

Issue Brief: IFC Infrastructure Crisis Facility

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FINANCIAL CRISIS RESPONSE:

- IFC is establishing an Infrastructure Crisis Facility to bridge the gap in available financing for viable, privately-funded or public private partnership infrastructure projects in emerging markets that are facing financial distress as a result of the financial crisis.
- The Facility also aims to ensure a minimum level of continued new project activity in a sector where restarting project development plans could take several years.
- The Facility will comprise a loan financing trust, an equity facility, and an advisory facility, providing short-to medium-term financing for infrastructure projects.
- IFC will provide up to \$300 million to the Infrastructure Crisis Facility (for the proposed equity fund) and expects other sources to invest an additional \$1.2–10 billion.
- The governance structure of the Facility comprises a matching trust, an independent equity fund and an enhancement of existing advisory services in the World Bank Group.

INFRASTRUCTURE AT A GLANCE

- Infrastructure is a key development priority for developing and emerging market countries as it provides basic human services such as electricity, roads, water and telecoms and it is central to enabling trade and competitiveness.
- Globally, strong growth was recorded in private sector commitments to infrastructure with more even distribution of investment peaking at \$160bn in 2007.
- Investment grew in competitive markets with opportunities for securing revenues such as power generation and water treatment.
- The current financial crisis imperils good infrastructure projects which advance the quest for sustainable economic growth with severe consequences for countries' development agendas.
- Emerging markets infrastructure continues to expect significant long-term financing needs estimated at \$21 trillion for 2008-2017.
- The public sector has traditionally been the main source of infrastructure funding but it lacks sufficient resources to meet demand.

FINANCIAL CRISIS IMPACT ON INFRASTRUCTURE

- Preliminary research by IFC indicates that roughly \$110 billion worth of new projects risk delay or postponement and about \$70 billion worth of existing projects face financing or refinancing risk; of that, an estimated 5–10% would be recapitalization needs.
- Hedge funds are rapidly scaling back their investments and private equity funds are hoarding capital; Asian and Middle Eastern sovereign wealth funds may divert more of their portfolios to their regions.
- Investors are demanding higher returns for a given level of risk .
- Poorer developing countries are being crowded out as private investors are focusing on the largest emerging markets.

IFC AND INFRASTRUCTURE

- IFC has been investing in infrastructure since 1992.
- As of June 2008, IFC's total infrastructure portfolio was \$8.13 billion.
- Infrastructure commitments for FY 2008 were \$3.4 billion.
- Investments across Africa, East, South and Central Asia, Middle East, Eastern and Southern Europe.

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