



Project Summary Information

Date of Document Preparation: August 9, 2019

Project Name	Infrastructure Private Capital Mobilization Platform
Document Code	PD000274
Country	This information is redacted under exception 2 under AIIB's Policy of Public Information until the inception of the platform.
Sector/Subsector	Financial Institutions
Status of Financing	Under Preparation
Project Description	AIIB is considering investing in a new platform business that will purchase infrastructure loans from financial institutions and distribute them to institutional investors through securitization or other formats. This will support private capital mobilization and builds infrastructure as an asset class. The purchase of such loans is predicated on the hypothesis that financial institutions that currently originate and hold such loans to maturity will increasingly be constrained from doing so with the advent of Basel III regulations.
Objective	<p>AIIB's aspirations and objectives for this project are:</p> <ol style="list-style-type: none">a. <u>To help develop infrastructure capital markets as an asset class through the creation of investable debt securities in the Asian infrastructure sector:</u> The project's primary objective is to create debt securities backed by infrastructure loan assets for sale to institutional investors.b. <u>To mobilize a new pool of institutional capital for Asian infrastructure:</u> Banks are a predominant source of private sector financing for infrastructure projects in Asia but are limited in ability to continuously increase such long-term lending due to a preference for shorter maturities as a result of regulatory constraints imposed by Basel III. Institutional investors have significant assets under management that could match the long-term nature of infrastructure assets. The ability to address existing market frictions associated with investing in infrastructure debt would help crowd-in this alternative source of capital.

	<p>c. <u>To support the recycling of infrastructure lending of banks' balance sheets</u>: A secondary objective is to provide banks which lend to infrastructure projects a way to free up their balance sheet tied up in infrastructure loans. This can create a positive infrastructure finance loop for banks. With the new platform serving as a reliable off-taker of such loans, banks would be incentivized to redeploy freed up capital to new Asian infrastructure projects.</p>
<p>Expected Results</p>	<p><u>Direct beneficiaries</u>: Institutional investors are expected to benefit from this project as they would be able to gain exposure to the infrastructure sector through rated debt securities. In Asia, institutional investors typically do not invest directly in infrastructure loans as they are bespoke in nature, illiquid and are, for the most part, domiciled in sub-investment grade jurisdictions. Financial institutions which distribute their infrastructure loans to the platform will benefit as they can recycle their capital and potentially support more infrastructure lending.</p> <p><u>Indirect beneficiaries</u>: The platform is also expected to benefit the entire Asian infrastructure financing ecosystem. The ability to mobilize an additional source of liquidity in the form of institutional capital would help to address the significant infrastructure financing gap expected in Asia. This would have the effect of propelling the development of the infrastructure and finance sectors, thereby driving economic growth for the region.</p>
<p>Environmental and Social Category</p>	<p>N/A</p>
<p>Environmental and Social Information</p>	<p>The Project involves the establishment of a platform to purchase infrastructure loans from financial institutions, structure and distribute them to institutional investors through securitization or other distribution formats. In line with previous capital markets projects executed by AIIB, this platform will develop and maintain an appropriate environmental, social, and governance (“ESG”) framework.</p> <p>In place of AIIB’s Environmental and Social Policy (“ESP”), the project team proposes that the platform put in place a robust ESG framework that would be integrated with its due diligence process before any loan acquisition. The platform will also gradually develop environmentally and socially sustainable (“Sustainable”) securitizations or equivalent as a new asset class. The rationale for the proposed approach is as follow:</p>

	<ul style="list-style-type: none"> • The ESP is designed for lending to new projects and is not ‘fit for purpose’ for application to the capital markets or debt and equity security instruments; • Loans will mostly be purchased in the secondary market, and the management of environmental and social risks is only feasible through rules based ESG framework governing the selection of loans and the underlying projects. • Loans to be acquired would generally be backed by existing projects that have reached completion; in this context, the environmental and social risks are better managed through robust ESG criteria governing loan selection. • A key objective of the Project is also to encourage banks, through robust ESG criteria, to originate sustainable infrastructure projects that are eligible for purchase by the platform. • By taking an ESG framework approach, the platform can provide greater transparency to investors on the overall ESG profile of the underlying assets, thereby helping to add sustainability as a key and value-adding the feature of this emerging new asset class. 			
Cost and Financing Plan	By year five, AIIB will have disbursed up to USD54 million of equity capital to the platform, with the remaining USD126 million funded by other investors and partners. Total debt financing of up to USD1.8 billion could be raised to support the platform. The proceeds will be used mainly for funding loans and investments and support operations of the platform.			
Targeted Investment Company	The platform company is expected to be incorporated in FY2020.			
Sponsors	This information is redacted under exception 2 under AIIB’s Policy of Public Information until the inception of the platform.			
Estimated date of the last disbursement	FY2024			
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Date of Concept Decision	January 2019			
Date of Appraisal Decision	June 2019			
Date of Financing Approval	July 22, 2019			

Independent Accountability Mechanism	Given the ESP exemption sought, AIIB's Project Affected People's Mechanism (PPM) would not apply to this Project since it is restricted in its application to projects governed by the ESP.
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