



African Cities
Development Fund

CALL FOR EXPRESSIONS OF INTEREST

January 2019

1. Context and justification of the Call for Expression of Interest

The world population is expected to reach 8.1 billion in 2025, 9.6 billion in 2050 and 10.9 billion in 2100. It is Africa that will provide more than half of the world population growth, from 2.4 billion in 2050 to 4.2 billion in 2100. With an average annual population growth of 2.4%, the highest in the world, the African population increased twofold over in the last 30 years whereas the European population, for instance, increased by only 15% over the same period.

According to the experts, between 1950 and 2050, Africa's urban population will increase by 1.3 billion inhabitants, that is more than the overall increase in the urban population in Europe, Latin America, South America, North America and Oceania joined together. The African continent is the fastest urbanizing region of the world. It is therefore the region of the world with the highest needs for settlement investments.

Africa currently has (3) cities of over 10 million inhabitants (Cairo: 17.7 million inhabitants, Lagos: 13.2 million inhabitants and Kinshasa: 11.58 million inhabitants); 4 cities with a population between 5 and 10 million; 49 cities with a population of 1 to 5 million; 53 cities whose population is between 500,000 and 1 million inhabitants; and 85 cities with a population of 300,000 to 500,000 inhabitants. These cities produce about 60% of the continent's GDP, and host a middle class that should match China's in 2020. The economic weight of this middle class is estimated currently at USD 700 billion, and is expected to reach USD 1,700 billion in 2030¹.

The urban population of Africa is characterized by its extreme youth. The median age of the population is 19 years. Compared to other regions, the weight of youngsters in the population of African cities is both a challenge and an opportunity: a challenge of having to train and integrate into the economic and social life thousands of young people whereas the job opportunities do not live up to the expectations. The opportunity of having a large and better-trained work force thanks to the progress of education, and which is ready to invest in tapping the multiple potentialities of the continent. On the express condition that the continent should be able to mobilize annually over the next 10 to 15 years the sum of USD 80 billion needed to set up the urban infrastructures and services needed to handle effectively the management and operation of the continent's cities.

The experts estimate the current annual value added of African cities at approximately USD 51 billion, and their annual debt capacity at USD 8 billion. On the other hand, the annual turnover of the 200 largest banks operating on the continent is estimated at over USD 1,000 billion, and their net annual income at around USD 45 billion. In other words, cities in Africa are now operating in an environment characterized by expanding and increasingly mature financial markets.

The challenge of funding African urban infrastructures and services must therefore be addressed based on this new enabling environment. It is in order to review this possibility that in collaboration with FMDV, UCLG-A organized in Marrakech, Morocco, in December 2014, the conference REsolutions Africa on the topic "Funding African Cities: Agenda, Alliances and Solutions". At the end of the meeting, the participants who were mainly mayors and local/regional authorities of the continent recommended the establishment of a financial vehicle

¹ World Urbanization Prospects, 2018 Revision

dedicated to the development of African cities, termed *African Cities Development Fund*, ACDF (see Marrakech Declaration in Appendix 1).

It is in pursuance of this recommendation that CGLUA Africa launched the initiative aimed at defining the establishment conditions and the operating procedures of the African Cities Development Fund. A workshop for the definition workshop of the format of this financial vehicle was held on 30 and 31 October 2017 in Rabat, Morocco. In addition to the Chief Financial Officers of major cities such as Port Louis and Pretoria, the other participants include institutions such as the West African Development Bank, BOAD (*Banque Ouest Africaine de Développement*), the Development Bank of Southern Africa (DBSA), the West African Regional Stock Exchange (BRVM), Deposit and Management Fund, CDG (*Caisse de Dépôts et de Gestion*) of Morocco, Department of Local Governments of the Ministry of Home Affairs of Morocco, Moody's, Bloomfield International, HSBC, *Agence France Locale*, Norges Kommunalbank, Municipal Capital Investment Fund, FEC (*Fonds d'Équipement Communal*) of Morocco, the Dakar Municipal Finance Project and the Municipal Capital Investment Fund of Cameroon, FEICOM (*Fonds d'Équipement et d'Intervention Communal*).

This workshop helped to define the contours of the proposed financial vehicle as well as the critical path of all the tasks to be carried out with a view to setting up the African Cities Development Fund, for both the technical component and the political component. This workshop also recalled the urgent need to set up the Club of the first cities interested in being members of ACDF.

2. Presentation of the call for expression of interest

The purpose of this call for expression of interest (CEI) is to identify the cities as well as the local and regional governments in Africa wishing to be members of the Founding Club of the African Cities Development Fund (ACDF).

The African Cities Development Fund is designed as a cooperative fund of the major African cities (about twenty cities at the beginning) that would undertake to disburse a seed capital of One Hundred Thousand (100,000) euros. This seed capital should be used to raise additional resources from the financial institutions or the financial markets.

The Fund is intended to finance the investments and services needed to cope with the rapid growth of the continent's cities and catch up in this area, making the current operation of most African cities globally ineffective. Access requirements should also help to improve the financial performance and governance of local and regional governments; and promote economically and socially more cost-effective and efficient investment choices.

3. Eligibility

Shall be eligible as founding members of ACDF:

- The capital cities of African countries;
- Rank 2 African cities
- The intermediate level local and regional governments of the type of State Governments (in the case of countries with a federal system), Regions, Provinces, Counties, Departments or Circles, etc.

4. Constitutive supporting documents of the application for the status of an ACDF Founding MEMBER

- The deliberation passed by the council or the deliberative body, for the local or regional government to become a founding a member of ACDF;
- The undertaking of the authority responsible for the executive body of the local or regional government to settle the contribution of One Hundred Thousand (100,000) euros within three months following the vote of the deliberation of the council or the deliberative body;
- Copy of the legal or regulatory act establishing the local or regional government as a legal entity enjoying financial autonomy;
- Copy of the legal or regulatory act appointing the members of the deliberative body and the executive body of the local or regional government;
- Copy of the last three administrative accounts approved by the competent authorities or by public or private auditors;
- Copy of the regulatory act appointing the ACDF focal point within the local or regional government (names and contact details of the appointed person).

5. Address for the forwarding of constitutive documents

All the information mentioned under point 4 must be sent, as soon as possible, and **no later than October 15, 2019 at 17:00 hours UT** to :

The Secretary General of UCLG Africa

22, rue Esaadyine, Quartier Hassan, 10020, Rabat, Morocco

Email: hbelghol@uclga.org ; fyatta@uclga.org

Fax: +212 5 37 26 00 60

Tel.: +212 5 37 26 00 62/ 63

Appendix 1: Marrakech Declaration

We, Mayors, Local Elected Officials and Local Government Partners, participating in the Resolutions Africa Conference on the theme "Financing African Cities: Agenda, Alliances and Solutions":

- Taking into account the magnitude and pace of urbanization in Africa, and the fact that the population projections suggest that African cities will accommodate an additional 800 million of people between 2010 and 2050;
- Given the fact that at least 50% of Africa's GDP is produced in cities wherever the urban population share reaches 30% of the total population of a country, what means that from now on, the competitiveness of the national economies of African countries and the continent as a whole, is increasingly dependent on the performance and competitiveness of their cities, and on how cities play a driving role in the growth and development of their rural hinterland;
- Considering the impact that the delivery of basic infrastructure and services has on the competitiveness of cities and businesses, and the huge gap noted in the development of these services and infrastructures, resulting in the proliferation of informal under equipped settlements; the poor performance of public or private businesses which are obliged to include in their corporate finance the costs of services such as drinking water, electricity, or the transport of personnel, handled by the local or regional governments in other regions of the world; the adoption of unsustainable urban management solutions in relation to the sustainable development agenda and the climate change agenda, with as consequence the generalization of urban sprawl and costly practices in terms of ecological footprint;
- Considering moreover the fact that for more than 10 years, most African countries have been registering an annual GDP growth rate to the tune of 5%, and that the experts are of the view that this level of economic growth will continue over the next twenty years;
- Recognizing that the cumulative wealth of African cities is estimated at about USD 50 billion with a current debt capacity of more than USD 8 billion;
- Informed that the balance sheets of the top 200 largest banks in Africa total over USD 1 trillion, with a net banking income of approximately USD 45 billion, showing that the African financial markets are becoming more mature;
- Considering finally the urgent need to reverse and stop the delays observed in terms of infrastructures and services in African cities, to avoid undermining Africa's continued growth and sustainable development:
 - 1) Decide to establish a financial instrument dedicated to the development of African cities, called the African Cities Development Fund (ACDF). The Fund must contribute to the upgrading of investments to enable African cities to take on the challenge of the rapid urbanization of the continent; assist in improving the performance and governance of local governments, especially in the area of financial management and credibility; and contribute to the alignment and harmonization of the interventions of countries and development partners in support of African cities.

2) Call on African cities and local governments, countries and institutions to join and support this initiative, and participate in the lobbying and advocacy activities for the establishment of the Fund.

3) Recommend to set up a Steering Committee led jointly by the cities of Marrakech, Johannesburg and Dakar, to provide leadership and political guidance for the establishment of the Fund which will hold its first meeting in Marrakech, Headquarters of the Fund;

4) Call for the establishment of a Technical Working Team coordinated jointly by UCLG-A and FMDV, whose main tasks are to develop, under the supervision of the Steering Committee, the reference documents for the creation of the Fund, produce the advocacy and communication tools for its setting up, as well as the definition of the operating conditions of the Fund's headquarters. This Technical Working Team shall be open to all stakeholders and partners interested in contributing to the creation of the Fund, including among others, regional development banks, commercial banks, institutions specializing in the funding of local governments, stock markets, rating agencies, insurance companies, pension funds, etc.

5) Let us draw the attention to the following events which may constitute the key stages in handling the advocacy in favor of the establishment of the Fund:

- A meeting between African Finance Ministers and the Local Authorities organized within the framework of the IMF and World Bank Spring Meetings in Washington, DC, in April 2015;

- The Conference on the theme of African Cities in the face of climate change, scheduled to take place in Yamoussoukro, Côte d'Ivoire, in May 2015;

- The Forum of Local Authorities on the New Urban Strategy for Africa, to be held in Accra, Ghana, in September 2015;

- The Africities Summit scheduled to take place in Johannesburg, South Africa, from 01 to 05 December 2015.

6) Express our deep gratitude to His Majesty King Mohammed VI for having accepted to grant his High Patronage to the Conference Resolutions Africa.

7) We address our Vote of Thanks to the Government of the Kingdom of Morocco for its support to the organization of the Conference, as well as the Municipal Council of the City of Marrakech and its President, Ms. Fatima El Mansouri for their warm reception, the good organization of the meeting, and for all the diligences that contributed to the resounding success of the Marrakech Conference.