GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT
AFRICAN DEVELOPMENT BANK GROUP

Access to Africa Municipal/ Sub- Sovereign Bond Market : A Practical Approach

Report on the Training of Chief Financial Officers of Cities and Subnational Governments

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I. INTRODUCTION

1. The African Development Bank (AfDB) and the United Cities and Local Governments of Africa (UCLG Africa), in collaboration with the Development Bank of Southern Africa (DBSA), launched a Training Course on access of African cites to capital markets. This training course aimed at skilling City Financial Officers (CFOs) on municipal access to capital markets. The training was organized in two parts.

2. The first part of the training took place from 19-24 September 2022, in Abidjan, Côte d'Ivoire, in collaboration with GiZ and the Sahel and West Africa Club of the OECD.

3. The training focused on understanding how capital markets operate and the key ingredients for city and local government access. The training aimed to answer the following key questions: (a) What is a Capital Market? (b) What are the institutions of the capital market ecosystem? (c) What are the key concepts of financial analysis of Cities and Subnational Governments? (d) What are financial balances and ratios to watch? (e) How do you develop credible financial forecasts? (f) What criteria are considered by rating agencies? (g) How does a stock exchange and a municipal bond issue work? (h) What is the content of the support provided by intermediation and management companies? (i) What is securitization and how can it be used by cities and local governments? (j) How can cities and subnational governments access "green finance"? These were some of the questions discussed through presentations by capital markets experts and through case studies, which enabled participants to gain a more detailed understanding of the capital markets ecosystem and what it means to be creditworthy in order to attract financing for transformative projects at city and local government level.

4. During the first session, participants benefited from experts coming from institutions of the ecosystem of the UEMOA Regional Economic Grouping capital market. These included the Regional Council for Public Savings and Financial Markets (CREPMF), the UEMOA Regional Stock Exchange (BRVM) hosted in Abidjan, the Bloomfield Investment Rating Agency, the HUDSON Intermediation and Management Company, and the West African Development Bank (BOAD) on the securitization of municipal loans and assets.

5. In addition, the African Development Bank demonstrated its many financing instruments accessible to countries and cities, and the Guidelines for Subnational Finance approved in 2019. The Bank is the first MDB to issue such guidelines that allow it to lend directly to cities and local governments.

6. The United Cities and Local Governments of Africa (UCLG Africa) discussed the African Local Government Academy (ALGA) which allowed participants to learn more about the training and certification programs offered at UCLG Africa. UCLG Africa further elaborated on the Africa Territorial Investment Agency (ATIA) that it is spearheading as a financial special purpose vehicle (SPV) to facilitate the access of African cities and subnational governments to capital markets. It is set up as a pooling system with the objective of managing risk and will offer a guarantee mechanism for cities and subnational governments.

II. THE JOHANNESBURG WEEK: OPENING CEREMONY

6. The Johannesburg Week marked the second part of the CFO Network training. In addition to the African Development Bank and the UCLG Africa, this training was organized in collaboration with the Development Bank of Southern Africa (DBSA), the C40 Cities – Africa Regional Office, the European Investment Bank (EIB), and the National Treasury of South Africa, and it took place in Johannesburg, South Africa, from May 29th to June 2nd, 2023. The training involved all 40 Chief Financial Officers from the Abidjan training and several institutions based in South Africa. At least 30 African countries were represented during the Johannesburg Week training.

7. The focus of the training was on “Practical experiences of municipal bond issuance in South Africa and United States. Case studies presented included the city of Johannesburg (the largest city in South Africa); the city of Tshwane (the Capital city of South Africa) and the eThekwini Metropolitan Municipality (in Durban). CFOs of these cities explained their experiences of going to capital markets: the prerequisites, the different steps undertaken from the preparation phase to the bond issuance; the institutions of the capital market ecosystem to involve and how; and managing debt to avoid default. The presentations stressed the process of accessing the capital market from the perspective of the CFO of a municipality. The aim was to detail the process for the uninitiated on how the decision to go to the capital market is made with concrete examples from experience of a municipal CFO.

8. **The opening ceremony** held on Monday 29 May 2023 was marked by several speakers as follows - Professor Peter NYONG’O, Governor of Kisumu County; Alice NABALAMBA, Regional Urban Development Coordinator, African Development Bank Group; Hastings CHIKOKO, C 40 Cities Regional Director for Africa; Mojabeng MANTHATA, Coverage Head: Metros, Cities & Waterboards, Development Bank of Southern Africa (DBSA); and Jean Pierre ELONG-MBASSI, Secretary General UCLG Africa.

9. Prof. Peter NYONG'O, the Governor of Kisumu County, Kenya stressed the uncontrollable growth of informal settlements across cities in Africa. These informal settlements require the same services, hence the question on "what type of urban settlements are needed and what resources and capital are needed. How to raise the financing required remains the biggest challenge of our cities.

10. Alice NABALAMBA of the African Development Bank Group emphasized that the main objective of the training and ongoing technical assistance was to strengthen the creditworthiness of cities and local governments in order to improve financing opportunities for transformative projects in cities. The AfDB is committed to continue working with cities and subnational governments as equal partners through its operations in regional member countries, through the many financing instruments available to countries and the Urban and Municipal Development Fund (UMDF). Climate finance is also increasingly becoming a major financing tool for cities and the Bank has created a new Climate Action Window under its African Development Fund (ADF) to further promote financing for climate resilience on the continent.

11. Hastings CHIKOKO, Regional Director for Africa, C40 Cities stated that although countries, locations, and cities are diverse they are united through their need to provide basic services for city residents despite the impact of covid-19 and other pandemics, economic crisis and extreme weather events. The aim is to have prosperous African cities of the future and for future generations. Cities must have the ability to raise their own sources of revenue, and to attract external investments. They need to focus on innovation and better skills to participate in the financial markets. This calls for diversified sources of financing and innovation. Green Bonds is an example of the innovation required. Climate resilience must be integrated into capital planning.

12. Mojabeng MANTHATA, Coverage Head: Metros, Cities & Waterboards, Development Bank of Southern Africa confirmed DBSA's mandate to finance sustainable projects in South Africa and across Sub-Saharan Africa. Africa is one of the hardest hit areas with respect of climate change and DBSA sees the need to repurpose legacy infrastructure to a green and sustainable infrastructure base. There is a global move towards integrated areas of work and living and the DBSA also supports smart cities initiatives. The social integration of township developments is also a major focus area for the DBSA.

13. Jean Pierre ELONG MBASSI, Secretary General UCLG Africa emphasised the need to unite Africa and build a way out of colonialization to be true Africans caring for our people. He highlighted the success of South African cities in planning and executing bond issuance, managing the money raised and settling bond liabilities. CFOs supervision and mastery are minimum requirements for the successful entry into the capital market. There is a urgency to fill the investment gap and entering the bond markets is important for CFOs. Knowledge must be shared so that CFOs can deliver on their mandate. The African Trade and Investment Agency (ATIA) is a special purpose vehicle that will facilitate access to the financial market for African subnational governments.

III. ROUND TABLE 1: ENABLING GOVERNMENT POLICY AND REGULATORY ENVIRONMENT AND PRACTICAL CONSTRAINTS FOR BOND ISSUANCE: THE VALUE ADDED OF ATIA.

14. This session was moderated by Mrs. Zienzi DILLION, former Head of Barclays Bank Africa, in South Africa. The panel comprised the Governor of Kisumu County Prof. Anyang NYONG'O, Eduardo NGWENYA, Councillor for Finance and former CFO of the city of Maputo, Kolisan MOLUKANELE, South Africa National Treasury, and Valéry WHITE, former head of the Standard and Poor's Index (S&P) in New York.

15. Introducing the discussions, Mrs Zienzi DILLON recalled the importance of having transparent and sound regulatory frameworks for accessing capital markets. "This time we need to get things right." How to define appropriate legislation and regulatory frameworks when it comes to borrowing because of constitutional debt limitations? The absence of these frameworks affect the confidence of the investors and of the capital market, and scalability.

16. **County of Kisumu**: For the Governor of Kisumu, the question is how deep we can go to access the capital markets. Cities and subnational governments are facing the problem of raising enough resources to address the investment needs for urban areas. In Kenya, a county can borrow only with treasury guarantee. The regulatory environment is not friendly.

17. **City of Maputo**: Eduardo Ngwenya, Councillor for Finance and former CFO of Maputo felt that accessing capital markets should be connected to decentralization. In Mozambique the stock exchange is relatively new - 5 years old. There are programs of literacy education for going to the market and the bureaucracy that goes along with it. Mozambique is increasing municipalisation and decentralized Provinces with autonomy to raise financing. The discussion on capital markets is becoming important because local governments are compelled to have alternative ways of financing. Generally, many cities are running budget deficits for service delivery and infrastructure development. To address its inability to independently go to capital markets, the city of Maputo has created companies that act as intermediaries that can then borrow on behalf of the city. For example, there are companies dedicated to waste management, infrastructure development, water and sanitation, etc. This is relatively new, hence long-term outcomes would not be known for some time, but the practice is allowing the city to be more autonomous. The ability to borrow is based on the company's operating results and performance.

18. The new law allows municipalities to borrow with the permission of the national government. The law, however, is silent on issues of issuing bonds. Because of the existing high interest rates of commercial banks, the Minister of Finance no longer issues a letter of comfort/sovereign guarantee to allow municipalities to borrow from commercial banks. The exception is the city of Maputo due to the fact that much of its **current budget** is derived from World Bank support.

19. **South African National Treasury**: According to Mr. Kolisang MOLUKANELE of the South African National Treasury, the department developed the original policy framework in 1998/1999 with the aim to strengthen the South African capital market and to help creditworthy municipalities have access to capital. The policy served as a guide for legislation. However, despite successful implementation, there are still some limitations. For example, borrowing is not as long term as initially intended (it does not relate to the useful life of assets). The secondary market has developed but not as vibrant as anticipated and thirdly, the roles of DFIs in municipal infrastructure financing was not clearly defined (to avoid crowding out the private sector). To address these challenges, the National Treasury has updated the borrowing policy framework.

20. The core principles of the updated borrowing policy framework are that (i) creditworthy municipalities should borrow prudently to finance capital investments and fulfil their constitutional responsibilities – resources borrowed from the capital market must be utilized for capital investments; ii) municipal access to private capital, based on investors' evaluation of municipal creditworthiness, should be key to efficient local government and fiscal discipline; (iii) Municipalities should only borrow in the context long-term financial strategies, which reflect clear priorities and useful life of assets; and (iv) Neither national nor provincial government will underwrite or guarantee municipal borrowing.

21. **US Bonds**: Valerie WHITE, Social Impact Investment & Equity Executive and former Managing Director for **Standard & Poor's Global Ratings (S&P),** New York; shared more experience on the US Bond Market. This experience can be very useful for African municipalities and subnational governments. The capital market is the main source of finance for US municipalities. As of August 2022, municipal bond issuance stood at US$ 279.5 billion, while those in negotiation amounted to 13.6 billion. Outstanding bonds in the second quarter of 2022 amounted to US$ 4.0 trillion, representing a +0.2% increase year-on-year. The United States has the longest history of municipal bonds issuance having started in 1812.

22. Two main types of municipal bonds are issued in the United States: (a) Tax Backed Bonds. These bonds are backed by the general revenues of the issuer (the city), including taxes. However, unlike GOs (General Obligations) with dedicated tax, these bonds are not accompanied by a specific tax intended to reimburse them. Instead, bondholders are paid from general revenue, and if this proves insufficient to cover debt service, the issuer usually must raise taxes to cover the shortfall. (b) Revenue Bonds. These are a class of municipal bonds issued to fund public projects which then repay investors with the income generated by that project. For example, a toll road or utility may be financed by a revenue bond, with creditors' interest and principal being repaid by tolls or fees collected.

23. The factors that affect the cost of municipal bonds are prevailing interest rates, inflation, and the credit rating of the bond issuer. The rating of a city is based on several factors including - the health of the local economy, the institutional framework, particularly the quality of the decentralization process, the financial performance and debt profile, governance, and management. Other considerations include the systemic risk of the operating environment, the extent of support from higher levels of government, and the history of defaults.

24. The discussion on US bonds also highlighted the strength of American cities in terms of taxation and taxes, but also on their institutional environment, which is characterized by stable, predictable, and healthy relations within each of the fifty states and with the US Federal Government, a key factor for ensuring a strong regulatory framework and stability in the bond market.

25. Generally, most municipal bonds are tax exempt, i.e., investors in municipal bonds get a tax credit. For this reason, Government ensures that there is fairness and transparency in bonds trading. In the US, these tax credits are aimed at attracting investment in local development including in previously unattractive geographical areas or sectors. For the municipalities, strong and efficient fiscal management is one of the key ingredients to a good rating and ability to issue a municipal bond. However, tax credits on issued bonds, may not always be applicable in much of Africa.

26. Overall, **key takeaways** from the discussion on *Enabling Government Policy and Regulatory Environment and Practical Constraints for Bond Issuance* were that:

- African local governments must invest in local economic development studies that assess existing municipal assets versus needs.
- Obtaining a Foreign Credit Rating is crucial to reassure both domestic and external potential investors,
- Having a strong borrowing policy framework in place in paramount.
- Need to learn from existing models in countries to strengthen ability to access capital markets.
- Revision of Municipal tax codes will be necessary in some cases to include tax credits that incentivise investors particularly in areas for which raising capital is generally difficulty (e.g., housing for the bottom of the pyramid.)
- The question of political will of States needs to be brought to the fore, with a view to turning cities and subnational authorities into distinct and autonomous spheres of power, as in South Africa.
- Beyond the legislative and regulatory framework, the problem of existence of numerous unwritten rules for municipal access to loans and the financial market need to be resolved. Presently, few countries allow formal access to capital markets.

27. Four key recommendations were tabled for further consideration:

- There is a need to understand the political economy of decentralization in each country to identify the constraints of access to capital markets.
- There is also need to work on a generic law. Some of the fears of national governments create unnecessary limitations for municipal access to capital. The South African model would help.
- Comparison of national frameworks through UCLG Africa can also help to raise awareness of Central Governments. And finally,
- It is important to work on incentives. Some considerations could be a tax exemption for different kinds of social policies (e.g., for long-term bond holdings, mortgage tax credit for amount of jobs created, etc.).

IV. ACCESS TO CAPITAL MARKETS : FRAMEWORK AND SUPPORT TO MUNICIPALITIES

28. **The European Investment Bank (EIB)** Municipal Creditworthiness, Financing Strategy and Institutional Strengthening: **Africa Sustainable City Initiative**. The aim of the SCI is to develop the capacity of 10 to 12 secondary cities spread across Cote d'Ivoire, Kenya, Uganda & Ghana to procure /finance urban development projects which improve the sustainability of their cities. By doing so, the SCI supports the implementation of SDG 11 and the New Urban Agenda – Habitat III in these cities. The programme scope is :

- Capacity development in the 10 to 12 secondary cities
- Strengthening cities' capacities in municipal finance and supporting the development of long-term financing strategies and plans,
- Providing financial advisory services and assist with pre-feasibility studies for a selected number of projects, and
- Increasing connections to potential investors and supporting knowledge sharing in general.

29. On Municipal creditworthiness, municipal financial status, the focus areas are (i) Rapid municipal finances assessment; (ii) Development of municipal financing strategies; (iii) Enhanced creditworthiness; (iv) Improvement in Own Source Revenue generation (identification & implementation). Also, the SCI supports the selected cities in designing a municipal financing strategy. This involves the detailed analysis of the selected municipality policies and financial ability to manage the investment needs associated with its spatial development and built environment, including specific targets/goals, guidelines for critical fiscal management metrics, such as the percentage of the annual budget to be committed to capital improvements, metrics to limit the size of annual debt service, and limits on total outstanding debt.

30. It also involves the detailed analysis of the selected municipality capital plan that identifies specific public projects as well as a general schedule, including: priority investments by sector linked to the municipality's budget which are linked to the volume of investment expected, maturity of the project and an identification of bottlenecks (financial, technical, legal, and regulatory), first year capital plan that reflects the city's budget for that fiscal year, as well as the remaining years representing an estimate of future capital needs to be funded through projected revenue estimate.

31. The discussion emphasized, the need for strong municipal financial governance, Public Private Partnerships (PPP), and the role of creditworthiness, and application of modern asset management trends. Cities or subnational governments will need integrated capital planning, a spectrum of private sector options, alternative procurement options, financial structuring and project finance options.

32. **African Center for Cities (ACC), University of Cape Town: Regulation for Subnational Borrowing.** Dr. Liza CIROLIA noted that although finance is raised for a purpose, the benefits must be wider than just the immediate purpose. Urbanization pressures create challenges in raising money. The sometimes partial and fractural decentralisation processes create issues around both supply and demand for resources. There must be lobbying for the right regulatory environment and support structures to enable local governments to raise funds effectively. A recent rapid survey showed that:

- 35 out of 41 (85%) African countries have the opportunity within existing laws for sub-national government borrowing. However, the rules are often prohibitive.
- Of these, 32 municipalities can borrow on local or domestic financial markets.
- 12 (49%) countries have never had any sub-national borrowing.
- Of the other 50%, it's mostly been short term cash flow borrowing, not long term.
- Only 4 countries do not require approval from central government for local government borrowing (important because national can block for lots of reasons).

33. It is important to lobby to have legislation and regulations in place that make sense. The challenge is to assess the capacity to borrow. Regulation to protect future generations is also important to avoid some misuse of resources. Need to differentiate between social and income generation borrowing. Need for pooling such as for public goods - water infrastructure, climate finance, etc. Regulations need to ensure that a city can service its debt, is able to set fiscal rules, own budget and accounting, effective expenditure management and has revenue that is sufficient and adequate.

34. The rules should ensure that those cities and subnational governments who can borrow, do borrow whilst those who should not, do not. Appropriate projects should be chosen with

clear repayment profiles. Smaller governments can still access finance for their projects through pooling mechanisms, but it is important to ensure that local governments have the capacity to improve their financial health, including own-source revenues. Finally, it is imperative that we unlock subnational financing for those eligible local governments across Africa.

35. It does appear, however, that if the City Authorities are denied permission to go to borrow from capital markets, there seems to be no recourse. In such cases, evidence shows that existing financial structures also tend to be rather rigid with conditionalities prohibiting local governments access to capital markets.

36. **The South African National Treasury**, Sandra Sekgetle, Local Government Finance Policy: **The Legislative and Regulatory Framework for access to Capital Markets by South African Municipalities**. This discussion provided the historical context of the legislative framework for access to capital markets by South African municipalities. There are 3 spheres of government: national, provincial and local. The main functions of the national government is to deliver policing, foreign affairs, defence and higher education. National Government also develops policy and sets priorities through legislation, norms and standards or political statements. Provinces on the other hand (95% grant funded) deliver social services such as school education, health and social welfare; provincial roads and agriculture and generally, it is through provinces that national priorities are funded. Municipalities (25% grant funded) are responsible to deliver electricity, water, sanitation and waste management. Municipalities have more autonomy on what their resources are spent on.

37. Recognizing the critical importance of a strong infrastructure base for economic growth, the Government of South Africa has embedded legislative and policy levers in the national constitution (through **Sections 152, 153, 229, 230A**, among others) that empower municipalities to deliver infrastructure services; and fiscal powers to raise revenue and capital. The legislation establishes the basis for a system of local government which is centrally concerned with working for citizens and local communities by sustainably meeting their needs while at the same time improving their quality of life.

38. The Government further lays down the Municipal Borrowing Policy Framework which stipulates the principles which should be adhered to when raising capital. These include regular assessment of municipalities for their creditworthiness and reaffirming to potential investors that the National Treasury will not guarantee any loans or bonds. Municipalities may also only borrow for capital expenditure and not for operational issues such as deficit reduction. Bonds can only be issued in the South African Rand (ZAR); bonds are therefore all local with no foreign participation. Furthermore, the Municipal Financial Management Act (MFMA) requires alignment between planning, budgeting and reporting instruments such as the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Annual reports. Similarly, the Spatial Planning and Land Use Management Act (SPLUMA) requires alignment between planning instruments such as the Municipal Spatial Development Frameworks and budgeting. In other words, municipalities should not run deficits, nor borrow more than they can afford to repay.

39. Another important role of the South African National Treasury is to ensure a strong capital market. To this end, there is a concerted effort to ensure that the role of Development

Finance Institutions (DFIs) in municipal finance is clearly defined according to the type of municipality, without crowding out private capital.

40. **Municipal Financing Opportunities**: Mojabeng MANTHATA, Coverage Head: Metros, Cities & Waterboards), Development Bank of Southern Africa (DBSA), gave an overview of the DBSA and explained the integrated approach to infrastructure financing at municipal level. In addition to being the main actor for municipal finance in South Africa, DBSA operates elsewhere in Sub-Saharan Africa with respect to infrastructure investments in transport, energy, etc. Ms. MANTHATA demonstrated DBSA's different Municipal Structured Products, their individual benefits, and risk considerations used in the determination of municipal finance. DBSA has three kinds of clients, namely - Municipalities – the metros, secondary cities and underserviced local governments, Government (National, Provincial, District), Water utilities: Water Boards, Water Service Authorities (WSA) – Catchment Management Agencies, Water Service Providers, and the National Water Resource Infrastructure Agency (NWRIA). Other municipal entities that may be financed by DBSA include Electricity/Power Utilities, Waste management Utilities, ICT Utilities, Transport, Logistics & Road Agencies, Property Companies, Social /Civic Agencies, Special Economic Zones (SEZs) and Industrial Parks (IPs) development.

41. In addition to direct lending, DBSA will support municipalities and utility companies through issuance of two distinct types of bonds - *Revenue bonds* backed by specific cash-flows, and revenue streams that can also be collateralized. *Project securitized bonds*. These are Off balance sheet, commercial paper, aimed at mobilizing capital for underlying projects. Pooled/collective borrowing is also being tested via an SPV where larger metros can support smaller municipalities.

42. DBSA is self-financing with capital financing from the Government of South Africa, but also from capital markets, DFIs lines of credit – e.g., from AfDB, EIB; climate funds such as GCF; and Bilateral cooperation such as with the EU, Dutch, Proparco France, Germany including for management of finance on behalf of European cooperation agencies. DBSA is also increasingly providing Advisory Services including providing support to utilities. There is a stable fiscal decentralization policy framework in place in South Africa making DBSA operations relatively smooth with respect to Municipalities. Also, typically South African municipality have service reserves.

V. PRACTICAL EXPERIENCES OF MUNICIPAL BOND ISSUANCE IN SOUTH AFRICA

43. Three case studies of municipal access to capital markets were presented: the case of Johannesburg, eThekwini and Tswhane.

44. **Case study of Johannesburg.** Sibisi MABANDLA, Head of Dealing, presented the case study of Municipal Bond Issuance undertaken by the City of Johannesburg. The city of Johannesburg guaranteed to pay interest (coupons) at set periods and to repay the principal debt on a specified date. The interest paid on the bond is tax deductible. Ten bonds have been issued since inception, most of which are general obligation bonds. However, the City is considering issuing a revenue generating bond in the near future.

45. Several conditions for a successful bond issuance : Sound legal framework, sound public policies, a consistently positive credit rating, financial sustainability, and ability to

manage the bond issue. The later means ability to pay off coupons/earned interest for investors and the final settlement. A good long-term strategy & planning e.g. economic development strategy and long-term capital development plans, sound and stable leadership & management (politicians & other public officials). Important to know your problems, have a plan to deal with them, and show some progress, etc). Wide participation is important and helps in price recovery for the bond. It is important to become a continual bond issuer.

46. It is of note that the borrower (i.e., municipality) does not determine the bond price but can enhance the attractiveness of the bond issue. Leadership and transparency are key in this regard. A Revenue bond (for social projects) differs from a General Obligation bond. The yield on a revenue bond will be priced higher because the investor is taking on greater risk associated with the particular project. Also revenue and general obligation bonds can be balanced through the utilisation of an amortisation bond.

47. To access the capital market, a Municipality needs a Lead Advisor to provide advice and be the go-between with all the institutions of the Capital market ecosystem. A reputable rating agency is also very critical, because even in a case of a negative credit rating, actions can be identified for improving the municipality's financial matrix before approaching a rating agency again.

48. On the bonds themselves, the same interest rate applies to all investors, but the Yield will vary during the lifespan of the bond. The coupon rate is important because that is what the municipality will pay. The market conditions determine the coupon rate. Sovereign bonds will be priced better than municipal bonds. Johannesburg is a sub-sovereign and will be priced relative to government guidelines. The initial Jozi bond as it is normally called, (of Johannesburg) was not as successful as the other bonds. Johannesburg will rather opt for a bigger quantum through institutional investors. The benefits of bullet profile is that interest is paid semi-annually, and no capital is repaid during the term of the bond. A key priority is tradability as it is then easier to sell to another investor thereby creating a secondary market. The Letter of Comfort issued by the Auditor General is an audit process and not a guarantee. It confirms that there was an informed business case, and the existence and balance of the Sinking Fund / Redemption Fund. Lead Advisors are appointed in accordance with the Domestic Medium Term Loan program (DMTL). Individual lead advisors are asked for a quotation prior to appointment. Legal council is then appointed through the lead advisor investment bank. Investors are approached one by one with help of the Lead Advisor.

49. The City of Johannesburg established a Redemption Fund, also known as the "Sinking Fund" in 2006, to enable it to redeem listed liabilities when they fall due to market volatility, to mitigate against any potential defaults. The management of the Sinking Fund was outsourced to an external financial asset management company, although currently it is inhouse. The listed liabilities as well as some of the City's bullet loans have been or are to be redeemed from the redemption fund. To date a total of about R5.5 billion of the issued bonds have been successfully redeemed from the Redemption Fund. R2.286 billion for COJ 05 is due for redemption in June 2023, which will be from the Sinking Fund.

50. There has been no under subscriptions to date of the COJ bonds, but syndication will be used if one investor is not taking up the whole loan. With syndication start from the lowest yield until you reach your cap. Other funding options will be through bilateral loans. Banks can underwrite a portion of the bond, but it will be at a cost via an underwriting fee. It is

important to have a debt sponsor as this will assist in interfacing with the market. The City of Johannesburg uses Moody's as their Credit Rating Agency. It is advisable to retain the same Credit Rating Agency throughout.

51. The credit rating is only valid for one year and are revised annually. The aim of the funding portfolio is to optimise cost of borrowing. Municipalities must be able to diversify their product and not limit it to bonds only. They must also consider loans and direct financing from DFIs. There are no tax credits in place for investors - that is a Sovereign imperative. Refinancing of bonds is done from the savings in the Sinking / Redemption Fund, and no bonds have been refinanced through the issuing of another bond. Bonds are capped to enable entry to the secondary market. Continued issuance of bonds improves the secondary market. Only the City Manager and administration interacts with potential investors, and no politicians will accompany them. Credit conditions locally and globally determine the market. Individual municipality actions will determine the quantum.

52. **Case study of City of eThekwini.** The City of eThekwini presented a case study on their bond issuance experience and stated that "the City is a baby in the Bond issue market but an adult in the loan environment". Historically the City only used bilateral loans and wanted to evolve into other sources of financing, hence the Bond issue. The CFO for eThekwini described their bond issue process as follows:

- Identify the funding requirements as well as appropriate approvals including that for accessing the Debt Capital Market through a bond issuance.
- Appoint a Lead Arranger (Debt Sponsor, Paying and Settlement Agent), Legal Advisor, Auditor, and Credit Rating Agency.
- The Lead Arranger and Legal Advisor will work together with the Municipality to establish the transaction documentation i.e., establishment of the Domestic Medium Term Note Program (DMTN) through a document known as a Programme Memorandum and other relevant documents.
- The Auditor in conjunction with the processes of the Lead Arranger and Legal Advisor will also compile the Letter of Comfort, for the benefit of Lead Arranger and Inventors that the Municipality is in good financial standing.
- The Credit Rating Agency may also work towards producing a new/updated credit rating review.
- All legal documentation is submitted to Johannesburg Stock Exchange (JSE) for approval and officially registering the DMTN Programme.

53. Approximately 6 weeks prior to the bond issue date, it is advisable for the Municipality to conduct a roadshow. Prior to the roadshow the Lead Arranger conducts a "market sounding" exercise with investors to ascertain the following: (i) Potential investors' views about the Municipality Pricing; (ii) Volume which they can potentially purchase the bond; (iii) Ascertain any concerns which the Municipality may need to clarify/explain during the roadshow.

54. At the same time, the settlement provides for Continuous contact with investors through annual non deal roadshows, Continuous update of placing documentation as they are public documents, Paying interest and capital on payment dates. As of 31 March 2023 the Municipality of eThekwini had the following debt profile: 48% Commercial Bank Bilateral Loans; 41 % International and South African Development Finance Institution Bilateral Loans and 11% Bonds.

55. Several lessons were learnt from the inaugural bond issuance.

- Investors view municipalities as risky due to the political landscape in which they operate. This risk is taken into account in the interest rate ultimately obtained.
- It is important to diversify the borrowing portfolio for price discovery, as well as to access long tenor funding.
- Crowding in of more investors therefore increasing the chances of being able to obtain funding.
- Creating a profile for the Municipality as a credible borrower, especially the positioning of the organization.
- Creating continuous contact with investors i.e., it is critical that non-deal roadshows take place at least annually in order to keep investors abreast of developments within the organization.

56. Follow-up discussions provided clarity on a number of issues. The City of eThekwini has issued general-purpose bonds only and no bonds are issued for individual projects. An interest rate benchmarking and pricing guideline process was completed before investors were approached. The city was comfortable with what came from the market as the rate from investors was within the pricing guidelines margin. The bond auction is an open process and investors are not chosen by the city. The Lead Advisor acts as an intermediary between the city and the investors. GRA is the rating agency for the city. They are independent from all the other service providers engaged. Green Bonds is a way to go and will assist in providing climate friendly infrastructure. Investors have approached the city, but the City first needs to learn from their peers that has already issued Green Bonds.

57. The extensive damage caused by the severe floods in Durban last year, just prior to the bond issuance of eThekwini was a challenge. Projects were re-prioritised, and funds redirected accordingly to restore damaged infrastructure. This gave investors the assurance that the city was attending to damage to ensure that business can continue, and that future revenue will not be impacted. It also helped that National Treasury provided a grant.

58. There were no major migration issues when the City expanded into the bond market from the commercial loan market. The Lead Advisor played a key part. Financial accessibility was not a problem because of good financial standing and the absence of an adverse audit report. Long term bonds are approved via robust council procedures and will stand even though Councils are only elected for 5 years. The General Project Funding principle prevents the funding of specific projects and cross subsidisation is used to fund projects that are delayed. This helps against potential political interference.

59. The Capital Market Regulator in South Africa insists that experienced Lead Advisors are used and must be professional. The Lead Advisor's function is independent within the investment bank used, and other departments will be involved when auctions happen to prevent collusion within the bank that will push costs up. Other role players are the Book Runner and the Broker. The Book Runner ensures that potential investors are within the interest pricing guidelines and the Broker is the person through whom you buy / sell in the secondary market.

60. **Case study of the City of Tshwane.** The City introduction in the capital market began in 2012 with a successful restructuring of the City's R10 billion long term loan book. Following the successful loan restructuring, the decision was made to explore entering the bond market

as an additional source of capital investment borrowing on a long-term basis. Through the lead advisory of Standard Bank, the City established and registered a DMTN Programme of R4.5 billion with the JSE Securities Exchange. The DMTN Programme is a platform against which the City would use to issue bonds to investors. The first Programme was established in December 2012 and updated in 2017 at R5.5 billion. In October 2012 the City was rated by Moody's Investors Service at A1.za and P-1.za on long and short-term ratings respectively, with a negative outlook. All bond issues by the City would have no security enhancement, no underwriting nor collateralised in any form or shape. It was necessary to take this strategy in order for the market to fairly price the risks associated with the bond issues.

61. Two issues were made on 3rd April 2013 through the Dutch auction. These were COT01 and COT02. Whereas the Municipal Finance Management Act (MFMA) provides for issuing new debt to retire existing long-term debt, the City of Tshwane opted for a plan for a cash redemption upon maturity of the bonds issue.

62. The 2013 issues of the three bonds were the last the City has issued mainly due to a credit profile that is not attractive to investors and carries a high credit risk. New debt raised during the past 10 years amounting to R8 300 million, was as a consequence sourced through bilateral agreements with the DBSA, Nedbank and ABSA.

63. The Redemption Fund Supply through normal working capital. 75% of the City's revenue comes from rate payers and an allocation is made from this revenue to the Redemption Fund. The bond profile (bullet or amortisation) determines the process and cycle for redeeming the debt. About the secondary markets, current investors do not trade on the bonds at this stage and thus there is no secondary market. Although legislation does allow the municipality to borrow debt against settlement, Tshwane opted not to go that route. The current risk situation will deter investors. There is still enough revenue to service debt and Tshwane will look for other pathways to maintain liquidity. The Redemption Fund helps raising the confidence of investors.

64. The appointment of Fund Managers is made through a Request for Proposal (RFP) process. An RFP is sent to existing fund managers e.g. managers for Pension Funds, and will elicit information on fund managers risk policy, qualifications and size of department. Fund Managers must adhere to municipal regulations and are not allowed to invest any funds in equities. The number one issue is the retention and preservation of capital. The bond issue process is not complicated, just complex especially given the number of actors involved. Notwithstanding, the Lead Advisor plays an important role in the navigation of this complexity.

VI. ROUND TABLE DISCUSSION ABOUT MUNICIPALITIES BOND ISSUANCE IN SOUTH-AFRICA: NATIONAL TREASURY, AFRICAN DEVELOPMENT BANK, DEVELOPMENT BANK OF SOUTHERN AFRICA, AND CITY OF TSHWANE

65. Discussions between the panellists raised several points. The South African National Treasury does not get involved in the bond issuing process at municipal level apart from the prescribed regulatory role. Investors that approach Treasury for confirmation of the impact that municipal debt will be referred to the municipality. According to the Municipal Financial Management Act, municipalities must get a comment from Treasury before entering the bond

market, and the municipality can provide this to investors. Treasury also issues a quarterly municipal borrowing bulletin that informs investors on debt status.

66. There is a need for a vibrant secondary market and municipalities are encouraged to enter the bond market instead of just approaching banks for loans. There are a number of Regulators by law e.g. the Regulator in the insurance industry, but Treasury does not see a need to harmonise these laws to ensure that the regulators do not work against each other.

67. ESG (**Environmental – Social - Governance**) issues are very important, and municipalities have a responsibility to look after ESG needs and funding. ESG is therefore included in the municipality’s finance requirements. Investors are normally keen for ESG to be included as they also have pressure to show that they consider ESG. Green bond rules are very stringent to ensure that projects are “green”. The municipalities must have the capacity to monitor and ensure that they adhere to these stringent rules. This additional capacity requirement causes a reluctance at municipal level to enter the green bond market. The social factor of ESG is critical and the Regulator will look whether these factors are being addressed in project plans. Due to the triple P bottom line (PPP people / planet / profit) reporting trend, investors are willing to fund such projects.

68. Governance issues should ensure that projects are community driven and not political. Accountability through annual financial reports as well as annual audit reports will further assist good governance. Good budgeting practices enables good governance. Budgets include both revenue and expenditure and is the plan against which actions are measured. Capital expenditure plans are cast in stone and cannot be changed. Any adjustment for under / over expenditure or the diversion of funds must be done through the Adjustment Budget which gets approved by a vote at a Council meeting. A recognised disaster as per National guidelines is the only reason for the diversion of funds.

69. The lack of sufficient Internal capacity at municipal level is a concern. Tshwane mentioned that they have not had sufficient capacity for a long time. Recruitment and retention of suitably qualified staff is difficult due to scarcity of such people. Tshwane attempts to build capacity internally through a training programme. Gtech (Government Technical) is a costly resource for capacity assistance. Gtech seconds technical staff when needed.

70. A robust Borrowing Framework is a strong requirement for entering the bonds market. Putting a Borrowing Framework in place is a long and consultative process. Regions that still need to develop it must start lobbying their politicians early. Maybe the process can be accelerated through harmonisation across countries and regions.

71. The discussion between the panellists and the CFOs provided an opportunity for further precision on several aspects. In South Africa all bonds must be issued in the local currency. This rule is there to guard against exchange rate fluctuations. Foreign rating agencies licenced in South Africa will use the same matrix globally but apply it to each local currency.

72. Social projects might not always be profitable but there are investors that are willing to invest in social projects via Social Bonds, loans, and grants. These investors include Impact Funds and Philanthropic Foundations. DFIs can assist in identifying institutions that will provide funds without a profitability requirement.

VII. US MUNICIPAL BOND EXPERIENCE

73. **Rating and listing of municipal bonds in the US: Valérie WHITE (Former Managing Director at Standard & Poor's Global Ratings (S&P), New York**. In the USA the Federal / Sovereign Government sets the overall rules and standards but does not give authority for the issuing of bonds. The Government only sets the regulatory framework. 19 out of the 50 States have Comptrollers. A Comptroller is an independent body that oversees the fiscal situation including operations. 9 out these 19 are independently elected. In New York State the Comptroller controls the issuing of bonds. The Controller oversees contracts, payment of expenses and collection of tax revenue. The Governor of the state (elected) has the responsibility for the budget process and preparation. The Comptroller is not involved in this process.

74. New York city uses a similar process with elected officials. The Comptroller's duties are as per the State. The Comptroller issues and controls the General Obligation bonds. Revenue Bonds are the responsibility of the Municipality, but the Comptroller may be used as a conduit. Revenue will be collected by the Municipality or the authority responsible for the revenue project.

75. The Regulatory Framework is set by federal law and a Regulatory Agency (e.g. the Securities Exchange Commission (SEC) oversees the processes. The Comptroller has an auditing role ensuring that the rules are adhered to and a CFO, reporting to Comptroller, is responsible for the financial functions. Where a State do not have Comptrollers, the Governor of that State, or the State Fiscal Body will appoint a fiscal manager. This might differ from State to State.

VIII. ROUND TABLE 2: THE ROLE OF DEVELOPMENT FINANCE INSTITUTIONS (DFI): AFRICAN DEVELOPMENT BANK (AFDB), DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA), EUROPEAN INVESTMENT BANK (EIB)

76. The African Development Bank's (AfDB) role is to promote economic growth and social progress across the continent. Its development agenda is delivering financial and technical support for transformative projects that will significantly reduce poverty through inclusive and sustainable economic growth while supporting countries to accelerate achievement of the SDGs. In order to sharply focus the objectives of its Ten-Year Strategy (2023 – 2032) and ensure greater developmental impact, five major areas, commonly known as the High 5s, aimed at accelerating Bank's delivery on the continent, were identified for scaling up, namely, energy, agro-business, industrialization, regional integration and improving the quality of life for the people of Africa.

77. The AfDB works directly with national governments and the private sector, and through local and regional development banks. The Bank unveiled its Guidelines for Subnational lending and finance that allow it to engage directly with municipalities. More recently, with the launch of a multidonor trust fund dedicated to cities, the Urban and Municipal Development Trust Fund (UMDF), the AfDB is increasing its direct involvement at the Subnational level including in cities. It is also through the UMDF, that the AfDB has been able to finance the ongoing Training of CFOs in Africa and will be expanding this program in the next 3 years to address municipal finance gaps and limited capacities in its regional member countries. The AfDB has a long history of financing capital intensive infrastructure development in cities with sovereign guarantee. It will also arrange credit and risk guarantee for investments and trade facilitation where necessary. It also has the capacity to subscribe to issued bonds at national and or subnational level.

78. One of the main responsibilities of the European Investment Bank (EIB) in Africa is through the African Sustainable Cities Initiative (ASCI) project as per the presentation earlier in the week. The focus of the project is the building of capacity in the municipalities with the main aim to improve creditworthiness and obtaining a credit rating. The EIB has not recently been involved with credit issuance through bonds in African municipalities.

79. The Development Bank of SA (DBSA) is owned by the SA Government and reports to the finance minister. The DBSA mandate is to promote sustainable infrastructure across Africa over the long term through municipalities and governments. South Africa accounts for 65% of the financing of DBSA and the remaining 35% is in the rest of Africa, mainly the West Africa sub-region. Municipal infrastructure and energy are the key areas of focus. Municipal infrastructure involvement constitutes a large portion of the DBSA's work. Here DBSA assists the large metropolitan areas in funding and provides non-financial assistance to smaller municipalities. This assistance focusses on long term planning to build capacity so that these municipalities can then be funded when appropriate.

79. The DBSA funds municipalities through the balance sheet (bilateral loans) and not through bonds, focussing on ring fenced projects where the revenue generated will be used to pay back the loan. Expanding the funding base to include bond financing is important and the DBSA also assists the municipalities in this regard. The DBSA encounters challenges from time to time and endeavours to overcome these challenges by bringing in outside skills to assist the municipalities. These challenges may include: The state of local government, generally poor municipal infrastructure, and political leadership qualities may be lacking. The DBSA does work with districts and secondary municipalities as few municipalities have approached the bond market and need assistance to help them move forward. This shift from bilateral loans to capital market is one of the aims of the DBSA. The DBSA can also subscribe to the bonds issued by municipalities. The first step in this process is to improve the revenue collection structure in that municipality or district.

80. DBSA is investigating in two new opportunities for intermediary Cities and Municipalities : the green fund and also the pooling system.

81. The EIB, however, warned that the private sector could disorganize municipalities if they (municipalities) do not get involved in projects. Municipalities must be aware that this will take revenue away from them and that it will affect their future financial standing.

82. UCLGA is considering a pooling mechanism to improve the combined balance sheet of participating municipalities for funding purposes. DBSA warns that pooling is not the panacea. Entities with a good credit rating do not want to be pooled with those with an adverse rating as it will work against their own good standing. The focus must be on building the individual municipalities' own financial standing before considering pooling.

83. However, acknowledging that capital markets do have minimum requirements to access the bond market - among others, a minimum level of resources, an intermediation cost and a good credit rating - there is a case to be made for pooling funding needs provided all the participants have a good credit standing (UCLG Africa).

IX. ACCESS TO CLIMATE FINANCING OPPORTUNITIES

84. **The Connection Between Financial Planning and Climate Resilient Cities; Sello MPHAGA, Divisional Head: City Sustainability at City of Tshwane Metropolitan Municipality and Jess KAVONIC, Head of Implementation, Africa, C40 Cities.**

85. Jess Kavonic of C40 Cities gave a presentation on the connection between financial planning and climate resilient cities, focusing on resilience. Resilience must be seen as the dimension that strengthens cities' ability to attract investment… it's not only about protecting against disasters – it is important to also understand it is a powerful and concrete means to make the case for investors to choose your city over another one … or your investment opportunity over another. Enhancing resilience means protecting the assets for all stakeholders and improves service continuity (including potential revenue generation) against hazards. All cities have a wish list of projects. But this is not an investment plan – resilience can support cities access to capital market by adding a key underpinning of creditworthiness. An investment planning helps cities set the agenda, not donors or financiers; it reflects good governance, transparency and shows much more meaningful commitment to development.

86. Sello Mphaga presented the practical application in the City of Tshwane about the incorporation of climate resilience and responsiveness. A social vulnerability index and climate zones risks has been incorporated into the city of Tshwane's GIS system. Each project has to indicate the strategic alignment in terms of Alignment to Climate Mitigation or Adaptation, alignment to Climate Action Plan Outcomes, and UN Sustainable Development Goals. By capturing the strategic alignment with the climate benefits and Climate Action Plan outcomes, the city demonstrates the extent to which its capital budget is supporting Climate Action Plan outcomes and co-benefits.

87. The City of Tswhane Capital Planning System can nudge capital planning towards being climate sensitive – climate change management; is able to create a climate-sensitive capital project pipeline which can also be used for fund-raising purposes. It can generate data that shows the extent of climate mainstreaming in financial terms and help motivate for a climate budget; and can demonstrate spatial relationship between project locations and climate risk zones which is key to ensuring that infrastructure investment will contribute to building climate resilience.

88. The discussions highlighted the fact that drastic and unforeseen climate events do occur that necessitate the reprioritizing of funds during the Budget Adjustment process. Action must, therefore, be taken to negate the negative impact over the long-term. The development of a new human settlement for the relocation of the people after an illegal settlement flooded was used as an example. Climate resilience does require innovative funding and Green Bonds is a consideration. The City of Tshwane is planning to go to the market for Green Bonds in conjunction with the City of Johannesburg. Putting up Public Private Partnerships (PPP) is also part of the financing solution. Planning for additional funding in the future will be through the Climate Budget, but this process is still in its early stages.

89. **The importance of new green/climate funding opportunities. Anton Cartwright, African Center of Cities (ACC).** The African Centre for Cities is a research centre linked to University of Cape Town. The Centre studies and documents urbanization trends. The focus is on the city itself and the purpose is to bring the lens of African cities to the global base.

90. Urban opportunities are expansive, in energy, transport, waste management, built environment, spatial & ecological infrastructure. There is a danger that Green Bonds can

become an expensive and prescriptive debt if not used correctly. Green finance creates opportunities for a more competitive market in the climate change economy, and participation in the clean trade. The question is – how can we make green capital available to work for all the people in our cities? We must ensure that the urbanization phase benefit our social economic environment.

91. Other issues that emerged during the discussion included the following: Economists must expand the definition of GDP and redefine capital to include social capital as well as environmental climate assets e.g. rain forests. Morally Africa might be entitled to emit more carbon in improving its economies in the quest to get on par with Europe, North America or Asia, but is that our only option? Africa must rather use the disruption to gain a competitive advantage in the green climate economy. Green finance will be cheaper than if the projects were carbon intensive. Africa must make use of the opportunities it has under Article 6 of the Paris Accord for Africa to draw financing from a just transition. Africa must use its Fiscal, Regulatory and Leadership / Advocacy levers. Jobs and services will help to reconcile social impact and people - create good jobs close to where the people live.
South Africa has a high carbon footprint but countries outside of South Africa can keep their dependence on old / legacy technology as their carbon footprint is low. The new built environment, however, must focus on green industrialisation.

X. STRENGTHENING THE NETWORK OF CHIEF FINANCE OFFICERS OF AFRICAN CITIES AND SUBNATIONAL FOR ACCESS TO CAPITAL MARKET

92. **Open session.** The conference was updated on recent property tax reforms **in Mauritius**. Property tax on residential properties (for the main residence only) will be removed. The impact will be significant. Government grants are the main source of income for municipality and municipalities will now be even more dependent on central government. Commercial properties will still be taxed and are also levied on properties in the former in rural areas. This will increase the tax revenue, but an overall deficit is still anticipated.

93. In **Morocco**, reforms are taking place aimed at improving rural tax collection. The under development of rural areas had to be addressed. States have withdrawn up to 90% of taxes and local municipalities will adopt what states have done. There is also reform taking place with respect to second residential properties.

94. Property tax is the main source of revenue in **Cote d'Ivoire**.

95. **Mauritania** has 66 taxes at commune level and revenue collection is now higher as when it was managed by the state. Municipal taxes are managed by the municipalities and no revenue is remitted upstream to the central government.

96. In **Benin** a percentage of the property tax goes to government, but most of the tax revenue remains with the municipality.

97. There are two types of property tax in **Gabon** and tax is collected by revenue services. The tax revenue is redistributed by the state through a set framework.

98. In **Cameroun** taxes are centralised at the national level by law. 10% of this revenue is redistribute to the region in bulk. Other community taxes are collected directly by the

community. Accounting is opaque and problematic. Cameroun uses one accounting system. All revenue must be sent to treasury and municipalities will request funds from treasury when needed. Municipalities, however, do not always get the funds they ask for despite there being enough funds in the bank account. Treasury keeps a bank account for each community and sends regular updates on the account status.

99. **Meeting of Finet Network: Activities, Publications. Jeremiah Sibande, Lilongwe Malawi.** Member municipal councils have experience various challenges that prevent the timely remittance of membership fees and financial commitments. There is need for the CFO Network to be developed at country level. Establishing National chapters of the Network at the country level is the duty of each member of Africa Finet.

100. The Chair raised the lack of contributions by CFOs to the UCLG Africa Newsletter. Delegates stated that municipalities are very political. Every article written must be approved by the politicians and CFOs are in effect muted to speak. Delegates are urged to write articles on the general issues they face in their environments. Case study presentations such as those presented by the of Johannesburg, Tshwane and eThekwini during the conference helps the unity and development of Africa.

XI. ESTABLISHING AN AFRICA MUNICIPAL BOND (AMB) MARKET COMMUNITY AND CENTRE OF AMB MARKET PRACTICE. ZIEZIE DILLION

101. Access to the capital market for cities and local authorities is not yet widely practiced in Africa. The rare examples exist in South Africa, Nigeria and Morocco. Therefore, it is important to have a resource center capable of bringing together in one place the different experiences underway in Africa, as well as the stories of the CFOs concerned. It is also important for CFOs that this single location is complemented by a social network enabling them to exchange information and experiences live. This Center of Excellence will help to reinforce one of the fundamental objectives of the CFO Network, Africa Finet, which is to contribute to an exchange of experience and expertise between CFOs in order to strengthen the capacity of cities and local authorities to provide services to their populations and thus improve their living conditions.

102. Who should be the **key stakeholders** for this centre?

- Municipalities that have issued bonds in the past (CFO / Heads of Treasury)
- DFI representatives.
- CFOs from municipalities that are already geared to enter the bond market.
- Bankers to cover the portfolio of funding possibilities keeping in mind the weighted cost of capital.
- Consider the inclusion of approvers e.g. elected councillors / political representatives. However, they might need to be trained on financial issues.
- Regulators (e.g. National Treasury) as they will be able to share regulatory experiences.
- Rate payers' associations and local business forums. Good idea but might be better to leave external parties to the cities.
- Pension funds as part of potential funders pool.

103. Comment: Must guard against too big a group. Rather it would be more effective to start small and grow later.

104. What do we want to see on the **portal**?

- The benefits of accessing the capital market.
- Guidelines as to what can be done with the funds.
- Benefits that will accrue to the people.
- Process and supporting documentation needed.
- The process for managing the funds.
- Impact.
- Legislative and Regulatory Framework in each country.
- Sharing of information on successes of individual municipalities. Case studies and publications.
- Toolkits.
- Local country database with contact information of all role players – country by country.
- Space for interaction like Q&A sessions via Zoom.
- Templates that countries can use to approach bond markets. Can be customised to needs.
- A chat function.

105. Who will **host** this virtual platform? It was proposed that UCLG Africa hosts the virtual platform, but that the website must be a separate from the main UCGL Africa website that is already very busy. It will be anchored by core development partners – DBSA / AfDB.

106. **Timeline** – website ready for review at next conference in 2024.

CONCLUSION

The Workshop concluded with a certificate award ceremony. All participating CFOs were recognized for their continued participation in the CFO Network. It is hoped that after this training session, much progress will be realized within the respective participating cities and subnational governments. The next phase of the CFO Initiative will combine intense one on one technical support in the key areas for improving municipal finance and preparation for going to capital markets. The Bank and UCLG Africa together with other partners will draw-in the diverse experience of African cities that have issued bonds and have successfully been able to access private capital. As well, the focus will shift to strengthening local accounting capacity and lobbying for strong legislation and regulatory framework that allows greater municipal fiscal autonomy.