

# **Towards an African Cities Development Fund**

**A joint instrument allowing cities to issue bonds on national or international markets**

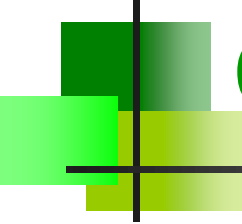
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**Conclusions of a workshop held in Rabat the 30 and 31th of October, 2017 : CFOs, West African Development Bank, BNP Paribas, Development Bank of Southern Africa (DBSA), West African Regional Stock Exchange (BRVM), Deposit and Management Fund, of Morocco, Moody's, Bloomfield International, Agence France Locale, Norges Kommunalbank, Municipal Capital Investment Fund, FEC (Fonds d'Equippement Communal) of Morocco, Dakar Municipal Finance Project and Municipal Capital Investment Fund of Cameroon, FEICOM**

**Special pan African vehicle dedicated to the  
financing of African Cities.**

**François Paul Yatta, PhD**

# Challenge 1 : Filling the gap



- ❑ Improving the lives of at least 31 million slum dwellers by 2020 ( target 11 of MDG-7) would translate into investments of the order of \$16 billion (UN Millennium Project)
- ❑ If the more ambitious objective of eradication of African slums is pursued, then the costs jump to \$167 billion for the population of 250 million African slum dwellers



# Challenge 2 : Following the urban development

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- ❑ To support the economic growth on its current level, expenditures in infrastructures account for 5,5% of the GDP, 140 Md\$ (World Bank)
- ❑ The two-thirds of these expenditures (90Md\$) are under local governments competence
- ❑ While the current investment capacity of African local governments is estimated at only 4% of the public investment needed for urban development;



# African Cities

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- ❑ These cities produce about 60% of the African GDP and host a growing middle class that should equal that of China in 2020;
- ❑ The economic weight of this middle class is currently valued at USD 700 billion and is expected to reach USD 1 700 billion by 2030;
- ❑ Experts estimate the annual added value of cities in Africa at around USD 51 billion, and their annual debt capacity at USD 8 billion;

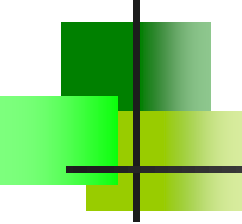


# Building the development process

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- ❑ **Servicing Local Governments** : long term funding, lending to municipalities in local currency and LG owners
- ❑ **Building a credible financing institution** : Getting an investment grade rating, Separating political governance & professional management, Building a comprehensive and resilient guarantees package
- ❑ **Reaching a market share that benefits local authorities** : Covering the main financing needs of members, offering a competitive option,
- ❑ **Choosing a supervision model or drafting a specific one** : The model will have large impacts on management and daily activity

# Designing the vehicle

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- ❑ **Business model** : Positioning the vehicle : Direct lending or Refinancing national entities ; Targeting eligible local governments ; Financing projects or credit lines
  - ❑ **Accepting the primacy of ensuring the portfolio quality** : this quality is the main criterion that will sustain a good rating, that is ensure the capacity of the vehicle to raise funds at an acceptable price
  - ❑ **Business plan** : tackling a long list of issues like : market, revenues, currency, legislation for operation and management, profitability, etc;

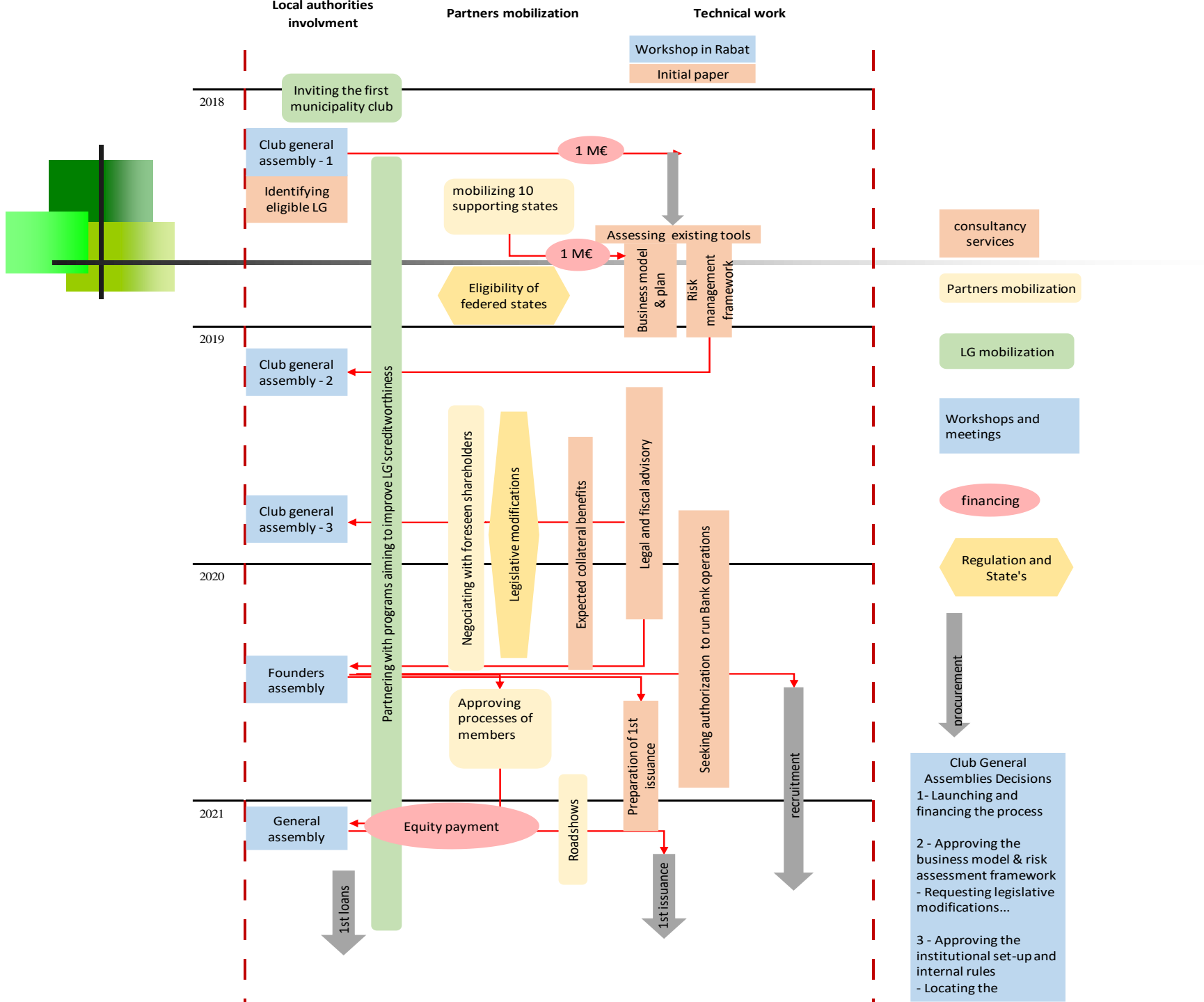
# Designing the vehicle

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- ❑ **Risk management framework:** bridge the gap between local governments and the financial market mean to assess a list of risk
  - ❑ **Structuring the capital :** First, the vehicle is a limited company, owned by the participant local governments ; Secondly, the Fund is an international institution, or is backed by an international institution
  - ❑ **Containing processing costs :** keeping processing costs under control is a strategic issue, aiming to maintain margins at an acceptable level;
  - ❑ **Owning and governing :** Corporate governance, Voting rights, applicable legislation, etc

# Designing the vehicle

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- ❑ **Getting the local governments ready** : Drafting the lending policy, Improving local capacities to manage financing, Partnering with programmes aiming to reinforce creditworthiness
  - ❑ **Mobilizing partners** : Forming a first club of cities, politically and technically involved in the preparation of the Fund and a first club of States
  - ❑ **Prefiguring and launching** : Funding the preparatory process, Negotiating the legal arrangements with States and other involved institutions, Designing the 1st issuance, Roadshows and marketing ;







**Thank you for your  
attention**