



Private Infrastructure
Development Group
Pioneering infrastructure changing lives

Investment Policy

January 2020

Glossary of Terms

Terms	Definition
DAC List of ODA Recipients	The OECD's Development Assistance Committee's list of official development assistance recipients as may be amended or replaced from time to time
DevCo	The Infrastructure Development Collaboration Partnership Fund (TF052373) established by the Owners as a facility of the PIDG and administered and managed by IFC on behalf of the Owners
Developer	Such developer(s) as may be contracted by any member of PIDG from time to time to develop opportunities for and on behalf of PIDG in accordance with the provisions of a services contract or in respect of a co-development, the lead developer and any sponsor of such co-development from time to time
DFAT	The Commonwealth of Australia as represented by the Department of Foreign Affairs and Trade
DFID	The Secretary of State for International Development of the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Department for International Development
DGIS	The Government of the Netherlands represented by the Directorate-General for International Cooperation – The Netherlands Minister for Foreign Trade and Development Co-operation
EAIF	The Emerging Africa Infrastructure Fund Limited, a company registered in Mauritius with number 39536
EDFI	European Development Finance Institutions
Funders' Agreement	The agreement, as may be amended and/or restated from time to time, between a PIDG Company, its shareholders and PIDG Ltd which sets out the rights and responsibilities of each of the parties and the terms and conditions of Owners' funding
GuarantCo	GuarantCo Ltd, a company registered in Mauritius with number 58185C1/GBL
IFC	International Finance Corporation, an international organisation established by Articles of Agreement among its member countries
IAf	InfraCo Africa Limited, a company registered in England and Wales with number 5196897
IAfi	InfraCo Africa Investment Limited, a company registered in England and Wales with number 9152403
IAsD	InfraCo Asia Development Pte Ltd, a company incorporated under the laws of Singapore with registration number 200901920D
IAsI	InfraCo Asia Investments Pte Ltd, a company incorporated under the laws of Singapore with registration number 201135045H
Investment policy or policy	This document as from time to time amended, modified and/or replaced in accordance with the provisions of this policy
KfW	KfW, a public law institution of Germany committed to improving economic, social and ecological living conditions all around the world
MFA	The Norwegian Ministry of Foreign Affairs, through the Department of Economic Relations and Development, Section for Economic and Commercial Affairs

Opportunity	An infrastructure or infrastructure-related project that satisfies the criteria detailed in this Policy
Owner(s)	DFID, Sida, SECO, DGIS, IFC, DFAT, KfW and MFA, each of which is a member of PIDG and has signed or acceded to the 2013 PIDG Memorandum of Understanding
PIDG	The Private Infrastructure Development Group, which consists of the PIDG Companies, TA, DevCo and PIDG Ltd
PIDG Board	The duly appointed board of directors of PIDG Ltd
PIDG Code of Conduct	The code of conduct approved by the Owners and PIDG Ltd from time to time and which PIDG is required to adopt and incorporate into its governance documents as a minimum standard of conduct
PIDG Company	EAlF, GuarantCo, IAF, IAFI, IASD, IASL and any other corporate entity established by PIDG Ltd or the PIDG Trust to further PIDG's activities
PIDG Ltd	The Private Infrastructure Development Group Limited, a company registered in England and Wales with number 11265124
PIDG OPPs	The operating policies and procedures for the PIDG approved by the Owners and PIDG Ltd from time to time
PIDG Risk Appetite Policy	A PIDG policy, as approved by the Board of PIDG Ltd from time to time, that establishes the level of risk that PIDG is willing to accept in order to meet its strategic objectives
PIDG Trust	The Private Infrastructure Development Group Trust, a purpose trust established by a Declaration of Trust under Mauritius law on 1 December 2001 by SG Kleinwort Hambros Trust Company (UK) Limited, Multiconsult Trustees Limited and Minimax Limited, as amended by an Amended and Restated Declaration of Trust dated 14 March 2003 and as may be further amended from time to time
PPP	Public-Private Partnership
SDG	United Nations Sustainable Development Goals
SECO	The Swiss State Secretariat for Economic Affairs of the Government of the Confederation of Switzerland of Holzikofenweg 36, CH-3003 Bern, Switzerland
Sida	The Swedish Government, acting through the Swedish International Development Co-operation Agency of SE-105 25 Stockholm, Sweden
Strategic Partner(s)	Key infrastructure development participants who help to expand PIDG's impact by harnessing the benefits of the partnership to deliver additional value
TA	The PIDG Trust's Technical Assistance

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Introduction to PIDG

1. PIDG structure

- a. PIDG encourages and mobilises private sector investment in infrastructure in the frontier markets of sub-Saharan Africa and South and South-East Asia, with a particular focus on poor and fragile countries, and develops innovative solutions to help promote economic development and combat poverty.
- b. PIDG Ltd has been established to act as the parent company and head office of PIDG. Through the PIDG Board, committees and executive team, it will have responsibility for ensuring that PIDG meets its objectives and the expectations of the Owners, assuming certain functions previously carried out by the Owners and the PIDG Trust.
- c. The current PIDG structure is outlined below:
- d. PIDG's structure enables it to offer a unique set of capabilities:
 - i. Upstream technical assistance: TA and DevCo provide targeted catalytic support to aid project development and enable transactions across the project lifecycle.
 - ii. Developer-investor: IAsD, IAsI, IAF and IAfI originate, develop, structure, invest and manage innovative and pioneering projects and/or investments. IAsD, IAsI, IAF and IAfI take on early-stage infrastructure investment and development providing management and capital to address early-stage risks and developing bankable projects that can attract debt and equity participation at or before financial close.
 - iii. Credit solutions: EAIF and GuarantCo provide funded and contingent hard and local currency credit solutions, including guarantees to banks and bond investors to develop local capital markets.
- e. PIDG Ltd will, therefore, set investment criteria for the PIDG Companies (within the overall policies set by the Owners) and oversee their investment decisions to ensure that they comply with these criteria and PIDG's objectives in general, and that each investment constitutes an efficient and prudent use of resources by the PIDG Company concerned.
- f. If PIDG Ltd considers an investment does not further PIDG's objectives and/or is an inefficient/imprudent use of resources it may intervene and give directions to the PIDG Company, e.g. to modify the investment or refrain from making it. Additionally, decisions which concern investments which are complex, out of the ordinary or particularly large will be elevated by the relevant PIDG Company to PIDG Ltd's credit or investment committees.

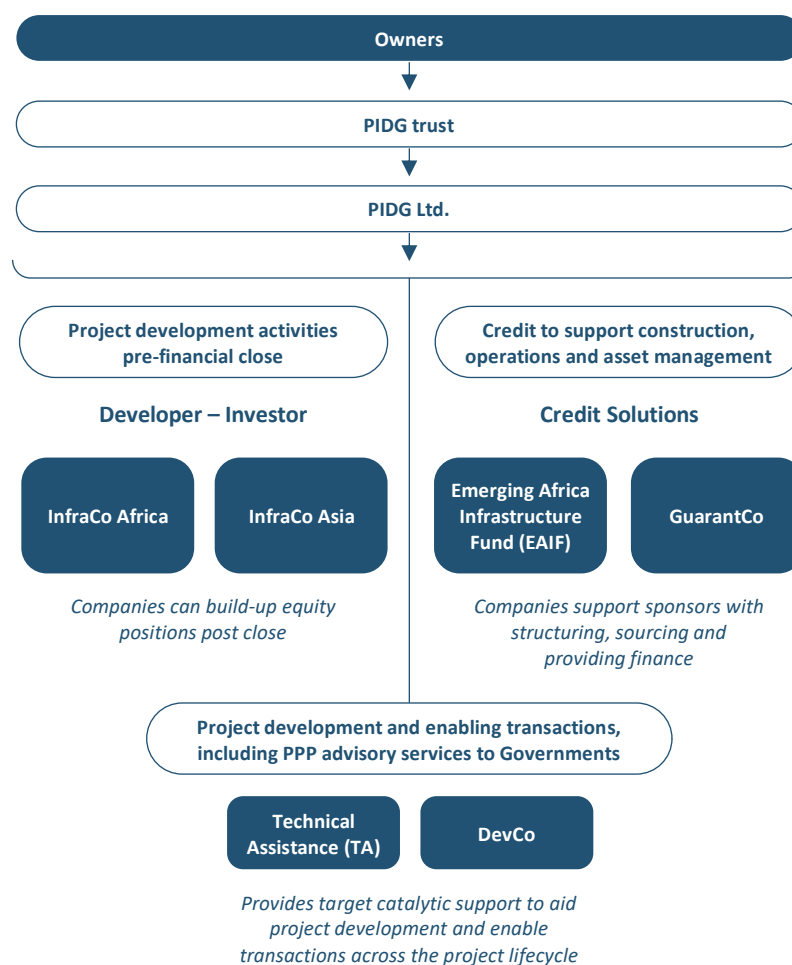
2. PIDG mission

- a. PIDG's mission is to operate at the frontier of infrastructure development in developing countries to combat poverty. PIDG provides leadership, development capability, funding and finance solutions across the project cycle to support infrastructure provision that results in high development impact and develops local capacity and capability and the financing potential of local credit and capital markets.

PIDG's mission is delivered through its strategic priorities of:

- i. Scale;
- ii. Replicability;
- iii. Affordability; and
- iv. Transformation.

These priorities are outlined in the table below:



- b. PIDG will support the development and financing of infrastructure projects that are viable for investment by the private sector and public-private partnerships in infrastructure. These projects must deliver in line with PIDG’s values of opportunity, accountability, safety, integrity and impact and building local capacity.
- c. PIDG reviews its contribution to the SDGs and, where possible, identifies the role it may play in closing specific gaps in individual countries.

3. PIDG role in infrastructure development

- a. PIDG works at every stage of the infrastructure project development cycle and across the capital structure. PIDG can engage as a developer-investor prior to financial close, undertaking the development and funding of early stage infrastructure opportunities.
- b. PIDG also provides credit and guarantee solutions to develop local capital markets and crowd-in private sector finance to infrastructure projects. PIDG also provides upstream technical assistance and viability gap funding to projects that it is engaged with to bolster the viability of a project and further mobilise private sector investment.

4. Strategic partnerships

- a. PIDG will operate collaboratively to achieve complementarity with strategic partners to expand PIDG's influence and profile.

5. Purpose of policy

- a. This policy sets out the parameters and guidelines within which PIDG will invest in infrastructure projects and conduct its business.

Permitted instruments

6. Investment structuring

- a. PIDG can supply capital throughout the project lifecycle to infrastructure projects to address market failures, such as delays which can at times prevent financial close of viable infrastructure projects.
- b. In committing its capital to any opportunities, PIDG may invest through an investment vehicle in a relevant jurisdiction if PIDG considers that it is appropriate and is consistent with this policy as amended from time to time, and in line with Section XIX(b).
- c. Subject to meeting the criteria set out in this policy, PIDG may invest in opportunities that include, without limitation:
 - i. start-ups or greenfield developments;
 - ii. partly developed projects where the incumbent sponsor is unable to bring the opportunity to financial close;
 - iii. abandoned projects;
 - iv. currently operating companies where the owners are unable to finance and implement major new investments;
 - v. privatised or to be privatised projects/companies; and
 - vi. majority state-owned projects where the private sector is to participate in a risk-sharing capacity. PIDG will seek out opportunities in countries where:
 - (i) the basic foundations for private sector participation in infrastructure are in place and it is expected that the constraints to private sector investment in the opportunity can be overcome through PIDG's involvement; and
 - (ii) the host government is supportive of PIDG's involvement.

7. Upstream technical assistance

- a. PIDG may support the provision of technical assistance and pre-financial close structuring advice to opportunities identified with governments, third parties and strategic partners.
- b. PIDG can undertake all activities relating to the identification and development of an infrastructure opportunity. These activities may include, but are not limited to, undertaking feasibility studies, negotiation of commercial contracts and project agreements, procuring required licenses and consents, development of a business and financing plan, procuring financing from third parties, and negotiation of third-party financing documents.
- c. PIDG may provide viability gap funding to reduce upfront capital costs of pro-poor infrastructure projects to increase the viability of the projects.

8. Developer-investor business

- a. PIDG may invest in support of viable infrastructure projects where, in the opinion of the PIDG Board or relevant committee of the PIDG Board, there exists demonstrable evidence of additionality including in opportunities developed or owned by third parties.
- b. PIDG may acquire equity or quasi-equity capital in, or providing financing, including refinancing, in respect of, an opportunity. PIDG may make an initial investment to fund or support financial close and/or development of a pilot and a further investment to facilitate or catalyse financial close and/or development of the full-scale opportunity following on from the pilot. PIDG may make an initial investment to fund or support an opportunity and a further investment to facilitate or catalyse expansion, growth or replication of the opportunity.

9. Credit solutions

- a. PIDG can, in both hard and local currency, offer a range of debt financing products in capital or financial markets, in the form of:
 - i. senior debt (either on a bi-lateral basis or with one or more co-lenders, either through a predetermined 'club' or in a 'syndicated' transaction structured and negotiated by one or more lead arranger(s) and then subsequently syndicated to other lenders. PIDG can perform a lead role in such transactions or may join a syndicate arranged by another institution(s)).
 - ii. subordinated debt (such as senior loans with revenue/profit sharing mechanisms, subordinated loans with revenue/profit sharing mechanisms, preference shares with coupon and maturity contractually defined, other mezzanine products, debt with warrants and other convertible instruments, or equity combined with a put option in favour of PIDG).
 - iii. bridge financing (on the basis that such financing will be converted to a term loan consistent with this policy).
 - iv. sukuk and other Islamic financing products.
 - v. contingent products such as guarantees, insurance policies and similar products. These will often be underwritten in partnership with other institutions.
 - vi. 'first loss' guarantee instruments in exceptional circumstances.
- b. PIDG may provide credit solutions to the following entities:
 - i. Trustees representing a collective of individuals that have invested in a debt instrument issued by an eligible entity.
 - ii. Financial institutions, such as capital market investors, banks, pension and insurance funds, or trustees representing a collective of such entities, having invested in a debt instrument issued by an eligible entity.
 - iii. Commercial banks or other financial intermediaries providing either loans or contingent support to an investment product issued by an eligible entity.
 - iv. Insurers providing cover to an investor in an eligible entity and seeking to cede part of the exposure to another entity.
 - v. Mortgage lenders or insurers and micro-finance institutions extending funding or contingent support to households to finance housing or other infrastructure provision. PIDG may consider issuing back-up guarantees for such institutions or (slices) of their portfolios.
 - vi. Majority private sector owned, managed and controlled companies and entities that operate in the list of eligible sectors listed in Section XIV (a).

- vii. Official financial intermediaries: providing support to eligible entities, including but not limited to:
 - i. local and sub-regional development banks;
 - ii. multilateral or bilateral development finance institutions if they are “fronting” for a contingent product on behalf of PIDG. PIDG may consider issuing counter-guarantees or portfolio guarantees for such institutions.
- c. PIDG may provide underwriting facilities provided there is a clear ability to syndicate or sell-down any credit excess.
- d. PIDG can, provided that it is within its mission and subject to the limits set out in the PIDG Risk Appetite Policy, offer refinancing of an opportunity’s existing debt with respect to:
 - i. bridge financing provided by PIDG;
 - ii. pre-completion or construction period financing provided by other third parties and equity providers where the refinancing gives rise to additionality through (i) capacity building, (ii) capital market development, (iii) poverty reduction, or (iv) any other relevant benefits; or
 - iii. existing funding, the refinancing of which gives rise to additionality through (i) capacity building, (ii) capital market development, (iii) poverty reduction, or (iv) any other relevant benefits; or
 - iv. distressed situations where the refinancing assists the financial stability of an opportunity.
- e. PIDG can work with local and international intermediaries to facilitate the creation of derivatives markets to support its overall aim of developing local currency markets.

Investment criteria

10. Development impact

- a. All PIDG investments must, either directly or indirectly, facilitate the development of infrastructure services, capital markets and facilities that contribute to inclusive growth and/or poverty reduction and improvement of livelihood through access to infrastructure.
- b. While contributing to development impact, PIDG must be satisfied that such opportunity is viable and provides demonstrable evidence of additionality.

11. Additionality

- a. For each opportunity that PIDG engages with, PIDG’s additionality must be clear and evidenced. PIDG’s input must be in addition to those currently delivered by the market or other actors and must complement rather than substitute.
- b. PIDG also judges every investment on its additionality. Where PIDG’s potential additionality to an opportunity is weak, PIDG will not undertake any engagement.

12. Community and environmental impact

- a. None of PIDG’s capital will be invested, directly or via intermediaries, in any opportunity that does not at the time materially comply with PIDG OPPs applicable to such opportunity.
- b. In accordance with PIDG OPPs, a satisfactory environmental and social impact assessment, in accordance with the requirements of the relevant local environmental agency of the host country and

international environmental and social standards, such as the IFC Performance Standards, should be undertaken for each opportunity where PIDG's capital is invested.

- c. PIDG will not engage in any opportunity that uses forced or child labour.
- d. PIDG will ensure that all opportunities apply a gender lens to assess the implications of the opportunity.
- e. PIDG will include in its due diligence for each opportunity an analysis of the social and environmental impacts, including the methods and processes used for each opportunity to assess and mitigate any material negative impacts. PIDG will include conflict analysis within its due diligence assessment to ensure that the opportunity does not exacerbate or renew any conflict within the community. Further analysis and mitigation may be required after the initial due diligence assessment.
- f. If an opportunity falls short of the required standards, PIDG shall clearly identify the shortcomings in its proposal to the PIDG Board or relevant committee of the PIDG Board and propose mitigating measures and inclusion of appropriate covenants into the project documentation. Should the analysis show serious negative impacts that cannot be addressed within a reasonable time, the opportunity should be deemed inappropriate for support by PIDG.

13. Geography

- a. Under this policy, PIDG will operate predominantly in DAC 1, 2 and 3 countries in Africa, the Levant and South and South East Asia.
- b. PIDG invests in opportunities in the least developed countries, as well as in low and middle-income countries, as defined in the DAC List of ODA Recipients. PIDG also invests in fragile and conflict-affected countries, as defined in PIDG Risk Appetite Policy.
- c. PIDG may also invest in opportunities that are outside of these countries where the PIDG Board and Owners are satisfied that such opportunities focus on the poorest regions and groups within such countries and that the countries are in the DAC List of ODA Recipients.

14. Sector focus

- a. Sectors for inclusion
PIDG may invest in the development of opportunities in the following sectors:
 - i. Power/energy: the generation, supply, transmission and/or distribution of electricity, with a focus on all forms of renewable energy, including off-grid and mini-grid technologies. All heavy fuel oil projects will require PIDG Board approval.
 - ii. Water, sewage and sanitation: urban/rural fresh water production and treatment, supply and distribution, sanitation, solid waste disposal/collection and waste treatment, bulk water supply (water reservoirs, transfer schemes, dams and pipelines).
 - iii. Transportation: fixed transportation infrastructure and transport services including roads, bridges, tunnels, light and heavy rail systems and services and railway equipment, airports (passengers and freight), marine transport, bus lines, ports and harbours (including, but only as ancillary thereto, certain moveable assets).
 - iv. Bulk storage/logistics facilities: logistics services that support productive investment including bulk storage/handling facilities, cold storage, warehousing and certain moveable assets.
 - v. Digital communications infrastructure: the development and operation of: (i) long distance and local telephone services, cellular radio telephone services and other radio common carrier communications services, including paging, satellite and specialised mobile radio systems; (ii) telegraph, microwave and private communications networks, cable, electronic mail and other emerging telecommunications technologies; and (iii) internet access.

- vi. Gas transportation, distribution and storage: gas pipelines and bulk storage/logistical facilities and downstream gas development.
- vii. Oil transportation, distribution, storage: oil pipelines and bulk storage/logistical facilities and downstream oil development.
- viii. Mining and upstream oil and gas: but only where investment expands the provision of infrastructure and associated services and where the owner agrees to allow third party use of the assets (in so far as it does not prejudice their mining operations).
- ix. Social infrastructure: the provision of economic and social infrastructure within towns, urban and rural settings (including affordable housing, education and healthcare).
- x. Agri-business/infrastructure including but not limited to storage, basic processing facilities and irrigation services.
- xi. Manufacturing: subsequent to notification and no objection from Owners, provide credit solutions to manufacturing businesses and supply chain businesses that have associated capital market development, a clear and direct infrastructure element or associated value chain that remains within the country of the opportunity.
- xii. Special Economic Zones: an integrated infrastructure development with objectives such as industrial development, trade support and revitalisation. This sector will be looked at in the context of TA led programmatic initiatives involving several PIDG companies.

Where an opportunity arises that is within these sectors, but does not completely align with these requirements, approval from the PIDG Board and Owners will be required.

b. Sectors excluded

The following sectors shall be excluded from PIDG support:

- i. oil and gas exploration and production (“upstream” activities) and oil transportation for exports (except as permitted under Section XIV (vii) above);
- ii. mining or mineral exploration and extraction (except as permitted under Section XIV (viii) above);
- iii. electricity generation from the burning of coal;
- iv. nuclear power, nuclear waste treatment or nuclear fuel cycle activities;
- v. production or trade in tobacco;
- vi. financial services (except for investments which fall under Section IX (b) above);
- vii. military infrastructure and weaponry;
- viii. production or trade in alcoholic beverages (excluding beer and wine);
- ix. pornography;
- x. prostitution; and
- xi. gambling, casinos and equivalent enterprises.

15. Investment period

- a. As set out in the PIDG Risk Appetite Policy, PIDG will typically hold direct/equity investments for no longer than 10 years. In addition, PIDG will typically hold debt for a minimum tenor of five years and a maximum tenor of twenty years dependent upon the opportunity’s financing requirements.
- b. The duration of any investment that PIDG makes in an opportunity will be determined on a case by case basis by reference to the type of investment and the nature of the underlying opportunity.

16. Approach to portfolio management and exit of investments

- a. In managing its portfolio PIDG takes into account diversification including by geography, sector and product and that there is no compromise in the management of environmental and social risks, corporate governance and the integrity of its investments.
- b. In any exit from, or disposal of any investment, PIDG shall seek, where it has discretion to do so, to ensure that such an exit or disposal is consistent with the achievement of its mission and objectives (both financial and developmental) and within the spirit of the PIDG Code of Conduct.

Risk management

17. Risk appetite

- a. PIDG recognises and balances trade-offs between its work at the frontier and its need to achieve financial sustainability. In doing so, we will ensure that we are risk-aware but not risk-averse. The aim of PIDG of supporting viable infrastructure projects that contribute to the elimination of poverty by providing access to infrastructure requires that it accepts risks that are consistent with its commitment to development impact.
- b. PIDG's risk appetite is the amount of risk that PIDG is willing to accept to meet its strategic objectives. It balances the needs of all stakeholders by acting as both a governor of risk and a driver of current and future business strategy. It differs from risk capacity, which is the maximum amount of risk an organisation can assume while still remaining within the constraints implied by funding, leverage and other obligations to stakeholders.
- c. The PIDG Risk Appetite Policy is used to sustain management's dialogue with the PIDG Board and set boundaries around strategy and opportunity seeking behaviour in the organisation.

18. Due diligence and compliance

- a. PIDG, third-party managers and its developers (in respect of any opportunity or operating asset in which PIDG has an interest) and each of their respective officers, employees and advisors shall comply with all the PIDG OPPs.
- b. PIDG recognises that a 'one size fits all' approach cannot be applied to due diligence and therefore will decide on the level of due diligence which is required for each opportunity in accordance with the PIDG OPPs.
- c. PIDG shall ensure that regular reports are provided to the PIDG Board and Owners on its activities, in accordance with the PIDG reporting requirements in place from time to time.
- d. Where PIDG acts as guarantor, lender, investor or developer, or offers other equivalent forms of support, it will perform due diligence on the suitability of the guaranteed parties, borrowers, beneficiaries or partners. When the beneficiary is an intermediary, the due diligence will include the intermediary's procedures for sourcing, appraisal and monitoring of transactions, as well as handling of non-performing assets and recovery of claims.
- e. PIDG shall take all appropriate measures to prevent fraud and corruption in connection with the use of funding from its Owners.

19. Transparency

- a. PIDG is committed to openness and transparency. Such transparency is important for accountability and to enhance the demonstration effect of its investments. Therefore, it will publish information relating to its investments and operations in accordance with the PIDG OPPs and as permitted by applicable law.
- b. PIDG is committed to responsible tax practices and ensures that all PIDG investments will abide by the EDFI Principles for Responsible Tax in Developing Countries.

Amendments

This policy may be amended, modified or otherwise changed from time to time upon unanimous approval by the Owners (noting that the abstention of any one or more Owner will not prejudice unanimity being deemed to have been reached).

Appendix 1

EDFI Principles for Responsible Tax in Developing Countries

EDFI is the Association of European Development Finance Institutions (“EDFIs”), a group of 15 institutions that provide financing to private sector enterprises in emerging and frontier markets. Responsible tax is important for sovereign governments, DFIs and other actors in their efforts to contribute to the Sustainable Development Goals.

EDFIs often operate in challenging institutional environments, where investment risk is substantially increased by inadequate foreign investment protection laws, dispute resolution mechanisms, judicial enforcement and regulation of foreign exchange transactions. DFIs must take appropriate actions to mitigate these risks in a responsible manner that respects the sovereignty of countries to decide on their tax policies and regimes.

Offshore financial centres (OFCs) offer stable jurisdictions that can mitigate many of the most concerning investment risks, such as by having clear legislation covering investment activities and proven, stable dispute resolution mechanisms, including through the courts. EDFIs have been following international discussions on tax and a permanent EDFI working group was established in 2011 to develop and maintain shared guidelines for transactions involving EDFIs and entities domiciled in OFCs. The working group concluded that EDFIs commonly participate in investment structures involving OFCs when this fits the purpose of mobilising private finance towards developing countries and thereby helps to fulfil the DFIs’ development mandates.

Responsible tax practices of course extend beyond the appropriate use of OFCs and, therefore, the EDFIs have agreed that a more holistic approach is needed. EDFIs are ready to lead by example and as financial institutions, EDFIs are instrumental in encouraging clients to respect their share of the “social contract”, namely to comply with tax laws and to refrain from engaging in inappropriate and artificial, but nevertheless legal, shifting of taxable profits from the developing countries in which they operate. At the same time, EDFIs also face limitations. They are not legislators, regulators, auditors or tax inspectors. This means they can neither assume the role of tax authorities in sovereign jurisdictions, nor can they assume responsibility for the tax compliance of third-party investors.

¹The working group noted that while there is no single definition, “OFCs” are typically characterised by financial assets and liabilities disproportionate to intermediation needed to finance the domestic economy; by low taxation of non-residents with limited or no activities “onshore”; and by legal and regulatory infrastructures that meet the requirements of institutional investors seeking to invest in the private sector in developing countries.

As a result, the EDFI member institutions endorse a set of principles for their approach to responsible tax practices

EDFI principles for responsible tax in developing countries:

1. Adopt and publish a tax policy.
2. Seek to prevent participating in potentially harmful tax situations, where there is a significant risk of tax evasion by the client or an unfair tax treatment towards the client and require client compliance with tax law in the developing countries in which business is conducted.

3. Avoid participating in corporate structures created for the sole purpose of shifting taxable profits away from the developing countries in which business is conducted. DFIs participate in transactions involving intermediary jurisdictions or holding company structures outside host countries when such structures are deemed necessary to mobilise financial resources and to fulfil development objectives. The use of OFCs should be limited to jurisdictions that are committed to the internationally accepted standards defined by the Global Forum on Transparency and Exchange of Information for Tax Purposes, which include the automatic exchange of tax information (AEOI), and at least largely compliant with them.
4. Promote transparency by disclosing, to the extent possible and within the legal limits of client protection, project specific information. Due to legitimate expectations of privacy this would not usually extend to disclosure of beneficial ownership of investees unless such disclosure is already required by law.
5. Recognise the role of tax in development effectiveness reports by including information collected on taxes paid by clients at an aggregate level. This would complement other development indicators and help position the role of development finance in reaching the Sustainable Development Goals (SDGs).

The EDFI working group will periodically exchange experiences among DFIs, monitor activities and reports of the OECD, EU and other international institutions, and engage in dialogue with relevant stakeholders on these principles.