



Guidelines on Subnational Finance



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

INTRODUCTION

- ADB/BD/IF/2019/292 – ADF/BD/IF/2019/187
- Approved on 18 November 2019
- Subnational governments/entities play an increasingly important role in support of RMCs' development.
- Bank Group recognized this at the outset through its Charter and policy and strategic frameworks.
- Several challenges that affect the nature and form of subnational financing.
- Major International and regional financial development institutions are engaged in subnational finance.



OBJECTIVES

1. Improve the system of incentives that lead to sustainable development outcomes for subnational governments/entities.
2. Provide support to enhance capacity, improve governance, and enhance access to financial resources.



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POLICY FRAMEWORK

The African Development Bank (ADB) Articles of Agreement allow for the provision of financing to subnational governments and their entities (Chapter III Article 14 (1) of the Agreement Establishing The African Development Bank);

The African Development Fund (ADF) Articles of Agreement allow for the provision of financing to subnational governments and their entities (Chapter V Article 16 (3) (b) of the Agreement Establishing the African Development Fund);

Bank Group subnational finance operations are governed by all relevant Bank Group institutional and sector policies, rules and safeguards.



STRATEGIC FRAMEWORK

The Bank Group's Ten Year Strategy 2013-2022 and High 5s

The Bank Group's Urban Development Strategy

The Bank Group's Governance Strategic Framework and Action Plan

The Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa

The Bank Group's Financial Sector Development Policy and Strategy (FSDPS) 2014-2019

The Private Sector Development (PSD) Policy and PSD Strategy

In the context of the sustainable development agenda post 2015, the Bank Group further committed to a number of actions in support of subnational finance

ELIGIBILITY CRITERIA

1. Eligibility for resources
2. Ownership and commitment to subnational development
3. Qualification as a subnational government/entity
4. Sound banking principles

Flowcharts 1-3; Annex 2-3



OTHER CONSIDERATIONS

- On-lending or indirect lending or re-lending
- Guarantee and security arrangements
- Areas for TA and capacity building, reforms, financial sector support, private sector development support
- Debt implications



PROCESSING

Completion & Evaluation

CSP

Identification

Implementation
(supervision)

Preparation
(Assessments)

Negotiations & Board
Approval

Appraisal



Thank You



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