TOWARDS AN AFRICA TERRITORIAL TRADE AND INVESTMENT AGENCY, ATIA

ACCESS TO CAPITAL MARKETS OF AFRICAN CITIES AND SUBNATIONAL GOVERNMENTS

Capacity Building Program of Chief Finance Officers
Foreword

This publication presents the implementation of the first phase of the capacity building of Directors of African City Financial Officers (CFOs) in preparation of the startup of the African Territorial Trade and Investment Agency (ATIA), the special purpose vehicle set up at the request of UCLG Africa members to provide cities and other subnational and local governments of Africa to raise funds from the capital market, national or international, and channel them to cities and territories to meet the investment and other challenges posed by the rapid urbanization in Africa. The implementation of this project has gone through several stages.

The first step was the organization in Marrakesh, Morocco, in December 2014, of a conference on the theme «Financing African Cities: agenda, alliances and solutions.» At the end of the discussions of this conference, the African mayors and leaders of local and subnational governments asked the General Secretariat of UCLG Africa to work on the establishment of a pan-African special purpose financial vehicle under the direct responsibility of elected officials, dedicated to the financing of infrastructure and equipment of African cities and communities. To that effect, The UCLG Africa missioned a feasibility study that resulted in a preliminary feasibility report of the vehicle.

The second step of the process consisted in the holding of a «brainstorming workshop» on 30 and 31 October 2017 in Rabat, Morocco, around the conclusions of the preliminary feasibility report. The brainstorming workshop gathered key stakeholders operating on the capital markets or interested in city borrowing or lending, among which: representatives of rating agencies (such as Moody’s and Bloomfield); representatives of development banks (such as DBSA - Development Bank of Southern Africa, BOAD - West Africa Development Bank) ; representatives of private banks (such as BNP Asset Management); representatives of institutions involved in local government finance (such Agence France Locale, Norges Kommunal Bank of Norway, Fonds d’Équipement Communal - FEC of Morocco, Fonds d’Équipement et d’Intervention Communal - FEICOM of Cameroon) as well as Akhile Management and Consulting company; representatives of Stock Exchange (such as BBVM - Bourse Régionale des Valeurs Mobilières – Abidjan); representatives of Deposit and Consignment Funds (such as CDG - Caisse de Dépôt et de Gestion of Morocco); as well as Chief Financial Officers of major African cities. The workshop discussed and approved the preliminary feasibility report and defined the roadmap of actions to be taken in view of the entry into operation of the ATIA.

The third step was the meeting organized within the framework of the 8th edition of the Africities Summit held in Marrakesh on 21 November 2018. During this meeting the mayors and elected officials of local and subnational governments amended the preliminary feasibility report and approved the roadmap proposed by the brainstorming workshop held on 30 and 31 October 2017 in Rabat; they further recommended to the General Secretariat UCLG Africa to initiate the constitution of the ATIA cooperative society and to launch an appeal to cities and territories to join the cooperative society, in order to gather the first 100 members to be the founding members of the ATIA.

The fourth step was the holding of the first meeting of the founding members of the ATIA held on 11 November 2019 in Durban (South Africa), on the sidelines of the 8th UCLG Congress. This meeting, held under the chairmanship of the President of UCLG Africa, resulted in the formalization of the Club of
the Founding Members ATIA, and defined the missions and responsibilities of that Club as following: decision making regarding the different stages of the establishment of the ATIA; strategic choices regarding the orientations of ATIA operations; negotiation of partnerships with States and other relevant stakeholders; advocacy activities, etc.

The fifth step occurred at the 9th edition of the Africities Summit in Kisumu in May 2022, where two partnership agreements were signed: the first one with the United-Nations Capital Development Fund (UNCDF) to support the mobilization of consultancy services for the implementation of a study of risks analysis of ATIA and identification of further actions to be undertaken for the full operationalization of ATIA, as well as the definition of the calendar of its execution; the second one with the African Development Bank (AfDB) following which AfDB accepted to support a training and capacity building program on access to the capital market targeting the directors of CFOs of cities and territories that are members of the ATIA cooperative society.

The training program is implemented in two phases: the first phase was held from 19 to 24 September 2022 at the AfDB headquarters in Abidjan; the second will phase take place in Johannesburg during the first quarter of 2023.

This document is the report of the first phase of the training program organized for the benefit of the Chief Finance Officers (CFO) of the cities and subnational governments belonging to the ATIA cooperative society.

We welcome any remark, critics, and suggestions so that we continuously improve in the delivery capacity of UCLG Africa at the service of its members.

Jean Pierre Elong Mbassi
Secretary General CLG Africa

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1. The rising demand for infrastructure and equipment in African cities

One of the main challenges Africa faces is the high rate of demographic and urban growth. The combination of these two elements lead to important migrations flows that put cities under huge pressure in terms demand for urban infrastructure and services, which implementation is difficult to plan since the cities are submitted to changing targets due to the magnitude of rural-urban migrations. Managing rapid urbanization of Africa is without doubt the task of the day for African decision-makers since cities already are and be even be among the major actors in the process of structural transformation of Africa, for at least the following three reasons:

**Africa will be home the world’s most important population.** between now and the end of the 21st century. UN experts estimate that the world population will reach 8.1 billion in 2025, 9.6 billion in 2050 and 10.9 billion in 2100. Africa will account for more than half of the world’s population growth, from 2.4 billion in 2050 to 4.2 billion in 2100. With an average annual population growth of 2.4%, the highest in the world, the African population has doubled in the last 30 years while the European population, for example, has only increased by 15% during the same period. With often 7 or more children per woman, most African countries are among the 20 or so countries with the highest fertility levels in the world. Even if the demographic transition is achieved, declining fertility levels will not prevent total populations in African countries from increasing sharply (by 50% to 100%) over the next 20 years. Today, the average birth rate in Africa is over 35 births per thousand inhabitants, whereas it is only about 13 per thousand in France, a European country with a highest birth rate. Furthermore, half of the population of African countries is less than 20 years old, and depending on the more or less recent nature of their fertility decreases, the number of women of childbearing age will double or increase by at least 50% in the next 20 years.

**Africa is the only region in the world (with Asia) that has not completed its demographic transition and urbanization process.** This process is almost complete in many parts of the world; it is only in its infancy in Africa, where today only 44% of the population lives in cities. Indeed, with the exception of Africa and South Asia, all other regions of the world have completed their settlement process; they are over 70% urban. Starting from a very low base, the growth of the urban population in Africa over the next 20 years will be close to the double of the growth of the world’s urban population in general, making the continent one that is experiencing and will experience the most sustained urbanization process over the next 20 years. Africa is therefore at the heart of a rapid demographic transition that is taking it from being predominantly rural 30 years ago to become predominantly urban within the 30 years ahead. Over the period 1960-2020, the growth rates of the most dynamic cities have frequently reached and exceeded 10%, which is about three times the growth of European cities at the height of the industrial revolution. Over the next three decades, the total urban population and the urbanized area will have to triple again. This likely evolution shows that even if the growth rate of the total population is expected to decline in the coming years, the urban population will continue to grow: it is estimated that in the next 20 years, the growth of the population of African cities will be equivalent to the total population of the United States. Today, all projections show that this urban population will be estimated at around 1.2 billion inhabitants in 2050.

**The concentration of productive systems in urban areas.** One of the structuring factors of space organization is globalization. This has been highlighted by the landmark publication of the World Bank (World Development Report 2009: Reshaping Economic Geography) on the role of globalization in shaping a new geography, and explaining the changes underway in the new relationships between the economy and the space pertaining to the location strategies of companies. This is an evolution compared the post-independence years during which the territory was perceived as a passive factor in national development. With globalization, the competition for wealth between countries has been translated into a competition between territories to keep and attract investors. In other words, the competitiveness of the national economies depends more on more on the attractiveness of their cities and territories. The strategy of firms at the global level and the logic of localization of productive systems have led to new trends in the organization of productive systems and their relationship to space: as a result, comparative advantages of any place is key to the decision to localize economic activities. In other words, paradoxically, globalization puts the territory as the center as the landing space of the global economy. So far, Africa has been trapped on the lower levels of the global value chains selling low value raw material and commodities and buying higher value manufactured goods. Change to be made to address this situation suggests that decisive measures are taken in order to sustain self-reliance and put in place the necessary conditions to increase the place of Africa in global value chains through initiating a strong industrialization process.

The demand for infrastructure and services on African cities is therefore nurtured by three structural factors mutually reinforcing: investment and services needs induced by the population already living in cities; additional investments and services necessary to cope with the cities growth; and demand for infrastructure and services required to keep pace with the cities attractiveness in their effort to keep or attract investors. It is in anticipation of these huge structural shifts in demand for infrastructure that the International Conference on Financing for Development, held from July 13 to 16, 2015, in Addis Ababa, Ethiopia, gave special attention to subnational governments. The resulting Addis Ababa Action Agenda recognizes in its Chapter 34 that decisions on sustainable development spending and investments are overwhelmingly under the jurisdiction of local and regional governments. It therefore recommended intensifying international cooperation and assisting decentralized authorities to enhance their financial autonomy, including by establishing or strengthening municipal bond markets to finance needed investments. It encourages lending by financial institutions and development banks to cities and subnational governments, alongside with risk mitigation mechanisms such as blending finance, guarantees, insurances, among others.

In any case, cities and subnational governments, like any other economic agent, need to borrow to finance long maturity public investment. Access to borrowing makes it possible to «smooth out» the contribution of subnational governments to capital expenditure over the long term. The setting up of the ATIA is therefore a direct contribution of UCLG Africa to the implementation of the provisions of the Addis Ababa Action Agenda pertaining to access of African cities and subnational governments to the financial market. The particularity of the ATIA is that its pact of shareholders will recognize the primacy of the members of ATIA cooperative society in the leadership of ATIA in order to maintain the vehicle under close direction and control by African subnational and local governments. The ATIA will however function based on stringent banking requirements in order to avoid any political interferences in its operations. That is why the second compartment of ATIA will be the banking agency that will be hosted by a Pan African Development Bank. ATIA will establish a pooling mechanism that will be used to facilitate access to lending to cities that cannot access the financial market alone for reasons of threshold or cost.
2. Why reinforcing capabilities of cities and subnational governments to access to capital market is key

The training course is based on the conviction that the recourse to borrowing and the financial market is from now on unavoidable for any public or private agent that wants to find financial resources for long maturity investments. Facing the huge demand for infrastructure and basic services provision will require that cities define and deploy investment plans which financing will need to be found on the financial market in complementary to own-raised resources and transfer from the national governments.

Financing infrastructure and basic services development is the more justified that African cities are fast growing, which means that the debt service and reimbursement will be shared by more and more people, thus lowering the burden of the debt per capita.

On the other hand, borrowing is a real driver for improving the financial management of cities and subnational government by instilling financial discipline in their financial management. Indeed, borrowing generally entails several duties, the main reason being to ensure that the borrower has the capacity to repay. Access to borrowing and the financial market often leads to the improvement in financial bookkeeping and management of the subnational or local governments accounts. It also results in better consideration of the mobilization of own-raised resources and of the quality of public expenditure. It pushes subnational and local governments to care more about local budgetary discipline and the use of efficient financial tools to ensure sound financial management.

The fact that only a handful of South African or Nigerian cities are acquainted to issuing bonds on the financial markets is indicative of the urgency to level the skills of African cities in this field. For the majority of African cities, this much-needed approach to local finance is new. Most financial services of cities in Africa do not have any experience going to the financial market because sometimes the law does not allow them to do so. This training program has been therefore a revelation to many, and more of a sensitization approach to raise the appetite for more knowledge acquisition. This training course was a good entry point for cities and subnational governments that have shown interest in participating in the borrowing on the financial market. This is also, why the target audience for the course is mainly cities and subnational governments that are ready to enter the financial market through their participation in the setting up of the ATIA.

The course is organized with the financial support of the African Development Bank, and is delivered by UCLG Africa in collaboration with C40. It focuses specifically on access of African cities and subnational governments to the bonds market. It targets city financial services of 10 UCLG Africa members having subscribed to ATIA cooperative society and selected following a call for expression interest. The choice took into account the representation of the different African regions and types of local governments. The target was to retain the CFO, and possibly a member of the infrastructure or planning unit of the city.

3. How the challenge of financing urbanization is actually handled?

Africa is the most rapidly urbanizing region in the world today, and as a result, the continent is experiencing the most rapid change in its population patterns. Mostly rural 30 years ago, Africa will become mostly urban in the next 10 years. It is estimated that cities and subnational governments will need to invest US$ 25 billion to meet the needs of their populations, while the investment capacity does not exceed US$ 1 billion per year, which represents only 4 percent of the investment needs to meet Africa’s rapid urban growth. It is expected that by 2030, African cities will be home to 30 million new residents per year, compared to 17 million per year today.

Financing urbanization, cities and subnational governments is therefore one of the major issues of the moment if we want to avoid cities becoming a drag on the continent’s structural transformation dynamic, instead of being one of its main drivers as desired by the African Union’s Agenda 2063.

To address the challenge of financing urbanization and subnational government investments, some governments (e.g., Morocco, Cameroun, Tunisia, Mali, etc.) have created specialized financing institutions (SFIs) to mobilize financing and provide loans and grants to cities and subnational governments. The resources of the SFIs come initially from funds allocated by Central Governments, possibly supplemented by resources from national budget transfers to cities and subnational governments, from national development banks or international cooperation agencies. Such SFIs were set up in Europe and the United States a century ago.

With the generalization of decentralization processes in the world, more and more subnational governments are free to choose the amount, the rate, and to whom they turn to for financing. This positive evolution of decentralization laws tends to give more autonomy to the populations through direct election of territorial governments for management of cities and subnational entities. In the majority of African countries, the decision to borrow is voted on by the deliberative assembly, even though it must comply with the debt sustainability indicators defined at the national level. In some countries, such as South Africa, this decision is free and not subject to legal control of the Central Government.

Governments have always been concerned with controlling the indebtedness of cities and subnational governments by setting up financial intermediaries to collect and manage their funds, as in Europe and the United States a century earlier. These Specialized Financing Institutions (SFIs) are usually parastatals with financial autonomy. The establishment of FSIs has led to a rethinking of how subnational investments are financed, often expanding the capital markets and improving the solvency and financial management of local governments. The first experiences with SFIs in Africa were in Rwanda and Tunisia. The experience has subsequently spread to many African countries.

However, it has to be said that the SFIs have not succeeded in mobilizing financing commensurate with the needs of cities and subnational authorities, despite the rather favorable growth environment observed over the past 20 years. It therefore appeared necessary to use other innovative instruments to mobilize additional financial resources to finance the investments at subnational level. One of the most common instruments is the issuance of bonds on the capital markets. Although heavily regulated by national authorities to ensure that cities and subnational government debt levels do not represent a risk to macroeconomic management, bond issuance appears to be the most appropriate way to meet the long-term financing needs of local and subnational government investments in a period of high demand for public infrastructure, facilities, and services.

4. Characteristics of local government financial resources and their management in Africa

Six characteristics of the financial resources of cities and subnational governments need to be given special attention to prevent them from constituting obstacles to accessing capital markets: (i) the
structural rigidity of cities and subnational governments’ own financial resources; (ii) the insufficient involvement of subnational governments in the fiscal chain; (iii) the difficulties of the fiscal compact between the population and territorial governments; (iv) the instability and even unpredictability of financial transfers from national governments; (v) the unsuitability of tools for collecting local taxes and levies; and (vi) the uncertainties in cities and territorial governments’ cash management.

**Structural rigidity of own resources.** The taxation system in cities and subnational governments in Africa is essentially direct taxation, with the main exception of South African municipalities, where the majority of financial resources come from water and electricity bills. A major constraint on the implementation of direct taxation is the lack of databases that provides a good understanding of the tax base. This is all the more difficult because the national governments, whose taxation is essentially indirect in most African countries, does not put much effort into the knowledge of the local tax system. In practice, the most difficult tax to collect (direct taxation) is assigned to the weakest public authorities (cities and local authorities), while the easiest tax to collect (indirect taxation) is assigned to national governments, whose level of institutional development is higher than that of cities and subnational governments. In reality, local taxation requires a level of institutional and technical development that neither the national governments nor the cities and subnational authorities generally have.

With the adherence of most African countries to the World Trade Organization (WTO), the advent of the African Continental Free Trade Area (AfCFTA) and the regional integration movement, and the signing of economic partnership agreements, the trend is towards tariff disarmament at national borders and the development of alternative internal taxation. In response, governments tendency is to favor the development of alternative internal taxation, rather than direct taxation, leaving intact the constraint of the rigidity of the own resources of cities and subnational authorities.

**Insufficient involvement of cities and subnational authorities in the fiscal chain.** In most African countries, particularly in the French-speaking ones, there is a division of tasks between the national governments and the cities and subnational governments with regard to the knowledge and collection of taxes at the local level. Generally, national governments services are responsible for all local taxes registered, while the cities and subnational governments collect fees. Beyond the simple question of who collects what, the key question is that of control of the tax chain. The services of the ministry of Finance or dedicated national institutions are in charge of the entire tax chain and of combating the loss of financial resources at the three nodes of the tax chain, i.e., the tax base, issuance and collection. In practice, however, national government services make only marginal efforts to collect cities and subnational governments taxes, with the main emphasis on the collection of national government taxes.

In addition to the fact that legally, cities and subnational governments have no possibility of evaluating the performance of national governments services in this area, in practice the latter are not accountable to cities and subnational governments, with the rare exception of Benin where a performance contract has been concluded between the national government’s tax services and cities and subnational governments to know what has been collected on their behalf, which gives them no basis to contest the level of the resources transferred to them.

**Tax avoidance.** The performance of direct taxation is a function of the degree of trust enjoyed by public administrations and national government at the level of the population. Against the payment of taxes to the local and subnational governments, the population expects in return the provision of public services to meet its daily basic needs. If this contract is broken because of the absence of a visible counterpart to the payment of taxes, trust is lost and a general feeling of distrust towards taxation develops. Non-payment of taxes becomes then a way of contestation of public authorities by the population. This distrust can go as far as boycotting the payment of service fees or taxes, including for those actually provided (rent, water, electricity), as it has been observed in South Africa.

In such a context, the elected officials of African cities and subnational authorities have difficulties convincing people on the need to pay taxes in order to finance local development programs. The implementation of the decentralization policy puts decentralized subnational authorities in a position of renegotiating trust between government and the population through the provision of basic services against the payment of taxes.

**Instability of financial transfers from national governments to cities and subnational governments.** The revenues of cities and subnational governments are mainly made up of own-sourced revenues and transfers from the national budget. Sometimes, especially for small and medium-sized local governments, transfers from national government can constitute a very significant part of the local revenues. In many countries these transfers are neither predictable nor regular. They vary from year to year depending on the performance of tax collection at the national level. In times of economic crisis, these transfers can fall sharply to the point of weakening the financial autonomy of cities and subnational governments.

Furthermore downstream, there is also the recurrent problem of controlling the effectiveness of the transfer of resources from central governments. Experience shows that even when the finance laws specify the amounts to be transferred, the effectiveness of the transfers is not guaranteed. Most countries do not have an institutional mechanism for monitoring the effective payment of the sums transferred, nor do they provide for any means of recourse by cities and subnational authorities in the event of non-transfer of resources from the national government budget to subnational governments.

**Inadequacy of local tax collection tools.** Mobilizing own-sourced revenues from local taxes is one of the fundamental issues, which cities and subnational authorities must respond to it. The Addis Ababa Action Agenda stipulates that the long-term financing of each country’s development must be sought first and foremost in the mobilization of its internal resources. The Addis Ababa Action Agenda therefore calls for greater mobilization of domestic savings to finance national development, and for a reduction in the share of customs duties in public finance. This development gives cities and subnational authorities a greater role in mobilizing savings, particularly through the collection of local taxes. In this respect, cities and subnational governments must implement efficient, transparent and harmonized systems for identifying taxation base and collecting taxes and levies, including by using technological innovations. In practice, however, some city and subnational government officials and elected representatives view these innovations with suspicion. This mistrust is fueled by the procedural overbidding of national administrations, in particular the Ministry of Finance, which, under the guise of respecting public finance management rules, are reluctant to authorize the generalization of innovations that would allow cities and subnational authorities to play a greater role in the mobilization of internal savings, as recommended in the Addis Ababa Action Agenda.
Uncertainties in cash management. While in English-speaking countries, cities and subnational governments are allowed to open accounts in public and private banks, the situation in countries with a French-speaking administrative tradition is quite different. In these countries, the practice of a single treasury cash box means that the local authorities’ own resources must be deposited in an account opened at the Treasury. The opening of accounts in private banks is exceptional, and is subject to formal authorization by the competent national authorities. It should also be noted that in these countries, the national tax authorities are responsible for establishing the tax base and the national treasury authorities are responsible for collecting taxes. On the basis of this provision, local authorities receive cash advances from the Treasury, but do not know on what basis they are calculated. They are therefore unable to set up a real cash-flow management forecast, which is a major weakness in the execution and management of their budgets.

In a context of almost chronic public finance crisis, the principle of a single bank has been translated into a principle of a single account. The cash available for public finance is used without considering the differentiation of the respective funds, the national government one, or the subnational authorities one. Under these conditions, it is often the payment of national governments expenditure that have priority. This situation can make it impossible for a local authority that has a deposit at the Treasury to pay a bill or a loan repayment.

5. Approach and Methodology of the training

The general objective of the training is to strengthen the capacities of the Chief Financial Officers of African Cities and Territories on the theme of access to capital markets for cities and subnational authorities.

The training cycle is delivered within the framework of UCLG Africa’s African Local Government Academy (ALGA) and will result in the award of a certificate.

The training is delivered by:

- Experts from cities who have experience in issuing bonds on the capital markets.
- Experts working in credit guarantee institutions, rating agencies, intermediation and management companies, etc.
- Experts from the “Bourse Régionale des Valeurs Mobilières d’Abidjan (BRVM)” and the regulatory body the “Conseil Régional de l’Épargne Public et des Marchés Financiers” (CREPMF), a financial institution of the countries of the West African Economic and Monetary Union (WAEMU/UEMOA);
- Experts from the Johannesburg Stock Exchange (JSE);
- Experts from AfDB on credit risk, Bank’s financing instruments, Bank’s guidelines to sub-national financing;
- Experts of the Sahel and West Africa Club of OECD.

The training course is planned in two steps: Step 1 takes place in September 2022 in Abidjan around the BRVM ecosystem; and Step 2 is organized in November 2022 in Johannesburg with South-African Cities that have experience accessing to capital market.

The first part of training in Abidjan was structured around the following 8 modules (see details in Table 1 – Annex 1):

- Module 1. Why recourse to borrowing and capital markets is inevitable for African cities and territories (Training Course, TC 1 and 2);
- Module 2. Introduction to the Capital Markets Ecosystem (TC 3);
- Module 3. Financial Analysis of Cities and Local Governments (TC 6-8);
- Module 4. Local Government Financial Ratings (TC 09-12);
- Module 5. Preparation, conduct and realization of the bond issue on Capital Markets (TC 16-17);
- Module 6. Listen to CFO’s Best practice (TC 14);
- Module 7. Innovative instruments of financing subnational governments (TC 13 - 15);
- Module 8. New AfDB Financing Instruments for Cities and Local Governments (TC 4, TC5)

The first part of the training was completed by a technical visit to BRVM and CREPMF.

The second part of the training will be held in Johannesburg to essentially benefit from the experience of South African cities having already accessed capital markets.

The two days of training will be led by Chief Finance Officers of the cities of Johannesburg, Cape Town and Tshwane.

- Module 9. Legislative and regulatory framework for south African cities access to Capital markets (TC 18 and TC 19);
- Module 10. Practical experience of South African Cities access to Capital markets (TC20, TC21, TC22);

La deuxième et dernière partie de la formation sera complétée par une immersion technique à la Bourse de Johannesburg (JSE).


Some 50 cities and subnational authorities have subscribed to the cooperative society of the ATIA. These cities are from the following countries: Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central Africa Republic, Congo, Côte d’Ivoire, Gabon, Gambia, Kenya, Liberia, Libya, Senegal, Madagascar, Malawi, Mali, Mauritius, Morocco, Nigeria, Sierra Leone, Sudan, Tanzania, Tunisia, Uganda. The process of subscription to the ATIA cooperative society is still underway. This training program targets staff of financial services of cities and subnational local governments that have subscribed to the ATIA cooperative society, including the Chief Financier Officers (CFO), following a candidature presented after a call for expression of interest.

The selection process has paid particular attention to geographical representation (West, East, North Southern and Central Africa), official languages and gender balance.
Table 1: Agenda of the Abidjan Week

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Session Title</th>
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<tbody>
<tr>
<td>Monday 19.09.2022</td>
<td>08:30 - 10:00</td>
<td>Opening Ceremony: - President of UCLG Africa, - Vice-President for the Private Sector, Infrastructure and Industrialization, AFDB. Director of Infrastructure and Urban Development, AfDB</td>
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<tr>
<td>Monday 19.09.2022</td>
<td>10:00 – 10:30</td>
<td>COFFEE / TEA BREAK</td>
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<tr>
<td>Monday 19.09.2022</td>
<td>10:30 - 13:00</td>
<td>TC 0: Presentation of the training and the participants</td>
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<td>Monday 19.09.2022</td>
<td>13:00 – 14:00</td>
<td>LUNCH</td>
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<tr>
<td>Monday 19.09.2022</td>
<td>14:00 - 15:30</td>
<td>TC 1: ALGA</td>
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<td>Monday 19.09.2022</td>
<td>15:30 – 16:00</td>
<td>COFFEE / TEA BREAK</td>
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<tr>
<td>Monday 19.09.2022</td>
<td>16:00 - 18.00</td>
<td>TC 2: The African Territorial Trade and Investment Agency (ATIA): Challenges and implementation steps</td>
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<td>Tuesday 20.09.2022</td>
<td>08:30 - 10:00</td>
<td>Study Tour at CREPMF</td>
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<td>Tuesday 20.09.2022</td>
<td>10:00 – 10:30</td>
<td>COFFEE / TEA BREAK</td>
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<tr>
<td>Wednesday 21.09.2022</td>
<td>08:30 - 10:00</td>
<td>TC 3: The ecosystem of access to capital markets for cities and subnational authorities</td>
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<td>Wednesday 21.09.2022</td>
<td>10:00 – 10:30</td>
<td>COFFEE / TEA BREAK</td>
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<tr>
<td>Wednesday 21.09.2022</td>
<td>13:00 – 14:00</td>
<td>LUNCH</td>
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<td>Wednesday 21.09.2022</td>
<td>14:00 - 15:30</td>
<td>TC 5: African Development Bank Group’s Financing Instruments: Guarantees, Loan Products and Loan Syndication – focus on Sub-national entities</td>
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<tr>
<td>Wednesday 21.09.2022</td>
<td>15:30 – 16:00</td>
<td>COFFEE / TEA BREAK</td>
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<td>Wednesday 21.09.2022</td>
<td>16:00 - 18.00</td>
<td>TC 6: The key concepts of financial analysis for local authorities</td>
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<td>Thursday 22.09.2022</td>
<td>08:30 - 10:00</td>
<td>TC 7: Understanding and monitoring the financial performance of local governments: balances and financial ratios to watch</td>
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<td>Thursday 22.09.2022</td>
<td>10:00 – 10:30</td>
<td>COFFEE / TEA BREAK</td>
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<td>Thursday 22.09.2022</td>
<td>10:30 - 13:00</td>
<td>TC 8: Building a financial forecast for local governments: a best practice</td>
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<tr>
<td>Thursday 22.09.2022</td>
<td>13:00 – 14:00</td>
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<tr>
<td>Thursday 22.09.2022</td>
<td>14:00 - 15:30</td>
<td>TC 9: African Development Bank Group’s Guidelines for Subnational Lending and Presentation of Urban and Municipal Development Fund, UMDF</td>
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<td>Thursday 22.09.2022</td>
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<td>TC 10: Introduction to financial rating of cities and subnational governments</td>
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<td>Thursday 22.09.2022</td>
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<td>TC 11: Methods and tools for financial rating of cities and subnational authorities.</td>
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<td>TC 12: Case study of a financial rating of local subnational governments: a regional body</td>
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<td>Thursday 22.09.2022</td>
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<td>TC 13: The titration, an innovative lever of financing for local authorities</td>
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<td>Thursday 22.09.2022</td>
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<td>TC 15: Green, social and sustainable Bonds</td>
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<td>TC 16: Products of capital markets and process to follow</td>
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<td>Conclusions of the training and Way Forward.</td>
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Table 2: Agenda of the Johannesburg Week

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<td>Tuesday 01.11.2022</td>
<td>08:30 - 10:00</td>
<td>Opening Ceremony: - Speech by the SG CGLU Africa, - Speech of Representative of AfDB, - Speech by the President de SALGA</td>
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<tr>
<td>Tuesday 01.11.2022</td>
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<td>Tuesday 01.11.2022</td>
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<td>TC 18: The Decentralization Process and Intergovernmental Financial Relations in South Africa</td>
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<tr>
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<td>Tuesday 01.11.2022</td>
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<td>TC 19: The Legislative and Regulatory Framework for access to Capital Markets by South African Municipalities</td>
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<td>Tuesday 01.11.2022</td>
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<td>TC 20: The experience of Johannesburg’s access to Capital Markets</td>
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<td>Wednesday 02.11.2022</td>
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<td>TC 21: The experience of the city of Tshwane’s access to capital markets</td>
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<tr>
<td>Wednesday 02.11.2022</td>
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<td>TC 22: The experience of Cape Town’s access to Capital Markets</td>
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<td>Wednesday 02.11.2022</td>
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<tr>
<td>Wednesday 02.11.2022</td>
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<td>TC 22 (cont.): The experience of Cape Town’s access to Capital Markets</td>
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<td>Wednesday 02.11.2022</td>
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<tr>
<td>Wednesday 02.11.2022</td>
<td>16:00 - 18.00</td>
<td>TC 21 (cont.): The experience of the city of Tshwane’s access to capital markets</td>
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Study Tour at the Johannesburg Stock Exchange (JSE)

Study Tour at the Johannesburg Stock Exchange (JSE)

Closing ceremony: Speech by the SG CGLU Africa, - Speech of Representative of AfDB, - Speech by the President de SALGA
7. Report of the course

7.1. Introduction

The African Development Bank and United Cities and Local Governments of Africa (UCLG Africa) supported by GIZ and the Sahel and West Africa Club of OECD organized from 19 to 24 September the training of Chief Financial Officers of some forty African cities and subnational governments concerning access to the capital markets.


The opening ceremony held on Monday September 19 at 09.00 was marked by several speeches - Mr. Stefan ATCHIA, Manager, Urban Development Division of the African Development Bank; Mr. Ripert BOUSSOUKPÉ, Secretary General of the Regional Council for Public Savings and Financial Markets (CREPMF), and Ms. Harlette Badou N’GUESSAN KOUMÉ, Mayor of Arrah and Secretary General of the Union of Cities and Communes of Côte d’Ivoire (UVICOCI). The official opening speech was delivered by His Excellency Aka AOULÉ, President of the Economic, Social, Environmental, and Cultural Council of Côte d’Ivoire and President of the Assembly of Regions and Districts of Côte d’Ivoire (ARDCI) and President of the Sud-Comoé Region.

The closing ceremony was held on Saturday, September 24 with the closing speech made by Mr. Fidel YAPI, Director General of Decentralization and Local Development (DGDDL), Ministry of the Interior and Security of Ivory Coast.

This training benefited from the financial support of GIZ and of the Sahel and West Africa Club of the OECD. The training was provided by experts from the Regional Council for Public Savings and Financial Markets (CREPMF), the Abidjan Regional Stock Exchange (BRVM), the Bloomfield Investment Rating Agency, the HUDSON Intermediation and Management company, the Securitization of assets (CREPMF), and Ms. Harlette Badou N’GUESSAN KOUMÉ, Mayor of Arrah and Secretary General of the Union of Cities and Communes of Côte d’Ivoire (UVICOCI). The official opening speech was delivered by His Excellency Aka AOULÉ, President of the Economic, Social, Environmental, and Cultural Council of Côte d’Ivoire and President of the Assembly of Regions and Districts of Côte d’Ivoire (ARDCI) and President of the Sud-Comoé Region.

7.2. Introduction to the course

7.2.1 Presentation of the course

The overall presentation and structure of the training program was made at the beginning of the proceedings.

A round table made it possible to get to know the different participants (name, position, and city/local or regional government they represent) and to check whether there were any particular expectations with regard to the training. On the question of whether there were experiences of access to capital markets among participating cities and subnational governments, the answer was no. It therefore appears that the participants were expecting to learn about a matter which is completely unknown to them, namely how and when to access the capital markets. This meant that a deep-dive exploration of the prerequisites and conditionalities for accessing the capital markets was necessary.

On the other hand, two chief financial officers, from Ouagadougou (Burkina Faso) and Lilongwe (Malawi) agreed to share the best practices of their cities respectively, on the experience of PEFA (Public Expenditure and Financial Accountability) and the experience of debt management.

7.2.2 Presentation on ALGA and on the African Territorial Trade and Investment Agency

The session on the African Local Government Academy allowed participants to learn about the training offered at UCLG Africa. The Academy offers two kind of on the job training programs: an 12-month Executive Master in the Management of African cities targeting the director of services, the city financial officers, and the city technical officers; and short term specialized training courses in various topics of interest for African local governments, namely participatory budgeting; territorial coaching; public-private partnership; localization of the SDGs; etc. A first cycle of the Master Program is ongoing in the Al Akhawayn University of Ifrane in Morocco for French-speaking participants. This course is followed by 30 participants from Benin, Burkina Faso, Côte d’Ivoire, Mali, Mauritania, Morocco, Niger, and Senegal. An English-speaking cycle of the Executive Master will be starting soon, the process of selection of candidates being already launched.

The territorial coaching training course has resulted in the certification of 63 Territorial Coaches from Francophone countries.

ALGA is also developing an e-academy where the available courses and new ones will be digitalized for easier access to members. The digital platform will also offer a e-library with more than 900,000 references available in English, French, and Spanish for now.

ALGA also organizes every year «The African Forum of Territorial Managers and Training Institutes targeting Local and Regional Governments (FAMI). The sixth edition of FAMI to take place in November 2022 in Agadir, Morocco.

Participants raised a series of questions concerning the eligibility criteria for the courses, the costs, and the different possibilities of sponsoring for participation.

The presentation on the Africa Territorial Trade and Investment Agency (ATIA) was intended to familiarize the participants with the financial vehicle that United Cities and Local Governments of Africa is setting up to facilitate access of African cities and subnational governments to the capital markets. The pooling system that is contemplated will allow small and intermediary cities to also have access, the overall objective being to manage risk and offer a common guarantee mechanism for cities and subnational governments. This arrangement has several advantages:

1) As a risk management mechanism, ATIA help reduce transaction costs for cities that need to access financial markets;
2) The guarantee mechanism is intended to reassure investors. As such, ATIA will contribute to a significant increase in the growth of the overall volume of investments financed in Africa in infrastructure and improvement of services in cities and subnational governments;
3) With the establishment of a pooling system, ATIA will enable small and medium-sized cities to access financing under the same conditions as large cities;
4) By setting minimum financial management criteria to be met in order to access resources raised on the capital market.
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markets, ATIA will encourage cities and subnational governments to adopt or speed up the necessary reforms, and spread the culture of financial accountability within the subnational governments.

In summary, the ATIA is instrumental to facilitating direct access of the majority of African cities and territories to the capital markets.

Exchanges with pan-African institutions are ongoing. Initially, these institutions are expected to contribute to the Agency's capital, which will give it more credibility. They can also offer guarantees not only for the Agency's issuance of bonds and loans (which makes it possible to lower the cost of access to financial markets), but they can also offer direct or indirect loans to local governments. These institutions can also subscribe to the Agency's issued bonds. Financial institutions through their existing financing arrangements to their member countries can provide leverage to cities and local governments wishing to access the financial markets.


Through this training for preparing subnational governments to access capital markets, it is expected that more cities will be encouraged to join ATIA, improve their readiness to go to financial markets and allow ATIA to approve and disburse loans.

Following the presentation of ATIA participants raised a few questions that needed clarification. Participants wanted more details about the advantages offered by membership in ATIA and the conditions to fulfill to adhere into the ATIA cooperative society.

7.2.3 Capital markets ecosystem

This session focused primarily on the financial market ecosystem of the West Africa Economic and Monetary Union (UEMOA). The presentations of the capital markets ecosystem began with the definition of the capital market. It is the meeting place between supply and demand for medium and long-term capital: it allows for the allocation of financial resources by making the surpluses of certain economic agents available to others, availing funds to agents that need them for their development. The capital market ensures the circulation of the funds necessary for the proper functioning of the economy and allows the channeling and routing of savings towards productive investments. Cities and local governments may hold equity securities, in particular shares, and may be able to issue bonds.

Following the presentation of the financial products that exist, the components of the financial markets were presented: (i) The Primary market is the market on which securities are issued. This is the market for new securities whose liquidity will be ensured later by the secondary market. (ii) The Secondary market is the market on which new securities issued on the primary market are traded. This is the "secondhand" securities market.

7.2.4 This module allowed participants to get to know the three main players in the capital markets ecosystem:

1. Management and Intermediation Companies (SGIs) which trade listed securities on behalf of third parties (on an exclusive basis), keep the accounts / custodians, place securities issued or to be issued on the WAEMU Regional Financial Market or on any other market admitted by the Regional Council;

2. Mutual fund management companies (SGOs) which, in addition to management (several choices), are in charge of portfolio management and risk management. SGOs may also carry out other activities on a complementary basis within the framework of the collective management of a UCI (Undertaking for Collective Investment);

3. Wealth Management Companies which, via investments and stock market negotiations carried out by Management and Intermediation Companies (SGIs), intervene on a discretionary basis in the management of the securities entrusted to them following a management mandate established with their clients. These companies must not hold the securities and/or funds of their clients.

The definitions and roles of Account Holders and Custodians, Business Providers, Stock Market Investment Advisors, Canvassers and Sponsors, were presented in detail, while emphasizing the elements of interaction between them.

The questions from the participants concerned the differentiation between primary and secondary markets and how they interact with one another. The presenter explained that only the primary market brings capital to companies or to the States: the primary market allows the financing of investments. On the secondary market, security holders sell new and previously acquired securities.

The module on municipal bonds in the United States provided an idea of the importance of this mode of financing for American cities. The United States has the longest history of municipal bonds issuance. The first municipal bond was issued in 1812 by the city of New York, and many American cities issued municipal bonds thereafter (1840s) to finance urban development. Two types of municipal bonds are issued in the United States:

(a) Tax Backed Bonds. These bonds are backed by the general revenues of the issuer (the city), including taxes. However, unlike GOs (General Obligations) with dedicated tax, these bonds are not accompanied by a specific tax intended to reimburse them. Instead, bondholders are paid from general revenue, and if this proves insufficient to cover debt service, the issuer usually has to raise taxes to cover the shortfall.

(b) Revenue Bonds. These are a class of municipal bonds issued to fund public projects which then repay investors with the income generated by that project. For example, a toll road or utility may be financed by municipal bonds, with creditors' interest and principal being repaid by tolls or fees collected.

The factors that affect the cost of municipal bonds are prevailing interest rates, inflation, and the credit rating of the bond issuer. The rating of the agencies is based on the health of the local economy, the institutional framework, particularly the quality of the decentralization process, the financial performance and debt profile, governance, and management. Other considerations taken into account include the systemic risk of the operating environment, the extent of support from higher levels of government, and
the history of defaults. The main actors are the Issuer (Conduit Issuer), the Trustee (fiduciary role), the Municipal Councillor, the Legal Team, the Underwriter, and the Guarantor / Credit Enhancer.

Bond issuance is the most common method of financing for cities and subnational governments in many higher income countries. In the US, for year 2022 municipal bond issuance (as of August 2022) stood at US$ 279.5 billion, while those in negotiation as of August 2022 amounted to 13.6 billion. Outstanding bonds in the second quarter of 2022 amounted to US$ 4.0 trillion, representing a +0.2% increase year-on-year.

The discussion on US bonds also highlighted the strength of American cities in terms of taxation and taxes, but also on their institutional environment, which is characterized by stable, predictable, and healthy relations within each of the fifty states and with the US Government.

7.2.5 AfDB instruments in support to cities and subnational governments

The presentation of the financing instruments of the AfDB Group, outlined the three legally separate financing windows namely, the African Development Bank (ADB), the African Development Fund (ADF), and the Nigerian Trust Fund (NTF) which were set up to address the diverse financing needs of the continent. The ADF and NTF are concessional financing windows accessible to low income countries while the ADB is the non-concessional financing window accessible to middle income countries, the private sector and ADF eligible countries, usually in the lower-middle income category. Through these windows, the Bank provides a wide range of financing products: (i) Lending instruments - ADF loans, fully flexible loans, fixed spread loans; (ii) Risk management products - interest rate swaps, cross currency swaps, and commodity swaps; (iii) Guarantees - partial risk guarantees, partial credit guarantees, and portfolio guarantees; (iv) Equity - direct equity, subordinated debt, mezzanine debt, other quasi-equity; (v) Trade finance - risk participation agreements, trade finance lines of credit, soft commodity finance facility; (vi) Technical assistance funds - trust funds in form of grants, concessional loans, equity in select cases and reimbursable grants; (vii) Partnerships - syndications, co-financing, Africa Guarantee Fund, Africa Export-Import Bank.

Subnational entities are eligible to these financing products under certain conditions. Technical assistance funds are particularly vital for subnational entities as they make it possible to finance feasibility studies, technical or infrastructure engineering studies, and preparation of bankable projects. The Urban and Municipal Development Fund (UMDF) is a multi-donor trust fund dedicated to technical assistance to cities and local governments.

Subnational governments access to AfDB financing take two key forms. If the financing request is sovereign-guaranteed (i.e., has the backing of the national government), that request would be eligible to ADF or ADB financing windows depending on the originating country's classification. If on the other hand, the request does not come with sovereign guarantee, then it would only be eligible to the ADB -private window (also known as the non-sovereign operations window). Other factors that are considered include: (i) whether the subnational government/entity is able to demonstrate ownership of the development for which it is seeking financing from the AfDB; (ii) whether the subnational government/entity is eligible for direct sovereign-guaranteed financial support by the AfDB and if not, indirect financial support should be considered; (iii) whether the subnational entity is eligible for direct non-sovereign guaranteed financial support if such support is being sought; and (iv) whether the subnational entity is eligible for a specific financing instrument of the AfDB – e.g., credit/risk guarantee, Trust fund grants, etc.,

For the AfDB Group, in addition to subnational governments, there are four other distinct categories of subnational entities that routinely access Bank’s financing: (i) Subnational Public Sector Enterprises (PSEs), e.g, utility companies, parastals, etc; (ii) Subnational Special-Purpose Vehicles (SPVs), (iii) Subnational development finance institutions and other financial intermediaries (FIs); and (iv) Subnational PPPs.

Discussions with participants concerned the reality of access to these financing opportunities from the Bank. The participants felt that the presentation lacked important details e.g. the eligibility criteria in the event of a loan not guaranteed by the State. They felt that it would have been more interesting to review the elements taken into account in the credit risk assessment of the city or local authority. How is creditworthiness determined?

While acknowledging that until now, no city or subnational authority has had direct access to one of the various financing instruments of the Bank, the presenter confirmed that the Bank is counting on greater information sharing between the States and their cities and local governments while allowing them elbow room to access financial markets as well as resources from multilateral financial institutions such as the AfDB.

More broadly, however, it is important for cities and subnational governments to coordinate with national governments (ministries of finance/economic planning) on securing external financing, from Multilateral Development Banks whose shareholders are the African governments themselves. As well, countries could establish intermediaries to support an array of cities, within the same country, at the same time e.g., for infrastructure improvements and improvements in service delivery. There is need to establish a de-risking mechanism at national level or local level to improve opportunities to access financing. Transparency is very critical to cities. Cities should maintain basic facts sheets to enable smooth undertaking of due diligence by financial institutions such as the ADB and other potential investors. Among the basic information that cities must maintain is (a) current revenues, (b) risk assessment status, (c) number of projects/sectors that would need financing with non-local revenue resources, and (d) audited accounts or assessments.

In addition to the Bank’s financing instruments, the new Guidelines for Subnational Lending/Finance and the Urban and Municipal Development Fund were presented. The access of subnational governments to AFDB financing through the African Development Bank (ADB), the African Development Fund (ADF), and the Nigerian Trust Fund (NTF) financing windows is determined, among other things, by the classification of their country. This is consistent with the earlier presentation of the Bank’s Financing Instruments.

Countries and their subnational governments classified under Category A are considered ADF only countries and are eligible for ADF and NTF concessional windows only. As of September 2021, this Category A comprised 29 countries with moderate to high risk of debt distress. They include Benin, Burkina Faso, Comoros, DRC, Eritrea, Guinea, Liberia, Madagascar, Mali, Malawi, Niger, Rwanda, Uganda, Tanzania, Burundi, Central African Republic, Chad, Ethiopia, The Gambia, Guinea-Bissau, Mauritania, Mozambique, Sierra Leone, Somalia, South Sudan, Djibouti, Ghana, Sáo Tome & Príncipe, Sudan and Zimbabwe. Countries with moderate debt distress are eligible for ADF sovereign loans without a grant component.
Lending terms for countries under category A will depend on the GNI per capita of the borrowing country relative to the average GNI per capita of ADF only countries. ADF loans would be guaranteed by the State.

Countries and by definition, their subnational governments classified under Category B are eligible for both ADF concessional and ADB non-concessional windows. As of September 2021, this category included only 5 countries – Zambia, Cameroon, Kenya, Senegal and Côte d’Ivoire.

The remaining 17 countries and their subnational governments or entities are only eligible for the ADB non-concessional window. These are middle or higher income countries classified under Category C, namely, Algeria, Angola, Botswana, Cabo Verde, Republic of Congo, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Nigeria, Seychelles, South Africa, Eswatini, and Tunisia. For these countries, ADB resources may or may not be guaranteed by the State.

The access of cities and subnational governments to the various financing windows and instruments is also subject to alignment with the national development plan or strategy, considerations in the Bank’s Country Strategy Paper, the consent/absence of objection from the Central government, and Bank’s overarching strategic objectives which include poverty reduction. In addition, eligibility for direct financial support guaranteed by the Central Government is conditional on a commitment to a well-defined reform program, a commitment to building institutional capacity, an adequate expenditure program and fiscal provisions, autonomy in the mobilization of financing, a legal personality, as well as sound management. Eligibility for direct non-state guaranteed financial support is subject to a credit risk assessment, and to the eligibility criteria of the non-sovereign guarantee policy.

The Urban and Municipal Development Fund provides institutional support to cities and local governments for planning, governance, and the preparation of investment projects. The amount may vary from US$ 30,000 for small projects up to US$ 1 million for larger size project proposals.

During discussion, participants wanted more clarity on the criteria used for classifying countries into different categories and how this affects the financing for which they are eligible from the ADB. Access to the resources of the African Development Fund (ADF), the ADB concessional window is guided by the classification of Regional Member Countries (RMCs) under the Bank Group’s credit policy, which is based on two criteria: (i) per capita gross national income; and (ii) creditworthiness to support concessional loans. The degree of “concessionality” of a loan is measured by its “grant element” where the grant element is the difference between the loan’s nominal value (face value) and the sum of the discounted future debt-service payments to be made by the borrower (present value), expressed as a percentage of the loan’s face value.

7.2.6 Financial and fiscal analysis of cities and subnational governments

The module on the financial and fiscal analysis of cities and local governments included three courses as follows: (i) The key concepts of the financial analysis of local governments, (ii) Understanding and monitoring the financial performance of local governments: Balances and financial ratios to monitor, and (iii) Building a financial forecast for local governments.

The presentation of the key concepts of financial analysis focused on the five key functions of cities and local governments: (i) Feeding the municipality, city or territory; (ii) Building the municipality, city or territory; (iii) Providing the municipality, city or territory with basic services and amenities; (iv) Ensuring the upkeep and maintenance of the basic infrastructure and equipment of the municipality, city or territory; and (v) Governing and administering the municipality, city or territory. This was followed by the six key strategic priorities cities and subnational governments must embrace: (i) strengthening administration, governance, and internal controls; (ii) human resource management and organizational restructuring; (iii) economic development; (iv) strengthening and mobilizing financial resources; (v) improving the financial planning of budgeting and management; and (vi) delivery of public services and development of infrastructure.

For the understanding and monitoring of financial performance, the presentation was based on international standards, in particular the International Financial Reporting Standards (IFRS) to present the main ratios which are subject to regular monitoring. There are 32 ratios covering both the ordinary budget and the investment budget.

Particular attention was paid to the construction of financial forecasts for cities and local governments. It is a question of getting out of the logic of automatic renewal of the various receipts of the past financial year, increased by 3% to take inflation into account. Modern financial management presumes the use of all tax loopholes according to their potential, taking into account the incompressible expenses of cities and local governments as the level of revenue to be achieved, and taking into account the trajectories of the local economy in order to establish a smart taxation.

The session detailed the review of spending points that need to be undertaken: (1) Cost of personnel which should only reflect the necessary positions, (2) Cost reduction/austerity measures to eliminate items that are non-essential; (3) Identification and elimination of irregular, unsuccessful, wasteful and unauthorized expenditures; (4) address low levels of repair and maintenance to ensure efficient operation of all assets and avoid minimal disruptions in service delivery; (5) Set spending limits and revenue targets; (6) Provide budget parameters that bind the municipality, city, or territory for a specified period or until the stated conditions have been met; and, (7) The budget and capital expenditures should be reviewed to ensure that no borrowing or leasing is undertaken unless the city or territory has the capacity to repay and, if possible, identify investment projects that generate revenue.

The discussion following the presentation dealt with the indicators of the financial problems of cities and local governments which are crucial for the financial analysis, namely: Budgets which are not credible; Poor accounting and auditing; Inappropriate organizational structures and administrative and governance processes; A lack of monitoring of trends and technological changes; Country-specific structures between national, provincial, and local governments; Inadequate management of debtors; Faulty infrastructure and lack of service delivery; and Insufficient cash flow. The instructor reviewed these different financial problems, emphasizing the solutions that can be applied and, above all the need, to have a holistic approach to the question of financial analysis because these problems are connected and interdependent.

7.2.7 The financial rating of cities and subnational governments

The session on financial rating of cities and subnational governments was delivered by the Bloomfield Rating Agency, a leading Rating Agency on the African continent, based in Abidjan, Côte d’Ivoire. One cannot access the capital markets without going through rating agencies which measure the creditworthiness of the potential borrower and the level of risk that the investor may encounter by engaging in a transaction with the borrower. The criteria for rating cities are made up of both quantitative
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The concept of the Public Treasury, in particular the rating of local authorities, is critical for the development of decentralized territories. The rating of a local authority involves taking into account various quantitative and qualitative factors. In general, the qualitative factors are more important and relate to the institutional and financial context of decentralization which conditions the framework for the development of local public finances. The aim here is to specify exactly how the political, administrative, and economic climate, and the financial system in the country constitutes a risk to the predictability of the resources of local governments and to the ability to repay debt. This qualitative aspect is also supplemented by an analysis of the municipal institution in question, the local public services it provides, as well as any vertical imbalances suffered. Other criteria considered may include (i) the country risk – support of the state and whether the city/local government is seen as a priority of the state; (ii) economic profile – revenues, existing infrastructure needs and jobs; (iii) flexibility and independence of revenue generation by the city/local government; (iv) the city’s vision or long-term strategy; (v) management style; and (vi) the socio-economic profile of the city/local government.

As for the quantitative factors, they relate to (i) the socio-economic profile of the local authority, its economic and taxation potential, (ii) the financial and budgetary procedures with a history of the budget and of its various components, and (iii) relation to the financial analysis that emphasizes the current level of indebtedness (including guarantees for the benefit of other institutions), the borrowing capacity, etc. This takes into account the satellite institutions of the local government on the basis of a consolidated budget. These factors constitute the common denominator of all the rating agencies and make it possible to effectively assess, at the end, the repayment capacity of borrowing local governments.

The ratings, which range from AAA to D, are based on an analysis of the solvency of borrowing local governments. As the probability of non-repayment increases, the rating awarded decreases. The triple B note is assimilated to the “fair” (acceptable) mention, which indicates that one is narrowly in the “investment grade” category; a prudent investor may embark on an investment.

The category “speculative grade” warns investors against potential risks and only the reckless or boldest investor can engage in any proposed transactions and usually for the anticipated high rate of return. Rating D is the last rating. The consequence of this rating is simple. A good rating makes it possible to borrow at the lowest cost, whereas the lower the rating, the higher the borrowing interest rate would be, due to the premium demanded by investors who rightly believe that they run risks. Any issuer wishing to borrow presents his case; a team of examiners audits its accounts during a stay in the local community and presents a report. This report is then submitted to a committee, which, after examination, sets the rating. Borrowers of course pay rating agencies to be rated.

Bloomfield particularly emphasized its innovation in its rating methodology: it is the rating in local currency, which no longer pays attention to the stock of currency that a city would hold. There is no point in making a rating based on foreign currency when the borrowing is done on the local market in local currency. This methodology is more in line with reality because the African financial markets are now within the reach of African cities and the African Territorial Trade and Investment Agency will lend in local currency.

The exchanges with the participants mainly concerned the elements of the financial management of the cities, which are not likely to reassure the investors. In particular the concept of the Public Treasury where the financial resources are lodged in a single account as is the case in some countries, and the constraints linked to this unique treasury principle may prove challenging. It means that the accounts can be positive for the territory without liquidity being available. The unpredictability and instability of financial transfers from the central Government, and often the non-definition of a field of resources specific to cities and local governments are persistent difficulties cities, subnational governments may face, and which would result in poor credit rating. It is important to fix these gray areas in order to give confidence to investors.

7.2.8 The Innovative financing mechanisms of cities and subnational governments

The module on green, social, and sustainable bonds presented by the CREPMF made it possible to introduce participants to a new financing lever for African cities and local governments. This novelty in finance refers to the process of taking environmental, social, and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to longer-term investments in sustainable economic activities and projects.

Three considerations are taken into account when issuing green/social/sustainable bonds: (a) environmental considerations may include climate change mitigation and adaptation, as well as the wider environment, for example the preservation of biodiversity, the prevention of pollution, the reduction in greenhouse gas emissions (GHG) and the circular economy; (b) social considerations could refer to issues of inequality, inclusion, labor relations, investment in human capital and communities, as well as human rights issues; (c) governance considerations of public and private institutions – including management structures, employee relations and executive compensation – which play a fundamental role in ensuring the inclusion of social and environmental considerations in decision-making.

Green and sustainable bonds, which serve among other things to finance mitigation and adaptation to climate change, are an essential link in the global climate agenda. As for social bonds, they focus on projects targeting populations living below the poverty threshold, excluded and/or marginalized populations and/or communities, vulnerable groups, particularly following natural disasters, people with disabilities, migrants and/or displaced persons, under-educated people, people with a lack of access to essential goods and services, as well as unemployed people. While in Europe and in the United States green bonds have made a significant leap, their development in Africa is moderate; the first countries to set up a framework on green finance and issue green bonds are Morocco, South Africa, and Nigeria. More recently, Benin has also issued a EUR 500 million SDG bond (guaranteed by the AfDB).

Discussions with participants concerned the eligibility criteria for these type of green, social and SDG bonds. It was specified that in addition to the fiduciary dimension which consists of analyzing the city’s debt and repayment capacity, social, environmental, and sustainable considerations are also analyzed. The market for these bonds therefore responds to a dual rating; that of financial risk and that of environmental risk. While credit quality is assessed by traditional rating agencies (e.g., Bloomfield, Moody’s, Fitch, Ernst & Young, S&P 500, etc.), environmental, social and governance performance is assessed by other approved agencies such as VIGEO. For this category of investors, if the environmental aspects are not good, investors will not lend, regardless of the quality of the credit risk.

Securitization, is a financial technique that transforms assets producing financial flows into financial securities (hence the term «securitization») by passing through an SPV (Special Purpose Vehicle) such as a FPTC (French term for Fonds Commun de Titrisation de Créances, i.e. Securitization Trust Fund for
Collective Investment in Securities). Nearly any asset that produces financial flows can be securitized. For example, most airlines securitize their aircrafts. Securitized assets are generally illiquid, i.e. there is no real market. These may include leases, invoices, loans, mortgages, credit card debt or other financial assets such as royalties, business income, etc.

At the subnational level, examples of assets that can be securitized include: Historical buildings, Real estate (rental income), Land taxes, where they can easily be estimated (e.g., large cities such as New York with a large asset base), Public utility subscriptions, Libraries/public buildings, Infrastructure such as Tramways, Toll bridges, and Stadiums.

The securities issued are backed by the financial flows from the securitized assets. In simple terms, a city that collects fees from a toll bridge or a utility company can be paid all at once by investors for the equivalent of 10-20 years of that revenue in order to implement another infrastructure project. The arranged operation allows investors to commit on the basis of the reliability of the revenues collected. In this case, an operation is set up between the transferer (the city) and the investors via a SPV to allow for the reimbursement of the investors.

For local governments to be engaged in securitization, they need to acquire a lead arranger who would help to create the special purpose vehicle based on established rules.

After the SPV has been created, a management company can take over. The SPV receives funds from investors, and manages relationships with various parties. Securitization does not mean the owner of the asset loses that ownership. Local governments will retain ownership of assets that are securitized. It is only the rents (revenue) that are being made available to investors.

Securitization happens in a couple of ways – receivables such as rents, and financial assets such as rents(?). The key players in a securitization transaction include – the seeding entity (e.g., the local government) that wishes to generate capital, the managing company/lead arranger to help with the creation of the SPV, and the investors. In between, is the rating agency that assesses the financial credibility of the financial assets to be securitized.

In simple terms, for example, a city that collects the rent for equipment that it rents out to merchants can be paid all at once by investors for the equivalent of 20 years of this rent in order to implement infrastructure projects. The arranged operation allows investors to commit on the basis of the reliability of the revenues collected. In this case, an operation is set up between the transferor (the city) and the investors via a financial vehicle to allow for the reimbursement of the investors.

The advantages of securitization vs. debt are twofold: a high debt to equity ratio impacts negatively on the overall rating of a city. Instinctively, we want to contract debt, but securitization may be more desirable as it helps to monetize assets that were not previously thought of as such. With securitization, there is minimal need to analyze the credit risk of the city/local government, given that the operation is carried out on a particular piece of asset, for example; and there may be no need for financial rating. The SPV which makes the link between the seeding entity (the city/local government) and the investor by making a regular assessment of the financial flows received on the basis of the reports of the receivables, the application of the order of payment priority, the determination of the amounts to be paid to the different classes of investors, and the transmission of payment orders from investors.

Discussion: The exchange of views with the participants mainly concerned the legality of this operation. In Africa, only Ghana, Morocco, Egypt, and South Africa have securitization legislation in place. The legislation in the WAEMU regional financial market is still in the process of being set up. Participants also worried about the impact on the city's balance sheet, suspecting hidden effects. But according to BOAD Securitization, there is no impact since securitization is not debt. This financing lever seems to have made an impression on participants who wanted more information about the companies involved in securitization. Indeed, a city with debts to suppliers could securitize them, which would make it possible to raise capital to pay the companies in one go, while reimbursing investors over several years.

The participants also raised questions concerning additional risks generated by a securitization transaction. While the securities transferred in the securitization transaction may be subject to the risk of default, the default rate or an estimate of the probability of default depends on course of the nature of the receivables that are securitized. The risk is an intrinsic risk that can be assimilated to a credit risk, but it is also a risk linked to changing market conditions and can also be a systemic risk in the event of major difficulties on the financial markets.
7.2.9 Products and intermediation for access to capital markets

This module concerned capital market products which are classified into two categories: The Share: A share represents a title of ownership of a company. It gives the right to take part in decisions and to receive dividends. A Bond is a piece of debt issued by a company, a local authority, or a State. By buying bonds, one receives interest in return from the bond issuer in the form of a coupon/certificate. The amount invested is returned to you according to a defined type of amortization and agreed interest rate.

Bonds and Shares are traded on two parallel markets: the Bond market is an important tool for state financing, financing financial institutions and large companies, and an important component of individual and institutional portfolios. The Bond market makes it possible to finance expensive assets whose operation generates cash flows over a long period (e.g., Industrial Plants, Facilities, Equipment, Technologies, etc). Cities may issue municipal bonds to finance the construction of large infrastructure projects and ecological transitions which are critical for long-term growth.

Increasingly institutional and individual investors, globally, are attracted to sustainable finance, i.e., investment in projects integrating environmental, social and governance (ESG) criteria (also see 2.7.2). Green bonds represent a financing opportunity for cities and local governments because they have the possibility of attracting a new type of investor, who otherwise would not have been interested in their bond issue. Municipal Green Bonds are issued to fund projects that advance environmentally sustainable goals and policies. The issuer (city or local government) must commit to using 100% of bond proceeds to fund initiatives such as energy-efficient buildings, renewable energy, clean water and sewage projects, low-carbon transportation, etc. In other words, Green bonds finance climate change mitigation and adaptation solutions. Municipal social bonds aim to finance sectors such as healthcare, education, and affordable/social housing which would result in reduced poverty and inequality, improve access to clean water and sanitation and improve overall quality of life for people. Bonds allow cities to acquire long term debt at low interest rates to meet their obligations while allowing long-term growth.

The stock market, on the other hand, is the basic instrument of business financing, and a major component of retail and institutional portfolios. The stock market allows individuals and institutions to acquire equity or ownership in companies. The stock market makes it possible to finance expensive assets whose operation generates cash flows over a long period (e.g., Industrial Plants, Facilities, Equipment, Technologies, etc). Cities may issue municipal bonds to finance the construction of large infrastructure projects and ecological transitions which are critical for long-term growth.

The following is a summary of the different stages to facilitate cities and local governments access and issue bonds on the capital markets (BRVM):

1. Preparation of the application file for admission to the BRVM (including the Information Note that has been validated by the Regulator for the issue on the primary market, the issue report, etc.);
2. Structuring of the project with the support of a Management and Intermediation Company (SGI);
3. Submission of the completed file including the information note (prospectus), the minutes of the decision-making bodies or Order or Approval, and the Report of the Statutory Auditors;
4. Analysis of compliance with the verification of the completeness of the documents and information required (Instructions n°63/2020, 36/2009 and 47/2011 amending and cancelling Instruction No. 33/2006 relating to public offerings with UEMOA);
5. Examination of the case with the Financial Analysis, Risk Analysis and Governance Analysis;
6. Decision of the CREPMF (Regional Council for Public Savings and Financial Markets, CREPMF) with regular meetings of decision-making bodies; and
7. Listing on the stock exchange and periodic reporting: Publication of periodic and event-based financial information on the issuer's activity.

In addition to the above stages, local governments must maintain records of the annual budgets for the last three (3) financial years; the financial accounts of the last three (3) financial years approved by an authorized body; the projected budgets for the next five (5) years; current balance sheets with revenues and expenditures; and the Information note (containing the financial rating and where applicable, the sovereign guarantee offered).

Intermediation is carried out by Management and Intermediation Companies (SGIs) which represent intermediaries between economic agents and the financial market. They are exclusively authorized to carry out market activities on behalf of issuers of bonds and purchasers (investors). An SGI is the first partner of the local government for a capital market operation such as issuance of a municipal bond. A municipal bond is issued by a subnational government (a city, a municipality, a region, etc.). Municipal bonds give the purchasers a steady stream of interest income and allows repayment of the loaned amount at a later date. Investors are often willing to accept below-market interest rates offered by municipal bonds because of the lower investment risk compared to corporate bonds and because interest earnings may be tax exempt.

The intermediation of the Management and Intermediation Company (SGI) on BRVM is done in six (6) important phases:

1. Preparation of the project. Discussions and analyses within the administration of the local government to define the reasons for the issue, the needs to be financed, and the potential characteristics of the operation.
2. Internal authorizations Securing authorizations and production of mandatory administrative documents within the local government itself.
3. Authorizations of trusteeships - Securing authorizations and producing the mandatory administrative documents from the custodian entities. (Steps concerning only supervised entities).
4. Authorization from CREPMF - Preparation of a visa application file with the CREPMF with an accredited SGI from the market.
5. **Issue of bonds.** Securing authorizations and producing the mandatory administrative documents from the custodian entities. (Steps concerning only supervised entities).

6. **Listing.** Securing authorizations and producing the mandatory administrative documents from the custodian entities. (Steps concerning only supervised entities).

For each of these steps the essential issues that need to be reviewed prior to approaching the market were discussed in detail with the participants. Regarding the preparatory phase that concerns the determination of the amount that the city wishes to mobilize, and the repayment period, participants were informed that a city that does not generate net savings cannot go to the capital market, hence the importance of the module on financial analysis (see Section 2.5). In addition, it is necessary to have a bankable project ready, to ensure complete absorption of the financial resources mobilized from the capital market. The most discussed part was the necessary authorizations. Indeed, according to the laws on decentralization, it is necessary to present a deliberation report of the Municipal Council before initiating any external procedures and to secure authorizations from the dual administrative supervisory authorities (Ministry in charge of local governments and financial Ministry of Finance). In reality there are many other unwritten rules (national debt committees, convergence criteria at the regional level, etc.) which restrict access to the capital markets in many countries. Needless to say, the continued pressures presented by rapid urbanization will inevitably force a review of some of the restrictive policies allowing cities and local governments to access more resources to meet their needs.

7.2.10 Sharing of experience between CFOs

This module focused on two experiences from the city of Lilongwe, Malawi on debt management and city of Ouagadougou, Burkina Faso on the PEFA (Public Expenditure and Financial Accountability). In reality there are many other unwritten rules (national debt committees, convergence criteria at the regional level, etc.) which restrict access to the capital markets in many countries. Needless to say, the continued pressures presented by rapid urbanization will inevitably force a review of some of the restrictive policies allowing cities and local governments to access more resources to meet their needs.

**Background:** Lilongwe is the capital city of Malawi with a population of about 1.3 million people. A Mayor on the political side and a CEO on the administrative side head the city council of Lilongwe. The primary source of revenue is property taxes, which comprise 80% of the city council’s revenue earnings. This is followed by revenue from development fees and planning scrutiny fees. As well, city council revenue is derived from subsidiary sources such as market fees, licenses, permits, property rentals, sewage connection fees, etc.

The city council of Lilongwe manages debt through financial planning and budgeting with the objective of lowering current debt and moving toward its total elimination. The council uses a number debt collection strategies as a way of ensuring that accounts receivables for debtors and accounts payables for creditors remain under control. The council has a 5-year revenue enhancement plan.

The major debtors include property rates which account for 80% of municipal revenue, followed by development fees, and property rentals. Creditors include the valuators who undertake valuation of all properties for property rates assessment, the banks who provide development loans, the Malawi Revenue Authority – for all taxes which the city council of Lilongwe collects on behalf of the government (e.g., PAYE on municipal employees and other taxes on fees), Pension contribution of the city’s employees and Funds borrowed from the Local Development Authority.

The city council of Lilongwe has instituted a number of best practices to improve revenue collection (and/or efficient debt management):

1. Established a debt section that is designated to debtors with a special desk for property rates assessment.
2. All property rates assessments are made through local banks (this significantly reduces mishandling of funds and corruption).
3. Timely billing of property rates and addressing queries.
4. Door to door, delivery of property assessment invoices.
5. Quarterly door-to-door campaigns to sensitize the population about payment of property taxes.
6. Periodically removing surcharges/interest on arrears (partial debt forgiveness).
7. Regular clean-up of the property valuation rolls to have an accurate debtor list all the time.
8. Engagement of debt collectors on non-compliant clients including taking legal action where necessary.
9. Opened field offices throughout the city to be closer to clients and to improve monitoring of collection.
10. Non-compliance with payment of developer fees may lead to withdrawal of plots and reallocation to those willing and ready to pay. As well, approval for development is contingent upon full payment of development fees.
11. Revise outdated contracts.
12. Removal of political interference in plot allocation and determination of development fees.
13. Legal interventions in longstanding non-compliance cases.

With regard to managing credit, the city of Lilongwe has taken a number of actions including:

1. Arranged for restructuring of loans with creditors to allow longer term payment.
2. Uses special bank accounts with standing order payments to creditors.
3. Government being one of the major debtors, the city council may request it to settle with creditors on the city council’s behalf.
4. The council may involve the Mayor and councilors to intervene on its behalf in cases difficult creditors.
5. The council produces a monthly report of debtors and creditors which goes to management, and then the financial committee for analysis and decision making.

Ouagadougou - the PEFA experience: Ouagadougou is the capital city of Burkina Faso with a current population estimated at just over 3 million (2022). The city adopted the Public Expenditure and Financial Accountability (PEFA) methodology for measuring and improving its performance on public finance management. This methodology is based on the framework for measuring the performance of public finance management of States that are approved by the Community of donors and governments. Several other countries in the UEMOA region have adopted the same methodology at the national level.

At the municipal level:

1. PEFA gives municipalities a firm grounding to mobilize resources from donors, partners and IFIs. It is a commonly understood tool by a wide range of financiers.
2. It helps the user to identify strong and weak points in their public finance system.
3. The PEFA can be made public, and it allows comparison with similar or different cities.
4. Undertaking a PEFA exercise is a positive undertaking for local governments.

5. It allows greater transparency in terms of budgeting, expected revenue, expenditure, financial reconciliation.

6. PEFA allows development of good financial planning for revenue generation.

7. In Ouagadougou, PEFA allowed collection of a single tax for a start, thereby simplifying tax collection.

8. The PEFA methodology helped the city to produce comparable data and eliminated fraud and corruption. Furthermore, the system created jobs for young people in the city.

9. PEFA allowed identification of strengths and weaknesses of the local government in terms of financial management.

When the PEFA implementation has been successful, we should expect three key results related to public financial management:

1. Overall budgetary discipline (control budget headcount and risk management)
2. Strategic resource allocation (budget planning consistent with the priorities of the public policies)
3. Efficiency of the services rendered (the best services given available resources).

Experiences have shown that most of the municipal financial management performance diagnostics conducted using the PEFA methodology had not led to structured and sustained progress approaches by the municipalities. This was due to insufficient strategic ownership of the PEFA approach within the municipalities and to a structural difficulty in African local governments to carry out administrative reforms involving process transformation and change management.

For this reason, there are ten key recommendations for cities and territories wishing to embark on this exercise:

1. You will probe the real motivation of your elected officials to undertake reforms;
2. You will seek external funding for the diagnostic study;
3. You shall think about the organization of the change management from the beginning;
4. You shall create a steering committee and an internal monitoring committee for the process;
5. You shall involve the national authorities;
6. You will draw up an action plan at the end of the diagnosis;
7. You shall prioritize the action plan’s work areas;
8. You will seek support for the implementation of the action plan;
9. You shall set a final objective of external financing;
10. You shall measure your progress three to four years after the beginning of the process.

7.2.11 Visits to Institutions

Two study visits were organized to the financial market institutions, namely the Regional Council for Public Savings and Financial Markets (CREPMF) and the Regional Stock Exchange of UEMOA (BRVM) based in Abidjan.

At the Regional Council for Public Savings and Financial Markets (CREPMF), participants were welcomed by the President, Mr. Badanam Patoki and the Secretary General, Mr. Ripert Boussoukpé.

As the regulatory body of the regional financial market, the CREPMF presented its various activities as well as the various pieces of legislation which govern the financial market of the West African Economic and Monetary Union (WAEMU).

At the Regional Stock Exchange of Abidjan (BRVM), the participants were welcomed by the Managing Director Mr. Kossi Amenouvé who during his welcome address emphasized the importance of access for cities and local governments to the financial market in order to effectively finance emerging and growing needs linked to urbanization. The Managing Director emphasized the structures that have been adopted by BRVM to facilitate access for cities. He underlined the institutional blockages within countries which has meant that to date no city has yet accessed the BRVM.

The visits to these two key institutions of the UEMOA region capital market allowed participants to gain first-hand experience with how they operate, and a precise idea of the governing regulations and day-to-day operations of the capital market.
7.2.12 The Africa FiNet network

As part of the training, the Chief Financial Officers took the opportunity to reinvigorate their network and to appoint a new management team as the existing team had reached the end of its term in office. The network of CFOs of African cities and local governments has existed since 2012, having been established during the Africities summit in Dakar.

The Network of Chief Financial Officers of Cities and Territories of Africa (Africa FiNet) is one of the specialized networks of UCLG Africa set up to represent the voice and interests of senior staff of local and subnational governments on the continent. Africa FiNet operates within the framework of UCLG Africa and aims to build network capacity, and to achieve peer learning and professional exchanges among CFOs of municipal and territorial governments in Africa.

The mission of Africa FiNet is to participate through debate, exchange of ideas, and experience on activities carried out within UCLG Africa on issues relating to the definition, implementation, monitoring, and evaluation of the policies and strategies of cities and territorial governments, particularly with regard to local finances, financial decentralization, the improvement of public governance, and the implementation of national and international development agendas.

The goals of Africa FiNet are:

1. Organize the common voice and representation of municipal and territorial government Chief Financial Officers at the national, regional and continental levels.

2. To disseminate good practices in financial management of cities and territorial governments.

3. To promote the exchange of experiences among the members of the Network;

4. To improve the professional capacity and performance of Network members .

5. To develop and maintain cooperative and partnership relationships with its counterpart in other regions of the world.

Governance: The Chief Financial Officers renewed their governance in Abidjan. A new governing body was elected as follows:

1. President of the Africa Finet Network, Mr. Jeremiah Sibande, from Lilongwe (Malawi).

2. First Vice-President, Mr. Jean-Bosco Massoma Ekwella from Douala (Cameroon)

3. Second Vice-President, Mrs. Sylvie Some Ouoba from Ouagadougou (Burkina Faso)

4. Third Vice-President, Mr. Kamal Jalouane from Agadir (Morocco)

5. Fourth Vice-President is Mr. Jean Rubangutsangabo from Kigali (Rwanda)

6. Honorary Members, Mrs. Reshma Bukhory Bahadoor from Flacq (Mauritius), and Ms. Olarike Olayinka from Ekiti State (Nigeria).

7.3. Evaluation of the training

At the conclusion of the training, the participating CFOs were asked to provide feedback on the overall and on distinctive components of the training. Five major themes were covered by the evaluation:

1. The evaluation of the themes covered during the training,

2. The way in which participants’ questions, need for clarity were managed by the trainers,

3. The facilitation of the training,

4. The logistical aspects of the training, and

5. The usefulness of the training.

The opening of the training was judged positively by the participants because on average 60% of them strongly agreed. Within this theme, more than 80% of the participants found that the presentation of the program was clear, while only less than 40% of the participants found that the duration of the training was appropriate. Only 3% of the participants were in total disagreement with the duration of the training.

Table 1: Introduction of the training

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The introduction of the program was clear.</td>
<td>Strongly agree: 78%</td>
</tr>
<tr>
<td>The presentation of the program was clear.</td>
<td>Strongly agree: 80%</td>
</tr>
<tr>
<td>The way questions were handled was appropriate.</td>
<td>Strongly agree: 75%</td>
</tr>
<tr>
<td>The duration of the training was appropriate.</td>
<td>Strongly agree: 60%</td>
</tr>
</tbody>
</table>

Participants strongly agreed with the topics covered by the courses at nearly 70%. The most “appreciated” courses are Course 11 on Methods and tools for the financial rating of cities and local governments and Course 17 on Intermediation for access to capital markets where 78% of participants strongly agreed. On the other hand, Course 4 on Municipal Bonds in the USA and Course 8 on Developing a Financial Forecast were moderately appreciated with 50% and 55% of the participants respectively indicating they strongly agree.
The management of participation during the training was widely appreciated as more than 80% of the participants strongly agreed. Both the exchange of views, the involvement of instructors and CFOs, the atmosphere, and the usefulness of the training were highly appreciated by more than 80% of the participants.

Table 3: Participation

Participants also valued the presentations as being good on average, with just under 80% indicating strongly agree. For the participants, the presentations facilitated the exchange of views and helped to answer questions. As well for most participants, the methods, materials, and tools used were appropriate.

Table 4: Animation

Logistics (Table 5) was the aspect that was least appreciated by the participants because just over half (53%) of the participants strongly agreed. It is also the only aspect where the percentage of people who did not agree was highest. The most criticized aspect was the room layout, which was considered not to be appropriate by a good number of the participants. Only 40% strongly agreed.

Table 5: Logistics

The overall training was greatly appreciated since more than 80% of the participants strongly agreed on the usefulness of the training and more than 80% understood the methodology of access to the capital.
markets. This training is just the starting point to introduce cities and subnational governments to a long-term support program. More than 80% of the participants were convinced of the need to set up long-term support for preparing cities and subnational governments to access capital markets.

Table 6: Usefulness of training

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Somewhat agree</th>
<th>Not really agree</th>
<th>Strongly disagree</th>
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<tr>
<td>0%</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>80%</td>
<td>90%</td>
<td>100%</td>
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8. Appendices: List of Chief Finance Officers of Cities and Subnational Governments

<table>
<thead>
<tr>
<th>Numéro</th>
<th>Ville</th>
<th>Pays</th>
<th>Nom et prénom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dakar</td>
<td>Senegal</td>
<td>Diao/Ibrahima Yatma</td>
</tr>
<tr>
<td>2</td>
<td>Monrovia</td>
<td>Liberia</td>
<td>James Wlieonengar Fayeuyounah</td>
</tr>
<tr>
<td>3</td>
<td>Libreville</td>
<td>Gabon</td>
<td>Mrs Mombolo Gisle Yolande</td>
</tr>
<tr>
<td>4</td>
<td>Communauté Urbaine de Douala</td>
<td>Cameroun</td>
<td>MASOMA EKWALLA Jean Bosco</td>
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<td>Lilongwe</td>
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<td>Kuvu</td>
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<td>ANHERO Wilson Opobile</td>
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<td>7</td>
<td>Flacq</td>
<td>Mauritius</td>
<td>Mrs BURHORY BAADOOR Rishma</td>
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<td>Luaka</td>
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<td>KAJOBA Beosten</td>
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<td>NARCE Disemane Juma</td>
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<td>Mrs Mombo Gisle Yolande</td>
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<td>Evangel</td>
<td>MANIBA Lucky Milanouti</td>
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<td>RAHARSON Jaona Andrianantenaina</td>
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