



PPIAF
Enabling Infrastructure Investment



3 Year Business Plan
Fiscal Year 2015 - 2017

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AFD	Agence Française de Développement
AfDB	African Development Bank
AFR	Sub-Saharan Africa Region
DFAT	Australian Department for Foreign Affairs and Trade
DFID	United Kingdom Department for International Development
ECA	Eastern Europe and Central Asia Region
GAP	Green Africa Power
GETFIT	GET Feed-in Tariffs
IDB	Inter-American Development Bank
IFI	International Financial Institution
LAC	Latin America and Caribbean Region
LICs	Lowest Income Countries
MDTFII	Multi-Donor Trust Fund II
MICs	Middle Income Countries
PEFA	Public Expenditure and Financial Accountability
PMU	Program Management Unit
PPI	Public Private Investment
PPIRC	Public Private Infrastructure Research Center
RDBs	Regional Development Banks
SECO	Swiss State Secretariat for Economic Affairs
SNTA	Sub-National Technical Assistance
SAR	South Asia Region
TTL	Task Team Leader
SUEEP	Sustainable Urban Energy Emissions Planning
UEMOA	Union Economique et Monétaire Ouest Africaine
UNECE	United Nations Economic Commission for Europe
WBG	World Bank Group

Overview

In November 2013 we presented the PPIAF strategy for FY2015 – FY2017 to the Program Council setting out our ambition to become a center of excellence in enabling developing countries to attract private sector participation and investment in infrastructure by supporting institution development, building capacity and accelerating PPP programs at a regional, national and sub-national level.

This Business Plan based on the Strategy outlines how we will operationally achieve this ambition over the same period. Its purpose is to set out the approvals of funds, the related PPIAF program management and administrations costs associated with running PPIAF and to identify the funding requirement over the next three years. The Business Plan articulates how we will:

- Adopt an increasingly programmatic approach to our technical assistance to align with donors' objectives and a focus on low income countries and fragile states
- Improve client focus as a result of an increased regional presence and a greater commitment to working in partnership with other development organizations
- Increase impact which will be measured by an enhanced Monitoring, Evaluation and Learning system
- Significantly enhance commitment to generating and disseminating knowledge to support PPPs and infrastructure investment

Specific features of the business plan include:

- A forecast increase in activity/program approvals from \$18 million in FY14 to \$32 million in FY17
- Increase in proportion of approvals linked to major thematic programs (including knowledge programs). These will increase from 25% of our approved activities in FY15 to more than 50% in FY17 reflecting our increasing move towards a programmatic approach
- Take a more active role in programs and support a regional presence with program management costs related to staffing increasing from \$ 2.5 million in FY14 to \$4.0 million in FY17
- Increased operational efficiency through better management/control of program management unit costs which are expected to remain at \$0.9 throughout the period FY2015-17. In addition, effectively use the supervision budget allocation to monitor implementation of activities.
- Manage the overall program management, supervision and administration costs to ensure they remain stable as a proportion of donor contributions, approvals and disbursements
- Increased disbursement levels from technical assistance activities through improvements in the monitoring of the portfolio. Improved portfolio monitoring will also enable recovery of unused funds when program activities stall due to loss of political support and disruption of activity implementation, particularly in fragile situations
- An annual commitment by donors, over the plan period of approximately \$22 million per annum results in a projected total cash balance of \$10million at the end of the Business Plan period

Table 1 shows the breakdown of the source and use of funds over the period of the Business Plan to illustrate the funding requirement of the Business Plan.

Table 1: Business Plan Funding Sources and Uses					
		Q4 FY14	FY2015	FY2016	FY2017
Sources	Opening Fund Balance	36.00	28.7	26.0	21.1
	Forecast Recovery of Funds		2.0	3.0	4.0
	New pledges required		21.9	21.9	21.9
	Total Sources		52.6	50.9	46.7
Uses	Technical Assistance Funding (Activities/Programs and Knowledge):	(6.5)	(22.8)	(25.8)	(31.9)
	Staff Costs	(0.7)	(2.9)	(3.3)	(4.0)
	Corporate Costs (incl. ME&L)	(0.2)	(0.8)	(0.9)	(0.9)
	Total Uses	(7.3)	(26.5)	(30.0)	(36.7)
Fund Balance		28.7	26.0	20.9	10.0

We believe this Business Plan is robust and can respond to a number of threats and opportunities:

- Threats: slow disbursements can be mitigated by greater PPIAF engagement in design and implementation of activities, building strong partnerships and recovering unused funds
- Opportunities: if new large scale concepts arise and PPIAF can use its know-how and business processes to create a platform for maximizing impact, they can be supported by funding from donors or other partner organizations or through leveraging other sources of funding

In the remainder of the Business Plan, we outline our approach and assumptions in more detail so that we can provide confidence that PPIAF will deliver our Strategy and the benefits expected by our clients, donors and partners. The Business Plan is structured as follows:

- In **Section 1**, we outline how we plan to deliver our technical assistance, including the forecast volume of technical assistance funding over the period and how and where we will work more programmatically
- In **Section 2**, we describe our approach to knowledge and how we will operationalize the center of excellence concept, including our forecast funding towards knowledge programs and activities
- In **Section 3**, we summarize how we will establish and fund a performance measurement framework that will ensure that we are able to capture the anticipated increase in operational performance and impact of PPIAF.
- In **Section 4**, we outline the human resourcing requirement and associated staffing costs required to deliver the Strategy and Business Plan, including how we will increase our regional presence
- In **Section 5**, we bring all of the above elements together into a consolidated funding plan to provide the detailed calculations behind the amount of annual funding requested from the donor group
- In **Section 6**, we undertake some high-level risk analysis to assess the robustness of the business plan to downside risks and also what upside opportunities also exist that are not covered in our 'base-case' assumptions

1.1 INTRODUCTION

As described in the PPIAF Theory of Change and outlined in the PPIAF Strategy, our technical assistance is focused on putting in place the conditions necessary for governments to create an enabling environment that can leverage private sector investment and participation in infrastructure as an effective tool to reduce poverty levels. To achieve this, we have developed a programmatic approach to delivering our technical assistance that is aimed at achieving the goals of the Theory of Change and maximizing impact by focusing predominately on the lowest income and fragile countries.

Our programmatic approach involves the design of multi-year programs that go beyond 'traditional' PPIAF activities (which have typically been single interventions aimed at addressing sector or infrastructure access issues) to a more planned sequence of multiple interventions all geared towards providing solutions to the major challenges facing development country governments in developing their infrastructure. These high-impact **thematic programs** will predominately be deployed in the regions and countries where need is at its highest (low income and fragile countries) and in order for them to be delivered successfully, it is imperative that they are implemented in close coordination with other development partners.

Simultaneously, PPIAF will continue to provide 'traditional' **coverage support** to countries that are looking to increase access to core infrastructure and improve sector efficiency through increased private sector investment. In this sense, PPIAF's 'traditional' work on the water, transport, and energy sectors in many countries will continue and will be vital in solving bottlenecks in the enabling environment in many countries. This coverage support maximizes the geographical reach of PPIAF, further builds our knowledge base and the coverage activities themselves are often the genesis of future programs (see the PPIAF funnel in figure 1).

In both approaches, PPIAF will continue to play a "matchmaking" role and facilitate collaboration between its partners. Identifying and reaching out to the appropriate partners will be critical to the successful implementation of this business plan.

In the sections below, we outline our forecast approvals across our proposed thematic programs and our coverage activities and describe where regionally we will deploy our technical assistance.

1.2 THEMATIC PROGRAMS

Our thematic programs are geared towards developing solutions to the major infrastructure challenges facing developing country governments. We have designed our programs around the following core solution areas which are intimately linked to the Theory of Change:

- **PPP Institution Building:** In many countries, public (traditional) procurement remains the primary method of developing infrastructure. Many governments often lack the institutional capacity to design, implement and oversee long-term, complex contractual arrangements such as a multi-year PPP. Additionally, institutional capacity is also necessary to ensure transparent procurement of infrastructure projects and to prevent corruption in these projects. This solution area focuses on establishing new institutions or reconfiguring existing institutions so that they can become an effective counterpart to the private sector.
- **Creditworthiness:** Increasing urbanization across the developing world is creating infrastructure needs in cities. However, municipal authorities, state-owned entities and utilities are often constrained by inefficiencies in revenue collection, high costs and poor working capital management. This reduces the creditworthiness of these entities which in turn can act as a major obstacle to attracting private sector investment into much needed infrastructure. This solution area focuses on creating the conditions necessary for these entities to improve their creditworthiness so that they can tackle their infrastructure deficits. As part of the World Bank Group's City Creditworthiness Initiative, this solution area will also bring together partners to assist sub-national clients address challenges across the project spectrum.

- **Energy Efficiency and Climate Change:** Many developing countries are disproportionately facing the task of trying to mitigate and adapt to the impact of climate change, while they are also most vulnerable to the climate change impacts. These governments often lack the policy and regulatory (e.g. for subsidy structures) capacity to support the low carbon development of infrastructure that can help mitigation and adaptation efforts. In addition, low and middle income countries also provide the opportunity and flexibility to enable green growth as many of them are in early stages of their infrastructure development. This solution area focuses on the multi-dimensional task putting in place the right enabling environment to attract private sector innovation and investment in low carbon infrastructure that promotes green growth for developing countries.
- **Regional Integration:** Countries often lack the interconnectivity of network infrastructure to help them increase the potential for regional trade which, in turn, would boost economic growth and regional competitiveness. To develop regional projects requires the presence of a complex enabling environment that can provide harmonized policy, regulatory and legal frameworks across the various participating jurisdictions. Moreover, regional institutions are often required to promote and develop the regional infrastructure agenda and also to provide consistent support to the individual country governments on each of their PPP programs.
- **Access to Infrastructure Finance:** In many developing countries, infrastructure has not developed as a viable asset class for financial institutions (such as banks, equity providers and institutional investors). Access to long term financing is a critical issue in implementation of infrastructure projects. There are many inter-related reasons for this that include a shortage of long-term domestic currency finance, local banking market capacity and appetite, a lack of adequately developed capital and inter-bank markets, unavailability of government support mechanisms (such as guarantee facilities and viability gap mechanisms), an unsuitable regulatory framework to protect the interest of institutional investors and a lack of viable project pipeline. Our work in this solution area looks to establish mechanisms and frameworks that can improve the flow of both domestic and foreign capital into infrastructure in a sustainable manner.

These solution areas are where we see the most demand from our clients and where PPIAF has a unique position to initiate change. However, to make a significant impact needs more than just periodic interventions from PPIAF but **a program** of multiple interventions, delivered in coordination with development partners and clear hand-offs to other actors over several years. The kind of programmatic support represents a step-change in how PPIAF operates in practice. The programs will be larger in size, longer in duration, involve greater partner engagement¹, revised governance arrangements² around approving these programs and will involve more intervention and innovation from PPIAF on a day-to-day basis than typical PPIAF activities. Moreover, once implemented these programs have a high degree of replication to other countries and regions. An example of one such program – the City Creditworthiness Initiative is shown for illustrative purposes in Annex A.

Table 2 outlines the main thematic programs that we will aim to initiate over the business plan period. It is anticipated that our funding support for these programs will increase from \$6 million in FY2015 to \$14 million in FY2017. The table includes a number of programs which we have already designed with partners and will start implementation in FY2014. It also includes programs that are currently under design and will commence implementation in FY2015. We have not at this stage designed all of our programs, many will be designed during the business plan period when the need arises and when successful programs are replicated in other countries/regions – these undefined activities are highlighted are also shown in the table.

¹ A review of existing and future partnerships will be included in a Partnership Strategy and Review Paper was circulated to the donors in June 2014.

² Details on these proposed arrangements will be included in a Governance Working Paper will be circulated in August 2014.

Table 2: Estimated Funding for Programmatic Support across Thematic Solution Areas

	Program	Region	Trust Fund	Major Partner	FY 2014	FY2015	FY2016	FY2017	TOTAL
PPP Institution Building	Tanzania PPP Program	AFR	MDTFII	DFID/AFDB		(0.30)	(0.60)	(0.75)	(1.65)
	PPP Country Support – UEMOA Feuille de Route	AFR	MDTFII	AFD	(0.20)	(0.30)	(0.60)	(1.00)	(2.10)
	Kampala Municipal Authority PPP Program	AFR	SNTA	WBG		(0.25)	(0.40)	(0.10)	(0.75)
	Additional programs	Multi	MDTFII SECO			(0.25)	(0.25)	(0.75)	(1.25)
Creditworthiness	Creditworthiness Academies	Multi	SNTA	AFD/ WBG	(0.30)	(0.50)	(0.70)	(1.00)	(2.50)
	Creditworthiness Program	Multi	SNTA	AFD/ WBG	(0.20)	(0.50)	(0.60)	(0.70)	(2.00)
	Additional Programs	Multi	SNTA			(0.55)	(0.75)	(1.35)	(2.65)
Energy Efficiency and Climate Change	Joint PPIAF-SUEEP Initiative	Multi	CLIMATE	WBG	(0.10)	(0.30)	(0.50)	(0.75)	(1.65)
	Southern African Power Pool (SAPP)	AFR	CLIMATE	WBG		(0.20)	(0.30)	(0.50)	(1.00)
	GAP, GETFIT and other RE/EE initiatives in Africa	AFR	CLIMATE	WBG		(0.30)	(0.60)	(1.00)	(1.90)
	Additional Programs	Multi	CLIMATE			(0.25)	(0.25)	(0.75)	(1.25)
Regional Integration	UEMOA Regional PPP	AFR	MDTFII	AFD	(0.20)	(0.30)	(0.60)	(0.90)	(2.00)
	Caribbean Regional PPP Framework	LAC	MDTFII	IDB		(0.20)	(0.30)	(0.50)	(1.00)
	Regional Connectivity Program for the Pacific Islands	EAP	MDTFII	DFAT		(0.30)	(0.50)	(0.70)	(1.50)
	Additional Programs	Multi	MTDFII			(0.25)	(0.25)	(0.75)	(1.25)
Access to Infrastructure Finance	Ghana Infrastructure Facility	AFR	SECO	WBG	(0.10)	(0.40)	(0.30)		(0.70)
	Other LICs/MICs in South Asia (incl. muni finance markets)	SAR	MDTFII	ADB		(0.30)	(0.50)	(0.75)	(1.55)
	Other LICs/MICs in Africa (incl. muni finance markets)	AFR	MDTFII	AFDB		(0.30)	(0.50)	(0.75)	(1.55)
	Additional Programs not yet identified	Multi	MDTFII			(0.25)	(0.25)	(0.75)	(1.25)
TOTAL	Total				(1.10)	(6.00)	(8.75)	(13.75)	(29.50)

1.3 COVERAGE SUPPORT: IMPROVING ACCESS AND SECTOR REFORM

In addition to developing the thematic solution areas, PPIAF will continue to provide support to countries that are looking to increase access to core infrastructure through increased private sector investment. PPIAF's work on the water, transport, and energy sectors in many countries has delivered demonstrable results in terms of creating a suitable enabling environment that has subsequently allowed private sector investment and participation to flow into many projects. Continuing this work will maintain our global reach, increase our knowledge and learning but most importantly it is these smaller grants that allow us to initiate a deeper engagement with countries and provide the basis for designing higher impact thematic programs. This is the 'funnel' approach to our coverage support (shown in the figure below) that we introduced in the PPIAF Strategy of gradually moving from single activities through to deeper sector and eventually thematic engagements.

Figure 1: Activity Funnel for Coverage Support

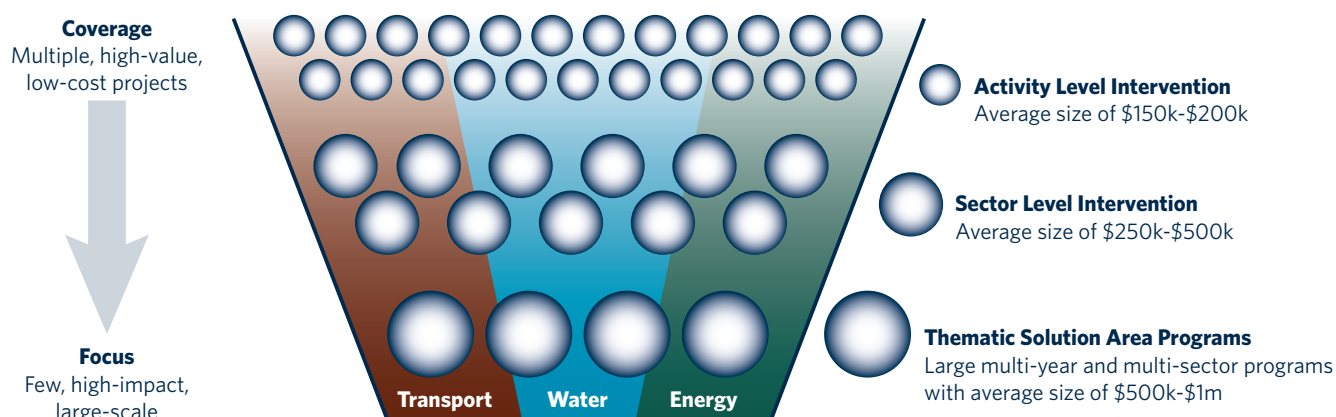


Table 3 summarizes the estimated funding to be provided to coverage activities over the business plan period. We estimate that funding for these activities will continue to maintain in the trend that we have seen over recent years between \$14 million per year in FY15 and \$15 million per year by FY17.

Table 3: Estimated Funding for Coverage Support

	FY14	FY15	FY16	FY17	TOTAL
Activity Level	(2.08)	(5.70)	(5.70)	(6.05)	(19.53)
Sector Level	(3.12)	(8.55)	(8.55)	(9.08)	(29.30)
Total Coverage Support	(5.20)	(14.25)	(14.25)	(15.13)	(48.83)

1.4 REGIONAL FOCUS

As we described in the PPIAF Strategy, we plan to focus both our programmatic and coverage support on the countries and regions where there is the most need. To assess need we undertook an evidence-based prioritization exercise which was underpinned by the logic that PPIAF can have the biggest impact in the lowest income and most fragile states. The results of this exercise showed a clear ranking of countries for where PPIAF might prioritize resources. Using this analysis, we created a set of priority geographic clusters of countries where PPIAF will focus its human and financial resources:

Table 4: Regional Clusters	
Region	Cluster
Sub-Saharan Africa	Lake Victoria (Kenya, Tanzania, Uganda, Burundi*, Rwanda)
	Atlantic (Burkina Faso, Senegal, Guinea Bissau*, Gambia, Guinea, Liberia*)
	Gulf of Guinea (Sierra Leone*, DRC*, Republic of Congo*, Cote d'Ivoire*, Ghana**)
	Central West (Nigeria, Togo*, Benin, Cameroon, Gabon, Eq Guinea)
	Luso (Zambia, Angola, Mozambique, Malawi)
South Asia	Central (Afghanistan*, Pakistan, India, Sri Lanka)
	Bay of Bengal (Nepal, * Bhutan, Bangladesh, Maldives)
East Asia Pacific	Greater Mekong (Lao PDR, Cambodia, Myanmar*, Vietnam**), Pacific Island Countries (Fiji, Kiribati*, Marshall Islands*, Micronesia*, Palau, Papua New Guinea, Samoa, Solomon Islands*, Timor L'Este*, Tonga)

* Fragile and Conflict States ** SECO Middle-Income Countries

We believe that these clusters represent a concentration of countries where PPIAF could make significant impact and help initiate increases in private investment in infrastructure and contribute to the eradication of poverty. However, we also believe that it is important to retain the global coverage and associated knowledge and learning of PPIAF and therefore resources should still be available for other countries and regions.

On that basis, we propose that **60%** of our grant funding (excluding knowledge products) will be directed towards these priority clusters and we will align PPIAF's regional presence to serve these clusters (see Resourcing section). This target will apply to all funds – core and non-core – including SNTA. The remaining **40%** of our grant funding will be directed to the following countries/regions:

- Fragile and conflict affected states that are not included in the priority clusters
- Other low-income (DACI/II) countries
- Priority middle income countries (MICs) as specified in the SECO non-core trust fund
- Regional initiatives (in particular those with the Regional Integration)
- Programmatic activities which include MICs

This means that PPIAF will only provide minimal coverage support to non-priority MICs from MDTFII, although our knowledge base is available to these countries. Given our finite resources, this support should be provided by country governments themselves or by IFIs (in particular RDBs). Under the SNTA window, we will adopt a more flexible approach to working with MICs given that there is often significant demand from MICs for our technical assistance given the greater level of maturity of sub-national entities trying to access more established capital markets.

To ensure we adhere to the proposed funding split between LICs and MICs, we will agree a target which we will monitor as part of the PPIAF Performance Measurement Framework (see The Performance Measurement Framework section).

2.1 INTRODUCTION

The knowledge portfolio is central to the implementation of the PPIAF Strategy and our development as a center of excellence. PPIAF is well known for its knowledge products, which are key resources for our clients, the development community at large, financiers and private sector entities. Building on this reputation to become a center of excellence requires an increased focus on producing knowledge that provides solutions to our clients' development challenges and the application of knowledge in PPIAF-funded technical assistance activities.

The knowledge portfolio also plays a key role in PPIAF's learning system by capturing the knowledge generated by PPIAF's TA activities. Once this knowledge is captured, it can then be analyzed and systematically applied in PPIAF's operations. Finally, the portfolio works with PPIAF's new communications strategy to disseminate knowledge to our clients.

PPIAF will collaborate closely with the World Bank's PPP Cross-Cutting Solutions Area (CCSA) on providing knowledge solutions for PPPs to client governments. This will include partnering on several strategic knowledge initiatives, which are outlined below. As part of the PPP CCSA, PPIAF will support the World Bank Group's broader PPP agenda by identifying and dissemination knowledge such as lessons learned and best practices in PPPs.

In the following section we examine the objectives of the knowledge portfolio and outline the knowledge framework. It then sets out the types of knowledge that we will fund and the funding estimates for these for the Business Plan period.

2.2 OBJECTIVES

The overall aim of the knowledge portfolio is to support the implementation of the PPIAF Strategy by integrating the identification, capture and application of knowledge into PPIAF's operations. In order to achieve this aim, the knowledge portfolio will be centered on three objectives:

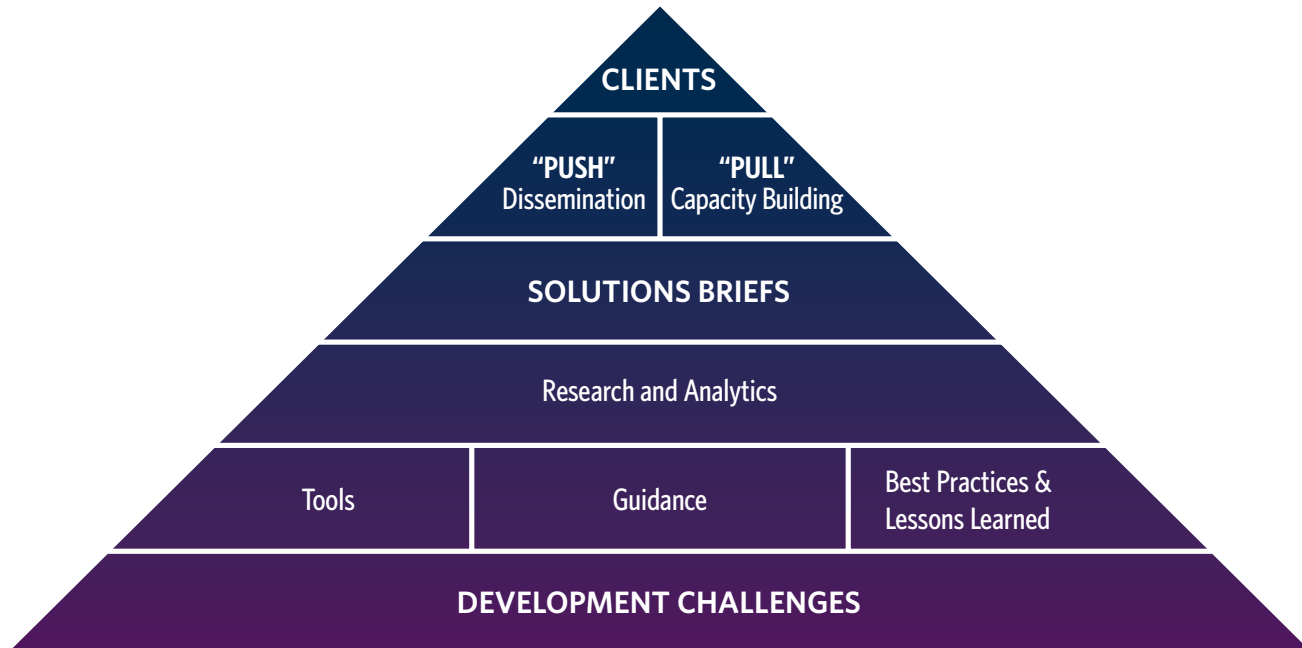
- To systematically add value to and maximize the impact of PPIAF's technical assistance (TA) activities
- To provide solutions to clients' development challenges through knowledge products that can be used independent of TA activities
- To be recognized as a leading source of knowledge on private sector participation in infrastructure and sub-national creditworthiness in developing countries.

These objectives underscore the necessity of integrating the knowledge portfolio with PPIAF's operational and other corporate functions. The knowledge portfolio will add value to and maximize the impact of PPIAF's TA activities by building on the findings of the learning system and systematically integrating these into the design of new activities. Likewise, the communication and branding plans will play an integral role in informing our clients of new and existing knowledge products, and building PPIAF's reputation as a center of excellence. Likewise, the PPIAF knowledge products will align with and support the development solutions of the World Bank PPP Cross Cutting Solutions Area (CCSA).

2.3 KNOWLEDGE FRAMEWORK

PPIAF's knowledge activities are based on the knowledge framework outlined below. The focus for all knowledge activities is our clients, who are at the top of the knowledge framework. As the framework demonstrates, the knowledge portfolio assists our clients to address their development challenges by producing knowledge products and making knowledge available to them through dissemination and capacity building efforts.

Figure 2: PPIAF's Knowledge Architecture



Each knowledge activity will start from the identified development challenges, which correspond to gaps in the Theory of Change and the thematic solution areas that underpin our programmatic approach. The content developed through PPIAF's knowledge activities will be guided by these development challenges, as well as the knowledge captured by PPIAF's learning system.

The format of each knowledge product will be determined by its target audience. If the knowledge is being produced for high-level policymakers, for example, short documents such as best practice briefs may be the most appropriate format. A technical audience, however, may require a more detailed product, such as a toolkit or a guidance book. The main categories of PPIAF knowledge products are presented below.

- **Tools:** designed for technical staff, these knowledge products include online toolkits that provide detailed information on specific sectors or types of projects (e.g., highways toolkit). This category also includes tools developed by the PMU tools that can be applied in TA activities, such as a PPP unit diagnostic.
- **Guidance:** longer knowledge pieces that provide an in-depth examination of technical topics and issues. These knowledge products are designed for technical staff working on infrastructure projects. Examples include *Fostering the Development Of Greenfield Mining-Related Transport through Project Finance* and the PMU's recent work on unsolicited proposals and demand risk in highway PPPs.
- **Best practices and lessons learned:** the knowledge generated from PPIAF's TA activities will be captured in best practices and lessons learned briefs. The content of these briefs will be accessible to a wide audience.
- **Research and analytics:** collection and analysis of primary data and trends on private sector investment in infrastructure (e.g., PPI database). These knowledge products provide a macro-level view of investments in infrastructure and the gap between the demand and supply for infrastructure services.

In many cases, the content developed for the primary audience will be repurposed into a new format to increase its accessibility to a wider audience. A repurposing guide has been developed under PPIAF's communication strategy to guide the re-use and dissemination of knowledge materials.

PPIAF's knowledge products will also be used to develop solutions briefs for clients as part of the World Bank's PPP CCSA knowledge platform. Solutions briefs seek to address specific development challenges by compiling and reviewing the relevant content from existing knowledge products to generate best practice solutions. The briefs will reference resources, such as PPIAF knowledge products, that client governments can use to increasing their knowledge on the solution to each challenge.

The final component of the knowledge framework is sharing and applying the knowledge with our clients. PPIAF's knowledge products are shared directly with clients through capacity building and other TA activities and disseminated through the PPIAF website and other online channels (e.g., Twitter, newsletters, etc.). Dissemination plans will be developed for all future knowledge activities based on the guidelines established in PPIAF's communication strategy.

2.4 IMPLEMENTATION MODELS

Operationalizing the knowledge framework requires implementation models that are closely connected with PPIAF's technical assistance activities, learning system and Theory of Change. The PMU has designed three implementation models for knowledge activities that build on the current demand-driven structure and incorporate these elements. Together, these models represent a shift to a structured demand-driven approach that is centered on helping our clients address their development challenges. This approach will ensure that PPIAF-funded knowledge products address specific client needs, target the appropriate audiences and are disseminated to our clients.

2.4.1 Strategic Knowledge Partnerships

PPIAF will work with various strategic knowledge partners such as educational institutions, development institutions and knowledge centers for PPPs to develop knowledge solutions for wider infrastructure problems. These initiatives will be a multi-year commitment requiring PMU's resources with clear objectives and implementation plans. Some of the examples include:

- Partnership with Public Utility Research Center (PURC), University of Florida: This partnership will update the Body of Knowledge for Infrastructure Regulation (BoKIR) and develop tailored training solutions targeted primarily at lowest income and lower middle income countries. As these countries are at the early stages of introducing their regulatory frameworks, PPIAF's assistance will help develop a sustainable regulatory process on a step-by-step basis.
- Partnership with WBG and RDBs on Global PPP Certification: This partnership will develop a standard certification process to enhance basic understanding of PPPs in low and middle income countries. PPIAF's assistance will help in establishing the Body of Knowledge and curriculum development process during the early years. The PPP CCSA will lead the implementation of this activity.
- UNECE Standardization: This partnership will develop standardization of PPP processes and documentation for low and middle income countries, bringing global best practices customized to meet specific country context. PPIAF will work with UNECE to identify and develop standardization of PPPs.
- Partnership with World Bank PPP CCSA on Knowledge Solutions: We will continue to support and further develop the research and analytical platforms of the World Bank PPP CCSA, in particular the PPI Database and the PPIRC platform. Both of these initiatives are important 'public goods' for clients, the private sector and the wider development community. Our work, alongside the PPP CCSA, over the Business Plan period will increase the features, content and usability of these platforms

2.4.2 PMU Knowledge Products

The PMU will directly implement knowledge activities where it has identified a knowledge gap through PPIAF's TA activities or ongoing interactions with clients. In most cases the knowledge products that address these gaps will be short briefs or guidance pieces; where longer or more technical content is required, the PMU will commission knowledge products (discussed on page 11).

The PMU will also produce knowledge products generated by the learning system. These products will generally consist of lessons learned, case studies and best practice briefs that are based on content developed for PPIAF's TA activities. The PMU will also generate knowledge from the analysis of PPIAF's activities on specific sectors or topics. These broader analyses will allow the PMU to identify and share trends and operational best practices to further improve TA activities.

2.4.3 Commissioned Products

To become a center of excellence PPIAF's knowledge portfolio must include the learning from across the Theory of Change and the experiences of our partners, in addition to the knowledge originated from our own TA activities. PPIAF has previously relied on the demand-led nature of the knowledge portfolio to identify and fill gaps in the knowledge on PPPs and private sector participation in infrastructure. While this approach has produced high quality knowledge products, it can be ad hoc and fail to prioritize the knowledge that is most relevant for the client.

To address these shortcomings, the PMU will restructure the demand-driven portion of the portfolio from a rolling applications process to a semi-annual call for proposals. Proponents from the World Bank Group and external partners will be invited to submit short proposals for knowledge products on private sector participation in infrastructure and municipal creditworthiness. The proposals will be evaluated against a set of criteria that will include fit with the Theory of Change, identification of a knowledge gap, and relevance for PPIAF's clients. The proponents of successful proposals will then work with the PMU to develop a full application package.

Each year the calls for proposal will have a budget of \$1 million to fund successful proposals. The implementation of a fixed budget will incentivize the selection committee to consider the opportunity costs of funding for each proposal and to prioritize the proposals with the greatest potential impact. A minimum technical threshold will also be established in the evaluation criteria. Proposals that fail to meet this threshold will be ineligible for funding. Any unallocated funds from the call's budget will be retained within the portfolio to support other knowledge products and additional dissemination work.

The proposals will be evaluated by a selection committee that will consist of at least three members of the PMU. Additional PMU staff or technical experts will be asked to assess the proposals as needed. The PMU also proposes including a donor representative on the selection committee and details on proposed donor participation will be elaborated in the Governance Working Paper to be published in August 2014. The implementation of successful proposals from World Bank staff will be led by those staff members, who will TTL the grant, while successful proposals from external sources will be overseen by PPIAF staff.

2.5 KNOWLEDGE BUDGETING

The table below estimates the required annual funding to support our knowledge management efforts across the main implementation modes. We estimate that in total, our annual knowledge funding requirement will rise from around \$2.5 million per year in FY15 to \$3.0 million per year in FY17, funding for which will predominately come from the MDTFII and SNTA trust funds. The table also includes estimates on the indirect cost of branding, communicating and disseminating our knowledge.

Table 5: Estimated Funding for Knowledge Activities

	Program/Activity	FY14 Q4	FY15	FY16	FY17	TOTAL
Strategic Knowledge Partnerships	PURC – BoKIR Initiative		(0.30)	(0.30)	(0.40)	(1.00)
	PPP Accreditation Program		(0.20)	(0.20)	(0.30)	(0.70)
	UNECE Standardization	(0.10)	(0.20)	(0.50)	(0.50)	(1.20)
	PPIDB and PPIRC		(0.30)	(0.30)	(0.30)	(0.90)
PMU Knowledge Products		(0.20)	(0.50)	(0.50)	(0.50)	(1.70)
Commissioned Products			(1.00)	(1.00)	(1.00)	(3.00)
TOTAL		(0.30)	(2.50)	(2.80)	(3.00)	(8.30)

3.1 INTRODUCTION

Successfully implementing the PPIAF Strategy is dependent not only on designing high impact programs and activities but also on having a robust performance framework in place that is able to efficiently capture and measure the value and impact of our work. For this purpose, we have designed a new Performance Measurement Framework that is envisaged to deliver the following benefits:

- Balances the focus on results against typical metrics such as volume of approvals
- Improve the quality and value of our reporting to the donor group
- Deepen the independent assessment of PPIAF's performance by enhancing the role of the TAP, third-party evaluators and stakeholder feedback
- Better capture learning and knowledge from our technical assistance activities and programs and communicate these with donors, clients and the development community

The design principles, architecture and funding requirement of this new Performance Measurement Framework are provided in more detail in the sub-sections below.

3.2 DESIGN PRINCIPLES OF THE PERFORMANCE MEASUREMENT FRAMEWORK

3.2.1 Current performance framework and need for strengthening

Our current performance framework is based on the combination of a monitoring and evaluation (M&E) system updated in 2011 and a series of indicators reporting portfolio allocations per region, topics and country economic development levels in accordance with donors' priorities. The M&E system has provided a standardized way of defining outputs, outcomes and indicator categories for both PPIAF and SNTA activities. It has also allowed us to more accurately track activities results and thoroughly document the causal chain from outputs to outcomes using the standardized categories and the specialized tracking database PATS.

Our current performance framework follows a predominantly input led approach in which our focus on measurement of performance lies mostly on the origination and approval phases of activities. While this approach has a flexibility to include measurement and evaluation of outcomes, there is no formal mechanism to evaluate the quality and client satisfaction dimensions of our work in a systematic manner.

We believe that a performance framework for PPIAF must go beyond solely monitoring the design and approval of new activities and must also ensure that once activities are approved, they are delivered within budget, on time and at a high level of quality. Likewise, it is also our role to ensure that the clients of our technical assistance are satisfied with the quality and validity of our support and the outputs. Despite the long lead-times involved, we also aim for our work, along with activities of relevant partners, to lead to demonstrable outcomes and impacts and for us to efficiently capture these. In this sense, PPIAF's work takes place across an activity cycle consisting of the key phases (origination, design & approval; implementation; close-out and output review and impact measurement) of a typical PPIAF activity. Across each of these phases of the activity cycle, the PMU must be active to ensure that performance is monitored and success (or failure) is captured.

3.2.2 The proposed performance measurement framework.

Our proposed performance measurement framework intends to assess performance in a balanced way across all of these phases to ensure that the full value produced by PPIAF is appraised. It is for this purpose that we propose a “balanced scorecard approach”³ that will measure performance across four distinct phases – design, implementation, close-out and impact and that incorporates tools from our previously established M&E system as well as new indicators, processes and third party interaction. A brief description of each of the four phases included in the proposed balanced scorecard is presented below:

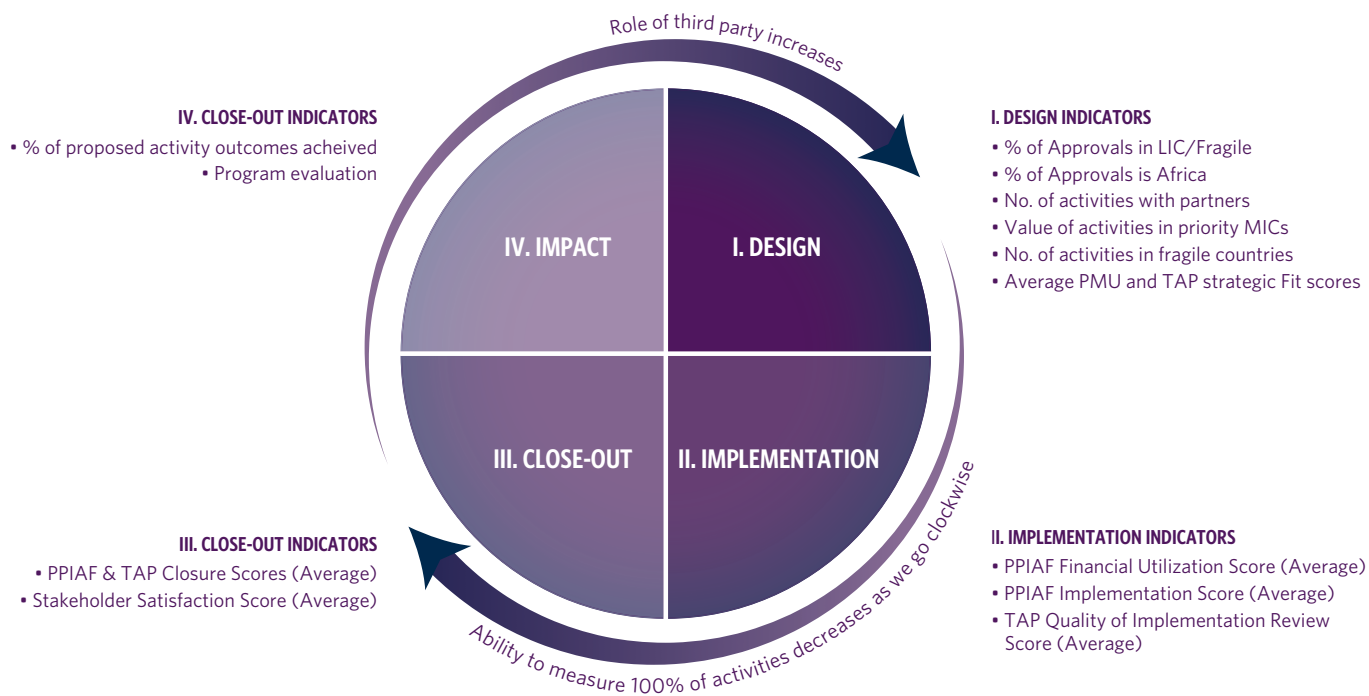
- I. **Design** (includes the origination, design & approval phase): here we will assess whether our technical assistance grants are aligned with the theory of change and whether we are deploying our technical assistance in the countries where support is needed most (specifically assessing the volume of activities in LICs, in Africa and in fragile and conflict-affected countries);
- II. **Implementation**: once activities have been approved, we will assess the effectiveness by which the technical assistance is implemented in terms of the timeliness, cost effectiveness, and quality of the execution by TTLs, governments (in the few cases of recipient executed activities) and suppliers (i.e. consultants and firms);
- III. **Close-out** (includes close-out and output review phase): once the activities are completed, we will assess whether the technical assistance achieved its objectives, whether the quality of the work was satisfactory and whether client countries’ counterparts were satisfied with the results;
- IV. **Impact**: To accurately evaluate the impact of our program activities we will undertake ex-post reviews of a sample of completed activities. These reviews will be 12-18 months following the completion of the activity and will assess how the client government has acted on the technical assistance and what has been the outcome and anticipated impact.

Additionally, an overall program evaluation could be conducted as well every three to four years to more deeply assess the overall impact of PPIAF’s work at the program level. The scope and timing would be agreed upon with donors. Furthermore, this proposed program evaluation is in addition to the periodic in-depth evaluations commissioned by the Program Council and is subject to donors’ value for money assessment of such an exercise.

The balanced scorecard approach is designed so that enough emphasis is given to all of these stages rather than over-focusing on one particular phase of the value chain. Figure 3 graphically shows the proposed balanced scorecard approach. The indicators proposed in the figure will be elaborated in the forthcoming ME&L Plan.

³ The Balanced Scorecard (BSC) is a performance measurement tool proposed as an alternative for performance measurement based solely on financial data. Initially contemplated to be applied to a company setting, the original BSC measured indicators in four dimensions: financial, internal business process, learning and growth, and customer. For more information please see: Kaplan, Robert S. “Conceptual Foundations of the Balanced Scorecard”. Harvard Business School: Working paper 10-074. 2010.

Figure 3: Conceptual PPIAF Balanced Scorecard



3.2.3 The upgraded Monitoring, Evaluation and Learning (ME&L) System

The balanced scorecard framework is underpinned by our Monitoring, Evaluation and Learning System (ME&L). The ME&L System is composed of the human and financial resources, information systems, processes and tools used to monitor and evaluate PPIAF-funded activities in order to determine whether our technical assistance is achieving expected results efficiently, contributing to our core mission and aligning to donors' expectations as outlined in the our Strategy.

Furthermore, the system also facilitates the identification of lessons learned from the implementation of our activities, on a regular and systematic basis, to improve operational efficiency and spur innovation within the PMU as well as to share validated knowledge with donors and client countries. Further details on the PPIAF ME&L System will be provided in the forthcoming ME&L Plan.

The ME&L system will provide the necessary information to create the indicators that have been proposed to be included within the balanced scorecard. The indicators themselves have been designed according to the S.M.A.R.T principle whereby our indicators are: *specific, measurable, assignable, realistic and time-related* as follows:

- **Specific:** The indicators are clearly defined and relate to a specific area for improvement in PPIAF's work. This means each indicator is discrete and there is minimal overlap between each one (i.e. the risk of double-counting is minimized) or the indicator provides a third-party validation of the PMU's own assessment (see *assignable* below)
- **Measurable:** The indicators, to the fullest extent possible, are quantifiable and measured using the monitoring and evaluation (ME&L) and learning system. In the early stages of the cycle (i.e. *design* and *implementation*), most PPIAF activities are measured against the proposed indicators, however given the time and resource cost of assessing activities at the *close-out* and *impact* stages, only a sample of activities will typically be assessed against those indicators;
- **Assignable:** The entity responsible for measuring and reporting against the indicator is clearly identified. In the early stages of the cycle (i.e. *design* and *implementation*) when the indicators tend to be more objective, this will predominately be the role of the PMU (i.e. self-assessment). However, we envisage a role for the TAP in validating whether this self-assessment is accurate throughout the cycle. Also in the later stages of the cycle (i.e. *close-out* and *impact*) when there is more subjectivity to the measurement of the indicator, this will predominately be carried out by an independent third party (i.e. external consultants) to avoid any biases.
- **Realistic:** Targets are set against each indicator which are designed to incentivize the performance of PPIAF but also are realistic and achievable if the strategy is fully executed. The targets will be further calibrated at the start of each fiscal year and agreed with the Program Council.
- **Time-Related:** The frequency with which indicators are measured is clearly defined. Many of the indicators in the early stage of the cycle (i.e. *design* and *implementation*) will be continuously measured. However in the later stages of the cycle (i.e. *close-out* and *impact*), measurement of the impact will be on a more periodic basis given the time and resource cost of measuring against these indicators.

3.3 THE BALANCED SCORECARD AND PROPOSED INDICATORS

As previously mentioned the ME&L system will provide the necessary information to create the indicators that have been proposed to be included within the balanced scorecard. Further detail on how each indicator will be measured will be provided in the forthcoming ME&L Plan. The Balanced Scorecard presented below contains the abovementioned indicators and will be used to assess PPIAF's Activity Portfolio performance and to report the results of this assessment to donors on a quarterly basis.

Figure 4: Balanced Scorecard Reporting Template

PPIAF BALANCED SCORECARD					
IMPACT			DESIGN		
Indicator	Baseline	Target	Indicator	Baseline	Target
Outcome Realization Score	TBD FY15	TBD FY15	% of Approvals in LICs from Core Funds		
			% of Approvals in Fragile Countries from Core Funds		
			% of Approvals in Africa from Core Funds		
			Value (\$) of new activities in priority MICs		
			Number of activities implemented in partnership	TBD FY15 Q1	TBD FY15 Q1
			Contribution to Climate Change mitigation/adaption	TBD FY15 Q1	TBD FY15 Q1
			Strategic Fitness Score	TBD FY15 Q1	TBD FY15 Q1
			TAP Strategic Fitness Score	TBD FY15 Q1	TBD FY15 Q1
Indicator	Baseline	Target	Indicator	Baseline	Target
PPIAF Closure Score	TBD FY15 Q1	TBD FY15 Q1	PPIAF Financial Utilization Score	TBD FY15 Q1	TBD FY15 Q1
TAP Closure Score	TBD FY15 Q1	TBD FY15 Q1	PPIAF Implementation Score	TBD FY15 Q1	TBD FY15 Q1
Stakeholder Satisfaction Score	TBD FY15 Q1	TBD FY15 Q1	TAP Quality of Implement Score	TBD FY15 Q1	TBD FY15 Q1
CLOSE-OUT			IMPLEMENTATION		

3.4 RESOURCING THE PERFORMANCE MEASUREMENT FRAMEWORK

The proposed Performance Measurement Framework has been designed to maximize the use of existing tools and resources so that value for money is achieved. However, the introduction of this framework does represent a step-change in the depth of scrutiny that we will place our activities under and this inevitably will require additional resourcing. Specifically, additional resources will be required to strengthen the ME&L core team within the PMU, to fund the additional time spent by the TAP fulfilling what will be an enhanced monitoring role and in funding an external consultancy firm on a retainer-type contract to undertake ex-post evaluations. In total, we estimate that the Performance Measurement Framework will require an incremental funding amount (excluding staffing costs) of around \$0.1 million of annual funding.

4.1 INTRODUCTION

To implement the PPIAF Strategy and Business Plan requires both a robust organizational design and additional human resources if we are to maximize our impact and achieve our status as a center of excellence for enabling private sector investment in infrastructure. The organizational design and recruitment plans that we propose for the Business Plan period is based on the following key principles:

- **Building a regional presence:** Additional staffing is required in the priority regions of PPIAF to ensure day-to-day management of thematic programs, ensure effective client and partner relationship management and build awareness of PPIAF
- **Supporting the regional presence:** The regional PPIAF staff should be supported by sector expertise and secretariat functions from PPIAF's headquarters. This will support the effective delivery of thematic programs and coverage activities and ensure that the impact of our technical assistance is captured and communicated and we become recognized as a center of excellence
- **Maximizing existing resources:** PPIAF's existing staff is already fulfilling many of the roles and responsibilities within this structure and we propose to recruit only where there are clearly identified gaps. Also, in some cases, we have allocated existing staff to 'split' roles where they are covering more than one function. Likewise, we will sequence recruitment according to priority.

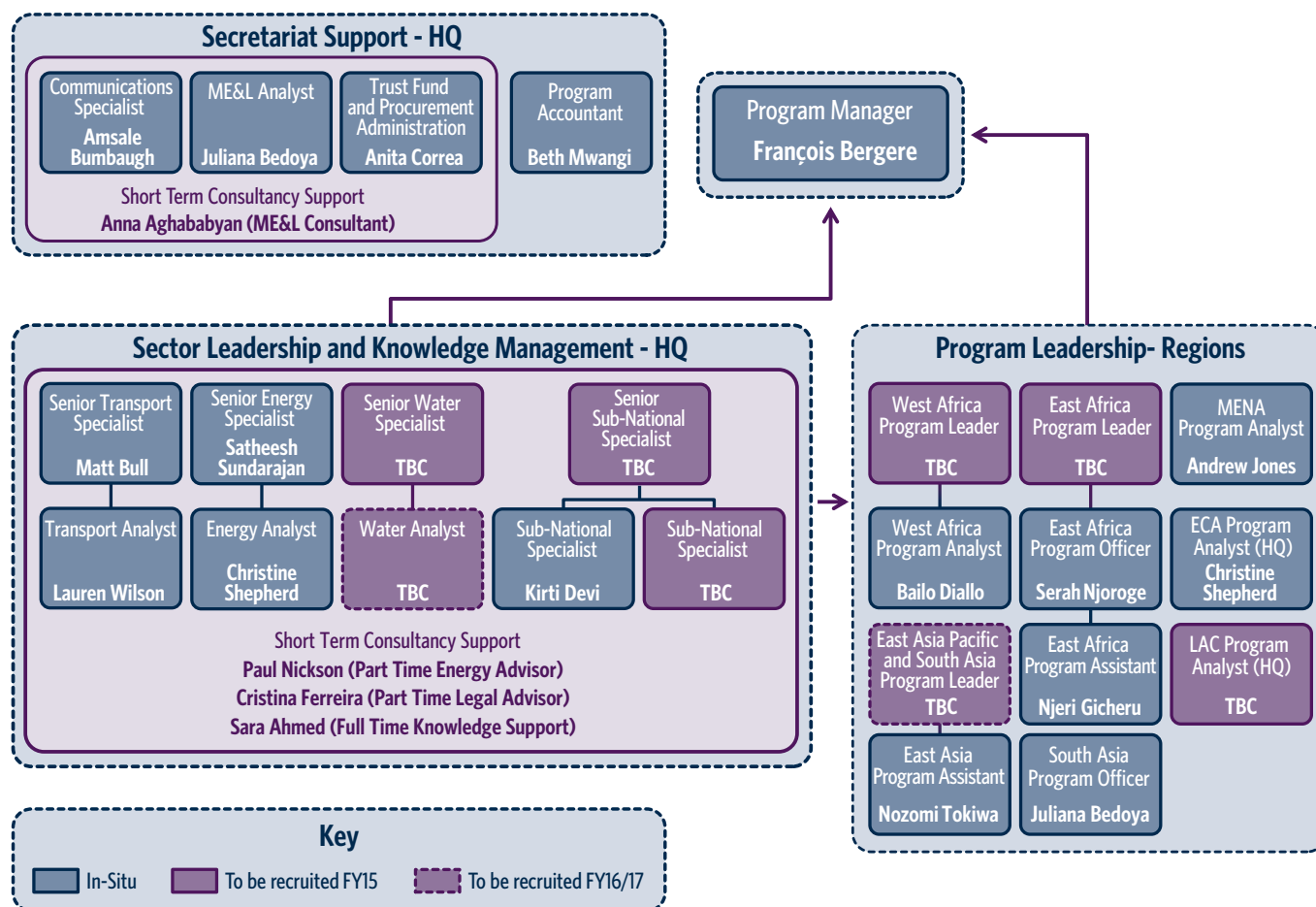
The following sections outline the proposed organizational structure, recruitment plan and budget.

4.2 ORGANIZATIONAL STRUCTURE

The proposed organizational structure of the PMU is shown in Figure 5. The structure is composed of three main business functions all of which are led and supervised by the PPIAF Program Manager:

- **Regional Program Leadership:** Manages our portfolio of technical assistance activities and programs on a day-to-day basis. It manages the day-to-day relationship with clients, partners and consultants. It is proposed that a regionally-based Program Leader and Program Officer/Analyst will lead our program while in other regions, the program will typically be overseen by headquarters-based staff
- **Sector Leadership and Knowledge Management:** Provides expert technical input and oversight into the design, implementation and evaluation of our technical assistance activities and programs. The Sector Leadership is responsible for knowledge management and is responsible for building PPIAF into a center of excellence in enabling private investment in infrastructure. Within each sector, a Senior Sector Specialist is supported by Sector Specialists or Analysts. Short term consultants also provide limited ad-hoc support to the Sector Leadership.
- **Secretariat Support:** Provides program management support covering financial management, trust fund and procurement administration, external and donor communications and ME&L management. Short term consultants also provide limited support to the Secretariat.

Figure 5: PPIAF Organizational Chart



4.3 RECRUITMENT PLAN

As can be seen from the organizational chart in Figure 5, we will look to launch recruitment for a number of key positions over the Business Plan period. Given the resource-intensive nature of recruitment and future donor pledges are not yet confirmed, we will prioritize our recruitment efforts on the Program Manager, Program Leader positions for Africa and specialist support to the SNTA program. We will gradually commence the recruitment for other positions over the business plan period as donor pledge commitments are confirmed.

Table 6 summarizes the proposed recruitment plan.

Table 6: Recruitment Plan

	Recruitment Start	Location	Years of Relevant Experience
Program Manager	Q4 2014	HQ	15+ Years
West Africa- Program Leader	Q1 2015	Field	10+ Years
East Africa Program Leader	Q1 2016	Field	10+ Years
East Asia Pacific and South Asia Program Leader	Q1 2017	Field	10+ Years
Sub-National Specialist 1	Q1 2015	HQ	5+ Years
Sub-National Specialist 2	Q1 2016	HQ	5+ Years
Senior Water Specialist	Q2 2015	HQ	10+ Years
Water Analyst	Q2 2015	HQ	3+Years
South Asia Program Officer ⁴	Q2 2015	Field	5+ Years

4.4 STAFFING COSTS

Table 7 summarizes the budgeted staffing costs for the Business Plan period based on existing staffing levels and the proposed recruitment plan.

Table 7: Estimated Staffing Costs

Location	Category	Headcount	FY15	FY16	FY17	TOTAL
Headquarters Resources	Existing Staff	7	(1.20)	(1.30)	(1.30)	(3.80)
	Existing Consultant	7	(0.48)	(0.17)	(0.17)	(0.82)
	New Staff by FY17	5	(0.47)	(0.67)	(0.67)	(1.81)
	New Consultant	-				
	Total HQ	17	(2.15)	(2.14)	(2.14)	(6.43)
Regional Resources	Existing Staff	3	(0.25)	(0.25)	(0.25)	(0.75)
	Existing Consultant	1	(0.10)	(0.10)	(0.10)	(0.30)
	New Staff by FY 17	4	(0.53)	(0.86)	(1.59)	(2.98)
	New Consultant	0				
	Total Regional	10	(0.88)	(1.21)	(1.94)	(4.03)
TOTAL		25	(3.03)	(3.35)	(4.08)	(10.46)

⁴ Until recruitment commences, South Asia program leadership will be undertaken by Matt Bull and Satheesh Sundararajan with support from Lauren Wilson and Christine Shepherd.

5.1 INTRODUCTION

In the preceding sections of this Business Plan, we have outlined the component aspects of our approach to achieving our ambition of becoming a center of excellence in enabling developing countries to attract private sector participation and investment in infrastructure. As we have shown, each of these aspects (technical assistance, knowledge, performance measurement and resourcing) give rise to a funding requirement for which existing fund balances across PPIAF's trust funds are insufficient alone to fully meet. This means that the successful and full implementation of the PPIAF Strategy and this Business Plan is heavily reliant on the future funding commitments of our donor group. On that basis, we have created a consolidated funding plan that calculates the estimated level of new annual donor funding (excluding existing pledges) that will be required to fund the Strategy and Business Plan.

5.2 THREE YEAR FUNDING PLAN: SOURCES AND USES OF FUNDS

The table below shows the breakdown of the sources and uses of funds over the period of the Business Plan. As can be seen, we have estimated that based on existing sources of funds, it will require roughly \$22 million of additional annual donor funding over the 3 year period to implement the PPIAF Strategy. This additional funding will allow us to meet the increase in technical assistance funding (particularly for thematic programs), further develop the knowledge agenda to reinforce PPIAF as a center of excellence, to fund the development of the performance measurement framework and the ME&L system that underpins it and to meet the resourcing costs of increasing expertise within the PMU and in particular increasing our regional presence.

The narrative in the remainder of this section below describes the basis and assumptions for each of the numbers.

Table 8: Consolidated Funding Plan					
		Q4 FY14	FY2015	FY2016	FY2017
Sources	Opening Fund Balance	36.00	28.7	26.0	20.9
	Forecast Recovery of Funds		2.0	3.0	4.0
	New pledges required		21.9	21.9	21.9
	Total Sources		52.5	50.9	46.7
Uses	Technical Assistance Funding (Activity/Program Approvals) (A):				
	Thematic Programs (see Table 2)	(1.1)	(6.0)	(8.8)	(13.8)
	Coverage Activities (see Table 3)	(5.2)	(14.3)	(14.3)	(15.1)
	Knowledge Activities (see Table 5)	(0.2)	(2.5)	(2.8)	(3.0)
	Staff Costs (B):				
	HQ Staff Costs	(0.6)	(2.2)	(2.1)	(2.1)
	Regional Staff Costs	(0.1)	(0.8)	(1.1)	(1.8)
	Corporate Functions (C):				
	ME & L, Information and TF Administration Officers	(0.0)	(0.2)	(0.3)	(0.3)
	Other Corporate Function Costs	(0.2)	(0.5)	(0.5)	(0.5)
	Monitoring, Evaluation & Learning (ME &L) - Outsourcing	(0.0)	(0.1)	(0.1)	(0.1)
	Total Uses	(7.3)	(26.5)	(30.0)	(36.7)
Fund Balance		28.7	26.0	20.9	10.0

5.2.1 Sources of Funds

Existing Balances

Our most significant source of funding is the existing balances across PPIAF's trust funds. At the end of Quarter 3 of FY2014, this balance is estimated to be \$36 million. However, this existing funding base will not be sufficient to meet the increase in technical assistance funding, staffing costs and corporate costs described previously in this business plan and hence there will be a need to secure an estimated \$22 million of new annual contributions from the donor group over the 3 year period.

Recovered Funds

To help offset the amount of new funding being sought from donors, the PMU will continue to undertake active management of activities/ programs that have been approved but are not disbursing. To understand the PMU's role in this respect, it is useful to understand the typical lifecycle of a PPIAF grant. The figure below explains the key phases of PPIAF grant.

Figure 6: PPIAF Grant Lifecycle



As can be seen from figure 6, there are 4 key stages of a typical PPIAF technical assistance grant – at each of these stages, the PMU performs a fiduciary role to ensure that the funding that we have granted is being utilized and if it is not then we take remedial action to ensure it is utilized or we recover the funds and return it to the PPIAF trust funds so that it can be used for other activities:

- **Stage 1:** Activity Approval/Grant Activation: The PPIAF donor group provides non-objection and a child trust fund is created to which PPIAF transfers the agreed level of technical assistance funding. It is at this point that funding physically leaves the PPIAF trust funds – this normally occurs within 1 month of donor non-objection. If it has not happened within this time period, the PMU actively addresses the issue with the proponent (e.g. a WBG TTL) and if the activity is not progressing then the activity is cancelled and the funding returned to the PPIAF trust funds (n.b. this situation is rare)
- **Stage 2:** Funding Committed: A contract is signed with a firm or individual to undertake technical assistance following competitive procurement (following WBG procurement rules). This is an important milestone in ensuring that the technical assistance has been commissioned and work will begin. If this does not occur within 2-3 months of activity approval then the PMU will remediate the situation (e.g. assist with procurement) or will cancel the activity and recover the funds if there is no possibility of the activity progressing
- **Stage 3:** Disbursements: Funding is disbursed from child trust fund on achievement of key activity milestones (e.g. final report) by hired firm/individuals. Disbursements indicate that the activity is progressing and clients are receiving the technical assistance, which in turn should lead to impact. If disbursements are behind schedule then the PMU will remediate (e.g. assist in the supervision of the consultants) or if there is no possibility of the activity progressing will cancel and recover the funds.
- **Stage 4:** Activity Close-Out and Recovery of Funds: Once the technical assistance is completed satisfactorily, the PMU can recover any unused funds. Unused funds may exist because the procurement of the activity resulted in lower than anticipated consultancy costs or the scope of the activity was reduced during implementation

Problems can occur at each of the above stages for a variety of reasons including a loss of political support for the activity, disruption due to conflict and fragile situations, procurement delays and poor performance from the appointed consultants and firms providing the technical assistance. Our work in recovering these funds to be used for other activities becomes a vital additional funding source. We estimate that roughly \$9 million of funding will be recycled from stalled or failing activities/programs over the period.

New Donor Contributions

The estimate of new donor funding contributions of \$22 million per annum has been calculated on the basis that there will be a fund balance of \$10m at the end of the Business Plan period so as to ensure there is sufficient funding available (i.e. a 'float') to carry over into the next Business Plan period (FY18-20) to allow business to continue while fund raising efforts for the next period are completed.

5.2.2 Technical Assistance Approvals

In Section 1 (Delivering our Technical Assistance), we outlined our proposals for the forecast level of technical assistance funding that we will approve over the 3 year period, this included a significant growth in the adoption of a programmatic approach which would see the amount of funding provided towards thematic programs increase from \$6 million in FY15 to just below \$14 million in FY17. We will continue to fund coverage activities at annual rate of \$14-15 million but proportionally coverage activities will make up only around 50% of the portfolio of technical assistance approvals by the end of the period from the 80-85% currently approved. This is a reflection of the gradual move towards programmatic funding over the course of the Business Plan period.

5.2.3 Costs

In Section 4 (Resourcing the Business Plan), we outlined that in order to fully implement the PPIAF Strategy that we would need additional human resources to support the design and implementation of thematic programs both through increasing sector expertise and by increasing PPIAF's regional presence. This means a gradual increase from our current staffing costs of roughly \$2.5 million to \$4.0 million in FY2017.

We have also included the costs of key corporate functions (e.g. administration, communications and ME&L officers/consultancy support) and overheads (e.g. travel, equipment, IT etc.). We will always endeavor to control these costs and we forecast to maintain these at around \$1 million per year over the period. The cost of outsourcing the elements of the ME&L system has also been included at \$0.1 million per year. Overall, the total cost base of the PMU (staff costs plus corporate costs) will remain stable as a proportion of donor contributions, approvals and disbursements. The World Bank administration fee will be charged separately from the PMU expenses as per the Administration Agreements for the PPIAF trust funds.

6.1 INTRODUCTION

As with any Business Plan, many external factors can impact implementation. These changes in PPIAF's external environment can influence PPIAF's ability to deliver the Business Plan and require identification and, where appropriate, active management.

Some of these changes represent potential risks to PPIAF's operational effectiveness while others provide strong opportunities for PPIAF to increase its impact and accelerate the achievement of its objectives. One of the features of the proposed operating model is to build in more flexibility to take advantage of opportunities and mitigate risks more proactively.

The opportunities and risks, together with example of their potential causes, their impact and the PPIAF mitigation or response are summarized below in what will become a "living document" as a risk and opportunities register for PPIAF, the World Bank and donors to monitor on a regular basis.

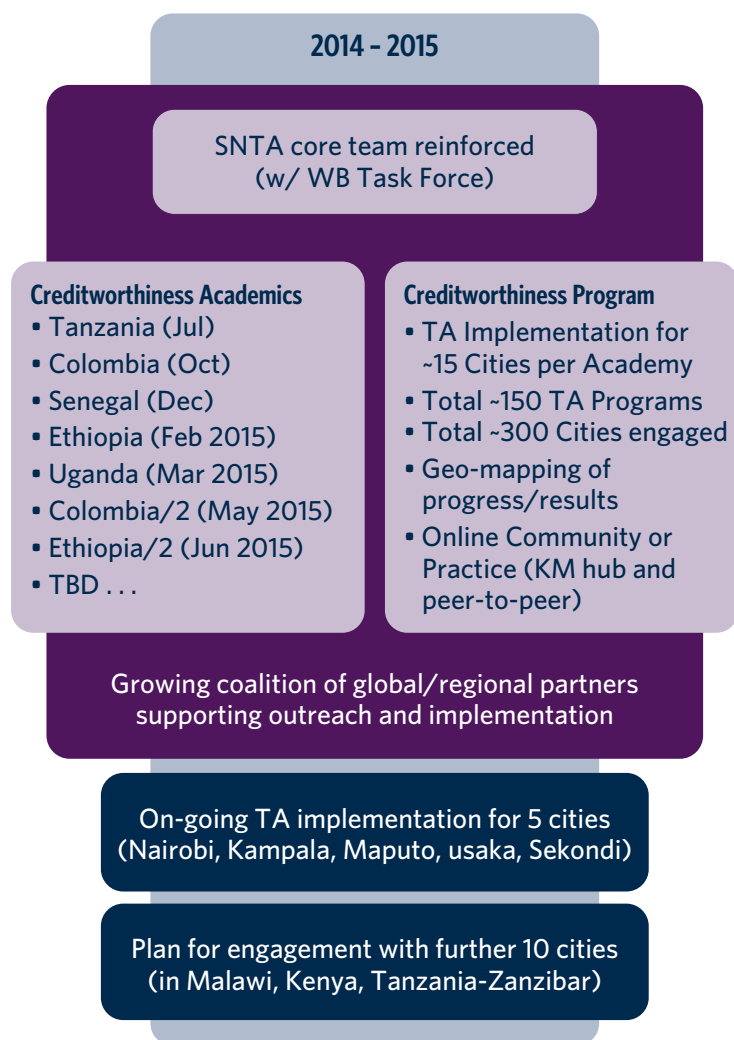
6.2 Risks			
Nature of Risk	Potential Causes	Impact	Mitigation
Reduced approvals	<ul style="list-style-type: none"> Lower demand from client countries Change in donor priorities resulting in reluctance to approve 	Buildup of cash in the trust fund and high PMU cost to approvals ratio	<p>Reduce contributions of donors and the size of the PMU. Donor endorsement of strategy and business plan also mitigates the likelihood of this risk occurring.</p> <p>Given the growing infrastructure needs of our client countries, we envisage that there will be a low probability of reduced demand for our technical assistance.</p>
Slow disbursements	<ul style="list-style-type: none"> Political economy environment in client countries causes disruptions to implementation of activities Changing priorities of implementation partners reduces timeliness of implementation 	Buildup of cash in child trust funds and a lack of progress in activities, delaying or limiting realization of expected outcomes	Return cash to parent trust fund and/or redesign activities. Programmatic approach is expected to mitigate the impact of slow disbursements by: i) reducing the likelihood of slow disbursements through improved activity design; and ii) detecting disbursement problems early on through robust monitoring and engagement.
Unmanageable Costs	<ul style="list-style-type: none"> Regional offices more expensive than envisioned 	PMU costs are higher and difficult to control	Carefully select regional offices based on efficiency and potential effectiveness at progressing PPIAF business plan

6.2 Risks			
Nature of Risk	Potential Causes	Impact	Mitigation
Change in Donor Priorities	<ul style="list-style-type: none"> Individual donor governments have changed priorities with, for example, a move away from supporting PPPs 	Less funding available for PPIAF activities	Coordinate closely with donors to ensure alignment of priorities
Lack of Partner Commitment	<ul style="list-style-type: none"> Change of partner priorities reducing implementation effectiveness and impact 	Reduces leverage potential of PPIAF activities	Formalize partnership arrangements and create explicit expectations
Inability to attract the right human resource expertise	<ul style="list-style-type: none"> Lack of certainty around long term funding Competitiveness of World Bank related employment proposition 	Prevents PPIAF from developing itself as a center of excellence and reduced quality of programs and activities	Continue to retain and develop current staff demonstrate stability of business plan through effective implementation
Delayed recruitment of the PPIAF Program Manager	<ul style="list-style-type: none"> Preferred candidate turns down offer; competitiveness of World Bank-related employment proposition Delays in the HR recruitment process 	Prevents PPIAF from developing itself as a center of excellence and fully implementing the strategy	Recruitment of Program Manager prioritized and recruitment timeline agreed with management of PPP CCSA
Lack of synergy between different parts of the portfolio	<ul style="list-style-type: none"> Less overlap in work programs and resources (for example on public private investment and creditworthiness) 	Reduces impact and benefits of scale and disrupts organizational structure	<p>Greater integration of personnel and programs across PPIAF activities</p> <p>Potential separation of activities with some activities transferred to other organizations</p>
Lack of effective implementation capacity	<ul style="list-style-type: none"> Not enough quality firms are aware of the type of work PPIAF supports/or are working in the locations where PPIAF works 	Reduces effectiveness of delivery of PPIAF funded activities	Develop relationships with implementation partners and ensure healthy competition during procurement for PPIAF supported activities
Overlapping tasks with World Bank PPP CCSA	<ul style="list-style-type: none"> Lack of coordination between PPIAF and the PPP CCSA Duplicate requests from WBG TTLs 	Reduces additionality and cost-effectiveness of PPIAF	Coordinate closely with PPP CCSA management on work program and activities. Clearly defined work programs for all parts of the CCSA.

6.3 Opportunities			
Nature of opportunity	Potential Causes	Impact	Response
Scaling up through partnership	<ul style="list-style-type: none"> ▪ Closer alignment with partners and investors ▪ Greater prioritization of PPIAF activities by donors 	Greater PMU involvement in activities funded and disbursed by other parties	<ul style="list-style-type: none"> ▪ Commit to closer partnerships (consistent with donor expectations) ▪ Open sourcing of PPIAF's intellectual property
Greater demand for institution building	<ul style="list-style-type: none"> ▪ Visible success of other PPIAF programs encourages clients to consider funding for activities falling in PPIAF core areas of expertise 	Accelerated scaling up PPIAF's activities	Request to donors for further funding based on a business case
Growth in importance of PPPs and infrastructure as part of effective international development	<ul style="list-style-type: none"> ▪ World Bank strategy change which has made PPPs one of its core "solution areas" ▪ Other donor groups support PPPs 	Accelerated scaling up of PPIAF's activities	Develop and promote PPIAF knowledge offering around PPPs
Recognition of PPIAF's value in de-risking investment and development capital	<ul style="list-style-type: none"> ▪ ME&L system shows direct link between PPIAF investment, risk and default creating more demand for PPIAF support 	Greater levels of activity and more involvement	<ul style="list-style-type: none"> ▪ Requirement for more direct link between PPIAF activity and investment ▪ Requirement to scale up more quickly and to increase donor contributions based on a business case and linkage

ANNEX A: PROGRAM EXAMPLE - CITY CREDITWORTHINESS INITIATIVE

The City Creditworthiness Initiative is set out to scale up SNTA's impact through a systematic and long-term engagement with cities that are determined to become creditworthy and to structure financing transactions for climate-smart Infrastructure. The Initiative has been piloted during FY14 and is currently being designed for full roll-out in FY15 (pending donors' approval, as always).



The scope of the Initiative covers three parallel levels of intervention:

- City-Level: Creditworthiness improvements (i.e. implementation of technical assistance to strengthen Cities' financial performance), project development and transaction advisory.
- Country-Level: Coordination and support for the development of policy frameworks, laws and regulations on municipal governance and finance to promote the enabling environment for fiscally responsible and creditworthy transactions.
- Private Sector: Support to build awareness and consensus on opportunities for capital market development, including identification of bottlenecks and assessment of risk for subsovereign transactions.

The graphic on the right reflects the ambitious scale of the Initiative, with as many as seven flagship workshops (Creditworthiness Academies) to be delivered in FY15, and the related design of technical assistance programs for about 150 cities.

Success depends entirely on building partnerships among development institutions/donors to leverage existing capacity and increase resources. For this purpose and as part of the FY15 proposal to be received by the donors, an important effort is currently underway to identify and secure support from partners. Over \$3ml in co-financing have been raised already or are about to be formalized. Additional partnerships will have to be identified over the course of FY15 to fulfill the implementation needs for this Initiative which is estimated to require about \$200ml at full capacity.

Current list of partners:

Core Promoters: PPIAF-SNTA (lead), World Bank's Low-Carbon, Livable Cities Task Force

Additional Sponsors: French Development Agency (AFD), Municipal Institute of Learning of eThekweni (Durban, South Africa), Korea Development Institute (KDI), Korean Green Growth Trust Fund (KGGTF).

On-Going Collaborations: Rockefeller Foundation, C40 Network, UN HABITAT, World Research Institute.



ENABLING INFRASTRUCTURE INVESTMENT

PPIAF is a multi-donor trust fund that provides technical assistance to governments in developing countries to develop enabling environments and to facilitate private investment in infrastructure. Our aim is to build transformational partnerships to enable us to create a greater impact in achieving our goal.