



PRESS RELEASE

The Liquidity and Sustainability Facility (LSF) closes inaugural \$100 million repo transaction at COP27 with Afreximbank and Citi to improve the liquidity of African sovereign bonds, relying on innovative Triparty infrastructure developed with BNY Mellon and White & Case

Sharm el-Sheikh, COP 27, 14th November 2022

The Liquidity and Sustainability Facility (LSF) designed by the United Nations Economic Commission for Africa (ECA), in collaboration with African Export-Import Bank (Afreximbank), announces at COP 27 it has concluded its inaugural repo transaction with Citi for an amount of USD 100 million. This innovative transaction, with funding support from Afreximbank, seeks to bring the benefits of a well-developed repo market to the African continent, with the goal of enhancing the liquidity of a diversified basket of Sovereign Eurobonds including The Arab Republic of Egypt, Kenya and Angola as issuers. The transaction relies on an innovative Triparty platform designed for the LSF by BNY Mellon. The LSF is now in the process of signing-in clients to the platform, including potentially two of the largest American and European fixed income private investors.

This first transaction marks the full operationalization of the LSF's business model, enabling it to start fulfilling in earnest its two objectives of supporting the liquidity of African Sovereign Eurobonds, and incentivizing SDG-related investments such as SDG and green bonds on the African continent.

"As the originator of the idea and working for over two years to see the LSF happen, I'm very proud as it exemplifies a pragmatic and concrete illustration of what Africa can do for itself when taking the initiative to build the modern financial infrastructures that will boost its green recovery and foster sustainable investments in Africa" commented **Vera Songwe, Chairperson of the LSF**. "This is an important edifice for emerging markets generally and we hope we can grow the facility to support many more countries especially in these challenging times. It is a privilege to be supported in that endeavor by such leading international financial institutions."

"Afreximbank is very proud to have supported the LSF from the start" said **Prof. Benedict Okey Oramah, President and Chairman of the Board of Directors of African Export Import Bank**. "This is needed and as players in Africa's development field we know how strategic it is to have efficient and transparent market mechanisms in place so that a wider range of private investors can invest in African debt issuances and improve their liquidity. For years we talked and contemplated about the possibility of an Africa-focused liquidity instrument to support its bond issuances. Today, we start the journey in earnest as we transition from talk to action. With Africa's liquidity premium addressed, African issuers can look forward to lower bond yields."

"Africa's medium to long term prospects for recovery will hinge on critical investments in sectors such as renewable energy production, sustainable transport or climate smart agriculture" said **Jean-Paul Adam, Director, Technology, Climate Change and Natural Resource Management Division** at the ECA. By providing more favorable repo terms for Green and SDG-linked sovereign bonds, the LSF can create the incentives and eventually



the means for African Governments to finance a green recovery that is sustainable and inclusive.”

“We are pleased to have closed the LSF’s inaugural transaction” said **Jay Collins, Vice Chairman, Banking, Capital Markets, Advisory at Citi**. “One of the staples of a functioning market is sustainable liquidity. We believe this facility brings the benefit of enhanced liquidity to both African Sovereign issuers and private investors alike and other market participants will find it useful and will replicate it.”

“Innovation can support positive change, and we are proud to be part of this initiative to help the African economy achieve sustainable growth” said **Brian Ruane, CEO of Clearance & Collateral Management of BNY Mellon**. “A well-functioning repo market enhances the liquidity and the attractiveness of sovereign debt which contributes to realizing new solutions that work beyond business and for society as a whole.”

“Now that the facility is up and running, we are pleased to offer refinancing for a well-defined universe of more than 120 eligible African Sovereign Eurobonds and for maturities extending up to one year” said **David Escoffier, CEO of the LSF Secretariat**. “The repo market now operates at the highest standards in Africa as in developed countries and the LSF is here in particular to incentivize green bond issuances.”

“We are pleased to be among the first asset managers to start the onboarding process on the platform” commented **Vincent Mortier, CIO of Amundi**. “This initiative should increase the demand for African Sovereign Eurobonds, in particular green and climate bonds, which we see as a long-term investment trend for international investors.”

“For the LSF, an innovative and scalable legal program has been established” said **Ingrid York, partner at White & Case**, which together with Irish law firm **Arthur Cox** advised the LSF on the inaugural repo deal. “The platform is here to help African Sovereigns access international markets efficiently and for the long-term.”

Notes to the Editor

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About Afreximbank

African Export-Import Bank (Afreximbank) is a Pan-African multilateral financial institution mandated to finance and promote intra-and extra-African trade. Afreximbank deploys innovative structures to deliver financing solutions that support the transformation of the structure of Africa’s trade, accelerating industrialization and intra-regional trade, thereby boosting economic expansion in Africa. A stalwart supporter of the African Continental Free Trade Agreement (AfCFTA), Afreximbank has launched a Pan-African Payment and Settlement System (PAPSS) that was adopted by the African Union (AU) as the payment and settlement platform to underpin the implementation of the AfCFTA. Afreximbank is working with the AU and the AfCFTA Secretariat to develop an Adjustment Facility to support countries in effectively participating in the AfCFTA. At the end of 2021, the Bank’s total assets and guarantees stood at about US\$25 billion, and its shareholder funds amounted to US\$4 billion. Afreximbank disbursed more than US\$51 billion between 2016



and 2021. The Bank has ratings assigned by GCR (international scale) (A), Moody's (Baa1), Japan Credit Rating Agency (JCR) (A-) and Fitch (BBB). The Bank is headquartered in Cairo, Egypt.

For more information, visit: www.afreximbank.com.

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About the Liquidity and Sustainability Facility

The LSF was designed by the United Nations Economic Commission for Africa, in collaboration with Afreximbank, with the dual objective of supporting the liquidity of African Sovereigns Eurobonds and incentivizing SDG-related investments such as SDG and green bonds on the African continent. The establishment of the LSF was announced in November 2021 at the COP26 in Glasgow. Its aim is to improve African Sovereign debt sustainability and, through its participation with African governments and private investors, contribute to the enhancement liquidity in the market on par with international standards. An improvement in the terms of new issuances of SDG- or climate-linked bonds for African nations could see a dramatic increase in the volume of green and blue bond financing, and at affordable and sustainable rates.

For more information, visit www.lsfacility.org