



Contributing to the development of capital markets in Africa

Beginning: **2009**

Financing: **equity investment equivalent to 10% of the company's share capital**

Partenaire : **Global Credit Rating**

Impacts

For Proparco, such an investment plays an important developmental role, in that a credible ratings industry constitutes a strong enhancer for the development of efficient capital markets.

Indeed, a ratings agency assists indirectly in ensuring the development and evolution of markets, industries and companies. For investors, ratings provide tools to more effectively price for risk and to monitor credit risk exposures over time. For issuers, a favourable rating can immediately result in an increased pool of investors, improved direct access to capital markets and ultimately a reduction in funding costs.

These features contribute to the establishment and effectiveness of companies to compete in global markets and hence impact the underlying growth of a country.

Context

GCR was founded in 1996, as the African arm of the NYSE listed rating agency Duff & Phelps. Over the past 13 years, the company subsequently developed into a full service rating agency focusing specifically on emerging markets. While the 3 major US-based agencies were increasing their emphasis on the developed world, GCR has established a proven track record for operating in "difficult" emerging markets. Its strong expertise and affordable prices have enabled the South African company to establish a recognized credibility and a proper identity on this mature market dominated by Fitch, Moody's and Standard & Poor's, where credibility is a strong barrier to entry. For a few years, GCR has expanded into targeted African countries and opened, in addition to its Johannesburg African regional headquarters, regional offices in Harare, Lusaka, Lagos and Nairobi to cover respectively SADC, Central, West and East Africa. GCR is currently responsible for 60% of all ratings accorded in Africa, a market that still has great potential with over 1 500 rateable companies.

GCR plans to expand further into West Africa with the establishment of a Francophone office in Dakar. To finance this expansion with the aim to benefit from Proparco's presence in this region for the past 30 years, GCR has seen an opportunity in offering a stake in its capital to Proparco. Furthermore, the knowledge and expertise of Proparco in the region can help GCR to face this new challenge, and having an international development finance institution in its shareholding is likely to increase its credibility and the perception of the market. Proparco became a 10% shareholder of GCR in the 2nd half of 2009.

Objectif du projet

By investing in GCR, Proparco aims at enhancing the level of financial information and thus contribute to the efficiency of financial markets in Africa, a continent which remains a priority for Proparco. Similarly, ratings can play a catalytic effect to attract foreign investment into the region.

Description

Currently, GCR rates approximately 400 groups in Africa, covering the following key sectors: banks, building societies & discount houses; insurance, assurance & reinsurance; corporates & industrial borrowers; MFI's; parastatals, utilities & local authorities; structured finance & securitisation; and healthcare.

The partnership between Proparco and GCR does not only consist in the acquisition of a portion of the capital of the company but is also based on a Memorandum of Understanding, which purpose is for Proparco to help GCR through identifying opportunities for GCR in its existing clients base, suggesting our clients to consider commissioning a rating where appropriate, and introducing GCR to representative offices within Africa.

More information on www.proparco.fr