IFC: A Global Leader in Local Capital Market Development

At a Glance
• Developing local capital markets is a strategic priority for IFC. Deep, efficient local capital markets are the foundation for a thriving private sector, the key driver of jobs and growth.
• Access to finance for the private sector is a major constraint to growth in emerging markets. Deep, vibrant capital markets create access to long-term, local-currency finance. When companies borrow from local capital markets, they can do so in the currency in which they earn revenue. This protects them from foreign exchange risk and enables them to focus on expanding and creating jobs.
• Lack of access to infrastructure services also limits private sector growth. Local capital markets can mobilize funds to finance infrastructure, housing, and other priority sectors.
• Countries with strong local capital markets are more resilient to economic crises. Efficient local capital markets protect economies from capital-flow volatility and reduce dependency on foreign debt.
• IFC is a leader in local capital market development. IFC promotes local capital markets by issuing local currency bonds, often paving the way for other issuers. IFC also provides local currency finance to meet the needs of the private sector. In addition, IFC works with governments and regulators to promote reforms and policies supporting local capital markets and local currency finance.

What IFC is Doing
IFC is a pioneer in emerging market local currency bond issuances
• IFC has issued bonds in 18 local emerging market currencies, from Armenian dram and Chinese renminbi to Indian rupee, Peruvian soles and Zambian kwacha.
• Often IFC is the first international, non-government issuer of local-currency bonds in a market, paving the way for others.

IFC is a leader in local currency finance
• IFC provides financing that would not otherwise be readily available to the private sector, with a focus on long-term local-currency solutions and helping companies access local capital markets.
• IFC has provided over $13 billion in local currency financing across 63 currencies—more than any other international finance institution—through loans, swaps, guarantees, risk-sharing facilities, and other structured products.

IFC helps put in place policies and regulations that promote local capital market development
• When issuing local currency bonds, IFC works closely with regulators and market participants to improve the regulatory framework, encourage greater participation in the local markets, and provide a model for other high credit, non-government issuers.

Highlights
Connecting International Investment to Private Sector Financing Needs
• In November 2013 IFC launched a global offshore rupee “Masala” bond program. Under the program, IFC issued $1.3 billion equivalent in offshore rupee bonds with three-, five-, seven- and ten-year tenors, including the first rupee bond listed on the London Stock Exchange. The program created a triple-A benchmark curve for the offshore rupee markets; bonds were sold to investors globally. IFC has since also issued the first onshore Indian rupee “Maharaja” bonds. Bond proceeds are invested to support private sector development in India.
• In March 2014, IFC became the first international organization to list renminbi bonds on the London Stock Exchange. The three-year bond offering raised 2 billion renminbi from a broad range of international investors. In September 2014, IFC listed five-year renminbi bonds in London, becoming the largest issuer of renminbi-denominated bonds on the London Stock Exchange. Proceeds of the bonds are invested to support private sector development in China.
• In February 2015, IFC issued its inaugural offshore Rwandan franc “Twigire” bond. The three-year, 3.5 billion Rwandan franc bonds were sold to European investors. Bond proceeds will be used for private sector investment in Rwanda.

Helping Private Sector Companies Access Capital Markets
• In April 2014, IFC partnered with PT Ciputra Residence, one of Indonesia’s leading residential property developers, to provide the first partial credit guarantee for a local bond issue. IFC provided a 20 percent guarantee for a 500 billion Indonesian rupiah bond offering by the company. The bonds were more than two times oversubscribed. Ciputra Residence will invest the bond process to expand housing, particularly in low-income areas in Indonesia.

• In May 2014, IFC supported the first bond issuance by Zambia’s largest microfinance lender, Bayport Financial Services Limited, by providing an anchor investment of 60 million Zambian kwacha, or approximately $9.3 million, to help the company raise funds and expand services for formally employed low- and middle-income Zambians. Bayport Financial Services Limited serves more than 70,000 clients in remote areas through its national network of branches and rural mobile operations.

• In October 2014, IFC supported the inaugural bond issuances by Seven Energy International Limited, purchasing $50 million in bonds issued by the company. The bonds issued by Seven Energy, one of the few Nigerian companies developing and commercializing stranded gas, raised a total of $400 million. Bond proceeds will fund the construction of the Oron-Calabar pipeline, providing much-needed gas for power projects in southeastern Nigeria.

Diversifying Investment Options for Local Pension Funds
• In November 2014, IFC became the first institution to issue a triple-A rated bond in Costa Rica’s domestic markets, raising 5,000 million colones. The IFC “Irazú” bond was sold entirely to domestic pension fund looking for high credit investment alternatives. Bond proceeds support private sector development in emerging markets.

Updated April 2015.

Media Contact:
In Washington, D.C., Alexandra Klöpfer, aklopf@ifc.org, +1-202-473-4645