

At Least an Additional US\$15 Billion to Respond to Financial Crisis in Africa - *International Financial and Development Institutions to Coordinate Response through African Financing Partnership*

The largest multilateral investors and lenders in Africa have pledged to provide at least an additional US\$15 billion to promote trade, strengthen the financial sector, and increase lending for infrastructure, agribusiness and small and medium enterprises in the region affected by the global economic slowdown.

The increased support is part of a coordinated response to prevent the global economic crisis from reversing decades of progress, growth, and investment in Africa. The institutions participating in the initiative are the African Development Bank Group, the Agence Française de Développement Group, the Development Bank of Southern Africa, the European Investment Bank, the German Federal Ministry for Economic Development and Cooperation (BMZ) through the KfW Bankengruppe, the Islamic Development Bank Group, and the World Bank Group.

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. By joining forces, the participating institutions aim to increase lending and investments, promote dialogue, and use a diverse range of instruments to effectively respond to the crisis and address longer-term structural issues that have traditionally hampered Africa's economic growth.

African Development Bank President **Donald Kaberuka** said: "Beyond actions taken by individual institutions, the need to join forces and pool resources and expertise cannot be overemphasized. The scope and magnitude of the current global financial crisis compels us to look for innovative means to work with maximum collaboration to increase our support to the private sector in Africa. We must act now. Through this partnership, we can make a difference. The African Development Bank is fully committed to this process and will spare no effort for its successful implementation."

Agence Française de Développement Managing Director **Jean-Michel Severino** said: "As far as AFD is concerned, we are deeply convinced that the mere presence of private companies in a particular line of business often generates economic progress and income and therefore social impacts, as well as positive environmental impacts. Consequently, our commitment towards private sector will be fostered and AFD Group shall contribute to investments and programs totaling up to the equivalent of US\$ 3.1 billion to focus on SMEs and infrastructure projects in Africa"

European Investment Bank President **Philippe Maystadt** said: “Today we join forces to help African countries respond to one of the deepest crises in recent history. We are committed to expand our support for viable priority projects in the infrastructure sector and to step up our operations in support of the African banking sector, which are key for economic growth. Strengthening cooperation with our partner institutions will be vital in achieving our goals.”

World Bank Group President **Robert B. Zoellick** said: “The last decade saw robust economic growth and welcome progress in overcoming poverty in a growing number of African countries and these significant achievements are now at risk because of the gravest economic crisis in sixty years. The World Bank Group will work hard with the partners in this initiative to ensure that the impact of the global economic crisis, which is not of Africa’s making, does not turn into a human crisis on the continent.”

Under the plan:

- **The African Development Bank** will use an emergency liquidity facility of US\$1.5 billion to provide financial support to eligible countries and operations that are suffering from a lack of liquidity; introduce a new USD500 million trade finance line of credit and consider committing USD500 million to global trade finance liquidity programs to support commercial banks and other institutions finance trade; contribute to funds to support agribusiness, microfinance; and coordinate a platform for co-financing projects in Africa through the African Financing Partnership
- **The AFD 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 through Proparco, the Fonds d’Investissement et de Soutien aux Entreprises en Afrique, and loan guarantees. Launched with AfDB, the International Fund for Agricultural Development, and the Alliance for a Green Revolution in Africa, and AFD, the African Agriculture Fund will raise EUR200 million during its first phase and subsequently EUR550 million to target private companies and cooperatives to increase and diversify agricultural production .
- **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. It will also increase its technical and grant assistance for project development and training to the equivalent of over USD50 million
- **The European Investment Bank** expects to commit over the next three years, over EUR 2 billions of loans, equity and guarantees in sub-Saharan Africa. It 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 and managed by the EIB. It will also offer co-financing in parallel with IFC’s infrastructure crisis facility. The EIB will further support Africa’s financial sector, through contributions to the Microfinance Enhancement Facility and other relevant initiatives, lines of credit to banks with more flexible guidelines, and, where appropriate, through the provision of equity. The EIB will continue to work on private sector initiatives with partner institutions, including the EFP programme with the European Development Finance Institutions (EDFIs).
- 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 USD 1.4 billion in Sub-Saharan Africa to support the financial sector, the private sector and infrastructure. The **KfW Bankengruppe** in addition expects to contribute to initiatives and programs amounting to over USD 1.1 billion in Sub-Saharan Africa to support the financial sector, the private sector and infrastructure.

- The **Islamic Development Bank Group** will, through the Islamic Corporation for the Development of Private Sector, contribute during the next five years to investments and programs totaling up to USD250 million. Despite the current crisis, the International Development Bank Group Islamic Trade Finance Corporation, through its own resources, will also maintain the same level of commitment of US\$150 million to support and facilitate financing for Africa in 2009. 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 US\$ 250 million by the end of 2009
- As part of the **World Bank Group's** support:
 - IFC will contribute at least US\$1.0 billion to facilitate trade, strengthen the capital base of banks, improve infrastructure, increase microfinance lending, and promote agribusiness companies;
 - The International Bank for Reconstruction and Development will front-load and fast-track its International Development Association commitments and increase access to funds for non-IDA countries; accelerate fund disbursements; launch a concessional window to finance high priority, high return infrastructure investments that facilitate regional integration, asset preservation and urban development; and assist partners in analyzing the impact of the crisis through knowledge products and outreach;
 - The Multilateral Investment Guarantee Agency will provide up to \$2 billion of investment guarantees to prioritize investor demand for African infrastructure investment, support for small and medium investments, and support for the African financial sector, including banks and micro-finance institutions

The institutions participating in the joint initiative 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.

Contacts:

- **EIB:** Una Clifford, Tel.: +352 4379 83326, Email: u.clifford@eib.org
Sabine Parisse, Tel.: +352 4379 83340, Email : s.parisse@eib.org
- **African Development Bank Group:** Onike Nicol-Houra, Tel.: +216 2419 1169, Email: o.nicol@afdb.org
- **World Bank Group:** Houtan Bassiri, Tel.: +254-20-275-9000, Email: hbassiri@ifc.org