



Credit Rating, Benchmarking and Access to Market Finance

**African Water Utility Meeting
Nov 24-25, 2008 in Dakar, Senegal**

Lessons and Actions

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ICA Nov 26-27, 2008

Why Market Finance for Utilities?

- **Leverage additional financial resources**
 - Mobilization of commercial finance to complement scarce public resources
- **Second generation finance linked reform**
 - Financial autonomy and market discipline
 - Increased capacity of utilities to manage finances and investments
- **Untapped opportunities**
 - Pension fund reform – untapped potential investors
 - Other utility sectors take advantage of the bond market ex. Burkina Faso

Innovative Utility Financing

Phase I: FY07-08 Setting the Agenda

Country/ transaction support

- ❖ Credit analysis of ONEA & NWSC
- ❖ NWSC bond preparation
- ❖ Tanzania WA credit assessments

Regional learning & synthesis

- ❖ Six utility case studies
- ❖ Market finance overview paper
- ❖ Regional Practitioner Workshop

Phase II: FY09-10 Responding to Demand

Country/ transaction support

- ❖ NWSC bond issue
- ❖ ONEA financing and Capex strategy and pilot transaction
- ❖ Kenya, Senegal, Zambia...

Regional learning and tools

- ❖ Seven ratings & comparative review
- ❖ Credit Assessment Tool (CAT)
- ❖ Regional practitioner Workshop

Partnerships and collaborations: WSP, PPIAF, AfDB, USAID/ DCA, IFC, WBI, DWAF, UNSGAB...

Innovative Utility Financing

Credit Assessments of Seven Water Utilities

The Process

- ❖ **To gain better creditworthiness understanding...**
 - ❖ Credit assessments of AWSB, NCWSC, NWSC, ONEA, SONES, SDE, SONEDE
 - ❖ A regional comparative assessment
 - ❖ Key inputs to the prescreening Credit Assessment Tool (CAT)

Expected outcomes

- | | |
|--|--|
| ❖ Reform and performance... | ❖ Access to finance/ diversification... |
| ❖ Establishment of industry benchmarks | ❖ Communication with financial sector |
| ❖ Utility reform | ❖ Loan and performance monitoring |
| ❖ Regulatory oversight | ❖ Capital market compliance and pricing |

Highlight 1

Transactions

- NWSC bond under negotiation
- ONEA financing and Capex strategy drafted and pilot transaction to be developed
- Kenya, Senegal, Zambia transactions under discussion

Highlight 2

Ratings assigned-domestic currency

Name	Currency	Short term rating	Long term rating
SONES	CFA	A1	A+
SDE	CFA	A2	A
SONEDE	TD	A1-	A
NWSC	UShs	A2	A
ONEA	CFA	A2	BBB+
Athi	KShs	A2	BBB+
Nairobi	KShs	A3	BBB-

Comparative regional corporate/ bank ratings, a prespective

Name	Currency	Short term rating	Long term rating
Athi River Mining	KShs	A1	A
Eveready East Africa Ltd	KShs	A2	A-
Mabati Rolling Mills Ltd	KShs	A1	A+
Nakumatt	KShs	A3	BBB-
SIFCA Group	CFA	A1	A
Equity Bank	KShs	A1	A+
Housing Finance Company	KShs	A3	BBB-
East African Dev. Bank	Ushs	A1+	AA
Ecobank Transnational	CFA	A1+	AA
Shelter Afrique	CFA	A1+	AA

Towards An Action Plan

- Basic objectives suggest different emerging areas of work to increase resources –
- Next steps for facilitating market access – consolidating the 7 and gradual demand based expansion to selected utilities
- Links between rating, market access and performance benchmarking – knowledge sharing and networking

Summary of Actions

1. **Consolidation** of work with 7 utilities – focus on supporting transactions for market access
2. Demand-based **expansion** of support to selected additional utilities for market access
3. **Links with Benchmarking** Feedback to WOP-Africa benchmarking on new indicators based on rating methodology and incorporate CAT
4. Platform for **information and knowledge sharing** based on lessons from market access

Facilitating Market Access - 1

- **Consolidation**
- Utilities in Phase I
 - Continue transaction support and assist in market access where demand exists
 - Ratings and regional comparative reports, rating agencies for ongoing rating monitoring

Facilitating Market Access - 2

- **Expansion** of support to selected additional utilities over the next phase
- Identifying those ready to start this process
 - Through AfWA – in regional clusters
 - Through use of facilitated shadow rating using tools such as CAT
- Work with selected additional utilities through
 - transaction support and
 - ratings if required
- **Key would be strong demonstrated demand and capacity**

Links with Benchmarking

- Incorporating lessons from rating methodology in ongoing performance benchmarking under WOP-Africa
- Support analysis of benchmarking information to arrive at benchmarks by peer groups
- Develop Credit Assessment Tool in conjunction with Benchmarking

Networking and Knowledge Sharing

- Create a platform for knowledge and information sharing on comparative performance, benchmarks and good practices in market access
 - Regular newsletter
 - Sub regional clusters
 - Register of solutions
 - Dissemination of solutions

**Thank you very much
for your attention!**

CDs with meeting material is available from ICA

