Benchmarking PPP Procurement" (2017).

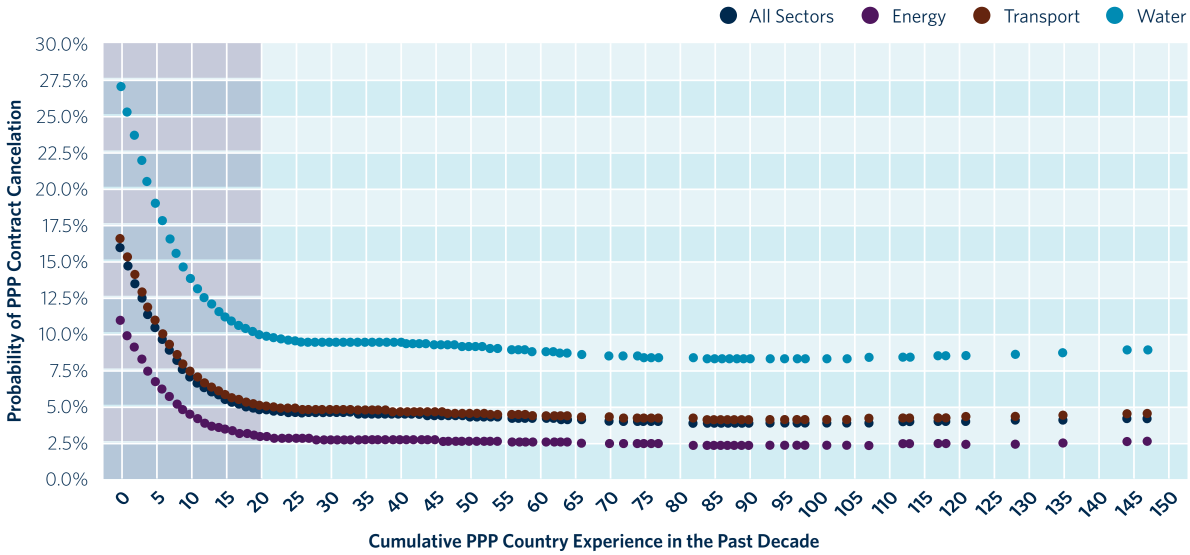
FIGURE 7: Constraints of PPI Implementation at Local Levels

Stronger PPI Frameworks at National and Local Levels

Track record is important for successful PPIs. A recent paper[13] finds that the probability of cancellation rapidly declines after five to 10 deals; after 20 contracts in the same country, most of the benefit of experience is already reflected in the lower probabilities of cancellations for projects in the energy (-74 percent), transport (-70 percent) and water (-63 percent) sectors.

13 M.Darwin, "Do Countries Learn from Experience in Infrastructure PPP?" (in progress; expected to be published in 2017).

FIGURE 8: Probability of Cancellation with Respect to Country Experience



Source: M.Darwin (2017).

APPROACH 1:

PPIAF will build the critical upstream of a stronger PPI track record, whether through PPPs or through commercial financing of sub-national entities, in 30 impact countries.

In the next five years, PPIAF will consolidate impacts in countries where it has or will (over the coming planning period) invest more than $2 million. These fall into the following categories:

- Fifteen low-income and least-developed countries (LICs):
  - » Nine countries that are only classified as LICs—Lao PDR, Nepal, Senegal, Burkina Faso, Guinea, Malawi, Rwanda, Uganda and Kenya; and
  - » Six countries that are classified as both LICs and fragile and conflict-affected states (FCSs)—Afghanistan, Haiti, Madagascar, Myanmar, Somalia and Djibouti.
- Fifteen middle-income countries (MICs):
  - » Twelve countries that are only classified as MICs—India, Indonesia, the Philippines, Vietnam, Colombia, Peru, South Africa, Cameroon, Nigeria, Tunisia, Morocco and Egypt; and
  - » Three countries that are classified as both MICs and FCSs—Papua New Guinea, Côte d'Ivoire, and West Bank & Gaza.

The list considers: 1) PPIAF's understanding of the state of the infrastructure market/sector reforms and opportunities; 2) client government commitment and capacity, based on recent past and ongoing PPIAF support in such countries; 3) the efforts of other development partners and clients, including the WBG, on which PPIAF activities can be built; and 4) the priority/opportunity countries within the different PPIAF funding windows. The list does not preclude PPIAF supporting other countries on an opportunistic basis.

APPROACH 2:

PPIAF will target 50 percent of its country-oriented programming volume to Sub-Saharan Africa (SSA) and at least 13 percent to FCSs.

This will be done in recognition of resource limitations and the complexity of institutional challenges in these countries.

Sustainable Infrastructure and Climate[14]

Rapid advances in technologies, combined with the dramatic drop in their prices, have ushered in a new era for private-sector-led, climate-smart infrastructure development. Recent years have seen dramatic reductions in the cost of solar photovoltaic (PV) and wind power generation, as well accelerated innovations in clean transport and water technologies. Private-sector-led clean technologies are becoming mainstream investments that could outcompete fossil-fuel-based options.

The Paris Climate Agreement in 2015 generated political momentum around a global infrastructure agenda to move away from carbon-intensive infrastructure and towards sustainable infrastructure, in order to limit global warming to two degrees Celsius by 2050. At the heart of the agreement are NDCs that outline the actions countries intend to take to adapt to and mitigate climate change. NDCs are now evolving into investable plans—identifying projects that promote renewable energy, energy efficiency, low-carbon cities and resilient infrastructure.

The private sector, which is driving these sustainable infrastructure changes primarily through technology innovations, is already shifting its flow of investment capital, for example through green bonds. Nevertheless, in most cases, market barriers and the continuing perceived high risk of investing in emerging markets keep capital costs high and deter private investors. To tap into more private capital and proactively engage private-sector technical expertise, governments will need to unblock market constraints—for example, by establishing renewable-energy policies that promote entry and competition of private players—and to adopt robust PPI frameworks whereby the public and private sectors transparently allocate risks and rewards. Strengthening country and sector policies, regulations and institutions, and reforming utilities, will be key. Such actions indicate stable investment environments and predictable project-revenue streams. They lower investment costs as well as policy and regulatory risks.

14 The detailed "PPIAF Climate Change Strategy and Business Proposal (FY18-22)" was prepared for the contributors of the Climate Change Trust Fund for Infrastructure.

BOX 4

WHAT IS SUSTAINABLE INFRASTRUCTURE?

Sustainable infrastructure is infrastructure that is planned, designed, constructed and operated to be economically, socially and environmentally sustainable and climate resilient over the long term.

- Economically sustainable infrastructure provides jobs and helps boost GDP vis-à-vis economic growth. It does not burden governments with unpayable debt or users with painfully high charges. It also seeks to build the capabilities of local suppliers and developers.
- Socially sustainable infrastructure is inclusive and respects human rights; it is designed to meet the needs of the poor by increasing access, supporting poverty reduction, and reducing vulnerability to climate change. For example, distributed renewable power in previously un-electrified rural areas can increase household income and improve gender equality by reducing time spent on household chores.
- Environmentally sustainable infrastructure mitigates carbon emissions during construction and operation and contributes to the transition to a lower-carbon economy, for example through high energy-efficiency standards. It also addresses local environmental challenges, especially around water provision and air quality.
- Climate resilient infrastructure endures the impacts of climate-related events such as flooding, sea-level rise and increased extreme weather events.

Resilience is the capacity of economic, social and environmental systems to cope with a hazardous event or trend or disturbance, responding or reorganizing in ways that maintain their essential function, identity and structure, while also maintaining the capacity for adaptation, learning and transformation.

"Climate-smart" infrastructure" refers to being low-carbon (mitigation) as well as resilient (adaptation). For example, a hydropower dam that can generate renewable power from water resources without GHG emissions is considered low-carbon infrastructure, as opposed to a coal-fired power plant built to generate the same amount of power by burning fossil fuels. And if it is built to withstand and adapt to climate impacts such as heavy floods or other extreme weather events, it is considered resilient.

APPROACH 3:

PPIAF will mainstream climate considerations in other PPIAF activities, monitor climate co-benefits in its core assistance, and focus on its niche positioning in supporting the upstream frameworks to enable private participation in sustainable infrastructure.

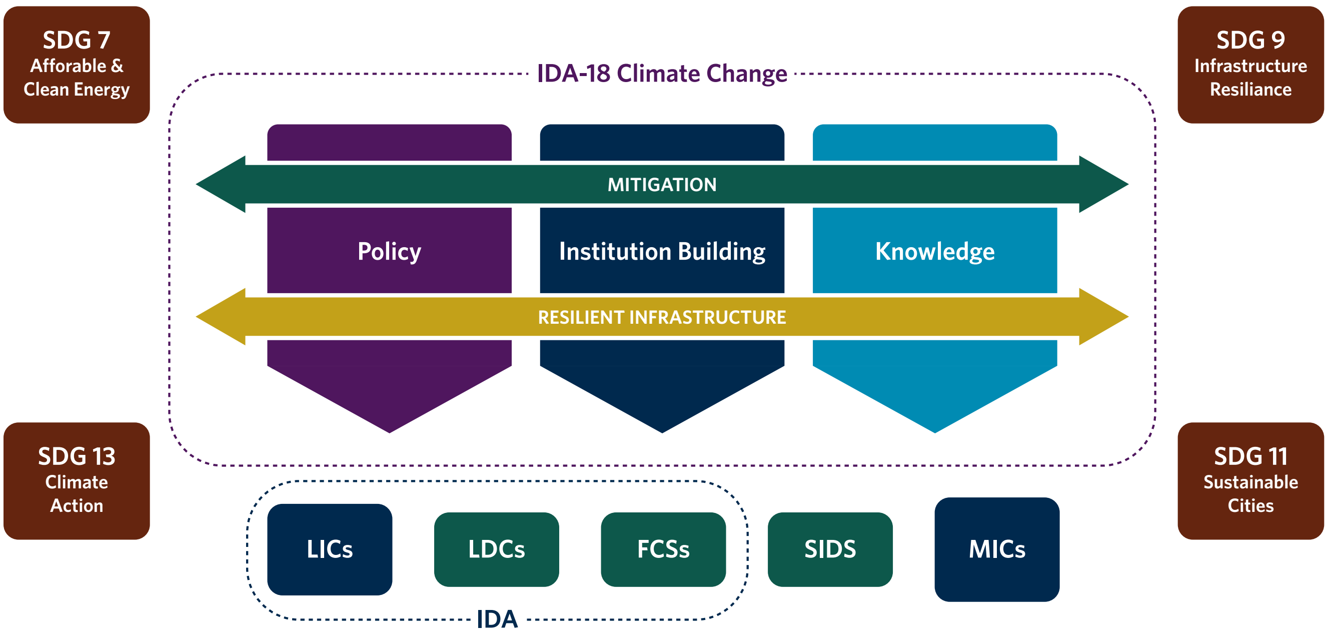
PPIAF is developing a clearer framework for measuring and enhancing potential climate co-benefits generated within other PPIAF assistance. This will give donors to PPIAF core funding, not just to the Climate Change Trust Fund for Infrastructure (CCTFI), better insight into how much of their support is contributing to advancing the global climate agenda. This approach will also emphasize partnership, because PPIAF does not cover the full range of policy and institutional strengthening challenges of the climate agenda.

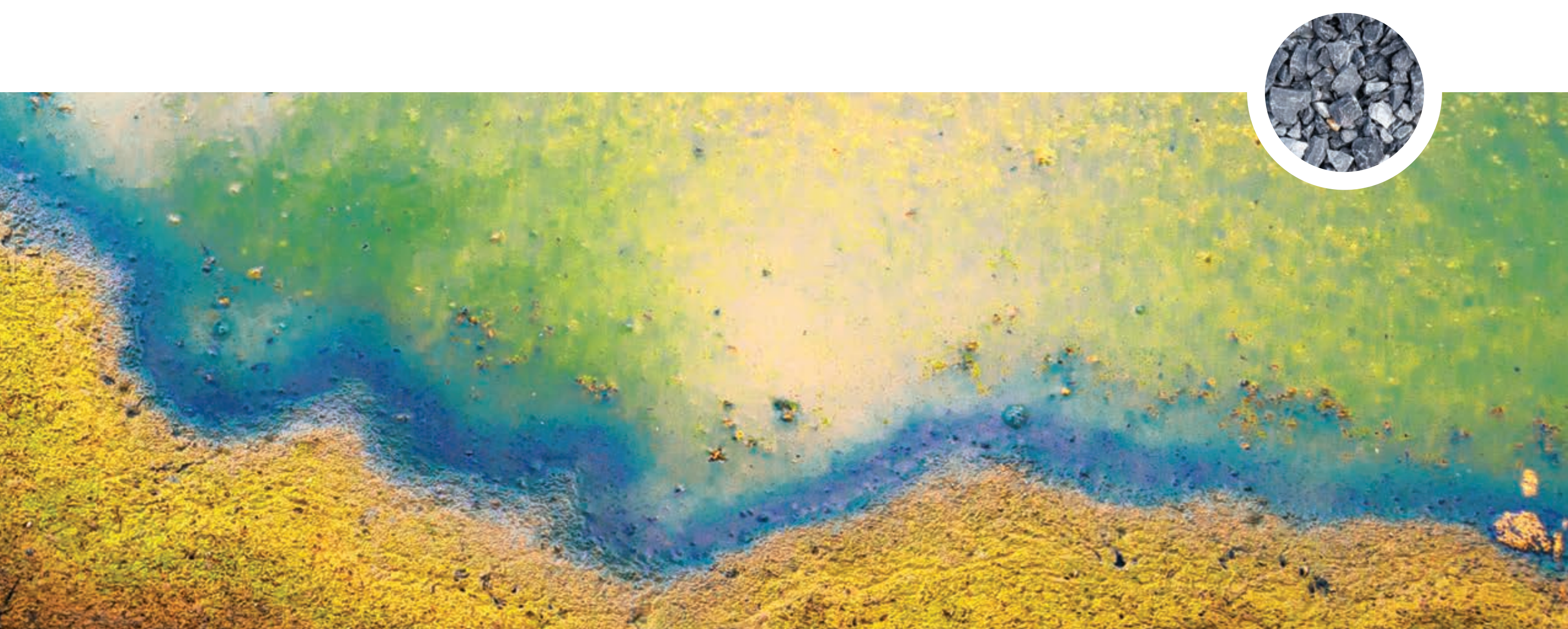
APPROACH 4:

Through its Climate Change Trust Fund for Infrastructure, PPIAF will provide comprehensive support to make infrastructure markets climate-smart.

The objective will be to target climate-smart TA and knowledge that address root causes of downstream market failures and both perceived and real investment risks, as detailed in a separate document, "PPIAF Climate Change Strategy and Business Proposal (FY18-22)." In summary, CCTFI will have three strategic pillars (policy, institution capacity building, and knowledge) that target upstream reforms across the energy, transport, water and sanitation (WSS) sectors. Because of the limited amount of funding (from $10 to 15 million) now expected over the strategy period, PPIAF will focus on the energy sector (renewables and energy efficiency). Similarly, mitigation will be given precedence over adaptation. These strategic pillars will be operationalized primarily through programmatic Initiatives with pre-identified strategic partners. CCTFI will work with LICs (including key IDA, FCS and Small-Island Developing States (SIDS)) and MICs and align with broader World Bank initiatives, client NDC priorities, and the SDGs.

FIGURE 9: Climate Change Trust Fund for Infrastructure (CCTFI)
Priority Areas for Fiscal 2018-2022





FRAGILITY

Investment risks in fragile countries differ based on the underlying fragility causes and institutional contexts.

For example, in small island economies in the Pacific and Africa, state stability is linked to macro-fiscal constraints that affect project payment risks; thus capacity building on project selection and screening, and fiscal management of PPPs and public-backed obligations, as well as introduction of credit enhancements, could be important. Where the state plays a dominant role in the economy, the issue could be cost and value for money, and technical assistance and knowledge could emphasize ways of increasing transparency, consensus building, benefits sharing and competition. There are also many other possible challenges, such as policy incoherence, and an absent or low-capacity private sector.

Despite this, PPIAF and others have recent successful experience in the following areas:

- Small-scale O&M contracts with local private-sector participation have been an effective way of introducing such participation in fragile countries;
- Port and airport assets are high priorities, because there is little currency-exchange-rate risk given the predominance of U.S.-dollar-based contracts, more easily forecast demand, and predictable revenue streams;
- Community participation is an important element in infrastructure rehabilitation and management of illegal connections; and
- Public-private dialogue is an effective tool to bring together actors from the public and private sector.[15]

15 "Lessons Learned from IFC Advisory Services Projects in Fragile and Conflict-Affected Situations" (IFC-2014).

APPROACH 5:

Pursue an opportunistic, flexible approach to FCSs, while deepening knowledge on effectiveness.

Fragility narrows the opportunity to develop wide-ranging PPP programs at the country level, except for countries with more stability and lower security concerns.[16] Therefore PPIAF assistance will focus on non-programmatic and impact-based opportunities and incrementally build on the experience lessons from these countries. However, because fragile situations are all different, interventions designs will be unique.

TABLE 2: Illustration of Differentiated Approach to Fragile Countries

Fragility Stage	Crisis	Build & Reform	Transition	Transformation	Resilience
PPIAF Operation ▼					
Wait and See	●				
Dialogue		●	●	●	●
Diagnostics			●	●	●
Technical Assistance				●	●
Capacity Building		●	●	●	●

● *= Area of PPIAF intervention*

All interventions must abide by the principle of doing no harm.[17] Infrastructure can be highly political, sensitive, and sometimes controversial. This approach requires understanding risks and conflict drivers and ensuring coordinated efforts to alleviate them. Thus, while it is always helpful to work with implementation partners in any situation, it is critical in FCSs.

Activities in FCS take longer to implement and risk becoming stalled, so PPIAF will consider being more flexible with activities in such countries. This includes possibly allocating more resources to World Bank team implementation and PPIAF supervision; having sufficient time buffers in the implementation schedule or allowing generous extensions; and allocating resources to upstream sector reform and capacity building, or to downstream post-transaction support.

16 An exception to this generalization is Afghanistan, where the United States and NATO are engaged in relatively active rehabilitation through infrastructure development.

17 The "do no harm" approach refers to projects consciously looking for and seeking to avoid or mitigate negative impacts resulting from their activities. The Donor Committee for Enterprise Development, "Measuring Achievements of Private Sector Development in Conflict-Affected Environments: Practical Guidelines for Implementing the DCED Standard" (2015).

APPROACH 6:

While PPIAF will operate opportunistically in FCSs, we will deepen knowledge on effective PPIAF interventions in FCSs and build on our approach.

PPIAF will use new diagnostic methods to gather information about the private sector in conflict situations. PPIAF will also partner with groups such as the g7+ that can help to identify champions willing to implement reforms and improve country conditions. PPIAF will work iteratively, regularly taking stock of whether it is achieving its intended objectives.


Maintain the capacity
for adaptation, learning
and transformation.

STRATEGIC AREA 2

SUB-NATIONAL TECHNICAL ASSISTANCE (SNTA) PROGRAM[18]

Help Sub-national Entities Responsible for Infrastructure to Become Creditworthy and Increase Their Access to Financing Without Sovereign Guarantees

INTRODUCTION TO THE SNTA PROGRAM

BOX 5

PPIAF'S SNTA PROGRAM

The SNTA program helps sub-national entities develop their capacity to access market-based financing to improve infrastructure services, without sovereign guarantees. Activities include capacity building to improve the creditworthiness of sub-national entities and their investment projects, as measured by local credit ratings and/or actual access to financing, such financing should take place in the context in sustainable debt management. This is expected to improve financial management; strengthen governance and human resource capacity; and improve planning, project preparation and market-based financing for infrastructure.

Sub-National Entities. The SNTA program's clients include the following:

- Special-purpose government entities (utilities, authorities, special districts, and state-owned enterprises, with a primary focus on utilities delivering natural-monopoly infrastructure services such as water, power and transport);
- General-purpose sub-national government entities (provinces, states, municipalities, etc.) with infrastructure service-delivery responsibilities that are typically commingled with service delivery of other sectors; and
- Development finance institutions (development banks and funds, with a primary focus on infrastructure lending).

Complementarity with Strategic Area 1 on Sustainable PPI: Strategic Area 1 focuses on the establishment of PPP frameworks and client capacity in PPP portfolio management and development; Strategic Area 2 focuses on the development of systems and capacities of sub-national entities to access long-term market-based financing for a variety of projects (PPPs or otherwise). This dovetails with the first strategic area—for entities to be able to borrow (as well as to enter into contractual arrangements with the private sector), it is necessary that they have credible capital-investment plans and financial reporting systems; predictable long-term cash flows that can ensure debt repayment; and regulatory frameworks that withstand governmental change.

SNTA Program Positioning: SNTA is positioned downstream of long-term sector and market reforms. It is unique in its global reach and emphasis on developing a sustainable market-based approach for infrastructure financing. The program focuses its technical assistance on improving the creditworthiness of sub-national entities and their projects (borrowers), and connecting creditworthy borrowers to long-term financing from lenders and investors.

18 The SNTA strategy was developed using the approach presented in: Bill & Melinda Gates Foundation, "The Strategy Lifecycle, A Guide" (2011); https://docs.gatesfoundation.org/documents/the%20strategy%20lifecycle.pdf

SNTA PROGRAM'S THEORY OF CHANGE (TOC)

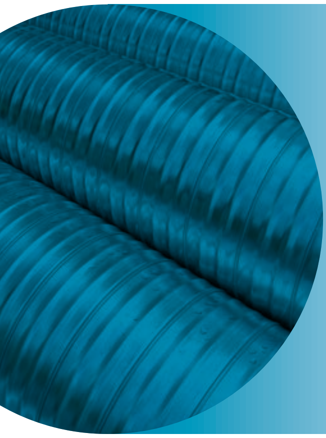
Below is a high-level representation of the SNTA program's pathway of change to improve the creditworthiness of sub-national entities and their investment projects, as measured by appropriate local credit ratings and/or actual access to financing.

The theory of change rests on the following assumptions:

- Support at national and sub-national level.
- The sub-national entity (SNE) has growing need to access financing for infrastructure investment, but is challenged due to a weak policy environment, inadequate institutional capacity, lack of experience, and poor financial and management systems. In addition, strengthening institutional capacity and improving PFM system is a long-term endeavor.
- SNE has the legal authority to borrow on its own account, without a sovereign guarantee.
- SNE has interest to improve creditworthiness (of the issuer or the issue).
- Markets develop in phases (shifting from government lending to bank lending to securities), and change will occur incrementally.

TABLE 3: SNTA Theory of Change

Inputs	Assistance	Intermediate Outcomes	Outcomes	Impacts
Grants to provide technical assistance to improve the capacity of SNEs to access long-term financing Consultation with both national and sub-national government Knowledge of SN financing: framework, actors, products and stakeholders	TA for specific performance improvement / improved creditworthiness: • Investment planning and prioritization, including consideration of social and environmental issues; • Improved revenue and expenditure management; planning for improved debt management; working capital management; • Revenue enhancement; • Improved monetization of land value; • Improved operational efficiency; • Improved management of contingent liabilities; • Improved corporate planning (business, financial and tax); • Improved and transparent budgeting, accounting, auditing; and • Advice to affect institutional efficiencies (professionalization of municipal cadre, HR, data management, etc.). TA to facilitate access to financing: • Structure transaction, including establishing risk sharing agreements with other financial institutions and private sector investors; • Utilities to improve corporate governance and technical and financial efficiency, in preparation for issuing bonds or shares; • Legal and financial advice to develop innovative credit-pooling structures and strategic investment funds; • Support for obtaining a full or shadow credit rating; and • Develop draft information memorandum and support for outreach to market participants to explain new instruments. Advice on legal, regulatory and policy frameworks to facilitate sub-national financing (e.g., frameworks to ensure responsible borrowing; rationalization of taxes/charges; and securitize revenue streams). Capacity development and training.	Improved capacity of entities demonstrated (improved governance systems, unqualified audits, improved financial management, improved cash flows that can ensure debt repayment, etc.) and improved capacity of staff. SNEs obtain new or improved credit rating, which facilitates their access to finance. Demonstration / innovative debt financing transactions facilitated. Government / concessional lending incrementally replaced by commercial lending, and longer tenors, as SNEs establish a track record of timely debt repayments.	Increasing number of financially viable and fiscally responsible sub-national entities. Strategic Outcomes: • Creditworthy SNEs attract financing without central government support (SO1); • Growing number of creditworthy SNEs and projects (SO2); and • Legal, regulatory and policy frameworks that facilitate sub-national financing mature (SO3) Increasing number of credit ratings results in better information on SNEs and facilitates a credit culture.	Upscaling and mainstreaming of approaches. Financing secured within an accountable institutional framework that sustains and promotes local development. Financing is more predictable, and capital budgeting is more efficient. Local financial markets develop and mobilize new local private financing. Better information flow and market ability to assess and price risk. Markets impose discipline on borrowing entities. Greater access to financing increases and improves infrastructure and services. Greater investments in services at local level stimulates growth and investment in the local economy.



The contextual factors are as follows:

- Economic condition;
- Political stability;
- Sector reforms and conducive regulatory and institutional frameworks;
- Sufficient political, administrative and fiscal decentralization and access to financial markets; and
- Capacity at sub-national entity level.

SNTA PROGRAM CONTEXT

The emerging development agenda supports sub-national finance for development and climate action. Meeting the SDGs will require resources. The Financing for Development conference in Addis Ababa introduced a shift in development finance that speaks to the SNTA program's core mandate. The resolution commits to scale-up international cooperation to: strengthen the capacities of municipalities and local authorities; help develop domestic capital markets; and use blended finance instruments across key development sectors, including those led by sub-nationals. In relation to Paris COP21, PPIAF's review of select NDCs found them to include key actions related to urban infrastructure. Also of significance is the New Urban Agenda from the UN Conference on Housing and Sustainable Urban Development (HABITAT III), which discusses initiatives, partnerships, synergies and mechanisms to ensure adequate resources to finance sustainable urban development.

Multilateral and bilateral agencies have already identified the critical nature of the development gap associated with sub-national development finance. Many development agencies already offer loans and credit enhancements directly to sub-national entities, such as IFC's sub-national finance offering, and EBRD's Municipal and Environmental Infrastructure unit. Many bilateral donor programs offer technical assistance to improve sub-national access to finance for infrastructure development. In recent years, resources from non-traditional sources—such as the Rockefeller foundation, the Bill & Melinda Gates foundation, and the Bloomberg C40 network—have been used to improve the capacity of cities.

WBG efforts to support the 2030 Development Agenda increasingly rely on private finance.[19] The World Bank cascade approach explicitly speaks to supporting sub-national debt financing in domestic markets and is expected to create demand for SNTA's experience and material. The cascade approach's impact on grant requests (number and amount) to implement technical assistance will depend on the institution's ability to align internal incentives and capabilities, and systemic issues and client capacity in countries.

19 As in all PPIAF engagements, the WBG response to the development agenda is relevant to SNTA, because its TA is implemented by WBG task team leaders (TTLs) and needs to have been prioritized under the systematic country diagnostic (SCD) and linked to WBG operations.

Another notable development is that GIF and new trust funds/platforms (such as the Global Platform for Sustainable Cities) propose to support sub-national debt financing and could overlap with the SNTA mandate, for example in defining options for financing sub-national entities and the preparation of transactions. Whereas the overall resources remain small compared to the development challenge, we expect an increase in the number of players that are looking to support quality opportunities; the way SNTA will partner with these other groups is explained later.

SNTA PROGRAM VALUES AND STRENGTHS

How will the program attract opportunities that are most likely to deliver results, given its modest resources?

TABLE 4: SNTA Program Values, Strengths and Operational Implications

	SNTA PROGRAM VALUES AND STRENGTHS	OPERATIONAL IMPLICATIONS
1	**Differentiation:** • The program supports and connects critical actors/elements of the sub-national finance framework, which is still developing in most countries. SNTA is unique in its global reach and cuts across sectors. • Over the past decade, SNTA's portfolio has accumulated valuable insights and knowledge, which can add value to the emerging development agenda.	• Strengthen SNTA brand recognition around its core capability (as recommended by the evaluation). • Potentially rename the program.
2	**Emphasis on quality and better selection of opportunities:** • Remain focused on SNTA core objective and emphasize quality over quantity. • Prioritize support to SNEs that offer a higher possibility for SNTA to make a difference in two to three years.	• Collect information on candidate SNEs and countries through commissioned assessments and credit ratings. • Outreach within WBG, ensuring that SNTA is front-of-mind for WBG staff. • Feedback loops and ground intelligence: The program benefits significantly from feedback from donor country teams (at the application no-objection and implementation-support stages). Increased dialogue at the operational level will facilitate identification and selection of opportunities. • Emerging insight: SNTA is once removed from implementation and twice removed from clients. To stay relevant and continue to add value, emphasize outreach to the professional community (credit rating agencies, financial institutions and intermediaries, etc.) and partner organizations working on the subject.
3	**Fast and flexible:** • PPIAF response time on inquiries and requests (for technical input, knowledge and communication material). • PMU grant review and processing time.	• Increase number and level of staff assigned to SNTA. • Develop generic outreach and communication materials (e.g., brochure, master deck of slides, compendium of transactions, annotated bibliography, list and links to partner institutions, and impact stories).

SNTA STRATEGIC CHOICES AND PRIORITIES

A. Specific Issues and Approaches for Different Segments

TABLE 5: SNTA-Specific Issues and Approaches for Different Sub-National Entity Segments

Segment	Approach and Priorities for TA
SUB-NATIONAL GOVERNMENTS	
• This is the most difficult segment of the portfolio, but a critical one for addressing economic growth and jobs, climate change, and poverty. • Such assistance is resource intensive (people, time and money), because capacity weakness is usually more significant at the local level; municipal projects tend to be smaller and more political (therefore may take longer to materialize); and it is important to consider inter-governmental relationships and engage, as appropriate, with all levels of government.	Careful identification of opportunity; plan for deeper and longer-term engagement in selected countries; working with government at the local and national level and also financial intermediaries and regulators. • LICs/Africa/countries where decentralization is still evolving: TA to improve creditworthiness of SNGs. • MICs/countries that are decentralized (politically, administratively, and fiscally), and where the sub-national borrowing framework is adequate and access to financial and capital markets exists: The priority is to get those SNGs to finance transactions (to demonstrate approaches).
MUNICIPAL AND STATE-OWNED PUBLIC UTILITIES	
Utilities and state-owned enterprises (SOEs) offer a more immediate opportunity (compared to SNGs) for sub-national financing, because utilities have more borrowing autonomy. However, their standalone creditworthiness is weak.	• Transport and water utilities: Prioritize activities that map to both creditworthiness and access to finance outcomes. • Energy SOEs: » Rebalance the portfolio to do more with energy SOEs. » Prioritize activities that map to access-to-finance outcomes. Ensure careful selection of SOEs with the potential for a transaction to materialize within two to three years.
INTERMEDIARIES	
Explore opportunities for credit pooling to facilitate SNE access to finance.	Systematically develop TA experience and body of knowledge.

B. Approach to Prioritizing the Allocation of Resources

SNTA supports interventions across key infrastructure sectors. These are mapped to the program's intended strategic outcomes (as per its theory of change). Activities supporting credit rating and knowledge generation and application are supported throughout the portfolio.

FIGURE 10: Organization of SNTA Program Resources

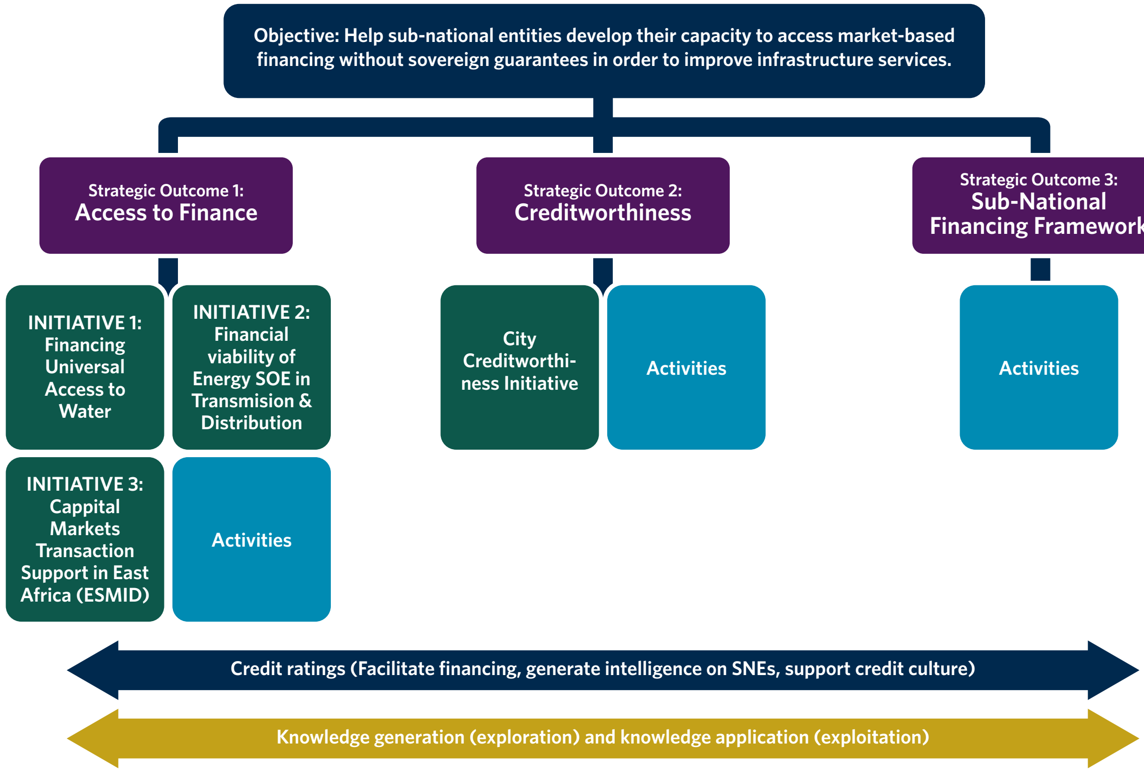


TABLE 6: SNTA Key Initiatives Mapped to Strategy Objectives

	Key Initiatives (as Mapped to intended Strategic Outcome)	Sector
1	Fiscal 2015: "City Creditworthiness Initiative," in partnership with the WB's Urban Global Practice and the Rockefeller Foundation, aims to support cities to improve their creditworthiness to access private financing for climate-smart infrastructure development.[20] (SO2)	Urban
2	Fiscal 2016: "Financing Universal Access to Water Supply and Sanitation," in partnership with the WB's Water Global Practice, aims to facilitate access to financing for water utilities. (SO1)	Water
3	Fiscal 2017: SNTA launched a program in partnership with Efficient Securities Markets Institutional Development (ESMID), which will support market borrowing by identified entities in Kenya, Rwanda, Tanzania and Uganda.[22] (SO1)	Multi-sector
4	Proposed: TA to improve the financial capacity of energy transmission and distribution SOEs. (SO1)	Energy (Proposed)
5	Note: PPIAF is developing an initiative with the WB's Transport Global Practice, which will generate TA activities for both PPIAF and SNTA.	Transport (PPIAF Initiative)

The program proposes the following priorities for resource allocation:

- Assign greater priority to the allocation of resources aimed at achieving Strategic Outcome 1: Access to Financing;
- Prioritize resources to support the creditworthiness of sub-national governments in a selected number of countries; and
- Support an increased number of credit ratings across its portfolio, to improve information on sub-national entities.

During this strategy period, the program proposes to identify two to three target countries (chosen jointly with donors) in which it will support multiple, sequential engagements with multiple sub-national entities.[22] This could be developed as a new initiative or as a re-orientation of the portfolio through prioritization of grants to activities in these countries. The business plan presents a list of proposed opportunities.

SNTA activities will be coordinated with PPIAF's sustainable infrastructure and climate agenda, as well as that of the WBG Climate Change CCSA.

20 Support within the Urban Global Practice (GP SURR) for the City Creditworthiness Initiative (CCI): In February 2017, we met the relevant director and lead urban specialist within GP SURR, who confirmed they consider CCI to be a "flagship" initiative. Based on a review of its independent evaluation of the Initiative, GP SURR proposes to redesign the way the initiative delivers TA. They recognize that the Initiative needs to be better anchored in the WBG operational work, and favor an approach that focuses on a limited number of countries, with a longer horizon (preferably three years, to match the TTLs' posting term and to allow the GP to allocate internal staff resources), and a slower delivery process, working with SNEs and financial intermediaries, and with Ministry of Finance/regulators at the national level.

21 SNTA-supported technical assistance will be on the demand side of capital.

22 Similar to the SNTA program's approach in Kenya, where the sum of our effort with multiple sub-national entities has been positive.

SNTA Knowledge, Outreach and Communication

The 2016 SNTA evaluation identified this as an important area for attention. The program's approach to allocating resources to knowledge will be as follows:

- Embed production of technical knowledge and dissemination, as possible, within each activity;
- Leverage partner resources to co-produce knowledge that is a global public good;
- Include SNTA-related topics in the PPIAF call for global knowledge proposals; and
- Develop strategic knowledge partnerships focused on the SNTA agenda.

To facilitate the application of knowledge developed, PPIAF will capture technical knowledge and insights from its portfolio, as well as external partners' experience. It will undertake a knowledge audit of the portfolio; tag and curate existing outputs; and produce or repurpose knowledge material. Organizing lessons and knowledge by countries will help inform SNTA's selection of countries for TA and also help provide relevant information to WBG country units vis-à-vis the systematic country diagnostic and country partnership framework. SNTA will commission or support assessments to produce information on target countries and candidate SNEs.

A key feature of this strategic period is outreach to the SNTA-relevant professional community (e.g., credit rating agencies, financial institutions and intermediaries), partner organizations and SNTA donors, to improve insight and facilitate knowledge exchange.

For improved outreach and communication, the program will strengthen brand recognition and outreach; develop the SNTA page on the PPIAF website; support small TA activities/engagements with networks such as the International City/County Management Association and the United Cities and Local Governments (amplifiers) and develop outreach and communication materials.

SNTA STRATEGY TO LEVERAGE RELATIONSHIPS, KNOWHOW AND RESOURCES

Solution Leverage

SNTA has had positive overall impacts in cases where its TA leveraged ongoing investment and/or TA by donors. Beyond the WBG, the program will actively share insight on operational challenges, identify opportunities, and coordinate efforts with the following:

- State Secretariat for Economic Affairs (SECO) country teams, Department for International Development (DFID—ICED and CIG), Agence française de développement (AFD), and Australia's Department of Foreign Affairs and Trade;
- Activities in countries where Millenium Challenge Corporation (MCC) is making infrastructure investments; and
- Dialogue/cooperation with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United States Agency for International Development (USAID-DCA), the Private Infrastructure Development Group (PIDG), and WBG-GIF.

Partner Leverage

SNTA will continue to collaborate with other trust funds that support sub-national development and financing. The following is a list of the most significant partners, with whom the program will establish an ongoing dialogue to review possible areas for collaboration.

TABLE 7: SNTA Partners

Identified Partners	Comment
Cities Alliance	Potential for collaboration.
Korean Green Growth Trust Fund (KGGTF)	Potential for collaboration (KGGTF has co-financed academies under SNTA's City Creditworthiness Initiative).
Efficient Securities Markets Institutional Development (ESMID)	Joint initiative launched in fiscal 2017.
ESMAP	In the past, ESMAP and SNTA have supported activities to jointly provide TA on technical matters and financing. They have agreed to continue collaborating.
Global Platform for Sustainable Cities (GPSC)	SNTA and GPSC have agreed to collaborate on knowledge products and share the budget for producing them.

The program will continue the knowledge partnerships that have been established with the UNCDF's Municipal Investment Financing Program.

3

STRATEGIC AREA

SCALED PPIAF DELIVERY

Facilitate Knowledge and Capacity Building of Client Countries at Scale to Engage Private Participation in Infrastructure

The PPIAF mandate itself does not change, but delivering this mandate with strong resource constraints compels some things to change. Over the next five years, PPIAF will therefore embark on a trajectory of scale. Although PPIAF is a well-known brand, operating with a proven business model, the challenge of the future is at the doorstep, and the scale of the need requires an additional set of instruments that reinforce positive outcomes achieved through individual activities. The challenge will be to focus more, without renouncing demand-led coverage, and to provide a "package" of support that reduces downstream transaction costs. This requires greater selectivity in our interventions, based on our M&E feedback and lessons learned on which types of activities generate the expected results.

APPROACH 6:

Rebalance the PPIAF portfolio to pursue impact, not need.

Constraints in funding from current PPIAF contributors will require rebalancing PPIAF support to better catalyze downstream PPI in the medium term. PPIAF will focus initiatives where potential is higher for downstream partners with more funding resources—such as public programs, multi-lateral development banks and other bilateral programs—to catalyze and finance PPI. This will lead to a move away from overarching capacity-development activities for which the link to infrastructure development goes beyond the medium-term (five-year) horizon. PPIAF needs to be more catalytic in mobilizing additional support, with grants essentially being used as a way to de-risk PPI stemming from policy and institutional constraints. The potential downstream impact rather than the gap should guide interventions.

APPROACH 7:

Deploy selected TA through scalable platforms.

PPIAF's business model is largely focused on providing bespoke TA to overcome a constraint for a problem-holder (client). The limitation of the current business model is that to reach more clients, proportionately more resources will be needed. On the other hand, certain practices, particularly with regards to general PPI framework development, are now better established, presenting the opportunity for deployment over more scalable platforms such as "Source" (formerly known as the International Infrastructure Support System) that offer a way to scale up rigorous screening of project pipelines through global peer reviews and market reactions. Platforms can be accessible to all relevant actors, even in countries where security prevents physical access, at a scale and reach that cannot be achieved by single activities. In the same way, capacity-building programs delivered through online formats (such as the PPP Knowledge Lab and massive open online courses) or in partnership with training institutions (such as the PPP Certification Program) with global reach can have wide potential: not only might access be cost effective, but the central node makes benchmarking and virtual networking possible. In all cases, PPIAF will only consider contributing to specific improvements/developments for these platforms, rather than to their running costs.

APPROACH 8:

Fund global public goods that improve countries' enabling environments.

A key limitation in evaluating the effectiveness of upstream initiatives and understanding how they impact downstream investment is the lack of systematic information about the status of the different attributes making up a country's enabling environment for PPPs and sub-national financing. For PPP frameworks, this type of information has begun to be collected through the Infrascope and PPP Procurement Benchmarking,[23] but will have to be supported over the next five years as it transitions from proof of concept and demonstration to scale-up. PPIAF will continue supporting these ongoing platforms that are important for PPP knowledge and professionalization. A similar platform could be supported for a subset of sub-national entities building on existing work, such as the City Creditworthiness initiative. Examples of such types of "global public goods" are not confined to virtual platforms—PPIAF will also convene public-private infrastructure investment fora and animate communities of practices and champions to offer the opportunity for stakeholders to shape PPI reform, market development, exchange, networking and discovery. Such forums can be effectively used by countries to engage local as well as international private-sector players on a shared agenda.

23 Infrascope is a benchmarking index that analyzes the capacity of countries to deliver sustainable public-private partnerships. It comprises 19 indicators grouped into six main categories: legal and regulatory framework; institutional framework; operational maturity; investment climate; financial facilities; and sub-national adjustment factor. Infrascope is published every two years by the Economist Intelligence Unit, in association with several multilateral development banks. On the other hand, the PPP Procurement Benchmarking is a World Bank initiative to benchmark government capabilities across these key areas: regulatory framework and institutions; PPP preparation; PPP procurement; unsolicited proposals; and PPP contract management. PPP Procurement Benchmarking focuses on formal policies and procedures and how they apply in practice as reported by government representatives using a survey instrument.

APPROACH 9:

Special programming for IPG[24]-led country engagements.

Within the World Bank Group, the subject of PPI institution building does not have a natural home. Global practices take a sectoral view of the topic, while whole-of-government approaches to market and private-sector development are not systematically addressed. The IPG group, for the most part, delivers its mandate by providing resources and expertise to other WBG entities, through global practices (sector) teams and the IFC. Selectively, the IPG group leads country engagements, usually in an upstream intervention role to scope out what priorities and interventions make sense to set the stage for opening up markets and to provide ongoing advice through relationship management. Given the renewed commitment from the World Bank Group to promote the judicious use of scarce public and concessional resources, PPIAF anticipates that the demand for this department to support PPI institution-building will increase. It makes sense for the department to be able to offer country clients and World Bank implementation teams an end-to-end solution—upstream PPI development (with PPIAF support), project preparation (through GIF), and with the Financial Solutions Group, downstream financial structuring and credit enhancements. The IPG Group, to which PPIAF belongs, is a 50-person-strong team (with offices in the Washington, D.C. headquarters, Singapore, Kenya and Senegal) dedicated to infrastructure financing and PPI, with sector and financing expertise and experience ranging from upstream reform engagements to downstream project development and financial structuring. The IPG Group is in the process of defining priority country engagements where there is an opportunity for transforming markets at scale. For the countries with the most challenges and lowest capacity, dedicated inputs from the IPG Group teams will be needed. A clear lesson from the PPIAF-supported Country PPP Readiness Diagnostic and similar engagements is that consultant input needs to be handled within a relationship of trust between the client and World Bank staff. PPIAF will allocate funding for IPG Group-led engagements in countries. Such engagements will be selective (limited to one to two per year), and they will be proposed by the top leadership of the IPG Group and approved as part of the PPIAF annual work planning process.

24 Infrastructure, PPP and Guarantees group is the new name of PPP CCSA, as of July 2017.

APPROACH 10:

PMU to convene partnerships and deploy operational knowledge that turns information into impact.

Capitalizing on the expertise PPIAF gains by implementing similar activities over different contexts, PPIAF PMU will take a more active role in developing and convening partnerships with downstream financing partners in priority topics, and foment debate and knowledge exchange through a partnership approach. The recognition of PPIAF as a center of excellence and as the preferred partner for supporting public institutions to lay the foundations for sustainable PPI largely rests on our ability to transform local lessons into global knowledge: producing and applying relevant knowledge generated from PPIAF-funded TA to solve client challenges. In this strategy period, PPIAF is substantially reinforcing its ability to play this role by improving its knowledge management, communications and monitoring operations.

THE CRITICAL UPSTREAM

BUSINESS PLAN

PPIAF

OVERVIEW

This business plan (BP) is based on the strategy and outlines how, over the next five years, we intend to achieve our ambition of creating the right enabling environment for private participation in Infrastructure in developing countries. We see the next five years as a critical stage to make the shift to sustainable and inclusive climate-smart infrastructure. We also see PPIAF having a key role, as the premier facility building sound operating frameworks and public-sector capacity at the global level, by providing technical assistance and knowledge. The strategy has identified the main challenges and priorities; the difficulty will lie in building on past achievements to enhance our transformational impact, in an environment with severely constrained funding and human resources. Previous achievements, which only partly met initial targets (see the following table), should inform and anchor our new business plan. PPIAF will now have to be more agile, scalable and leveraged if it is to deliver on its ambitious new agenda.

TABLE 8: The Previous Business Plan's Ambitious Targets Were Only Partly Achieved

	Activity levels (in $ millions)			
	FY15	FY16	FY17	**Total**
Contributions expected	21.9	21.9	21.9	**65.7**
Contributions received	9.95	18.0	13.2	**41.2**
New approvals—BP objectives	22.8	25.8	31.9	**80.5**
New approvals—actuals	16.9	26.9	18.2	**62**
Activity disbursements	11.6	14.5	15.1	**41.2**

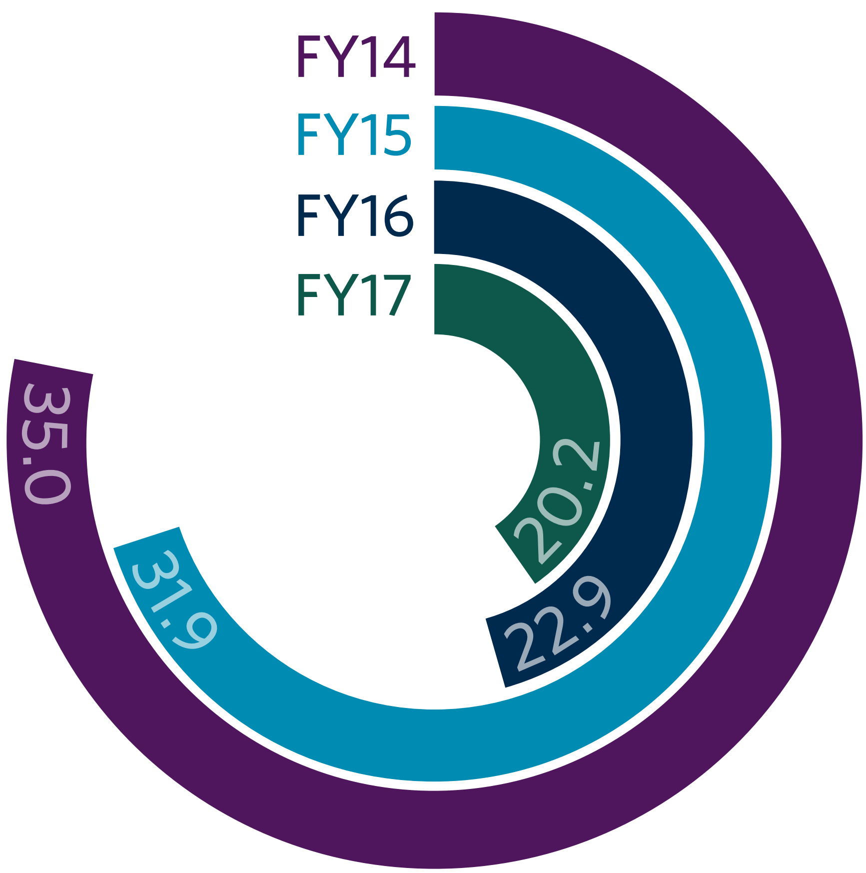
Overall, the previous Business Plan targets were achieved at a level of 77 percent, in terms of cumulative grant approvals during the period. This was partly due to contribution levels falling short of expectations (63 percent of the target), and partly due to PMU difficulties in scaling up activities in line with identified priorities. However the level of disbursements linked with activities (i.e., excluding PMU operational costs) increased regularly over the period.

New grant approvals exceeded contributions by a significant amount ($62 million - $41.2 million = $20.8 million) over the business-plan period**.** The imbalance between resources and uses explains the overall decrease in fund balances (see Table 9). This level is more in line with donors' recommendations to evolve towards a tighter cash management process, with total fund balances representing approximately a year of activity.

TABLE 9: Fund Balances During the Previous Business-Plan Period

End of Fiscal Year	FY14	FY15	FY16	FY17
Fund balance (in $ millions)	35.0	31.9	22.9	20.2

Overall, whereas the thematic priorities have been broadly respected with regards to LICs (with 54 percent of country-facing TA going to that segment), it has been a more mitigated record for FCSs and SSA countries (14 percent and 47 percent of total country grants, respectively), illustrating the specific challenges of dealing with some of those countries. Other indicators are evolving positively, such as the number of delayed/stale activities and co-financing (the latter reaching 35 percent on average in fiscal 2017) and should allow for a continued trend towards higher efficiency in the next five-year period, as per the business plan's assumptions.



1

Business Plan For STRATEGIC AREA

SUSTAINABLE PPI

CLIMATE ACTION AREAS

PPIAF's business plan mainstreams climate change into sustainable infrastructure through its CCTFI and its Multi-Donor Trust Fund (MDTF), by:

- Leveraging funding and expertise to develop a "center for innovation" to promote climate-smart enabling environments, combined with upstream thought leadership to catalyze climate-smart PPI development models through CCTFI (this will focus on the energy sector and mitigation dimension at this stage, in line with the priorities stated by the first potential contributor); and
- Systematically embedding climate change activities in its regular technical assistance and knowledge activities under a broader sustainability agenda supported by MDTF.

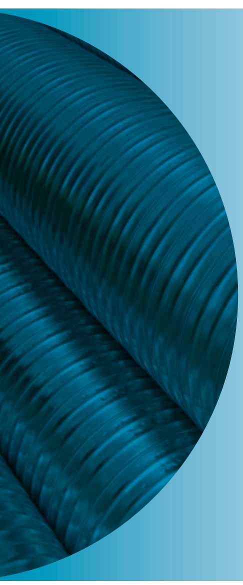
At the CCTFI level, and subject to appropriate donor funding (the minimum amount required is estimated to be $12 to $15 million for the period), PPIAF will articulate the dimensions described as follows.

PPP Policy: Policy Initiatives for Climate-Smart Infrastructure (PICSI)

PPIAF will dedicate a significant portion of its CCTFI funding to policy support, to plug policy gaps that are critical to implementing the Paris Agreement. An aspect of this will be to ensure alignment of incentives between climate and PPI policies to accelerate the implementation of NDCs. PPIAF is partnering with the World Bank Climate Change Cross-Cutting Solutions Area, through its NDC Partnership Support Facility (PSF), which helps countries work through the implementation of their NDCs by providing analytical studies and technical assistance that feed into planned policies and actions on climate. PPIAF will complement the NDC PSF work by bringing the PPI and infrastructure-sector lens to the policy support. This will complement work by the World Resources Institute (WRI) and the German government and contribute to making the funding for the NDC PSF ($10 million) go a longer way. However, addressing the transition challenge to greener infrastructure will require going beyond NDCs, so PPIAF's PICSI initiative will also use other approaches.

Institutional Building: Institutional Building for Climate-Smart Infrastructure (IBCSI)

The climate-change dimension of infrastructure—and how it connects with the private sector—requires mobilization of capacity-building assistance to ensure buy-in by the public authorities that are working in that field. Without such an effort, climate-smart infrastructure will be neither understood nor endorsed by many infrastructure decision-makers, whether public-sector technicians or politicians.



PPIAF will cover this priority in the following ways:

- Identify climate-smart infrastructure initiatives of multilateral development banks, including the World Bank Group, and partner with them to bring the capacity building required to implement infrastructure projects; and
- Support capacity-building initiatives to familiarize users with tools that help identify, analyze, structure and measure the climate dimension of infrastructure and PPIs. PPIAF will complement/upgrade existing tools for PPIs and infrastructure with a climate dimension that is often missing. As an example, the on-going activity on performance-based contracts for roads is introducing climate aspects (improving cost-benefit analysis, design, KPIs, and contract clauses containing climate elements) to improve the standard performance-based contract (PBC).

Knowledge: Strategic Climate Knowledge Initiatives (SCKI)

Standardizing "sustainability" definition for infrastructure: Several initiatives exist regarding ratings, tools and standards to measure sustainable infrastructure. Those standards have similarities but also differ by: geography (Ceequal is used mainly in the United Kingdom; Zofnass/ISI Envision in the Americas; ISCA rating scheme in Australia and New Zealand, etc.); focus (some look at technical/environmental aspects only, while others are broader); and audience (public or private when considering the Equator Principles). With the Inter-American Development Bank (IDB) and the Brookings Institution, PPIAF is convening stakeholders to jointly identify gaps and assess if there is a need for a comprehensive and common approach to considering sustainability in infrastructure.

Specific knowledge gaps for climate-smart infrastructure: PPIAF will identify other areas of knowledge that can inform PPIAF and client actions in the medium term. Markets are changing because of the climate imperative—for example, the cost of solar PV modules dropped by 80 percent in recent years, completely disrupting the established approach to energy mix and delivery and consequently, the established policies and systems. PPIAF will devote resources and expertise to reviewing the implications of emerging market trends for policy and institution requirements.

Resilience: Resilient Infrastructure TAs (RITA)

Subject to CCTFI donor priorities, a cross-cutting initiative will address resilience, which poses specific challenges for PPIAF clients in terms of embedding practical elements in investment, project and contract decisions and design (risk allocation). The present default is to make "no regrets" investments—interventions that would have been necessary regardless of climate impacts, but can mitigate its effects as well. However, these may erode value for money in the long term, because resilience is likely to require additional investments that could appear costly and therefore are not made. Resilience of urban infrastructure, for instance, is an area that requires updating planning frameworks to attract private participation. Who should pay for the costs of damage to existing assets that may be affected by severe weather episodes? Should governments invest in fortifying assets or relocating them? PPIAF will look for opportunities in urban development and specifically in urban infrastructure sectors (energy, water, waste and transport) to support the development of resilience instruments in PPI—for example, injecting resilience into the life-cycle analysis of assets.

FRAGILITY ACTION AREAS

PPIAF will allocate at least 13 percent of its country-based programming to FCSs. Given the challenges imposed by fragility to the systematic engagement of private participation in infrastructure, PPIAF's strategy in fragile states is deliberately non-programmatic, opportunistic and flexible.

Therefore:

- Countries that are more stable and have lower security issues can be candidates in cases where PPIAF can respond with more systematic support and co-financing with other development partners (e.g., Côte d'Ivoire and Myanmar);
- Countries still in acute crisis stage may offer opportunities on a case-by-case basis, by building on PPIAF's previous and on-going activities (e.g. Afghanistan and Somalia); and
- Countries exiting from the harmonized list of FCSs during this business planning period, such as Bosnia and Herzegovina, Angola or Georgia, can benefit from support in areas in which they can achieve higher-level impacts.

PPIAF's adaptive approach will be supported in the following forms:

- Private-sector participation assessment, where PPP country readiness diagnostics have not been previously done.
- A bottom up approach. In FCSs, the establishment of regulatory/institutional frameworks in the absence of actual projects may not necessarily lead to private-sector participation, because the governments are typically unstable and the institutions are unlikely to retain the knowledge/skills. It can be more effective to provide technical assistance around specific projects and then try to scale up that experience into a framework.
- Working with sub-nationals, which can be an entry point in FCSs. There are cases when some sub-nationals are under less pressure from the fragility or some sub-national government starts shaping up earlier than the central government.
- Innovative PPPs. The concept of PPP per se does not change from one country to another, but it can vary in terms of how it is applied. For example, we can expect management contracts or transfer-own-operate (TOO) may be more frequently used in FCSs, and revenue may come from MDB/donors rather than the government, or from users. We also should expect non-traditional players such as community groups to play a role in PPPs in FCSs.
- Designing exit-friendly intervention. Many FCSs, especially donor-dependent countries, face huge challenges when donor support ends. Infrastructure has a longer life cycle, and PPIAF should design exit-friendly interventions with proper capacity transfers/handovers. PPIAF may want to increasingly focus on the capacity-building component in all interventions, or as a stand-alone intervention.
- Conduct closer monitoring and evaluation. In FCSs, the importance of M&E is extremely high, because our experience and knowledge from the past is limited. PPIAF will closely identify ex-ante and ex-post parameters, based on which PPIAF will design its intervention and then conduct M&E to gauge impacts.

PPIAF has one programmatic engagement in a fragile country with a focus on institution strengthening—Madagascar: Building PPP Institutional Support, implemented in partnership with the African Development Bank. Early in the business-plan period, PPIAF will review its Madagascar program to extract its lessons. A Call for proposals approach for new FCS activities may also be considered.

Knowledge About PPI and Fragility

In the last planning period, PPIAF initiated important knowledge pieces that began to address the dearth of knowledge about, and practical products that lead to, successful PPI in fragile situations. These include: a paper on the state of PPP in FCSs; the Policy Toolkit for SME Participation in PPP in Fragile Countries; and Phase 3 of the Improving Infrastructure Regulation for Low-Income, Fragile and Low Capacity Countries, which will look at PPI development journeys in FCSs as well as whole-of-government systems for promoting PPI in such contexts.

In this BP period, PPIAF will focus on proactive dissemination of these knowledge products, especially using face-to-face modalities, and the commencement of new knowledge initiatives:

- Experience sharing from previous PPIAF support, as well as World Bank-wide technical assistance to identify effective intervention strategies;
- PPP country readiness diagnostics and a review of the project pipeline specific to FCSs (this version will emphasize job creation opportunities through infrastructure development); and
- PPP capacity building, with a special focus on dealing more rationally with unsolicited proposals, which has high relevance for FCSs.

TABLE 10: List of Potential Flagships for Fragility

	Program	Knowledge Gap to Address	Targeted Audience	Implementing Partners	Other Considerations
Year 1-2	PPP Country Readiness Diagnostics and Pipeline Review for FCS	Landscape of PPP in FCS	FCS	WBG, regional development banks, g7+	• Rapid procurement necessary • Finding consultants is challenging
	PPP Capacity Building for FCS	Limited capacity			
Year 3	Lessons Learned from Successful PPP	Fragile-to-fragile knowledge exchange about successful PPPs	FCS	WBG, regional development banks, g7+	• Formation of PPP Practitioners in FCS

Transforming Information into Impact

2

Business Plan For STRATEGIC AREA

SNTA

TECHNICAL ASSISTANCE

In previous years, SNTA has delivered an average of $4 million per year in TA. Demand for TA and knowledge grants is expected to increase in the coming period, although resource constraints may weigh on this demand.

In the next five years, SNTA will prioritize four initiatives (three under the first strategic objective, and one under the second strategic objective), and, where resources allow, support coverage activities. However, PPIAF intends to reduce the number of coverage initiatives, because they: 1) increase the operational cost for SNTA, with a lot of money going to a limited number of task-team leaders (TTLs), and 2) reduce the amount of money available for other quality opportunities.

A. PROGRAMS

Strategic Outcome 1 (SO1): Access to Finance

SNTA will prioritize providing more resources to SO1. SNTA has two[25] ongoing initiatives under SO1, as well as a third initiative[26] that, if approved, is expected to be implemented in the next five years.

Financing Universal Water Program ($2.5 million). This program was approved in fiscal 2016 and will continue until fiscal 2019. Only $0.4 million of the total budget is committed, because most of the cost will rely on co-financing from a partner (the Water Global Practice). By the end of the three years of implementation, this program is expected to generate at least five transactions. Once the program closes, PPIAF will evaluate its results and the lessons for SNTA.

Capital Market Transaction Support for East African Sub-Nationals (ESMID) ($2 million). This program is a partnership with ESMID. It will support market borrowing by identified entities in Kenya, Rwanda, Tanzania and Uganda. The implementation of this program is expected to start in fiscal 2017 and close in fiscal 2019.

25 Financing Universal Access to Water Supply and Sanitation, and Capital Markets transaction support in East-Africa (ESMID).

26 Financial Viability of Energy SOEs in Transmission and Distribution.

Financial Viability of Energy SOEs in Transmission and Distribution (up to $10 million has been requested, depending on available funding). This proposed initiative intends to improve the existing transmission and distribution operations by: 1) enhancing corporate governance to move to a more commercial approach; 2) strengthening technical capabilities; 3) enabling companies to adopt international standards for environmental and social performance; 4) improving financial management (auditing, accounting systems, etc.); 5) addressing financial viability (tariffs, collection performance, and efficiency); and 6) advising on policy and regulations. The program expects to be implemented in seven countries with approximately 11 energy SOEs in the next four years. The program is not intended for turnaround cases but rather for companies that are already on the path to improvement and nearly ready for private investment. Given the size of this initiative, SNTA proposes to pilot this program with selected SNEs.

Strategic Outcome 2 (SO2): Creditworthiness

City Creditworthiness Initiative ($2 million for academies and knowledge; more than $6 million for TA). The program was piloted in fiscal 2014 and has committed about $2 million. It has recently been evaluated by independent consultants for the Urban Global Practice. Moving forward, the number of TA grants to cities will increase vis-à-vis the number of academies. In fiscal 2017, one TA has been launched in Turkey; additional academies are expected to launch in Ethiopia, India and other countries in fiscal 2018 and onwards.

B. COVERAGE ACTIVITIES

This section covers demand-led activities supported on a stand-alone basis. Based on the behavior of the SNTA portfolio and recent trends, PPIAF expects to receive requests for at least three stand-alone activities outside of those supported under the programmatic track. These activities will continue to map to one or more of the SNTA strategic outcomes. For example, an activity could support financing and policy options at the sub-national level to help countries meet their national climate-change pledges/actions.

As presented in the strategy and requested by donors, PPIAF will also identify two to three target countries in which SNTA will support sequential engagements with multiple sub-national entities. The target countries will be from the list of PPIAF impact countries that have been jointly chosen with the donors. This initiative is expected to roll out starting in fiscal 2020.

C. CREDIT RATING

In the next five years, SNTA will fund a credit rating program to help acquire better information regarding SNEs and facilitate a credit culture in countries where we work, by providing more systematic credit ratings support. Resources permitting, PPIAF plans to produce at least three credit ratings per year over the business planning period. The structure of this program still remains to be designed and discussed with donors.

SNTA KNOWLEDGE

The independent evaluation of SNTA emphasized the need to raise SNTA's profile and increase its knowledge production. This section and the following section on branding respond to those recommendations. Given the global context and the still-emerging experience of working with sub-nationals, SNTA can play a central knowledge role for the WBG as well as for external stakeholders, helping to implement the Addis Ababa agenda.

SNTA has generated high-quality and relevant knowledge about SNEs and the markets in which they operate. However, PPIAF has not yet systematically captured and disseminated this knowledge. The PPIAF strategy emphasizes a stronger knowledge function, particularly for SNTA.

Organizing the Knowledge

The first step is to organize the existing knowledge in a manner that will make it readily usable by different target users. PPIAF proposes to hire a consultant who will produce the following outputs:

- Country profiles (curated lessons and knowledge by country);
- Annotated bibliography organized by topics;
- Chart book and master slide deck on key topics and materials; and
- Compendium of transactions.

This will allow SNTA to better inform task teams about what has been done in a specific country or with a specific entity. This is a useful input to systematic country diagnostics and other priority-setting processes for the WBG and other development partners. Additionally, this optimizes the time of staff, who will not need to recreate this information. It will also establish a baseline against which progress can be measured. Country profiles will be complemented by commissioned knowledge products on target countries, as described in the technical-knowledge work area that follows.

Technical Knowledge and Dissemination

For SNTA to maintain its relevance, it is important for it to be conversant in the latest transactions and solutions. Capturing insights and technical knowledge in a just-in-time manner, from outsiders and from our activities, is vital for SNTA. PPIAF will partner with experienced professionals to co-author knowledge pieces that will serve as a guide to practitioners on "the how to" of SNTA implementation.

The rationale to partner with outsiders rests on the following considerations: 1) optimizing the time of SNTA staff that needs to operationalize the program; 2) having access to tacit knowledge regarding implementation; and 3) producing relevant knowledge products at a faster pace, while strengthening the SNTA brand. Dissemination of such knowledge will be done through tailored knowledge products. Additionally, PPIAF will use the call for knowledge proposals to crowd-source knowledge. The call's evaluation committee will include a person knowledgeable about SNTA topics.

Knowledge to Inform the PMU

Finally, PPIAF will identify points that are relevant to the PMU and develop a database that will provide more accessibility to the knowledge.

Knowledge Partnerships

In the first year of the business plan, PPIAF will establish a partnership with the Global Platform for Sustainable Cities (GPSC). This partnership intends to co-finance knowledge products over a three-year period on various SNTA topics. PPIAF will also collaborate with other groups on future knowledge production and dissemination.

Professional Community

PPIAF plans to animate a community of professionals (credit rating agencies, financial institutions and intermediaries, etc.), partner organizations and SNTA donors, to improve insight and facilitate knowledge exchange. PPIAF has identified a selected number of credit-rating agencies, consulting firms, and investment banks that are involved across different activities in the SNTA portfolio, particularly in Africa. Knowledge resides with these groups, and a dialogue with them could be valuable. The professional community is expected to meet once or twice a year (to be decided with participants) in closed-doors meetings to allow free exchange of knowledge regarding SNEs and markets.

Branding and Outreach

Strengthening SNTA brand recognition is beneficial for positioning the program as a center of excellence.

Branding, New Name and Positioning

PPIAF and its donors will discuss the value in developing a branding strategy based on the SNTA evaluation. The aim is to reinforce our brand by raising the SNTA profile. This is not seen as a short-term priority, and PPIAF will reassess in due time the opportunity of this branding/naming issue with the council. Ideally, a launch event would leverage the approach of the WBG on maximizing finance for development and could be timed around the WBG annual meetings with donors' participation.

SNTA Web Page

The SNTA pages and content on the PPIAF website will be strengthened. The page would serve as a platform for outreach and dissemination. The page will be improved with the SNTA audience in mind (i.e., task teams, government clients, donors, think thanks, and partners). The SNTA pages would serve as a means of brokering SNTA knowledge—the page can feature the most relevant, curated and filterable knowledge produced by PPIAF and others around the world. Knowledge developed with SNTA funding should be available on the website. SNTA will also be linked to other IPG group communications platforms where practitioners could interact by publishing blog posts, commenting and share their perspectives regarding topics related to SNTA.

Other Outreach

PPIAF will develop an outreach plan for SNTA as part of the overall PPIAF plan.

Monitoring and Evaluation (M&E)

The independent evaluation of SNTA included two recommendations related to M&E, as described in the following table.

TABLE 11: Recommendations for SNTA M&E

Recommendation	Status
RECOMMENDATION 1: **The PMU should develop cost-effective means to track the results of SNTA investments over time.**	
In our view, it is premature to judge the effectiveness of the outcome realization process. We suggest that it should be reviewed by PMU (with external support as deemed helpful) towards the end of 2016 to assess its relative strengths and areas for improvement, and to determine its continued suitability for closed SNTA activities.	PPIAF M&E will review the effectiveness of the outcome realization process.
There is no system in place to report systematically on SNTA overall accomplishments, lessons learned, and so forth. In parallel with the development of a results framework, results, indicators and targets suggested in the first recommendation, the PMU should begin to report on SNTA's cumulative performance over time, explaining variances as required.	A results framework for PPIAF, which includes SNTA outcomes and output indicators, has been developed by the PMU and approved by the PPIAF council. This would be used to report on SNTA cumulative performance over time.
Finally, if and as SNTA programmatic approaches are developed, the PMU should ensure that they include built-in monitoring and evaluation frameworks, resources and responsibilities. For larger, more complex programs, the PMU might consider engaging external support, such as a part-time program monitor who would revisit programs on a periodic basis during the program and after it is complete.	PPIAF PMU (SNTA and M&E teams) will strengthen the monitoring frameworks within current SNTA-supported programs. PPIAF PMU will discuss with the program implementing partners. By (date), SNTA programs will have established/updated the monitoring and evaluation framework.
RECOMMENDATION 2: **The PMU should initiate and lead a consultative process aimed at distinguishing and clarifying SNTA strategic directions from those of PPIAF. The results of this process should be used to inform PPIAF's strategic plan (partially to be implemented by M&E).**	
Realistic results framework that defines the SNTA program goal, objectives, impacts, outcomes and outputs. It should also identify the financial and human resources that SNTA can realistically secure and allocate for such purposes, as well as the anticipated timeframes to realize results achievement.	Addressed through the recently approved PPIAF results framework, which clarifies the overall PPIAF mandate and the specific results for SNTA. Strategic directions of SNTA are set out in this PPIAF strategy, which clarifies the complementarity between PPIAF support to PPP frameworks and to sub-sovereign financing for sub-national entities.

Country Priorities

PPIAF has identified demand for SNTA support from sub-national entities in the countries below. In this strategy, SNTA will focus on catalyzing outcomes on leveraging commercial financing for sub-national entities. In past years, SNTA activities that facilitated transactions all took place in middle-income countries, mostly in Latin America and the Caribbean. Given the rebalancing of the SNTA portfolio towards more transaction-oriented activities, SNTA will continue to pursue activities in MICs.

TABLE 12: SNTA Opportunities

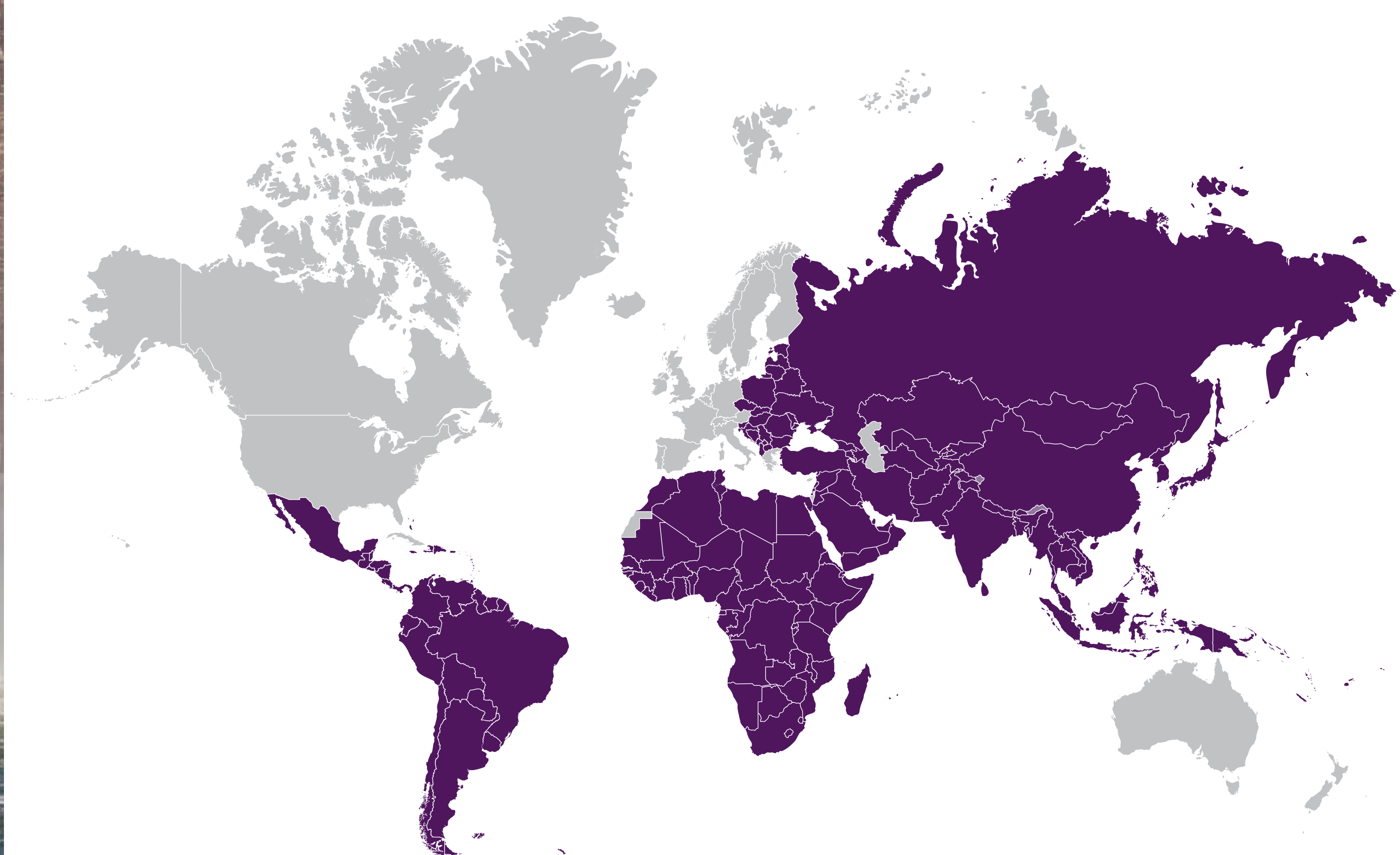
SNTA opportunities for the next 5 years	
Subnational Governments (Urban and transport)	
REGION	**COUNTRIES**
Africa	Uganda, Ethiopia, Senegal, Tanzania, Madagascar, Mozambique, Côte D'Ivore, South Africa
EAP	Philippines, Indonesia, Vietnam, Thailand, China, Papua New Guinea
ECA	Turkey
LAC	Columbia, Peru, Argentina, Brazil
MENA	Morocco, Tunisia
South Asia	Pakistan, India
Utilities (Water)	
REGION	**COUNTRIES**
Africa	Kenya, Cabo Verde
EAP	
ECA	Albania, Belarus
LAC	Honduras, Peru
MENA	Morocco, Tunisia
South Asia	
State Own Enterprise (Energy)	
REGION	**COUNTRIES**
Africa	Kenya (KPLC, Ketraco), Senegal (Senelec), Ghana (ECGL), Southern Africa Power Pool (SAPP) Mali (EDM), Central Africa Republic (ENERCA)
EAP	Lao PDR, Vietnam
ECA	Turkey (TEIAS)
LAC	Central America (SIEPAC)
MENA	
South Asia	Pakistan (FESCO, IESCO and LESCO), India – Rajasthan, Sri Lanka
Capital Market Transaction Support for East Africa Sub-Nationals (ESMID)	
REGION	**COUNTRIES**
Africa	Rwanda, Kenya, Uganda, Tanzania

3
Business Plan For STRATEGIC AREA

SCALED PPIAF DELIVERY

PPIAF DELIVERY IN THE REGIONS

This action area involves PPIAF coverage activities aimed at stronger PPI frameworks in regions. Given the importance of local governments and cities in the infrastructure agenda, where relevant, PPIAF will develop engagements to strengthen local PPI frameworks.



BOX 6

POTENTIAL PILOTS ON LOCAL PPI FRAMEWORK SUPPORT

Over the years, PPIAF has supported stand-alone initiatives to assist local governments in various sectors, and more recently, has provided more programmatic support on local PPI and learned from such experience. For example, PPIAF and DFID support the Government of Tanzania in the establishment and implementation of its PPP agenda, with a significant focus on local government authorities (LGA).

Many constraints in local PPPs are underpinned by the issue of scale. Through its current support to PPP institution development and SNTA, PPIAF could find opportunities to work with partners (such as AFD, SECO and DFID) to develop more systemic support for enhancing local-government PPP capacity. The local PPP development would:

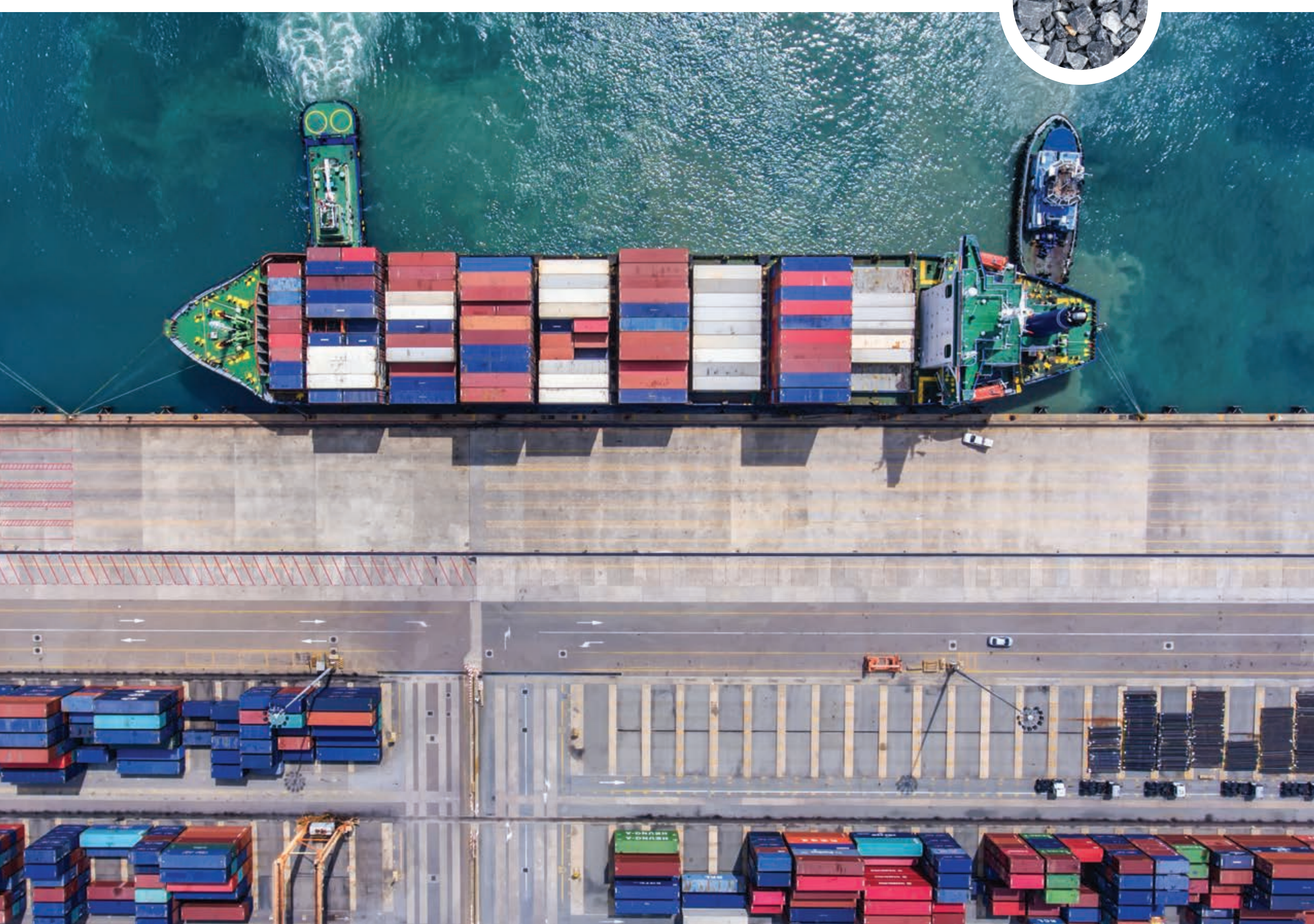
- Support services under the decentralization mandate;
- Create scale through the development of national operating and financing frameworks;
- Select investment-light projects and PPP modalities to demonstrate commercial models;
- Facilitate replication through sector standardization and model PPP documents; and
- Engender policy dialogue and development on ex-ante and ex-post management of financial liabilities.

From a long list of countries, PPIAF identified those offering the most significant opportunities. Beyond the on-going program in Tanzania, this initial group of countries includes Kenya, Senegal and the Philippines.

Kenya (Deepening Kenya PPP Program). The devolution set out in the 2010 Constitution created 47 counties and transferred the mandate for (among other things) urban services—including water and sanitation, solid waste, and urban transport—to such local governments. Under the current fiscal-transfer regime, historically favored, more urbanized counties inherit a larger debt and wage bill, while receiving a smaller per-capita share of national revenues. There is opportunity in rapidly urbanizing counties to explore opportunities for how local PPPs might assist in expanding service delivery. The World Bank and DFID are supporting Kenya's PPP program, and recently approved PPIAF programmatic support has already been mobilized to assist national and local PPP institutions to screen additional PPP projects and to develop the operating and governance framework for a project-facilitation fund.

Senegal (PPP Support to Key Cities). Following the change in administration in 2012, Senegal embarked on its third phase of decentralization (Act III on Decentralization) and adopted a new Code of Local Government. It establishes a stronger financing framework that allows local governments to generate own-source revenues and also allocates transfers from national government. Although under the new framework, local governments are responsible for "designing, programming and implementing actions for economic, social and environmental development of communities' interest," the demarcation of responsibilities between local and national government, including through state-owned companies, is not so clear, and opportunity exists for the establishment of inter-governmental collaboration around financing of infrastructure such as solid waste management. In the next fiscal year, the World Bank and the government have agreed on a $110 million project financing solid waste in key cities.

The Philippines (Scale-Up of PPPs to Local Governments). The Philippines has one of the most mature decentralization experiences in developing countries—besides devolved functions in public works and regulation, as per the constitutional mandate, 40 percent of national revenues are transferred to local governments. The Philippines has clear fiscal and financing frameworks and programs for infrastructure development, including in solid waste, urban transport, water and sanitation, and energy distribution, as well as legal frameworks for PPPs and joint ventures. There is a long history of oversight from the Departments of Finance and Budget for local public financial management and creditworthiness. Despite the presence of such a mature environment, relatively few attempts are made by local governments to bring transactions to market. The Philippines PPP unit requested support to assist local government project definition. The PPP unit benefits from support from development partners, including the Australian government, whose assistance are focused on national projects. An opportunity exists in the urban transport sub-sector, with the World Bank assisting the government on a bus rapid-transit project for cities outside metro Manila. A complementary and related assistance activity is also envisioned for city services financing with the Municipal Development Fund Office and the Bureau of Local Government Finance.



SUB-SAHARAN AFRICA

Sub-Saharan Africa will remain our main strategic priority over the period and, based on the PCM guidance, is the only region specifically assigned a quantitative share (set at 50 percent) of all our country-facing technical-assistance grant approvals.

Regional Context

The regional economy grew at a relatively slow annual average rate, and in 2016, growth slowed to 1.5 percent, the weakest pace in more than two decades, as commodity exporters adjusted to low prices. Although oil- and mineral-exporting countries were challenged, countries such as Ethiopia, Rwanda and Tanzania have showed high growth rates of more than six percent. Capital flows to the region, including FDI, declined in 2016. Overall investment growth dropped to near zero in 2015, after averaging five percent in the previous five years.

Africa's infrastructure needs are estimated at $93 billion per annum, equivalent to about 15 percent of the region's gross domestic product. Currently, only $45 billion is invested in infrastructure, and more than half of that is funded by the public sector[27]. From 2000 to 2015, 46 countries benefited from private participation in infrastructure, representing an investment of $155 billion, with ICT and energy sectors leading the way, with about 400 projects between them.[28]

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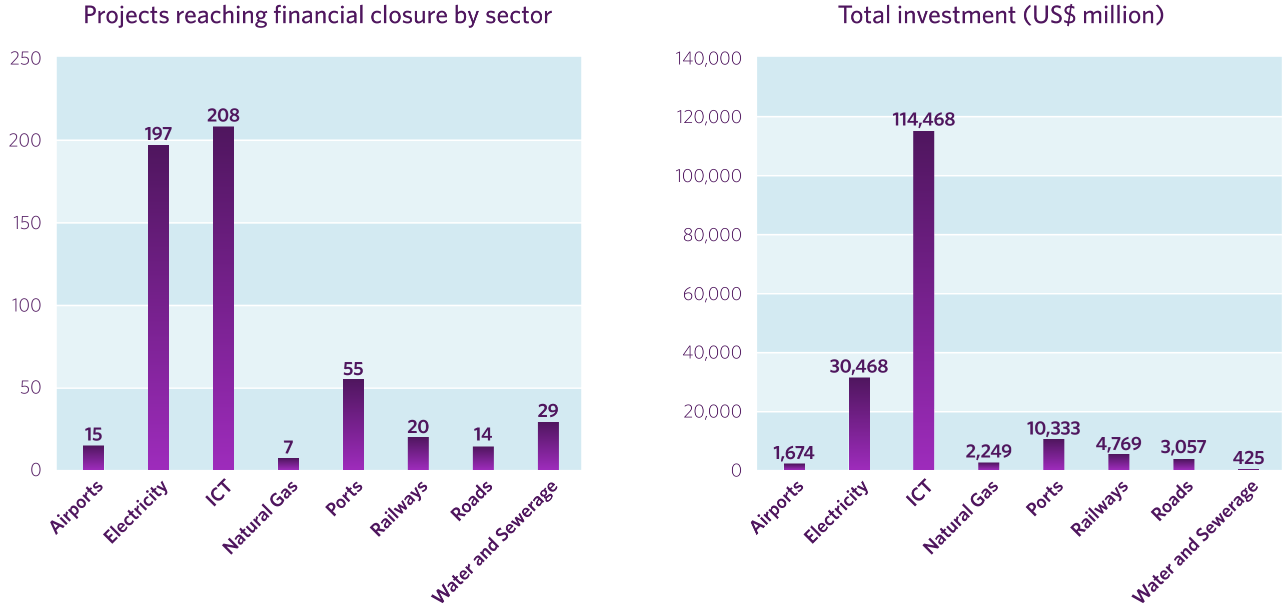
27 Kim, Jim, "Africa's Next Level of Economic Transformation (2017).

28 PPI Database (2000-2015).

FIGURE 11: PPI in Sub-Saharan Africa (2000-2015)



The opportunities in the region will be driven by the need to diversify the economy and increase productivity, which will in turn drive demand for private-sector participation in infrastructure.

Rapid Urbanization and Urban Connectivity[29]: While African countries are quickly becoming urbanized, they show a much lower level of economic growth compared to other regions where urbanization and growth are closely associated. Cities in Africa are not delivering agglomeration economies; instead, they suffer from high costs for food, housing and transport.

Agricultural Productivity: Agricultural productivity is regarded as central to transforming Sub-Saharan African economies and promoting inclusive growth. Food production in Africa remains almost entirely rain-fed, despite highly variable and in many cases insufficient rainfall, together with a high incidence of droughts.

Climate Change[30]: The consequences of climate change for Africa are potentially devastating and threaten to push millions of people back into extreme poverty by 2030. The Africa Climate Business Plan 2016, a collaboration of African governments and a variety of regional and international partners, focuses on increasing adaptation through:

- Strengthening resilience, which includes initiatives aimed at boosting the continent's physical capital (cities and transport infrastructure), as well as natural and human and social capital;
- Powering resilience, which includes opportunities to increase low-carbon energy; and
- Enabling resilience by strengthening decision-making for promoting climate-resilient development and building the capacity to plan and design climate-resilient investments.

29 World Bank, "Africa's Cities: Opening Doors to the World,"2017.

30 World Bank, "Accelerating Climate-Resilient and Low-Carbon Development: Progress Report on the Implementation of the Africa Climate Business Plan 2016."

Sector Opportunities

Transport

The key transport opportunity is around urban transport connectivity and logistics. Urban connectivity will include the development of bus rapid-transit and road development and maintenance. PPIAF will, on an opportunistic basis, support the development of logistics infrastructure, such as airports, ports and rail.

Water

Africa has a significant ways to go to catch up with other regions in terms of water development, supply and sanitation/wastewater, and solid waste services. Private-sector participation is only just emerging, often in low-engagement levels such as the use of *affermage*. Unlocking the required investments needed for this significant catch-up will rely on improving existing utilities to become financially viable and credible counterparties to contracts. Africa presents significant opportunities for PPI policy reform (e.g., tariffs and financing frameworks) and utility reform under the SNTA program.

Unlike other regions, agriculture productivity is a key equalizer for Africa. The potential for profitable irrigation development in Sub-Saharan Africa remains nascent, and there is an opening to develop more systematically the pipeline in irrigation, given the existing availability of water resources in certain countries, and the high value of irrigated agriculture. Expertise and capacity to manage irrigation investments is going to be an important area for investigation by PPIAF in Africa.

Energy

Despite progress made to increase access to energy and to diversify sources of energy, this sector continues to be a challenge, with most countries still experiencing regular power outages. The energy sector is characterized by the twin challenges of rapidly increasing investment requirements and reforming sector utilities. PPIAF will work on grid-connected power (including expanding from traditional sources of energy to renewables), as well as off-grid solutions that could lead to small-scale PPPs. Additionally, PPIAF will focus on assisting countries to develop climate-resilient energy frameworks, such as developing grid and sector codes, and improving procurement and regulation in the power sector.

PPI Institutions

Governments' enthusiasm for PPPs in the region is curbed by the lack of information about best practices, an absence of officials with PPP skills and the capacity to properly manage PPP processes, and inadequate regulatory and institutional frameworks. In the outgoing strategy period, PPIAF built the foundations for launching PPP institution-building programs (in phases) at the regional, country and local levels. PPIAF will continue to use tools that have been developed by its host department, the IPG group, such as the Country PPP Readiness Diagnostics, for critical support for PPP implementation, as well as to reach out to other partners based on the gaps identified.

Several countries have benefited from PPIAF support to assess the country's PPP readiness, but have had limited success thus far in terms of projects going to market. Under the new strategy, PPIAF will support countries, in partnership with other actors, to implement the following recommendations arising from past institutional and diagnostic assistance:

- Operationalizing PPP units' functioning;
- Assisting governments to identify a pipeline of bankable infrastructure projects; and
- Supporting upstream activities of first-mover transactions for countries with limited capacity (such as fragile states) and for local-level PPPs.

PPIAF also recognizes the need to take a regional approach where economies of scale can drive efficiency and deliver impacts. As a demonstration, the West African Economic and Monetary Union (UEMOA) program showed that countries could benefit at different levels from a regional activity. In the coming period, PPIAF will:

- Work alongside AFD to support the transposition of the UEMOA PPP directive at the country level, and reinforce institutions in charge of the PPP agenda and provide tailored trainings to selected institutions, and
- Work alongside AFD and Expertise-France to support the Central African Economic and Monetary Community (CEMAC)[31] countries develop their PPP programs.

Given the significant gap in developing the framework for climate-resilient infrastructure in the region, support will have a strong focus on assisting governments to assess options for PPP development of resilient infrastructure development.

31 Except for Cameroon, Gabon, and Congo, all CEMAC countries are LICs.

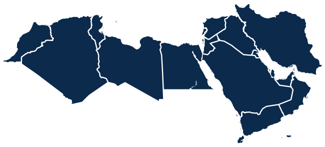
Country Priorities

The following countries have been selected, based on the potential for required technical assistance opportunities in the previously highlighted thematic and sectoral areas. These countries represent 29 percent of all low-income countries in Sub Saharan Africa and 17 percent of fragile countries in the region. Furthermore, these countries constitute close to 62 percent of total GDP and 48 percent of the total population in Sub-Saharan Africa.

TABLE 13: Summary Entry Points by Country, Theme and Sector for Sub-Saharan Africa

Country	Theme			Sector		
	Climate	SNTA	PPP Institutions	Transport	Energy	Water
Priority Low-Income Countries						
Burkina Faso			x		x	
Guinea			x		x	x
Kenya	x	x		x		x
Malawi	x		x	x		
Rwanda			x			
Senegal		x	x	x	x	
Uganda		x	x	x		x
Priority Fragile Countries						
Côte D'Ivoire		x	x	x		
Madagascar		x	x			
Somalia			x	x		
Priority Middle-Income Countries						
Cameroon			x	x	x	
Nigeria		x		x	x	
South Africa						x

MIDDLE EAST AND NORTH AFRICA



Regional Context

Civil wars in the region have forcibly displaced an estimated 15 million people, giving rise to the largest refugee crisis since World War II.[32] Over the next two years, growth in MENA is expected to improve slightly, as governments factor in oil-price declines as being largely permanent and undertake reforms to diversify their economies away from oil.[33]

The region suffers from an acute infrastructure deficit and an annual investment gap of $80 billion[34] per year. To spur the economic development and job creation needed to absorb a young population, this deficit must be addressed, which will require significant private investment to supplement available public funding.

Despite the turmoil, investment in infrastructure has been positive in some countries—for example, there have been large solar power deals in Jordan and Morocco. In the last two years, 20 new PPP projects reached financial closure, for a total investment commitment of $3.8 billion.[35] From 2000 to 2015, 12 countries implemented 145 projects with private-sector participation (PSP) and total investment of $97 billion. ICT and electricity continue to attract the most PSP by far: 38 and 47 projects, respectively, with a total investment of $84 billion.

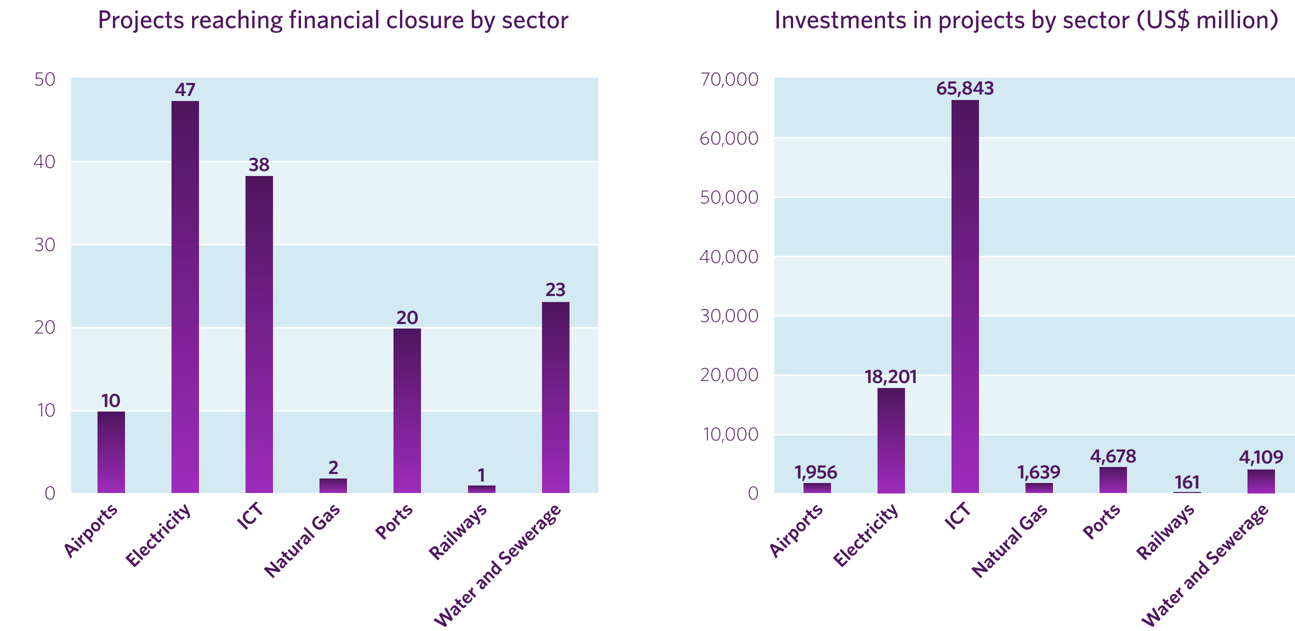
32 http://www.worldbank.org/en/region/mena/overview.

33 World Bank Middle East and North Africa region (MENA) economic monitor; http://www.worldbank.org/en/region/mena/publication/mena-economic-monitor.

34 World Bank, "Infrastructure Investment Demands in Emerging Markets and Developing Economies." 2015.

35 https://ppi.worldbank.org.

FIGURE 12: Projects That Closed in MENA from 2000 to 2015



PPIAF intervention in the Middle East is largely driven by its fragility strategy. Where opportunities exist, PPIAF will support programs such as the ongoing Pan-Arab Energy Trade Platform, which spreads the risks and benefits of private participation across countries. In North Africa, and in select Middle East countries, there are opportunities for PPIAF to generate long-term impact by improving the governance and creditworthiness of state-owned enterprises.

Sector Opportunities

Transport

There are opportunities in urban transport and bus rapid-transit development in Morocco, Tunisia, Djibouti and Egypt. As a first move, the World Bank is supporting the Egypt Urban Transport Infrastructure Development, for which PPIAF is assessing and filling in the gaps in the urban-transport financing and institutional frameworks.

Water

The opportunity in the region is driven by water scarcity, which has forced countries to think about more expensive water development. This, in turn, has been accompanied by optimizing currently available supply through non-revenue water management and reuse of wastewater. The lack of water not only creates resource stress, but imposes significant financial stress on utilities that deliver services sub-optimally as water development and distribution becomes costlier and more complex. PPIAF's approach will focus on three interrelated intervention areas—creditworthy and climate resilient water utilities and wastewater PPPs.

Specifically, there is an opportunity to build on a strong PPIAF water program in Tunisia. Although Tunisia has made solid gains in its water sector, this progress has been geographically uneven, and rural access remains under-developed. PPIAF has been assisting the state utility (SONEDE) to identify critical measures to reach financial equilibrium. Morocco and Jordan are other countries where similar opportunities for impact exist, given the stable state of the sector. PPIAF is also considering more upstream support for developing utility capacity to look at private-sector options in line with the World Bank Baghdad Water and Sewerage Improvement Project.

Energy

In the energy sector, PPIAF will build on partnerships with ESMAP and other market-creation programs implemented by the IFC. PPIAF is creating opportunities to work with ESMAP on renewable energy and energy efficiency with a PPP lens, and to work with IFC on developing MENA's massive potential in clean energy, including wind, solar and hydropower.

PPIAF will continue to support the three-year program (2017 to 2019) between the League of Arab States and the World Bank that is establishing a Pan-Arab Regional Energy Trade Platform to serve as a forum for promoting regional trade and for setting the foundations for creating the Pan-Arab Electricity Market (PAEM) and its gas equivalent (PAGM), covering both electricity and gas trade for all Arab countries.

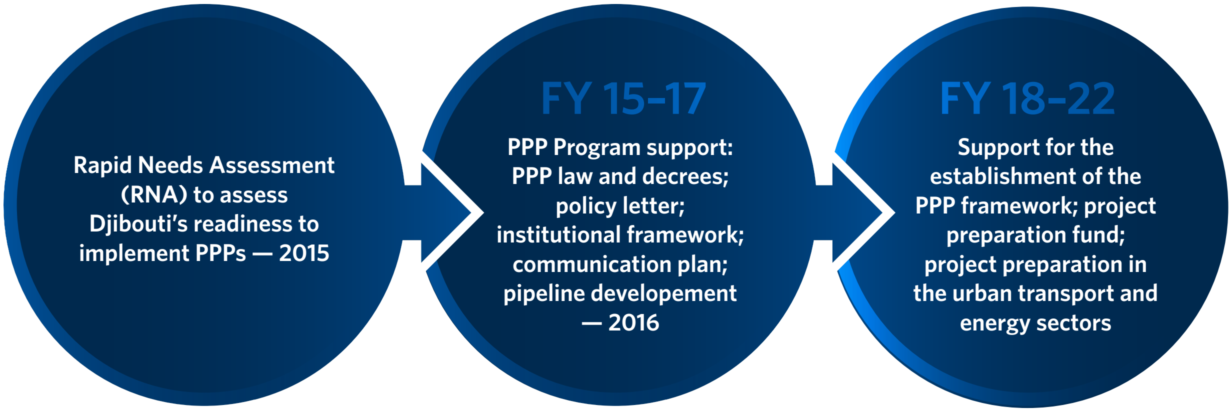
Besides these partnerships, specific activities being considered for the pipeline include:

- Tunisia: Support to energy SOE;
- Djibouti: Sustainable Electrification Program, PSP in geothermal; and
- West Bank and Gaza: Electricity Sector Performance Improvement Project.

PPI Institutions

PPIAF will follow up on initial support to countries such as Djibouti, and will use country readiness diagnostics to identify opportunities to bridge gaps and reform private participation in other countries.

FIGURE 13: Example Trajectory of PPIAF Support



Country Priorities

The following countries have been selected, based on the potential for required technical assistance opportunities in the previously highlighted thematic and sectoral areas. These countries represent half of all low-income countries in the MENA region and 29 percent of fragile countries in the region. Together, these countries comprise close to 20 percent of total GDP and 34 percent of total population in the Middle East and North Africa.

TABLE 14: Summary Entry Points by Country, Theme and Sector for MENA

Country	Theme			Sector		
	Climate	SNTA	PPP Institutions	Transport	Energy	Water
Priority Low-Income Countries						
Dijibouti	x		x	x	x	
Priority Fragile Countries						
West Bank and Gaza		x			x	x
Priority Middle-Income Countries						
Tunisia		x				x
Egypt	x					

ASIA AND THE PACIFIC

Regional Context

The Asia and Pacific region showcases a variety of country contexts, from fragile LICs to high-income countries. The sub-regions where PPIAF and SNTA activities have been implemented in the past are as follows:

- South Asia (Afghanistan, Pakistan, India, Nepal, Bhutan, Bangladesh and Sri Lanka);
- Southeast Asia (Vietnam, Cambodia, Laos, Myanmar, Indonesia and the Philippines);
- East Asia (China and Mongolia); and
- Pacific (Timor-Leste, Papua New Guinea, and other smaller island countries).

The need for infrastructure in this region is estimated to be between $1.5 and $1.7 trillion a year until 2030[36]; this is almost double what the Asian Development Bank estimated just eight years ago.

Over the long term, the interaction of climate change, urbanization and fragility will affect infrastructure and development in the region, whether by way of extreme weather events in Bangladesh or the Pacific islands, uncontrolled urbanization in South and Southeast Asia, or conflict and violence in Afghanistan.

For this BP period, PPIAF intervention in Asia-Pacific will focus on:

Upstream PPP policy support and institution-building in low-capacity and fragile countries such as Bangladesh, Laos, Nepal, PNG or other Pacific island countries, as well as in high-capacity countries to support discrete interventions aimed at second-generation PPI reforms (for example, for the development of local PPPs or PPP revenue securitization) in the Philippines, Indonesia and India.

36 Asian Development Bank (2017).

PPP-project-pipeline and PPP-options development in transport and water and sanitation, as well as consolidating the power sector through a mix of efficient grid-connected generation assets at the regional levels, distributed clean energy, and off/mini grids, such as in Vietnam and Pakistan. Considering the region's large-size, high-population and relatively high-capacity countries, PPIAF will engage based on clear identification of downstream partners that can support transaction development and execution.

Improving the creditworthiness of utilities and state-owned enterprises (SOEs), especially in countries such as Indonesia and Vietnam, where SOEs are considered the likely contracting authorities for PPPs. An opportunity exists to accompany this model through improved and more transparent upstream planning and work on procurement options and value-for-money analysis.

Improving the access of utilities and local governments to financing without sovereign guarantees in highly decentralized countries (the Philippines and India) where impact opportunity is high. Indonesia is already benefitting from the $15 million Canadian-funded Indonesia Infrastructure Finance Development Trust Fund (IIFD), which was developed on the back of previous PPIAF-funded assistance to establish the PPP framework at the national level.

Sector Opportunities

Transport

Across Asia, road maintenance and access at the national and local levels is poor due to scarce government funding and low performance incentives. Considering growing traffic volumes and increasing challenges to access roads due to climate events, performance-based contracts (PBCs) for roads is a new way of preserving assets. In Vietnam, PPIAF is working with the Ministry of Transport to implement a pilot PBC for national roads. Neighboring countries (e.g., Lao PDR) are interested in adopting this approach.

The transport sector is also an entry point for developing the PPP institutions framework in a country. Because of the size of the investments, transport projects such as toll roads, light rails and ports require thoughtful approaches to payment and financial structuring (including guarantees and the use of viability gap funds). The PPP framework that is now in place in Indonesia will allow the development of a series of toll-road PPPs. Likewise, with the establishment of the PPP unit and PPP nodes in Sri Lanka, transport is likely to become the anchor sector for PPP-pipeline development.

At the sub-national level, opportunity exists in the development of urban-transit PPPs in the Philippines and India.

Water

Enhancing urban utility reform and creditworthiness through efficiency programs is one of the key areas of focus in the region's water sector. The ongoing PPIAF global program on non-revenue water will be expanded to include complementary topics of energy and revenue-management efficiency and will be expanded to more utilities. In Pakistan, for example, based on the PPIAF support in Faisalabad, discussions are taking place with the Government of Punjab as well as the Government of Sindh and the Karachi Water Board about adopting the program in more towns.

The management of fecal sludge and wastewater is also an increasing environmental and climate imperative in the region, and PPIAF will develop a relevant programmatic engagement over the next five years.

PPIAF will be opportunistic in supporting local private-sector participation in WSS delivery in smaller towns and more remote/rural areas in the region, for example in Pacific Island countries.

Energy

Regional energy-market development is critical in establishing the base for sustainable "green" development in the region—in Southeast Asia, this benefits Laos (and potentially Myanmar) as a net producer of clean renewable energy, and Thailand and Vietnam as net importers. Likewise, a similar regional power-integration approach could exist in South Asia among Nepal, Bhutan and India, through PSP. A key feature of these activities will be strengthening the integrated water-resources management framework underpinning the activities of independent hydropower producers, which is something that PPIAF is currently funding in Laos. The development of remote mini-grids and smart grids across the region is also emerging and will require grid-code adjustments and regulatory reforms that PPIAF may support in partnership with other partners such as ESMAP.

Improving the overall sector financial viability and utility creditworthiness is a priority in Myanmar, Laos, Vietnam and Pakistan. In Vietnam, the national utility accounts for a major portion of the national debt so a prime focus of PPIAF will be on supporting the preparation of an EVN financial strategy up to 2020 with a look ahead to 2030, while improving the overall power-sector financial viability. In Pakistan, strengthening the governance and financial capacity of the transmission and distribution company is critical to better utilization of the installed capacity that the country has been developing.

Other activities will include the establishment of an enabling framework for hydropower-production development in PNG, in partnership with ESMAP, the Water Partnership Program and Korea Green Growth. PPIAF support will focus on enhancing policies, the regulatory framework, and utility creditworthiness in order to attract international independent power producers. In Mongolia, IDA is piloting and advising the government on utility solar auction. In parallel, PPIAF may support the development of an enabling environment for the development of a large-scale renewable energy PPP, in which IFC would invest.

PPI Institutions

Apart from a limited number of LICs among small island countries in the Pacific, most countries in the region already have mature institutional frameworks, although there have been mixed results with regards to the realization of a solid pipeline of projects. To kickstart PPP programs, additional support is going to be required to streamline upstream planning and ensure that procurement-options and VfM analysis are properly undertaken. Such support would include the establishment of robust monitoring programs. PPIAF will support building transparent systems within governments so that VfM in PPP is clearly demonstrated and pursued over the project cycle. This would allow SOEs to continue acting as dominant players in some of the larger markets, such as Indonesia and Vietnam, but in a manner that is transparent and that realizes the economic benefits envisioned. On the basis of on ongoing diagnostic and prioritization, a large PPP-support program is currently being designed for Sri Lanka, including the establishment of a robust institutional framework aimed at strengthening its newly established PPP unit under the Ministry of Finance.

Country Priorities

The following countries have been selected based on the potential for required technical-assistance opportunities in the thematic and sectoral areas highlighted above. In the Pacific sub-region, where most countries, apart from PNG and Fiji, do not have the critical market size required to develop strong PPP-pipeline prospects, PPIAF will strive to adopt a regional integration approach whenever possible.

This group of countries represents 31 percent of all low-income countries in Asia Pacific and 33 percent of fragile countries in the region. Furthermore, these countries represent nearly 30 percent of total GDP and 47 percent of total population in EAP.

TABLE 15: Summary Entry Points by Country, Theme and Sector for Asia and the Pacific

Country	Theme			Sector		
	Climate	SNTA	PPP Institutions	Transport	Energy	Water
Priority Low-Income Countries						
Lao PDR	x		x	x	x	
Nepal	x				x	
Priority Fragile Countries						
Afghanistan			x			x
Myanmar	x		x	x	x	x
Papua New Guinea	x		x		x	
Priority Middle-Income Countries						
India	x	x		x		x
Morocco		x		x	x	x
Philippines	x	x		x		x
Vietnam	x	x		x	x	x

LATIN AMERICA AND THE CARIBBEAN

Regional Context

Inadequate infrastructure is one of the principal barriers to growth and development in LAC. Although the region's infrastructure network was upgraded over the previous decade, infrastructure quality across individual countries often compares poorly to that of their export rivals and considerable catch-up is still required relative to advanced economies. The improvement in infrastructure over the previous decade was made possible by an increase in public investment (facilitated by the commodity boom) and greenfield investment by the private sector, notably in sectors where regulatory impediments were alleviated. Deepening domestic capital markets helped finance an increasing percentage of private investment in local currency. Efficiency in public investment in many parts of LAC remains below that achieved by more advanced economies, notwithstanding improvements in fiscal institutions. Sound PPI frameworks in some LAC countries should be replicated in other countries.

Though not a priority, LAC presents an interesting mix of opportunities for PPIAF. Infrastructure development in smaller economies in the region still needs to significantly catch up with increased demand that is underpinned not only by increasing urbanization and rising standards of living, but also challenges brought by extreme weather patterns. On the other hand, a few countries such as Argentina, Brazil, Colombia, Mexico and Peru have successfully leveraged private-sector participation in infrastructure in the previous several decades.

PPIAF's approach to the region will be two-pronged:

- TA—Directed to poorer and lagging countries, such as Haiti (the only fragile country in the region) and Caribbean and Central-American countries where access to services is relatively low and where the enabling environment has considerable room to improve, and

- Expertise mining—Significant investment in knowledge (for example, case-study development, research and analysis of policy options, etc.) in large economies where the private sector has been successfully leveraged, and a preference for providing TA for "knowledge-rich" initiatives in these countries, with the aim of using PPIAF's modest involvement to mine lessons that are relevant for other country clients and to build experience on specific/innovative aspects of PPPs (in areas such as local and urban PPPs; governance for PPPs; or south-south cooperation), as well as sub-national technical assistance.

Sector Opportunities

In each of the sectors discussed below, PPIAF will be looking to support clearly defined opportunities for the private sector to provide value, even using non-traditional PPP models. For example, PPIAF was instrumental in enabling Dlo Haiti, a filtered-water company, to provide drinking water in Haiti that operates on a distribution rather than network model. Today, Dlo Haiti is discussing with other companies to provide auxiliary services/products to Haitian communities, leveraging their distribution logistics. "Off-grid" (i.e., non-network) infrastructure, not just for power, but also for other sectors such as water or waste management or even transport, could be an opportunity.

Transport

LAC is the most urbanized developing region in the world, with nearly 80 percent of the population living in urban areas, where most cities already have some form of transportation. PPIAF expects that demand for support will focus on transport integration (modalities and fares), extensions, and modernization, which are still challenges and have valuable lessons that can be applied in Asia and Africa, where this topic is still incipient.

Energy

PPIAF's focus in the energy sector will be on the diversification of energy sources and integration of different types of energy in the overall institutional and policy frameworks of countries. Additionally, there is clear demand for SOE governance and efficiency improvement in the region.

The Caribbean region relies heavily on geothermal projects, and there may be opportunities to engage on ensuring that projects and sponsors are bankable. As indicated above, off-grid solutions may also be a growth area.

Water

Water-sector opportunities in LAC will focus on reforming (usually locally owned) water companies, by improving their efficiency and creditworthiness.

At the same time, there are one-off opportunities to engage more comprehensive state-owned companies in the Caribbean in performance-based contracts for efficiency areas (non-revenue water, energy and operations) and in build-operate-transfers for wastewater management and water augmentation.

PPP Institutions

PPIAF will continue to focus on its regional support to the PPP program in the Caribbean and Central America over the next five years. Additionally, it will support two donor-priority countries (Peru and Colombia) in their second-generation PPP reforms, focusing on discrete, knowledge-rich TA initiatives.

Knowledge

Unlike in other regions, where knowledge is treated as a supporting activity, in LAC, PPIAF considers knowledge the primary opportunity. Knowledge activities implemented in LAC are like public goods, especially if the knowledge is captured and thoughtfully applied in other contexts.

From a PPP perspective, a few large countries in LAC, such as Argentina, Brazil, Colombia, Chile, Mexico and Peru, which are typically not priorities for PPIAF, are about to see their first cycle of PPPs close after 20+ years of implementation. Argentina, Brazil, Colombia and Peru are presently also working to enhance their PPP programs. With some PPIAF involvement, this could be an unparalleled source of learning for PPIAF's client countries elsewhere. There is a unique opportunity in the next five years to accompany initiatives in these countries with knowledge initiatives—modest inputs leveraging other partnerships in order to gain enough insight without overly committing PPIAF resources. The same is envisioned for PPIAF's TA, which will focus on initiatives that have high innovation or learning potential.

Country Priorities

The following countries have been selected based on the potential for required technical-assistance opportunities in the thematic and sectoral areas highlighted above. These countries represent 100 percent of all low-income countries in the Latin America and Caribbean, and 100 percent of fragile countries in the region. Furthermore, these countries constitute 11 percent of total GDP and 14 percent of total population in Latin America and the Caribbean.

TABLE 16: Summary Entry Points by Country, Theme and Sector for LAC

Country	Theme			Sector		
	Climate	SNTA	PPP Institutions	Transport	Energy	Water
Priority Fragile Countries						
Haiti			x		x	x
Priority Middle-Income Countries						
Columbia	x	x	x			
Peru		x	x			

EUROPE AND CENTRAL ASIA

Regional Context

Excluding Russia, regional growth in ECA decelerated from 2015, largely because of political instability in Turkey. Growth in the eastern part of the region was mixed: Ukraine grew after a recession, but commodity exporters such as Kazakhstan and Azerbaijan saw growth slow. Growth in the western part of the region was more robust. In the near term, regional growth is expected, but several risks could dampen it—uncertainty in commodity markets, political instability, and slower-than-expected Euro-area growth.[37]

Despite sizeable infrastructure-investment needs, annual investment in ECA as a percent of GDP trailed that of other emerging-market regions.[38] The majority of current investment comes from public budgets, and the limited data available suggest that in many ECA countries, 60 to 70 per cent of infrastructure is government-financed.[39] With rising public debt levels and tight fiscal constraints, these countries will need to encourage more private investment to meet infrastructure needs. While ECA saw increased private investment in infrastructure over the last five years,[40] this was driven by investments in large projects in Turkey; excluding Turkey, PPI declined in the region.[41]

Because it is not a priority region,[42] PPIAF's approach to supporting ECA will emphasize case-by-case value-adding to transformative reforms supported by other development partners and country governments on three fronts: promotion of sustainable energy and services; reform of state-owned enterprises; and strengthening institutions and regional integration of fragile countries.

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37 World Bank Group, "Global Economic Prospects, January 2017: Weak Investment in Uncertain Times" (2017).

38 EBRD, "Rebalancing Finance," Transition Report, Box 1.1 (2016).

39 ibid

40 PPI database data for the ECA region, 1992-2016.

41 ibid

42 This is due to the fact that most countries are middle-income countries, and several others are EU pre-accession countries and therefore receive significant EU funding.

Sector-Thematic Opportunities

Promote Sustainable Energy and Services

There is an opportunity for sustainable infrastructure development across sectors, with priority given to energy. Because this is the world's most energy-intensive region, PPIAF aims to support ECA countries in shifting towards cleaner energy sources and more efficiency in energy use by:

- Improving conditions for investing in renewable energy;
- Promoting energy efficiency;
- Supporting operational efficiencies in energy-sector entities (e.g., in Kyrgyz Republic); and
- Encouraging development of competitive regional energy markets, which help reduce reliance on fossil fuels to meet countries' domestic energy needs.

Reform of SOEs

A key barrier to private participation in the region is the lack of transparency and weak finances of state-owned enterprises that provide the majority of infrastructure services. Unless utility reform is initiated, many infrastructure projects will not be bankable.

Mainly through PPIAF's SNTA Program, PPIAF will support increased operational efficiencies and improve management systems of utilities in the water, transport and energy sectors. In water, the World Bank's technical-advisory project for the Danube-River-basin countries offers a platform for working on operational efficiencies and reducing non-revenue water and energy leakages. In the transport sector, PPIAF will continue to promote the development of sustainable logistics networks and encourage further railway-sector reforms.

Support Institutions in Fragile Countries and Promote Regional Integration

Because the ECA has pockets of fragility, PPIAF sees an opportunity to focus on its fragility theme in the region, by:

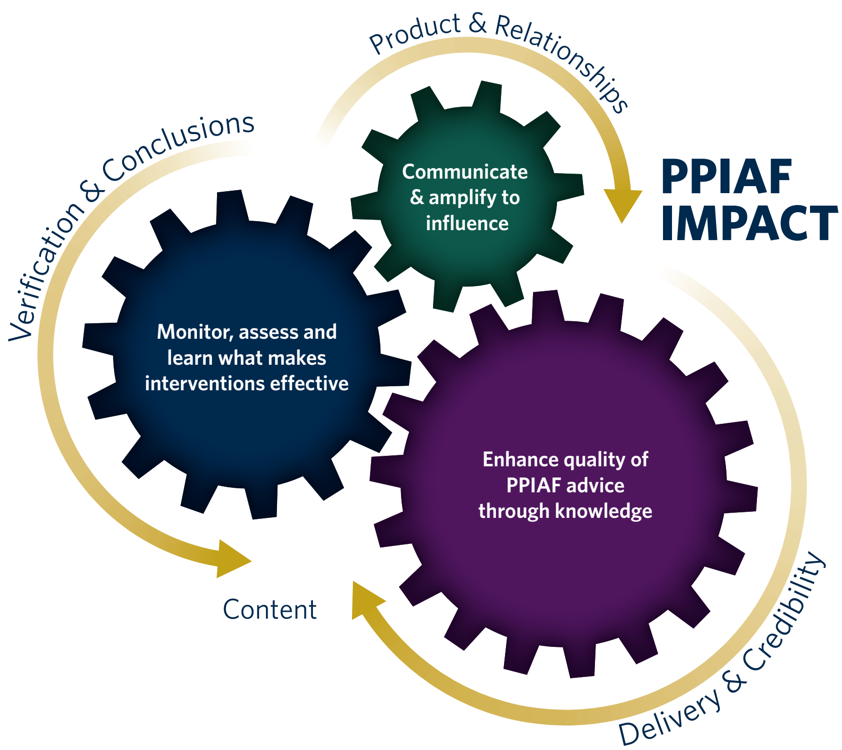
- Promoting regional integration in the Balkans, which has a recent history of conflict. Building on the EU's "connectivity agenda," PPIAF support will help promote integration of ICT, energy and transport networks, enabling trade among countries and between the region and the EU.[43]
- Building capacity, supporting development of enabling environments, and encouraging reforms in the fragile or recently fragile states of Kosovo, Bosnia and Herzegovina, and Tajikistan.

43 The "connectivity agenda" endorsed by the EU is designed to improve the links within the Western Balkans and with the EU.

KNOWLEDGE

Context and Approach

FIGURE 14: Integrated Approach to Knowledge, Monitoring and Communications



The recognition of PPIAF as a center of excellence and as the preferred partner for supporting clients on sustainable PPI largely rests on its ability to transform relevant knowledge generated from PPIAF-funded TA to solve client challenges globally.

During the last business-planning period (fiscal 2015 to fiscal 2017), PPIAF operationalized its knowledge initiative through three implementation models:

- **Strategic knowledge partnerships** conducted in collaboration with institutional partners that bring their own expertise and outreach;
- **PMU-originated knowledge products** undertaken directly by staff of the PPIAF management unit; and
- **Commissioned products** focused on stimulating knowledge creation through calls for proposals in the areas of PPIAF's thematic priorities.

PPIAF will continue with this approach, keeping in mind these important lessons from the previous period:

- Make better use of PPIAF's experience in knowledge and technical assistance;
- Dedicate resources to meeting the increased demand for PPP tools and learning; and,
- Integrate PPIAF's knowledge more deliberately into technical assistance.

PPIAF will also collaborate with the newly formed Infrastructure, PPPs and Guarantees Group of the World Bank Group.

Objective and Actions

PPIAF's knowledge activities will aim to support the objectives defined for this strategy:

- Promote investment in sustainable infrastructure through stronger PPI frameworks and risk management at the national and local levels, including in fragile states;
- Assist sub-national entities responsible for infrastructure to become creditworthy and increase their access to financing without sovereign guarantees; and
- Facilitate knowledge and capacity of client countries at scale to engage the private sector.

Commissioned Products (PPIAF Call for Global Knowledge Proposals)

In the last planning period, PPIAF designed, implemented and tested the PPIAF Call for Global Knowledge Proposals (PPIAF's main vehicle for obtaining and developing commissioned knowledge products). Four calls were successfully implemented, each building on the lessons learned in the prior call. PPIAF has a well-designed system to run each call. In this period, calls will link closely to PPIAF's strategic focus areas. To increase value for money, submissions will be evaluated with more emphasis on the potential for impact, as demonstrated by sound methodology, strong implementation, and dissemination plans and co-financing partners.

Strategic Knowledge Partnerships

These knowledge initiatives engage in partnerships with external organizations for the discovery, development and dissemination of new knowledge. Examples of current partnerships include the development of Source (formerly, the International Infrastructure Support System, or IISS) with the Sustainable Infrastructure Foundation; the development of the Infrastructure Management Toolkit with the Institute for State Effectiveness; and the work on Improving Infrastructure Regulation in Conflict and Fragile State with the Public Utility Research Center at the University of Florida.

In the next five years, PPIAF will expand its identification of new partners—opinion makers who influence the agenda of private participation in infrastructure at the national and global levels. These include think tanks; multilateral development banks and financial institutions; media houses; associations of businesses active in infrastructure; non-profits; and academia. Besides the development of knowledge streams and products with individual organizations, PPIAF will convene and engage its strategic knowledge partners around pressing issues on the global PPI agenda as a "community of practice," relying on a variety of channels, such as virtual and live conventions.

PMU-Originated Knowledge

PMU-originated knowledge comprises various thought pieces, such as those concerning policies for dealing with unsolicited proposals. In the coming years, PPIAF will draw more from the World Bank Group and its partners, including the community of practice referred to earlier, to develop such thought pieces. PPIAF will also turn to much more contemporary media for dissemination, such as blogs and short videos.

PPIAF will more systematically pull knowledge latent in its rich technical-assistance experience and, at the same time, ensure that knowledge developed through other models is incorporated in future assistance. PPIAF will deliberately close the loop of implementation, monitoring and learning. As a first step, PPIAF will build on the work started in fiscal 2017 to evaluate and establish meta-data of common topics, report findings and types of products PPIAF has supported in several countries, and repurpose these to improve future PPIAF-funded activities.

Finally, this dimension will also cover the update of existing knowledge products, such as toolkits and guides that PPIAF has supported in the past to keep the information current and relevant.

Scalable PPP Tools and Platforms

PPIAF is introducing a dedicated program to support ongoing platforms of global public goods that are important for PPP knowledge and professionalization. In the last planning period, PPIAF provided support to IPG group initiatives, such as the PPP Certification Program, the PPP Massive Open Online Course, the PPI Database, and the PPP Infrastructure Resource Center. Besides continuing to support these types of initiatives, PPIAF will also contribute to the implementation of a structured diagnostic and joint-planning exercise between the World Bank Group and client-country governments being programmed in the coming years to underpin the dialogue on leveraging resources for infrastructure (the World Bank's Maximizing Finance for Development principles).

TABLE 17: Programming of Different Knowledge Products

Task	Timeframe/Frequency	Resources
Call for Global Knowledge Proposals	1-2 times per year	Global knowledge portfolio coordinator and global knowledge coordination consultant(s)
Monitoring & Evaluation	Quarterly	Global knowledge portfolio coordinator and global knowledge coordination consultant(s)
Strategic Knowledge Partnerships	1-2 new and/or additional activities for existing SKPs/year	Global knowledge portfolio coordinator and global knowledge coordination consultant(s)
PMU-Originated Knowledge Products (including new PMU-originated knowledge products, coordination of integrated knowledge, and updating knowledge products)	Ongoing/as business needs require	Global knowledge portfolio coordinator and global knowledge coordination consultant(s)
PPP Tools	Ongoing/as business needs require	Global knowledge portfolio coordinator and global knowledge coordination consultant(s)
Corporate Needs (PCM Documentation)	Ongoing/as business needs require	Global knowledge portfolio coordinator and global knowledge coordination consultant(s)

Gender

Finally, a specific knowledge angle to inform future TA projects will be the gender dimension. In fiscal 2017, PPIAF reinforced the development of knowledge on gender and PPPs by funding a knowledge product that aims to examine the best way to promote gender inclusion in the process of designing, developing, implementing and monitoring an infrastructure project developed with private-sector participation. This will be pursued, and we will work to embed gender considerations into our technical assistance. Following through on this approach, PPIAF will:

- *Review technical-assistance applications for their gender "informedness,"with activities deemed "gender informed" receiving additional strategic points*—For example, does the activity: 1) include analysis and/or consultation on gender-related issues; 2) expect to narrow gender disparities, including through specific actions to address the distinct needs of women/girls to have positive impact(s) on gender equality; and 3) include mechanisms to monitor gender impact and facilitate gender-disaggregated analysis?
- *When possible, propose changes to TA design to include gender considerations*—For example, if an activity includes "willingness to pay" surveys, the team will be asked to disaggregate the data collected by gender.
- *Systematically record which activities have a gender dimension*—This will enable PPIAF to better track progress of these activities and better embed gender considerations into future TA.

COMMUNICATIONS

Context and Approach

PPIAF remains the only global facility and partnership dedicated to building sound operating frameworks and public-sector capacity to underpin private participation in infrastructure. Although well known for helpful products and good work, PPIAF has not been able to significantly leverage its brand to influence policy- and decision-makers and thus increase the impact of its technical advice. In the last planning period, PPIAF began to catalyze this opportunity with some rebranding efforts—defining a more recognizable identity and suite of products, as well as a new, redesigned PPIAF website. A distinguishable brand contributes to the flow of knowledge and communications, because it signals to potential users that the information comes from a credible source.

Objective and Actions

In upcoming years, the key objective is to raise PPIAF recognition as a center of excellence and as the preferred partner for supporting public institutions to establish the foundations for sustainable private participation in infrastructure.

This will be achieved by bringing focus back to substance and by emphasizing dissemination through channels that influence intended target audiences. This requires PPIAF to address challenges encountered in the past, namely: PPIAF's identity not having been distinguished from the identity of its implementing partner; poor stratification of, and message targeting for, audiences and key interlocutors for change at the national and local levels; limited dedicated resources and capacity to implement an ambitious communications plan; and the lack of emphasis on effective communication about the nature and results of PPIAF's focus on the critical upstream and on operational lessons.

PPIAF will develop a more strategic approach to communications and dissemination—one that has the ambition of turning information into impact. This means:

- More analysis of key factors of success and failures in infrastructure reforms, and how enabling environments influence development outcomes—drawn from PPIAF's own portfolio, but also from global experience (through our initiatives on knowledge, described in a separate chapter)—reinforcing the feedback loop between PPIAF's implementation, monitoring, knowledge and communications activities;
- Better identification of target audiences and messages at PPIAF program and activity levels, and the forging of alliances on important topics at the global and activity levels;
- Deployment and use of better technology and media; and
- Dedication of PPIAF PMU resources (standardized communications support packages) to assist implementing teams with communications, ensuring that communication and dissemination do not become lost priorities in favor of getting the work done, and that PPIAF can reach audiences not traditionally focused on by TA implementing teams.

To pursue this ambitious communications agenda, PPIAF proposes to implement the actions discussed in the next section. PPIAF can also consider engaging an external group to develop a whole-of-learning engagement strategy. This will include profiling PPIAF's target audience; understanding how we have engaged with them in the past; what has and has not been successful; and how we need to engage with them to implement the next five-year strategy.

PPIAF Standardized Communications Support Packages

PPIAF has deployed several communications products over its lifetime. A standard package includes dissemination through the following channels:

- PPIAF newsletter, issues briefs and impact stories;
- World Bank PPP blog;
- PPIAF website;
- Full social-media package; and
- Learning events with extensive outreach, such as webinars.

However, scant attention was paid to working deliberately with implementing teams on defining a communications plan that is rooted in implementation and the pursuit of results. This component is concerned, first and foremost, with supporting project success—reinforcing achievement of outcomes by building understanding, consensus and support around proposed reforms introduced in the technical advice funded by PPIAF. This is also concerned with communicating the successes and failures of previous experiences, to inform the experience and strategies of other clients or implementation partners.

PPIAF proposes to dedicate more resources from the PMU side to assist teams in this line of work. A strategic communications calendar of milestones will be prepared on an annual basis. At annual events such as the World Bank Group annual meetings, spring meetings, and Global Infrastructure Forum, PPIAF will aim to ensure that at least one PPIAF-supported knowledge product or communications piece is featured.

EVALUATION

An outreach evaluation will be conducted on an ongoing basis, through website metrics and Google analytics reports, to ensure PPIAF is learning from and improving on outreach results. The outreach evaluations from the new platforms where the PPIAF newsletter and PPIAF website are hosted allow PPIAF to track and evaluate who is being targeted by PPIAF communications, and areas to improve. The milestones will be amended annually per the lessons from the previous year. For higher-priority PPIAF knowledge products, the communications team will work with the global knowledge team to ensure that there is a strategic dissemination plan in place.

A. Using the Website to Enhance the Availability of Evidence on the What, How and Why of the Critical Upstream

Over this BP, PPIAF will strengthen the ability of our website to become a vehicle for furthering PPIAF's mission by making evidence available on the what, how and why of the critical upstream.

In an era of constantly changing technology, the website will allow PPIAF to reach a wide array of audiences and incorporate the platforms of the newly launched quarterly newsletter and Twitter (PPIAF's main dissemination channels) on to the website.

PPIAF is developing an operations manual to ensure that the website gets a regular refresh of new content. Other work on the website over the coming period will be as follows:

- Enhance the country pages to tell a story of a country's PPP journey, and offer this as a resource to practitioners working in the country;
- Build out the SNTA page so that the value offering of SNTA is clarified;
- Feature more plainly and attractively (such as through infographics) the catalytic nature of PPIAF's upstream support to the sustainable engagement of private participation in infrastructure, with an

emphasis on the priorities set out in the PPIAF strategy;

- Externalize part of PPIAF's (currently internal-use-only) project-information system, which holds a rich archive of data, information resources and reports; and
- Develop a more user-friendly and effective donor dashboard.

PPIAF will ensure there is a dedicated person for website development and will maintain a relationship with a website-development firm.

ENGAGING WITH PPIAF'S WEBSITE USERS

Once the PPIAF strategy is approved, PPIAF will ensure that it is reflected and effectively communicated throughout the PPIAF website and ensure user feedback.

B. Reinforcing Operational Learning & Success Loops Through Improved Communications

PPIAF will produce lessons on our work through impact stories and impact assessments. PPIAF will identify operational areas and approaches that emerge as being relevant to successful execution.

Operational Learning areas include lessons learned from an M&E perspective, such as lessons on failure, successful results management, stakeholder mapping, systems thinking, and context analysis. PPIAF will convene sessions at least once a year and aim to target World Bank Group staff and practitioners to encourage reflection and learning around operational areas.

PPIAF will organize two to four thematic workshops over the next five years to share expertise and experience on one or two prominent thematic topics, combining knowledge from PPIAF's global portfolio and PPIAF's technical assistance. This event will target World Bank Group implementing and other strategic partners and may be timed around the relevant sector weeks in the World Bank. The workshops not only create an opportunity for PPIAF to increase its profile, but also to offer an avenue for sharing expertise, to engage partners in dialogue on the broader field of private-sector participation, and to explore opportunities for deeper collaboration.

C. Building Champions for Good Upstream PPI Practices

Over the next five years, PPIAF will explore the value of engaging "champions" in different regions on different topics. Champions will be relevant practitioners—for example, officials from the PPP units of client countries, or iconic utility CEOs who have led reforms—who inform PPIAF work, but also inform peers about solutions. For example, the technical-expert-panel approach used in the Improving Infrastructure Regulations in Fragile and Conflict-Affect States initiative, a partnership with the Public Utility Research Center, to "ground truth" recommendations from the initiative with regulation practitioners in relevant countries, worked very well not only to validate PPIAF advice, but also to reach out to the potential audiences of the initiative in low-income, low-capacity and fragile states.

TABLE 18: Programming of Different Communications Activities

Task	Timeframe/Frequency	Resources
PPIAF Website	On-going	Communications consultant
PPIAF Newsletter	Quarterly	Communications consultant
IPG group Outreach (Newsletter & Dispatch)	Monthly	Social media and outreach coordination consultant
PPIAF Social-Media Campaign	Ongoing	Social media and outreach coordination consultant
Coordinating Production of PPIAF-Related Blogs	5-7 per year	PPIAF team
Webinars	3-5 per year	PPIAF team
PPIAF Executive Brief	3-5 per year	PPIAF team
Coordinating Production of Impact Stories	5-7 per year	PPIAF team
Coordinating Production of PMU-Originated Knowledge and Issue Briefs (Integrated Knowledge)	1-3 per year	Social media and outreach coordination consultant
Designer Support	Ongoing	Outsourced to firm
Editor Support	Ongoing	Outsourced consultant
Coordinating Communications Support to Learning Events (Key Operational Learning & Deep Dives)	Determined by business needs	Social media and outreach coordination consultant
Coordinating Production of Annual Report	1 per year	Communications consultant

MONITORING

Context and Approach

In the last planning period, PPIAF introduced a new framework that clarifies the logical chain of PPIAF's results and a monitoring, evaluation and learning (ME&L) system that measures progress in a balanced way through all the stages (from initiation to post-completion) of an activity—monitoring the progress of the PPIAF portfolio through progress implementation reviews (PIRs); reviewing whether completed activities achieved their objectives; and compiling lessons from these reviews and providing feedback to the PPIAF team so that these can be reflected in new activities. The country impact assessment was also piloted to understand whether and how discrete PPIAF assistance combines to improve the operating environment in countries that received larger investments from PPIAF.

Objective and Action

The ME&L objectives for the new strategy cycle (fiscal 2018-2022) are to: a) reinforce data collection and analysis to test the links between PPIAF's actions on the enabling environment and the impact and outcomes, and strengthen reporting on this aspect; b) increase the use of lessons generated from ME&L processes to inform better project design; and c) strengthen PPIAF's thought leadership in the area of supporting better operating frameworks to underpin sustainable engagement of the private sector in infrastructure.

A. POST-COMPLETION ASSESSMENTS

PPIAF will systematically review completed activities at the individual project and country levels to: 1) illustrate the results of PPIAF's engagements, including any broader spillovers of discrete results to the broader investment climate, and 2) deepen the understanding of contexts and conditions (including the reasons for failure of technical assistance projects) to inform PPIAF's decision-making and design.

A.1 Country Assessments

Country assessments are independent evaluations of PPIAF's portfolio of activities in countries where PPIAF assistance has totaled at least $2 million since fiscal 2006. In this planning period, country assessments will be conducted on half of the 30 PPIAF impact countries (conducting, on average, three per year). The assessments are impartial reviews led by the Technical Advisory Panel (TAP). The views and assessments are those of TAP, which advises the Program Council and therefore carries a fiduciary responsibility. The purpose of this assessment is to: 1) examine the link between PPIAF's support to a country's institutional and regulatory framework, and its sectoral policy, and the capacity of the sub-national entities to access finance on the one hand and PPI service delivery on the other; 2) review PPIAF's contribution to the country's engagement in PPI, including establishing the quality of service delivery or the potential extent of the service in terms of access (if greenfield), and reviewing the management and performance of the PPI; 3) develop recommendations for PPIAF on incorporating the findings into further engagements in a particular country, as well as informing strategic decisions. An additional objective of the impact assessments is to understand the "spillover effects" of PPIAF support—whether a group of activities in a country contributes to the country's overall improved ability

to independently initiate and manage private-sector participation projects in, for example, a sector or theme that was not necessarily the focus of PPIAF's support. By the end of the current business plan period, PPIAF will have accumulated a critical mass of lessons on the spillover effect through the 20 impact assessments to be completed by fiscal 2022. Thus, not only will PPIAF accumulate the necessary information to report on the results framework impact-level indicators, but also will inform management decisions on the nature and content of PPIAF support.

A.2 Outcome Realizations

Outcome realizations are post-completion (24-36 months) reviews of PPIAF's activities. These complement impact assessments by verifying the results of individual PPIAF-funded grants in terms of achieving their intended outcomes. Outcome realizations generate information on the factors that promote or delay the intended changes in the client countries; assess the relevance of PPIAF-funded outputs to the country contexts; and highlight activity-implementation-related lessons. Given the volume of outcome realizations conducted per fiscal year, these reviews allow aggregate portfolio analysis to establish trends regarding the lessons around priority themes, sectors and country characteristics (low income, fragile, etc.). Outcome realizations provide both contextual and implementation-related lessons that feed back into the design of new activities. In the coming period, PPIAF will conduct outcome realizations and meta-analyses for 50 percent of activities (as agreed in the fiscal 2017 Program Council meeting) that have been completed in the last two to three years (about 30 projects per year), with the support of a consultant or consulting firm.

B. MONITORING AND PROGRAM MID-TERM REVIEW

PPIAF will conduct this review to: 1) ensure the quality and timeliness of the outputs that are critical to realizing activities' intended outcomes; 2) assess whether the implementation of activities is going as planned; and 3) inform potential changes to the design and timing of subsequent phases of an incremental or future engagement.

B.1 Program Mid-Term Reviews

A mid-term review is specifically designed to collect information on PPIAF's ongoing programs, especially as they transition between planned programmatic phases. Programs are multi-year, multi-activity engagements in a country or region. Given the more complex design of PPIAF's programs, in addition to the regular activity monitoring, PPIAF's staff will conduct at least two mid-term review missions per fiscal year to ensure that the planned implementation process—in terms of activities, outputs, and partners' contributions and client commitment—is on track.

B.2 Activity Monitoring

Ongoing activity monitoring conducted through the progress implementation review is an exercise carried out by the PMU every quarter to monitor the financial and technical implementation status of all ongoing and completed activities in the portfolio. The monitoring data that PPIAF collects includes financial delivery information, timeliness of milestones achievement, quality of outputs, and information on exogenous factors (performance of the task team leaders and contractors, client commitment, and status of the partners' financial and technical contributions) that affect activity implementation. The quarterly activity monitoring generates the necessary information for the program manager and regional teams to make decisions regarding the actions or adjustments required to improve the overall quality of PPIAF's portfolio and ensure that the activities are implemented in a manner that will enhance the likelihood of generating tangible results for the client countries.

LEARNING AND DESIGN

C.1 Extracting, Sharing and Applying Lessons Learned

PPIAF will utilize the information generated through the post-completion and ongoing review processes to reinforce learning within the team and contribute to knowledge beyond PPIAF, to the IPG group, WBG and MDB partners, clients etc. The most immediate application of the learning is the ME&L review of PPIAF grant proposals, highlighting areas for improvement based on comparable experience from past activities.

Alongside its knowledge and communications plan, PPIAF will focus on operational learning on topics such as results management; operational and thematic topics such as stakeholder mapping; systems thinking; and context analysis.

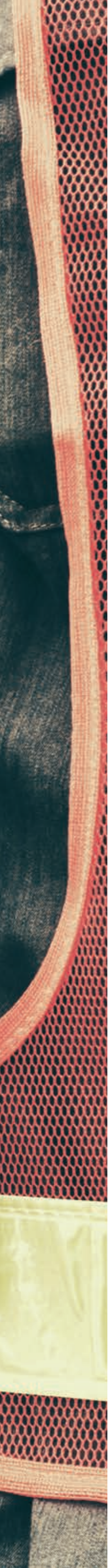
An overarching learning theme for PPIAF is learning from failure, which includes: 1) identifying and creating a repository of reasons for failure of PPIAF-supported grants; 2) feeding back the identified reasons into the design and implementation of new PPIAF activities, to ensure that PPIAF takes action (where applicable), thereby maximizing the potential of PPIAF's portfolio to achieve results in the client countries; 3) conducting meta-analyses of the reasons for failure, incorporating similar data from PPIAF's partners (in particular, the IFC PPP Transactions Advisory); and 4) communicating the overall knowledge on operational and contextual reasons for failure of PPP projects to wider WBG audiences through thematic workshops/deep-dive events.

C.2 PPIAF Independent Evaluation Review

At the June 2017 Program Council meeting, PPIAF donors commissioned a new program evaluation. This independent evaluation of the entire portfolio will focus on the performance of the fund management and value for money under the previous strategy and business plan, to provide an overarching assessment of the program value from fiscal 2015 to fiscal 2017. The evaluation will also provide recommendations for improving the program during the implementation of the new strategy. The evaluation will take place in fiscal 2018, and there will be a final presentation of results at the Program Council meeting in June 2018.

Business Plan For

RESOURCING, RESULTS & RISK



BUSINESS PLAN
Resourcing, Results and Risks

To successfully implement this business plan and consolidate PPIAF's position as the premier facility in the upstream infrastructure space, and as a center of excellence in related knowledge, an appropriate resourcing level must be ensured, both funding- and human resources-wise. The organizational design may also have to evolve to fully take advantage of the new cross-support opportunities linked to PPIAF's participation in the newly formed Infrastructure, PPP and Guarantees Group in the World Bank.

RESOURCING

Funding

Funding scenarios were discussed with the PPIAF Program Council in June 2017. The scenarios were built bottom up, based on an assessment of pipeline demand, dialogue with potential implementation and co-financing partners, and considering the past performance of PPIAF. At the June 2017 meeting, PPIAF donors indicated a modest potential commitment in the near term, so the council endorsed an approach for a more conservative level of programming, realizing that this will affect the proportion of total costs that can be allocated to PMU administration.

The base-case programming level for this business plan is $65 million over five years, or $13 million annually. This is significantly below the previous period's planned programming level of $27 million per year, or the actual average yearly programming level of $21 million over the previous three years. This reflects constraints on anticipated funds mobilization, and the need to compensate for the withdrawal of one of our major funders, and is in line with the funding level observed over the previous three years ($41.2 million worth of contributions received, equivalent to an average of nearly $14 million per year). In this base case (the central scenario assumed for the business plan), the level of contributions from current donors would remain essentially stable, at $10 million on average per year, while new donor input would be limited, plateauing at $5 million per year at the end of the period.

The base-case programming has adverse implications for the relevance of PPIAF in more "peripheral" regions, such as Europe and Central Asia, where only about two grants per year could be developed, and to a lesser degree Latin America. This scenario will also see PMU costs—of which up to 80 percent is attributable to human-resources-related direct and indirect expenses—rise above 20 percent of total costs, in spite of strict cost-cutting measures.

The high-case scenario envisions a programming level of $100 million, or an average of $20 million per year, growing regularly from the same base of $10 million (as per the work plan for fiscal 2018) to $27 million (in fiscal 2022), due to an increase in existing donor contributions (doubling from $10 to $20 million over the period), and a ramping up of new donor funding (from 0 to $7 million). Although a goal of $20 million from current donors may seem ambitious, it should be recalled that the previous business plan envisioned an annual contribution level of $21 million, and that $18 million was actually recorded in fiscal 2016. Under this scenario, PPIAF would be able to: meet its strategy's ambitions for the climate theme; increase the proportion of fragile activities to over 15 percent; and earmark some funds to support a systematic pilot for local PPP development. Despite an increase in communications, M&E and overall staff costs, the high-case scenario represents better administrative value for money—PMU costs under the high-case scenario will drop to below 20 percent of total costs, representing an average of just under 17 percent over the period.

Despite the conservative approach envisioned in the base-case scenario, mobilizing appropriate levels of resources from donors remains a key risk over this planning period. PPIAF's opening balance of $20 million at the beginning of this period (fiscal 2018) is just over half of what it was in fiscal 2015, and given expected contributions, would fall to $12 to $13 million over the period, slightly less than our objective[44] of maintaining a level corresponding to 10 to 12 months of grant funding plus annual PMU costs.

TABLE 19: Base-Case Funding Assumptions (in $ million)

Description	FY18	FY 2019	FY 2020	FY 2021	FY2022	Total for Period
Opening Fund Balance	20.1	14.4	10.9	10.2	10.8	
Reflow + Investment Income	2	2	2.5	2.5	3	**12**
Contributions From New Donors	0	2	3	4	5	**14**
Contributions From Existing Donors	8.5	9	10.5	11	12	**51**
Total Contributions Received	8.5	11	13.5	15	17	**65**
Total Resources	***30.6***	***27.4***	***26.9***	***27.7***	***30.8***	
Programming Costs	13	13	13	13	13	**65**
PMU Net Costs	3.2	3.5	3.7	3.9	4.1	**18.4**
Total Uses	***16.2***	***16.5***	***16.7***	***16.9***	***17.1***	***83.4***
Closing Fund Balance	**14.4**	**10.9**	**10.2**	**10.8**	**13.7**	
Share of PMU Costs/Total Uses	19.8%	21.2%	22.2%	23.0%	23.9%	**22.0%**

44 Cf guidance from Zurich PCM in November 2016.

TABLE 20: High Scenario Funding Assumptions (in $ million)

Description	FY18	FY 2019	FY 2020	FY 2021	FY2022	Total for Period
Opening Fund Balance	20.1	15.9	15.2	15.5	13.6	
Reflow + Investment income	2	2	2.5	2.5	3	12
Contributions From New Donors	0	2	4	6	7	19
Contributions From Existing Donors	10	14	18	19	20	81
Total Contributions Received	**10**	**16**	**22**	**25**	**27**	**100**
Total Resources	*32.1*	*33.9*	*39.7*	*43*	*43.6*	
Programming Costs	13	15	20	25	27.0	100.0
PMU Net Costs	3.2	3.7	4.2	4.4	4.6	20.1
Total Uses	*16.2*	*18.7*	*24.2*	*29.4*	*31.6*	*120.1*
Closing Fund Balance	15.9	15.2	15.5	13.6	12.0	
Share of PMU Costs/Total Funding	**19.8%**	**19.8%**	**17.4%**	**15.0%**	**14.6%**	**16.7%**

Staffing and Organizational Structure

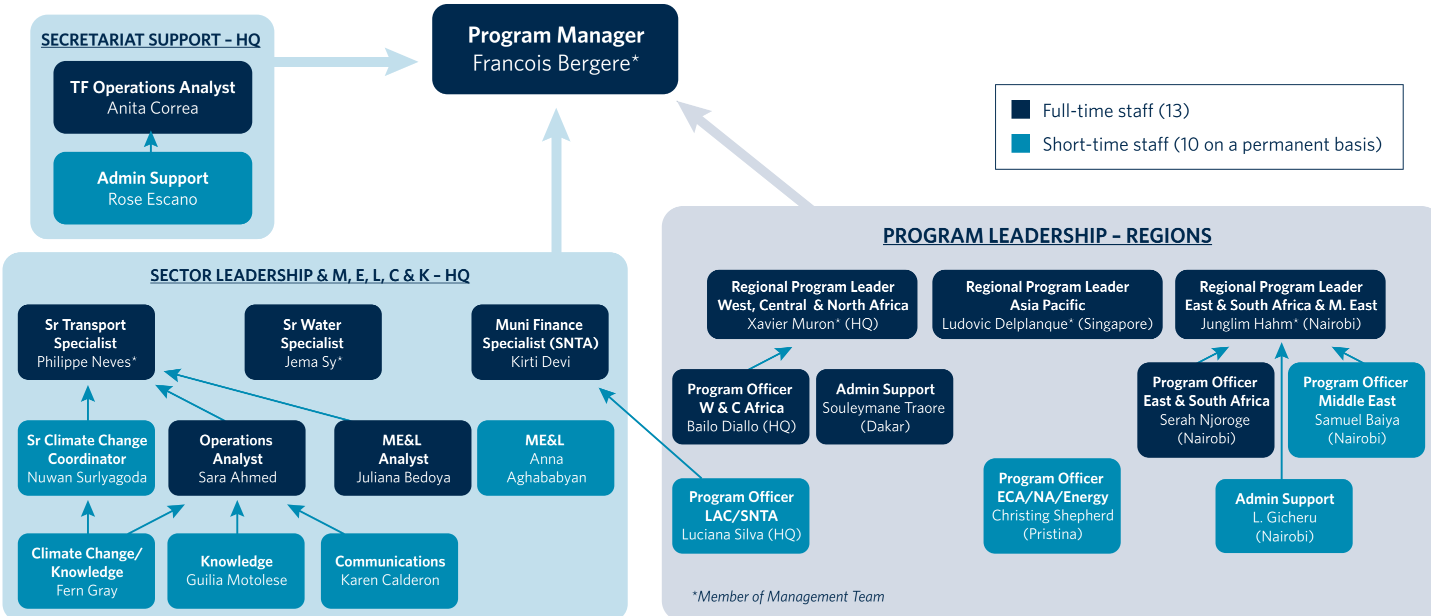
Despite the hike in indirect cost recovery and staff benefit costs linked to new rules enacted in fiscal 2018, total HR expenses will be contained, thanks to an ambitious policy of sharing existing staff positions through cross-support to the rest of the PPP group and other WBG units, to spread out the cost of the existing PMU structure. This will allow PPIAF to maintain, as much as possible, its existing network of field offices and sectoral specialists, which are key to continuing to deliver high-quality technical assistance and knowledge products.

In particular, it is envisioned that the current three regional offices—Nairobi (covering Eastern and Southern Africa and the Mid-East); Dakar (covering West, Central and North Africa) and Singapore (covering South Asia and East Asia and the Pacific)—will be maintained, because they reflect the ongoing emphasis on Sub-Saharan Africa, and are resourced accordingly, while allowing for position sharing and cross-support with other IPG-group departments present in the same regions.

In terms of sectoral skill set, a reinforcement may be considered in due time, subject to adequate funding prospects, in the energy/climate-change sector (which is no longer covered by a senior staff member) and in the sub-national field.

The current organizational chart (below), is organized around three main business functions—regional program leadership; sector leadership and knowledge management; and secretariat support—is not expected to evolve significantly over the period.

FIGURE 15: PPIAF Organizational Structure (as of August 2017)



RESULTS

The base- and high-case scenarios reflect below-level and current levels of programming, respectively, with positive outcomes already recorded thus far. Early progress as of 2017 against the agreed-upon results framework shows promise, as follows:

- Of the 20 countries where PPIAF investment has been more than $20 million in the previous 10 years, 14 accelerated the rate of increase in available infrastructure in key sectors compared to the previous period;
- Four out of a total target of 10 countries (up to the year 2018) had already improved their PPP enabling environments, as measured by their PPP procurement benchmarking scores; and
- Policy, planning and upstream support of PPIAF has translated into transactions downstream—namely, the Al-Minya Solid Waste Project (West Bank), the Mozambique Gas Exploration and Production concessions; the extension of the Comoros Water Supply Management Contract and investment by the IFC in the Scatec Solar IPP project in Mali; and the Dlo Haiti water-supply venture in Haiti.

In this sense, the current PPIAF business model has already proven it is capable of efficiently allocating resources. However, a key results challenge for PPIAF in this period is to focus on the impact on PPPs and sub-sovereign financing in 30 countries. PPIAF will also tackle more complex issues (climate, fragility, and sub-national impacts) and work with lower-capacity clients in fragile and low-income countries and at the sub-national levels. This strategy also envisions setting the foundations for better leveraging PPIAF's operational knowledge and supporting scalable platforms, thus transforming information into impact.

Table 1 (at the beginning of the PPIAF strategy) presented the types of accomplishments and performance levels that PPIAF would like to achieve in the next five years. This aspiration includes an emphasis on improving the rate of success of PPIAF interventions by investing staff expertise in designing and overseeing program engagements; by allocating more resources to monitor and mine the lessons of PPIAF activities; and by financing global platforms, dialogues and global public goods.

RISKS

PPIAF's risk-management framework begins with an activity-by-activity assessment of relevant risks. In general, PPIAF looks at two levels of risks—those that affect the quality and timeliness of executing PPIAF activities, which has an impact on PPIAF efficiency performance, and those that affect the realization of outcomes set out in the proposed initiative, which has an impact on our effectiveness.

In addition to activity-level risk assessment, each PPIAF operating unit (regions, themes and knowledge) has developed its respective risk matrices to prepare for the timely and high-quality execution of PPIAF activities and to address barriers to those activities achieving their intended outcomes for the different work streams described in this business plan. These, and activity level risks, have been generalized into some of the aspects presented in the overall PPIAF risk matrix.

The table below shows the overall PPIAF risk assessment, which looks at strategic, portfolio and operating risks in the aggregate.

TABLE 21: Risks Assessed and Addressed in this Strategy

Risk	Risk Score*	Description	Proposals in the Strategy and BP to Mitigate
STRATEGIC RISKS			
Complexity	High	• Strategy aims to tackle less well-understood territory, such as integrating resilience in PPPs and building private participation in nascent states and local levels. • Catalyzing sub-national commercial financing takes time and will be incremental.	• Dedicate Climate Change Trust Fund for innovation; • Implement a flexible, opportunistic approach for FCS; • Focus SNTA on nearly creditworthy SOEs, while building capacity; • Differentiate approach for entities in low-income countries and more mature environments; • Develop sector-based programs to work on SOEs; and • Invest in knowledge, information gathering and intelligence.
Stakeholder Risks	Moderate	• Target clients do not share the value placed on the thematic priorities, and • Expected partners do not deliver on their part of the bargain.	• Invest in communications and global dialogues; • Influence opinion makers; and • Retain flexibility in funding modalities.
Executing Agency Risk	Moderate	• Lack of appropriate task teams willing to support complex engagements in target countries; task team implementation costs for more complex engagement will be higher.	• In line with agreed cost-recovery reforms, apply 15 percent of task-team implementation cost caps at the portfolio level.
	Low	• Task-team capacity.	• General expertise is high, and PPIAF PMU proposes to play a more active role in supporting programmatic engagements, and • Invest in operational lessons—i.e., lessons from implementation successes and failures that can be used in future activities.
PORTFOLIO RISKS			
Quality	Moderate to High	• Low demand from clients, implementing teams and development partners with good impact opportunities resulting in adverse selection bias in portfolio.	• Selectivity and opportunistic approach proposed within themes, and • Proposal review process to more explicit assess opportunity for impact versus need.
	Moderate	• PPIAF approval process becomes too burdensome.	• Positioning PPIAF as preferred partner; • Improving internal systems, including MIS, of PPIAF to reduce bureaucratic hassle factor; and • Keeping open dialogue with PPIAF Council on reasonableness of requirements, such as details in the application process, budgets, etc.

TABLE 21: Risks Assessed and Addressed in this Strategy (cont.)

Risk	Risk Score*	Description	Proposals in the Strategy and BP to Mitigate
Portfolio Performance	Low	• Low levels of origination; PPIAF does not meet its strategic approval targets. • Low disbursements and delays.	• New mechanisms for origination to continue, such as: call for proposals, strategic dialogues with partners and World Bank global practices, and programmatic initiatives. • Continuing investment in portfolio-review processes.
Project Implementation Risk	Low	• Poor design; • Poor resourcing; • Consultant performance; • Poor-quality result; and • Stakeholder engagement.	• Continuing investment in review, approval and monitoring systems.
Project Outcomes Risk	Moderate	• Client uptake of recommendations from PPIAF advisory is low.	• Invest in operational lessons; • Invest in communications and global dialogues; and • Conduct outreach to opinion makers.
Investment Climate	Moderate to High	• Private-sector response to opportunities is tepid. • Financial downturn, political turmoil.	• Selection of priority countries represents a diverse range of economies and resilience. • Diversify portfolio.
PPIAF OPERATING RISKS			
Funding	High	• Insufficient resourcing to support desired results; • Concentration of funding towards certain themes/sectors/countries that results in concentration risks and adverse selection bias; and • Fluctuations in funding resulting in booms and busts.	• Include consensus building and communications components in projects; • Work with other development partners; and • Have five-year strategy horizon with clear implementation and co-financing requirements and discussions with PPIAF Council members.
Efficiency	High	• PMU costs escalate out of bounds with a low-case programming scenario.	• Explore systems and process efficiencies and new business models, and • Look for co-financing in PPIAF activities to leverage higher levels of grant resources.
Accountability	Moderate	• Principles of WB trust fund reforms not in keeping with increase in reporting requirements from donor's side.	• Open communication between WB and PPIAF donors; • Invest in PPIAF management information system and website to improve access to information; and • Use World-Bank-wide systems such as the Development Partner Center and Client Satisfaction Surveys for various reporting and data requirements.

Abbreviations and Acronyms

AFD Agence Française de Développement
BP Business plan
CCTFI Climate Change Trust Fund for Infrastructure
DFID Department for International Development
EAP East Asia and the Pacific
ECA Europe and Central Asia
ESMID Efficient Securities Markets Institutional Development
FDI Foreign Direct Investment
GHG Greenhouse gas
GIF Global Infrastructure Facility
IFC International Finance Corporation
IPG Infrastructure, PPP and Guarantees
LAC Latin America and the Caribbean
LIC Low-income country
MDTF Multi-Donor Trust Fund
ME&L Monitoring, evaluation and learning
MENA Middle East and North Africa
MIC Middle-income country
MIGA Multilateral Investment Guarantee Agency
NDC Nationally Determined Contributions
OECD Organisation for Economic Cooperation and Development
PBC Performance-based contract
PC Program Council
PCM Program Council meeting
PMU Program Management Unit
PNG Papua New Guinea
PPI Private Participation in Infrastructure
PPIAF Public-Private Infrastructure Advisory Facility
PPP Public-private partnership
PSF Partnership Support Facility
PSP Private-sector participation
PV Photovoltaic
SECO State Secretariat for Economic Affairs
SNE Sub-national entity
SNG Sub-national government
SNTA Sub-National Technical Assistance
SOE State-owned enterprise
SSA Sub-Saharan Africa
TA Technical assistance
TTL Task team leader
UEMOA West African Economic and Monetary Union
VfM Value for money
WBG World Bank Group
WSS Water supply and sanitation

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ENABLING
INFRASTRUCTURE
INVESTMENT

PPIAF, a multi-donor trust fund housed in the World Bank Group, provides technical assistance to governments in developing countries. PPIAF's main goal is to create enabling environments through high-impact partnerships that facilitate private investment in infrastructure.