IFC-MOBILIST LANDMARK SECURITISATION TRANSACTION:

A BLUEPRINT FOR MDBs/DFIs TO MOBILISE PRIVATE CAPITAL INTO EMDEs

MOBILIST

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ABOUT

MOBILIST

As the UK's flagship public markets investment programme, supported by the Government of Norway (Norad) and the Government of Switzerland (Seco), Mobilising Institutional Capital Through Listed Product Structures (MOBILIST) supports investment solutions that help deliver the Sustainable Development Goals and the climate transition. MOBILIST competitively sources and selects dedicated emerging and frontier market investment products. Our team supports these products to list on global and local public exchanges. By demonstrating products' commercial viability, we build momentum for developing country investment opportunities at scale.

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1. EXECUTIVE SUMMARY

To meet the scale of finance required to achieve the Sustainable Development Goals (SDGs) by 2030, the development finance community must seek new and innovative solutions. Domestic political and economic developments, coupled with global geopolitical events, have significantly tightened development finance budgets. It will be key to work with the private sector to drive investment into EMDEs. The role of the Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) is more critical than ever to identifying new approaches to unlocking and mobilising investment, including by using their own balance sheets more effectively.

Securitisation, as a form of risk transfer and risk sharing, is an important tool to mobilise private capital into emerging market and developing economies (EMDEs). Given the overwhelming weight of loans among MDB assets[1], securitisation of underlying MDB loan books could provide a powerful tool to scale private investments into EMDEs. In 2022, the G20 Capital Adequacy Framework Panel Report recommended that MDBs use securitisation for transferring both NSO and Sovereign Obligor (SO) risk to address donors' fiscal constraints, as securitisation enables the recycling of MDB capital without having to grow the equity base.

Pioneering transactions by development finance actors[2] have demonstrated that both true-sale and synthetic securitisations offer great potential to mobilise private capital without jeopardising existing credit ratings. The recent inaugural issuance of the International Finance Corporation (IFC)'s Emerging Markets Securitisation Program (EMSP) is closely aligned with the World Bank Group's (WBG) Evolution Roadmap and the IFC's 2030 Vision, which prioritises the use of catalytic structures to crowd-in institutional investors and expand private sector solutions in emerging markets. This initiative is a core workstream under the WBG's Originate-to-Distribute (OtD) strategy, which is central to the institution's strategic shift toward more flexible and catalytic use of capital. It is also featured in WBG's FY25 Strategy and Business Outlook as a priority initiative to enhance balance sheet efficiency, broaden investor reach, and deepen institutional markets for emerging market credit.

With the support of MOBILIST as a co-investor in the equity tranche, the IFC's EMSP has demonstrated that MDB and DFI loans are commercially viable, by issuing listed, credit-rated senior notes, addressing the need of institutional investors for quality, scale, and liquidity. Similar to the Bayfront transaction, MOBILIST has again participated in a securitisation transaction, which has maximised demonstration effects through creating listed instruments.

Prior MOBILIST research[3] made several high-level recommendations concerning the securitisation strategy of MDBs/DFIs. However, through dialogue with MDBs/DFIs, it has also emerged that there are certain impediments preventing smaller institutions from pursuing securitisation. One constraint identified in past research[4] was the requisite scale of single-originator securitisation programmes relative to the size of most MDBs/DFIs' individual loan books, which could not offer the necessary volume and diversification to attract the desired level of credit rating and liquidity, and hence interest from the institutional investor community.

Therefore, future MOBILIST research proposes to explore how MDBs/DFIs may pool assets to reach the scale required to maintain a presence in the securitisation market. It will also identify and address implementation challenges by sharing the relevant securitisation experiences of MDBs/DFIs, from pooling, analysing, rating and packaging the underlying assets to issuing and trading securitised instruments, while maintaining robust governance and transparency.

1 In 2023, out of the total assets of the 12 largest MDBs amounting for ca. USD2trn, lending represented ca. 62%, of which roughly 2/3 was sovereign and 1/3 was private borrowing. Source: MDB annual reports and LHGP research.

2 AfDB pioneered the use of synthetic securitisation of MDB assets, with its two Room-to-Run (R2R) transactions. The Banque Ouest Africaine de Développement (BOAD) initiated one of the first MDB securitisation programmes to enhance its financing capacity for development projects across the West African Economic and Monetary Union (UEMOA) region. The listing of the securitised notes of the MOBILIST-supported Bayfront transaction was seeded and supported by the Asian Infrastructure Investment Bank (AIIB). (See the case studies in a MOBILIST Working Paper: Scaling Securitisation in Development Finance: Potential, Precedents, Pathways (May 2025))

3 MOBILIST: Scaling Securitisation in Development Finance: Potential, Precedents, Pathways (Oct 2025)

4 MOBILIST: Scaling Securitisation in Development Finance: Potential, Precedents, Pathways (Oct 2025)

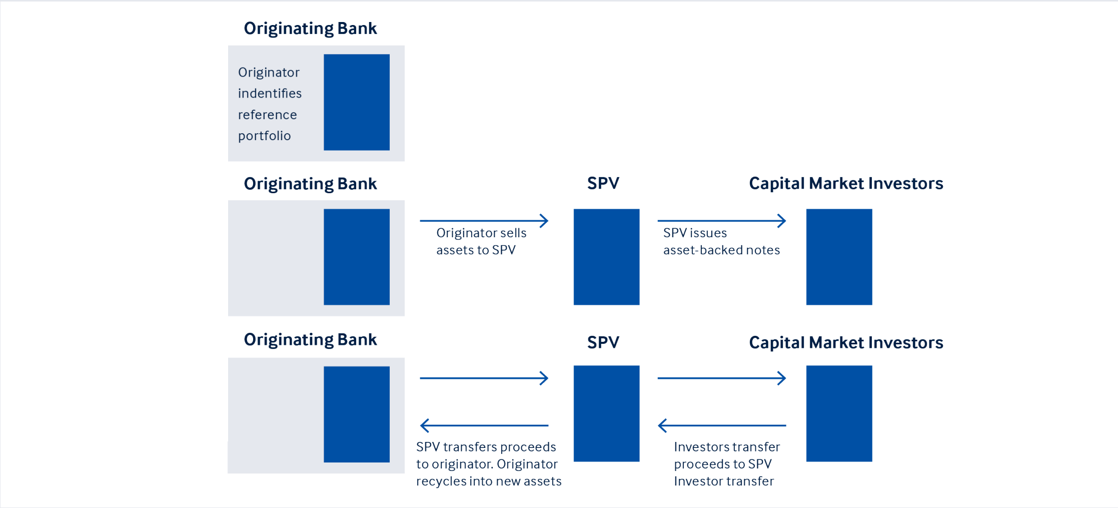
2. UNDERSTANDING SECURITISATION

Securitisation is a financial process through which certain interest-bearing assets sitting on an institution's balance sheet are pooled, transferred and repackaged into tradeable, interest-bearing securities. The investors who buy these securities receive interest and principal payments from the underlying assets, and the capital freed up by the originator can be recycled into new projects and loans. A basic securitisation process involves three steps (see Figure 1):

1. A company (often a **bank** or a group of banks) – the '**originator**' – identifies the assets it wants to remove from its balance sheet and pools them into a securitisation portfolio.
2. The securitisation portfolio is sold to the '**issuer**', often a **Special Purpose Vehicle** (SPV) created solely for the transaction in question. The originator can recycle the capital freed up through the sale to finance new projects.
3. The issuer finances the acquisition of the securitisation portfolio by issuing tradeable, interest-bearing securities that are then sold to **capital market investors**. The holders of these asset-backed notes receive interest payments funded by the underlying portfolio. The securitisation portfolio is often divided into several slices or '**tranches**'. Each tranche has a different level of associated risk and so a different set of return expectations.

Securitisation can take the form of a true sale, where assets are legally transferred to a special purpose vehicle that issues the securities, or a synthetic structure, where the assets remain on the originator's balance sheet and only the associated risks are transferred through credit derivatives or guarantees.[5] In both cases, the process frees up capital for the originator.

Figure 1: Basics of Capital Recycling through Securitisation



5 Credit derivatives or guarantees are contractual instruments that transfer or mitigate the risk of borrower default, often used in securitisation structures to enhance credit quality and attract investors. The MOBILIST: Scaling Securitisation in Development Finance: Potential, Precedents, Pathways (Oct 2025) explains securitisation terms and methods in more detail.

3. THE IFC's EMERGING MARKETS SECURITISATION PROGRAM (EMSP)

3.1 THE GOAL OF THE PROGRAM

The Emerging Markets Securitisation Program (EMSP) was launched to tackle one of the toughest challenges in development finance: mobilising private capital at scale in emerging markets. Public resources alone cannot meet the financing gap, and global capital still flows mainly to advanced economies, even though approximately 85% of the world's people live in emerging markets.[6]

The program is directly aligned with the UN's Sustainable Development Goals[7] (SDGs) and responds to the G20 Capital Adequacy Framework (CAF) Panel's recommendations for multilateral development banks to recycle their balance sheets, including through innovative financial instruments, to unlock substantial new lending capacity. It is also consistent with the World Bank Group Evolution Roadmap[8], which calls for new approaches to mobilising private capital at scale. The initiative aligns with the priorities of the Private Sector Investment Lab[9] (PSIL) and is core to the World Bank Group's originate-to-distribute (OtD) strategy, both of which aim to expand the role of private investors in development finance.

At its core, EMSP is about transforming illiquid bilateral private loans into standardised securities that global institutional investors can access in a format they know. By doing so, the IFC can recycle its capital to support more projects, while giving investors a familiar, market-standard way to invest in emerging market credit in line with their risk-return preferences.

MOBILIST's contribution was critical to getting the inaugural EMSP transaction off the ground. As a co-equity investor alongside the IFC, MOBILIST took part in the riskiest tranche of the structure, absorbing potential losses and giving private sector investors the confidence to participate. Without this catalytic equity tranche, the transaction would not have been possible.

3.2 WHAT MAKES THE IFC's EMS 2025-1 TRANSACTION UNIQUE?

The first transaction, EMS 2025-1, raised $510m by pooling IFC loans to 57 companies diversified across sectors and regions. The portfolio spanned Latin America and the Caribbean (33%), Africa (24%), Europe and Central Asia (15%), South Asia (14%), East Asia and the Pacific (8%), and the Middle East and North Africa (6%). More than 30% of the portfolio was exposed to low-income countries supported by the World Bank's International Development Association (IDA), or fragile and conflict-affected states (FCS). Sector exposure was broad, with over 85% of the portfolio allocated to manufacturing, agribusiness, services, and infrastructure,

6 The World by Income and Region (Source: https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html) [Accessed on 6 October 2025]

7 The United Nations Conference on Trade and Development estimates it will require private sector funding of US$5tn to US$7tn per year to meet the SDGs (Sustainable Development Goals) by 2030. However, the lack of finance for long-term capital hinders financial sector development, infrastructure investment, and economic growth in EMDEs. In addition, the lack of well-developed, institutional investor-oriented products has limited the ability of private sector investors to invest and of financial institutions to mobilise capital efficiently. (Source: https://www.aberdeeninvestments.com/en-us/institutional/insights-and-research/emerging-markets-and-the-sdgs-investing-where-its-needed-most) [Accessed on 6 October 2025].

8 From Vision to Impact: Implementing the World Bank Group Evolution (Source: https://documents1.worldbank.org/curated/en/099032924184513110/pdf/BOSIB11b64b67b0511a66d139b76c4235f6.pdf) [Accessed on 6 October 2025]

9 In 2023, the World Bank Group (WBG) launched the Private Sector Investment Lab (PSIL) and recruited 15 of the world's leading CEOs to help identify practical solutions for scaling private investment in emerging markets.

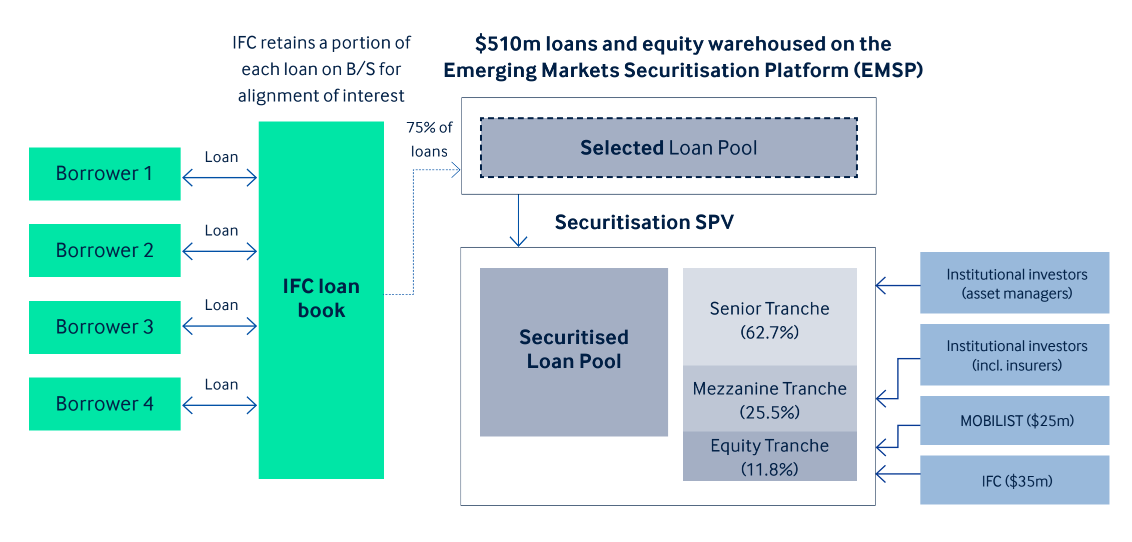
and the remainder in financial institutions. It brought together a breadth of emerging market credits that are rarely available to investors in a single, standardised instrument.

The securitisation was structured with senior notes of $320m that were sold to private investors and rated Aaa by Moody's, supported by a rigorous review and mapping of the IFC's internal credit processes to market standards. The mezzanine tranche of $130m was insured by a consortium of insurance companies.

The $60m equity tranche was co-invested by the IFC and MOBILIST. MOBILIST's anchor role in the equity tranche was a central element that helped make the transaction possible, creating the first-loss buffer that gave confidence to the rest of the capital stack. This equity enhances the risk profile of the issued notes, making them investment grade, and hence enables institutional investors to participate in the transaction.

The listing of the senior notes on the London Stock Exchange enhanced visibility and has the potential to broaden the investor base over time.

Figure 2 – Emerging Markets Securitisation (EMS 2025-1): the First Step in IFC's EMSP[10]



3.3 IMPACT AND DEMONSTRATION EFFECT

The EMSP shows that emerging market loans can be transformed into investable securities that resemble familiar products for investors. This is not about reinventing finance; it is about adapting proven structures to open new opportunities in emerging markets that can be scaled up.

The IFC's and MOBILIST's co-equity investment sent a strong signal: that development-focused capital can play a catalytic role in making innovative structures work for the private sector. By standing at the bottom of the capital stack, the IFC and MOBILIST helped create space for institutional investors, particularly asset managers and insurance companies, to come in at the top and mezzanine tranches. That balance is what made the deal successful.

The broader impact goes beyond a single issuance. By offering investors exposure to a diversified portfolio of emerging market credits across sectors and regions, EMSP challenges assumptions about the risk profile of these markets. Emerging markets credit, when structured and managed properly, can be more resilient than many assume. And when combined with developed market credit portfolios, it can diversify risk and improve the overall risk-return profile of such a portfolio. By proving this point in practice, EMSP has created a template for how to scale institutional capital flows into markets where financing gaps are deepest.

10 Source: MOBILIST research

3.4 LOOKING AHEAD

This first issuance is just the beginning. Over time, the IFC aims to build a regular cadence of transactions, with the ambition of establishing benchmarks and deepening liquidity. Other issuers may follow suit. The long-term vision is to build a new asset class of emerging market loans that institutional managers can access with confidence, just as they do in developed markets.

The program is also designed to be replicable, paving the way for other multilateral development banks and development finance institutions to adopt similar models. If replicated widely, the impact could be transformative: mobilising large-scale private capital into emerging markets, supporting jobs, growth, and resilience where they are needed most.

At the heart of this effort, MOBILIST's role working with the IFC in its inaugural transaction stands out. By stepping in as a co-equity investor, MOBILIST demonstrated how catalytic investors can unlock markets for others to follow.

4. SECURITISATION POTENTIAL IN DEVELOPMENT FINANCE

MDBs and DFIs have been encouraged to use efficient risk transfer methods[11], such as securitisation, to mobilise private sector capital on a large scale to face the significant financing challenges of delivering on the UN's SDGs.

However, MDBs and DFIs need to be fully aware of how securitisation impacts some of their key performance indicators (KPIs) (see Table 1), why private sector investors can potentially shy away from investing in securitisation notes and how to address their concerns (see Table 2) as the IFC/MOBILIST case study demonstrates.

Table 1: Potential impact of securitisation on MDB/DFI's KPIs

KPIs	Impact
Risks and Credit Rating	**By transferring risk to private sector investors, securitisation can reduce leverage and risk concentration in MDB balance sheets**, while improving the bank's liquidity and capital adequacy ratio. *Ceteris paribus*, this should protect or improve MDB credit ratings.
Funding Capacity	**Securitisation should improve MDBs' funding capacity without capital increase**s, while still satisfying credit rating requirements. This can support capital recycling into further development priorities.
Diversification of Funding	**By diversifying funding sources**, small-to-mid-size MDBs can reduce their dependency on their primary funding sources, thus relying less on scarce donor resources.
Private Capital Mobilisation (PCM)	**PCM can be served by securitisation in several ways:** • **directly**, as the risk and/or assets are transferred from MDB balance sheets to private sector investors, improving the MDBs' capital velocity and, resultantly, mobilising additional private capital, and, • **indirectly**, if an MDB enables a securitisation transaction, where their assets are combined with assets originated by private sector financial institutions and are being securitised jointly.
Preferred Creditor Status (PCS)	**On the other hand, loans to governments are are difficult to slice up for private investors.** MDBs' PCS is at the cornerstone of MDBs' credit strength and is difficult to transfer[12]. This limits the opportunity for MDBs to securitise their private sector portfolios only.

11 As an earlier MOBILIST report has observed: "The 2015 Toronto G20 declaration recommended that MDBs consider securitisation as a means of sharing risk on their Non-Sovereign Obligor (NSO) portfolios. In 2022, the G20 Capital Adequacy Framework Panel Report recommended that MDBs use securitisation for transferring both NSO and Sovereign Obligor (SO) risk." MOBILIST: Scaling Securitisation in Development Finance: Potential, Precedents, Pathways (Oct 2025)

12 If the lender becomes a private investor, PCS would no longer apply.

Table 2: Investment risks of securitisation for private sector investors

Risks for investors	What does it mean?	Solutions offered by the IFC-MOBILIST transaction
Adverse Selection	Since originators typically have better risk information than investors, they could be tempted to offload their lower-quality assets.	To overcome this valid investor concern under the landmark IFC-MOBILIST transaction 25% of all loans securitised are retained by the IFC.
Moral Hazard	Following the transfer of risk and/or assets from the MDB balance sheet, the bank may have less incentive to ensure that the appropriate return on the underlying loan book is delivered.	In addition, the IFC and MOBILIST jointly provide a significant buffer to absorb potential losses from default in the form of an equity tranche.
Liquidity	To attract demand at scale, transactions typically need to provide a certain amount of volume and liquidity. The complexity involved in bundling MDBs' assets and the lead time to transactions is a valid concern for investors.	To overcome this concern, the IFC was clear with its intention to build a programme of recurring transactions, showing commitment to the market to build a reliable pipeline of eligible assets.

5. CONCLUSION: NEXT STEPS

Prior MOBILIST research[13] has made several high-level recommendations concerning the securitisation strategy of MDBs/DFIs:

- **Strategy:** Transitioning now from a strategy focused on pioneering transactions to establishing securitisation programmes and building securitisation markets can help to accelerate private capital mobilisation and risk transfer. **Proposal 1: Develop a unifying ambition in terms of dollars mobilised or transactions executed by 2030 to encourage a shift in strategy towards market-building and extended securitisation programmes.**
- **Operations and policy:** Sharing operational experience, developing standardised/template documents, preparing harmonised loan data templates, and so forth within the development finance community will help to align future transactions with market standards and norms. Coordinated external operational engagement with rating agencies, investors, and (where relevant) regulators will build awareness of the specificities of development finance assets and ensure that calls for reform and recalibration benefit from the community's collective insight and advocacy. **Proposal 2: Deepen collaboration between MDBs/DFIs to share lessons, data, and documentation, building on recent roundtables and convenings. Prepare shared messaging – even if high-level – for policymaking fora and identify other opportunities to reiterate and refine joint messaging on the securitisation agenda.**
- **Asset pooling:** There are several routes to scaling securitisation in development finance, including the potential to pool assets (i) among those institutions that do not have sufficient scale to sustain a programme of transactions independently and (ii) with private sector assets, to enhance scale and diversification. **Proposal 3: Commission a joint feasibility and structuring study to develop and appraise the pooled structures identified in MOBILIST scoping and agree on an action plan for feasible options.**

Readers can find more detail on these recommendations in the full MOBILIST research report 'Scaling Securitisation in Development Finance: Potential, Precedents, Pathways', which will be published in October 2025.

However, through dialogue with MDBs/DFIs, it has also emerged that even larger MDBs/DFIs often face the challenge to create well-diversified portfolios with homogeneous currencies, organised around uniform sectoral themes (e.g. renewable energy infrastructure), which could form an easily marketable basis for securitisation.

Therefore, future MOBILIST research will contrast the single originator model with the multi-originator setup, where several MDBs/DFIs pool their underlying assets and securitise them under a single platform. The analysis will explore various routes to asset pooling as envisaged in an earlier MOBILIST report[14]: multi-originator, single MDB platforms, multi-originator, specialised independent platforms and commercial platforms with blended portfolios. The report will explore in detail the complexity of creating these platforms, utilising case studies wherever possible, including:

- **Aligning priorities** and "harmonising documentation from multiple MDBs/DFIs, each with unique contracts and credit approval processes."[15]
- **Resolving potential conflicts of interest** between the various parties with varying quality loan-books (e.g. providing a fair method to allocate proportional ownership of the necessary equity tranche among the participants, who provided the underlying assets for securitisation, while satisfying the risk retention requirements for securitisation).

13 MOBILIST: Scaling Securitisation in Development Finance: Potential, Precedents, Pathways (Oct 2025)
14 MOBILIST: Scaling Securitisation in Development Finance: Potential, Precedents, Pathways (Oct 2025)
15 Ibid. p30.

- **Credit rating challenges** when integrating the loan books of multiple institutions.
- **Finding the right balance between a manageable number of underlying assets**, allowing in-depth risk analysis (including the manageable number of underlying lenders) and still reaching the optimal minimum issue size to overcome the costs associated with the creation of securitisation vehicles.
- **Creating the necessary incentives for the financial intermediary designing the securitisation vehicle** to become a truly independent arbitrageur of the varying interests of underlying asset contributors (i.e. free from any potential conflicts of interest) but with a 'skin in the game' (e.g. with at least 5% ownership of the equity tranche).
- **Analysing the pros and cons of synthetic vs true sale securitisation** under the asset pooling scenario.

In turn, the report will aim to address these concerns and contrast the various models based on their pros and cons to help MDBs/DFIs make an informed decision. In addition, each model will be supported by a blueprint of execution, further reinforced by relevant case studies wherever possible.

The report will argue that by pooling their resources, MDBs/DFIs can unlock significant advantages in terms of:

- **Commercial viability** "achieving portfolio quality, geographic and sector diversification, pricing efficiency, and investor-friendly structures".
- **Improved credit rating** through achieving superior liquidity and diversification.
- **Mobilisation of private capital** by profitable exit strategies and increasing capital velocity through enabling MDBs/DFIs to reinvest new capital.
- **Additionality by eliminating the capital constraints of individual MDBs/DFIs** by pooling their assets for securitisation.
- **Eliminating information asymmetries** by turning private, illiquid assets into publicly traded liquid ones.
- **Cost efficiency by scaling**.
- **Systemic change** through creating replicable landmark transactions.

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