

COMMUNIQUE

By

THE AFRICAN DEVELOPMENT BANK GROUP

African Development Bank
African Development Fund

THE AGENCE FRANÇAISE DE DEVELOPPEMENT GROUP

Agence Française de Développement
Proparco

DEVELOPMENT BANK OF SOUTHERN AFRICA

THE EUROPEAN INVESTMENT BANK

ISLAMIC DEVELOPMENT BANK GROUP

Islamic Corporation for the Development of the Private Sector
International Islamic Trade Finance Corporation

KfW BANKENGRUPPE

KfW Entwicklungsbank (KfW)
Deutsche Investitions-und Entwicklungsgesellschaft (DEG)

THE WORLD BANK GROUP

International Bank for Reconstruction and Development
International Finance Corporation
Multilateral Insurance Guarantee Agency

Joint IFI/DFI Action Plan to Respond to the Financial Crisis in Africa

1. As the largest and most active international financial institutions (IFIs) and development finance institutions (DFIs) investing, lending, and providing advisory services in Africa¹, the African Development Bank Group, the Agence Française de Développement Group, the European Investment Bank, the Development Bank of Southern Africa, German Financial Cooperation (through KfW), the International Islamic Trade Finance Corporation, and the World Bank Group, are launching a **Joint IFI/DFI Action Plan to respond to the Financial Crisis in Africa** coordinated through the African Financing Partnership (herein after referred to as “**Joint Action Plan**”) to support the region’s financial systems and lending to the private sector. The objectives are threefold, to:

¹ Defined for each institution according to its own geographical remit.

- In a coordinated manner and building on each institution's capabilities, deploy rapid and sizeable financial assistance to the private sector to:
 - Promote trade
 - Strengthen Africa's financial sector
 - Increase lending to infrastructure projects and other real sectors of the economy such as agribusiness and small and medium enterprises (SMEs) experiencing a shortfall in liquidity
 - Use financing from DFIs and IFIs as a catalyst to engage other stakeholders and mobilize financial resources for the region;
 - Facilitate coordination and policy dialogue between key private and public sector stakeholders in countries affected by the crisis.
2. The Joint Action Plan is a key part of our institutions' efforts to address the effects of the global economic crisis on the private sector in Africa. The initiative recognizes that pooling resources and expertise will enable governments and institutions to more effectively reduce the humanitarian toll in the region resulting from the global economic slowdown. The achievements of the past decade, which has seen robust economic growth, macroeconomic stability, and welcome progress in poverty reduction (and toward the Millennium Development Goals) in a growing number of African countries, are now at risk as the world faces the gravest economic crisis in more than sixty years. An effective crisis response requires fast and coordinated action by all stakeholders: African policy makers, local and regional financial institutions, African institutions, IFIs, and DFIs.
 3. While all countries of the region face the challenge of global financial retrenchment, our approach recognizes that countries differ very significantly in terms of their financial vulnerability and their need for support.
 4. As part of this Action Plan, we expect to increase our commitment **by at least \$15 billion the next two to three years.**
 - **The African Development Bank Group will establish and participate in the following initiatives for the private sector in response to the economic impact of the financial crisis**
 - **Emergency Liquidity Facility (ELF):** an exceptional multi-purpose USD1.5 billion facility providing financial support to AfDB eligible countries and non-sovereign operations that are suffering from lack of liquidity due to the global financial crisis.
 - **Trade Finance Initiative (TFI):** in the first phase, to introduce a USD500 million new trade finance line of credit (TF LOC) that will support African commercial banks and DFIs trade finance operations. In second phase, to consider feasibility of introducing comprehensive trade finance products and services, including the possibility of

committing USD500 million to global trade finance liquidity programs.

- **African Financing Partnership:** to coordinate the establishment of a platform for collaborative co-financing for projects in Africa.
 - **Actively originate infrastructure projects** to benefit the Infrastructure Crisis Facility setup by the IFC
 - **African SME Guarantee Fund**, a multidonor fund of USD300 to 500 million to increase and maintain access to finance for SMEs, microfinance institutions, and nonbank financial institutions
 - **African Agriculture Fund**, launched with the International Fund for Agricultural Development, and the Alliance for a Green Revolution in Africa, and AFD, the African Agriculture Fund will raise EUR250 million during its first phase and subsequently EUR250 million to target private companies and cooperatives to increase and diversify agricultural production
- **The Agence Française de Développement Group will contribute to investments and programs totaling up to the equivalent of USD 3.1 billion to focus on the SMEs and infrastructure projects in Africa:**
 - Proparco will contribute up to USD 1 billion in co-financings to the IFC Infrastructure Crisis Facility, with a particular focus on Africa;
 - Proparco will increase its commitments in Africa from EUR 400 million in 2008 to up to EUR 600 million in 2009 (additional USD 266 million);
 - The Fonds d'Investissement et de Soutien aux Entreprises en Afrique (FISEA) will invest up to EUR 250 million (USD 333 million) in African SMEs and projects with a higher than usual risk profile for IFIs;
 - The Fonds d'Investissement pour l'Agriculture en Afrique (African Agriculture Fund) will invest up to EUR 500 million (USD 666 million) in agribusiness projects in Africa ;
 - AFD's loan guarantees mechanism, ARIZ, has been scaled up to EUR 250 million (USD 333 million) to give SMEs and MFI's better access to financing; and
- Proparco will take part to the African Financing Partnership, platform for collaborative co-financing for projects in Africa.
- **The Development Bank of Southern Africa will:**
 - Boost its development financing for priority infrastructure projects by injecting the equivalent of over US\$4 billion of development finance in these and other development sectors, an increase of more than 100 percent compared to the development finance disbursed over the last three years. The additional financing will be available for infrastructure and other priority sectors.
 - DBSA will also increase its technical and grant assistance for project development and training to the equivalent of over US\$50 million.

Among others, these grants will be directed at leveraging public finance grants of US\$2.7 billion for local infrastructure. It expects to train over 7,000 professionals and officials, including young graduates.

- **The European Investment Bank expects to commit over the next three years, over EUR 2 billion of loans, equity and guarantees in sub-Saharan Africa, mainly in support of (public and private) infrastructure (including energy) and of the financial sector:**
 - The EIB will step up its support for infrastructure and energy projects, notably through enhanced use of the **EU-Africa Infrastructure Trust Fund** established at the initiative of the European Commission to leverage funding for regional projects and managed by the EIB. It will also offer co-financing in parallel with IFC's **Infrastructure Crisis Facility**.
 - It will reinforce cooperation and synergies with the EC and with multilateral and bilateral DFIs, to enhance the efficiency and effectiveness of its interventions. Work has started on ways to streamline project appraisal through "**mutual reliance**" amongst DFIs and IFIs.
 - The EIB will continue to work on private sector initiatives with partner institutions, including the **EFPP program** with the European Development Financing Institutions (EDFIs).
 - To strengthen Africa's financial sector, the EIB has already approved a USD 50 million contribution to the **Microfinance Enhancement Facility** and is finalizing approval for a EUR 15 million contribution to **Regional Micro, Small and Medium Enterprise Investment Fund for Africa (REGMIFA)**
 - The EIB will further enhance its support for the banking sector, notably through lines of credit with more flexible guidelines, and, where appropriate, through the provision of equity.
 - A number of internal initiatives are under way to simplify internal guidelines and adjust financial products to better support the private sector in the context of the crisis.

- **Within the German Financial Cooperation with Africa, the Federal Ministry for Economic Development and Cooperation (BMZ) through the KfW Bankengruppe (namely KfW and DEG) expects to contribute to initiatives and programs amounting to over US\$ 1.4 billion in Sub-Saharan Africa to support the financial sector, the private sector and infrastructure:**
 - **REGMIFA:** BMZ and KfW supported by a group of DFIs (i.e. AfDB, IFC, EIB) intend to establish the Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA) to strengthen Africa's financial sector by providing longer term and local currency financing to MFIs;

- **TCX:** BMZ, KfW and DEG support the “TCX - currency exchange fund” to provide swaps for currencies and maturities in developing countries with a focus on Africa;
 - **Infrastructure Crisis Facility:** BMZ and KfW intend to contribute co-financing to the IFC Infrastructure Crisis Facility, with a particular focus on Africa;
- **The KfW Bankengruppe in addition expects to contribute to initiatives and programs amounting to over US\$ 1.1 billion in Sub-Saharan Africa to support the financial sector, the private sector and infrastructure**
 - **Microfinance Enhancement Facility (MEF):** KfW together with IFC supports the global initiative Microfinance Enhancement Facility that provides short term financing to MFIs globally to respond to upcoming liquidity constraints;
 - **GuarantCo:** KfW contributes to the expansion of GuarantCo’s – guarantee program for private infrastructure projects;
 - **Emerging Africa Infrastructure Fund (EAIF):** KfW and DEG participate in the Emerging Africa Infrastructure Fund (EAIF) that provides long-term loans for private sector infrastructure development in Sub-Saharan Africa;
 - **AgroAfrica Program:** DEG has launched, together with Standard Chartered Bank, the AgroAfrica Program to support African companies in the agricultural sector over the next three years;
 - **Small and medium enterprise (SME) initiative:** DEG has initiated a small and medium enterprise (SME) initiative. The initiative will support SMEs, in Africa and other regions, i.e. through equity participations, loans and guarantees;
 - **African Financing Partnership (AFP):** DEG will participate in the establishment of the African Financing Partnership for collaborative co-financings of private sector projects in Africa.
 - **The Islamic Development Bank Group will:**
 - The Islamic Corporation for the Development of Private Sector will contribute during the next five years to investments and programs totaling up to USD250 million. These programs are earmarked for the development of Islamic banking industry (USD50 million), regional leasing company (USD 50 million), SME development (USD50 million), trade financing support (USD50 million) and direct investment (USD50 million)

- Despite the current crisis, the International Islamic Trade Finance Corporation will
 - a. Through its own resources maintain the same level of commitment of USD 150 million to support and facilitate financing for Africa in 2009.
 - b. To scale up its intervention, ITFC is targeting and has been already intensifying its interaction with IFC and AfDB to explore ways and means to leverage an additional USD 250 million by the end of 2009

- **The World Bank Group will implement the following programs to support the banking and real sectors in Africa, as follows:**
 - IFC, through its crisis response initiatives, will contribute at least USD1.0 billion to:
 - a. facilitate trade by providing approximately USD500 million in guarantees and up to USD200 million of liquidity to banks under the Global Trade Finance Program and the Global Trade Liquidity Pool;
 - b. strengthen the capital base of banks by investing up to USD225 million through the Africa Bank Capitalization Fund;
 - c. improve infrastructure, by investing in infrastructure projects in Africa through the Infrastructure Crisis Facility;
 - d. increase microfinance lending by providing short and medium term debt to microfinance institutions facing funding shortfalls; and
 - e. promote agribusiness companies by providing working capital and equity finance.
 - IBRD is deploying all Bank instruments in its crisis response towards Africa with a special focus to vulnerable countries through:
 - a. Front-loading and fast-tracking of IDA commitments and access to increased IBRD funds for non IDA countries. So far in FY09, the Bank has delivered USD2.4 billion in IDA front-loading and expects to present another USD4-\$4.4 billion to its Board by the end of the fiscal year.
 - b. faster disbursements to quicken the pace of disbursement for target countries and projects under the Africa Region.
 - c. AFRICA INFRA window within the USD5-6 billion VFF Africa Infrastructure Window, to finance high priority, high return infrastructure investments that facilitate regional integration, asset preservation and urban development, in coordination with IFC's Infrastructure Crisis Facility
 - d. knowledge products and outreach to assist partners in analyzing the impact of the crisis in Africa and plan their response (regional studies, country-specific dialogues, blogging, etc.)
 - MIGA will provide up to USD2 billion of investment guarantees prioritizing investor demand for:

- a. enhanced risk mitigation and guarantee capacity for African infrastructure investments.
- b. fast-tracked support for small and medium investments through the Small Investment Program.
- c. priority support for the African financial sector including banks and micro-finance institutions.

Each institution will approve its funding package based on its internal approval processes and eligibility criteria.

5. Our resources will contribute to strengthening the financial sector and facilitating trade with and within Africa, creating jobs, protecting vulnerable members of society, and facilitating lending to infrastructure projects and other real sectors of the economy such as agribusiness and SMEs.
6. The Joint Action Plan will support African governments' national policy frameworks and structural reform programs, and, where applicable, coordinate with financial support programs provided by the IMF.
7. The Joint Action Plan is based on a set of shared principles outlined below and also takes into account our respective institutions' philosophies and operating practices, as well as our own internal exposure limits:
 - Equal access of all countries in Africa to all of the facilities and programs committed to above, within each institution's geographical remit;
 - Equal access of all banks and projects in or operating in Africa to all facilities and programs committed to above, regardless of nationality and ownership;
 - Voluntary participation of countries, banks, and projects in any of the facilities and programs committed to above.
8. The Joint Action Plan operates at three different, mutually reinforcing levels or platforms.
 - *Financial institutions and project sponsors:* We jointly invite all financial institutions and sponsors of projects in Africa to discuss with us their business plans as they relate to promoting trade, strengthening Africa's financial sector, and increasing lending to infrastructure projects and other real sectors of the economy, such as agribusiness and SMEs, that are experiencing a shortfall in liquidity. Under the Joint IFI Action Plan, we will provide assistance to financial institutions and project sponsors to underpin their continued engagement. Beyond joint needs assessments, we will step up our shared operational work such as joint due diligence.
 - *Policy makers:* We note the commitment as reiterated in the Joint Declaration of Dar-Es-Salaam of March 11, 2009 of African policy makers to continue to strengthen economic governance, implement sound economic policies and

establish strong institutions that are consistent with their long-term development goals.

- *Public-private sector coordination platform*: Facilitation of a public-private sector policy dialogue involving key public and private sector stakeholders in the region, in coordination with other bilateral and multilateral institutions.
9. We will use the **African Financing Partnership** as the basis for the steering committee to implement the Joint IFI Action Plan and monitor progress on a regular basis
 10. We believe that Africa's long-term economic prospects remain strong and that coordinated support by the institutions, governments, and African institutions will help the region's economies emerge healthier and stronger.

Agreed in Dakar, Senegal on 11 May 2009

Signatures

For the African Development Bank Group

For the Agence Francaise de
Developpement Group

For Development Bank of Southern Africa

For the European Investment Bank

For German Financial Cooperation

For the International Islamic Trade Finance
Corporation

For the World Bank Group

KfW Bankengruppe