



Sub-National Technical Assistance Program

A program to help sub-national entities borrow to finance infrastructure improvements

Responsibility for meeting the enormous demand for new and better infrastructure services in developing countries is increasingly shifting from national to sub-national entities. But these entities, typically local governments or utilities, often lack the financial resources to fulfill this responsibility. Filling this financial gap is not easy. Traditional sources of sub-national financing require sovereign guarantees that are often difficult to obtain because of fiscal constraints at the national level or policies that promote local financial accountability. But most sub-national entities lack the creditworthiness to access market-based financing on their own. This is the constraint that the Public-Private Infrastructure Advisory Facility (PPIAF) targets through its Sub-National Technical Assistance (SNTA) program.

What is the aim of the program?

The SNTA program helps sub-national entities access market-based financing without sovereign guarantees. The program's objective is to provide technical assistance to improve the borrowing capacity of local governments and utilities through three types of activities:

Financing

SNTA activities can help sub-national entities secure capital for infrastructure development, typically from banks or bond markets. The range of assistance includes feasibility studies, market sounding exercises, targeted policy diagnostics, and transaction support for the actual structuring and implementation of financial operations.

Performance improvement

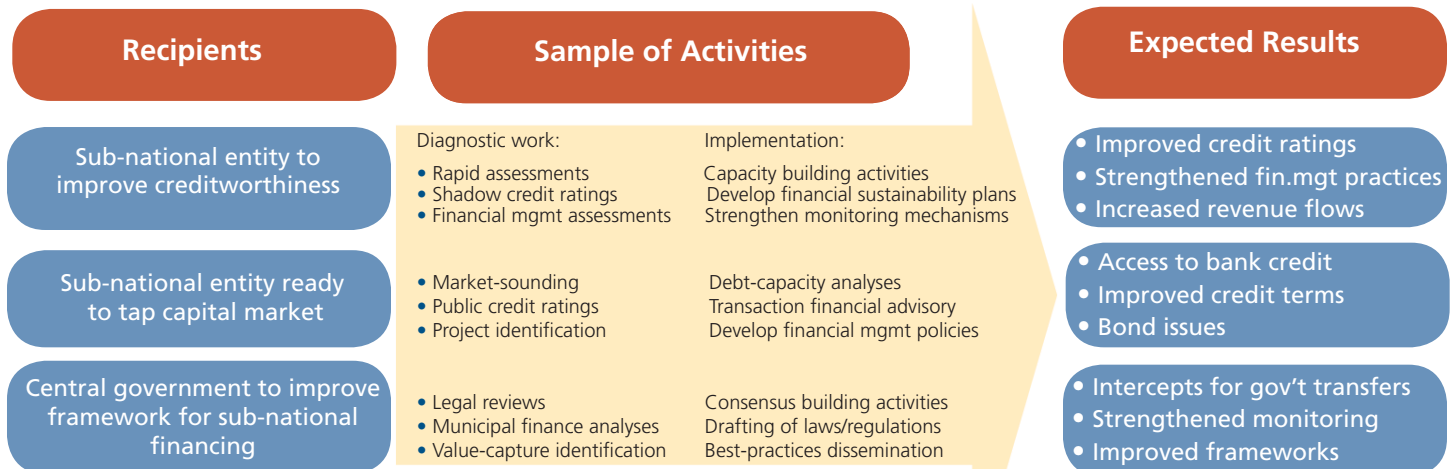
SNTA activities can address problems that weaken the credit standing of sub-national entities in the eyes of potential lenders. These activities focus on helping sub-national entities build financial sustainability plans, strengthen or identify potential revenue flows, diagnose current financial management practices, improve transparency, and strengthen financial monitoring mechanisms.

Credit rating

SNTA activities can also support credit ratings to indicate the relative creditworthiness of potential borrowers. In the case of "shadow" credit ratings—unpublished, unofficial ratings done for diagnostic purposes—the rating activity is usually followed by technical assistance to make improvements to the sub-national entity's creditworthiness, with the objective to further obtain a formal rating.

What kinds of entities qualify?

- Local governments (provinces, states, municipalities) with responsibilities for delivering infrastructure services
- Utilities, authorities, special districts, and state-owned enterprises that deliver infrastructure services
- Development finance institutions with a primary focus on infrastructure lending



Where does the program add the most value?

SNTA can help where needs for improvement are clear and relatively modest. SNTA can help conceptualize and structure a debt-financed project, or identify and fix problems by supporting preparations for credit ratings or financial management assessments that identify needs for improvement. SNTA can then provide follow-up support to help implement the recommendations. Finally, SNTA can also help with upstream legal and regulatory reforms as long as they are relatively minor and facilitate actual borrowings.

Selection of SNTA results in Africa

Financings obtained/to be obtained

- **Senegal:** Agence Française de Développement (AFD) loan of \$15.8 million for Dakar municipality
- **Uganda:** AFD loan of \$12 million for National Water and Sewerage Corporation (NWSC)
- **Kenya:** 18 loans for peri-urban water operators (\$1.5 million from K-Rep Bank)
- **Kenya:** two loans of \$93 million each from European Investment Bank and AFD for the extension of Jomo Kenyatta International Airport

Shadow credit ratings obtained

- **Africa:** Seven water utilities (in Kenya, Senegal, Burkina Faso, Uganda, Tunisia)
- **Africa:** Three national development finance institutions (Namibia, Botswana, Mauritius)
- **Southern Africa:** 10 municipalities (Windhoek, Arusha, Blantyre, Dar es Salaam, Gaborone, Lilongwe, Lusaka, Maputo, Ndola, Port Louis)

Formal ratings obtained

- **Swaziland:** Two Swazi municipalities (Manzini, Matsapha)
- **South Africa:** Two South African municipalities (Msunduzi, Sedibeng District)

Which countries are eligible for SNTA support?

Eligible countries include recipients of official development assistance as defined by the Development Assistance Committee of the OECD. Requests from low-income countries will receive special consideration. Please contact one of our team members who will assist you with the application requirements and eligibility criteria.



Strengthening Creditworthiness of Municipal Water Company in Sergipe, Brazil

In 2010 SNTA provided technical assistance to two water utilities in the northeast of Brazil (DESO and CAERN) to facilitate access medium-term bank loans without sovereign guarantees. The SNTA support to DESO helped secure \$11 million in financing from the International Finance Corporation by substantially improving the company's ability to interact with financiers. DESO will use the money to reduce water losses that were approaching 50% and make customers more accountable for their water use. The saved volume will increase the availability of water to the population, which has recently faced rationing periods.

SNTA helps the City of Dakar, Senegal strengthen its financial management system

In 2008 the city of Dakar requested SNTA support to provide technical assistance for a Public Expenditure and Financial Accountability (PEFA) study to strengthen its financial management system and improve its creditworthiness to access market-based financing. The recommendations in the resulting PEFA report on the quality of public financial management were implemented by the city of Dakar. As a result, Dakar obtained a €10 million (approximately \$15.8 million) loan from AFD in June 2009 to support a public lighting program.