Designing the capital stack in 5 steps: right sequencing, right stacking, right instruments

A blended fund for health-system infrastructure investment

The five steps

1. Define structure & instruments
2. Raise in sequence; mind conditionalities
3. Fit instrument to asset
4. Govern for independence
5. Manage risk; plug into health architecture

5 Credit enhancement

(de-risking layer)

- Technical assistance facility
- Partial/portfolio guarantee
- Political risk insurance
- ForEx hedging

1 MONEY IN

raising capital

Repayment priority (senior first)

SENIOR DEBT ~40%
Private & institutional investors (pension funds, insurers, banks)
Market coupon + structured-credit guardrails: concentration limits · eligibility · reporting

MEZZANINE ~30%
MDBs / DFIs (World Bank, Regional Development Banks)
Light covenants/no onerous policy earmarks

FIRST-LOSS EQUITY ~30%
Donors, foundations, grant providers
Catalytic & unconditional — absorbs first losses (thicken as asset risk rises)

Loss absorption (junior first)

3 MONEY OUT

deploying capital

- Operating cash-generating businesses: manufacturing expansion, distribution supply-chain infrastructure → **SENIOR SECURED DEBT**
- Specialised sub-sectors & local markets → **FUND-OF-FUNDS** local funds
- Greenfield/early-stage manufacturing with no revenue yet → **EQUITY** patient, risk-bearing

Instrument follows the cash-flow profile, not a fixed debt:equity ratio.
Don't lend short-term senior debt into a pre-revenue plant.

4 **Govern for independence:**
independent manager, insulated from state or institutional capture.

2 Sequence the raise: don't close all tranches at once

Phase 1 — Build the evidence
Close first-loss (equity) + mezzanine first. Deploy a starter portfolio of real deals. Build a track record.

→

Phase 2 — Crowd in private capital
Senior lenders “kick the tires” on actual assets, not a deck. Fund the senior tranche. Scale.

5 **Demand-side health architecture:** pooled procurement/purchase commitment/offtake (e.g. AMEF) + MDB Policy Based Lending for regulatory reform (e.g. functional AMA)

Focus: *local manufacturing + supply-chain infrastructure;* ***Percentages indicative***: *2.3:1 commercial to concessional consistent with [observed rates]*