ICF 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 though an IFC first-loss tranche to create a risk-return profile akin to an investment grade profile, clearing a key capital constraint.

IFC provides credit enhancement through investment in a junior tranche
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**

- 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 cycles
- IFC has developed and demonstrated the viability of a portfolio syndication platform through MCPP
- MCPP can allocate third party capital in a cost effective manner
- 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

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working with 2,000 businesses worldwide, we use our six decades of experience to create opportunity where it’s needed most. For more information, visit www.ifc.org.