Update from PIDG CEO Philippe Valahu

8th March 2019

1. PIDG launches new Five-Year Strategy
2. Project news:
   - Replicating solar to increase impact in Kenya
   - Gabon Special Economic Zone reaches financial close
   - PIDG and GuarantCo attend Geogas and Quantum Terminals signing in Geneva
   - Continuing progress at PIDG projects in Rwanda
3. Conferences and events:
   - PIDG plays a thought leadership role at OECD Blended Finance Week
   - InfraCo Asia hosts round table on overcoming the obstacles to development in Asia’s frontier markets
   - Scaling up mini-grids in sub-Saharan Africa
   - Emilio Cattaneo of EAIF explores investment opportunities in Angola
   - Meeting the Sustainable Development Goals in Fragile and Conflict-Affected States
   - Integrating water, food, energy and climate: an Australasian view
   - Mixta Nigeria team visits PIDG office
4. PIDG companies honoured with awards

Please do get in touch about anything in this newsletter, and I will come back to you.

Kind regards,

Philippe

philippe.valahu@pidg.org

PIDG launches new Five-Year Strategy
PIDG has published its Five-Year Strategic Plan for 2019 – 2023. Building on its recent governance restructuring, PIDG’s new five-year strategy is focused on delivering pioneering infrastructure projects that offer an innovative, agile and sustainable way of combating poverty and delivering high development impact.

PIDG’s strategy is focused on delivering projects that offer: Scale, Replicability, Affordability and Transformation. Together with the identification and leverage of programmatic themes, PIDG will continue to demonstrate its additionality and maximise development impact, while ensuring that priorities such as gender equality, women’s empowerment and climate change are reflected in depth across its portfolio.

Working collaboratively along the project life-cycle and across the capital structure, PIDG leverages its unique attributes to help early-stage projects overcome financial, technical or environmental challenges creating investment-ready, bankable infrastructure opportunities, as well as building local capability and capacity, while providing innovative financing solutions.

Visit the Strategy page on the new PIDG website, where you can also hear PIDG Chair Andrew Bainbridge and CEO Philippe Valahu share their thoughts on what makes PIDG so unique.

**Project news**

**Replicating solar to increase impact in Kenya**

On 6th March, InfraCo Africa announced the signing of convertible loan agreements with frontier developer Gigawatt Global; committing a total of $2.2m to the development of the Samburu Solar and Transmara Solar projects, respectively. With a capacity of 10MW each, the
sister facilities will generate clean, reliable electricity in some of the poorest counties in Kenya.

The financing committed by InfraCo Africa will enable these projects to complete development activities and secure the financing needed for construction. Both projects will be developed in partnership with Gigawatt Global, building from their experience in Rwanda.

The Transmara and Samburu projects will demonstrate the commercial viability of strategically sited small-scale solar plants (10MW and below), and so mobilise greater private sector participation in this market segment.

Over the last three years, InfraCo Africa has focused on building a strong solar pipeline and now has seven solar projects under development, another under construction and a portfolio of three operational mini-grid businesses.

These projects span nine countries and will collectively deliver >250MW of solar power, both on- and off-grid. By replicating lessons learned across its solar portfolio and leveraging established partnerships like that with JCM Capital in Malawi, REDAVIA in Tanzania, and now Gigawatt Global in Kenya, InfraCo Africa is able to derive greater value and impact from the funding it commits.

**Gabon Special Economic Zone reaches financial close**

GuarantCo has partnered with the Gabon Special Economic Zone (GSEZ), a joint venture between Olam International, African Finance Corporation and the Government of Gabon, to finance logistics infrastructure which will support the country’s industrial competitiveness and build a business-friendly ecosystem.

GSEZ provides critical infrastructure to companies in Gabon which would otherwise not be able to develop it themselves, particularly small and medium enterprises, which are key to creating economic activity and employment.

GuarantCo has credit enhanced the first ten-year local currency XAF 14.3 billion ($24.7 million) tranche of a total XAF 33 billion ($57 million) corporate bond programme being used to finance GSEZ’s investment in logistics infrastructure. The project will benefit the wider CEMAC region; supporting the rail logistics capacity to increase efficiency and scale of trade.
PIDG and GuarantCo attend Geogas and Quantum Terminals signing in Geneva

PIDG CEO Philippe Valahu and Head of Partner Relations Karen Menzel joined Denesh Srisanker of GuarantCo for the signing of an agreement to supply liquid petroleum gas for the 202 MW Bridge Power plant in Ghana. A guarantee provided by GuarantCo will enable construction for stage I to deliver cleaner power to a million people. PIDG Owner, the Swiss State Secretariat for Economic Affairs (SECO) was pleased to support this event in Geneva.

Continuing progress at PIDG projects in Rwanda

PIDG Chief Risk Officer Layth Al-Falaki, accompanied by Martijn Proos and Christoph Scaife from Investec Asset Management, manager of the Emerging Africa Infrastructure Fund, recently visited a number of PIDG-supported projects in Rwanda, and reported continuing progress on health, safety, environmental and social (HSES) standards.

Kigali Water is a highly developmental project that is expected to bring clean water to 150,000 people in the first phase. With construction now underway, the project is ahead of schedule and within budget. Layth and his colleagues were given a detailed briefing on the project, the HSES aspects and the CSR opportunities before undertaking a site inspection, and informed that all project employees are trained in health and safety. The project developer, Metito, is also working with a local factory which will transform the sediment generated by the project into bricks; thereby reducing its environmental impact.
At the Gigawatt solar farm – the first utility-scale private solar farm in east Africa – there is active engagement with the local community; with a mini grid provided to the local clinic (staffed by 25 workers) and the village school (attended by 500 children). The project has also planted 5,000 mango trees and 21,000 pineapple trees on site, solely for the benefit of the local community, which has formed a co-operative to manage this resource. All employees are local, and 50% are female – a strong example of PIDG’s commitment to gender equality in its projects.

KivuWatt is a unique project using technology that extracts methane from one of only three “killer lakes” in Africa and converts the methane into electricity. Now operational for three years, KivuWatt has been building on PIDG HSES standards, demonstrated by extensive staff training. The company has an active CSR programme, with a significant number of projects undertaken with the local community, including provision of medical equipment, building schools and cowsheds. The project is also actively looking to employ women, including the current Head of HSE.

PIDG will continue to visit and monitor projects and publish progress updates.

At the Gigawatt solar farm in Rwanda, there is active engagement with the local community.

Conferences and Events

PIDG plays a thought leadership role at OECD Blended Finance Week

To kick off the start of Blended Finance Week in January, PIDG’s Development Impact team hosted a round table on ‘Making development finance work’, for some of the leading players in the international development sector,
including UNCDF, Development Initiatives, Save the Children, and One Campaign.

A wide-ranging discussion highlighted some key themes with which to move forward, including increasing transparency, mobilising local investors, and encouraging greater experimentation in riskier markets.

PIDG, an early proponent of blended finance, was strongly represented at the OECD Blended Finance Week in Paris, with Philippe Valahu; Karen Menzel, PIDG Head of Partner Relations; Alice Chapple, PIDG Head of Development Impact, and Emilio Cattaneo, Executive Director of EAIF presenting on a wide range of subjects.

Philippe shared his thoughts in an interview with Devex and also wrote a blog on the subject of "What's new for blended finance? Five priorities for 2019."

PIDG CEO Philippe Valahu joined a discussion on the future of blended finance at the OECD conference in Paris.

InfraCo Asia hosts round table on overcoming the obstacles to development in Asia’s frontier markets

On 1st March, PIDG and InfraCo Asia hosted 60 Asia-based infrastructure leaders and public sector dignitaries at a Luncheon Roundtable event in Singapore, held in partnership with Oxford Business Group, a global business intelligence provider.

The event, titled “Overcoming the Obstacles to Infrastructure Development in Asia’s Frontier Markets,” was moderated by InfraCo Asia CEO Allard Nooy. It featured a macroeconomic overview from Oxford Business Group, a presentation from Philippe Valahu, and an on-stage interview between Allard and A.B. Colayco,
Chairman of Philippines-based PowerSource and co-founder of investment firm Argosy.

Attendees included Australian High Commissioner to Singapore Bruce Gosper and Ambassador of the Netherlands to Singapore and Brunei Margriet Vonno, as well as senior executives from across the infrastructure ecosystem.

PIDG and InfraCo Asia hosted 60 infrastructure leaders and dignitaries at an informative round table in Singapore.

**Scaling up mini-grids in sub-Saharan Africa**

InfraCo Africa recently held its first workshop with members of the African Mini-Grid Developers' Association to better understand the market constraints to scaling-up mini-grid utilities. A lively discussion explored challenges such as:

- The scarcity of project equity to bridge the gap between financing the first mini-grid as a pilot and scaling-up operations to provide sufficient operational evidence to attract long-term debt and/or investment from pension funds;
- The availability and need for the public sector to support the cost of new connection;
- Managing the unpredictability and slow growth of household and business electricity consumption;
- Encouraging the establishment or expansion of value-adding businesses to promote local economic development.

During the workshop, InfraCo Africa reaffirmed its commitment to providing scarce risk capital to support a substantive scale-up in deployment of mini-grids across sub-Saharan Africa.
InfraCo Africa held a workshop for developers in Nairobi to investigate the best way of scaling up mini-grids in sub-Saharan Africa.

**Emilio Cattaneo of EAIF explores investment opportunities in Angola**

Emilio Cattaneo, Executive Director of the Emerging Africa Investment Fund (EAIF) visited Angola last month as part of an event organised by Invest Africa - a pan-African business platform that promotes trade and investment in Africa.

The delegates - including representatives from government and the banking, legal, and energy sectors, met with a number of Angolan ministers and with President João Lourenço. Perspectives on the Angolan Economy and on the business environment were provided through meetings and presentations with The Boston Consulting Group’s local office, Banco BAI, the leading private sector bank, BP Angola, the state-owned oil and gas company Sonangol, leading private equity fund Angola Capital Partners, and insurer Nossa Seguros.

Angola has the potential to become one of Africa’s leading economies. The country is the continent’s second largest oil producer and has an abundance of mineral resources including diamonds, iron ore and gold. Yet the country remains an essentially untapped opportunity. An unprecedented reform drive - including a new investment law, a comprehensive privatisation plan and broad regulatory reform - has raised hopes that the country is finally opening for business.

Despite a challenging business environment, there is a palpable sense of change, illustrated by an unprecedented openness about the country’s challenges.
at the top level of government, as well as a willingness to engage with investors to develop solutions.

Meeting the Sustainable Development Goals in Fragile and Conflict-Affected States

The sustainable development goals will not be achieved unless there is a much more deliberate focus on the fragile and conflict-affected states, which are being left behind. What actions are needed to incentivise or require development finance institutions to undertake more activities in the fragile and conflict-affected states?

PIDG Head of Development Impact Alice Chapple attended a forum last month organised by Blavatnik School of Government at Oxford University, CDC and the IFC.

The forum was designed to explore how development finance institutions can respond to this challenge. PIDG’s work was recognised as providing examples of the sort of activities that will be required – from increased focus on project preparation, to early stage risk taking, to innovative funding solutions, such as guarantees.

At the end of the forum, delegates from all participating multilateral and bilateral institutions agreed on the following next steps:

• To create a series of transformational pilot programmes to increase effective collaboration of such institutions in selected countries;

• To work together to identify ways to streamline their processes for investments in the private sector of
economies affected by fragility and conflict;

• To continue their efforts to identify appropriate uses for concessionary capital that can be blended with commercial capital to achieve development impact.

**Integrating water, food, energy and climate: an Australasian view**

Alice Chapple also took part in the Australasian Aid conference in Canberra, sponsored by the Australian Department of Foreign Affairs and Trade (DFAT). Alice joined a panel entitled ‘Water, Food, Energy and Climate: The importance of integrated policy and programming approaches.’ The focus was on the importance of ensuring that development programmes recognise and take account of the overlaps between water, food, energy and climate change.

There can be tensions in terms of achieving progress on each of these areas together. However, awareness of these tensions, the application of international standards on social and environmental issues, and a focus on how any activities affect the poorest and most vulnerable, help PIDG to ensure that projects are well designed and good decisions are made.

**Mixta Nigeria team visits the PIDG office**

Mixta Africa, one of the continent’s largest developers of affordable housing, came to visit the PIDG office in February. The delegation was led by Deji Alli, its founder and Chairman, who presented on the company, its development impact and growth ambitions.

Mixta Africa has been supported by PIDG through GuarantCo and TAF to issue local currency bonds in Nigeria, to finance the construction of more affordable homes and to improve its health and safety practices respectively.
Representatives from Mixta Africa visited the PIDG London office to share information about their future plans.

**PIDG companies honoured with awards**

PIDG's success continues to be recognised by leading voices in the finance sector.

Two projects supported by PIDG company The Emerging Africa Infrastructure Fund (EAIF) have been recognised with awards by PFI Thomson Reuters, an infrastructure finance and market intelligence publisher.

The awards went to the Indorama Eleme Fertiliser Project in Nigeria, which won the PetroChemical Deal of the Year in the Middle East and Africa category, and to the Nachtigal Hydro Power Project in Cameroon. It won Multilateral Deal of the Year in the global section of the awards.

Both projects reached financial close in 2018.

Meanwhile, GuarantCo was recognised for its work on the Technaf Solar Energy project; winning Best Bangladesh Deal at the FinanceAsia Achievement Awards 2018. The 28MW solar power plant will provide up to 80% of the electricity demand of the Teknaf region.

**PIDG is an innovative infrastructure development and finance organisation funded by six governments and the IFC**