



UCLG AFRICA  
United Cities and Local Governments of Africa  
Cités et Gouvernements Locaux Unis d'Afrique  
CGLU AFRIQUE

*Towards an  
African Cities Development Fund*

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Prepared by

**Kalutere Polis**



Report prepared by

François Noisette, Kalutere Polis

Lola Davidson, INTA

Building on the conclusions of a workshop held in Rabat the 30 and 31<sup>th</sup> of October, 2017

And on specific contributions of Lars Andersson, Khady Dia Sarr, and Yves Millardet.



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## 1. INTRODUCTION

Africa currently has three cities with more than 10 million inhabitants (Cairo 17.7 million, Lagos 13.12 million, and Kinshasa 11.58 million); 4 cities where the population is between 5 and 10 million inhabitants; 49 cities with a population of 1 to 5 million; 53 cities with between 500,000 and 1 million inhabitants; and 85 cities counting a population between 300,000 and 500,000 inhabitants. These cities produce about 60% of the African GDP and host a growing middle class that should equal that of China in 2020. The economic weight of this middle class is currently valued at USD 700 billion and is expected to reach USD 1 700 billion by 2030.

Experts estimate the annual added value of cities in Africa at around USD 51 billion, and their annual debt capacity at USD 8 billion. The annual turnover of the 200 main banks operating on the continent is valued at more than USD 1 000 billion, and their annual net income at about USD 45 billion. In other words, African cities are now operating in an environment characterized by growing and increasingly mature financial markets.

The challenge of financing urban infrastructure and services in Africa is that to be and remain relevant to a new enabling environment.

United Cities and Local Governments of Africa (UCLG Africa) is the umbrella organization and the united voice for the representation of local governments throughout the African continent. It was created by the merger of the three pre-existing associations of local authorities, namely the African Union of Local Authorities (AULA), the Union of African Cities (UVA) and the African chapter of the Portuguese-speaking organization of local authorities União das Cidades e Capitais Africanas, Americanas e Asiáticas Lusófonas (UCCLA). UCLG-A brings together 40 national associations of local authorities from all regions of Africa, as well as 2 000 cities of more than 100 000 inhabitants. UCLG-A represents no less than 350 million African citizens.

Founding member of the UCLG World Organization, UCLG-A is the regional chapter for Africa headquartered in the city of Rabat, Kingdom of Morocco, where it gets the diplomatic status as a Pan-African International Organization. It is chaired by M. Khalifa Sall, Mayor of Dakar. The Secretary General is M. Jean Pierre Elong Mbassi.

To address this funding challenge, in collaboration with the FMDV<sup>1</sup>, UCLG-A has organized a conference in Marrakech, Morocco held in December 2014 on "*Financing African cities: agenda, alliances and solutions*". African Mayors and local governments recommended to create a special pan-African vehicle dedicated to the financing of African Cities, named "**African Cities Development Fund**". The underlying scheme is a joint instrument allowing cities to issue bonds on national or international markets

UCLG AFRICA has launched a working programme to meet that recommendation. An international identification workshop was held on 30-31 October 2017 in Rabat, Morocco, which proposed the milestones of a road map for the elaboration process. This report builds on a literature review, interviews and the conclusions of this workshop.

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<sup>1</sup> Fonds Municipal de Développement des Villes – Supporting Local Authorities to access funding  
<http://www.fmdv.net/Home>







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## 2. CONTEXT

### 2.1. Financing needs of cities

A 2012 report by the World Bank, AFD<sup>2</sup> and Cities Alliance, *Financing Africa's Cities*, estimates that USD 25 billion per year are needed to meet the municipal investment gap in Africa, while the current investment capacity of African local governments is estimated at not more than USD 10 billion over ten years – one billion per year, which is only 4% of the public investment needed for urban development. This figure is far below the two third of public investment managed by local authorities in OECD countries. This sustained gap was identified decades ago, but reducing it is regularly delayed for various reasons.

We will not discuss the amount of needed investments driven by the demographic growth. Indeed, it is expected that African cities will accommodate more than 30 million new inhabitants per year around 2030 (compared to 17 million per year currently).

Furthermore, the relatively weak economic growth in many countries affects the capacity to finance urban investments, as well as other infrastructural needs. Fiscal revenues of States and Local Authorities are lagging, weakened among other factors by inefficient tax collection. In that context, weak management capacities and limited residual budget after payment of current expenditure hinder local investment, as well as simple maintenance.

Last but not least, the institutional environment of local authorities improves slowly and only a few countries support effectively local development agendas and autonomous financing<sup>3</sup>. Decentralization is yet on the agenda of most of African countries, but there is still a long way to effective transfer of responsibilities. In average, the share of local budget in national GDP lags around 1%. Many urban public investments are managed and financed directly by the State or national entities, such as utilities companies or land development companies. However, management and maintenance of infrastructure and public equipment are often transferred to local government, without sufficient financial transfers and management capacities for the local administrations.

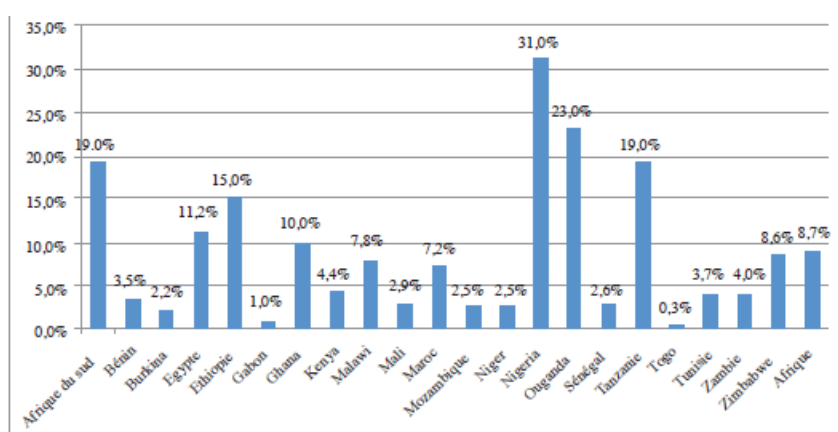


Figure 1 - local government's share of public resources – UGCL Africa

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<sup>2</sup> French Development Agency

<sup>3</sup> Assessing the institutional environment of Local Governments in Africa, UCLG Africa and Cities Alliance, 2015

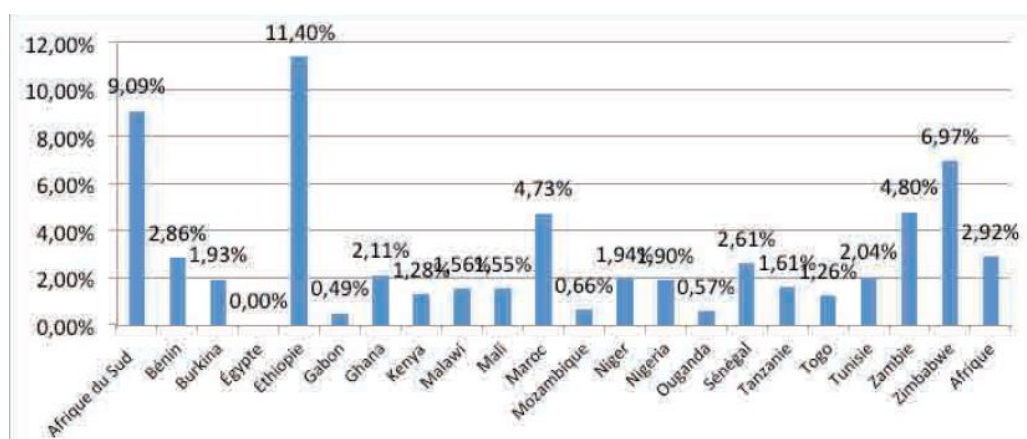


Figure 2 - Autonomy Indicators of local governments - UCGL Africa - 2007

Under those circumstances, local authorities turn to a global strategy aiming to mobilize new resources. Improving creditworthiness and management becomes a supportive framework, dealing with technical issues that the local government has to endorse. . Indeed, mobilizing local administration and partners and making decisions that could be unpopular (tariff increase or tax collection) require a shared and clear vision, but also a stimulating goal: put an end to the scarcity of resources.

Governments, along with development banks and agencies, design and implement various strategies aiming at that target. Those strategies are just as diverse as promoting public private partnership, improving public finance (PEFA program, sustained by the World Bank, AFD and many other agencies), support municipal development programs combining improvement of the institutional framework, support to local authorities and direct financing of investment programs, etc.

However, these programs stay inside the global allocation of State budgets and the overarching limit imposed by its limited borrowing capacity. Improving transfers and transferring credit lines to local authorities appear to be in competition with all other national priorities. Therefore, Mayors and local managers look to diversify their resources.

## 2.2. Environment rating of Cities and Local Authorities

In 2012, UCLG Africa and Cities Alliance have come together to produce the study *Assessing the institutional environment of local government in Africa*, published in September 2013. The aim was to assess the enabling environment for well-functioning cities and local authorities in African countries. 50 countries were scored. The report analyses 10 criteria at national level, and rates each country on a four grades scale (1 to 4, highest score). That study does not evaluate individual cities, but the legal framework, common practices and ongoing improvements. Somewhere, it is the baseline from which each city will have to establish its own creditworthiness. Data were actualized in 2015 (on the basis of 2014' latest available data).

Without forgetting that all components are linked, four criteria are more directly linked with creditworthiness evaluation and access to financial market. These criteria are the followings:

- Legislative framework (N°2),
- Financial transfers from the central government (N°4),
- Local government’s own revenues (N°5),
- Transparency (N°7).

<b>The 10 criteria</b>
Constitutional framework
Legislative framework
Local democracy
Financial transfers from the central government
Local governments’ own revenue
Capacity building
Transparency
Citizen participation
Local government participation
Urban strategy

In the study, the sixth item “Capacity Building of Local Governments Administrations” refers to the existence of a national framework of reference defining the qualification and responsibilities of local government staff, supported by a national training strategy. This item is too large to be really relevant for our purpose.

Table below presents the scores of all countries for these four indicators. For analyses, last columns give three global scoring:

- The global UCLGA’s scoring for the ten indicators,
- The financial scoring by selection; that is the number of items scored 3 or 4 about the four financing criteria,
- The total of the 4 financial scores.

Table 1 - Countries scoring related to finance - UCGL Africa 2015

Pays	Legislative Framework	Financial Transfers from the Central Government to Local governments	Local government's own revenues	Transparency	CGLU Africa Global rating	Financial rating by selection	Financial rating by total
Algeria	3	1	1	2	20	1	7
Angola	3	1	3	2	20	2	9
Benin	3	2	2	4	22	2	11
Botswana	4	2	2	2	24	1	10
Burkina Faso	3	2	1	3	22	2	9
Burundi	3	1	2	2	21	1	8
Cameroon	2	4	1	2	23	1	9
Central African Republic	1	1	1	2	13	0	5
Chad	4	2	1	2	21	1	9
Comoros	1	1	1	1	12	0	4
Congo Brazzaville	3	1	1	2	17	1	7
Congo - Democratic Republic of	3	1	1	2	15	1	7
Côte d'Ivoire	3	1	1	2	20	1	7
Djibouti	3	1	1	2	18	1	7
Egypt	3	1	1	2	18	1	7
Equatorial Guinea	3	1	1	1	17	1	6
Eritrea	3	1	3	2	21	2	9
Ethiopia	1	2	2	2	20	0	7
Gabon	2	1	1	2	23	0	6
Ghana	3	1	2	3	26	2	9
Guinea-Bissau	3	1	1	2	14	1	7
Guinea-Conakry	3	1	1	2	16	1	7
Kenya	3	4	3	4	28	4	14
Lesotho	3	1	2	2	21	1	8
Liberia	1	1	1	1	11	0	4
Madagascar	3	1	1	2	17	1	7
Malawi	3	1	2	2	18	1	8
Mali	3	2	1	2	22	1	8
Mauritania	3	2	2	2	21	1	9
Morocco	3	4	3	3	30	4	13
Mozambique	2	1	2	2	16	0	7
Namibia	4	1	3	4	23	3	12
Niger	3	2	1	2	23	1	8
Nigeria	1	4	2	2	24	1	9
Rwanda	4	2	2	2	28	1	10
Sao Tomé and Principe	3	1	1	2	19	1	7
Senegal	3	1	2	2	24	1	8
Seychelles	1	1	1	4	15	1	7
Sierra Leone	3	2	2	2	23	1	9
Somalia	1	1	1	1	12	0	4
South Africa	4	3	4	4	33	4	15
Sudan	1	1	1	1	12	0	4
Swaziland	3	2	3	3	21	3	11
Tanzania	1	2	4	4	25	2	11
The Gambia	3	1	2	2	21	1	8
Togo	3	1	2	2	16	1	8
Tunisia	3	1	1	2	20	1	7
Uganda	4	3	3	3	31	4	13
Zambia	4	3	4	3	20	4	14
Zimbabwe	3	1	4	3	23	3	11

## Analysis by criteria

Table below totals scores for the four financing criteria.

	Legislative Framework	Financial Transfers from the Central Government	Local government's own revenues	Transparency
Note 4	7	4	4	6
Note 3	31	3	7	7
Note 2	3	12	15	32
Note 1	9	31	24	5

Table

2- number of countries by scores

That global picture shows that it is a long way to before all local governments in Africa can access to financial markets. Nevertheless, that is a global picture than needs to be refined, in order to identify opportunities and fast result actions.

The legislative framework appears to be sufficient in 75 % of the countries. That result appears of first importance. Indeed, it says that improving the overall rating depends on technical and administrative works that can be undertaken by the local level. However, national support would be indispensable in many countries, particularly French speaking ones, because local State's administrations contribute to fiscal and treasury management of local authorities. The Central Government is also fully responsible for improving financial transfers, hat shall meet basic requirements: clear and predictable allocation, transparent distribution among local authorities, and absence of restrictions for the use of transferred funds.

Resources transfers from the central government appear as a serious concern. Indeed, only seven countries ensure predictable transfers. 85 % percent do not meet the minimal requirements, and more precisely:

- 31 countries (2/3) does not ensure transfers of resource, or erratically and irregularly. External revenue should be secured only by own revenue (score 1 for "financial transfers").
- 12 countries (1/4) transfer resources and distribute them among local governments, but annual amount and methods of distribution are not transparent, leading to low predictability for the recipient (score 2 for "financial transfers").

Even though, financial markets could accept that the borrower relies only on its own revenue, the possibility that a share of expected revenue, transferred from the State, could be cut or not fully secured diminishes dramatically the creditworthiness.

The issue of local governments' own revenues seems more complex. Four out five countries are badly rated on that item (rating of 1 or 2).

- 24 countries (1 half) define and collect local government revenue, and local authorities are prohibited from borrowing and/or accessing the financial market (score one for "own revenue").
- 15 countries (1 third) give some latitude to local governments to determine rates for existing taxes, but the central government is responsible for setting tax bases, creating new taxes and accessing loans and financial markets.

However, further investigation might be recommended, as the definition of the criteria appears relatively strict. Indeed, it aggregates many important parameters when studying

creditworthiness: determination of tax bases, setting of tax rates, tax collection management, accessing loans and financial markets. There is not a clear consensus on what defines financial autonomy of local governments. In many developed countries, the state government keeps the responsibility to set the list of possible local taxes, as well as the bases of local taxes, without undermining the creditworthiness and capacities of municipalities and other government to design and implement their own policies.

Although three out of four countries do not reach level 3 for the “Transparency” criteria, it doesn’t prevent a particular city to meet international requirements, such as Dakar which has met them while preparing its bond issue. Indeed, a local government has the power to commit itself for better transparency, beyond national regulations. Therefore, international guidelines and support would be useful to help cities to meet international standards and be able to borrow from the Fund.

**Synthesis**

A supporting national context for municipal finances will help to increase creditworthiness of each city. We will use the number of criteria that reach level 3 or 4 as a first proxy.

Only eight countries reach three or four times the scores 3 or 4 (Kenya, Morocco, Namibia, South Africa, Swaziland, Uganda, Zambia and Zimbabwe), a significant improvement of 5 countries compared with 2013. Six countries reach scores 3 or 4 for two criteria, a stable result. One country out of two (56 %) reaches this score only once. Except Nigeria and Cameroon, it is the legal criteria. Finally, eight countries do not reach any minimal requirement.

Looking at the sum of the criteria, only one half of the sample exceeds 8, that is an average score of two. It is unlikely that cities of these countries meet requirements for borrowing in a very short term.

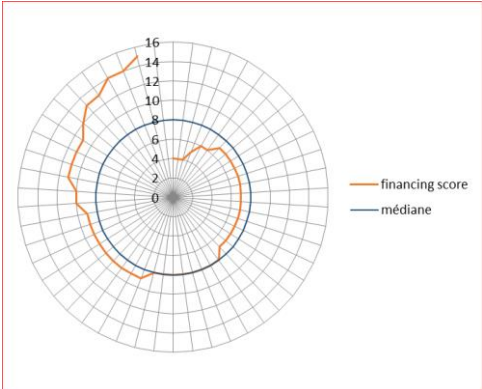


Figure 3 - financing score compared to median

Therefore and even if the African vehicle is designed to offer access to capital markets for cities of the whole continent, it is likely that it will start operating only in a few countries. Design and management rules of the vehicle should then take into account this reality and its consequences for the development of the vehicle. Specific investigations shall be conducted to precise the adapted strategy aiming to gain support of a large group of not eligible cities. Developing specific technical assistance would probably be part of the solution.

### 2.3. Issuing bonds, a new frontier

In that context, many local managers are looking for leeway, aiming to ensure better services and restore investment capacity. Mobilizing private funds shall support a strong increase of investment capacities, and invite/oblige the local administration to improve financial management, increase transparency, and enhance budget allocation and strong monitoring. The new frontier: accessing the national and international bond market.

At present time, only a few African cities have issued or prepared bonds issuances in the domestic or international capital markets. The door was opened two centuries ago by the city of New York, which issued in 1812 bonds to finance a new canal. Yet, supported by legal and fiscal incentives, the market of municipal bonds is worth \$3.8 trillion, around 10% of the US bonds market<sup>4</sup>. However, in Africa, only South African and Nigerian cities succeed to develop a municipal bond market in their country.

In South Africa, 17 municipal bond emissions have been registered<sup>5</sup> since the first emission in Johannesburg, in 2004. However, after a pretty rapid growth until 2011, the development of this resource is now slowing down. South African cities have issued € 500 million since 2011 (ZAR 8 billion), about € 1,263 million of outstanding bond issues. Municipalities benefit from a deep market, and their emissions represent only around 1 % of the whole stock. Furthermore, only the biggest cities enter the bonds market, such as Johannesburg, Cape Town or Ekurhuleni.

Nigerian cities have issued a similar volume of bonds (€ 1,186 million) in 23 emissions, also only in local currency (naira). It represents about 7 % of the sovereign emissions, a far larger scale of all emissions.

Other examples have not shown great success:

- The city of Nairobi succeeded in issuing bonds, but it failed to reimburse them.
- The city of Douala issued bonds in the early 2000, with the guarantee that the State will allocate the municipal tax income (collected by the Treasury) to reimbursement of loans in case of default. By the way, the State did not accept to pursue this policy after a few issuances.
- Dakar prepared a bond issue in 2014 with many supports, including USAID and the Gates Foundation. But the National government blocked the issuance a few days prior the launch.

In order to overstep those difficulties, the idea of pooling for better access to the bond market shall be studied further, building on the experience accumulated around the world.

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<sup>4</sup> Securities Industry and Financial Markets Association (SIFMA), Q1 2017

<sup>5</sup> Cbond website - <http://cbonds.com/countries/South-Africa-bond>

## 2.4. Special financing vehicles around the world

36 Municipal banks or funds are still operating or prepared to operate in the world. Most of them are located in North America (8 in Canada, and 15 in the USA). 8 European and 3 Asian countries developed such a tool. In emerging countries, only local authorities in Mexico and in the Indian State of Tamil Nadu benefit from such a financial tool.

The majority of these funds have been set by states. In Europe, local authorities are more often associated to the governance, and even are the sole shareholders of the Fund (British Columbia, Denmark, France, Japan, Sweden, and the United Kingdom).

Annex 1 summarizes the lessons learned from existing vehicles, including short descriptions of 12 funds, chosen for the diverse solutions given to the common challenges.

### Pooled financing mechanisms

Financing vehicles are the most advanced level of cooperation among local authorities willing to pool their efforts to access the financial market. Commonly, there are three different levels:

At basic level, local authorities cooperate in order to improve their practice and negotiating power, including coordination or joint bidding processes. However, each authority keeps its power of decision and own lending agreement. Interest rates and some particular conditions could remain specific.

At medium level, so-called club deal, the group of local authorities issue a joint bond emission, with common characteristics. Decision is made collectively, but each participant is still responsible for its share of the payment of capital and interest, without any guarantee from other participants. If flexible, a club deal is quite complex (legally and technically), inducing associated costs that can offset the pricing benefit coming from the size.

Creating a special purpose vehicle (the financing vehicle) to act as an intermediary between the cities and the capital market constitutes an advanced level of cooperation. Often regulated as a financial institution, the SPV is a credible counterpart for the financial market by the size of issuances and institutional arrangements that sustain its creditworthiness (capital, governance, guarantees...). Owners are at least associated to the management. Local authorities are also submitted to internal rules for borrowing to the SPV. These rules aim to protect the creditworthiness, ensure reimbursement, but also support effort of the weakest cities to improve their financial management.

## 2.5. Backing the municipal fund, an opportunity for sustained local investments

Like in older urbanized countries in Europe and America, cities and countries of Africa must find efficient ways to increase investment in infrastructure and services, particularly in cities that will accommodate 450 million new inhabitants before 2030. As seen before, financial needs totalled \$ 25 billion per year.

Allocating a growing part of national public investment will not be easy, even if the main sectoral infrastructures such as universities or hospitals are located in cities. Indeed, national budgets are and will continue to be under constraint for a long time. Reduction of customs duty is a main condition to participate more actively in the world economy and will be



difficult to replace. Debt management and other priorities such as agriculture, energy, forest, or education will not let many opportunities for new transfers to local governments.

Therefore, national and international policies aiming to increase awareness and responsibilities of local governments appears as very critical. However, improving local governance, tax collection, and expenses quality represents a sea-change for local administrators. Obtaining support from the population and local economic actors might be difficult because such a new policy would impact acquired positions. Yet, many examples of quick win projects already demonstrate the shared benefit of better managed cities.

However, filling the investment gap needs a bigger jump of local resources, which implies giving the possibility to municipalities and local governments to finance main investments that have sometime been identified for a long time. Therefore, backing local governments willing to work together and share risks for a better access to bond markets will offer many benefits for international financing institutions, and particularly the African Development Bank:

- Entering in such a process, municipalities would be encouraged to accelerate reforms and progress, aiming to reach minimal criteria set by the mutual fund that is their own community.
- As a risk management tool, the fund will reduce transaction costs for both municipalities and lenders, at first international development banks.
- As a new tool, well responsive to municipalities needs, the fund will facilitate growth of the overall volume of investment financed in Africa, boosting growth through induced activity and improvement of cities services.
- Designed to work with cities of all sizes, the fund will be a unique financing window for middle size and small cities.
- Embarking mayors and municipal executives, the governance of the fund is also an opportunity to disseminate the culture of financial responsibility among local governments and their administrations.

In addition, benchmark shows that international public financing institutions are interested to subscribe bonds issued by municipal funds.

Last but not least, the management of African Development Bank and other active development banks in Africa should be interested to enter in a direct relation, in a real partnership with mayors and other chairpersons of local governments.

In conclusion, backing a municipal pooled mechanism appears a promising answer for development banks in Africa willing to achieve the goals of the New Urban Agenda. Detailed possible provisions should be studied while preparing arrangements among local municipalities.

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## 3. BUILDING THE DEVELOPMENT PROCESS OF THE ACDF

Creditworthiness remains the baseline issue when building a financing vehicle. It has to be tackled at the level of the vehicle, that will approach the market, and at the level of each local authority. Indeed, the first guarantee offered to investors is the quality of the portfolio of the vehicle, measured by the default rate. It appears that existing vehicles around the world does not suffer from default and, therefore, obtain very high rating even without any guarantee of the State (cf. annex 1).

All following proposals shall be understood, taking good account that this double level of creditworthiness is a main concern when designing the vehicle.

### 3.1. Keys parameters

#### *Servicing Local Governments, owners of the Fund*

##### **3.1.1. Servicing all size of cities, but only cities at first**

All cities, regardless their size, shall have access to the vehicle. The only condition is to reach the creditworthiness criteria that the fund will apply for its lending operations. They are many convergent reasons:

- Medium and small cities have more difficulties accessing financing, in regard of transaction costs,
- Political support will be reinforced,
- Experience, particularly in Europe, demonstrates the benefit of a large coverage.

Expansion of lending activities to other entities, such as public bodies managing utilities, social housing companies or other public companies owned by local government could be develop only after securing the first class of activity. Indeed, those entities constitute another category of risks that would need specific risk assessment.

##### **3.1.2. Focusing on long term funding**

The cities development's need is to finance public infrastructure and utilities, including schools and other buildings. Amortisation of such investments is quite long, often over 20 years. Therefore, the goal is to provide long term financing to municipalities and local governments.

7 to 15 years commitments of the vehicle would probably be considered as pretty long, giving the current conditions of the financial markets in Africa – a maturity of 7 years would be considered as long, at least for the first issuances. Even if local government's investments require longer terms, the vehicle will stick at the market maturities at the beginning of its operations. It's only in a second stage that it would take the risk of maturity transformation, a more risky activity in regards of liquidity risk and refinancing costs. Finally, the issue of refinancing debt of local authorities would only be considered in a later stage.

It is also clear that the vehicle will not finance current deficits. Indeed, an annual surplus is a prerequisite to access the financial market, even through the vehicle.

### **3.1.3. Lending to municipalities only in local currency**

Municipalities and other local bodies are not able to manage currency risks. Their revenues (taxes, revenue of assets, and State's transfers) are in local currency and they do not have the capacity to evaluate and manage such a risk. Some bad experiences of local authorities in other parts of the world invite to be very careful.

Therefore, loans of the vehicle to local authorities shall be denominated in local currency.

One sole exception could be accepted, when the currency is not convertible. In that case, the exchange risk shall be guaranteed by the state.

### **3.1.4. Local governments driving the vehicle**

Working on a municipal pooled financing solution, African local governments express their will to take ownership on access to international finance markets, opening a window that is not under the strict control of states and international financing institutions. Therefore, the vehicle governance shall reflect their effective ownership. The design of the process is of great importance to ensure success on that particular but central goal.

It implies a strong implication of local government in the preparatory process, including ensuring the financing of feasibility studies and other expenses. The designer of the vehicle shall also look at innovative solutions, aiming to ensure political control (i.e. the majority of voting rights in the instance that decides strategy and control effectiveness), without weakening creditworthiness.

The diverse designs of existing vehicles around the world give a large basket of ideas. At that stage, it is possible to point out some specific arrangements. In Denmark, KommuneKredit is a cooperative society of cities. In Sweden and France, local authorities own a holding company (a cooperative in Sweden, an ordinary private company in France), which subsidiaries are financial institutions. That latter scheme secures the double power of local authorities and financial specialist, aiming to ensure confidence to both elected people and bankers. The Tamil Nadu Urban Development Fund is a Trust, housed by a specific vehicle.

Other schemes used by private companies to ensure the power of specific shareholders have not been studied for municipal funds.

## ***Building a credible financing institution***

### **3.1.5. Getting an investment grade rating**

The aim of the vehicle is to give access to the financial market at good conditions (maturity, interest...). Obtaining an investment grade rating (international market) is a prerequisite, albeit most of the cities in Africa would not obtain alone such a rating. In order to secure the first issuance, the selection of the first borrower's basket should probably include some already rated cities at investment grade.

However, the full design of the vehicle shall take into account that extremely important objective when choosing a governance scheme or drafting the risk management framework...

### **3.1.6. Reaching quickly a sufficient volume of activity**

Investors are looking for a good liquidity. An important parameter is the size of the bond emissions, allowing a minimal activity on the secondary market. It is accepted that an annual

emission volume of M€ 750 is the minimal threshold to enter the international market in Europe. African national markets accept lower activity's threshold, particularly from well-known entities – around M€ 100. However, as an international institution, a minimal size to be determined would participate to the Fund's credibility.

### **3.1.7. Separating political governance & professional management**

Investors and financial partners are very averse to the risk of political pressures on lending decisions and loans management. Indeed, disbursed loans are the sole asset of the vehicle and the quality of the portfolio would be ruined by the introduction of other criteria than the capacity to reimburse in decision making. Therefore, transparency and independency shall be at the heart of the institution. Ensuring the balance between political will of local authorities, technical capacities of high management, and implication of individuals recognized by the financial community, will need careful consultations and precise rules written in the status and the internal regulation. There are also many lessons to be learnt from other experiences, understanding the deep (and often hidden) reasons why some specific dispositions were adopted.

As a first step, owners of the vehicle, mayors have to give a strong signal to the financial community that they will not intervene in the daily management of loans and relations with local governments. They have to design an institutional framework, as well as procedures that ensure a strict independence of directors in charge of loans preparation, negotiation and decision.

### **3.1.8. Building a comprehensive and resilient guarantees package**

Lenders will require strong guarantees prior any deal with the new vehicle. A large range of solutions is experienced around the world and the feasibility process will have to determine the best scheme. Classical solutions are the following: State guarantee, borrower's guarantees, shareholder's guarantees, reserve fund, one year liquidity buffer, legal provision<sup>6</sup>, etc. The cost of those guarantees can be significant, particularly for institutions submitted to bank regulations. In addition, the project should look at external credit enhancement.

### **3.1.9. Organizing strict internal control**

Like all banks, the Fund shall organize precisely internal control, relying on standard organizations and procedures: giving effective power to independent committees (operations, risks, quality, and audit), drafting precise but fluent and transparent procedures, auditing regularly operations and clients...

## ***Managing a complex and innovative establishment process***

### **3.1.10. Failing the 1<sup>st</sup> issuance is « lethal »**

As a public owned entity, the vehicle will not have another chance to come to the market if the first issuance does not succeed. Indeed, matching political will and support and investor's

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<sup>6</sup> In France, the State can impose to any local government to balance the budget, covering mandatory expenses, including debt service; if the council refuse to adopt required provisions, the State representative will take over the power to adopt and execute the budget, by court decision.

confidence is a long process. A failure will need a precise diagnosis; any change in the structure of the fund will need a new approval process, among all local authorities and involved public partners. The simple perspective of such a difficult negotiation would report the project for a long time.

In order to tackle that risk, precise preparation would include a cautious selection of first risks basket of cities, roadshows and also mobilizing banks and investors that will guarantee the issuance.

### **3.1.11. Building confidence as of today**

Opening a new financing window for African local governments is a big deal for many partners in the development community, but also among investors. These potential shareholders will follow the progress made, make proposals and intervene in the decision making process. From today, lengthy processes, difficult political debates and incredible expectations will be reported and analysed. The risk to weaken interest and support shall be considered and managed from now, as for any major project that needs to build a large consensus.

From now, managing communication and strengthening a first club of supports among local governments, national governments and the international financing community is part of the whole process.

## **3.2. Other issues to be tackled during the establishment process**

### **3.2.1. Reaching a market share that benefits local authorities**

The possible impacts of municipal funds on local government financing are numerous, depending on historical contexts and efficiency of local financial markets. Existing municipal funds demonstrate that various choices enable better access to large and cheap resources for municipalities.

- Covering the main financing needs of members (KommuneKredit covers 98% of municipal financing needs in Denmark) ensure a full access to the better resources. Indeed, following that strategy, the Fund is the main public issuer after the State, becoming an important asset for diversification of public risk in investor's portfolios.
- Offering a competitive option for cities and local authorities, focusing on specific needs (small cities, resources diversification of major local authorities...) With 2.5 % of the market, Agence France Locale is a competitive option that reinvigorates competition among banks active on that market.
- Making a new market reference, aiming to reduce rates and extending the maturity of debt lines offered by private banks active on that market. Unfortunately, there not many evidence of that pressure, except some documented example of recent new vehicles. The creation of Kommuninvest in Sweden lows the margin offered to municipalities by 200 basis points

The development strategy and the business plan are very sensitive to these options. The reaction of private banks and existing institutions lending to local authorities shall be taken into account. Indeed, competition with private banks can, or will occur. If in many countries, banks are currently reluctant to lend to local governments, they will probably react and enter

that market as soon as first operations will have demonstrated the capacity of local authorities to fulfil their financial commitments. As a result, a reduction of bank margins and transaction costs (financial and administrative) is likely and could have severe impacts on the business plan if not anticipated.

### **3.2.2. Choosing a supervision model or drafting a specific one**

Delivering credit, all independent pooled financing agencies are submitted to bank regulations, except noticeable exceptions. In Europe, the two exceptions are the new UK Agency (by law) and in Denmark (exemption noted in the applicable EU directive). In the US and Canada, the majority of State Corporations and Crown Agencies are not specifically regulated, being part of the State administration, despite management autonomy and direct access to the financial market. Finally, international institutions are governed by their own rules, including internal but independent supervision.

The relation between ownership and supervision scheme needs probably more investigation. Indeed, the capacity of a group of African cities to supervise a financial institution could be discussed.

Being submitted to bank regulations imposes specific management arrangements that are costly and need minimal borrowing activity.

Therefore, careful attention is needed while tackling this sensitive issue. The choice of the model, then choosing the national applicable regulation will have large impacts on management and daily activity. The same attention is needed prior choosing fiscal regime and other applicable legislations. The choice of headquarter will have to take these issues into account.

### **3.2.3. Advising local authorities**

Opening a new window for financing investment, the vehicle shall ensure that the creditworthiness of involved municipalities is increasing, reinforcing the overall solvency. In addition, support to municipalities which don't meet minimal requirement is mandatory. Indeed, the perspective to open access to all municipalities and local authorities will increase local political support. Developing the lending activity is also critical for the vehicle, contributing to reduce margins and dilute residual risks in a larger portfolio.

## **3.3. Designing the vehicle**

### **3.3.1. Business model**

The business model of the vehicle is structured by three main choices, to be decided at an early stage of preparation, but after precise assessment of advantages and drawbacks. These choices are related to positioning the vehicle, targeting eligible governments, financing projects or credit lines. The final decision need to articulate strong political positions (from local and national levels) and tough technical issues related to risks, legal and currency management.

#### ***Positioning the vehicle***

In the context of an African Fund, addressing the needs of cities in the whole continent, assessing different options of business model will be the first stage. Indeed, two main

solutions could be considered: direct lending to local government or refinancing national entities, acting under national rules. It's not time and place to conduct a deep analysis of advantages and drawbacks of each solution, and looking at other paths. The following presentation aims only to point the importance of that issue out.

Direct lender: the fund lends to each local government. The relation is clear: local government are shareholders, part of the governance, and benefit directly from the project. The Fund develops direct relationship with its members, reinforcing its knowledge of field realities. However, it has to manage the large diversity among cities and countries.

Refinancing national entities: in many countries, national development funds finance local governments. If distributing State's subsidies is still their main activity, some of them develop credit lines, refinanced by international development agencies, as well as technical support. A scheme mobilizing these national tools would simplify the daily activity of the Fund. However, local authorities will lose the direct relation with the Fund as client, even they have the ownership. In addition, cities and local authorities are rarely associated to the management of the national entity.

Other hypotheses would probably appear while appraising this issue.

### ***Targeting eligible local governments***

Each country has its own categories of Sub-sovereign entities. At first, cities, districts, regions constitute the heart of the target. The Fund could consider, probably at a second stage, an extension of activities to other public entities, such as public companies controlled by local governments. Many existing vehicles have develop activities for this kind of bodies – public companies running utilities, managing public housing stocks, water authorities, etc.

Some specific issues shall also be analysed and discussed. It's the case, for example, of federated states in federal States. In the US, local government are ruled by each federated State, that are de facto not sub-sovereign for the purpose of local government financing.

### ***Financing projects or credit lines***

The design of the portfolio perimeter is a key issue for the Fund and for local governments. Many options can be considered: financing projects, as it is usual in Africa, currently, or financing the investment budget on the basis of multi-years investments plans.

The first option would build on well-known management capacities, on both sides of local governments and professional supports. However, the Fund will appear as an additional credit line for main projects – that are not too difficult to finance- on the disadvantage of the current investments activities that are the Achilles' heel of cities. The need of a better financing of maintenance, infrastructure improvement, neighbourhood equipment is the real priority. Managing a large programme of local investments would also overload the preparation and control activities of the Fund that would be involved in project management and supervision.

Focusing on global financing of investment needs, the Fund would close a gap of financing. It will simplify the loan's preparation, looking at the creditworthiness, the sustainability of the city's debt, and the quality of financial management.

### **3.3.2. A prerequisite: accepting the primacy of ensuring the portfolio quality**

The quality of the portfolio is a main concern to ensure sustainability. Indeed, this quality is the main criterion that will sustain a good rating, that is ensure the capacity of the vehicle to raise funds at an acceptable price.

A specific strategy shall be endorsed by all local participating local governments, as basis of the design of the Fund. Even when members of the Fund, cities and local authorities will be submitted to strong quality assessment and control of their creditworthiness, affecting the eligibility to borrow to the Fund, but also maturity, spread and other characteristic of the financing.

The political acceptance of these rules by all municipalities and other local governments that enter in the process is a prerequisite for the project.

### **3.3.3. Business plan**

Building on the business model, drafting the business plan would be a classical (but very innovative) exercise, tackling a long list of issues:

- Market: number and borrowing capacity of eligible local governments that are creditworthy, market share, acceptable spread... Perspective of future development, funding less creditworthy cities only after having secured access to financial market, rating, and capacity to manage risks;
- Revenues: fee based / fund based;
- Currency management strategy;
- Applicable legislation for operations, including tax regime;
- Applicable legislation for management;
- Profitability.

### **3.3.4. Risk management framework**

Aiming to bridge the gap between local governments and the financial market, the Fund shall be designed to manage the existing risks that will not disappear at a foreseeable future. The Fund is not averse to risk; it manages risks through a well-designed risks policy.

Drafting a strong risk management framework shall therefore be undertaken at an early stage. Thorough the whole process, all proposals shall be challenged, taking into account impacts on risks.

At this stage, the first list of risks to be assessed would be the following:

- Portfolio quality: default risks, selection of borrowers...
- Country risk assessment: recognition as an pan African risk, not linked with the African worse case;
- Funding costs: rating, size of issuance, balance between African and other markets...
- Market risks: currency management and interest rates...
- Funding and liquidity risks (timely payment of debt, drawdown, working capital): refinancing capacity, liquidity buffer (at least 1 year of repayment and disbursements);
- Guarantees given by shareholders for the whole activity (not only covering their own debt)...
- Credit guarantees schemes...



### **3.3.5. Structuring the capital**

The capital structure of the vehicle participates to the quality of the fund. At least two schemes shall be considered and assessed at the early stage of drafting the first business model.

First, the vehicle is a limited company, owned by the participant local governments. Other members could be invited, such as States and International Financing Agencies, aiming to enhance the creditworthiness through their own excellent ratings. As a limited company, the Fund would be regulated by the legislation applicable in the headquarter State.

Secondly, the Fund is an international institution, or is backed by an international institution – the African Development Bank would be first option. In that scheme, the Fund would be regulated by its own status, without references to national legislations, at least for business operations.

Both schemes have advantages and disadvantages. For example, a large callable capital is a strong contribution for an excellent rating of an international institution. However, that callable capital is a strong tool aiming to collateralize risk among shareholders.

Other schemes are possible, such as backing the Fund by AfDB, but adapted governance would be mandatory. Indeed, the backer should have enough control to ensure a sufficient guarantee. Ensuring ownership of local government could therefore be challenging.

### **3.3.6. Containing processing costs**

Members invest in the Fund in order to obtain competitive financial resources. If mutualisation will give access to good market conditions (and in some case simply give access to long term financial resources), the advantage in terms of rates will not be very large. Indeed, once the market open, investors will compete to finance local government. Therefore, keeping processing costs under control is a strategic issue, aiming to maintain margins at an acceptable level.

On another hand, a high quality process of recruitments, organization and preparation will establish the accountability of the new vehicle. Attracting an experienced team with the goal of building and launching activities rapidly will need a precise preparation, including mobilizing in advance key managers.

Balancing these two objectives is one of the difficult tasks of the management.

## **3.4. Owning and governing**

On the basis of the business plan, drafting the legal set up and detailed organization will have to tackle a large set of issues, such as Corporate governance (general assembly, board, committees and advisory board...), independency of the main committees (particularly

#### **Equity strategy comparison**

Under banking regulation, the minimal leverage ratio under Basel III regulation is 3 % (tier core one capital related to all assets).

International financing institutions apply another scheme: they call only a small share of very large subscribed capital. The remaining amount, the callable capital, constitutes a strong guarantee. With 65.5 billion Unit of Account<sup>1</sup>, AfDB capital is around four time 16 billion of outstanding loans. However, with 4.9 billion, called funds represent only 7.5% of the subscribed capital.

In comparison, Basel III regulation would requires only UofA 500 million capital<sup>2</sup>.

<sup>1</sup> AfDB's Unit of Account equal IMF's Special Drawing Rights that is € 1.2

<sup>2</sup> Not taking into account other requirement that may be demanding

Investment committee), voting rights, as well as many issues that are specific at an international body (choice of applicable legislations, dispute resolution mechanisms, etc.)

### **3.5. Getting the local governments ready**

Getting local governments ready aims to ensure that they will fulfil the conditions that will allow the Fund to approve and disburse loans. Accessing those new resources is a perspective that would undoubtedly encourage elected people and managers of the administrations to move forward and solve the numerous issues that local governments face in Africa. Identifying key actions and partners willing to support that movement shall begin at the early beginning of the preparatory process of the Fund.

Three main axes are identified at this stage.

#### ***Drafting the lending policy***

The fund's creditworthiness is at the heart of the lending policy. Indeed, the quality of its portfolio and the management is critical: selection of borrowers, definition of borrowing ceiling, differentiation of interest among borrowers, follow-up and management of possible difficulties, etc. At an early stage, the main characteristic of that policy shall be drafted and discussed in the Initiators Club. That first dialog will help to measure progresses that members shall achieve for being members of the first deal.

The main items of that policy are the following:

- Assessment procedure of LG's creditworthiness,
- Scoring scale,
- Lending rules, based on the scoring scale and other parameters of the borrower (size, budget...), such as borrowing ceiling, spread, maturity...
- Support to borrowers and candidates, aiming to ensure that criteria are fulfilled over time.

#### ***Improving local capacities to manage financing***

As members, partners, and borrowers of the fund, cities will have to manage their different positions which also imply different interests. Therefore, entering in that complex international scheme is an entirely new experience for political responsible persons, such as for directors of finance. If increasing quality of budgeting and expenses management is a well identified challenge, other linked issues are pretty new: meeting international standard for borrowing, contributing to the definition of the strategy, investing capital in the fund, not to speak about accepting an external audit, even if conducted by the fund itself.

Director of Finance have a critical role to play, at both level of their municipality and of the African club that will prepare and finally join the fund. Indeed, they will be actively mobilized when designing the fund, particularly when assessing conditions to join the fund and to borrow, then defining borrowing conditions. In the meantime, they should be active to prepare their city, improving creditworthiness and drafting long term financial perspective. That should include in-depth work with other department, aiming to maintain current expenses at a reasonable level and to improve absorption capacity.

The latest shall not be underestimated. Mobilizing additional resources is an opportunity to increase investment. However, the lender will request effective disbursement and useful

usages, contributing to a more efficient local economy and improving willingness to pay taxes. That risk of misuse of additional resources is well documented around the world.

The African network of Directors of Finance develops benchmarks, experience sharing, and training aiming to improve financial management of cities across the continent. Extending activities to creditworthiness, long term financial planning, and borrowing would be an important preparation step of the fund. These new activities would also give opportunity to extend partnerships around the network.

**Partnering with programmes aiming to reinforce creditworthiness**

Several programs aim to improve financial management and creditworthiness among local government in Africa. Identifying and partnering with those programmes will contribute to enlarge the support to the project, while improving local government capacities.

It is to know that the main institutions<sup>7</sup> acting in that field around the world launched PEFA program in 2001, and opened the programme to sub-sovereign entities in 2009. In Africa, 126 entities completed or will complete evaluation before the end of 2017. The programme encompasses all kinds of local governments (cities, districts, regions) and also 22 federated states in Nigeria. Cities which have issued or prepared issuance, have benefited from that assessment programme (Douala, Dakar, Johannesburg, Tshwane...).

<p align="center"><b>PEFA Program</b> (Public Expenditure and Financial Accountability)</p> <p>That program was launched in 2001 by a group of international funding agencies, multilateral and bilateral, aiming to enables countries and their technical partners to assess the performance of public finance management systems and promote the implementation of reforms and measures to build up the capacities in the field of public finance management. The programme was open to sub sovereign entities in 2009. International donors’ trust funds can finance these diagnoses.</p>
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**3.6. Mobilizing partners and at first, States**

All local governments would need approval of States to take shares of an international vehicle, as well as, in many countries, to borrow at that vehicle. In some case, legislative changes might be necessary, allowing local authorities and government to enter in such a case. Therefore, building confidence among States and international partners is on the critical way.

The promoters of the Fund shall design a specific mobilization strategy at an early stage, including the followings (the list does not determine priorities at this stage):

- Forming a first club of cities, politically and technically involved in the preparation of the Fund,
- Establishing a relationship with AfDB, a reference partner for discussion with states and Ministers of Finance,
- Mobilizing a club of supporting states (10 members at least, including Ministry of Finance and Ministry in charge of Local Authorities),
- Informing and mobilizing national Associations of cities,

<sup>7</sup> PEFA is supported by the European Commission, The World Bank, the International Monetary Fund, France, Norway, Swiss and the United Kingdom.

- Partnering with Development Banks active in Africa,
- Establishing good relations with institutional investors (mainly Africans), Pension Funds, Rating agencies and other members of the financial world,
- ...

In a second stage, valuating expected collateral benefits would contribute to a better understanding of mutual interests and help investors and their advisors to make decision to cooperate and finance the Fund.

At least, beginning at an early stage, managing relations with members / potential members and candidates is a key activity of the Fund that will need a dedicated person or team.

### **3.7. Prefiguring and launching**

Contributing to confidence building, the preparatory process shall be transparent and visible, giving opportunity to all interested parties to make contact and engage discussion, as well as partnership. Therefore, specific decision is needed to organize the prefiguration and prepare the launch of the vehicle.

Some important steps are clearly identified:

- Inviting a 1<sup>st</sup> municipality club, whom president will organize the political dimension of the project. The club will also manage the technical preparatory process, probably with the support of a credible and existing institution,
- Funding the preparatory process (feasibility studies, communication, legal studies, roadshows...),
- Negotiating the legal arrangements with States and other involved institutions,
- Recruiting the first manager by anticipation,
- Designing the 1<sup>st</sup> issuance (selecting the first group of beneficiary, etc.),
- Roadshows and marketing, etc.

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## 4. ROAD MAP AND RECOMMENDATIONS

### 4.1. A four years road map

The proposed road map aims to fulfil two contradictory objectives. The first one is to build properly confidence and support among local authorities, States and public financing partners, such as AfDB and bilateral financing institutions. In a more private approach, the second is to be able to put without delays a comprehensive business plan and issuance design on the table that would mobilize private partners and investors willing to take part of the process. At the crossroad between private financing and public management, the Fund has to face these contradictory injunctions.

Building confidence among public parties is a political process that should be managed by “The Club”, a first group of cities willing to benefit of the first issuances, supported by around ten African States opened to facilitate access for Cities to financial markets. Inviting and organizing the governance of that first club will prefigure the issues to be tackled at the time of the creation of the Fund itself. The club would aim to manage the prefiguration process of the Fund, mobilize financing (around USD 2 millions) and organize needed negotiations with States and other public partners.

Drafting a first business plan would need private investors and advisors to look under the bonnet, entering in preliminary discussions aiming to consolidate the model – business model, beneficiary, risk management framework... Recruiting a group of consultants that will complete a strong feasibility study comes therefore among the first steps of the roadmap. However, if finding the financing might not be too difficult, these studies shall be monitored by future beneficiaries, ensuring that the experts will keep doors open for future negotiation and help all stakeholders to move forwards. It is likely that revisions and adaptations of the business plan would be required along the process, taking into account changes of regulations, but also growing involvement of cities and theirs public partners.

Therefore, managing the roadmap and the probable stop and go process would require a strong management capacity, recruited by the Club.

### 4.2. Proposed road map

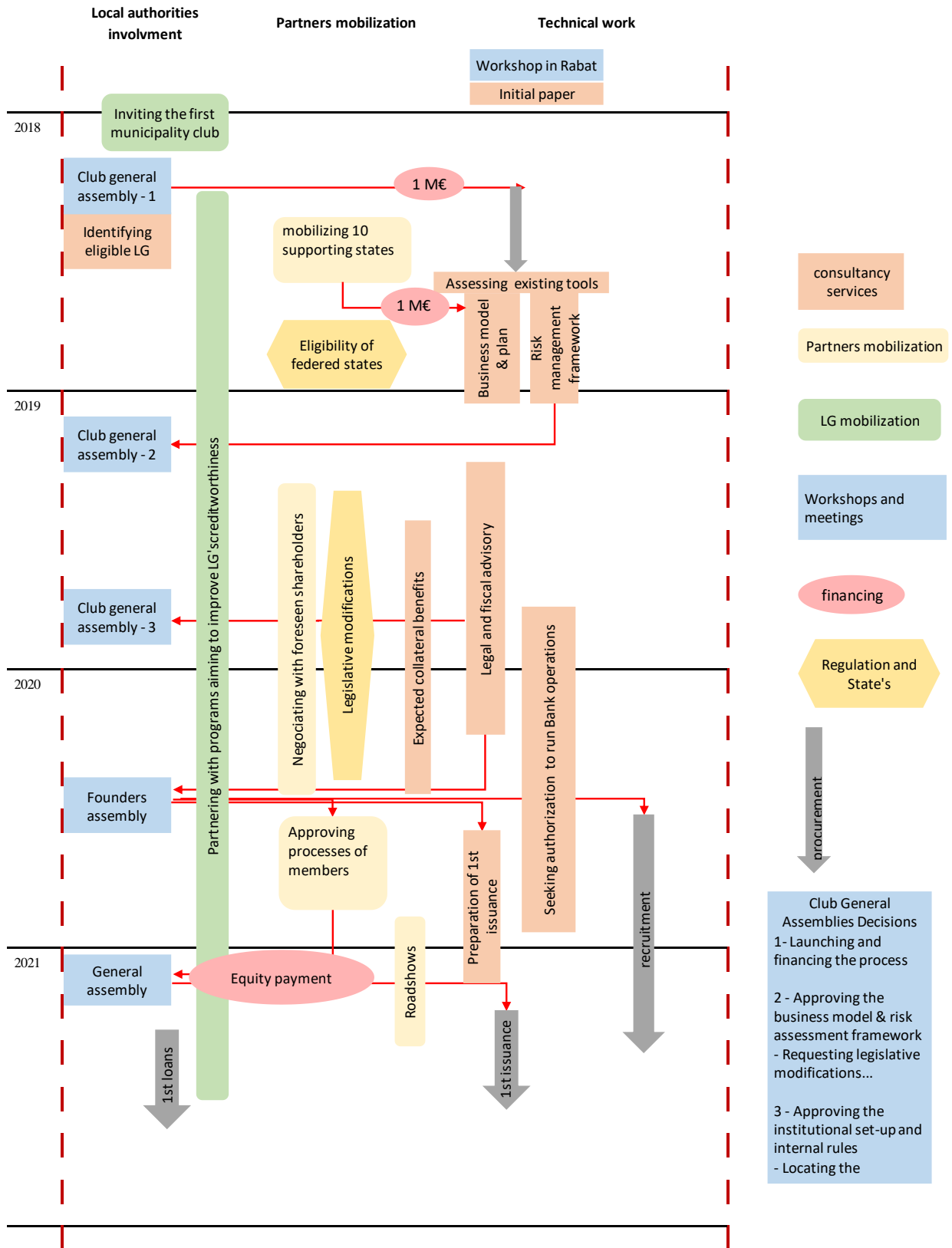
The road map combines different types of activities that are described below: managing the process and mobilizing local government and partners, conducting technical studies, negotiating agreements and legal issues...

The overall provisional scheme is built on the hypothesis of a fast track decision process, from the early beginning to the latest decision making: setting the fund and launching activities<sup>8</sup>. At the early beginning, attention should be given to identifying a first pool of eligible municipalities and local government that will assume the responsibility to sustain and sell the project to states and all other partners. Political will and management capacities are prerequisite for a successful process.

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<sup>8</sup> It is not to forget that UK Municipal Bond Agency is set, but decision to begin operation is still standing since 2 years.

# ROAD MAP - DEVELOPMENT PROCESS OF THE ACDF (provisional)



#### **4.2.1. The Club**

10 to 20 local governments have to take the lead for establishing the Fund and benefit from the first issuances. The Club prefigures the Fund and its members have to make decisions, strategic choices, mobilize partners and negotiate the project with States and supporting institutions. Therefore, the Club should probably have a proper legal existence, aiming to manage funds needed for feasibility studies and advocacy activities. However, administrative task could be managed by an existing international institution.

The club general assembly is expected to meet twice a year.

Willing to demonstrate their commitment and capacities to set-up the Fund, participating cities and local governments will contribute to the financing of the Club: initial contribution, annual membership, as well as participating expenses.

#### **4.2.2. Supporting states**

The establishment and the development of the Fund will need specific authorizations of many states, allowing cities to invest in that new international institution, and later to borrow. In addition, support from international development institution would be a serious contribution to creditworthiness.

In order to convince a large majority of African states of the necessity to establish the Fund, a first group of supporting states shall be mobilized. They will contribute to the identification and resolution of bottlenecks and regulation difficulties.

Associated to the Club in a form which remains to be determined, their commitments could also include a financial contribution.

#### **4.2.3. Advisory committee**

An advisory committee would contribute to design a sustainable fund, taking into account the latest knowledge of the diverse worlds that have to deal with municipal finance in Africa. Made-up of 10 to 15 members, the advisory committee will contribute to the supervision of feasibility studies and advice the Club prior any decision making.

#### **4.2.4. Feasibility studies**

A comprehensive program of feasibility studies and technical assistance will progressively contribute to design the Fund and its first activities. At this stage, the main identified tasks are described in the following table. When establishing the procurement plan, grouping some tasks could be considered. Delays are counted from the decision to launch the process ( $T_0$ ) and take into account efficient procurement procedures and funds mobilization (4 months between decision to start and first notification).

	<b>Aim of the study</b>
Identifying eligible local governments Beginning: $T_0+4$ Duration: 4 months Cost:	Building on assumption that enabling environment is not very favourable in many countries, the study aims to list cities and progress to be made prior borrowing to the fund. It would also set the minimum standard to be fulfilled for borrowing from the fund. It's a prerequisite describing the market and accompanying actions that would ensure its growth. At least, around 50 borrowers should be identified and engaged in a preparatory process, aiming to join the borrower's club.

Assessing national tools financing LGs Beginning: T <sub>0</sub> +4 Duration: 3 months	Cooperating with existing national institutions lending to local governments is identified as a possible solution to manage currency risks and reduce processing costs. However, such a scheme will disturb loose the relation between cities and the Fund. Assessing national institution in regard of the goals of the Fund will nourish the debate on the business model.
Drafting the initial business model and plan Beginning: T <sub>0</sub> +8 Duration: 6 months	After a discussion on the preferred business model (for example, accepting or not to borrow to cities through existing national entities, or assigning loans to certain types of investments), the study will draft a detailed business plan.
Drafting the risk management framework Beginning: T <sub>0</sub> +6 Duration: 6 months	The risk management framework aims to identify all internal and external risks that could undermine activity and capacity to repay loans, and to propose detailed prevention or coverage scenarios. That early exercise will feed discussion and design work of the Fund: size, need for capital, guarantees...
Legal and fiscal advisory services Beginning: T <sub>0</sub> +15 Duration: 12 months	Building on recommendations of the two previous studies, these services aim to design and implement all legal framework: status, needed agreement or legislation changes aiming to authorized cities to enter the capital and borrow.
Technical assistance for seeking authorizations to run Bank operations Beginning: T <sub>0</sub> +20 Duration: 14 months	Unless the Fund is backed by an international institution, not submitted to any national Bank regulation, this technical assistance aims to seek all authorizations for Bank operation.
Preparation of first issuance Beginning: T <sub>0</sub> +30 Duration: 12 months	That is a classical mandate aiming to prepare an international issuance.

*Table 1 - Main feasibility studies*

### 4.3. Financing the road map

The overall budget needed for the preparation of the Fund is estimated, at this stage, around M€ 2.8. That budget includes feasibility studies, specific applications and management processes aiming to obtain permissions to operate, etc. It does not cover establishing cost and initial losses prior break-even.

As references, mobilization costs prior the creation of Agence France Locale reached € 600 000 (not included the cost of workforce covered by supporting entities that are estimated around the same amount). The mobilization costs of UK Municipal Bond Agency reached a comparable amount of £ 800 000.

Preparing the African Fund will need specific tasks such as an in depth assessment of legal issues in the African context and a strong currency management strategy. The budget does not cover the specific programmes at city or national levels aiming to reinforce creditworthiness of cities and solve legal issues letting local governments subscribing the capital of the Fund and borrowing to that international institution.

A very rough evaluation is given in Table 2.



Initial feasibility studies	Business and risk management plans	800 k€
Legal and financial advisory services	3 years	600 k€
Other technical assistance		400 k€
Project management	250 k€/year 1 manager with all travel and administrative costs	1 000 k€
TOTAL		2 800 k€

*Table 2 - preparation budget - rough estimation*

This budget does not include first loan issuance costs that will be supported by the vehicle, and are usually amortized over the loan term.

Local governments, members of the Club, as well as supporting states will finance that program through initial contribution and annual membership. On the basis of a Club of 30 participating cities, supported by 10 states, revenue could reach 2.5 million Euros. International partners could probably contribute to the project, covering the gap.

	30 Cities	10 States	Total
Initial contribution	50 000 €	25 000 €	1 750 k€
Annual membership	5 000 €/year	10 000 €/year	250 k€/year
Other resources			300 k€
TOTAL over 4 years			2 800 k€

*Table 3 - possible revenue of the Club*

#### 4.4. First steps

Building on experience, first steps should be the following:

- Establishing the Club, with a minimum of 15 members representing 7 to 10 countries of all regions of Africa. That task includes writing down objectives, governing rules, as well as status that would ensure a better recognition.
- Establishing the Advisory Committee, building on the group of participants to the Rabat workshop of November 2017.
- Making contacts with a first group of states that could prefigure the Supporting States Committee.
- Keep informed international partners, such as AfDB and other international development institution that promote decentralization and municipal finance improvement (AFD, USAID, Gates Foundation, World Bank...).
- Raise contribution for feasibility studies.

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**5. ANNEX LIST**

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## ANNEXE 1 - EXISTING VEHICLES

### 1. A LARGE DIVERSITY OF STRUCTURES

Based on existing literature, 36 financing vehicles are operating in 14 countries. Most of them are located in North America (8 in Canada, and 15 in the USA). The oldest Municipal financing body was created in 1898 in Denmark. We can find entities in 8 European countries and 3 in Asia (Japan, Australia and New Zealand). In emerging countries, only local authorities in Mexico and in the Indian state Tamil Nadu benefit from such a financial tool.

The oldest Municipal financing body was created in 1898 in Denmark. If only three existing entities existed on 1950, one half were created between 1969 and 1986. A new impetus can be observed at the beginning of the century, with a new agency every two years.

However, the concept of municipal banks covers very different concepts. Indeed, many of them are small public bodies, notably in the US. The North Dakota Public finance authority is a single department of the State of Dakota, without any legal, administrative and financial autonomy. By the end of 2016, only 709 k\$ of municipal securities were recognized in the balance sheet.

Name	Country	Creation	Legal status	Annual Lending volume
Newfoundland and Labrador Municipal Financing Corporation (NMFC)	Canada	1964	Crown agency with a primary mandate to provide long-term capital financing to municipalities	
Kommunekredit	Denmark	1898	Non Profit Association of Local Governments Exempt from being a financial institution by the EU Directive.	
Bank Nederlandse Gemeenten (BNG)	The Netherlands	1914	Financial institution under domestic and EU law Two-tier Company under Dutch law	2016- €87,576 million
Kommunalbanken (NKB)	Norway	1926	Financial institution under domestic and EU law. KBN is a wholly Owned state company.	2016- €8,9 billion
Nederlandse Waterschapsbank (NWB)	The Netherlands	1954	Financial institution under domestic and EU law	2016- €7,1 billion
Alberta Capital Finance Authority (ACFA)	Canada	1956	Non-profit Corporation and provincial authority acting only as an agent of the Alberta Crown	2015-16 - \$21,9 million
Japan Finance Organization for Municipalities (JFM)	Japan	1957	Joint fund-raising organization for local governments.	
Municipal Financing Corporation of Saskatchewan (MFC)	Canada	1969	Crown corporation of the Government of Saskatchewan, administered by the Ministry of Finance	
Vermont Municipal Bond Bank (VMBB)	USA	1969	An instrumentality of the State of Vermont	2016- \$94 260 000

Name	Country	Creation	Legal status	Annual Lending volume
Municipal Finance Authority of BC (MFABC)	Canada	1970	Independent authority - Under the Municipal Finance Authority Act	2016- \$380 million
Maine Municipal Bond Bank (MMBB)	USA	1971	Public Corporation	
Puerto Rico Municipal Finance Agency (MFA)	USA	1972	Public corporation and governmental instrumentality of the Commonwealth	
State of New York Municipal Bond Bank Agency (MBBA)	USA	1972	Public authority, managed by the State of New York.	Probably inactive
Alaska Municipal Bond Bank Authority (AMBBA)	USA	1975	Public corporation	2016- \$ 180,6 million
North Dakota Public Finance Authority	USA	1975	Public Finance Authority	
New Hampshire Municipal Bond Bank (NHMBB)	USA	1977	Public body corporate and politic	2016- \$11,260,000
Nova Scotia Municipal Finance Corporation (NSMFC)	Canada	1979	Crown Agency - Act of the Legislature of the Province of Nova Scotia The legislative authority for the Corporation is the Municipal Finance Corporation Act	2016- \$112.6 million
New Brunswick Municipal Finance Corporation	Canada	1982	Crown Agency	
Illinois Finance Authority (IFA)	USA	1984	Public Authority	
Virginia Resources Authority	USA	1984	Public corporation	
Indiana Bond Bank	USA	1984	Quasi-governmental agency	
Sunshine State Governmental Financing Commission	USA	1985	Public company, owned by counties	Not pursuing lending activities
Kommuninvest	Sweden	1986	Financial institution under domestic and EU law	2015: €24bn
Munifin	Finland	1990	Financial institution under domestic and EU law	
New Mexico Finance Authority (NMFMA)	USA	1992	Public Finance Authority	
Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL)	India	1996	Public Limited Company under The Indian Companies Act. 1956.	
Idaho Bond Bank Authority (IBBA)	USA	2001	Public Authority	
California Municipal Finance Authority	USA	2004	Public Authority	
Ontario Infrastructure and Lands Corporation	Canada	2005	Crown Agency	
First Nations Finance Authority (FNFA)	Canada	2006	non-profit Aboriginal government-owned and controlled institution	

Name	Country	Creation	Legal status	Annual Lending volume
State of Hidalgo Bond Bank	Mexico	2007		
Michigan Finance Authority	USA	2010	State administration	
New Zealand Local Government Funding Agency (NZLGFA)	New Zealand	2011	Limited Liability Company Council-Controlled Organisation operating under the Local Government Act 2002.	
Agence France Locale (AFL)	France	2013	Financial institution under domestic and EU law	2016-€508 million
UK Municipal Bond Agency	United Kingdom	2014	Not considered by UK law to be a financial institution	inactive
Local Government Funding Vehicle (LGFV) of Victoria State	Australia	2014	Subsidiary of Municipal Association of the State of Victoria	One issuance of AUD 240 million (€ 150 million) in 2014.

Following forms presenting the main feature of around ten municipal banks illustrate the diversity of objectives, legal arrangement and activities. The sample retains autonomous vehicles. Indeed, municipal banks that are managed by the administration, benefiting from the signature of the State does not appear as useful benchmark for the African project.

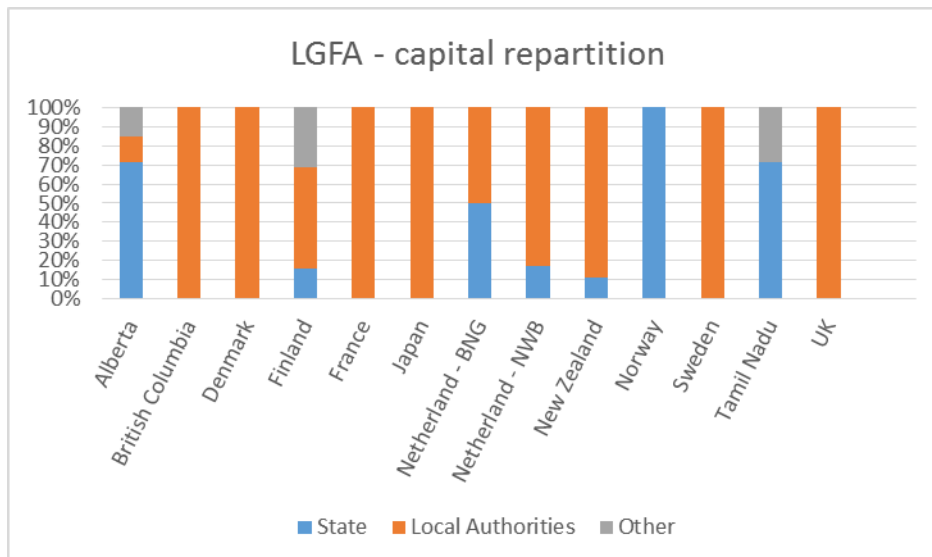
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## 2. LESSONS LEARNED FROM EXISTING VEHICLES

### 2.1 A large diversity of status and governance rules

Local authorities' involvement is very diverse. Indeed, many vehicles are simple state departments or state companies, as the ancient Norwegian Kommunalbanken, created in 1927.

In the US and Canada, State Corporations and Crown Agencies have very particular governance, financial schemes and guarantee issues. Indeed, the most common scheme is a special account, managed by a department inside the state administration. However, even if some members are civil servants, members of the board are personally responsible of the management. In those schemes, the state gives its guarantee to loans. Financing activities are also oriented by state's priorities. Naturally, there are some exceptions in the American continent, such as the Alberta Capital Finance Authority.



- (1) Dutch water boards have a status of local authorities.
- (2) Danish KommuneKredit is an association of local authorities
- (3) France and Sweden agencies comprises two parts: a holding company holds by local authorities and a subsidiary, own by the holding and run by independent personalities, coming from the financial sector

Therefore, these administrative tools have been taken out of the sample.

Among really autonomous entities, the main observation is the variety of legal arrangements and governance schemes, as describes in following forms. The most common arrangement is the establishment of a limited company, owned by local governments (at least having the majority). Among other solutions, the following deserve attention:

- Danish Kommunekredit is a non-profit association, ruled by a specific Act.
- French Agence France Locale and Swedish Kommuninvest distinguish a holding, owned by local governments, a subsidiary, subject to banking regulation. The latest is a limited company, submitted to Bank regulations. Governance ensures a strict independence from political pressure in daily management and particularly decision making related to lending activities.

## 2.2 Challenging the market to market makers

Depending from historical context and objectives of public authorities, the municipal bonds vehicles tackles different goals:

- Covering the main financing needs of their members...
- Offering a competitive option for cities, covering specific needs...
- Making a new market reference, aiming to reduce rates and extending the maturity of debt lines.

Data on market share is available for a few institutions. The share varies from 100% (Danish KommuneKredit reaches a market share of 98 %) to some percent (France: 2.5%, a share that should grow but without ambition to take over the market).

- ⇒ The public vehicle contributes to reduce bank margins and improves credit conditions for all resource of all local governments, whether member of not of the Municipal Bank.

## 2.3 Largely submitted to Bank Supervision

Existing vehicles in Europe are submitted to Bank Supervision and all related rules, such as Basel regulations. Some exception are noticeable, following specific laws or mentions in EU directives: UK Municipal Bond Agency is exempted by the establishment law, while a specific exemption has been negotiated for the Danish KommuneKredit.

This supervision and all related obligation reinforce the creditworthiness of Municipal Bank. Indeed, this control by relevant institutions that are not related to local governments is an added guarantee that credit activities are professionally managed. However, these regulations affects the design and the structure of the vehicle.

### *Impact on balance sheet*

In order to reinforce the capacity of the banking system to resist to main credit crisis, successive Basel regulations have imposed higher levels of the capital ratios. As other banks, Municipal Banks submitted to these regulations have to raise a significant capital, related to outstanding loans. At large, that ratio shall be higher than 3 %.

Older institutions in Europe does not have too many difficulties to meet that requirement. Indeed, they have accumulated important reserve, not distributing profits. However, that requirement is costly for young institutions, because local government have to invest this important amount prior any activity.

### *Impact on organization*

Such a submission implies strict organization and governance dispositions, aiming to ensure the quality of portfolio and of risk management. This dispositions depends from national applicable regulation. However, because rating includes management issues and lenders are accustomed to deal with structured banks and financial companies, the large majority of vehicles have adopted similar organizations.

The main layout are the following:

- Running specific committees appointed by the Board, as Audit Committee or Asset Liability Committee

<b>Audit Committee</b>	The Audit Committee is appointed by the Board to assist the Chair and Board of Directors of ACFA in monitoring the financial reporting, corporate governance, accountability processes and control systems in ACFA and is fully accountable to the Board. It does so by offering observation and objective advice on issues concerning ACFA's risk, controls, quality of information, quality of management oversight and management assertions.
<b>Asset Liability Committee</b>	<p>The Asset Liability Committee is a management committee with the purpose of managing ACFA's key interest rate and market risks to minimize the risk that ACFA's equity decreases due to a significant unexpected loss. These risks include (but are not limited to):</p> <ul style="list-style-type: none"><li>• risks due to unexpected changes in interest rates ;</li><li>• the risk of higher floating rate borrowing margins;</li><li>• the risk arising from mismatches in the floating rate reset dates of assets and liabilities;</li><li>• financing and re-financing risks;</li><li>• loan prepayment risk; and</li><li>• loan pricing risk.</li></ul> <p>The Asset Liability Committee will formulate and evaluate strategies within Board policy limits to manage ACFA's interest rate and market risks. The Asset Liability Committee will also review the Board policies regarding interest rate risk management, funding, loan prepayment and loan pricing on an annual basis and, where appropriate, recommend changes in these policies to the Board.</p>

- Identifying inside the organization officers in charge of specific tasks, without any involvement in other activities opening the risk of conflict of interest. Notably, Credit Department (relation to client), Finance Department (financial resources) and Risk Management. That minimal organization implies pretty high minimal running cost, that have to be covered by the lending activity. Therefore, the vehicle shall reach a threshold activity in a short launch time period. Otherwise, sustained deficit will ruin the creditworthiness, without any chance to be restored.

## 2.4 Rating

Creditworthiness remain the baseline issue when building a financing vehicles. It has to be tackled at the level of the vehicle, that will approach the market, and at the level of each local authority. Indeed, the first guarantee offered to investors is the quality of the portfolio of the vehicle, measured by the default rate. It appears that existing vehicles around the world does not suffer from default and, therefore, obtain very high rating even without any guarantee of the State (cf. table).

	Canada - Alberta	Canada British Colombia	Canada Saskatchewan	Denmark	France	Finland	Japan	Netherlands - BNG	Netherlands - NWB	New Zealand	Norway	Sweden	United Kingdom	Tamil Nadu
rating		5/17	12/16	12/16		12/17	3/17	12/16						
Moody's	Aa3	Aaa	Aaa	Aaa	Aa3	Aa1	A1	Aaa	Aaa	--	Aaa	Aaa	Aa3	Aa3
Standart and Poor	--	AAA	AAA	AAA	--	Aa+	A+	AAA	AAA	AA+	Aaa	AAA	--	
Fitch	--	AAA	--	--	--	--	--	--	--	AA+	--	--	--	--

5 - Rating of a selection of rated agencies

The management of this double level of creditworthiness is a main concern when designing the vehicle. The diversity of arrangement used by existing vehicle give a large toolbox, including return of experience. Feasibility study would have to identify the most pertinent tools.

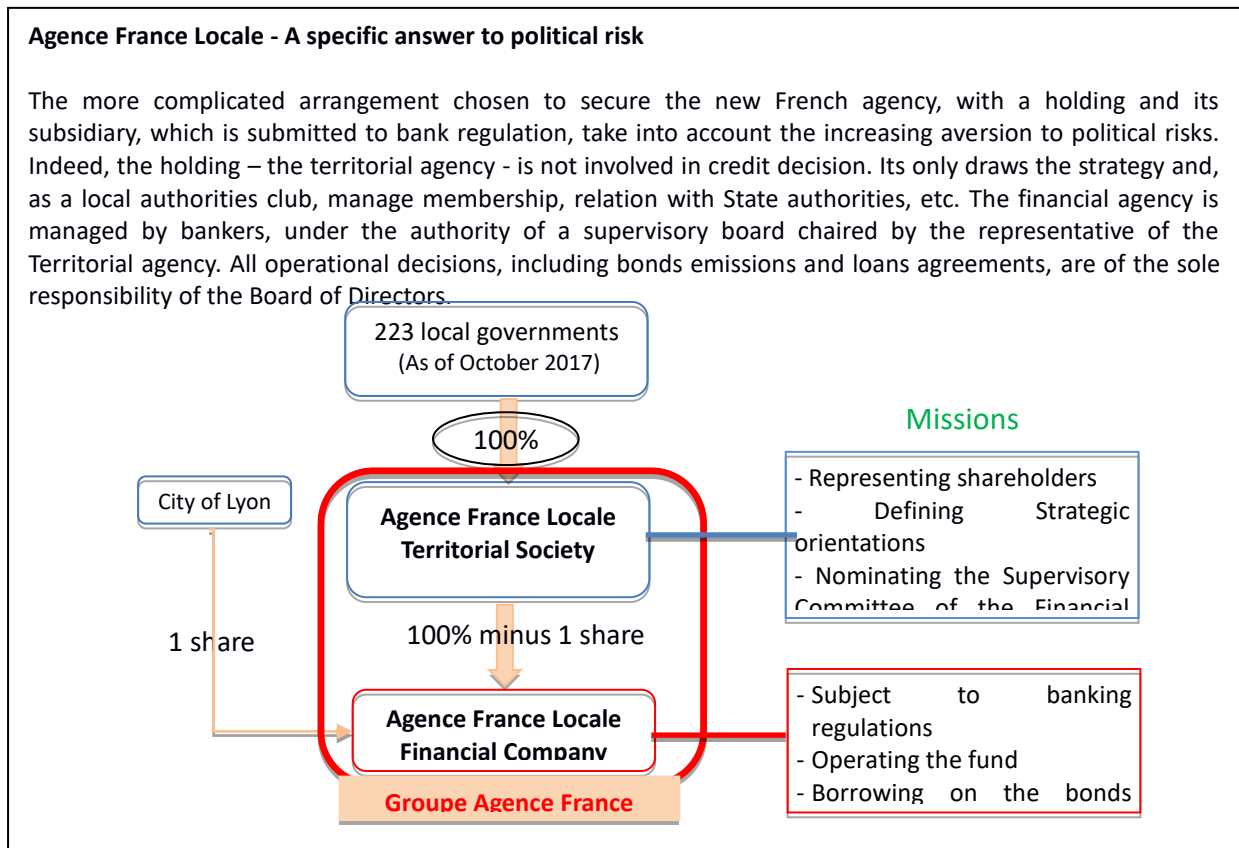
### Vehicle level

At vehicle level, quality risk management and mobilization of specific guarantees shall constitute a consistent and comprehensive risk management framework. The following list give some examples, without being exhaustive:

- Reserve fund,
- State guarantee,
- Guarantee schemes given by each borrower,
- Joint guarantees from members, and sometimes from other clients (cf. LGFA of New Zealand),
- Liquidity management,



- ...



### Client level


As pointed out in the *Overview of municipal pooled financing practices, 2015*, managing the client portfolio is also a critical issue, particularly when clients are shareholders! To tackle this difficulty, many funds develop advisory services for their members. However, all funds develop specific tools and internal regulation aiming to qualify their portfolio:

- Selecting members,
- Selecting local authorities authorized to borrow,
- Developing an internal rating tool, aiming to convince lenders of the quality of selection, help local authorities to move towards increasing creditworthiness, and sparing the burden of rating by international agencies (cost...)
- Diversifying risks by opening activities to diverse public entities managing public services,
- Advising local authorities for better financial management,
- Etc.

## 2.5 Activity


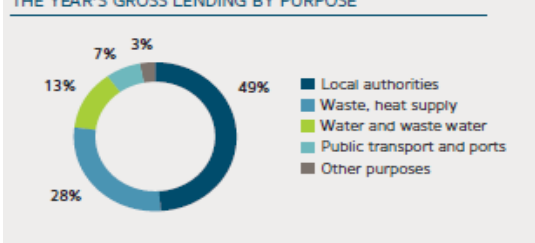
Besides lending activities, many vehicles aim to sustain increase quality of financial management of their members and client, as well as creditworthiness of local authorities.

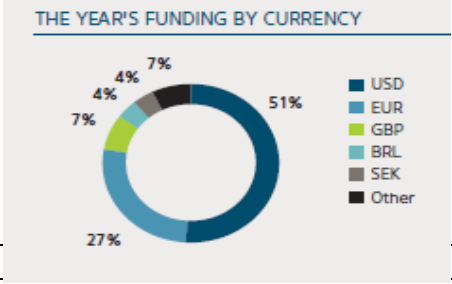
### 3. CANADA – ALBERTA CAPITAL FINANCE AUTHORITY

ALBERTA - CANADA		ALBERTA CAPITAL FINANCE AUTHORITY	
<b>Creation:</b> 1956	Address: 2160, Sun Life Place 10123 - 99 Street NW Edmonton, AB T5J 3H1		
<b>Status:</b> The ACFA is a provincial authority, which status is regulated by special regulations: Alberta Capital Finance Authority Act, ACFA regulation and ACFA Allotment of Shares Regulation.			
<b>Activities:</b> To provide shareholders within the Province of Alberta with flexible funding for capital projects on a prudent basis consistent with the viability of the Alberta Capital Finance Authority (ACFA). It includes all type of investments: airport infrastructure, parks and recreation projects, sewer and water infrastructure, schools, hospitals, roads and public spaces, etc.			
<b>Shareholders:</b> The authorized stock of ACFA consists of the following shares with a par value of \$10 each: <ul style="list-style-type: none"> <li>• 4,500 Class A – available only to the Crown;</li> <li>• 1,000 Class B – available only to municipal authorities (includes improvement districts, Metis settlements, municipal districts, counties, special areas and specialized municipalities), regional authorities (includes drainage districts, irrigation districts, regional airport authorities and regional services commissions) and health authorities (includes non-profit corporations who own an approved hospital, a regional health authority and a provincial health board);</li> <li>• 750 Class C – available only to cities;</li> <li>• 750 Class D – available only to towns and villages; and</li> <li>• 500 Class E – available only to educational authorities (includes school districts and divisions, colleges, technical institutes, universities and Northland School Division)w</li> </ul> Only 1,827 shares among 3,000 authorized shares of class B to E were issued and fully paid on December 31, 2016.			
<b>Corporate Governance:</b> <b>A/ ACFA Board of Directors (Board)</b> The Board is comprised of 12 members: 4 elected respectively by shareholders of class B to E, 5 appointed by the Lieutenant Governor of Alberta and three officers. Directors are appointed or elected for a fixed term of up to three (3) years, with the potential for reappointment. <b>B/ Audit Committee:</b> appointed by the Board to assist the Chair and Board of Directors of ACFA in monitoring the financial reporting, corporate governance, accountability processes and control systems in ACFA and is fully accountable to the Board. It comprises 7 members, including the three officers, members of the Board. <b>C/ Asset Liability Committee:</b> The Asset Liability Committee is a management committee with the purpose of managing ACFA’s key interest rate and market risks to minimize the risk that ACFA’s equity decreases due to a significant unexpected loss.			
ACTIVITIES			
<b>Annual lending volume:</b> CAD 1,577 million for the financial year 2015-2016 <b>Annual repaid loans:</b> CAD 1,110 million for 2015-2016 <b>Outstanding loans:</b> CAD 15,567 million – 2016			
Rate: 3,185% on December 31, 2016			
The activity is organized on a quarterly base. Quarterly issuance is organized, at a fixed date. Shareholders should apply prior a deadline, giving sufficient delay for processing and legal work, if necessary (notably for Educational and Health Authorities).			


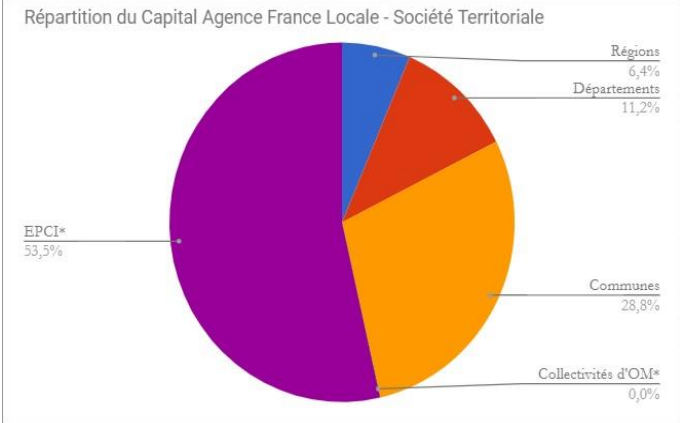
<b>ALBERTA - CANADA</b>	<b>ALBERTA CAPITAL FINANCE AUTHORITY</b>	
FINANCES		
RATING	Moody's: Aa3	
<b>Supervision</b> ACFA is under the authority of the President of Treasury Board and Minister of Finance of the Province of Alberta (that guarantees the debt).		
<b>Guarantees</b> Obligations issued by ACFA are unconditionally guaranteed by the Province of Alberta		
Sources Annual report 2016 website: <a href="http://www.acfa.gov.ab.ca">http://www.acfa.gov.ab.ca</a>		

## 4. DENMARK – KOMMUNEKREDIT

DANEMARK	KommuneKredit													
<b>Creation:</b> 1899	Address: 16 Kultorvet DK-1175 COPENHAGEN K													
<b>Status:</b> KommuneKredit was established by a special Act in 1899 and is legally organized as an association (a membership organization) under Danish law. That act was abolished and replaced by Act 383, dated 3 May 2006.														
<b>Focal areas:</b> Municipalities and regions - coverage of 100% of loan's needs Companies with a municipal guarantee, such as utilities companies, including PPPs Considerable interest in green investment, but KommuneKredit do not define sector priorities														
<b>Members:</b> Danish municipalities and regions. Membership is voluntary and 100 % of Danish local governments are currently members.														
<b>Corporate Governance:</b> Board of directors - 9 members elected by the general assembly - There are all members of municipal or regional councils, often the mayor or the chairman. The board has set an Audit Committee and a cycle of work, aiming to ensure a complete review of all activities and strategies over the year. Management: Chief Executive Officer, a managing director and six heads of departments. Management's consensus is required for decisions regarding lending, funding and derivative financial instruments.														
<b>Number of Employees:</b> 60														
<b>Payroll:</b>														
<b>ACTIVITIES</b>														
<b>Other Activities:</b> - Contributes to the development of green financing by on-lending funds from green investment mandates to Norwegian municipalities wishing to invest in ambitious environmentally friendly projects. - Lends in a responsible way that will help to ensure that our customers have financially sustainable borrowing portfolios.														
<b>Annual lending volume:</b> 3,564 new loans advanced in 2016. <b>Total lending volume:</b> <b>Outstanding loans:</b> 15,306 loans, for an amount of € 22.677 billion at 2016 year end	<b>THE YEAR'S GROSS LENDING BY PURPOSE</b>  <table border="1"> <caption>THE YEAR'S GROSS LENDING BY PURPOSE</caption> <thead> <tr> <th>Purpose</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Local authorities</td> <td>49%</td> </tr> <tr> <td>Waste, heat supply</td> <td>28%</td> </tr> <tr> <td>Water and waste water</td> <td>13%</td> </tr> <tr> <td>Public transport and ports</td> <td>7%</td> </tr> <tr> <td>Other purposes</td> <td>3%</td> </tr> </tbody> </table>		Purpose	Percentage	Local authorities	49%	Waste, heat supply	28%	Water and waste water	13%	Public transport and ports	7%	Other purposes	3%
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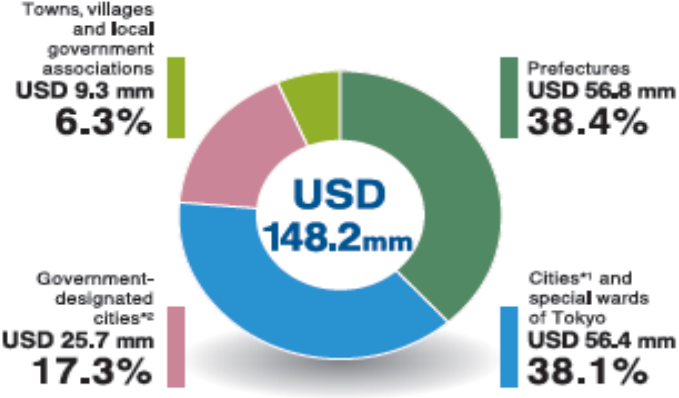
DANEMARK		KommuneKredit														
<b>Resources:</b> public bond issues among different market (USD, EUR...) and specific offers Floating and fixed rate, structured bonds		 <table border="1"> <caption>THE YEAR'S FUNDING BY CURRENCY</caption> <thead> <tr> <th>Currency</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>USD</td> <td>51%</td> </tr> <tr> <td>EUR</td> <td>27%</td> </tr> <tr> <td>GBP</td> <td>7%</td> </tr> <tr> <td>SEK</td> <td>4%</td> </tr> <tr> <td>BRL</td> <td>4%</td> </tr> <tr> <td>Other</td> <td>7%</td> </tr> </tbody> </table>	Currency	Percentage	USD	51%	EUR	27%	GBP	7%	SEK	4%	BRL	4%	Other	7%
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Largest loan issued: DKK 170 million Longest loan issued: 25 years Smallest loan issued: DKK 8 million																
FINANCES																
<b>RATING (end of 2016)</b>	Moody's: Aaa/P-1 (Stable)	Standard and Poor's: AAA/A-1+ (Stable)														
<b>Supervision:</b> Ministry for Economic Affairs and the Interior																
<b>RISK MANAGEMENT</b> <b>Credit Risk:</b> <ul style="list-style-type: none"> <li>- Members are directly jointly and severally liable for all KommuneKredit's obligations.</li> <li>- Municipalities in Denmark have unlimited right to levy taxes on income and property to fulfil their financial obligations ➔ Full coverage by a public guarantee</li> <li>- KommuneKredit reports demonstrate a resilient economic model. Indeed, the Bank did not report any loan losses since it was established.</li> </ul>																
<b>Sources:</b> KommuneKredit documentation Annual report 2016 Website: <a href="http://kommunekredit.dk/en">kommunekredit.dk/en</a>																

## 5. FRANCE - AGENCE FRANCE LOCALE

France	Agence France Locale													
<p><b>Creation:</b> 2013</p>	<p><b>Address:</b> 10-12 Boulevard Marius Vivier Merle 69003 Lyon</p>													
<p><b>Status:</b> Governance is based on a dual company entity, separating the operations performed by the specialized credit institution from strategic management performed by member local authorities. That scheme ensures a greater accountability of stakeholders through a system of stakeholder's checks and balance.</p>														
<p><b>Focal area:</b> Investment needs of local authorities and join local authorities. The outstanding debt of French local authorities amounts to 8% of the GDP; They contribute to the bulk of public investment, especially focused on infrastructures and 70% of their investment expenditure is self-financed.</p>														
<p><b>Shareholders:</b> Agence France Locale - Société territoriale is fully owned by French local authorities</p> <p>The credit institution - Agence France Locale is owned at 99,99% by Agence France Locale – Société Territoriale. To respect the French Banking Regulation, the City of Lyon holds a share.</p>	<p>Répartition du Capital Agence France Locale - Société Territoriale</p>  <table border="1"> <thead> <tr> <th>Entity</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>EPCI*</td> <td>33,5%</td> </tr> <tr> <td>Régions</td> <td>6,4%</td> </tr> <tr> <td>Départements</td> <td>11,2%</td> </tr> <tr> <td>Communes</td> <td>28,8%</td> </tr> <tr> <td>Collectivités d'OM*</td> <td>0,0%</td> </tr> </tbody> </table> <p>* Overseas Communities * Établissements Publics de Coopération Intercommunale.</p>		Entity	Percentage	EPCI*	33,5%	Régions	6,4%	Départements	11,2%	Communes	28,8%	Collectivités d'OM*	0,0%
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<p><b>Corporate Governance:</b> <b>AFL-SOCIETE TERRITORIALE:</b></p> <p>-<b>Board of Directors:</b> Determines the orientations of the agency's activities. Between 10 and 15 members. The first ten were selected by the first ten shareholders for three years. The other ones are elected for 6 years renewable. Censors could be appointed by Board of Directors unrepresented shareholders. They can assist to the Board of directors' meetings but do not have the right to vote. Nowadays, it is composed of 6 Metropolises representatives, 2 Municipalities representatives, a region and a district.</p> <p>- <b>Board of Directors Committees:</b> Audit and Risks Committee, Nomination Committee, Remuneration Governance Committee.</p> <p>- <b>Executive Director:</b> in charge of effective management. He is appointed by the Board of Directors for 6 years renewable and work under Supervisory Board control.</p> <p><b>AGENCE FRANCE LOCALE:</b></p> <p>-<b>Supervisory Board:</b> 8 to 18 members with the mandatory inclusion of 4 financiers, the AFL Société Territoriale's President, Vice-President and Executive Director and a government finance expert. The first members are elected for 3 years, the other ones for 4 years. There is actually 10 members.</p> <p>-<b>Executive Board:</b> in charge of effective management. 2 to 5 members who can be selected out of shareholders and are appointed by the Supervisory Board for 6 years renewable. Its President is also</p>														

France	Agence France Locale	
<p>chosen by the Supervisory Board.  - <b>Supervisory Board Committees:</b> Audit and Oversight Committee, Strategy Committee, Remuneration and Nomination Committee.</p>		
<b>Number of employees:</b> 33	<b>Payroll:</b> € 2 836 275	
<b>ACTIVITIES</b>		
<p><b>Annual lending volume: 2015- € 508 m</b>  <b>Outstanding loans: €1,055 billion</b></p>		
<p><b>Other activities:</b> Advices and awareness on toxic debt.  Creation of a digital funding platform available for local and regional authorities.</p>		
<b>Interest rate: AFL provides rates under banks and emissions rates.</b>		
<p><b>Biggest shareholder:</b> Pays de la Loire Region: 3 660 852 inhabitants  <b>Smallest shareholder:</b> Grobois-en-montagne city council: 98 inhabitants  <b>Biggest contribution to the capital:</b> Métropole Aix-Marseille → € 17 916 400 (13,44%)  <b>Smallest contribution to the capital:</b> Grosbois en Montagne city council → €300 (0,0003%)  As of March 2017</p>		
<p><b>Proportion of loans disbursed by the AFL / total of French local authority debt financing:</b> 3,5%  The average proportion is 25% for members.</p>	<p><b>Number of loans approved in 2016:</b> 101  <b>Average loans duration:</b> 15.4 years</p>	<p><b>Loans range:</b>  From € 15 000 to € 50 million</p>
<b>FINANCES</b>		
<b>RATINGS:</b>	<p><b>Moody's:</b> Aa3 – A step down from French State rating</p>	<p>Common equity tier One &gt; 12,5 %  Leverage: 3,5 %  LCR et NSFR &gt; 150 %</p>
<p><b>Supervision:</b> Agence France Locale is a fully regulated specialized financial institution supervised by the French Banking regulator</p>		
<p><b>Guarantees:</b>  <b>A/ A dual First call Guarantee system:</b>  - Each member local authority provides an explicit and irrevocable first call guarantee to the financial creditors of AFL up to the amount of its outstanding debt received from AFL,  <b>-AFL - Société Territoriale (the holding) also provides an explicit and irrevocable first call guarantee to the financial creditors of AFL up to an amount which is set annually by the Board</b>  <b>B/ A strong sub-sovereign risk of French local authorities:</b>  -The regulatory framework governing French Local authorities is highly stringent: Local authorities are compelled to balance their budget, they can only borrow funds in order to finance their investments and must repay debt interests and capital on their own resources.  -French Local authorities cannot go bankrupt or <a href="#">undergo liquidation proceedings</a>.  <b>C/ AFL develops its own two-component scoring of local authorities:</b>  -Firstly a financial scoring (from 1- best - to 7), based on solvency, budget sustainability <a href="#">and indebtedness</a> is realized for membership application. A local authority which scores above 6 is not allowed to join AFL as a shareholder.  -Secondly, for the purpose of loan provision, a socio-economic scoring is performed in addition to the financial scoring, complemented by a qualitative analysis, taking into account parameters such as debt volume and the ratio requested amount / outstanding local debt.</p>		
<p><b>Sources:</b>  Agence France Locale's documentation  Annual report 2016  web site: <a href="http://www.agence-france-locale.fr/">http://www.agence-france-locale.fr/</a></p>		

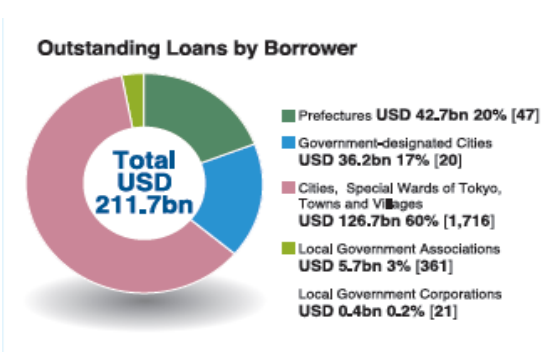
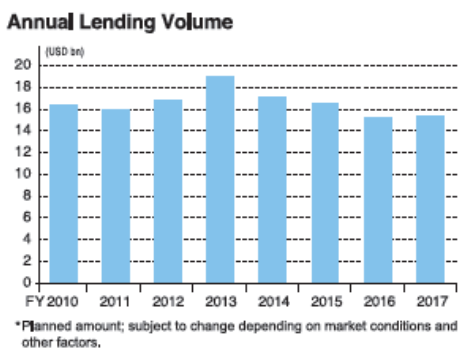
## 6. JAPAN FINANCE ORGANIZATION FOR MUNICIPALITIES

JAPAN	Japan Finance Organization for Municipalities																			
<p><b>Creation:</b> 1957: Japan Finance Corporation for Municipal Enterprises, a central government's institution 2008: Transformed into Japan Finance organization for Municipalities.</p>	<p><b>Address:</b> Shisei Kaikan, 1-3 Hibiya Koen, Chiyoda-ku, TOKYO</p>																			
<p><b>Status:</b> Joint fund-raising organization for local governments</p>																				
<p><b>Focal area:</b> Provide long-term funding at low interest rates to local governments and support Fund-raising of local governments in the capital markets. Public projects operated by local governments including social infrastructure renewal and disaster management and mitigation.</p>																				
<p><b>Shareholders:</b> As of 31 March 2017, JFM's capital was USD 148.2 million contributed by 1,789 Japanese local governments, i.e., all of the prefectures, cities, special wards of Tokyo, government designated cities, towns and villages, as well as some local government associations. The amount of capital contribution from each local government is based on outstanding JFM loans and the amount of revenue of each local government.</p>	<p style="text-align: center;"><i>Capital Contribution by Local Government Group</i></p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Local Government Group</th> <th>Amount (USD mm)</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Prefectures</td> <td>56.8</td> <td>38.4%</td> </tr> <tr> <td>Cities** and special wards of Tokyo</td> <td>56.4</td> <td>38.1%</td> </tr> <tr> <td>Government-designated cities**</td> <td>25.7</td> <td>17.3%</td> </tr> <tr> <td>Towns, villages and local government associations</td> <td>9.3</td> <td>6.3%</td> </tr> <tr> <td><b>Total</b></td> <td><b>148.2</b></td> <td><b>100%</b></td> </tr> </tbody> </table> <p style="text-align: center;">(As of 31 March 2017)</p>		Local Government Group	Amount (USD mm)	Percentage	Prefectures	56.8	38.4%	Cities** and special wards of Tokyo	56.4	38.1%	Government-designated cities**	25.7	17.3%	Towns, villages and local government associations	9.3	6.3%	<b>Total</b>	<b>148.2</b>	<b>100%</b>
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<b>Total</b>	<b>148.2</b>	<b>100%</b>																		
<p><b>Corporate Governance:</b> The board of Directors consists of 5 members. Committees: Supervisory Committee and Risk Management Committee</p>																				



**ACTIVITIES**

**Annual lending volume:** 2016 – USD 15,0 bn; 2015 – USD 16,5 bn  
**Outstanding loans:** USD 211, 7 billion in 2016.



**Interest Rates: JFM offers two types of loan interest rates:**  
 - The standard lending rate: calculated in order to balance JFM’s funding cost with interest income from its lending.  
 -The special lending rate: The special lending rate is set at 0.35% per annum below the standard rate. The rate reduction is paid by proceeds from public races, allocated to JFM. At the end of fiscal 2015, approximately 99% of outstanding JFM loans consisted of special interest rate loans.

**Largest loan issued:** Osaka – USD 14,604 millions in March 2016. 7% of total lending volume (du volume de Prêt total)  
**Longer loan issued:** long-term lending is maximum 40 years to Local governments  
**Smallest loan issued:** Oita – USD 1,568 millions in March 2016. 0,8% of total lending volume. (du volume de prêt total)  
**Biggest borrower:** city of Tokyo

**FINANCES**

<b>RATING</b> as of March 2017	Moody's: A1	Standard and Poor's: A+
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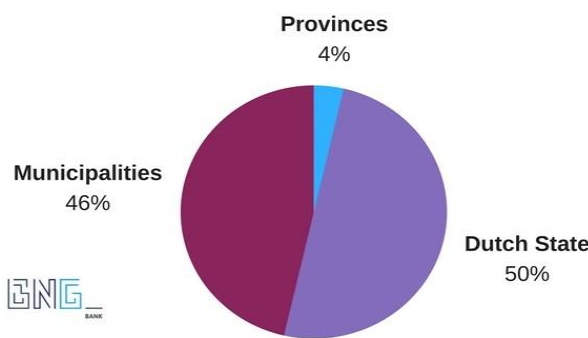
**Supervision:** JFM adopts an integrated risk management approach to respond to various risks, while pursuing for a higher level of risk analysis and management. Accordingly, JFM has developed a system for appropriate risk management, including the establishment of the Integrated Risk Management Committee, which supervises JFM's overall risk management, and the Risk Management Office to ensure comprehensive risk management.

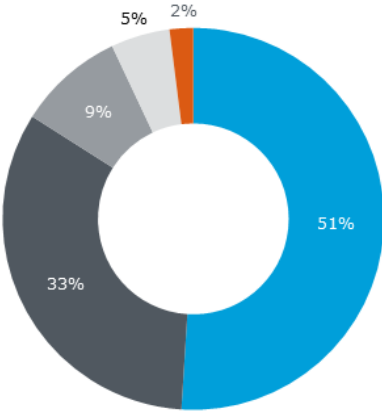
**Guarantees:**  
 -Local governments must receive the consent or approval of the Minister for Internal Affairs and Communications or their respective prefectural governors when they borrow from JFM. Within this structure, JFM has never had a default since its establishment.  
 -Revenue sources for the local governments are secured by the national government:

- It allocates a part of national tax revenue to the local governments, in order to adjust revenue disparities among the local governments (Local Allocation Tax system).
- It prepares the Local Government Borrowing Programme (LGBP) each fiscal year that set borrowing ceilings as well as funding sources.
- It gives consent or approval to each specific borrowing operation.
- It establishes a legal framework to monitor fiscal indices and can impose corrective measures.
- Thus, none of the local governments has defaulted
- Under the JFM Law, if JFM is to be dissolved and its obligations cannot be satisfied in full with its assets, local governments bear all costs necessary to satisfy the relevant obligations.


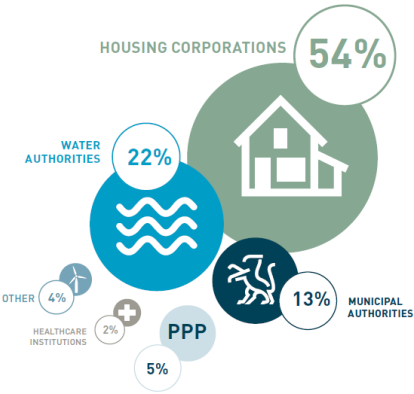
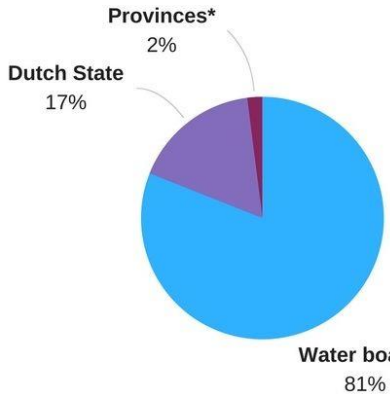
**Sources:**  
 Annual reports and company's documentation  
 website: <http://www.jfm.go.jp/en/>

## 7. THE NETHERLANDS – BANK NEDERLANDSE GEMEENTEN

NETHERLANDS	BANK NEDERLANDSE GEMEENTEN								
<b>Creation:</b> 1914									
<b>Status:</b> Two-tier Company under Dutch law									
<b>Focus areas:</b> Housing associations, local governments, healthcare sector, education, public utilities, and other projects. Long-Term lending portfolio as of 31/12/15									
<b>Shareholders:</b> Dutch State, Provinces and Municipalities.									
<b>Capital Distribution:</b> Dutch State own half of the shares. 95 % municipalities own 46 % of the capital. 11 about 12 provinces and a water board complete the ownership.	 <table border="1"> <caption>Capital Distribution of BNG</caption> <thead> <tr> <th>Shareholder</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Dutch State</td> <td>50%</td> </tr> <tr> <td>Municipalities</td> <td>46%</td> </tr> <tr> <td>Provinces</td> <td>4%</td> </tr> </tbody> </table>	Shareholder	Percentage	Dutch State	50%	Municipalities	46%	Provinces	4%
Shareholder	Percentage								
Dutch State	50%								
Municipalities	46%								
Provinces	4%								
<b>Corporate Governance:</b> Supervisory Board (9 members), Executive Board (3 members), and a Work Council (9 members). Audit and Risk Committee The Treasury of the Ministry of Finance exercise administrative supervision through review of Executive Board activities.									
<b>Employees:</b> 292 as of December 31, 2016									
<b>ACTIVITIES</b>									


NETHERLANDS	BANK NEDERLANDSE GEMEENTEN													
<p><b>Annual Lending: 2016 –</b>  <b>€ 10,200 million</b>  <b>Outstanding loans:</b>  <b>€ 87,576 million</b></p> <p>Activity for local governments is only around 1/3 of overall lending activities.  BNG develops a strong activity for housing institution (50 % of new loans, but only 1/3 of outstanding loans), healthcare institution and public utilities.</p>	 <table border="1" data-bbox="1082 421 1327 600"> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Housing associations</td> <td>51%</td> </tr> <tr> <td>Local government</td> <td>33%</td> </tr> <tr> <td>Healthcare sector</td> <td>9%</td> </tr> <tr> <td>Other</td> <td>5%</td> </tr> <tr> <td>Public Utilities</td> <td>2%</td> </tr> </tbody> </table>		Category	Percentage	Housing associations	51%	Local government	33%	Healthcare sector	9%	Other	5%	Public Utilities	2%
Category	Percentage													
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Healthcare sector	9%													
Other	5%													
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<b>FINANCES</b>														
<b>RATING</b> as of December 2016	Moody's: Aaa	Standard and Poor's: AAA												
<b>Supervision:</b> subject to Netherlands and EU banking regulations														
<p><b>Guarantees</b></p> <ul style="list-style-type: none"> <li>- <b>Municipalities:</b> The financial relationship between central and local government in The Netherlands is structured in such a way, that the credit quality of Dutch municipalities is equal to that of the State of the Netherlands. Loans to Dutch municipalities are 0% risk weighted by the Dutch central bank.</li> <li>- <b>Housing Association:</b> Liabilities of housing associations are supported by a Social Housing Guarantee Fund, Waarborgfonds Sociale Woningbouw (WSW). This fund is ultimately backed by the State of the Netherlands and the municipalities. WSW guaranteed loans are 0% risk weighted by the Dutch central bank.</li> <li>- <b>Healthcare Institutions:</b> Liabilities of healthcare institutions are secured by a Healthcare Guarantee Fund, Waarborgfonds voor de zorgsector (WfZ). The Dutch central bank has given WfZ guaranteed loans a 0% risk weighting.</li> <li>- <b>Public Utilities:</b> Dutch public utilities, owned by municipalities and provinces, still enjoy strong domestic market positions resulting in a high credit quality. Furthermore the major clients of BNG Bank in this sector have an external rating, which reflect their creditworthiness. The loans to public utilities carry a risk weighting for capital adequacy purposes.</li> </ul>														
<p><b>Sources</b>  Annual report 2016  website: <a href="https://www.bngbank.com">https://www.bngbank.com</a></p>														

## 8. THE NETHERLANDS WATER BOARD BANK

NETHERLANDS		Nederlandse Waterschapsbank N.V.	
<b>Creation:</b> 1954	<b>Address:</b> Rooseveltplantsoen 3 2514 KR Den Haag		
<b>Status:</b> Public limited liability company			
<p><b>Focus area:</b> NWB was created to finance Dutch water authorities. Dutch water authorities have the status of local authorities. A board is elected by landlords in the perimeter of the water authority. It is responsible to collect taxes and maintain water bodies, hydraulic, and retaining structures. It is also responsible for investment. However, the bank develops its activities among all local governments and their subsidiaries in charge of social housing, healthcare, education, and activities related to water and environment.</p>			
<p><b>Loan activity by sector</b></p> 		<p><b>Shareholders by invested capital</b></p> 	
<p><b>Shareholders</b> Dutch public-sector parties: Water boards, 9 about 12 Provinces and Dutch State.</p>			
<p><b>Corporate Governance</b>  <b>Supervisory Board:</b> 5 to 9 members, appointed by the general meeting for a 4 years term, possibility of one reappointment. Age limit: 70 years  <b>3 committees:</b> Audit (4 members), Risk (4 members) and Remuneration and Appointment (3 members)  <b>Managing Board:</b> 3 members, 4 years term on nomination by the supervisory board, option of reappointment</p>			
ACTIVITIES			


NETHERLANDS	Nederlandse Waterschapsbank N.V.	
<p><b>Annual lending volume:</b> In 2016, NWB Bank granted €7.1 billion in new long-term loans, just €0.3 billion lower than the record lending volume achieved in 2015</p> <p><b>Outstanding loans:</b> The total portfolio of long-term loans to clients, based on principal amounts, amounted to €48.3 billion at year-end 2016.</p> <p>The Bank financed one third of the public investment agenda in Netherland.</p> <p>The bank also plays a role in the financing of PPP projects. It is currently active in export financing.</p>		
<p><b>Other actions:</b></p> <p>NWB Bank is the arm wing of the Dutch state for implementing the water policy. Besides financing activities, it is also responsible for collecting data and controlling water quality, in accordance with the European Water Framework. It disseminate innovation in the field of water, advising its members and clients, the Dutch Water Authorities.</p>		
FINANCES		
<b>RATING</b>	Moody's: Aaa	Standard and Poor's: AAA
<p><b>Supervision:</b></p> <ul style="list-style-type: none"> <li>- Since the Dutch Water Authorities (DWA) are public entities, the financial and technical plans, as well as the annual reports are publicly available.</li> <li>- The DWA are by law supervised by the Dutch provinces and regulated by both national and European legislations. Every 6 years a Water management plan is made, in which the progress of the ongoing works is reported.</li> <li>- In regards of its competencies in data collecting and control, NWB Bank acts reports to the European Commission and the Dutch State, in accordance with related legislations (Water Framework Directive, Flood Directive, and Urban Waste Water Directive).</li> </ul>		
<b>Guarantees:</b>		
<b>Sources:</b> Annual report 2016		

## 9. NORWAY – KOMMUNAL BANKEN

NORWAY	KOMMUNAL BANKEN	
<b>Creation:</b> 1927	Address: HAAKON VIIS GATE 5B P.O. BOX 1210 VIKA N-0110 OSLO	
<b>Status:</b> KBN is defined as a state instrumentality, having a public policy mandate from the central government to provide low cost financing to the Norwegian local government sector. KBN is a wholly Owned state company.		
<b>Focal area:</b> Welfare services - The Company's objectives are to provide loans to local governments, counties, companies that carry out local government tasks against municipal guarantee, r government guarantee, or other satisfactory security.		
<b>Shareholders:</b> 100% Kingdom of Norway		
<b>Corporate Governance:</b> The Norwegian central government controls the agency's Annual General Meeting and elects members to its Supervisory Board. The state also elects members of the Board of Directors. KBN's Articles of Association cannot be altered save and except with the approval of the Government (the King). According to parliamentary tradition in Norway, material changes to the Articles of Association of a state instrumentality need to be presented to the Norwegian Parliament (Storting). The Parliament is responsible for all decisions regarding KBN's capital structure and dividend policy and also determining the target return on equity. The Government presents resolutions regarding KBN to Parliament in a separate chapter of the annual National Budget. - <b>Supervisory Board</b> (elected for a two years term): 12 members (Municipalities' Mayors and CEOs), 5 alternates and 2 observers of the Local governments and modernisation Ministry. One member and one personal deputy member shall be elected by and from amongst the employees. The remainder of the members and deputy members shall be elected by the Annual General Meeting. The Supervisory Board should be composed of as broad a range of members as possible, so as to ensure that the various districts and interest groups affected by the Company's business are fairly represented. - <b>Board of directors:</b> 9 members with 2 employee representatives. The Company's Board of Directors shall collectively exhibit diversity and breadth of qualifications, experience and background and consist of between five (5) and nine (9) members. If a majority of the employees should so decide, it can demand that a third and at least two (2) of the members of the Board shall be elected by and from amongst the Company's employees. The other members shall be elected by the Annual General Meeting for two-year terms, so that at least two (2) shall be elected annually, but no more than four (4) of the elected members.		

ACTIVITIES		
<p><b>Other Activities:</b>            -Contributes to the development of green financing by on-lending funds from green investment mandates to Norwegian municipalities wishing to invest in ambitious environmentally friendly projects.</p>		
<p><b>Annual lending volume:</b> € 8.9 billion in 2016.  <b>Outstanding loans:</b> € 40.5 billion in 2016.</p>		
<p><b>Largest loan issued:</b> NOK 3 billion  <b>Smallest loan issued:</b> NOK 10 million certificate loan.</p>		
FINANCES		
<b>RATING</b>	Moody's: Aaa	Standard and Poor's: AAA
<p><b>Supervision:</b> KBN is a financial institution, regulated by national and EU related regulations.</p>		
<p><b>Guarantees:</b>            - <b>Credit Risk:</b> Section 55 of the Norwegian Local Government Act states that «A municipality or county authority may not be declared insolvent or institute debt settlement proceedings». In theory, however, payments can be deferred until a solution is found to the situation that has arisen. In such cases, investors are compensated in the form of penalty interest, cf. the Act relating to Interest on Overdue Payments etc. and the associated Regulations            Section 60 of the Local Government Act also contains provisions on the «State review and approval of financial obligations». Borrowing decisions taken by a municipality that is struggling to balance its budget and is on the Norwegian Register for Governmental Approval of Financial Obligations (ROBEK) are only valid once they have been approved by the County Governor.            - <b>Regulatory Risk:</b> Covered bonds were introduced into the Norwegian market in 2007, and have since then become a very important asset class for banks. They are firstly used as security for loans from Norges Bank, and secondly as an important part of the liquidity portfolios that banks are now required to hold to meet the liquidity coverage ratio (LCR) requirements.</p>		
<p><b>Sources:</b>            Annual report 2016 and other KBN's documentation            website: <a href="http://www.kommunalbanken.no/en">http://www.kommunalbanken.no/en</a></p>		

## 10. SWEDEN - KOMMUNENINVEST

SWEDEN	KOMMUNEINVEST	
<p><b>Creation</b> In 1986, nine municipalities took the initiative to found what is now Kommuninvest. In 1992, the Kommuninvest Cooperative Society was set up as the joint owner organisation.</p>		
<p><b>Status</b> Kommuninvest consists of two parts: - The cooperative society Kommuninvest Cooperative Society, which owns the credit market company. - The limited liability company Kommuninvest i Sverige AB, which provides credit and financial advice</p>		
<p><b>Activities:</b> Support Swedish municipalities and county councils in their financial administration through stable and cost-effective financing, professional development and collaboration. This may involve new housing, recreational facilities, and schools, homes for elderly or hospitals. Sustainability and green Loans.</p>		
<p><b>Shareholders:</b> Kommuninvest Cooperative Society owns the credit market company (100 % of shares). The Cooperative Society has 90 % of the local government sector as members. Consequently, Kommuninvest is owned and controlled entirely by member municipalities and county councils/regions.</p>		
<p><b>Capital distribution:</b> 100 % local authorities</p>		
<p><b>Corporate Governance:</b>  <b>A/ Kommuninvest Cooperative Society</b>            - Administrates membership and the joint and several guarantees.            - The Board of Directors consists of elected politicians from municipalities and county councils/regions with a Chairman, a Vice Chairman and 13 ordinary members.  <b>B/ Kommuninvest i Sverige AB</b>            The Board of Directors consists of eight experts in areas such as public administration, capital markets and business development and two representatives of the employees.   <b>C/ Group's Committees</b>  <b>Election Committees:</b> There are two Election Committees within the Group. The Election Committee of the Society that bear the ultimate responsibility for the preparation of appointment decisions. The Election Committee of the Society's Companies acts as a supervisory board of the operating company.  <b>Analysis and Finance Committee:</b> The Board of Directors of the Society appoints an Analysis and Finance Committee responsible for monitoring the financial status of the member municipalities.</p>		
<p><b>Number of employees:</b> 85</p>		

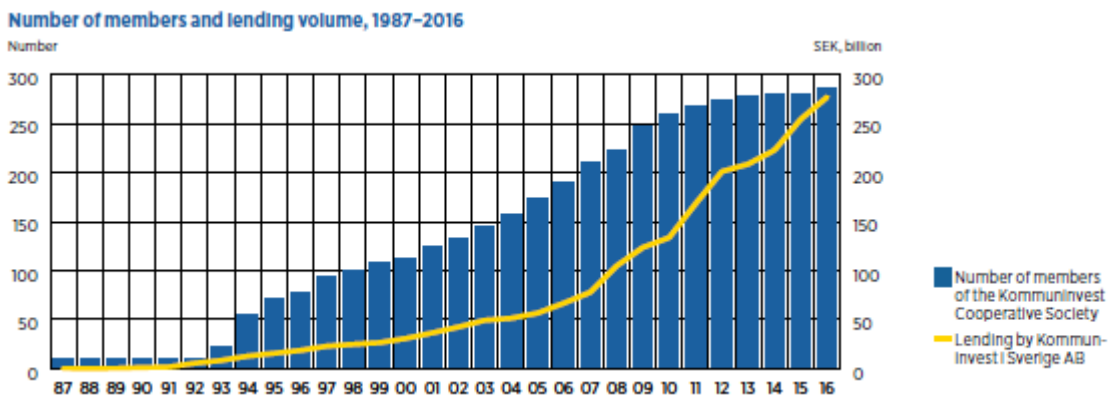


<b>SWEDEN</b>	<b>KOMMUNEINVEST</b>
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**ACTIVITIES**

**Other Activities:** Knowledge hub in the local government sector and an important interface between the state, municipalities, counties/regions, academia and financial sector.  
 This manifests itself in Kommuninvest:  
 -Representing municipalities and county councils/regions as the organisation to which they refer on issues of financing and debt management.  
 -Financing and coordinating research on local government finance.  
 -Providing advice to members on issues of financing.  
 -Organising courses and seminars on financial matters for officials and politicians.  
 -Promoting collaboration within the local government sector.

**Outstanding loans:** At the close of 2016, lending totalled SEK 277 bn / € 27 billion



**FINANCING**


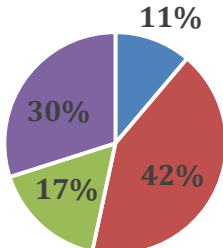
<b>RATING</b>	Moody's: Aaa	Standard and Poor's: AAA
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**Supervision:** Kommuninvest is monitored continuously by Finansinspektionen (the Swedish Financial Supervisory Authority) and is also an approved monetary counterparty to the Riksbank and a member of its risk payment system.

**Guarantees:**  
 -When a municipality or a county council/region becomes a member of Kommuninvest, it undertakes at the same time to be jointly and several liable for Kommuninvest's payment obligations in the event that Kommuninvest should ever fail to fulfil these.  
 -Owners who can never be declared bankrupt or cease to exist. By law, Swedish municipalities and county councils/regions can never cease to exist other than by merging.  
 -Owners entitled to levy taxes. Municipalities and county councils in Sweden have a constitutional right to charge taxes to finance their operations. The tax system, combined with stringent demands on a balanced economy, provides the local government sector with good income opportunities and secure finances.  
 -Lowest possible risk weighting. From the perspective of risk, securities issued by Kommuninvest are treated as equivalent to securities issued by the Swedish state.

Sources:  
 Annual report 2016  
 Website: <http://kommuninvest.se/en>


## 11. NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

NEW ZEALAND	Local Government Funding Agency											
<p><b>Creation:</b> 2011</p>	<p><b>Address:</b> Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.</p>											
<p><b>Status:</b> The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.</p>												
<p><b>Focal area:</b> LGFA is specialised in financing the New Zealand local government sector, the primary purpose being to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. It can lend to all local authorities. As at June 30, 2017, 53 district councils are members, and 50 about them have borrowed.</p> <p>LGFA operates with two primary objectives:</p> <ol style="list-style-type: none"> <li>1. Optimising the debt funding terms and conditions for participating local authorities.</li> <li>2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each participating local authority's financial position and the general issues confronting the Local Government sector.</li> </ol>												
<p><b>Shareholders:</b> NZLGFA is owned 80 percent by local authorities and 20 percent by the central government.</p> <p>There are 30 shareholding local authorities; among these are Auckland Council, Christchurch City Council And Wellington City Council.</p>												
<p><b>Capital distribution:</b> Share Capital: NZD 45 million NZD 20 million remain uncalled</p>	<p style="text-align: right;">Capital distribution</p>  <table border="1" style="margin-left: auto; margin-right: 0;"> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>New-Zealand Government</td> <td>11%</td> </tr> <tr> <td>City Councils</td> <td>42%</td> </tr> <tr> <td>Other</td> <td>30%</td> </tr> <tr> <td>Other</td> <td>17%</td> </tr> </tbody> </table>		Category	Percentage	New-Zealand Government	11%	City Councils	42%	Other	30%	Other	17%
Category	Percentage											
New-Zealand Government	11%											
City Councils	42%											
Other	30%											
Other	17%											
<p><b>Corporate Governance:</b>  <b>LGFA Shareholders Council</b> acts as a supervisory board. It comprises 10 members (minimum 5), representing the members (9 local authorities and the state).  <b>Board of Directors</b>, with 5 independent persons, recruited for their expertise in the field of financing, and the Treasurer of a local authority.  <b>Audit and Risk Committee</b></p>												

NEW ZEALAND	Local Government Funding Agency	
ACTIVITIES		
<p><b>Annual lending volumes:</b> NZD 707 million bespoke long-dated lending and NZD 202 million of short term loans  <b>Outstanding loans:</b> NZD 7,784 million as of June 30, 2017  <b>Annual bonds issuance:</b> NZD 1,285 million</p>		
<p><b>Largest loan issued:</b> June 2016 – December 2016 → NZD 2,382 million to Auckland Council  <b>Smallest loan issued:</b> June 2016 – December 2016 → NZD 6,037 million to Opotiki district council</p>		
<p><b>Credit conditions</b>  Maturity up to 16 years, average term of 96 months.  LGFA offers also Short-dated lending, from 30 to 365 day terms, introduced in November 2015</p>		
FINANCES		
<b>RATING</b>	Fitch Ratings: AA+	Standard and Poor's: AA+
<p><b>Supervision:</b> The Local Government Funding Agency (LGFA) funds itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to participating New Zealand Local Authority borrowers. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with 'Foundation Policies' outlined in the Shareholders Agreement. Any change to the Foundation Policies Require shareholders' consent.</p>		
<p><b>Guarantees:</b>  Other than the New Zealand Government, each shareholder in LGFA must be a Guarantor. Any non-shareholder council that borrows in aggregate NZ\$20 million or more from LGFA must be a Guarantor.  Parties to the guarantee will be able to exit the arrangement but only after all the exiting council's borrowings are repaid and all the LGFA's borrowings, current at the time the council notifies of its withdrawal from the guarantee, are repaid.</p> <p>LGFA work closely with Department of Internal Affairs, Office of the Auditor General and Local Government New Zealand on sector and individual council issues.</p>		
<p><b>Sources:</b>  Annual report 30 June 2016 and 30 June 2017  LGFA Guarantee and indemnity document, 2011.  website: <a href="http://www.lgfa.co.nz/">http://www.lgfa.co.nz/</a></p>		


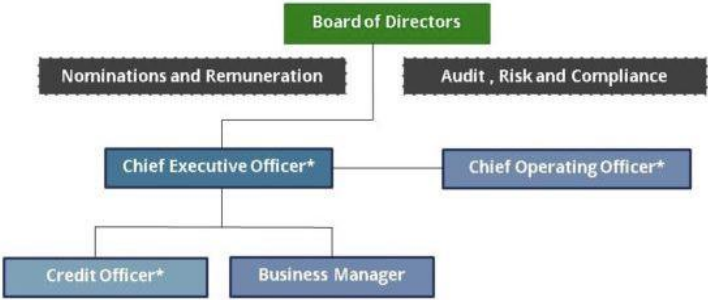
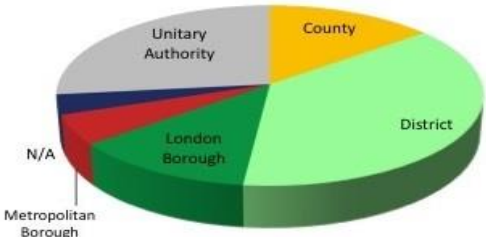
<b>NEW ZEALAND</b>	<b>Local Government Funding Agency</b>

## 12. TAMIL NADU URBAN DEVELOPMENT FUND

INDIA	TAMIL NADU URBAN DEVELOPMENT FUND			
Creation: 1996	Address: Tamilnadu Urban Infrastructure Financial Services Ltd. #19, T.P Scheme Road, Raja Annamalai Puram, Chennai - 600028			
<b>Status:</b> TNUDF was established as a Trust under the Indian Trust Act, 1882. It is managed by Tamil Nadu Urban Infrastructure Trustee Company Limited (TNUITCL).				
<b>Focus area:</b> TNUDF is a financial intermediary that supports urban infrastructure projects, giving financial assistance for setting up projects and mobilizing adequate financial resources.				
Four settlers established the fund: Government of Tamil Nadu, and three financial institutions, namely - ICICI Bank - Housing Development Finance Corporation Limited - IL & FS Financial Services Limited (IL & FS). <i>1 crores = 10 million rupees = € 126 800</i>				
<b>Initial contribution of settlers to TNUDF</b>				
		crores	€ million	
Tamil Nadu		143	18.1	71.6%
ICICI Bank		23	3.0	11.7%
HDFC		17	2.1	8.4%
IL & FS		17	2.1	8.3%
		200	12.9	100.0%
<b>Corporate Governance:</b> The managing company of TNUDF, Tamil Nadu Urban Infrastructure Trustee Company Limited (TNUITCL) is managed by a Board of Directors (9 members) nominated by the four settlers of TNUDF. However, the weight of private partners reaches 51.35% and the State owns only 48.66% of that company. This company is a legal vehicle. Also, Tamil Nadu Urban Infrastructure Financial Service Limited, owned by the same shareholders, is the operational body.				
Other funds have been set by the government, aiming to manage development policies: Water and Sanitation Pooled Fund, Project Sustainability Grant Fund, Project Development Grant Fund, Tamil Nadu Urban Road Infrastructure Fund, and Chennai Mega City Development Fund.				
<b>ACTIVITIES</b>				
Annual disbursement on lending (2015-2016): 145 crores / € 18,5 million Annual recovery from previous loans (2015-2016): 167 crores / € 21,4 million				
Other activities, ensured by the management company: project preparation and development and management, financial services, resource mobilization services, etc.				

INDIA	TAMIL NADU URBAN DEVELOPMENT FUND	
FINANCES		
RATING	Moody's: Aa3	
Resources: The Fund is financed by international development cooperation, including World Bank, JICA (Japan), and GIZ (Germany).		
<p>Guarantees:</p> <p>State guarantees on account of ceilings on contingent liabilities.</p> <p>The bonds are secured by borrower loan repayments, a debt service reserve fund, state finance commission devolution intercepts, cash collateral and a guarantee from the state or multilateral or Tamil Nadu Urban Development Fund (TNUDF) to cure deficiencies, if necessary.</p>		
<p>Sources:</p> <p>Annual report 2015-2016</p> <p>website: <a href="http://www.tnudf.com/">http://www.tnudf.com/</a></p>		

### 13. UNITED KINGDOM MUNICIPAL BONDS AGENCY


United Kingdom	United Kingdom Municipal Bonds Agency	
Creation: 2013		
<b>Status:</b> UK Municipal Bond Agency is a public limited company. Under UK law, the agency is not considered to be a financial Institution and is not subject to financial regulations.		
<b>Focal area:</b> helps local councils' to finance their investment in projects including infrastructure and housing, efficiently and cost effectively		
<b>Shareholders:</b> The UK Municipal Bonds Agency Plc is a public limited company, owned by local councils and The Local Government Association.		
<b>Corporate Governance:</b> - Board of directors: 8 members  - Executive team: 4 members	 <pre>           graph TD             Board[Board of Directors] --&gt; Nominations[Nominations and Remuneration]             Board --&gt; Audit[Audit, Risk and Compliance]             Board --&gt; CEO[Chief Executive Officer*]             Board --&gt; COO[Chief Operating Officer*]             CEO --&gt; Credit[Credit Officer*]             CEO --&gt; Business[Business Manager]           </pre> <p>* Executive Risk Committee</p>	
<b>Capital distribution:</b>	Contact: <a href="mailto:Abrady@ukmba.org">Abrady@ukmba.org</a>	
		
<b>ACTIVITIES</b>		
<b>Other Activities:</b> The UK Municipal Bonds Agency Plc brings together real expertise for the first time at the intersection of finance and local government. This expertise allows the creation of tailored products which meet investors' needs and drive product innovation.		
<b>Lending activities:</b> Lending operations has not started.		

United Kingdom	United Kingdom Municipal Bonds Agency	
<b>FINANCES</b>		
<b>RATING</b>	Moody's: Aa3	
<p><b>Guarantees:</b> Local authorities ('LAS') in the UK are subject to powerful controls through legislative Frameworks, to robust financial controls, and to the Local Government Act 2003.</p> <ul style="list-style-type: none"> <li>• The Local Government Act 2003 is central to local authority credit quality: <ul style="list-style-type: none"> <li>- All borrowing is secured against the revenues (and not the assets) of an authority</li> <li>- All debts are ranked pari passu</li> <li>- Removes vires ("beyond the powers") considerations of debt enforcement</li> <li>- Allows the High Court to appoint a receiver if debts are not paid</li> <li>- Creates the Prudential Code</li> </ul> </li> <li>• Enforces the role of Section 151 officers as responsible for budgets and reserves LAs are subject to a legislative framework which limits their powers: <ul style="list-style-type: none"> <li>- LAs can only take an action if a specific power enables them to do so and it is reasonable to do so.</li> <li>- Tax raising powers are not devolved</li> <li>- Government determines the majority of local authority funding</li> </ul> </li> <li>• In addition to legislative controls, LAs are subject to robust financial controls. <ul style="list-style-type: none"> <li>- Balanced revenue budgets must be set annually</li> <li>- Borrowing can only be for capital expenditure</li> <li>- The Prudential Code limits borrowing</li> <li>- The Minimum Revenue Provision (MRP) ensures that repayment of principal can be charged against council revenues</li> </ul> </li> <li>• Financial reporting/ accounting interpretation is limited by the Local Government Act 2003 Section 151 Officers are officers "suitably qualified" officers appointed to manage local authority affairs and who have ensured conservative financial management of local authorities.</li> </ul>		
<p><b>Sources</b> UK Municipal Bond Agency documentation website: <a href="https://www.ukmba.org/">https://www.ukmba.org/</a></p>		



## ANNEXE 2 – BOND ISSUANCE OF AFRICAN CITIES

### 14. DAKAR

CITY OF DAKAR	
Establishment: 1887	
Legal status	
<p><b>MAIN STEPS</b></p> <p>The project to issue municipal bonds was developed in full compliance with the Senegalese law governing local and regional authorities and their access to the stock market. With its supporting partners (USAID and Gates Foundation), the municipality created a special control unit responsible for strengthen best practices and lead the programme.</p> <p><b>A/ Strategic phase:</b> stage of studies to determinate project feasibility (financed by Bill Gates foundation) -&gt; retrospective and prospective analysis of Dakar funding. This made it possible to identify Dakar's debt capacity.</p> <p>Institutional Diagnostic: understand what should be corrected so that the municipal system could integrate procedures which allow them to access to the stock market.</p> <p>Information sharing with African municipalities that have already issued bonds.</p> <p><b>B/ The result was an operational phase</b> in two parts:</p> <p>-<i>Capacity-building component:</i> 5 areas of the municipal administration were identified (Fiscal capacity valuation, development of a strategic planning document, communication, enhance Dakar heritage, strengthening participative process).</p> <p>-<i>Structuring Debt Component:</i> inspired by public entities financial transactions made the last 3 years. Implementation of a "task force" composed of Dakar administration technicians and independent experts. They prepared the first Strategy Paper of the city of Dakar and identified a specific project to finance.</p>	
rating	Moody's: Short Term: A3      Long Term: BBB+
Guarantees	50% of the capital, by US AID
Loan structure	Amount: €30,4 million      rate: 6,6 % Loan maturity: 7 years      grace period: 2 years
Additional guarantees	Implementation of an escrow account, a contingency fund and a coupon to secure loan's incomes and give an additional guarantee to the investors. Dakar also fixed a partial guarantee provided by USAID and equal to 50% of the obligation principal amount.
Prior authorizations	Authorization of the Ministry of Economy and Finance and of the Ministry in charge of local and regional authorities and then an issuance permit of the CREPMF (the Subregional Regulatory Authority)
Applicable law	CREPMF - Conseil Régional de l'Épargne Publique et des Marchés Financiers: Union monétaire Ouest Africaine





## ANNEXE 3 – PEFA PROGRAMME

List of subnational entities in Africa which have benefited from PEFA program, as of mid-2017<sup>9</sup>.

127 local government are listed, some of them have been audited two times (18 LG) and one three times (Oromia region in Ethiopia).

Date is the date of the report. Scores are public only if the State has authorized the publication. Some audits are still ongoing.

Country	Sub-national Entity	Date	Availability	Status
Benin	Cotonou Municipality	2012	non-public	Final
Burkina Faso	Ouagadougou	2010	public	Final
Cameroon	Ville de Douala	2012	public	Final
Cameroon	Ville de Douala	2017	non-public	Planned
Congo, Republic of	Pointe Noire Municipality	2015	non-public	Draft
Ethiopia	Addis Ababa City	2010	public	Final
Ethiopia	Addis Ababa City	2015	public	Final
Ethiopia	Afar Region	2007	public	Final
Ethiopia	Amhara Region	2010	public	Final
Ethiopia	Amhara Region	2015	public	Final
Ethiopia	Benishangul Gumuz Region	2007	public	Final
Ethiopia	Benishangul Gumuz Region	2010	public	Final
Ethiopia	Dire Dawa Region	2007	public	Final
Ethiopia	Gambella Region	2007	public	Final
Ethiopia	Harari Region	2007	public	Final
Ethiopia	Harari Region	2010	public	Final
Ethiopia	Oromia Region	2007	public	Final
Ethiopia	Oromia Region	2010	public	Final
Ethiopia	Oromia Region	2015	public	Final
Ethiopia	Somali Region	2015	public	Final
Ethiopia	Southern Nations & Nationalities Peoples Region	2010	public	Final
Ethiopia	Southern Nations & Nationalities Peoples Region	2015	public	Final
Ethiopia	Tigray Afar Region	2015	public	Final
Ethiopia	Tigray Region	2007	public	Final
Ghana	Kassena Nankana Municipal Assembly	2012	non-public	Draft
Ghana	Kumasi Metropolitan Assembly	2012	non-public	Draft
Ghana	MMDA 1_Komenda-Edina-Eguafo-Abrem District	2010	non-public	Final
Ghana	MMDA2_Kumasi	2010	non-public	Final
Ghana	MMDA3_Lower Manya Krobo	2010	non-public	Final
Ghana	MMDA4_Saboba	2010	non-public	Final
Ghana	MMDA5_Tarkwa-Nsuaem	2010	non-public	Final


<sup>9</sup> List transmitted by the secretariat of the program for SSA, completed by online data for MENA region.

Country	Sub-national Entity	Date	Availability	Status
Ghana	Prestia-Huni Valley District Assembly	2012	non-public	Draft
Kenya	Baringo County	2017	non-public	Draft
Kenya	Kajado County	2015	non-public	Draft
Kenya	Kakamega County	2015	non-public	Draft
Kenya	Makueni	2016	non-public	Draft
Kenya	Nakuru	2016	non-public	Draft
Kenya	West Pokot County	2015	non-public	Draft
Madagascar	Commune Urbaine de Mahajanga	2014	non-public	Draft
Madagascar	Municipal Antananarivo	2014	public	Final
Mauritania	Nouakchott City	2012	non-public	Draft
Morocco	Agadir City	2014	public	Final
Morocco	Casablanca	2015	non-public	Final
Mozambique	Beira City	2014	non-public	Draft
Mozambique	Cabo Delgado	2007	non-public	Final
Nigeria	Abia State	2012	non-public	Final
Nigeria	Adamawa State	2013	non-public	Final
Nigeria	Anambra State	2008	non-public	Final
Nigeria	Anambra State	2011	public	Final
Nigeria	Bayelsa State	2009	non-public	Final
Nigeria	Cross River State	2011	non-public	Draft
Nigeria	Edo State	2010	non-public	Final
Nigeria	Ekiti State	2012	non-public	Final
Nigeria	Enugu State	2009	non-public	Final
Nigeria	Enugu State	2012	non-public	Final
Nigeria	Imo State	2013	non-public	Final
Nigeria	Jigawa State	2007	non-public	Final
Nigeria	Jigawa State	2011	non-public	Final
Nigeria	Kaduna State	2008	public	Final
Nigeria	Kaduna State	2012	non-public	Final
Nigeria	Kano State	2007	non-public	Final
Nigeria	Kano State	2011	non-public	Final
Nigeria	Kebbi State	2013	non-public	Final
Nigeria	Kogi State	2009	non-public	Final
Nigeria	Lagos State	2009	public	Final
Nigeria	Lagos State	2012	non-public	Final
Nigeria	Niger State	2009	non-public	Final
Nigeria	Ondo State	2010	non-public	Final
Nigeria	Osun State	2011	non-public	Draft
Nigeria	Plateau State	2009	non-public	Final
Nigeria	Rivers State	2008	non-public	Final
Nigeria	Yobe State	2011	non-public	Final
Nigeria	Yobe State	2010	public	Final
Nigeria	Zamfara State	2011	non-public	Final
Rwanda	Bugesera District	2014	public	Draft

Country	Sub-national Entity	Date	Availability	Status
Rwanda	Gakenke District	2014	public	Final
Rwanda	Kamonyi District	2014	public	Final
Rwanda	Karongi District	2014	public	Final
Rwanda	Kicukiro District	2014	public	Final
Rwanda	Nyamagabe District	2014	public	Final
Rwanda	Ruhango District	2014	public	Final
Rwanda	Rulindo District	2014	public	Final
Senegal	Dakar City	2009	public	Final
Sierra Leone	Bo City Council	2010	public	Final
Sierra Leone	Freetown City Council	2010	public	Final
Sierra Leone	Kenema City Council	2010	public	Final
Sierra Leone	Kono District Council	2010	public	Final
Sierra Leone	Makeni City Council	2010	public	Final
South Africa	City of Johannesburg Metropolitan Municipality	2014	public	Final
South Africa	City of Tshwane Metropolitan Municipality	2014	public	Final
South Africa	Eastern Cape Province	2014	public	Final
South Africa	Ekurhuleni Metropolitan Municipality	2014	public	Final
South Africa	Free State Province	2017	public	Final
South Africa	Gauteng Province	2014	public	Final
South Africa	KwaZulu-Natal Province	2013	public	Final
South Africa	Limpopo Province	2013	public	Final
South Africa	Mpumalanga Province	2014	public	Final
South Africa	North West Province	2014	public	Final
South Africa	Northern Cape Province	2014	public	Final
South Africa	Western Cape Province	2014	public	Final
South Sudan	Jonglei State	2012	public	Final
South Sudan	Northern Bahr El Ghazal State	2012	public	Final
South Sudan	Unity State	2012	public	Final
South Sudan	Western Equatoria	2012	public	Final
Tanzania	Arumeru Local Council	2006	public	Final
Tanzania	Bagomoyo Local Council	2006	public	Final
Tanzania	Bunda District Council	2016	public	Final
Tanzania	Karatu Local Council	2006	public	Final
Tanzania	Kasulu District Council	2016	public	Final
Tanzania	Kigoma Ujiji Municipal Council	2016	public	Final
Tanzania	Korogwe Town Council	2014	public	Final
Tanzania	Lindi District Council	2016	public	Final
Tanzania	Longido District Council	2016	public	Final
Tanzania	Mtwara Mikindani Local Council	2006	public	Final
Tanzania	Mtwara Mikindani Municipal Council	2016	public	Final
Tanzania	Muleba Local Council	2006	public	Final
Tanzania	Mvomero District Council	2016	public	Final
Tanzania	Mwanga District Council	2016	public	Final
Tanzania	Mwanza City Council	2016	public	Final

<b>Country</b>	<b>Sub-national Entity</b>	<b>Date</b>	<b>Availability</b>	<b>Status</b>
Tanzania	Mwanza Local Council	2006	public	Final
Tanzania	Rombo Local Council	2006	public	Final
Tanzania	Rorya District Council	2015	public	Final
Tanzania	Sengerema District Council	2015	public	Final
Tanzania	Zanzibar State	2010	public	Final
Tunisia	Gabes Municipality	2015	public	Final
Tunisia	Gafsa Municipality	2015	public	Final
Tunisia	Kairouan Municipality	2015	public	Final
Tunisia	Kasserine Municipality	2015	public	Final
Tunisia	Sfax Municipality	2014	public	Final
Tunisia	Sousse Municipality	2015	public	Final
Tunisia	Tunis Municipality	2015	public	Final
Uganda	Buikwe District	2013	non-public	Final
Uganda	Gulu Municipality	2013	non-public	Final
Uganda	Hoima District	2013	non-public	Final
Uganda	Jinja District	2013	non-public	Final
Uganda	Kabale District	2005	non-public	Final
Uganda	Kabale District	2013	non-public	Final
Uganda	Kampala City Council	2005	non-public	Final
Uganda	Kasese District	2005	non-public	Final
Uganda	Kasese District	2013	non-public	Final
Uganda	Lira Municipality	2005	non-public	Final
Uganda	Lira Municipality	2013	non-public	Final
Uganda	Mpigi District	2005	non-public	Final
Uganda	Mpigi District	2013	non-public	Final
Uganda	Pader District	2013	non-public	Final
Uganda	Tororo District	2005	non-public	Final
Uganda	Tororo District	2013	non-public	Final

## ANNEXE 5 - SHELTER AFRIQUE

SHELTER AFRIQUE		
Creation: 1982	Headquarters: Nairobi – Kenya	
<b>Legal Status:</b> under the Constituent Charter agreed by shareholders at inception while in Kenya the company operates under the Shelter Afrique Act of 1995, an Act of the Parliament of the Republic of Kenya.		
<b>Founders:</b> Shelter Afrique was established by African governments, the African Development Bank (AfDB), African Reinsurance Corporation (Africa-Re) and UK's Development Finance Institution.		
<b>Focus areas:</b> Shelter Afrique finances housing projects throughout Africa. It also offers practical advice and technical assistance to a wide range of industry stakeholders.		
<b>Shareholders:</b> - "Class A" Shareholders: only countries -> 44 member countries "Class B" Shareholders: Institutions -> African Development Bank (AfDB) and African Reinsurance Corporation (Africa-Re).		
<b>Corporate Governance:</b> - <b>Board of directors:</b> 11 members - The African continent is divided in 7 groups corresponding to different geographic area. Each group have a representative in the Board of directors. Both of them are government's members. <b>"Class A" Shareholders:</b> A Chairman: financier and representative of group 6 2 Independent Directors: development and management consultants. Africa-Re President: African Reinsurance Corporation Class B shareholders An African Development Bank representative. <b>Class B shareholders:</b> Divided in 3 committees: An Investment Committee with 4 members, an Administrative and Human Resources Committee with 3 members and an Audit Risk and Finance Committee with 3 members. - <b>Senior Management:</b> 4 members: Acting Managing Director and its deputy, Director for Legal, Risk and Compliance and Chief Financial Officer		
<b>Lending Partners:</b> made up of international development finance institutions -> the FMO (Dutch Development Agency), AFD (French Development Agency), and EIB (European Investment Bank). <b>Collaborating Partners:</b> International Union of Housing Finance, the Centre for Affordable Housing Finance in Africa and UN-Habitat.		
ACTIVITES		
Actions: 3 types of clients: <b>Financial Institutions Services</b> (such as housing finance institutions, banks, microfinance, and other intermediaries to promote home building and ownership) - <i>Institutional lending:</i> Shelter Afrique provides lines of credit, corporate loans and credit guarantees to financial institutions and specialised housing institutions for on-lending, in local and foreign currencies, to developers and individuals for new mortgages, refinancing of existing mortgages, and construction finance - <i>Equity Investments and Joint Ventures:</i> Direct equity participations in financial institutions catalyze the development of the mortgage market across Africa through the provision of long term funding. Investments in joint ventures with developers enable the provision of affordable housing on a mass scale. In addition, it engage with private equity funds set up to invest in real estate development. - <i>Trade Finance:</i> help developers and financial institutions involved in the construction sector support the procurement cycle of building materials and		



## SHELTER AFRIQUE

equipment. Through our trade finance solutions, we support financial intermediaries, manufacturers and exporting and importing companies, by providing pre-export or import finance, medium term supplier and buyer credits, issuance and confirmation of short term letters of credit and guarantees.

-*Advisory Services*: offer technical assistance such as housing policy advocacy to clients. This includes training and advisory services to structure project proposals, feasibility studies and project management services.

-*Social Housing*: favour large-scale projects, which have government support (Public-Private Partnerships) and are environmentally sustainable.

### Private Sector Developers Services (Housing developers and construction firms):

-*Project Finance*: identify, appraise and finance projects for rental and outright sale. It provide support to small and medium size developers and encourage their involvement in housing stock delivery, including student hostels development projects. In addition, it support commercial and mixed-use developments that include office blocks, shopping centres and mining villages. Where the size of the project justifies it, SA has the capacity to raise additional funding through syndication with other financial partners.

-*Equity Investments and Joint Ventures; Trade Finance; Social Housing; Advisory services.*

**Public Institutions Services** (national housing agencies, cooperatives and other public institutions on a range of housing initiative): *Project Finance; Trade Finance; Institutional Lending; Social Housing; Advisory Services.*

**2016 loan activities:** - Total loan amount: US\$ 89,929,194

- *Client type*:

-14 private institutions

-1 Public Institution (Republic of Kenya)

-1 Financial Institution

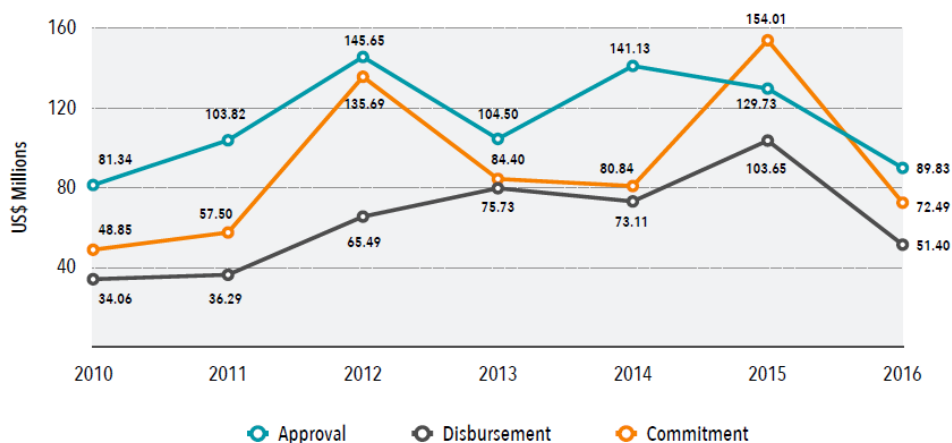
*Types of intervention:*

-14 debts

-1 joint venture

-1 line of credit

### Cumulative approvals, disbursement and commitment since 2010



## FINANCES

### RATING

Moody's: Ba1 (2015)

**Main Financial partners:** FMO (Netherland Agency), AFD (French Development Agency), and European Investment Bank.

International cooperation partners: UN-Habitat International, Union Of Housing Finance, and the Centre for Affordable Housing Finance in Africa.

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# ANNEXE 7 - WORKSHOP PARTICIPANTS

Held in Rabat on 30-31 October 2017

		FAMILY NAME / NOM	FIRST NAME / PRENOM	POSITION	INSTITUTION	CITY / VILLE	COUNTRY / PAYS
<b>INTERNATIONAL PARTICIPANTS / PARTICIPANTS INTERNATIONAUX</b>							
1	Mr	ANDERSSON	Lars	Expert, local government funding vehicles <i>Expert instrument de financement des collectivités locales</i>	Mårten Andersson Production	Stokholm	Sweden
2	M.	AWOUMOU	Côme	Deputy Director of Cooperation and Partnership <i>Sous-directeur de la coopération et du partenariat</i>	Fonds Spécial d'Équipement et d'Intervention Intercommunale (FEICOM)	Yaoundé	Cameroon
3	Mrs	BUKHORY	Reshma	Chief Financial Officer <i>Directeur financier</i>	City of Port-Louis <i>Ville de Port-Louis</i>	Port-Louis	Mauritius
4	Mr	COMMEY	Ellis Nii Amar	Deputy Financial Officer <i>Directeur financier adjoint</i>	Accra Metropolitan Assembly <i>Assemblée métropolitaine d'Accra</i>	Accra	Ghana
5	M <sup>me</sup>	DIA SARR	Khady	Head of Dakar Municipal Finance Programme <i>Directrice du programme de financement municipal de Dakar</i>	City of Dakar <i>Ville de Dakar</i>	Dakar	Sénégal
6	Mr	DIOP	Abou Khassim Mar	Head of Country Senegal for the BRVM <i>Directeur de l'Antenne Nationale de Bourse du Sénégal</i>	Regional Securities Exchange (BRVM) <i>Bourse Régionale des Valeurs Mobilières (BRVM)</i>	Dakar	Sénégal
7	Mr	DZENGWA	Simphiwe	Executive Director Municipal Finance <i>Directeur exécutif en charge des finances municipales</i>	SALGA (South African Local Government Association) <i>SALGA (Association des gouvernements locaux sud africains)</i>	Pretoria	South Africa
8	M.	EKAM-DICK	François	Managing Director <i>Directeur général</i>	Iroko Securities LTD	London	United Kingdom
9	Mr	HANSEN	Thomas	Head of Legal & Regulatory Affairs <i>Directeur des Affaires Juridiques et Réglementaires</i>	NKB Kommunalbanken (Kommunalbanken Norway)	Oslo	Norway
10	Mr	HOLENI	Miyelani	Chief revenue officer <i>Agent en chef des recettes</i>	City of Tshwane <i>Municipalité métropolitaine de la ville de Tshwane</i>	Pretoria	South Africa
11	Mr	KRISHNASWAMY	Rajivan	Consultant, Former CEO of Tamilnadu Urban Development Fund <i>Consultant, ancien Directeur du Fonds de développement urbain du Tamilnadu</i>		Chennai	India
12	M <sup>me</sup>	M'BEMBA	Chrisdèle	Relationship Manager Europe & Africa - Official Institutions Coverage <i>Gestionnaire des relations Europe &amp; Afrique - en charge des Institutions officielles</i>	BNP Paribas	Paris	France
13	M.	MILLARDET	Yves	Chairman of the Executive Board <i>Président du Directoire</i>	Agence France Locale	Lyon	France
14	Mr	NTSIMANE	Tshepo	General manager : Metros/Water Util/Other Public Sectors <i>Directeur général : métros / services d'eau / autres services publics</i>	DBSA (Development Bank of Southern Africa) <i>DBSA (Banque de développement de l'Afrique Australe)</i>	Midrand	South Africa
15	Mr	RADHAKRISHNA	Aneel	CEO <i>PDG</i>	Akhile Management and Consulting (Pty) Ltd	Johannesbourg	South Africa
16	Mrs	YAYI-ALLECHI	Solange	Environmentalist <i>Environnementaliste</i>	WADB (West Africa Development Bank) <i>BOAD (Banque Ouest Africaine de Développement)</i>	Lomé	Togo
17	Mr	ZEZE	Stan	CEO & Chairman <i>PDG</i>	Bloomfield Investment Corporation	Abidjan	Ivory Coast

MORROCAN PARTICIPANTS / PARTICIPANTS MAROCAINS							
22	M <sup>me</sup>	BOUFARESS	Salma	Cadre à la DPE	General Directorate of Local Authorities Direction générale des collectivités locales	Rabat	Morocco
23	M <sup>me</sup>	DOUKKALI	Yasmina	Coordinatrice UEG	DFCAT/ MI / DECL	Rabat	Morocco
24	M <sup>me</sup>	EL MAKDADI	Aziza	Chef division cooperation et partenariat	Conseil préfectoral de Rabat	Rabat	Morocco
25	M.	LABIZ	Brahim	Chef de division	General Directorate of Local Authorities Direction générale des collectivités locales	Rabat	Morocco
26	M.	MBARKI	Mohamed	General manager <i>Directeur Général</i>	Agence de l'Oriental	Rabat	Morocco
27	M.	SERHANE	Khaled	Representative <i>Représentant</i>	General Directorate of Local Authorities Direction générale des collectivités locales	Rabat	Morocco
28	M.	YAHIA	Aziz	Consultant	CDG	Rabat	Morocco
UCLG-AFRICA PARTICIPANTS & ORGANISATION / PARTICIPANTS CGLU AFRIQUE & ORGANISATION							
25	M <sup>me</sup>	BELGHOL	Hanane	Organisation committee <i>Comité d'organisation</i>	UCLG-Africa <i>UGCL-Afrique</i>	Rabat	Morocco
26	M.	CHERKAOUI DEKKAKI	Mohamed	Protocol and Public Relations Manager <i>Responsable Protocole et Relations Publiques</i>	UCLG-Africa <i>UGCL-Afrique</i>	Rabat	Morocco
27	M <sup>me</sup>	DAVIDSON	Lola	Deputy Secretary General <i>Secrétaire général adjointe</i>	INTA (International Urban Development Association) <i>INTA (Association internationale du développement urbain)</i>	Paris	France
28	M.	ELONG MBASSI	Jean-Pierre	Secretary General <i>Secrétaire Général</i>	UCLG-Africa <i>UGCL-Afrique</i>	Rabat	Morocco
29	M.	NOISETTE	François	Founder and chairman <i>Fondateur et Président</i>	Kalutere Polis	Paris	France
30	M.	YATTA	François	Director of programmes <i>Directeur des programmes</i>	UCLG-Africa <i>UGCL-Afrique</i>	Rabat	Morocco
31	M <sup>me</sup>	YOMI	Gaëlle	Organisation committee <i>Comité d'organisation</i>	UCLG-Africa <i>UGCL-Afrique</i>	Rabat	Morocco
32	M.	ZAHIR	Yassine	Organisation committee <i>Comité d'organisation</i>	UCLG-Africa <i>UGCL-Afrique</i>	Rabat	Morocco
33	M <sup>me</sup>	ZNAIDI	Khadija	Organisation committee <i>Comité d'organisation</i>	UCLG-Africa <i>UGCL-Afrique</i>	Rabat	Morocco