



Towards an Territorial Africa Agency

A joint instrument allowing cities and subnational and local governments to issue bonds on national or international markets

Special pan African vehicle dedicated to the financing of African Cities and subnational and local governments.

Why the Territorial Africa Agency ?

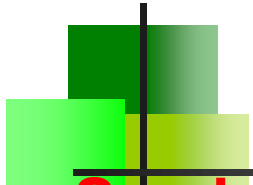
- ❑ To contribute to the African Union's (Agenda 2063), Cities and territories will have to invest about 90 billion US dollars a year to host, in good conditions, 450 millions additional inhabitants by 2030, while eliminating the accumulated deficit in terms of equipment and infrastructure
- ❑ Such financial volumes are vastly higher than current instant savings of cities and territories, even if such savings are supplemented by the funds allocated by Central Governments to local investment
- ❑ Drawing lessons from the international experience, African leaders of cities and territories take the initiative of creating the ATA, a financial institution dedicated to the financing of infrastructure equipment and services :



Benefits of African territorial Agency

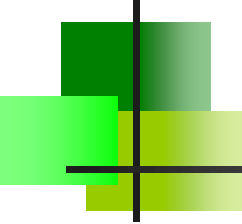
- ❑ Issuance of larger bond loans, which are of interest for international public and private investor ;
- ❑ Reduction of interest rates for cities and territories to levels that are close to, or equal to, those obtained by the Central Government;
- ❑ Reduction of transaction costs for cities and territories ;
- ❑ Offering a guarantee system that reassures investors;
- ❑ Allowing small and medium-sized cities to access funding on the same terms as very large cities;

Building the development process

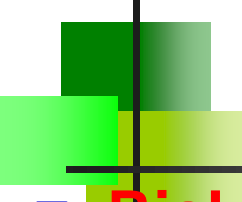


- ❑ **Servicing Cities and Subnational and Local Governments:** long term funding, lending to municipalities in local currency and LG owners
- ❑ **Building a credible financing institution:** Getting an investment grade rating, Separating political governance & professional management, Building a comprehensive and resilient guarantees package
- ❑ **Reaching a market share that benefits Cities and Subnational and Local Governments:** 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

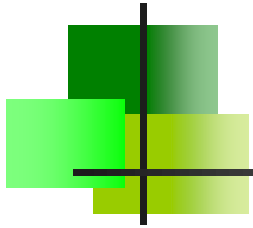
Designing the vehicle

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- ❑ **Business model** : Positioning the vehicle : Direct lending or Refinancing national entities ; Targeting eligible Cities and Subnational and 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

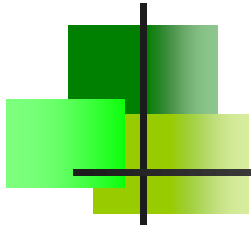
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- ❑ **Risk management framework**: bridge the gap between Cities and Subnational and Local Governments and the financial market mean to assess a list of risk
 - ❑ **Structuring the capital** : First, the vehicle is a limited company, owned by the participant Cities and Subnational and 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



- **Getting Cities and Subnational and Local Governments ready** : Drafting the lending policy, Improving local capacities to manage financing, Partnering with programs 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 ;

The first issuing bond



- ❑ **A total capital of (19,96) millions US \$: for the Africa Territorial Agency**
- ❑ **One hundred (100) local and regional governments : each contributing One hundred thousand (100 000) euros, a total of Ten (10) millions euros**
- ❑ **An institution managed by the leaders of the member local governments : 50,1% of the entire capital;**
- ❑ **Cooperative society : is funded by the local and regional governments**



BUILDING A FINANCIAL INSTITUTION OF INTERNATIONAL STANDING

Getting an excellent international credit rating

**Quickly reaching a significant annual volume of funding
(between 0,5 and \$1 billion per year)**

Encouraging and supporting members to qualify for loans

Lending with simple procedures to members

Obtaining the repayment of all loans granted

Never defaulting on creditors

SUPPORT OF THE AFRICAN DEVELOPMENT BANK



- **African Development Bank (AfDB) participation in the capital of the Africa Territorial Agency,**
- **African Development Bank (AfDB) guarantee to the African Territorial Agency,**
- **African Development Bank (AfDB) subscription to the Fodeva issues,**
- **African Development Bank (AfDB) institutional support to Cities and Territories such as Readyness Programme.**

Designing the vehicle



- ❑ **Getting the local governments ready** : Drafting the lending policy, Improving local capacities to manage financing, Partnering with programmes aiming to reinforce creditworthiness (PEFA, UMF, etc)
- ❑ **Mobilizing partners** : Forming a first club of cities, politically and technically involved in the preparation of the Fund, - Mobilizing a club of supporting states Authorities)
- ❑ **Prefiguring and launching** : Funding the preparatory process (feasibility studies, communication, legal studies, roadshows...), Negotiating the legal arrangements, Recruiting the first manager, Designing the 1st issuance



Steps taken

Step 1 : 30 and 31th of October 2017 : Brainstorming workshop held in Rabat the : 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 of Morocco, Dakar Municipal Finance Project and Municipal Capital Investment Fund of Cameroon, FEICOM

Step 2 : 2018 : Africities, Marakech, november 21, First presentation of the concept to Local and Regional elected people and adjustment of the road map

**Step 3 : 2019 : 1st General Assembly of the Club
Launch and financing of the process ; Preparation of the business plan
and of the risk management framework**



Road Map

2022 : 2° General Assembly of the Club : Approval of the economic model and of the risk assessment framework; 3° General Assembly of the Club : Approval of the institutional structure and of the internal rules
Finalization of the status and financial arrangement

2023 : General Assembly : Payment of capital
Presentations to investors Preparation of the first issue and the first loans to members

2024 : General Assembly
1st issue and 1st loan



**Thank you for your
attention**