

Creating the Africa Territorial Agency

the responsibility of a Club of founding members

- ▶ Cities and territories mobilized to convince the international financial community
- ▶ A process over time aimed at guaranteeing the solidity of the institutional and financial arrangement
- ▶ States and institutions to sponsor an innovative and ambitious approach

2019

2020

2021

2022

DECISIONS TO BE MADE

1st meeting of the Club:
Launch and financing of the process

1st General Assembly of the Club:
Approval of the economic model and of the risk assessment framework

Founders' Assembly:
Payment of capital

General Assembly

2nd General Assembly of the Club: **Approval of the institutional structure and of the internal rules**

STUDIES AND CONSULTANCY

Preparation of the business plan and of the risk management framework

Finalization of the status and financial arrangement

Presentations to investors Preparation of the first issue and the first loans to members

1st issue and 1st loan

MOBILIZATION OF PARTNERS, INCLUDING THE NATIONAL GOVERNMENTS

SUPPORTING AND PREPARING LOCAL AND REGIONAL GOVERNMENTS TO BORROW

KEY EVENTS OF THE YEAR 2020

- General Assembly of the Founder's Club
- Setting up the advisory committee
- Recruiting financial and legal advisers

FOR FURTHER INFORMATION

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AFRICA TERRITORIAL AGENCY

City and subnational and local governments financing institution

City and subnational and local governments in Africa (also named cities and territories) intend to significantly contribute to the African Union's Agenda 2063. To this end, African cities will have to invest about 25 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 the national States to local investment. On the other hand, the debt service capacities are constantly growing and make it possible to consider raising significant resources on the financial markets.

It is for this reason that African leaders of cities and territories take the initiative of creating the Africa Territorial Agency, a financial institution dedicated to the financing of infrastructure, equipment and urban services.

Drawing lessons from the international experience, the Africa Territorial Agency will be a cooperative institution of which cities and territories will be the shareholders alongside development banks (African Development Bank, regional development banks in Africa, etc.), institutions specialized in the financing of cities and territories, international financial institutions, and any fund interested in investing. The political and financial involvement of a hundred political leaders and of management of these institutions is necessary to ensure the credibility of the project.

Building on 18 months of reflexions and discussions with potential partners, the first meeting of the Founder's Club of the Africa Territorial Agency was held on November 11, 2019, on the margins of the 6th World Congress of UCLG in Durban (South Africa). According to the road map, the Club will engage the creation process of the Africa Territorial Agency, with the support of legal and financial advisers.

Jean Pierre ELONG MBASSI
Secretary General of UCLG Africa

Africa Territorial Agency

a financing institution for cities and territories



MEETING THE FINANCING NEEDS OF LOCAL AUTHORITIES

- ▶ 17 million new inhabitants each year in African cities
- ▶ The local financing needs of African cities are enormous: \$ 25 billion a year
- ▶ The investment capacities of cities represent 4% of the needs
- ▶ The municipal bonds market represents over 4 billions dollars worldwide and African taps less than 1 % of this market.
- ▶ African cities budgets represent for now only 1% of GDP (on average).
- ▶ There is strong social pressure for better fiscal decentralization and a better share of city and subnational and local governments in the management of public resources and expenditure.

→ Africa Territorial Agency is **a solution aimed at increasing the financial resources for the development of cities and territories**

AN ENABLING INSTITUTIONAL ENVIRONMENT

- ▶ In 75% of the countries, the legislative framework supports a more autonomous management of cities and territories
- ▶ Cities do enjoy support to improve their financial management
- ▶ Programs of support to local investment do not make it possible to meet all the needs
- ▶ The transparency of municipal management is progressing on the continent

→ Africa Territorial Agency funding, **a stimulus for a better management**

A FINANCIAL INSTITUTION CREATED BY AND FOR CITIES AND TERRITORIES

- ▶ An initiative of the members of UCLG Africa
- ▶ An institution managed by the leaders of the member local governments
- ▶ A governance that guarantees the independence of management
- ▶ An institution dedicated to the financing of cities and local governments

→ Africa Territorial Agency **the credible response of city and subnational and local governments to their financing needs**



Africa Territorial Agency

an instrument aimed at pooling means

For many reasons, African city and subnational and local governments face many difficulties in issuing bonds on national and international markets. Africa Territorial Agency is an instrument aimed at pooling the mean available. It allows cities and territories to go together to find the financing they badly need.

BENEFITS

- ▶ Issuance of larger bond loans, which are of interest for international public and private investors
- ▶ 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 municipalities
- ▶ Offering a guarantee system that reassures investors
- ▶ Allowing small and medium-sized cities to access funding on the same terms as very large cities

OPPORTUNITIES

- ▶ Rewarding good management efforts through access to loans in good conditions
- ▶ Helping each other to spread the culture of financial accountability
- ▶ Facilitating the implementation of municipal programs and loans of the international development banks

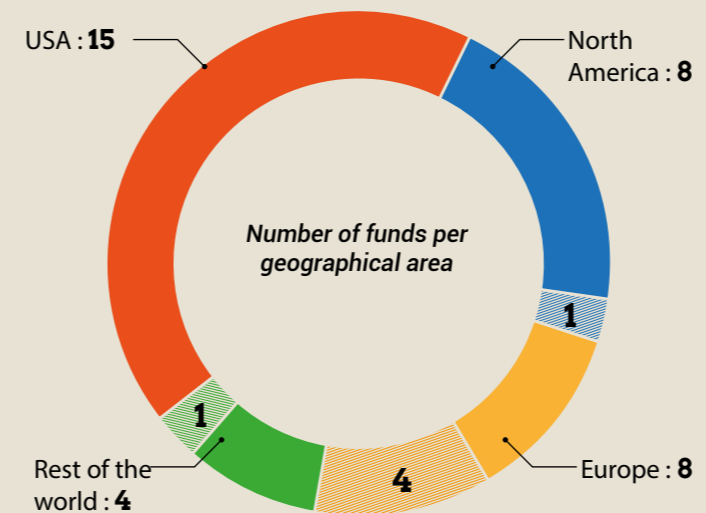
CHALLENGES

- ▶ Attracting private investors to finance local public investments
- ▶ Boosting local investment to improve public services.

Ad hoc financing vehicles around the world

Municipal financing vehicles are aimed at local governments that wish to combine their efforts to access the financial market. The most advanced level of cooperation is the creation of an ad hoc financing vehicle to act as a bridge between cities, territories and the capital market.

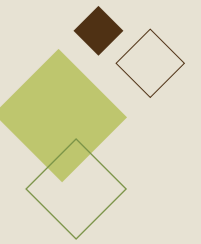
- ▶ 36 vehicles are active in Europe, North America and Asia
- ▶ Kommunekredit is the oldest municipal bank, created in Denmark in 1898
- ▶ Grosbois, a commune of 98 inhabitants, is the smallest shareholder of Agence France Locale
- ▶ The diversity of institutional arrangements reflects the diversity of situations in local governments around the world
- ▶ The States of Hidalgo (Mexico) and Tamil Nadu (India) have a municipal fund



■ Number of funds that are wholly-owned by local governments

Africa Territorial Agency

an institution at the service of city and subnational and local governments



AT THE SERVICE OF AFRICAN LOCAL CITIES AND TERRITORIES

- ▶ Primarily serves **cities and territories of all sizes, members of Africa Territorial Agency**
- ▶ Provides **long-term financing** (7 to 15 years)
- ▶ Passes on to other players the rates of its resources with a small margin
- ▶ Finances the community's investment program (line of credit)
- ▶ Lends to city and subnational and local governments in local currencies
- ▶ Lends at very competitive rates
- ▶ Contributes to the **empowerment of cities and territories** in the preparation and management of the financing vehicle.

GOOD SERVICE

BUILDING A FINANCIAL INSTITUTION OF INTERNATIONAL STANDING

Africa Territorial Agency is a credit institution that must comply with internationally recognized conditions in order to issue bonds under excellent financing conditions (low rates, long tenor). It is a recognized financial institution.

Its bylaws and organization must achieve the following goals:

- ▶ Getting an **excellent international credit rating**
- ▶ Quickly reaching a **significant annual volume of funding** (\$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

OFFERING SOLID GUARANTEES TO INTERNATIONAL INVESTORS

- ▶ **Ensuring the control** of the strategy by the members
- ▶ **Guaranteeing the independence** of the administrators of the financial activities
- ▶ Getting support from **recognized international financial institutions**
- ▶ Setting up a banking and financial **risk management**
- ▶ **Organizing a strict internal control** of the institution

