

IDA18 IFC-MIGA Private Sector Window











Mobilizing private sector investment
in challenging markets



The IDA18 IFC-MIGA Private Sector Window (IDA-PSW) is an allocation of \$2.5 billion for IFC and MIGA to mobilize private sector investment in IDA-only countries, and IDA-eligible fragile and conflict-affected states.

The International Development Association (IDA) is the World Bank’s fund for the world’s poorest countries. It constitutes the largest source of concessional finance for economic development and basic services in these countries. The International Finance Corporation (IFC), is the largest global development institution focusing on private sector in developing countries, providing and mobilizing scarce capital, knowledge, and partnerships that can address critical constraints to private sector development. The Multilateral Investment Guarantee Agency (MIGA) promotes foreign direct investment (FDI) into developing countries to help support economic growth, reduce poverty, and improve people’s lives. This is achieved by reducing the non-commercial risks faced by investors through investment guarantees.

The three-year pilot of the IDA 18 IFC-MIGA Private Sector Window began on July 1, 2017. It aims to increase private sector capital investments in large-scale infrastructure and public-private partnerships, and in strategic sectors such as manufacturing, health and education, small and medium enterprises (SMEs) and technology. The IDA PSW was created based on the recognition and understanding that the private sector plays an essential role when it comes to achieving the sustainable development goals and the need to mitigate the risks to private sector investment in order to expand its scale. The IDA PSW will be deployed through four facilities and is supported by IFC’s Creating Markets Advisory Window which will fund activities that help open and develop sectors as well as support companies to improve their operations and meet the rigorous standards of IFC.

<p>\$2.5B</p>	<p>IDA PSW seeks to expand private investment in IDA-only and IDA-eligible FCS countries</p>				
<p>4 OBJECTIVES</p>	<ul style="list-style-type: none"> Support scale-up of IFC/MIGA engagements in IDA-only and FCS markets Offset risks and other impediments to investments 		<ul style="list-style-type: none"> Crowd in private investment and help create markets Support IDA18 Objectives and Special Themes 		
<p>4+1 FACILITIES</p>	 <p>Risk Mitigation Facility (\$1 billion)</p>	 <p>MIGA Guarantee Facility (\$500 million)</p>	 <p>Blended Finance Facility (\$600 million)</p>	 <p>Local Currency Facility (\$400 million)</p>	 <p>Creating Markets Advisory Window</p>
<p>5 IDA18 THEMES</p>	 <p>Jobs and Economic Transformation</p>	 <p>Gender and Development</p>	 <p>Climate Change</p>	 <p>Fragility, Conflict & Violence</p>	 <p>Governance & Institution Building</p>
<p><i>Note: Investments should align with one or more themes</i></p>					

RISK MITIGATION FACILITY: *Catalyzing private sector investment in large-scale infrastructure and public-private partnerships (PPPs).*

The Risk Mitigation Facility (RMF) will **crowd-in private investment in large-scale infrastructure projects**. It will be used only when existing World Bank Group instruments are not able to meet demand, and is available in countries where there is limited fiscal space and institutional capacity. The RMF has two risk-mitigating products: a **liquidity support guarantee** and **political risk insurance**. The liquidity support guarantee instrument backstop payment obligations to state-owned enterprises to private projects; and the political risk insurance and government counterparty coverage for project finance loans and equity investments.

INSTRUMENTS: Project-based guarantees without sovereign indemnity.

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BLENDED FINANCE FACILITY: *Mitigating financial risks associated with investments in small and medium enterprises, agribusiness and other pioneering investments across sectors.*

The Blended Finance Facility (BFF) will build on and expand IFC's existing blended finance platforms by extending support into new high-impact sectors. In sectors already covered by IFC's blended finance program—SME, agribusiness, and climate change—the BFF will build on the current facilities, leverage existing experience and practices, and bring in additional scale and scope of engagement. Blended Concessional Finance refers to a financing package comprised of concessional funding provided by development partners, and commercial funds provided by IFC combined with additional funds mobilized from co-investors and sponsors in the private sector.

INSTRUMENTS: Senior Loans, Subordinated/Mezzanine Debt, Equity (directly and through funds), Guarantees/Risk-Sharing Facilities

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MIGA GUARANTEE FACILITY: *Providing risk mitigation solutions to support private sector investments (debt and equity) in IDA/FCS countries in various economic sectors and industries.*

The MIGA Guarantee Facility will provide political risk insurance, covering risks such as expropriation; currency transfer restriction and inconvertibility; war and civil

disturbance including Sabotage and Terrorism; as well as breach of contract for key project agreements covering government obligations. The MGF provides additionality by increasing both the scale and scope of MIGA's activities in PSW-eligible countries. This will be demonstrated by increased number of projects and associated volumes and transactions that MIGA will undertake beyond what is currently projected.

INSTRUMENTS: MIGA Political Risk Insurance products to private sector

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LOCAL CURRENCY FACILITY: *Financing in local currency for high impact projects in IDA and FCS countries where local currency solutions are not available or underdeveloped.*

The Local Currency Facility (LCF) will enable IFC to offer local currency loans, while complementing existing solutions, such as domestic banks, The Currency Exchange (TCX), and central banks, etc. In sourcing local currency supported projects, IFC will follow a “solutions-hierarchy.” This will involve first seeking to provide the needed currency through existing market solutions, other non-market providers such as TCX, and through existing or new IFC-liquidity operations in PSW-eligible countries before resorting to the options provided by the LCF. These options include: Counterparty credit risk transfer, non-deliverable swap and spot FX market, local currency pool funding, outright open FX transaction.

INSTRUMENTS: Local currency denominated loans to private sector clients who operate in markets where there are limited currency hedging capabilities.

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CREATING MARKETS ADVISORY WINDOW: *Responding to the increased demand for Advisory Services in IDA/FCS.*

The Creating Markets Advisory Window (CMAW) is a three-year funding window established to allow IFC to respond to increased demand for advisory services in IDA/FCS. It will also allow IFC to facilitate the implementation of the IDA PSW. Although priority will be given to the PSW-eligible countries, the CMAW will be available to all IDA/FCS. To the extent possible, CMAW funds will be leveraged alongside client and development partner contributions.

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