During the 6th Ordinary Session of the African Union's Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration (STC-FMAEPI) held from 20 to 21 July 2023 in Nairobi, Kenya, the Committee adopted a declaration to initiate works for the establishment of a private sector-driven African Credit rating Agency based on self-funding and sustaining. STCs are Committees of Ministers or senior officials that work in close collaboration with the various Departments of the African Union (AU) Commission, providing inputs to support the work of the AU Executive Council (a body that, in turns, works in support of the AU Assembly), with regard to thematic areas that fall within their areas of competence. The criteria and the roadmap for the establishment of the African Credit Rating Agency (ACRA) have been discussed by the African Peer Review Mechanism (APRM) and the United Nations Economic Commission for Africa (UNECA) in a two-day retreat in Lusaka, Zambia, that started yesterday, 27 March, and ended today. This represents a very first step in the direction in the establishment of such Agency.

The reason for the establishment of the ACRA is very simple. One of the reason why interests that African countries pay on the capital they borrow from the private sector are so high, is that Western rating agencies continually give these countries a negative rating, overemphasizing the fiscal challenges they face (and their ability to repay the capital borrowed) and downsizing the fact that many of such States are among the fastest-growing economies on the planet. According to UNCTAD , the average borrowing rate of Africa (for commercial loans) is 11,6%.

In the past it has often happened that some African countries such as Nigeria and Kenya have rejected the ratings of these agencies, complaining about their poor understanding of their national contexts. Last year, a joint report by UNECA and APRM questioned the ability of the world's 3 largest credit rating agencies: Moody's, Fitch and Standard & Poor's (S&P), to correctly rate African countries, citing significant errors in carrying out their assessments and noting that despite these errors, these 3 agencies continue influencing in a negative way the global financing decisions of investors and flow of capital to Africa. All these agencies, the report noted, are headquartered in London or New York and have very limited presence in Africa. Yet, they strong influence the high interest rates that private investors charge on capital lent to Africa.

The report recommended the establishment of an African Credit Rating Agency as an independent entity to provide alternative and complementing rating opinions for the continent. This authority, which is planned to be launched by the end of this year, is expected to provide more precise and “fair” credit ratings and economic outlook assessments that would make borrowing cheaper for African governments. The problem, however, is not the replacement of the assessments by Western rating agencies with those made by an African one. Rather, the real issue is how authoritative and reliable this agency will be, and whether investors will accept its ratings, or if they will continue to rely on the judgments of Moody's, Fitch and Standard & Poor's, which will continue to exist, and to make assessments on the health of African economies.

...And the answer is not at all as obvious as many believe.