

# UK Government supporting City of London to mobilise billions of pounds of investment to transform Africa

Billions of pounds of investment in Africa will be generated by the City of London under initiatives announced by International Development Secretary Alok Sharma today (Friday 17 January 2020).

The announcement comes as African government and business leaders arrive in London ahead of the [UK-Africa Investment Summit](#) on Monday 20 January – the first event of its scale.

More African businesses are listed on the London Stock Exchange than any other finance centre outside the continent. But African assets still only account for around 1% of total investments managed by the City.

Today's announcements will help more money from private investors like pension funds flow into Africa by making it easier, quicker and more secure to invest. This will also ensure that money is going directly to support green and sustainable development.

The three new initiatives, backed by almost £400 million of UK aid support, include:

1. Extra support to the UK's Financial Sector Deepening Platform which will improve the financial systems and regulations of 45 developing nations in Africa, to build more confidence for international investors; lead the way to boost green finance products and improve access to bank accounts and loans for African entrepreneurs.
2. Collaboration with the City of London on a competition for fund managers to identify new investment products for Africa, which could be listed on major stock exchanges like London, making it easier and more appealing for global investors to put money into African projects at scale.
3. A new facility with the World Bank's International Finance Corporation (IFC) to develop more local currency bonds, allowing businesses and governments in Africa to raise investment in their own currencies and reduce the risks and costs associated with borrowing in foreign currencies, because of potentially damaging exchange rate fluctuations. This will help African countries better plan and invest in their future.

International Development Secretary Alok Sharma said:

Africa's substantial investment potential is clear, with many African countries outstripping global economic growth in recent decades. The UK is already the top financial exchange for Africa's businesses and we want investors to seize the exciting opportunities that Africa offers.

These new initiatives, announced ahead of the UK-Africa Investment Summit, will make it easier, greener and more secure to invest in Africa, mobilising billions of pounds of sustainable investment to help end poverty.

These announcements come on the same day that a new World Bank International Development Association (IDA) Sterling bond will be listed on the London Stock exchange, which is expected to raise hundreds of millions of pounds for high impact investment across Africa.

President of the World Bank Group David Malpass said:

By 2050, one in four global consumers will be African. But Africa currently attracts less than 4 percent of global Foreign Direct Investment. Strong actions from countries to improve rule of law and take on vested interests could create the right incentives to spur investment by strengthening financial systems, building confidence in financial markets, and enabling more productive private sector activity.

On behalf of the World Bank Group, I'd like to thank the UK government for their leadership in supporting investments in Africa. Working together with us in global cooperation, the countries of Africa can meet their ambitions to boost growth, create jobs, and lift people out of poverty.

Minister for Investment Graham Stuart said:

The UK's position as a world centre for finance makes it well positioned to support increased private sector investment into Africa, creating more jobs, driving economic growth and financing vital infrastructure projects. Today's announcements are a brilliant step forward in supporting that objective.

## **Notes to Editors**

- For details on the UK-Africa Investment summit click [here](#).
- Over £17 billion has been raised on the London Stock Exchange by 112 African companies in the last 10 years which today are worth more than £125 billion.

Here is further information on the three initiatives announced today:

### **UK Financial Sector Deepening Platform – £320 million**

- Since its foundation by the Department for International Development in 2002, the Financial Sector Deepening Platform has strengthened financial

markets across developing countries, benefiting over 41 million African consumers and entrepreneurs with improved access to banking and financing.

- The new £320 million UK aid will run over the next five years, supporting a further 22 million people and 3.9 million small businesses across 45 countries in Africa, including giving them access to mobile banking for remote communities.
- It will support developing African economies like Kenya and Uganda to strengthen financial structures and regulation, encouraging more global investment, as well as supporting countries like Sierra Leone and Zimbabwe to build new financial systems following conflict or economic hardship.
- The Financial Sector Deepening Platform will also build stronger financial links across African nations, allowing UK investors to invest in multiple economies with greater security, and develop new financial products aimed at supporting local small businesses, especially those run by female entrepreneurs, to access financing.
- It will also build on successes in Kenya and Nigeria to create more green investment opportunities in Africa – supporting local regulators, issuers and policy makers to develop green bonds.

### **Competition to identify and develop new investment products for Africa – up to £45 million**

- A new collaboration with the City of London will identify and develop new listed investment products which boost development in poorer African nations, with up to £45 million UK aid support.
- Subject to a successful competition, UK aid could be used to support the development of the new investment products that are created, or invest in them, with DFID funding going directly to projects in Africa, like funding new hospitals or clean energy power, which will generate further private investment.
- The products will be able to be traded on public stock exchanges like the London Stock Exchange, boosting overall investment potential, and will be available to pension funds, other institutional investors and eventually retail investors.
- With this initial financial backing from UK aid, the new investment products will bring opportunities to invest in Africa to more institutional investors, who are responsible for much larger sums of capital than is currently available to developing African countries.

### **IFC Cross-Border Risk Facility – £30 million**

- Backed by £30 million funding from the UK, DFID and the IFC are working on creating a new facility to deliver £80 million of local currency finance for a greater number of currencies across Africa.
- This will help to build the market for local currency finance ensuring that international financial markets work better for the needs of developing countries and generate new opportunities for UK-based investors.
- Local currency finance helps to reduce the risk and costs of damaging exchange rate fluctuations, helping African countries better plan and

invest in their future.

- This builds on the success of UK-aid backed local currency bonds, including the Kenyan green bond:

<https://www.gov.uk/government/news/alok-sharma-heralds-green-cities-of-the-future-on-kenya-visit>

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