

## **FSD Africa launches feasibility study on innovative approaches to transferring MDBs capital to the private sector**

**Nairobi, 30 May, 2024** – Africa's development needs demand innovative financing solutions to bridge a staggering US\$1.2 trillion gap for achieving its Sustainable Development Goals (SDGs) by 2030, alongside an annual climate financing need of nearly USD 300 billion. In response to this challenge, FSD Africa has secured funding from the Multilateral Development Banks (MDBs) Challenge Fund seeded by the Bill & Melinda Gates Foundation, Open Society Foundations, and The Rockefeller Foundation, to spearhead a pioneering project: the "Local Currency Solution for Multilateral Development Bank Portfolio Transfer" (the 'Project'). It is very pleased to announce the release of its feasibility study report.

In June 2023, FSD Africa received funding to develop the project. Since then, it FSD Africa has conducted a comprehensive feasibility assessment and engaged in market-sounding conversations with MDBs, institutional investors, fund managers, investment banks, and other stakeholders. Today, it presents the findings of this assessment on the sidelines of the African Development Bank Annual Meetings in Nairobi.

The report explores innovative approaches to optimising MDB's capital efficiency by partially transferring MDB-originated assets to local institutional investors on African capital markets, thereby enriching domestic capital markets and creating a new asset class for domestic institutional investors. It also investigates novel methods for transferring MDB-funded projects and portfolios to the private sector through local currency solutions. As a development finance agency, FSD Africa is committed to deepening domestic capital markets in smaller emerging economies and providing institutional investors, especially pension funds, with enhanced opportunities to invest in highly rated assets.

The project targets long-term investment needs, focusing on critical areas such as climate risk mitigation, renewable energy, infrastructure, urban development, and housing. By transferring parts of MDBs' portfolios to local institutional investors in emerging markets, the initiative aims to unlock MDBs' capital and expand the scope and size of their developmental mandate while also fostering domestic capital markets in Africa.

The feasibility study, developed by FSD Africa, delves into understanding the landscape of alternative investments in Africa, institutional investors' appetite for such investments, and regulatory requirements and constraints. Additionally, as part of the pilot to be rolled out in the next phase of this project, FSD Africa will co-design the structure of a fund for portfolio transfer, aiming to institutionalize the MDB asset transfer process and thereby empower MDBs to provide more financing to developing and emerging economies.

The study focuses on seven key African countries: Kenya, Uganda, Tanzania, Nigeria, Ghana, Senegal, and Cote D'Ivoire, leveraging their relatively deep institutional investor base. Operational (brownfield) assets funded by MDBs in these countries will be identified for transfer.

*"Addressing Africa's critical development needs demands a transformative departure from conventional financing strategies. We must harness domestic institutional capital as a catalyst for change, complementing limited public funds and broadening access to local currency financing. This calls for an unconventional business approach, forging new asset classes, partnerships, and facilitators to mobilise capital effectively. Innovative mechanisms optimising MDBs' capital efficiency and bolstering domestic markets pave the way for fresh investment opportunities, propelling Africa's development agenda forward."* - **Mark Napier, CEO of FSD Africa.**

The study findings will be disseminated among stakeholders in the pilot countries, local institutional investors, and MDBs to gain endorsement and facilitate the implementation of the portfolio transfer model. This initiative marks a significant step towards leveraging local resources to drive Africa's development.

**ENDS**



**For media inquiries please contact:**

**FSD Africa: Nelson Karanja | [nelson@fsdafrica.org](mailto:nelson@fsdafrica.org)**

### **About FSD Africa**

FSD Africa is a specialist development agency established in 2012 by the UK Government working to make finance work for Africa's future. We work on the ground in over 30 African countries to mobilise "green plus" finance that will power economic and social development while delivering environmental gains and building Africa's resilience. We work on policy and regulatory reform, capacity strengthening and improving financial infrastructure and addressing systemic challenges in Africa's financial markets to spark large-scale and long-term change.

FSD Africa is part of a family of 10 financial sectors deepening, or FSD programs, operating across sub-Saharan Africa, known as the FSD Network. Together, the network provides over £50m a year in financial support to high-potential financial market development programs and employs over 150 financial sector experts based in local offices across Africa.

Our work has contributed to tackling financial exclusion challenges within Africa, supporting over 10.2 million people to access financial services. In recent years, our strategy has evolved to respond to Africa's growing needs, with an increasing focus on finding innovative ways to mobilise capital for sustainable economic development. Following several successful initiatives, we have doubled our investment into initiatives that support a just transition to a green future for Africa.

Since 2017, our green portfolio and pipeline have continued to grow, and we have invested close to £50 million into green investments. We continue to invest in programs that deliver environmental and social outcomes. Moreover, we have helped mobilise more than £2 billion in long-term capital to underfinanced sectors, such as renewable energy and housing. This has resulted in more efficient private and public capital allocation to the productive sector, basic services, and climate finance.

For more information, please visit: <https://www.fsdafrica.org>