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Ref: APRM/G&SR/2024 – CN2

Retreat on the Operationalisation of the Africa Credit Rating Agency 27 and 28 March 2024

CONCEPT NOTE

African Peer Review Mechanism
230 15th Road Randjespark Midrand,
Johannesburg
1687, Gauteng, ZA

1. INTRODUCTION

In January 2017, the Assembly of the African Union (AU) Heads of States and Governments adopted a Decision Assembly/AU/Dec.631 (XXVIII) at its 28th Ordinary Session held in Addis Ababa, Ethiopia, directing the African Peer review Mechanism (APRM), a specialised governance entity of the African Union, to provide support to AU member states in the field of Rating Agencies. The Decision was necessitated by a collective interest among African countries to address the challenge of chronic low credit ratings by the leading three international credit rating agencies - Standard and Poor's (S&P), Moody's and Fitch. These low ratings have resulted in countries either having difficulties in accessing global capital markets or incurring huge borrowing costs on international financial markets. Consequently, these challenges impede African countries' drive for industrialization, infrastructure development and building economic resilience against shocks. The low ratings also exacerbate public debt burden, threatening the sustainability of public debt and access to both international and domestic lines of credit.

In pursuing this mandate, the 3rd AU Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration held on the 7th – 8th of March 2019 in Yaoundé, Cameroon, requested the APRM and the African Union Commission (AUC) to “carry out a feasibility study on the creation of an African Credit Rating Agency and present the outcomes back to the 4th STC”. The study was completed and outcomes showing that it was feasible to establish an African Credit Rating Agency, was presented to the 4th STC in May 2021, who further requested the APRM to “expand the study to include the Financial, Structural and Legal implications of establishing an African Credit Rating Agency”.

The outcomes was presented to the 5th STC in July 2022, who further requested the APRM to “continue working on the Financial, Structural and Legal implications of establishing an African Credit Rating Agency, taking into account the Moratorium of creating new structures within the AU system”. 6th Ordinary Session of the African Union's Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration Ministers' Meeting held in July 2023, which adopted a declaration to, “Endorse Establishment of a private sector driven African Credit rating Agency based on self-funding and sustaining”.

2. PROGRESS TO DATE

Since the adoption of the Ministerial Declaration that, “Endorse Establishment of a private sector driven African Credit rating Agency based on self-funding and sustaining”, the APRM has undertaken the following steps towards operationalisation of the Declarations:

- i. **Consultations with prospective shareholders:** APRM have been engaging both public and private sector institutions that have expressed their interest to be shareholders of the ACRA to understand their expectations and interest.
- ii. **Consultations with Transaction Advisors:** to review the feasibility studies and work on the next steps on the establishment of the agency including the potential shareholders, users, strategic partners sources of data and cost and draft the mandate letter.

3. RETREAT ON THE OPERATIONALISATION OF THE ACRA

With the support of the Open Society Foundations (OSF), the APRM in collaboration with UNECA are convening a two-day Retreat on the operationalisation of the African Credit Rating Agency in Zambia. This

retreat is aimed to discuss the challenges and the opportunities towards the successful operationalisation of the ACRA. It will also be critical in engaging the relevant stakeholders on this project.

4. KEY OUTCOMES

The following are the envisaged outcomes of this meeting;

- a. Report with key discussions and recommendations.
- b. The report will be the basis for APRM engagement with relevant stakeholders and ensure that program is implemented timely and successfully.
- c. A detailed workplan on the implementation of the Declaration