

African Cities Development Fund established

The establishment of the African Cities Development Fund (FODEVA) recently took place during a two-day workshop hosted by United Cities and Local Governments of Africa (UCLG Africa) at the Hotel Rabat in Morocco.



The workshop emanated from a conference, 'Funding African cities: agenda, alliances and solutions', held in Marrakech in November 2014 at which members of UCLG Africa agreed to establish a financial vehicle dedicated to the funding of African cities. The fund aims to enable cities to issue bonds on national and international capital markets.

High-level experts

The workshop brought together twenty high-level experts including specialists in fundraising on the financial markets, officials from development banks and funds, asset managers from international private banks, officials of rating agencies, and representatives of national and local administrations.

The exchange of views and experiences and the contributions of participants helped to establish that:

- There is a pressing need to set up a specialised vehicle for fundraising and access to funding in favour of African local governments.
- The African Cities Development Fund will have a dual role - to sell the destination of African local governments to investors and to prepare the capacity for absorption and debt management of these local governments.
- The African Cities Development Fund should enable local governments, or national institutions specialising in granting loans to the local governments, to borrow over a term of seven to 15 years to finance development projects.
- During the preparation phase for the launch of the African Cities Development Fund, UCLG Africa should mobilise €2m - €1.5m to be provided by local governments and €0.5 million by central governments - the objective being to mobilise 10 central governments and 30 local governments, each contributing €50,000. This takeoff fund should be mobilised before the end of 2019.
- As a starting point, the vehicle should aim to achieve approximately \$2-3bn as its first fundraising goal. This should take place quickly (deadline 2020) and should target local governments that have a proven repayment capacity.

In this respect, a roadmap was worked out that would:

1. Define the structure of the capital.
2. Define the risk portfolio.
3. Cooperate with existing national tools.
4. Present the benefits of the vehicle.
5. Involve central governments to obtain their non-objection opinion.
6. Produce an information note on the vehicle.
7. Prepare and organise a communication campaign and a road show for the vehicle.

The intention is to finalise this roadmap in order to present the African Cities Development Fund as a vehicle of credible funding at the 2018 Africities Summit.

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