

IFC MCPP Infrastructure



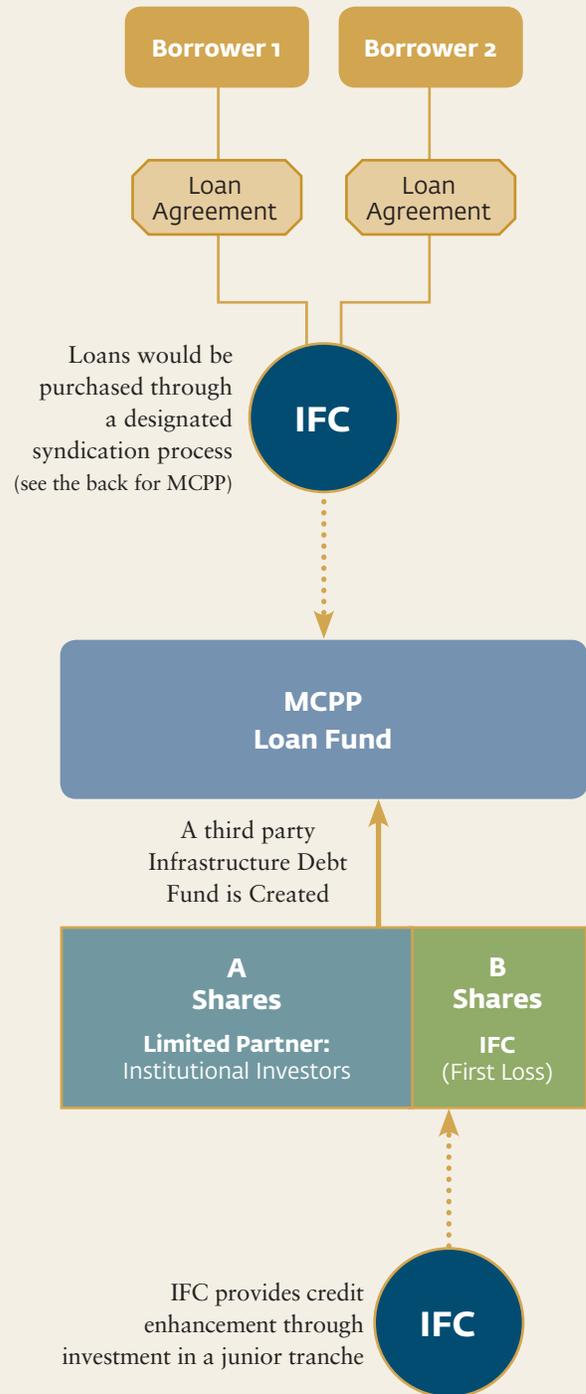
Addressing Emerging-market Infrastructure Challenges – Private Sector Solutions

- ◆ It is estimated that \$1 trillion dollars a year of financing is needed to build modern infrastructure in emerging markets.
- ◆ The bulk of this investment requires the provision of long term financing, especially loans.
- ◆ Fewer banks are willing to provide long term loans. Therefore, unlocking capital flows to infrastructure from new sources, in particular institutional investors, become a high priority.

MCPP Infra: A Solution for Institutional Investors to Access Emerging-market Infrastructure

MCPP Infrastructure aims to significantly scale up IFC's debt mobilization from institutional investors, and demonstrate a path for more investors to invest in emerging market infrastructure through:

- ◆ enabling institutional investors to leverage IFC's ability to originate and manage a portfolio of bankable infrastructure projects;
- ◆ offering institutional investors a portfolio that has sufficient scale and diversification through a cost effective portfolio syndication process (see the back for MCPP);
- ◆ providing a credit enhancement through an IFC first-loss tranche to create a risk-return profile akin to an investment grade profile, clearing a key capital constraint.



A Solution for Institutional Investors to Access Emerging Market Infrastructure

Fund Structure: Private Sector Fund Managers

- ◆ IFC will support the creation of new private sector infrastructure debt vehicles
- ◆ Each vehicle will invest in infrastructure loans originated by IFC and syndicated through the MCPP platform
- ◆ Each vehicle will be established to meet the commercial and regulatory requirements of large institutional investors

Syndication Process: Managed Co-Lending Portfolio Program (MCPP)

- ◆ IFC creates an emerging-market loan portfolio for institutional investors that mirrors IFC's own investments.
- ◆ The portfolio is constructed following a passive and rules-based allocation process, where an MCPP investor is offered a portion of each new eligible loan that IFC makes
- ◆ Under MCPP, investors receive priority access to IFC's pipeline, benefit from IFC's experience in managing emerging market loans, and lend on the same terms and conditions as IFC

Credit Enhancement: IFC Investment

- ◆ IFC and the Swedish International Development Cooperation Agency (Sida) are engaged in an innovative partnership to mobilize private capital for infrastructure to meet global development priorities
- ◆ IFC's investment will be in a first loss position, subordinated to other senior investors, improving the risk position of the senior investors to an investment grade profile
- ◆ Sida aims to share risk through a guarantee which covers the first loss on a portion of the loan portfolio. The Sida supported loans relate to projects that meet the Swedish priorities for development co-operation
- ◆ The IFC/Sida partnership enables each US\$1 invested to mobilize additionally US\$8-10 from a third party

IFC's Comparative Advantage

Robust Track Record on a Globally Diversified Portfolio

- ◆ IFC's infrastructure portfolio spans more than 60 countries and multiple sub sectors. Diversification is a key driver to IFC's infrastructure debt track record
- ◆ IFC can provide investors with detailed, loan-level infrastructure data extending back more than 25 years, demonstrating IFC's success in managing infrastructure loans across regions, sectors and through economic

A Cost Effective Syndication Platform

- ◆ IFC has developed and demonstrated the viability of a portfolio syndication platform
- ◆ MCPP can allocate third party capital in a cost effective manner
- ◆ Through a passive process, MCPP, allows the structure to operate with lower management fees than normally associated with actively managed funds

Credit Enhancement

- ◆ Regulatory constraints limit the ability of institutional investors, and in particular insurance investors, to invest in non-investment grade assets
- ◆ The natural diversification offered by IFC's portfolio, coupled with an innovative portfolio first loss, allows IFC to efficiently credit enhance the senior investors to investment grade

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