OXFORD BUSINESS GROUP

African Stock Exchanges

Focus Report

In collaboration with

ASEA

July 2022

Foreword

Félix Edoh Kossi Amenounve, President, ASEA; and CEO, BRVM

Although less volatile than international markets, African markets mirrored the global downward trend on stock exchanges during the early months of the Covid-19 pandemic, with the extent of the impact depending on the exposure of leading sectors. The situation improved in 2021 owing to the vaccination rollout and the gradual lifting of containment measures. Indeed, a general upward trend took hold from late 2020 and almost all African exchanges closed 2021 in the green.

The key actors of African financial markets showed remarkable resilience during the period of turbulence and transformation. When individual investors shifted their focus from equities to bonds and the pandemic led to exits by several major foreign investors, the shocks were relatively offset by the intervention of local institutional investors. At the same time, stock exchanges and brokers have kept pace with the rapid development of new technologies to prevent bottlenecks in financial market operations, offering companies and investors more of their products and services online, faster and at a lower cost.

It is now time to address the challenges of facilitating economic transformation on the continent through the capital markets. For the most part, African stock exchanges remain modest in size and liquidity, and therefore their contribution to economic development continues to be marginal. There is a need to encourage enthusiasm for African securities and address the lack of depth in the market to support major operations; we must supply stock exchanges with more listed companies and boost demand for securities by developing institutional savings mechanisms and mobilising citizens' savings through concerted efforts at enhancing financial literacy. In addition, integrating African stock exchanges will greatly improve liquidity and depth.

The African Exchanges Linkage Project, jointly piloted by the African Development Bank and ASEA, aims to connect stock exchanges on a continental scale after a pilot phase with seven major exchanges. This project complements the strong momentum behind the African Continental Free Trade Area and builds on significant pan-African trade and investment initiatives. This will contribute to more dynamic capital markets with benefits for investors, issuers and the overall financial system via greater competition and innovation, the harmonisation of regulations and standards, and increased capital circulation.

In this report OBG, in collaboration with ASEA, highlights the key trends and opportunities that have emerged in the financial sector, and showcases how key market actors rose to the challenge of supporting economies, investors and companies through the pandemic.

Content Guide

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African Securities Exchanges Association

The African Securities Exchanges Association (ASEA) was established in 1993 in Nairobi, with the Nairobi Securities Exchange as its founding member. As of 2022 ASEA comprised six associate members and 28 full members serving 38 countries. More than 1100 companies are listed on its member exchanges, for a total market capitalisation of $2trn.

The association aims to enhance the international visibility of African exchanges while serving as an advocacy voice for its members. ASEA organises training and capacity-building, and provides market information and aggregated statistics on member exchanges. The organisation's governing mission is to foster capital mobilisation, promote sustainability and enhance financial inclusion for the benefit of Africa's economic development.

In November 2018 the ASEA Sustainability Working Group introduced the Sustainability Roadmap Pillars and Recommendations, which consist of four main pillars and nine recommendations to expand the role of the financial markets in driving progress on environmental, social and governance criteria.

Full Members

- Botswana Stock Exchange
- Bourse des Valeurs Mobilières de Tunis
- Bourse Régionale des Valeurs Mobilières
- Cape Verde Stock Exchange
- Khartoum Stock Exchange
- Lusaka Stock Exchange
- Malawi Bourse
- Merj Exchange
- Mozambique Stock Exchange
- Nairobi Securities Exchange
- Casablanca Stock Exchange
- Bourse des Valeurs Mobilières de l'Afrique Centrale
- Dar es Salaam Stock Exchange
- Egyptian Exchange
- Namibian Stock Exchange
- NASD OTC Securities Exchange
- Nigerian Stock Exchange
- Rwanda Stock Exchange
- Stock Exchange of Mauritius
- Uganda Securities Exchange
- Eswatini Stock Exchange
- FMDQ Group
- Ghana Stock Exchange
- Johannesburg Stock Exchange
- Zimbabwe Stock Exchange
- Angolan Stock Exchange
- DC/BR
- CSCS Nigeria

Associate Members

- CFA Institute
- Chartered Institute of Securities Investment
- South Asian Federation of Exchange
- Society for Worldwide Interbank Financial Telecommunication
- African Development Bank
- Institute of Certified Investment and Financial Analysts

Map & table source: *ASEA*

Exchange Developments

The stock exchange landscape in Africa has developed rapidly over the course of the last two decades. Although most exchanges on the continent still have a comparatively low market capitalisation, comprising 2% of the global total, the number of countries with exchanges has risen from eight in 2002 to 38 as of mid-2022.

The combined market cap of exchanges in the region has risen in tandem, from $260bn in 2000 to $738bn in 2011 and $1.6trn by 2021.

As African stock markets have grown in size and number, they are increasingly offering opportunities for local retail and institutional investors to support economic development.

In recognition of the potential that stock exchanges offer countries when it comes to unlocking capital and driving economic and business growth, national governments and regulators across the continent have made concerted efforts to strengthen their respective regulatory frameworks in order to ensure trust and encourage innovation.

However, the majority of stock exchanges in Africa continue to face structural hurdles to growth. With the notable exception of the Johannesburg Stock Exchange (JSE) in South Africa – and to a lesser extent the large exchanges of Nigeria, Morocco and Egypt – most African exchanges have limited liquidity, comparatively few listings and minimal participation from retail investors.

High trading costs have also posed a barrier to ongoing efforts to increase capital markets trading activity on exchanges across the region. According to the UN Economic Commission for Africa (UNECA), the combined burden of fees and taxes on most African securities exchanges – including brokerage commissions, exchange fees for clearing and settlement, and securities transfer taxes – is significantly higher than the equivalent rates in other developing countries.

While many developing markets have transactions costs below 1% of the value of trade, African exchanges typically have higher fees. Uganda and Rwanda, for example, charge 4.1% and 3.4% fees, respectively, compared to levies on the order of 0.46% in Peru or 0.57% in Thailand, according to the most recent UNECA data.

Due to the limited number of licensed brokers and relatively low trading activity, brokerage commission fees also tend to be high in countries that have smaller stock exchanges. In recent years many capital markets have started to adopt digital tools to encourage retail investor participation. Although institutional players remain the dominant investor base for exchanges in the region, higher savings rates and financial literacy could contribute to greater retail interest.

ASEA in figures

28 full members

38 economies

2400 listed companies

$1.6trn in combined market capitalisation

61% of the continent's GDP

Infographic source: *ASEA*

Equities Market Activity

The initial public offering (IPO) landscape in Africa illustrates several broader trends across the region's different stock exchanges.

In 2014-19 the three large exchanges in Nigeria, Egypt and South Africa hosted the bulk of African IPOs by value (87%), with listings on the JSE comprising over 65% of capital raised by the continent's exchanges – demonstrating the outsized weight of the South African exchange.

However, in more recent years, the pipeline of both IPOs and further offerings has started to narrow across all African exchanges, including heavyweight South Africa. This trend started prior to the Covid-19 pandemic and has accelerated in the last two years.

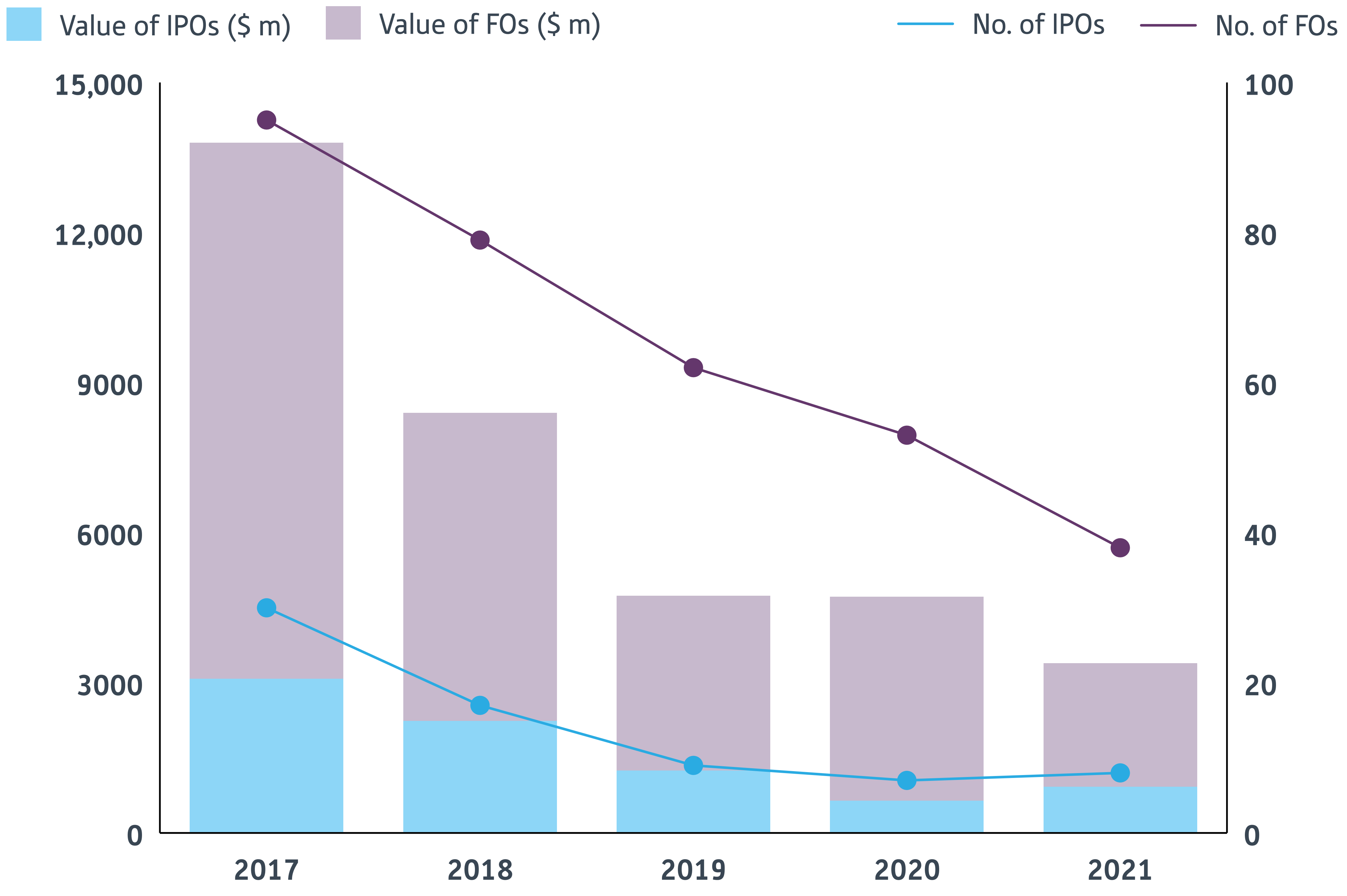
A PwC analysis showed that African equity market activity reached its lowest point in five years in 2021, with a notable lack of IPOs and 24 delistings on the JSE. Eight IPOs took place across the continent that year, with a combined value of $900m. However, one notable listing took place in Central Africa: Cameroonian microfinance institution La Régionale, which marked the first IPO on the Bourse des Valeurs Mobilières d'Afrique Centrale since it merged with the Douala Stock Exchange in 2019.

Public sector intervention could help to increase capital market activity through the privatisation of state-owned enterprises (SOEs) and their listing on national exchanges.

According to a 2021 study published by the World Bank, there are more than 1200 unlisted SOEs on the continent, with Egypt, South Africa and Morocco offering the most opportunities. Central Africa is another region where more IPOs are anticipated in the near future.

Some governments have also actively intervened by requiring large, profitable private companies to list on their exchanges, with the notable example of MTN Uganda in 2021.

Equity market activity, 2017-21



Graph source: *PwC*

Case Study

Financia Capital is an independent provider of financial and investment services founded in 2008 and based in Cameroon. The firm offers a diversified package of financial services, including advisory, financial engineering, project structuring, and equity and debt intermediation, as well as fund and wealth management for a large portfolio of corporate, institutional and retail entities.

To adapt to the transformation of the financial environment and ensure access to the stock market for a large number of investors, Financia Capital relies on digital innovation and technology to attract public savings. The firm enables individuals to become shareholders in listed companies on the Douala-headquartered Central African Stock Exchange remotely and with minimal barriers. In line with this mission, in February 2021 Financia Capital structured the initial public offering (IPO) of La Régionale d'Epargne et de Crédit on the exchange, leveraging technology as a tool for interacting with participating investors.

Financia Capital worked to raise CFA2.8bn through the offering to increase the equity of this Cameroonian microfinance institution, with the aim to transform it into a universal bank. The IPO of La Régionale d'Epargne et de Crédit, which was founded in 1993, represents a major milestone for a private company operating in Cameroon.

Financia Capital figures for the 10 years to end-2021	
Assets under management	CFA40bn
Value mobilised for clients	CFA345bn
on the banking market	CFA235bn
on the financial market	CFA110bn
Value of transactions carried out	CFA9.37trn

Viewpoint

Serge Yanic Nana, President and CEO, Financia Capital

In order to achieve financial stability within Cameroon's electricity sector and consolidate public finances in this strategic area, Financia Capital structured and carried out a CFA143bn securitisation operation of the government's debt on behalf of ENEO, the operator in charge of the production, distribution and sale of electricity in Cameroon. The undertaking was composed of a CFA25bn payment to the National Hydrocarbon Company to clear ENEO's debt and a CFA118bn cash payment to ENEO through the monetary securities market of the central bank of the six-member Economic and Monetary Community of Central Africa (Communauté Economique et Monétaire de l'Afrique Centrale, CEMAC).

For the latter, the first CFA70bn tranche was launched in December 2021, when the country issued three Treasury bonds for CFA10bn, CFA20bn and CFA40bn, which carried maturities of 13 weeks, 26 weeks and two years, respectively. The second CFA48bn tranche was carried out in March 2022 through the issuance of four- and five-year Treasury bonds for CFA25bn and CFA23bn, respectively, at interest rates of 4.5% and 5.25%.

More than 10 banks from CEMAC participated in these issuances. The programme's success was driven by the unique structure of the facility, which allowed the government to issue Treasury instruments while securing the repayment of the bonds from revenue generated by the sector. The net impact on the Treasury's cash flow was neutralised. This process allowed ENEO to clear its debt to Globeleq – the largest independent power producer in Cameroon – and pursue the structuring of its planned €300m capital expenditure investment programme in 2022.

Moves such as these will contribute to the sustainable financial consolidation of Cameroon's electricity sector, and will improve the competitiveness of the business environment for investment on a regional and continental scale.

Fixed-Income Instruments

Listed sovereign & corporate bonds, 2021 ($ bn)

Country	$ bn	Country	$ bn	Country	$ bn
South Africa	258	Angola	6.4	Cameroon	1.5
Egypt	116.9	Tanzania	6.4	Malawi	1
Nigeria	46	Zambia	5.9	Mauritius	0.9
Ghana	26.9	Uganda	5.1	Morocco	0.8
Kenya	26.9	Namibia	3.6	Rwanda	0.8
Côte d'Ivoire	12.5	Botswana	2.1	Eswatini	0.5
Senegal	12.5	Mozambique	1.6	Seychelles	0.2

Since 2007 African countries have followed a trend seen in other emerging markets, increasingly turning to foreign markets and eurobonds to fund government expenditure. However, the pandemic has underlined the vulnerabilities of such a reliance on foreign debt markets. Eurobond spreads rose precipitously during the early months of the pandemic, as markets became more illiquid and investors came to be increasingly risk-averse.

While spreads subsequently narrowed and a number of African countries have had success with fresh eurobond issuances, foreign currency risks remain a challenge for many countries that regularly face significant currency volatility.

Local currency bonds offer an attractive opportunity for African countries to deepen domestic resource mobilisation and provide resilience in financially turbulent times.

Securities exchanges are important stakeholders that have been increasingly engaged in initiatives and processes to foster more mature local corporate and government bond markets.

One such initiative was launched by the African Development Bank in 2008. Through its African Financial Markets Database and the African Domestic Bond Fund under the African Financial Markets Initiative, the bank promotes the development of local currency bond markets on exchanges across Africa.

There are also opportunities to diversify some of the fixed-income asset classes that are currently largely absent from most African exchanges – including, for example, infrastructure bonds and sharia-compliant bonds.

African countries that have had more successful government bond markets tend to have a large domestic investor base, are able to attract international investors, or both. South Africa has a comparatively large number of institutional domestic investors, and it is also the only country on the continent where non-resident investors make up more than 30% of the market. However, Ghana, Nigeria and Kenya have all been expanding their local currency bond market mainly through domestic investment, and some countries, such as Tanzania, have restricted foreign participation in order to avoid the destabilising effects of sudden retreats.

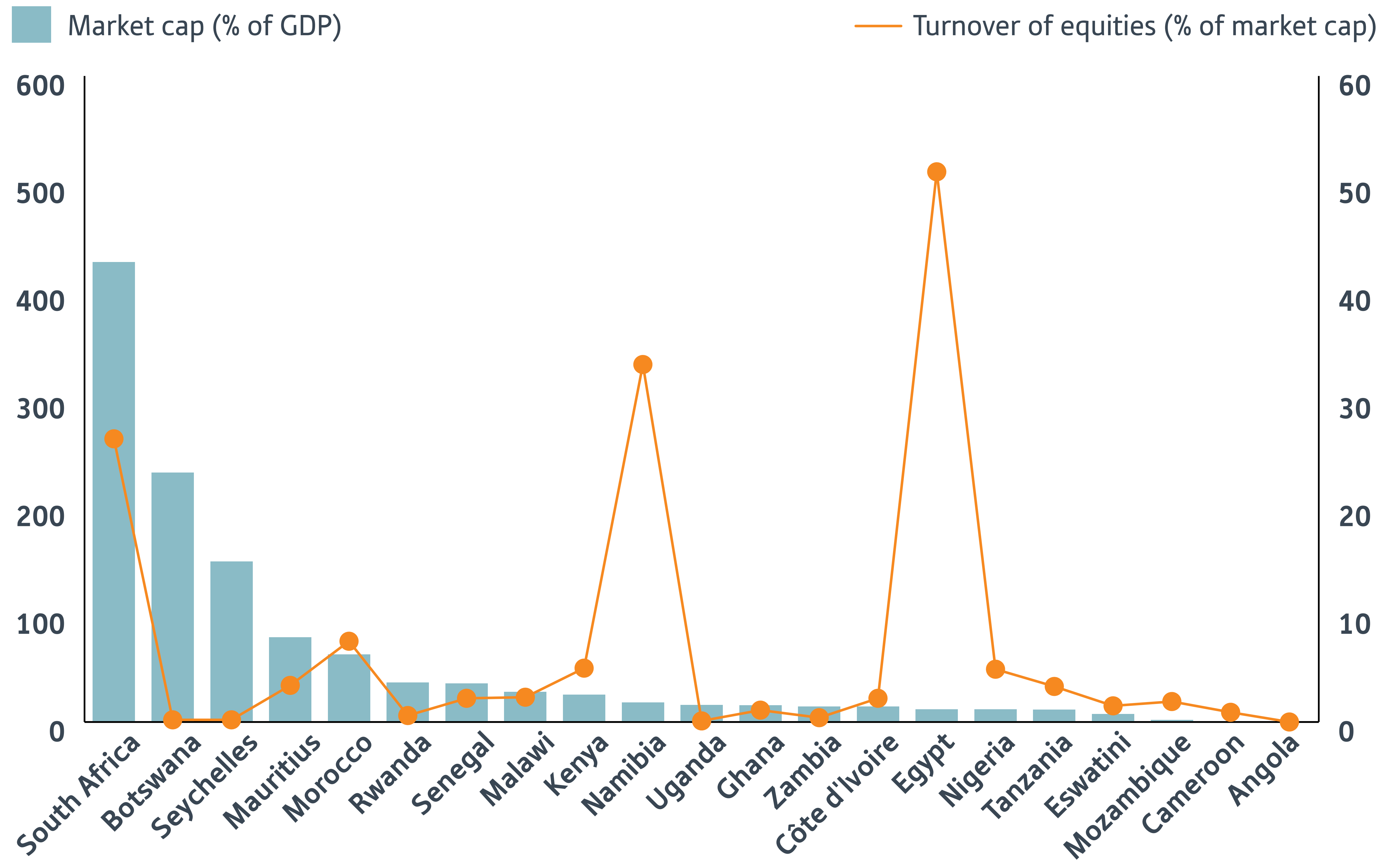
Côte d'Ivoire, Namibia and Uganda, meanwhile, have seen rapid increases in domestic bond issuances, more than doubling the average stock of local bonds to an average of 8.5% of GDP between 2009 and 2019.

The corporate bond market remains relatively shallow, although some exchanges have seen increased activity in the segment. However, growth does not always occur at a consistent pace. The Nairobi Securities Exchange saw a steady increase in corporate bond issuances until 2015, when a series of defaults caused a sharp decline. This demonstrates the importance of strong regulatory oversight and corporate governance in developing a sustainable market.

Infographic source: *Absa African Financial Markets Index 2021*

Covid-19 Impact

Market size & liquidity, 2021



During previous global crises, such as the 2007-08 global financial crisis and the subsequent European debt crisis, many African markets remained relatively isolated from the earliest and most severe forms of financial contagion.

However, in a reflection of increased global financial integration in the years since, the pandemic has had an immediate and enduring impact on African economies and capital markets, even prior to the virus being detected in Africa. Countries like Côte d'Ivoire, Kenya and Nigeria, which have strong trade relationships with China, experienced the strongest financial contagion in the early stages of the crisis.

As the pandemic spread around the world, equity markets were both impacted by the general economic slowdown and felt the effect of foreign investors retreating as risk perceptions increased and credit ratings deteriorated. Across all developing markets, the UN Conference on Trade and Development estimated that capital flight amounted to $59bn; double the amount seen during the 2007-08 financial crisis.

A 2021 analysis of the short-term relative effect of the pandemic on 13 African equity capital markets found significant negative impacts in the performance of markets in eight of the countries studied. Mauritius was the most impacted, with a 21% reduction in performance, followed by Morocco (17%), Kenya (15%), Nigeria (13%), Tanzania (11%), Tunisia (9.1%), Ghana (6.5%), Zambia (3.6%) and Botswana (2.7%).

Volatility in commodity prices, concerns about rising US interest rates and inflation, widespread job losses and increased currency risk all contributed to the deeper economic fallout of Covid-19. In response, African countries have had to raise their budget deficits amid declining tax revenue, leading to significantly higher public debt in some instances. With government bond spreads widening, African domestic debt markets faced a major influx in demand in 2020-21.

Graph source: *Absa Africa Financial Markets Index 2021*

Covid-19 Impact

Despite these economic setbacks and fiscal difficulties, most African economies experienced an economic recovery in all four quarters of 2021. International investor confidence has improved as well, as evidenced by the oversubscription of several foreign-denominated bonds issued in 2021.

The total value of non-local corporate, sovereign and supranational debt issuances in the region almost doubled from $28.5bn in 2020 to $47.5bn in 2021. However, in the face of renewed global economic challenges, the World Bank characterises the overall economic recovery of the continent in 2022 and beyond as uneven and incomplete.

In terms of the long-term impact of the crisis on stock markets across Africa, stakeholders across the continent have noted increased attention to the need to boost resilience. In response, several strategies and initiatives have been implemented in recent years to rebuild trust and deepen local financial markets.

Case Study

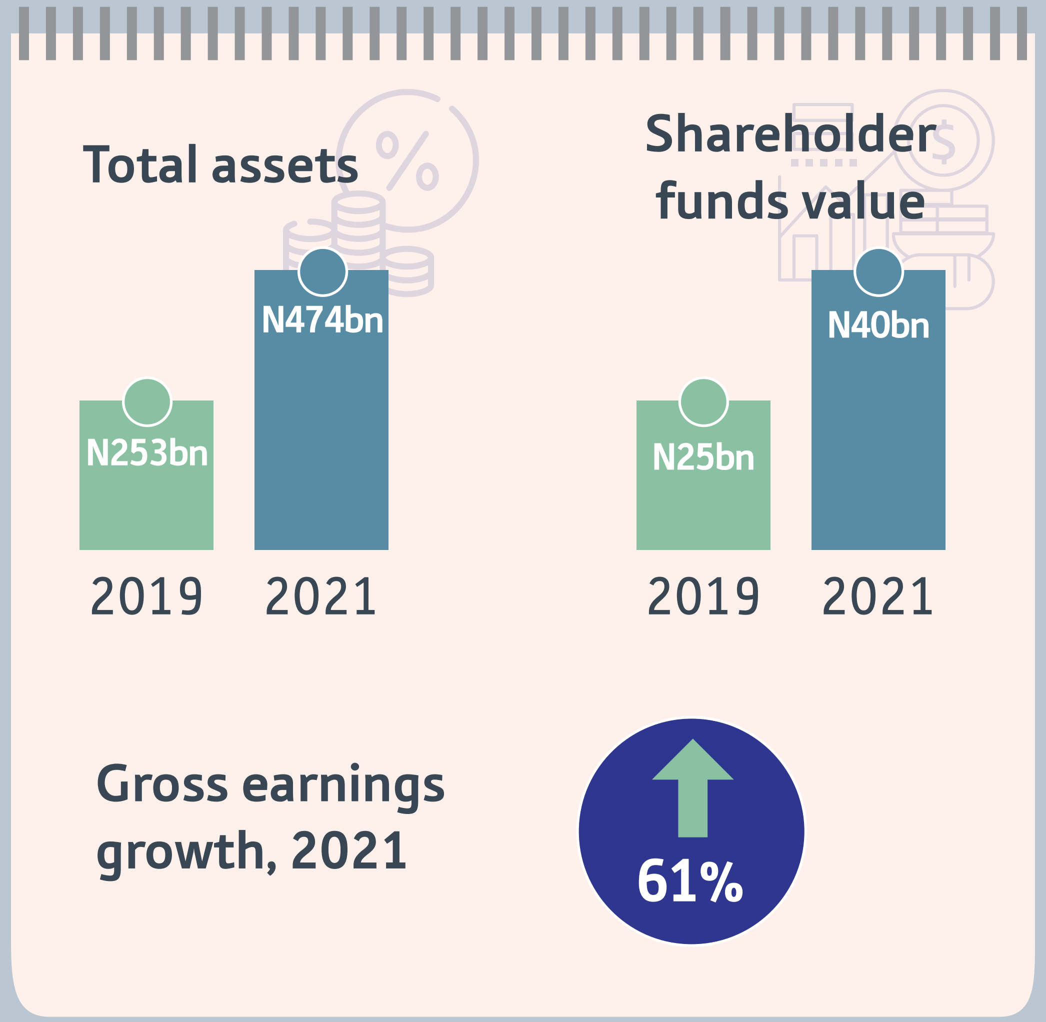
CORONATION

Coronation Merchant Bank (CMB), established in 2015, is a Nigerian wholesale bank that ranks among the top-five entities on the FMDQ Exchange in terms of trading activity and house activity for issuance in the debt capital markets. The bank's asset base and shareholder funds stood at N474bn and N39.8bn, respectively, as of December 31, 2021.

Nigeria's economy proved resilient through the 2020 recession amid the oil price crash, production shocks, portfolio outflows and foreign exchange (forex) liquidity challenges. Growth has since resumed on the back of fiscal and monetary policy interventions, with recovery evident in the telecommunications, manufacturing, agriculture and financial services sectors. Forex liquidity and reserves have also improved, benefiting from the IMF's N3.4bn special drawing rights allocation, proceeds from the $4bn eurobond sale by the Federal Government of Nigeria (FGN) in the third quarter of 2021 and higher oil export receipts. These factors are expected to ease the stress on the current account and forex markets, and support rising government spending as the 2023 elections approach.

The monetary policy response at the height of the Covid-19 pandemic led to a significant drop in the yields of fixed-income securities and an increase in cash reserves, putting pressure on interest income. As a solution, financial analysts have advised a reform of the forex rate mechanism to make way for transparent price discovery. This can be achieved without floating the currency. Despite headwinds from these constraints, CMB continues to deploy solutions drawn from its experience in navigating the market. The bank expects that FGN bond yields will rise to 8-11% midcurve in 2022, in tandem with increased domestic borrowing by the government to finance the N6.4trn deficit in that year's national budget.

The bank's policy strategies proved to be effective in addressing these challenges. In 2021 the firm delivered a modest balance sheet and received a credit rating upgrade from Fitch. The ratings agency highlighted CMB's risk controls and prudent underwriting strategy. Although the challenge ahead is to implement reforms that will resolve forex tensions, it will also be critical for financial institutions operating in Nigeria to adopt and maintain strategic policies that would make the reforms effective.



Covid-19 Impact

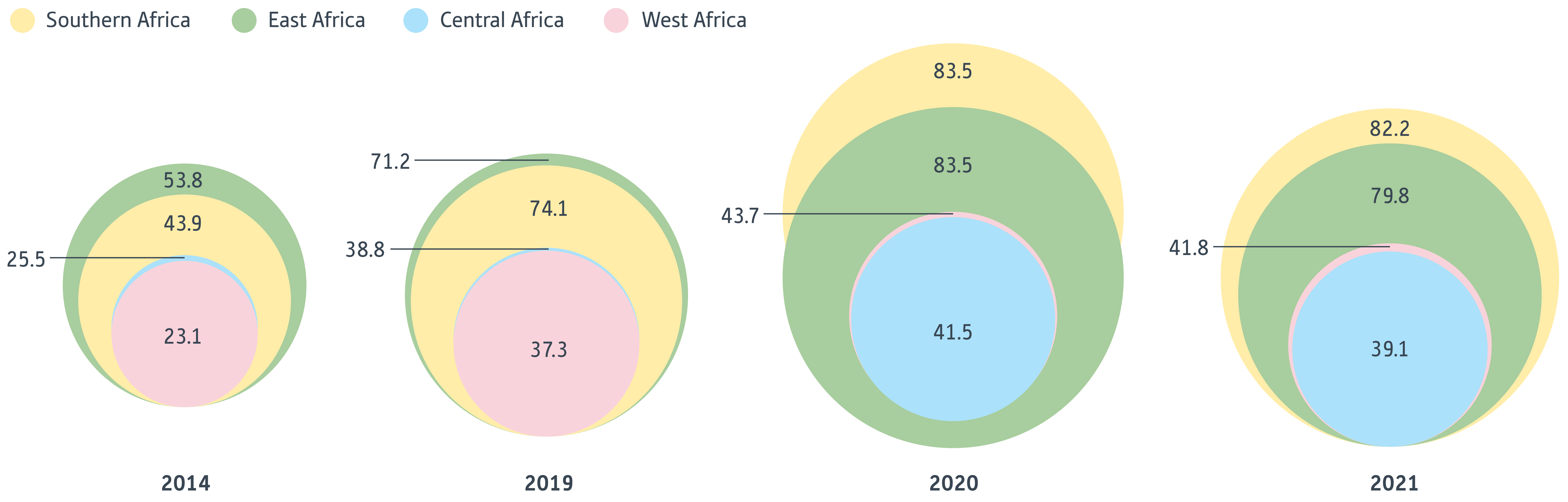
A recurring theme for investment in Africa and further afield is sustainability – and in particular, transparency. Notable regulatory changes include the signing into law of Namibia's Financial Institutions and Markets Act, the establishment of a Capital Markets Tribunal in Zambia and Mauritius' amended Securities Act.

The pandemic has also accelerated the pace of digitalisation across multiple sectors, and securities exchanges in the region are similarly set to benefit from a major increase in the adoption of digital tools and platforms.

Digitalisation is expected to lower Africa's comparatively high transaction costs and attract retail investors as trading becomes more accessible and information is more widely disseminated. Retail investors in Rwanda and Kenya can now buy government securities using mobile devices or mobile money, while investors in Malawi can access information about listed companies through a WhatsApp portal.

The pandemic has, however, complicated some regional integration efforts – including a delay in the implementation of the African Continental Free Trade Area (AfCFTA) – and posed difficulties for the African Exchanges Linkage Project (AELP). However, the crisis also underlined the importance of expanding cross-border trading, and highlighted the urgency of improving market depth and liquidity. Both the AfCFTA and AELP are likely to benefit from renewed momentum and enthusiasm from participating stakeholders as the region focuses on post-pandemic recovery.

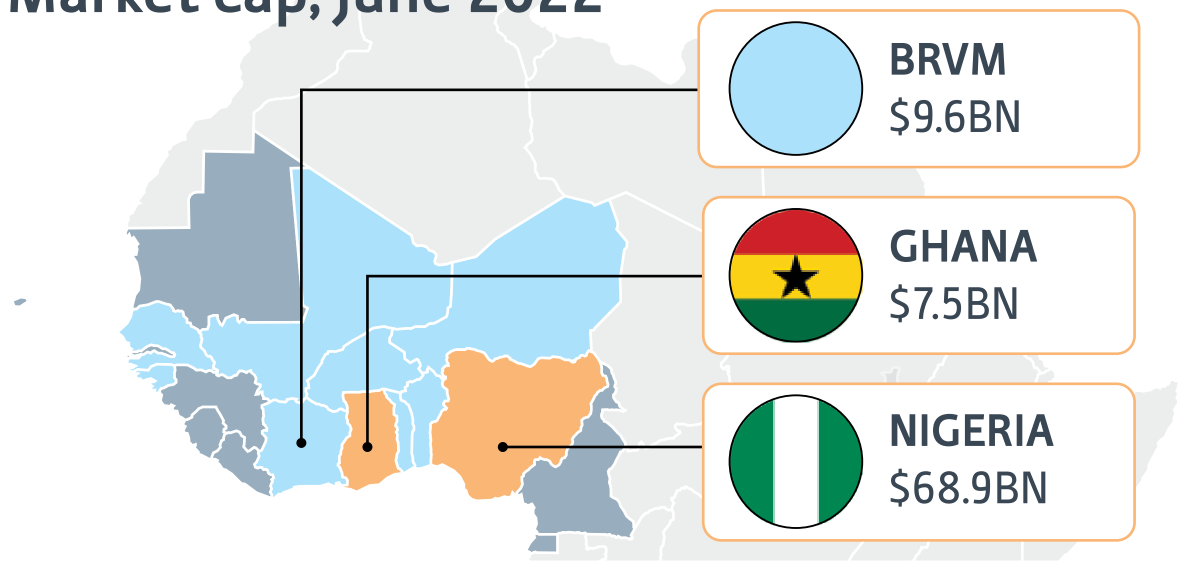
General debt before & during Covid-19 pandemic, 2014-21 (% of GDP)



Graph source: *Africa Growth Initiative at Brookings*

West Africa

Market cap, June 2022



NIGERIA: Nigeria operates three main exchanges, the Nigerian Stock Exchange (NGX), the FMDQ Exchange and the NASD OTC Securities Exchange. The NGX has seen robust growth in recent years, with equity market capitalisation up 62% and 6% in 2020 and 2021, respectively. Equity performance has been driven by economic recovery as business operations resumed following country-wide Covid-19 lockdowns, as well as the relative unattractiveness of fixed-income yields. Equity turnover has cooled off significantly following the extreme highs recorded during the pandemic. As of mid-2022 the NGX's total market cap stood at $68.9bn.

Case Study

SOAGA
Société Ouest Africaine de Gestion d'Actifs

The West African Asset Management Company (Société Ouest Africaine de Gestion d'Actifs, SOAGA) is the first regional financial institution specialising in asset management, and the leader in collective management in UEMOA since 2020. In 2020 the company saw assets under management rise by more than 60% – a trend that continued into 2021.

This growth was driven by a strong increase in SOAGA's bond products, in which institutional investors have sought refuge after years of downward pressure in the equity market. "People are seeking the highest and most secure returns possible to create an additional revenue stream. Literacy of the stock market and the financial market is also growing," Jean François Brou, managing director at SOAGA, told OBG.

To this end, SOAGA is in the process of launching an online platform that allows investors to open a savings account in as little as two minutes and without a minimum threshold to invest in extremely liquid products with the ability to resell as desired.

The company's mission is to serve as an engine of growth and diversification within the regional economy by mobilising investments through public funds.

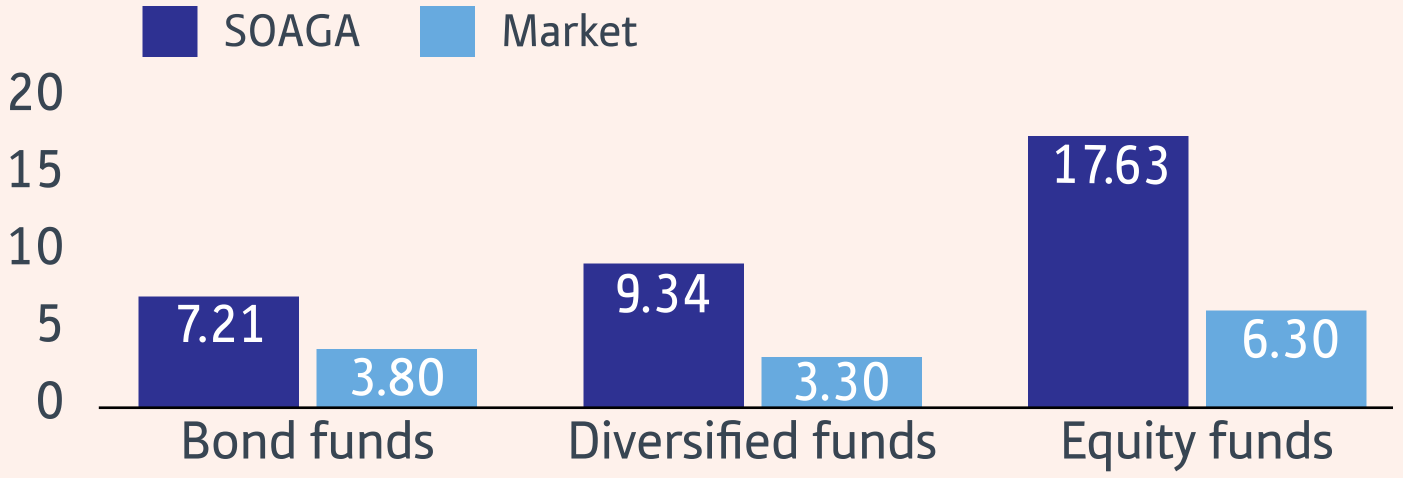
"Recently, in the wake of the drop in interest rates and the greater sophistication of savers, we have noticed real rapprochement between retail banks and mutual fund management companies, the latter of which can offer innovative savings products to all customers, regardless of whether they are banked or not," Brou told OBG.

Total net assets under management as of November 2021 were **CFA93bn**, up from CFA33bn in 2019

Approximately **1000** individual and institutional clients

Since 2018 the annual net return rate paid by the SOAGA Serenity Savings Mutual Fund has been stable at around **7.3%**

Performance of SOAGA's UCITS vs the market, 2020 (%)



Infographic source: *AFX*

West Africa

After three years without an initial public offering (IPO), four new equity listings took place in Nigeria in 2021. The exchange plans to deploy strategic initiatives to attract financial technology firms, including launching a technology board.

Other asset classes have registered strong performance as well, with 43 new fixed-income listings in 2021 resulting in a total bond market cap of $45bn, an increase of 12.8% on the prior year. The bond market is dominated by government instruments, comprising 92% of all bond issuances in 2021, in a bid to finance fiscal and infrastructure deficits. There are a limited number of exchange-traded funds (ETFs) on the exchange, which saw a significant withdrawal of foreign capital as gold-backed ETF redemptions increased during the pandemic recovery phase.

The FMDQ has also seen robust growth, having admitted 82 securities with a value of $5.1bn: 13 bonds, 67 commercial paper instruments and two funds across various subsectors, in addition to 11 registered commercial paper programmes.

Case Study

The Bourse Régionale des Valeurs Mobilières (BRVM) is a fully integrated and electronic stock exchange common to the West African Economic and Monetary Union countries of Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. Côte d'Ivoire has the largest presence among the countries. Since its creation in 1996, the BRVM has overcome challenges and achieved significant progress to position itself as a reliable capital market. Today the BRVM is regarded as a model for successful stock market integration. The bourse had 46 listed companies as of May 2022 across transport, industry, finance, public utilities, agriculture, distribution and other sectors.

The BRVM has facilitated 20 initial public offerings to date that raised a total of $520m. The overall market capitalisation for equities and bonds grew from $1.7bn at the end of 1998 to $22.5bn as of December 31, 2021 – representing some 15% of the union's GDP. Moreover, the BRVM Composite Index recorded an increase of 45.4% between 1998 and 2020. Against the backdrop of a cocoa price crash followed by the Covid-19 pandemic, the equity market saw significant contraction between 2017 and 2020, before rebounding to a growth rate of 39.3% in 2021 to reach a total equity market capitalisation of some $12bn. This was supported by the strong performance and dividend policies of most of the BRVM's member states.

Under its 2021-25 strategic plan, the BRVM aims to finance the needs of the union's economies by focusing on five priorities: attract large companies, small firms with high growth potential and businesses operating in strategic development sectors; increase the mobilisation of long-term savings from individuals and institutional investors; place technology, innovation and sustainable development at the heart of the BRVM's structural transformation; boost the international position of the bourse and improve the general public's perception of it as a financial tool; and strengthen internal governance and management.

The primary challenge for the BRVM going forwards will be to achieve a better financing environment for member economies while promoting a more equitable sharing of wealth for the benefit of individuals.

Bourse Régionale des Valeurs Mobilières

46 listed companies	**1** IPO planned for 2022	**94** bond lines	**3** listed sukuk	**983,078** average daily traded volume	**CFA2.9bn** average daily transaction value

West Africa

GHANA: The Ghana Stock Exchange (GSE) rebounded strongly in 2021, with total equity market cap up 19% at $7.8bn. This was driven by a 43% rise in domestic company market cap, mirrored by an increase in domestic investor participation, from 16% to 32%. However, foreign investors continue to dominate the market, accounting for 68% of value traded. As of mid-2022 the GSE's market cap had moderated to $7.5bn.

The GSE consists of 36 listed securities, including one ETF. As part of its growth strategy, the Domestic Credit Rating Agency began operating in 2022 to boost corporate bond market developments. 2022 has also been tipped as the year to launch securities borrowing and lending under Global Master Securities Lending Agreements. These standards will be launched by the end of 2022 and are expected to boost market sophistication. The government of Ghana has been pivotal to the GSE's broader development to date, utilising a number of different instruments, including eurobond programmes and zero-coupon bonds, to revitalise the national economy through the Ghana CARES Programme.

BRVM: The Bourse Régionale des Valeurs Mobilières (BRVM) is a regional exchange serving Benin, Burkina Faso, Guinea Bissau, Côte d'Ivoire, Mali, Niger, Senegal and Togo. It saw strong market cap growth of 8% and 28% in 2020 and 2021, respectively, culminating in a total market cap of $20.5bn. However, by mid-2022 it was $9.6bn.

Equities saw a substantial contraction in 2017-20, before rebounding in 2021 to a total market cap of $9.4bn. This was due in large part to the 10-fold increase in market cap of Nestlé's listed domestic subsidiary, after its share price crashed in 2018 due to falling cocoa prices. The bond market, meanwhile, has more than doubled since 2017, with market cap up 43% in 2020 at $11.1bn. It has a healthy split between sovereign and corporate issuances, with the former accounting for 65% of bonds outstanding. The BRVM is heavily influenced by Côte d'Ivoire, which accounts for 40% of the union's GDP. As such, the exchange has sought to increase product and investor diversification, implementing measures such as a reduction in brokerage retrocession commissions for debt securities.

Case Study

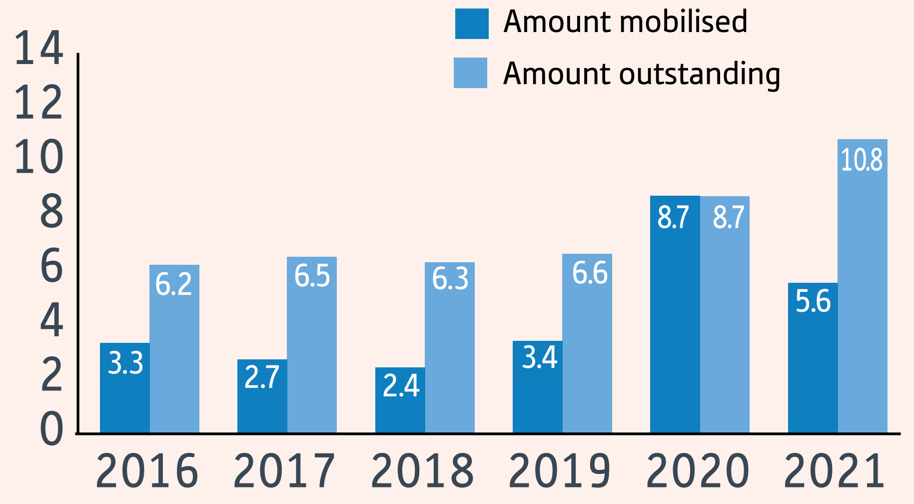
UMOA-Titres
Bâtir un Marché intégré des Titres Publics

UMOA-Titres (UT) is a regional public institution supporting the issuance and management of public securities in UEMOA countries. Founded in 2013, UT helps countries to coordinate, develop and carry out issuance programmes to finance their needs, mainly by auction.

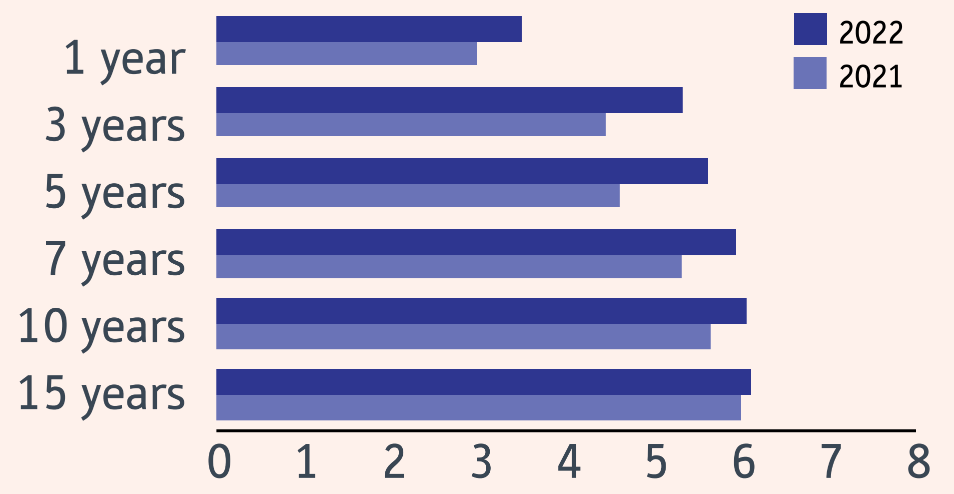
During the Covid-19 pandemic UT and central banks mobilised CFA3.7trn on the local public debt market through Treasury bills and recovery bonds to help UEMOA countries handle the effects of the health crisis. The programme was renewed in 2022 to address emerging geopolitical risk. "Our main goals are to broaden and diversify the investor base, strengthen the secondary market and standardise issuances through benchmark securities," Adrien Diouf, managing director of UT, told OBG.

UT recently established a financial rating for local-currency issuances to bridge the information gap between investors and issuers. The rating seeks to facilitate debt issuance by rating entities and providing a benchmark for risk assessment, and should help to change perceptions of debt pricing and the debt portfolio by allowing investors to differentiate among the member countries of UEMOA in terms of their respective credit quality.

Issuance of public securities, 2016-21 (CFA trn)

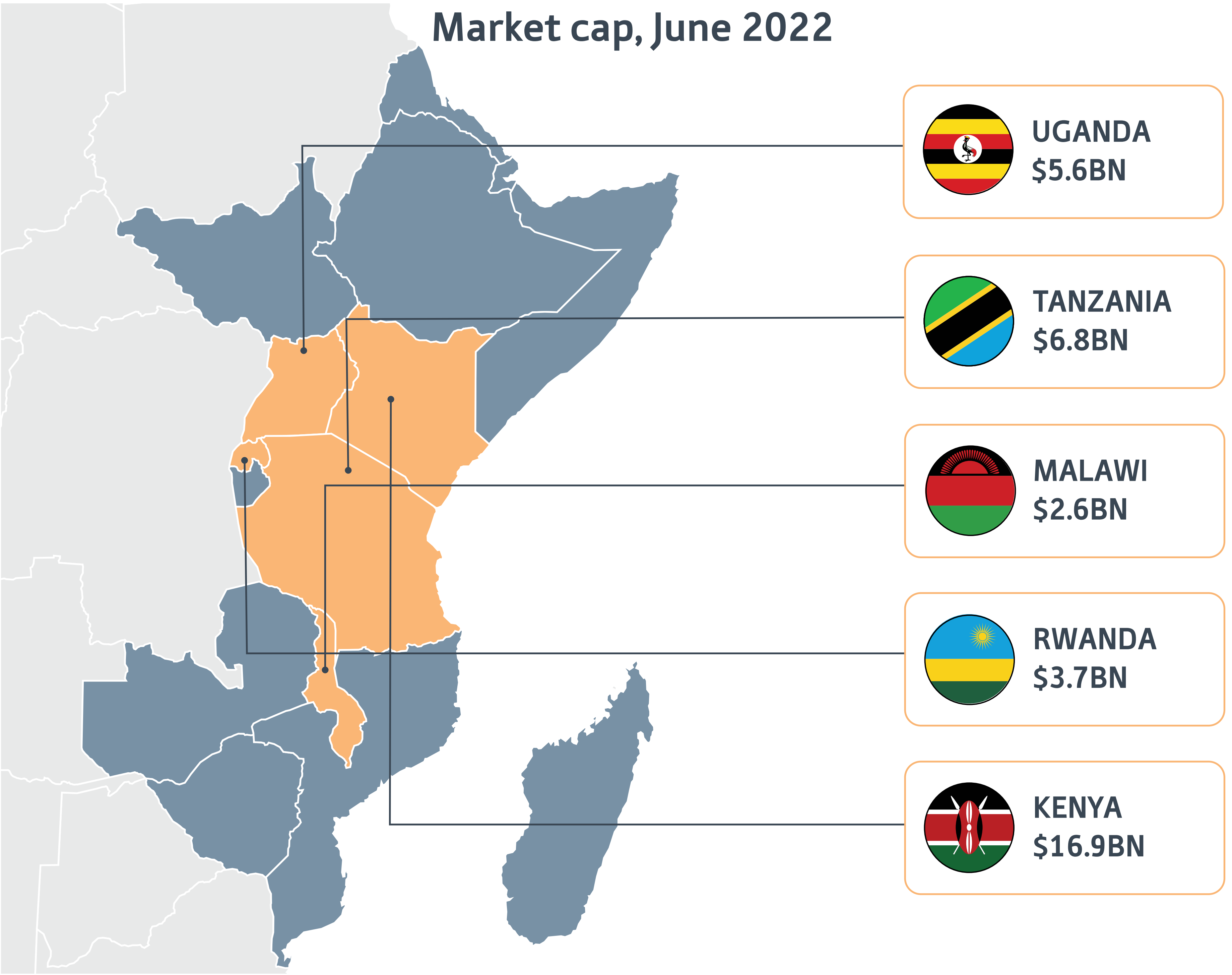


Average yield on Treasury bonds in UEMOA, 2021-22 (%)



Part 2: Activity by Region

East Africa



UGANDA: The Uganda Securities Exchange (USE) was impacted significantly by the economic effects of the pandemic. Total market cap fell from $6.8bn at the end of 2019 to $4.8bn in 2020, due in large part to price declines among the majority of large-cap domestic listings and dual-listed stocks. Equity market trading volume declined by 74% over the same period to $8.7m. As of mid-2022 the exchange's total market capitalisation stood at $5.6bn.

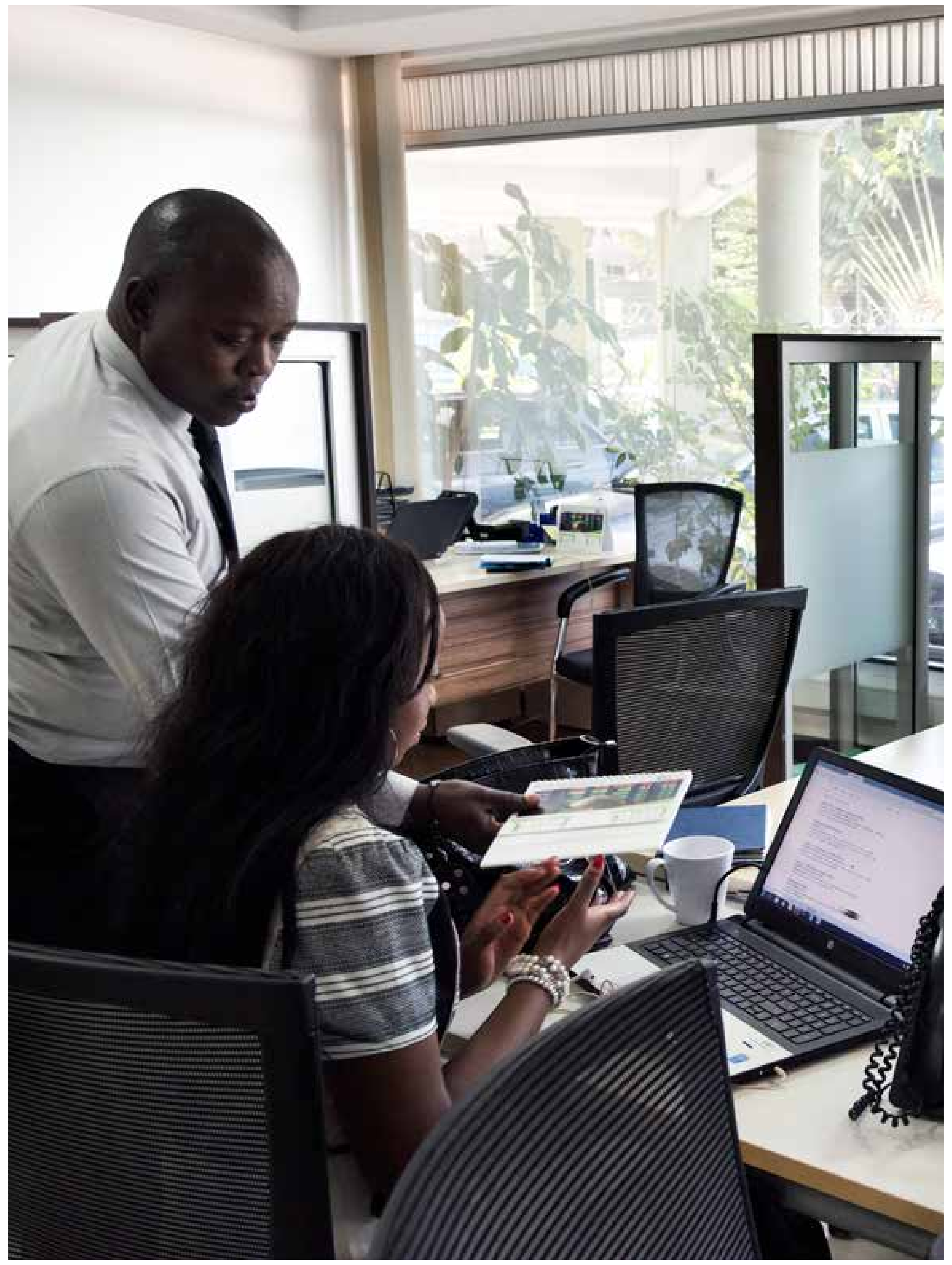
The USE had not seen an IPO in the two years prior to the float of 20% of telco MTN Uganda in 2021, which was driven by regulatory changes. Despite being undersubscribed, the listing increased local ownership from 4% to 15%. The IPO raised $150m, doubling the USE's market cap and illustrating the relative lack of depth of the market, which in 2021 saw its weakest activity since trading was automated in 2015.

TANZANIA: The Dar es Salaam Stock Exchange (DSE) had a total market capitalisation of $7.3bn in 2020, down 12% from 2019. By mid-2022 it stood at $6.8bn. The decrease has been fundamentally driven by price declines, particularly in cross-listed equities, consistent with other markets in the region. Unlike other exchanges, however, trading activity was hampered in 2020, with a decrease in turnover from $268.1m to $253.5m.

The bond market has been a bright spot for the DSE, with turnover rising by 78% to $900.8m in 2020. Outstanding Treasury bonds were up 20% at $5.4bn, while outstanding corporate bonds decreased from roughly $75.5m to $61.3m. The DSE has been focused on operational improvements in the hopes of encouraging further listings, as well as investor diversification and engagement. These have predominantly focused on the launch of a mobile trading platform; increased pre- and post-trade transparency on equity and bond trading; enhanced liquidity; and the launch of various ICT and development acceleration projects.

Infographic sources: *AFX; DSE; TradingHours*

East Africa



MALAWI: The Malawi Stock Exchange (MSE) had a market capitalisation of roughly $2.6bn as of the middle of 2022, representing an increase of some 39% on 2020. Despite significant gains in total capitalisation, the MSE saw a dramatic drop-off in volume traded across securities in 2021, as trading normalised towards pre-pandemic levels. As a result, the daily average turnover fell by 9% that year.

At the same time, however, the country has been taking steps to try to benefit from accelerating digitalisation, including by implementing an automated trading system for the exchange in 2020, and launching a WhatsApp portal for listed securities aimed at retail traders.

RWANDA: The Rwanda Stock Exchange (RSE) showed substantial resilience throughout the crises of the last few years, with a market capitalisation of $3.7bn as of mid-2022, an increase of 7% from 2020. Activity in the equity market mirrored trends across most markets, with total turnover reaching $15.7m, up 242% on the prior year. The main index, the Rwandan All Share Index, experienced similar tailwinds, advancing 9% over the same period.

The exchange is characterised by the dominance of domestic investors, which account for 85% of investment accounts, followed by other East African investors (13%) and international investors (2%). Although diversifying, this remains one of the highest concentrations in the region.

KENYA: The Nairobi Securities Exchange (NSE) had a total equity market capitalisation of around $16.9bn as of the middle of 2022, an increase of more than 11% over the prior year. Equity turnover in 2021 declined by 8%, largely as a result of domestic and international investors reallocating capital to fixed-income assets in response to more attractive yields.

The value of outstanding bonds, meanwhile, reached $261.4bn in 2021, up 24% from 2020. This makes Kenya the largest capital market in East Africa, although it should be noted that there is an outsized concentration of foreign investor holdings in five key listings.

Bond turnover, conversely, was up 38% to a record high of $8.1bn. The introduction of market-making activities in the derivatives market boosted trading activity by 600%.

The exchange attracted approximately $6m in additional equity issuances in 2021, predominantly in the form of rights issues. The bond market, for its part, saw four additional listings over the course of the year, while the real estate investment trust segment raised a combined $21.1m during the 12-month period.

The NSE benefits from a breadth of tradeable asset classes. This, combined with strong macroeconomic tailwinds in Kenya as a whole – including a 6.4% GDP growth forecast for 2022 – has prompted the exchange's management team to focus on developing a broader base of retail investment on the exchange, introducing a number of initiatives for this purpose.

OXFORD BUSINESS GROUP

Central Africa

The Bourse des Valeurs Mobilières d'Afrique Centrale (BVMAC) became the CEMAC's regional exchange after the 2018 merger of its two prior exchanges. The bloc is undergoing a regulatory overhaul to advance integration.

The BVMAC has five listed stocks – three of which are Cameroonian public utility companies – and relatively modest trading volumes.

After eight years without an IPO, microfinance company La Régionale went public on the exchange in February 2021, raising $4m and bringing the total market capitalisation of the exchange to $1.4bn, or about 1.8% of the combined GDP of the CEMAC zone.

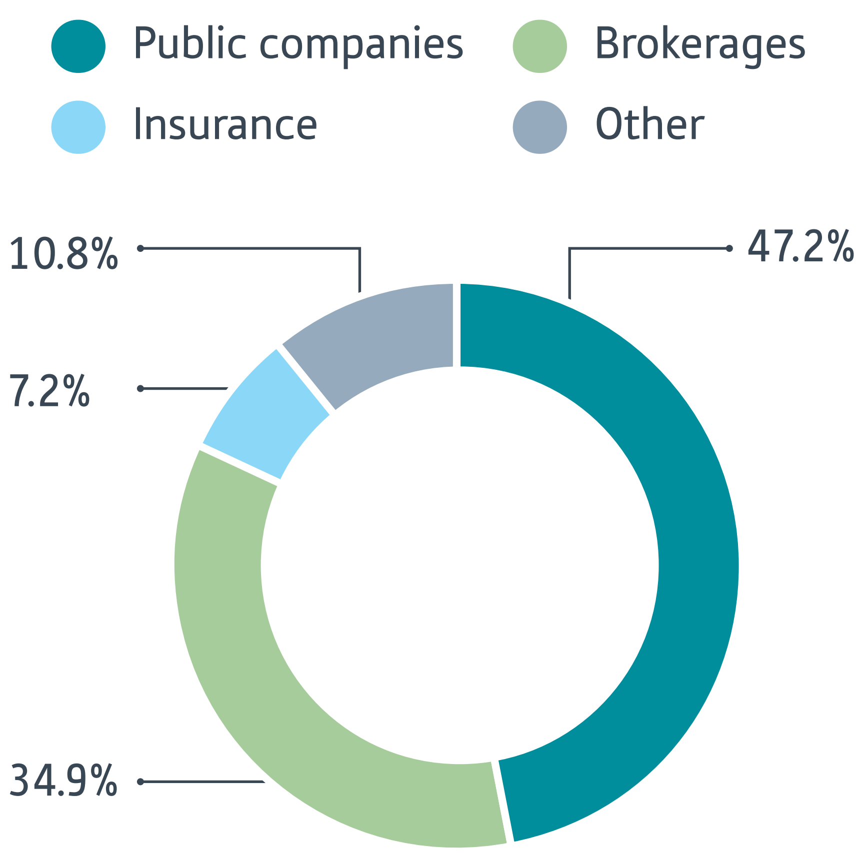
Both the market authorities and intermediaries in the region view privatisation as key to furthering capital market development. Equatorial Guinea (3), Gabon (4) and Congo (3) all submitted several public companies that were likely to be listed on the exchange, including public utility companies and two start-ups.

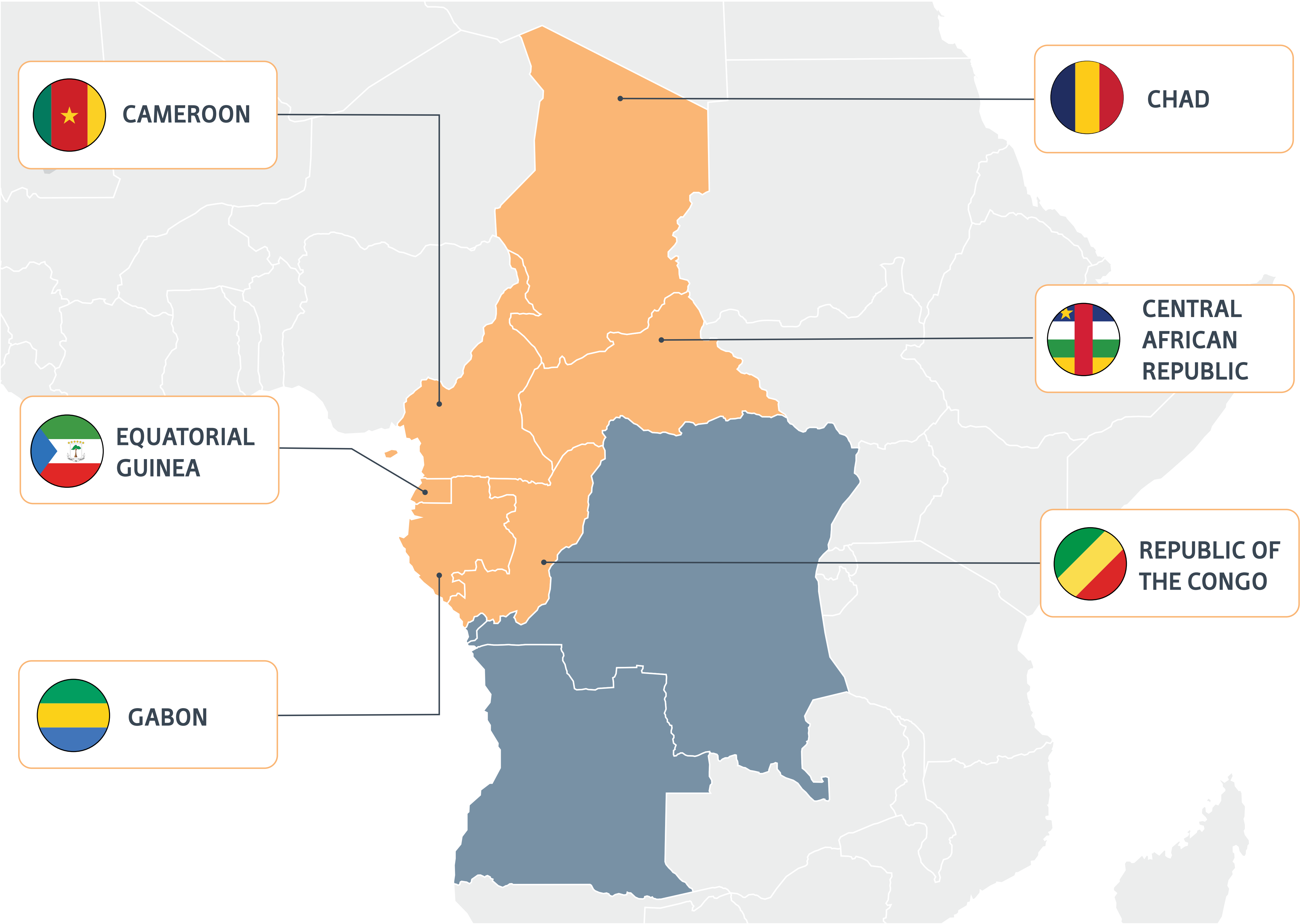
BVMAC indicators, June 2022

$65.5bn Equity market capitalisation

$1.2bn Debt market capitalisation

Shareholding breakdown





Graph source: *BVMAC*

Central Africa

In early 2022 the Gabonese commercial reinsurance firm Société Commerciale Gabonaise de Reassurance (SCG-Re) announced that it would conduct an IPO sometime that year. New regulations from 2020 require higher minimum share capital for reassurance companies, pressuring industry players to raise funds.

"If the SCG-Re IPO is successful, it will encourage others to meet their own financing needs by listing on the stock market," Louis Banga-Ntolo, CEO of the BVMAC, told OBG.

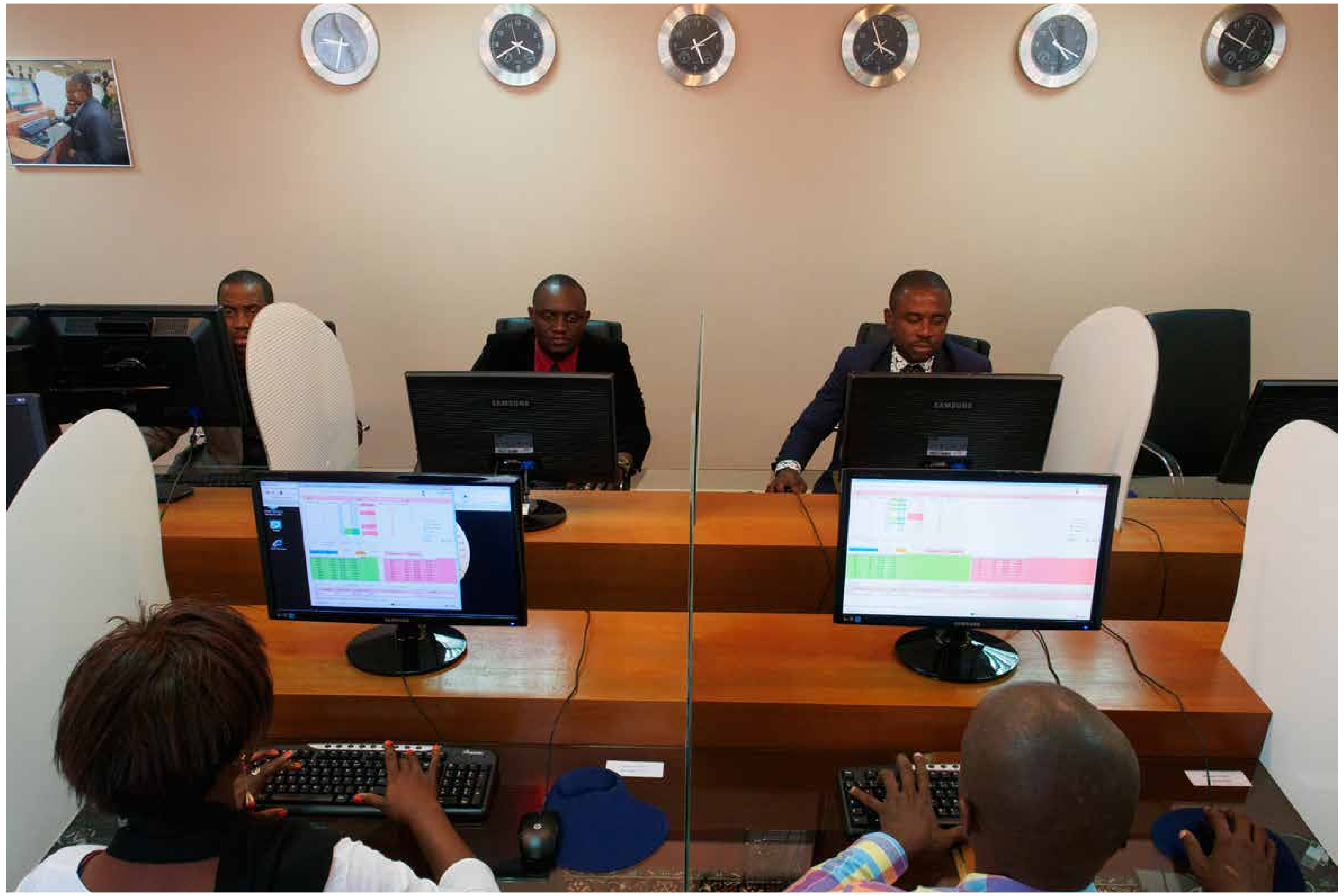
The bond market, for its part, has limited depth and short maturity profiles. Issuers include the governments of Gabon and Chad, development banks and a few private firms.

In recent years the private sector and member states have preferred to solicit banks and the public securities market of the Bank of Central African States (Banque des Etats de l'Afrique Centrale, BEAC) for their medium- and long-term borrowing because raising money on the stock exchange has been seen as a more costly and lengthy process than bank financing.

Three bonds were issued in 2021 and were dominated by Cameroonian banks. Retail investors were responsible for 3-4.5% of the trading volume in each issue, highlighting a relatively weak equity investment culture.

More activity is likely, as the 2022 Finance Law allows Cameroon – the region's largest economy, accounting for a third of CEMAC GDP – to issue $540.7m in securities, which the government intends to raise through a hybrid approach of the BEAC debt market and the BVMAC.

The BVMAC is developing an index to track listed companies and awaiting regulatory approval to increase the number of trading days. The exchange is also looking into splitting equities into fractions to make shareholding more accessible to young investors with limited disposable income, decreasing the value and increasing the float of shares.



Case Study

Founded in 2020, the Africa Bright (AB) Group is an investment bank offering advisory, securities and asset management services via six subsidiaries in 15 countries across North Africa, UEMOA and CEMAC.

Financial activity in CEMAC, like in other regions of the world, fell at the onset of the pandemic. However, markets have become profitable since then. There is significant growth potential in the subregion, with privatisations and two upcoming initial public offerings on the Central African Stock Exchange. Moreover, four or five companies in each member country are set to list in the short term.

The perception of risk has impeded investor interest in CEMAC. To overcome this challenge, AB Group launched a risk-premium index for debt products with a maturity of three years based on data analytics and exchanges with qualified investors in the subregion. The risk premium observed in CEMAC stands at 2.54% for stock market investments and 3.18% for corporate bonds.

Instruments like green bonds can help finance Central Africa's climate adaptation. In 2021 AB Securities issued the first green bond in CEMAC, worth $33m, on behalf of Gabon's Façade Maritime du Champ Triomphal to establish a business and leisure centre in Libreville. Construction will meet the International Finance Corporation's Excellence in Design for Greater Efficiencies standards.

CEMAC			
Asset class	Risk-free rate (3 years)	Gross annual return required by investors	Risk premium
Private bond debt	6.92%	10.10%	3.18%
Stock market investment	6.92%	9.46%	2.54%

Viewpoint

Naoufal Bensalah, Chairman, AB Group

Sub-Saharan Africa mainly exports raw commodities but lacks deep financial markets to balance the consequent dependence on foreign exchange. Because of this, any exogenous shock is felt significantly in the region. High levels of public and private debt become unsustainable during a downturn in commodity prices.

Countries are therefore obliged to use instruments like eurobonds, which are difficult to resell and restructure, to finance their economies. Governments need a strong pool of domestic banks to manage the local currency. Low banking penetration, weak public savings and regulatory restrictions impede prospects for a deepening of the financial market. However, the situation could improve significantly and quickly if the right incentives are in place.

Western banking regulations on the origin of funds work in opposition to the mobilisation of financial resources in the region's cash-driven economies. Around 80% of real estate transactions in Gabon are made in cash, for example, and there is CFA2bn worth of tontines used for exchanges in Cameroon alone. The sub-Saharan banking sector has not captured this flow in part because it must comply with European-style regulations while operating in a completely different environment.

Education tailored to the local context is key to overcoming the trust and information deficit among the African population, and bringing public savings into the financial market.

While banking penetration has not seen significant improvements in the last decade, participation rates increase considerably when mobile money subscribers are taken into account. The sector will need to invest in digitalisation and innovation to reduce banking fees and charges – particularly in payments – to enhance the attractiveness of the market.

Southern Africa

ANGOLA: Established in 2014, the Angolan Stock Exchange saw its first IPO on June 9, 2022. Banco BAI – the largest bank in the country, which is majority-owned by national oil company Sonangol and diamond producer Endiama – became the first listing on the exchange.

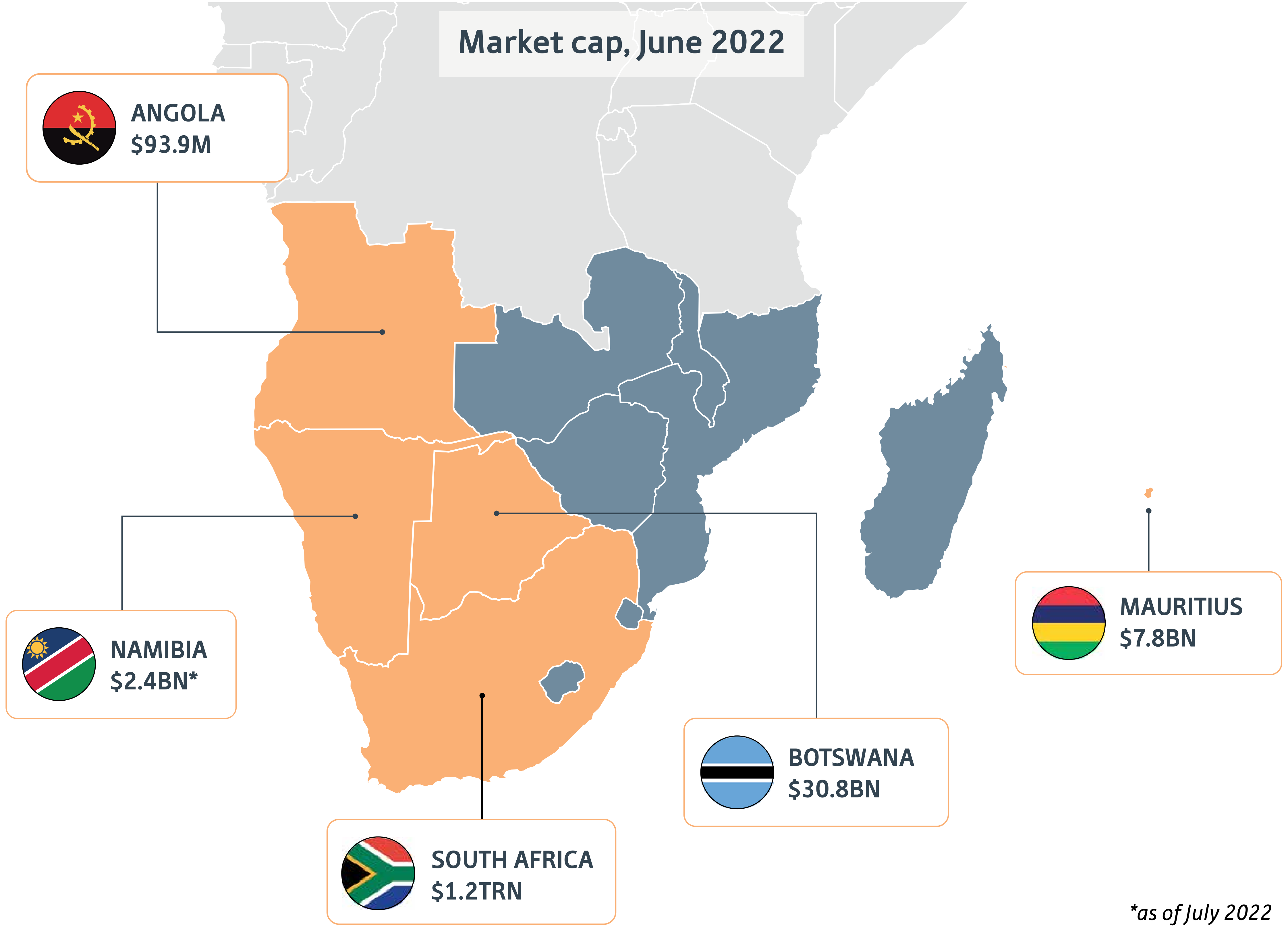
This signifies an important development in the domestic financial market and will be buoyed by an anticipated rebound in GDP growth, slated to reach approximately 3% in 2022, following a period of recession since 2016. The outcome of federal elections in August 2022 could have further implications for the financial markets.

BOTSWANA: Equity market capitalisation on the Botswana Stock Exchange (BSE) has been in steady decline since 2015, due in large part to consistent net delistings and a lack of IPOs since 2018. However, there are indications that its performance is likely to rebound in the coming years, with expectations of robust economic growth and an aggressive promotion of the listing value proposition by the BSE.

The year 2020 marked a significant turnaround in equity market activity, with the domestic equity average daily turnover increasing by 25%, owing primarily to the acquisition by Access Bank of a majority stake in BancABC Botswana.

Market performance across the rest of the exchange has increased substantially, with overall security listings rising steadily to 80 in 2020. New bond issuances by corporates raised $36.7m, while the government raised $410.9m. However, the most recent issuance – an April 2021 six-year bond with a coupon rate of 5.5% – has seen low uptake from institutional investors.

The Bank of Botswana and the government of the country are seeking to rectify this trend by increasing yields on upcoming sovereign issuances. Bond trading activity is still experiencing tailwinds after the government bond-buying programme expanded from $1.2bn to $2.4bn in September 2020. The ETF market continues to develop, with two additional listings in 2020 taking the total number of ETFs to six.



Infographic sources: *AFX; NSX; SEM*

Southern Africa

SOUTH AFRICA: The Johannesburg Stock Exchange (JSE) has shown resilient performance in recent years, despite a significant net reduction in listed equities. The year 2021 saw 25 delistings, up from 20 in 2020, although these were predominantly due to merger and acquisition transactions and arrangements in small- to mid-sized counters. The aggregate market cap of all entities on the JSE continued to grow, however, up 15% at $1.21trn. As of mid-2022 market cap stood at $1.16trn.

With the momentum of eight new equity listings in 2021, market sentiment is bullish, with a strong pipeline of inward listings expected over the course of 2022. However, foreign investors remain net sellers, continuing a trend seen in the previous years and the $9.1bn recorded in 2021. This was due to weak economic growth and South Africa's reduced weighting in several global indices, including its omission from the FTSE World Government Bond Index following a downgrade in 2020.

Bond market activity, meanwhile, has remained relatively buoyant, with the nominal bond value traded up 6% over the course of 2021, reflecting tighter spreads and attractive real yields. The share of domestic bonds held by foreigners, though, continued to decline, reaching a 10-year low of 28% in December 2021. While they remain the largest holders of domestic bonds, the reduction in their holdings left a glut that was absorbed by domestic financial institutions and pension funds.

South African banks are increasingly holding significant government debt, as a result of weak demand for private credit and relatively high government bond yields. To address this, the government is promoting domestic savings, offering an RSA retail savings top-up bond in 2022, providing a low-risk, accessible domestic savings product.

NAMIBIA: The Namibian Stock Exchange (NSX) is the region's second largest, with a market cap of $2.4bn in mid-2022. It serves as an offshoot of the JSE, with many Namibian companies also listed on the JSE. It has a significant capital base, owing to well-developed pension fund savings, of which 45% is required to be deployed in domestic markets.

Case Study

The Johannesburg Stock Exchange (JSE) is a leading platform for financial trading in Africa and one of the 20-largest exchanges globally by market capitalisation, with a history spanning 135 years. The JSE fosters a trusted financial marketplace for local and international investors looking to gain exposure to capital markets on the African continent. The exchange provides access to secure primary and secondary capital markets for a diverse range of securities, spanning equities, derivatives and debt. "Driving investment into South Africa remains an imperative. At the JSE we continue to strengthen the position of South Africa's investment appeal by providing unique capital-raising opportunities for both local and international investors on our exchange," Valdene Reddy, director of capital markets at the JSE, told OBG.

In December 2021 the JSE launched JSE Private Placements, which connects private issuers directly to investors to enable private capital formation in a more transparent, efficient and accessible manner. More than 20 institutional investors with about $643m to deploy subscribed to the platform in the first six months. The JSE plans to open the JPP to the retail segment and ease the process to exit positions in 2022. Further provisions are on the agenda to pair interested lenders with companies that have tenders but lack working capital or businesses that banks cannot serve due to a lack of trading history.

Market snapshot

	No. listed (2020)	No. listed (2021)	Value traded (2020)	Value traded (2021)	Market cap (2020)	Market cap (2021)
Equities	339	324	$352bn	$397bn	$1.2trn	$1.3trn
Bonds	1816	1880	$2trn	$2.4trn	$254bn	$257bn
Derivatives	-	-	$514bn	$593bn	-	-
ETFs	78	86	$7.5bn	$5bn	$6.9bn	$7.6bn

Southern Africa

The Namibian market has been volatile in recent times, however, with the main NSX index down 25.6% in 2020. This was due in large part to a continued lack of economic growth and ballooning public debt, which has crowded out private capital. The NSX was severely impacted by US-based private equity fund SQM's decision to delist in July 2020, resulting in a single-day market cap loss of $385m. The IPO of telco MTC in November 2021 marked the first listing of a state-owned company and the most capital raised by a Namibian firm to date. It was also the first primary equity listing since Standard Bank in 2019, which added $272.4m in market cap. MTC's IPO was the primary reason equity market cap more than tripled in 2021. In other asset classes, the NSX saw two new ETFs, five new bonds and the announcement of a new bond-buying programme in 2021. The value of ETFs stands at $2.5bn, with optimism for additional listings across fixed-income and fund products following successful acquisition of a bond trading licence at the end of 2019.

MAURITIUS: The Stock Exchange of Mauritius (SEM) had an equity market cap of $7.8bn as of mid-2022. While its listing pipeline was strong, with 120 recorded in 2014-19, the pandemic and economic headwinds in South Africa prompted a slowdown in activity, with just seven new listings in 2020-21.

SEM has reformed its operational and regulatory practices, which is expected to drive a rebound in listings as the global economy recovers. Other initiatives are also being explored, with a review launched into the listing rules for special-purpose acquisition companies to be completed by end-2022. The exchange's Development and Enterprise Market (DEM) rules were also reviewed in 2021, resulting in less onerous use of printed documents for application filing, illustrating a gradual evolution into a more accessible market for prospective listings. Two DEM-listed securities migrated to the main market in June 2021, showing the board's role as a stepping stone to main exchange listings.

Mauritius is looking to continue the market's positive capital-raising trend, building on the $347m raised through private placements, rights issues, and primary and secondary bond issuances in 2021.

Case Study

The Botswana Stock Exchange (BSE) is one of the most diverse in Africa, evidenced by its technology and settlement systems, as well as the variety of investors and offerings. The capital markets enjoy a high level of liquidity, underpinned by a large pension fund and one of the continent's best-performing economies.

The Covid-19 pandemic taught the BSE's leadership valuable lessons in adaptation. "The pandemic was an opportunity to test our systems to see if we can work and settle remotely, and we successfully managed to do so," Thapelo Tsheole, CEO of the BSE, told OBG. "Most companies were able to raise capital and cushion themselves against the economic impact of the crisis." Retail investor participation rose from 11.1% of total activity in 2019 to 13.9% in 2020, and measures to promote private sector growth are likely to be key in supporting future liquidity. Priorities for the BSE going forwards include increasing company listings, and reducing government shareholding. "Costs associated with listing, mostly paid to intermediaries, need to be lowered to encourage more initial public offerings," Tsheole said. The BSE offers small and medium-sized enterprises less onerous listing and capital-raising requirements, as well as training and mentorship programmes to support their participation. It is also introducing a new security deposit system and upgrading its automated trading systems for fixed-income securities to further digitalise operations.

Equity market capitalisation of **$33bn**

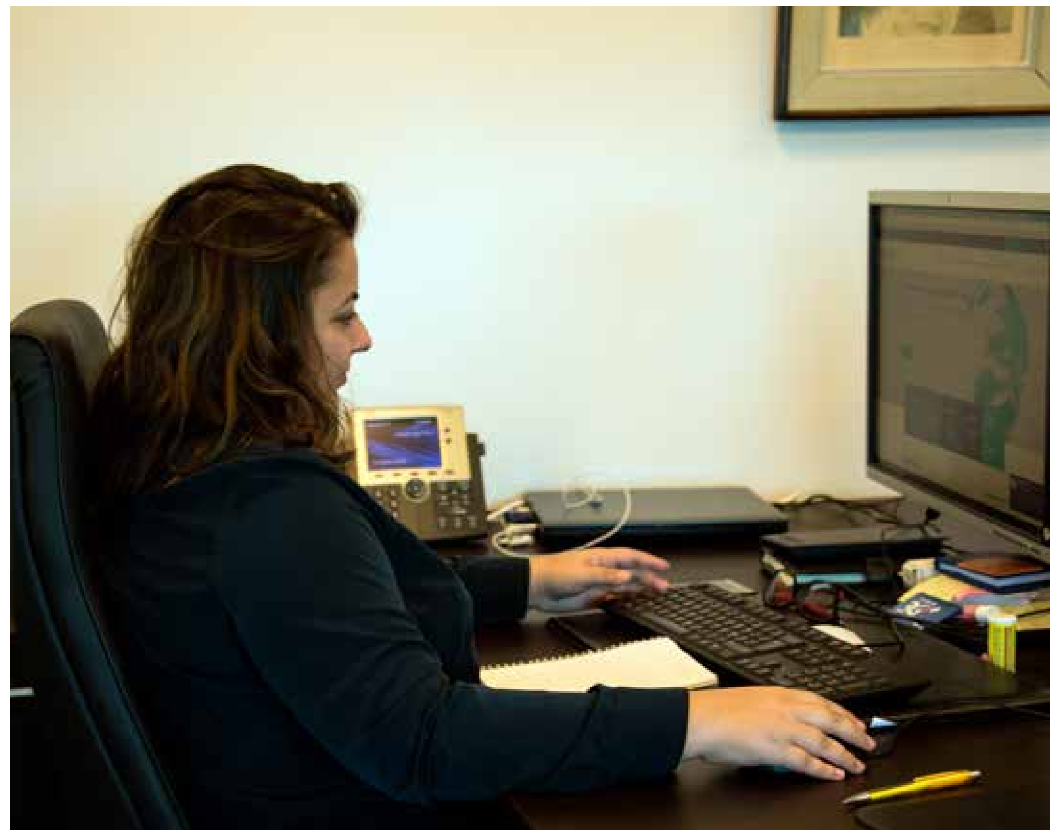
30 equity listings, **46** fixed-income offerings and **6** exchange-traded funds as of December 2021

Diverse investment base, with **23.3%** of assets held by foreign companies, **3.4%** by foreign individuals, **61.5%** by local companies and **11.8%** by local individuals

North Africa

TUNISIA: The Tunis Stock Exchange (Bourse des Valeurs Mobilières de Tunis, BVMT) has experienced more tumultuous results than many other exchanges in the region, mirroring the impact of the Covid-19 crisis on already low economic growth and rising debt levels.

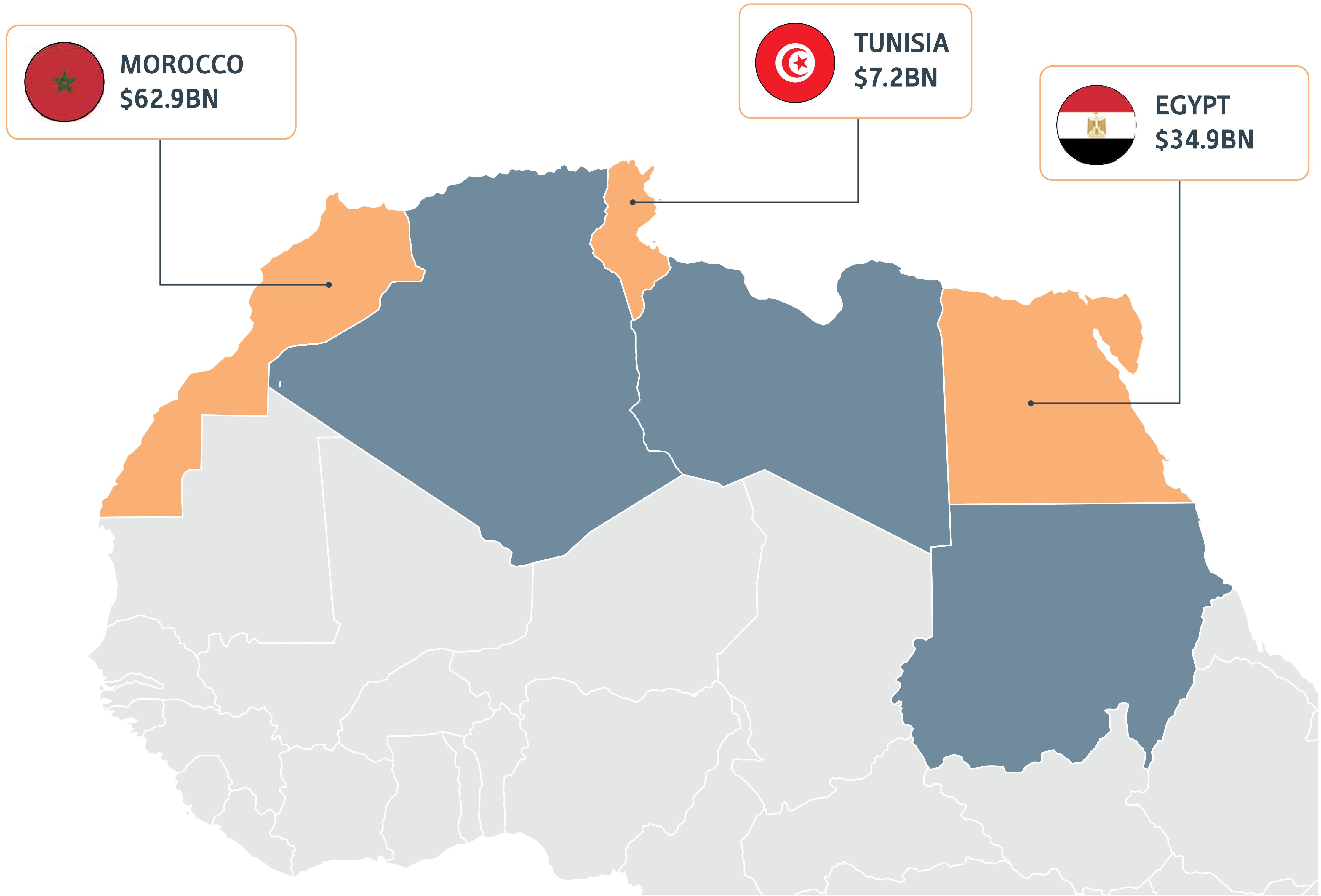
The macroeconomic conditions and deterioration of Tunisia's sovereign credit rating has contributed to a stagnation in activity on the BVMT, with the exchange experiencing a contraction in total equity market cap of 3% in 2020, to end the year at $7.3bn.



However, the BVMT saw a rebound in trading activity in 2021, with traded volume up 10.8% that year to $974.4m. Recovery was supported by the IPO of SMART Tunisie, which became the 80th company to list on the exchange and the first successful IPO since 2018. Subscription rates were high, at 1.3x, indicating appetite for fresh investment opportunities in the region.

In another positive signal of recovery, the BVMT's board of directors has confirmed there are two additional IPOs in the pipeline, including the Société Tunisienne de l'Automobile. Like other exchanges in the region, the BVMT has seen successive years of net foreign investment outflows. In 2021 foreigners accounted for $16.7m in gross inflows against $87.1m in gross outflows. With parliamentary elections expected in late 2022, it is hoped companies will have renewed confidence to list in the coming years.

Market cap, June 2022



Infographic sources: *BVMT; EGX; BDC*

North Africa

MOROCCO: The Bourse de Casablanca is one of Africa's largest and most developed exchanges, with a total market cap of $62.9bn as of mid-2022. This conservatively indicates the exchange's ability to rebound post-pandemic, as the end of year coincided with a wait-and-see period for investors due to the Omicron variant.

The strong progression of the Bourse de Casablanca is due to the pace of recovery in the broader Moroccan economy following a robust vaccination programme throughout 2021. Further tailwinds have come from the addition of companies with strong corporate earnings and the fact that suppressed bond yields have favoured a move towards equity securities.

Total capital raised reached $56.9m in 2021, including the successful IPO of the construction firm TGCC, which was well received by the market: the share price was trading up 25% in the weeks following the IPO. This added to the vast majority of listed equities that finished the year in the black, laying the foundation for increased market activity in the coming years and outperforming many other exchanges on the continent.

Case Study

The Bourse de Casablanca is among the most developed exchanges in Africa, following reforms and technological advances made since the 2000s, and the implementation of the MillenniumIT trading and surveillance platform in 2016. Revitalising the exchange is a priority for Morocco's New Development Model to strengthen the role of the capital markets in financing economic growth and move towards emerging market status. "There is considerable capital in the market waiting to be deployed, but the options available to investors are limited," Tarik Senhaji, CEO of Bourse de Casablanca, told OBG. The exchange has responded with a campaign to popularise public offerings among business leaders. The initiative encompasses meetings, roadshows and a digital platform offering tools such as guides and testimonials. A targeted offer is also being launched for small and medium-sized enterprises to help them raise funds by listing on the new Alternative Market. Strong fundamentals support Morocco's plans, including a loyal domestic institutional investor base, a well-structured public retirement fund and a developed asset management industry.

Objectives of the New Development Model, set by the Special Commission on the Development Model

- **Total market capitalisation:** 59.1% of GDP (2021) → 70% of estimated GDP (2035)
- **Number of listed firms:** 76 (2022) → 300 (2035)
- **Foreign investor transactions:** 9% in Central Market (2021) → 25% in Central and Block Market (2035)
- **Weight of banks in market capitalisation:** 32.6% (2021) → 20% (2035)
- **Annual average equity issuance:**
  - $40.2m (2015-20)
  - $64.5m (2021)
  - $5bn (2035 target)
- **Annual average bond issuance:**
  - $38.7m (2015-20)
  - $2.2m (2021)
  - $7bn (2035 target)

North Africa

EGYPT: The Egyptian Exchange (EGX) has experienced a difficult last five years, with market cap falling every year since 2017. However, 2021 represented a return to growth as 10 new companies listed on the main market – six due to divisional restructuring worth $390.6m and four fresh listings. Two of the IPOs seen in 2021 were of significant magnitudes, with the company e-finance and Taaleem Management together raising more than $500m in capital.

The exchange has shown consistent appetite to advance both its capital pools and investor base, with the long-awaited dual listing of London-primary-listed company Integration Diagnostics Holdings taking place in 2021.

The EGX also expects a strong pipeline of IPOs in 2022. The Egyptian Financial Supervisory Authority has already approved three IPO applications worth $255m, and the minister of planning and economic development has announced that the government is aiming to list a state-owned enterprise every one to two months. Further activity will be supported by the rebound expected in the Egyptian economy, with the IMF revising Egypt's real GDP growth forecast upwards to 5.6% in 2022 and 5.5% in 2023.

The EGX has also seen significant growth in its small and medium-sized enterprise (SME) segment, following two new listings in 2021 that had a combined market cap of approximately $51m. Interest in the SME segment has been reflected in trading volume on the exchange, with the total value traded rising to $105.5m in 2021, compared to $68.6m in 2020.

Egypt has consistently been the largest issuer of sovereign debt instruments in the region, accounting for 33% of all sovereign bond issuances in 2021. As a result, the market cap of Treasury bonds ballooned to $126.7trn in 2021, up from around $39.6bn in 2018. A commensurate increase in trading volume has been seen, which is likely to continue as the state seeks to finance fiscal deficits and infrastructure initiatives during the economic recovery phrase.

Case Study

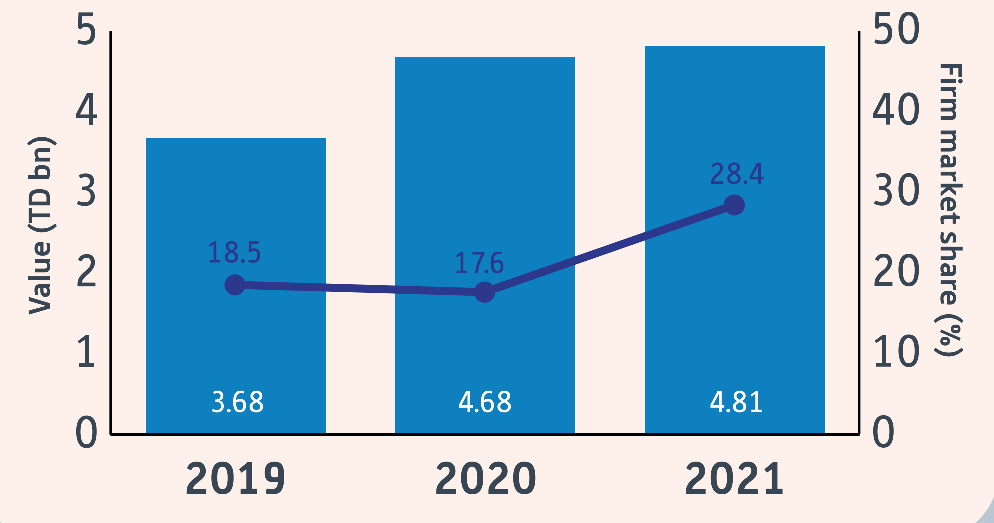
Founded in 1991, Tunisie Valeurs is a Tunisian financial institution specialising in asset management, stock market intermediation, financial engineering and Treasury securities. The firm intermediated 18 initial public offerings (IPOs) since its creation, and at least two IPOs are in the pipeline for 2022.

"The government continues to solicit funds from the market, but both retail investors and banks are reluctant to increase their exposure to government bonds against a slow economic recovery outlook and the complexities of a rigid financial market," Walid Saibi, general manager of Tunisie Valeurs, told OBG.

A regulation regarding collective investment schemes was implemented in 2018 to satisfy the need of lowering volatility in daily trading values and provide a source of short-term financing for the government, banks and companies. However, these schemes remain to be approved by the regulator. Due to the composition of their portfolios, money market UCITS present limited – but not zero – risk, while offering investors limited returns.

In 2021 the UCITS market maintained momentum amid the relative stability of rates and the cancellation of the increase in the withholding tax rate from 20% to 35% by the 2021 Finance Law. The parallel easing of tensions on bank liquidity and the maintenance of the cap on the remuneration of term accounts and other deposit certificates helped support this dynamism.

UCITS market assets under management, 2019-21



PART 1

OVERVIEW

PART 2

ACTIVITY BY REGION

PART 3

MARKET DEVELOPMENT

PART 4

PROMOTING SUSTAINABILITY

PART 5

FURTHERING INTEGRATION

PART 6

OUTLOOK

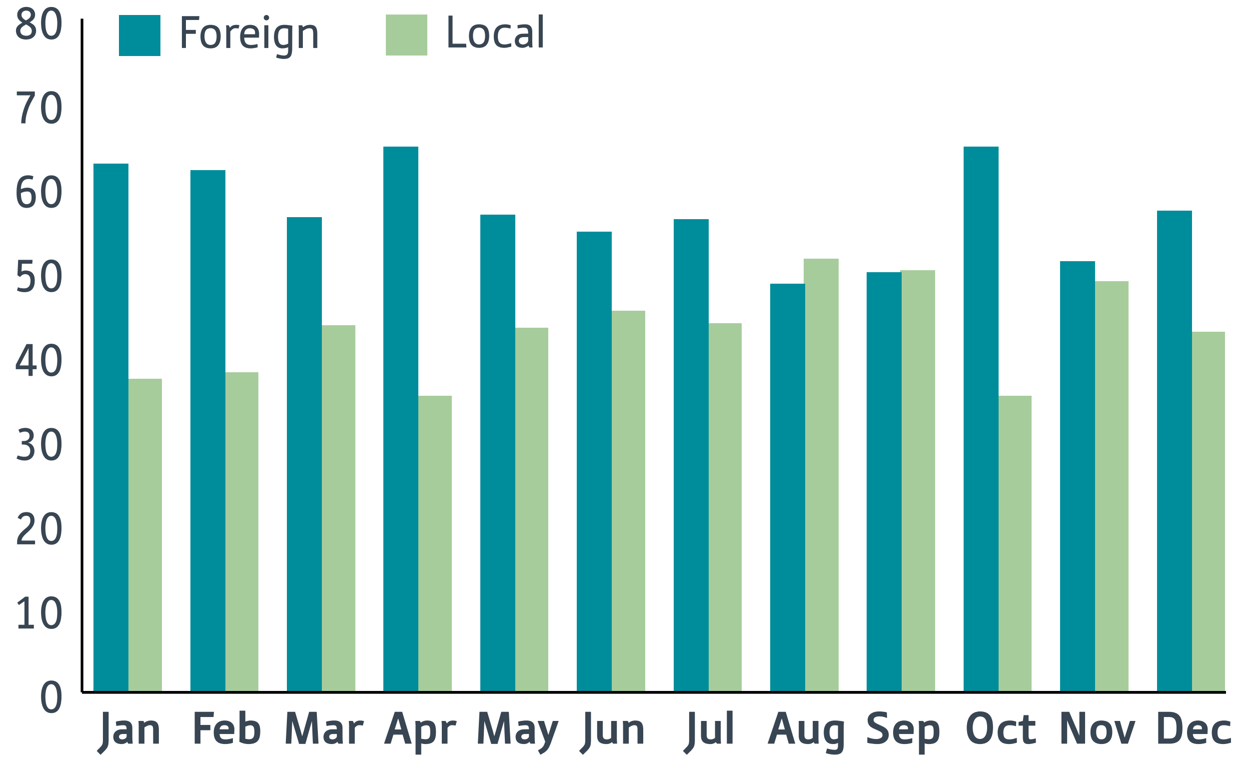
Diversifying the Investor Base

With the exception of the Johannesburg Stock Exchange (JSE), African exchanges are characterised by a shallow investor base, typically with a heavy reliance on domestic and institutional investors, though significant efforts have been made to attract more international investors over the past few decades, with some success. Several exchanges have strengthened regulations to improve transparency and governance. In 2014 the Nigerian Stock Exchange (NSE) launched a Corporate Governance Rating System to improve trust. By 2016 it had been rolled out to all listed companies, and the exchange also launched a corporate governance index that tracks compliant companies' performance.

Zambia set up a capital markets tribunal in 2021 to improve dispute resolution, and several markets are working with the Sustainable Stock Exchanges Initiative to improve reporting standards and procedures. Exchanges have also steadily increased the number of tax treaties to ensure foreign investors do not face double taxation. Ghana, Egypt and Mauritius recently enacted tax incentives that also benefit non-resident investors, though some countries still have a more unfavourable tax environment with high withholding tax rates – as high as 25% in Lesotho.

International investors have responded favourably to improving market conditions as African markets are increasingly seen as a path to portfolio diversification. However, the bulk of interest remains directed at the largest exchanges in Lagos, Nairobi and Johannesburg, as the smaller markets are considered to be more risky and overly concentrated. Nonetheless, many are taking steps to attract new investors, particularly through international partnerships. In 2021 the Botswana Stock Exchange partnered with Bloomberg to enhance its visibility, while the Ghana Stock Exchange has collaborated with the London Stock Exchange since 2019 through cross-listing and the dissemination of information.

Investor participation on the Nairobi Securities Exchange, 2021 (% of equity turnover)



Viewpoint

Pierre Celestin Rwabukumba, CEO, Rwanda Stock Exchange

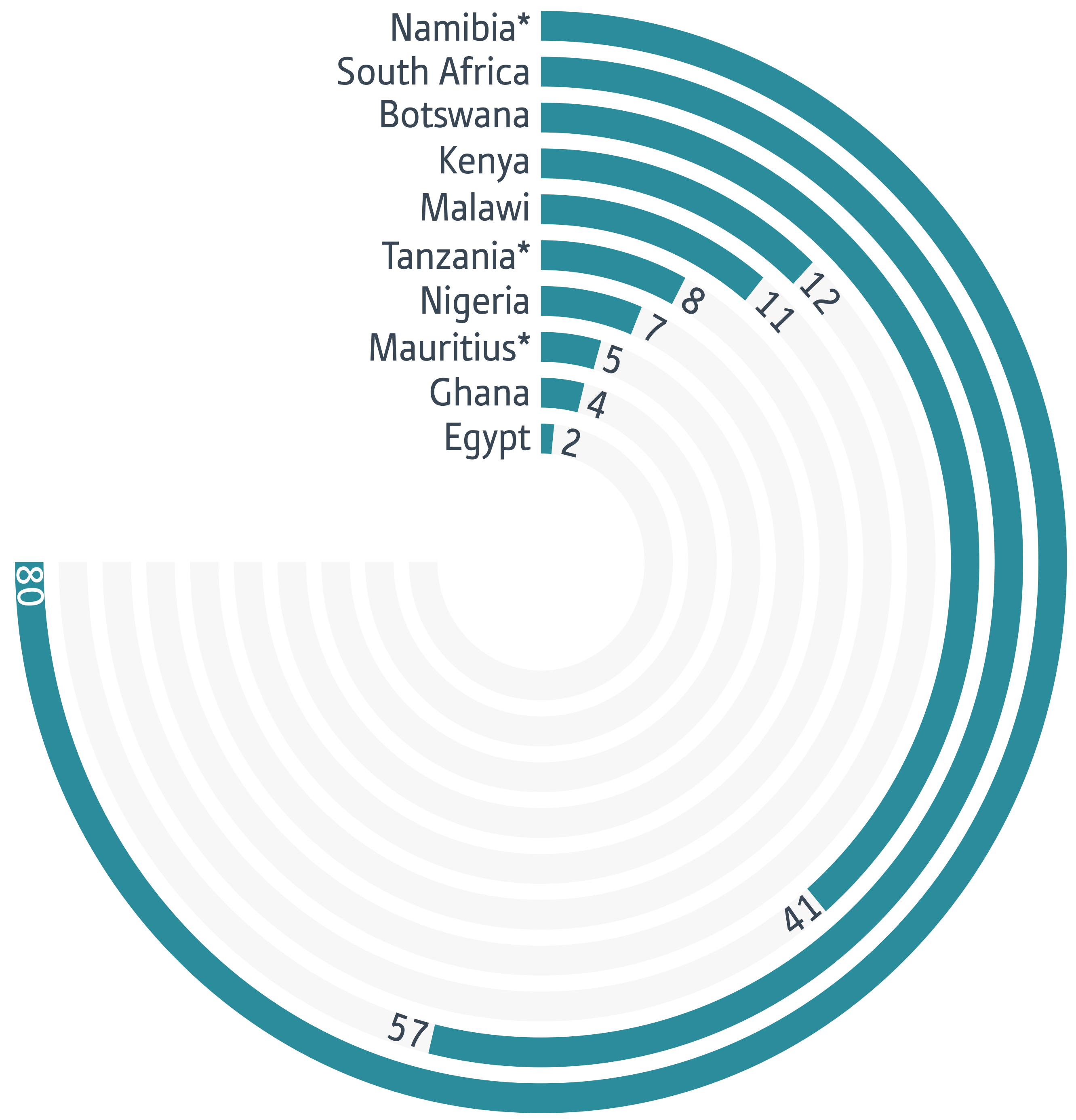
As the Rwanda Stock Exchange's integration with the East African Community's capital markets infrastructure advances, two themes top the 2022 agenda: retail investor participation and sustainable finance. Low investor appetite is the greatest impediment for small African exchanges that must look inward to establish scale before engaging larger investors. Many people in the region own houses and land, which are non-financial savings products that other financial instruments could complement. In tandem, we need more products that turn small savings into long-term investments and channel them into the market. Collective investment schemes are an excellent way to democratise the stock market, as are complementary pension schemes such as Rwanda's Ejo Heza. We collaborate with schools, women's associations and other public bodies to show Rwandans that every penny counts.

At the same time, Rwanda has ambitious sustainable development goals and substantial financing needs. Our recent partnership with the Luxembourg Stock Exchange will enable rapid progress towards offering green financial products. With the belief that adopting best practices requires international linkages for financing, capacity-building and technology development, the exchange will continue to scout value-creating partnership opportunities.

Graph source: *Capital Markets Authority Quarterly Statistical Bulletin, 4Q 2021*

Diversifying the Investor Base

Pension assets, selected African countries, 2018 (% of GDP)



*as of 2017

Even on stock exchanges that have made progress in terms of attracting foreign investors, their participation in equity and fixed-income trading remains relatively volatile. Between 2013 and 2018 foreign investors accounted for approximately 55% of trading and held 50% of market capitalisation on the Nairobi Securities Exchange (NSE) on average. However, these figures have fluctuated from as low as 20% to as high as 90% over the years, with foreign traders rapidly exiting or entering the market as macroeconomic conditions, foreign exchange rates and interest rates have changed.

The pandemic underlined the risk of the high degree of volatility associated with greater foreign participation. Since the start of the pandemic the proportion of foreign investors on the NSE fluctuated from a high of 75% in September 2020 to a low of just under half in August 2021.

To moderate this effect, exchanges have also made efforts to increase the participation of domestic institutional investors – particularly pension funds. African pension funds hold an estimated $700bn in assets and sub-Saharan sovereign wealth funds have approximately $16bn at their disposal. The pension fund industry has grown rapidly in recent years, and this trend is expected to continue, with some sources projecting total assets under management of African pension funds and sovereign wealth funds could hit $1trn by 2030. However, only a small share of funds are currently invested on domestic or regional exchanges.

Southern Africa has the most developed pension funds in terms of their integration in equity markets. Namibia has the largest pool of assets relative to its population, and its pension funds are mandated by law to invest at least 45% of their assets locally. Other Southern African pension fund assets also contribute significantly to their respective exchanges' market capitalisation. In South Africa, the Public Investment Corporation's shareholdings comprise 12.5% of the JSE's total market cap. Other African countries are incentivising similar developments, with regulators empowering pension funds in Uganda, Kenya, Morocco and Ghana to invest in local exchanges.

Graph source: *Bright Africa*

Digital Revolution

The retail market also offers opportunities to diversify the investor base. Retail investors have historically had limited involvement in any of the region's exchanges, but this trend is changing rapidly, primarily driven by technological innovations. Estimates for Nigeria show that there are 3m retail investors in the country, accounting for a combined 29% of equity transactions. However, not all retail investors are very active. On the Nairobi exchange, 97% of the roughly 2m registered share accounts were dormant between 2019 and 2022, with only 61,000 actively participating in trading.

Stock exchanges across the continent had already begun to use technology to upgrade and modernise their trading systems well before the Covid-19 pandemic. Exchanges in Ghana, Botswana and Nairobi, for example, had moved to automated clearing and settlement systems. The Nigerian Stock Exchange, for its part, adopted Nasdaq's X-Stream Trading platform in 2013, while the JSE partnered with Trading Technologies International in 2019 to enable trading of derivatives on the latter's platform.

Nonetheless, the pandemic proved to be a strong catalyst for digital transformation. Early in 2020 the Egyptian Exchange developed an electronic voting system called E-Magles, which enabled listed companies to continue corporate activities while maintaining social distancing. A large proportion of African exchanges have updated their websites and introduced trading apps. The Botswana Stock Exchange launched its mobile application, which offers most of its web-based trading options, in June 2020. The NSE, meanwhile, debuted a similar application the same year, specifically targeted at retail users.

Technological innovations in the retail investment market include platforms that make it easier to trade government securities, such as the Rwandan eSub mobile platform and Uganda's initiative to link its central bank central securities depository to the country's stock exchange.

In some markets, private businesses have emerged in the retail equity trading space, driven by increased retail investment activity in more developed markets and demand for return on investment in countries with high inflation rates.

A number of Nigerian trading start-ups have achieved success over recent years, including Trove, Chaka and Bamboo – the last of which has approximately 300,000 users in Nigeria and is looking to expand its operations to Ghana.

Stock exchanges using technology to boost retail participation

	Mobile app	Online trading
Angola		✓
Botswana	✓	
Eswatini	✓	✓
Ghana		✓
Kenya		✓
Mauritius		✓
Morocco		✓
Nigeria	✓	
Rwanda		✓
Seychelles	✓	✓
Tanzania		✓
Uganda		✓
Zambia	✓	✓

Infographic source: *Absa Africa Financial Markets Index 2021*

Encouraging Listings

While the market capitalisation of almost every African stock exchange rose over the coure of 2021, the number of listings did not follow the same trend. In sub-Saharan Africa there was a 73% decline in total equity capital raised. Much of this decrease can be attributed to the net reduction in listings on the JSE, which saw no initial public offerings (IPOs) over the course of 2021 but 24 delistings.

IPOs have stalled or reversed in many other markets as well. On the continent as a whole, the number and volume of IPOs were up in 2021, with eight IPOs in 2021 compared to seven in 2020, for respective values of $921m and $644m. However, these figures remain significantly lower than before the pandemic. Several factors are likely at play, including strict listing requirements, high costs and limited transparency.

During the 2017-21 period the majority (52%) of new listings by value were financial and consumer discretionary companies. However, this trend became less pronounced over the same period, with technology and telecommunications companies making up an increasing share of recent listings.

Case Study

KPMG

The emergence of new IT tools that help determine customer experience and economic performance provides North African businesses with noteworthy, leap-frogging opportunities. This holds especially true for banks that seek to grow their customer base in Tunisia, where two-thirds of the population remain unbanked. Global knowledge partners can support an orderly digital transformation to harness this potential, while also bringing together the markets in which they operate to co-create solutions. Still, digitalisation is not simply related to technology, but also requires an appropriate regulatory framework to accommodate the transition, along with digital awareness that can be fostered through education and campaigns.

In this vein, KPMG Tunisia recently launched technological offerings in digital transformation, systems integration, big data and cybersecurity by acquiring SPX, a leading local player in Microsoft solutions integration with expertise in Dynamics 365 Finance & Operations. KPMG France participated in this joint venture alongside KPMG Tunisia, which suggests that other advantages could stem from the broader partnership agreement between Microsoft and KPMG Group. It is hoped that future collaborations will position Tunisia as a talent centre for the network.

Viewpoint

Moncef Boussanouga Zammouri, Managing Partner, KPMG Tunisia

The Covid-19 pandemic and Russia's invasion of Ukraine in February 2022 have caused international disruption. Tunisia's GDP dropped by 8.8% in 2020 and only partially recovered in 2021 with growth of 3.1%. Due to the country's dependence on energy and grain imports, a high current account deficit persists. The war in Ukraine has driven up prices in both categories, thereby straining foreign currency liquidity and increasing recourse to external debt – a value that neared 90% of GDP in April 2022. If the government commits to an IMF-inspired economic reform agenda, Tunisia could double its current annual foreign direct investment inflows, valued at $600m. Turning to direct finance and the capital markets should gradually ease indebtedness in hand with more open policy.

Recent global trends provide a tailwind for such ambitions. The march towards decarbonisation allows the country to tap its solar power potential; digitalisation and remote work can expand the pool of human resources; and social considerations could secure new investment. At the same time, Libya's reconstruction prospects could see Tunisia benefit from a tripartite partnership with the EU and Libya. Tunisia aspires to become a regional financial and logistical platform, ensuring financing flows to the local and sub-regional economy in the current geopolitical context.

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Products and Information

Most exchanges offer a limited number of financial products – a lack of diversity that ranks among the most significant investor concerns, according to an Absa Africa Financial Markets Index 2021 survey. The JSE has the broadest offering, including bond futures and options; agricultural, metal and energy derivatives; and several currency futures. Although it is the only mature derivatives market on the continent, it sees a lot of activity, ranking among the world's 20-largest derivatives markets.

Other countries have recognised the benefits of derivatives markets for risk mitigation and as means to accelerate the development of financial markets. Kenya became the second African country to have a derivatives market, following the July 2019 launch of the NSE Derivatives Market. While there has been some activity, the market still faces low turnover and a lack of skills in the field, with liquidity to date falling short of expectations. Nigeria, meanwhile, launched its derivatives market in 2022, with seven derivative contracts on offer. The Nigerian Stock Exchange hopes that its sophisticated product offerings will attract more international investors.

Benchmark indices are another avenue for African exchanges to increase global exposure to their listings and encourage both investors and companies to participate. In 2020 the JSE and FTSE Russell launched the FTSE/JSE Fixed Income Indices, which will highlight opportunities to invest in South African-listed debt to a broader range of investors. In 2021 the Casablanca Stock Exchange launched the Morocco Stock Index 20, which tracks the performance of the exchange's 20 most-traded listings, while the same year saw the Egyptian Exchange launch its Treasury Bonds Index.

NSE Derivatives Market key indicators

KSh40m
Turnover 2020

› 600 %

KSh289m
Turnover 2021

Outstanding positions, 2020	**468 contracts KSh15.6m**
Outstanding positions, 2021	**939 contracts KSh36m**

Case Study

FTSE Russell

FTSE Russell is a part of the London Stock Exchange Group (LSEG) that provides independent data, benchmarks and analytics solutions. FTSE Russell equips several African exchanges with indices and technology based on LSEG infrastructure, notably in South Africa, Namibia, Morocco and Kenya.

A chief challenge for international investors in Africa is access to market data. In response, FTSE Russell adapts its global models to the local context, and manages indices ranging from equity and risk-based indices to multi-asset benchmarks that measure cross-asset market performance. The FTSE ASEA Pan Africa Index Series tracks the performance of eligible securities listed on African Securities Exchanges Association member exchanges.

Reliable information is critical for encouraging sustainable finance flows. The FTSE/JSE Responsible Investment Index Series represents South African firms that satisfy environmental, social and governance criteria according to a transparent methodology that exclusively considers publicly available information.

Returns in USD on selected FTSE indices, 2012-21 (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
FTSE ASEA Pan Africa Index (excl. South Africa)	23.0	28.9	2.1	-18.6	-7.2	29.3	-7.2	8.0	-1.5	23.8
FTSE Middle East and Africa Extended Index	18.6	5.0	6.3	-16.9	7.4	22.8	-16.1	12.3	-0.3	25.1
FTSE/JSE All Share Index	21.1	-2.0	0.6	-22.1	16.5	35.5	-21.8	15.1	2.0	19.4
FTSE Secondary Emerging Index	20.5	-2.0	4.7	-7.2	8.1	35.7	-14.2	19.4	20.1	-5.2

Infographic source: *NSE*

PART 1

OVERVIEW

PART 2

ACTIVITY BY REGION

PART 3

MARKET DEVELOPMENT

PART 4

PROMOTING SUSTAINABILITY

PART 5

FURTHERING INTEGRATION

PART 6

OUTLOOK

ESG Integration

African stock exchanges are encouraging listed companies to enhance and standardise their environmental, social and governance (ESG) reporting practices, focusing primarily on the governance pillar, in line with international investors’ priorities in the region. Reporting is voluntary and differs from developed markets in its qualitative rather than quantitative focus.

Integration is more advanced in the equity markets than in the fixed-income segment. The Johannesburg Stock Exchange (JSE) and the Egyptian Exchange (EGX) among others, have developed indices showcasing the best-performing listed companies according to globally recognised ESG criteria.

ESG efforts are mainly driven by risk management and investor demand, which have more recently culminated in a rotation towards the disclosure of climate risk, evidenced by the “Model Guidance on Climate Disclosure”, published in June 2021 by the UN Sustainable Stock Exchanges initiative.

The scarcity of reliable data is a significant inhibitor to reporting. Against the backdrop of weak local certification capacity and a mismatch between regulatory and business intent, disclosures can look like “greenwashing”, with lengthy reports lacking in quality or substance. The dearth of comparable data weakens the business case for ESG reforms and the adoption of good practices beyond listed entities.

Better standards would help attract long-term investor interest through enhanced credibility and stronger competition; however, stricter policies with mandatory characteristics are unlikely in the short term, not least because their associated costs could risk alienating operators.

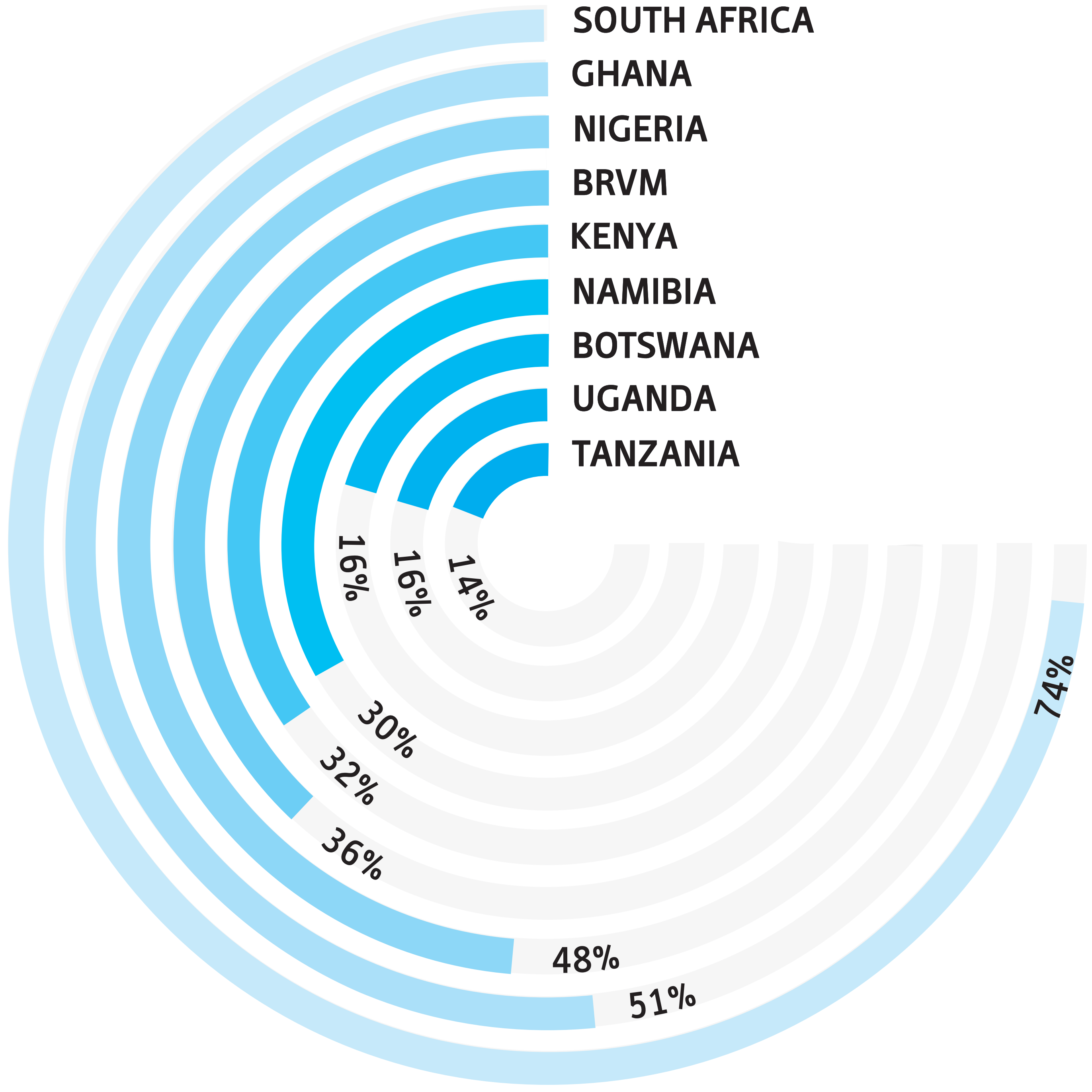
There are also some inherent tensions between the decarbonisation goals of the environmental pillar of ESG and the associated outcomes under the social pillar. Many African authorities, which count on resource-based revenue to industrialise and create jobs, therefore view sustainability as context-driven and advocate for a “just transition” that addresses employment, financial inclusion and inequality alongside other environmental objectives. As a result, some policymakers are reluctant to impose global standards that may not reflect local conditions and could collide with social obligations.

ESG guidelines on African exchanges

ESG disclosure as a listing rule	Egypt, Kenya, Morocco, Namibia, Nigeria, South Africa, Zimbabwe
Written guidelines on ESG reporting	Botswana, Ghana, Kenya, Morocco, Nigeria, Tunisia
Sustainability indices	Egypt, Cape Verde, Kenya, Mauritius, Morocco, South Africa
Incentives for issuing ESG assets	Egypt, Kenya, Mauritius, Morocco, Nigeria, Rwanda, Tanzania, Zambia
Initiatives integrating ESG into financial market standards	Angola, Egypt, Ghana, Kenya, Mauritius, Namibia, Nigeria, Seychelles, S. Africa, Zambia

ESG Integration

ESG information in selected markets



Graph source: *ACCA Global*

The enforcement of ESG criteria can significantly curtail the breadth of possible investment due to the relative scarcity of eligible assets and appropriate investment vehicles. As a result, the investor-led drive towards ESG-friendly equities that is currently taking place in many developed markets has yet to take off in earnest in Africa.

The continent's principal asset owners – pension funds and social security funds – are gradually acknowledging that portfolio diversification is needed in order to manage climate risk, but they often lack the mandate to establish responsible investment strategies, and divestment from emitting sectors in resource-rich economies can trigger significant trade-offs.

While it remains relatively uncommon for pension fund practitioners on the continent to integrate ESG factors into their portfolio construction at the asset-allocation level, a number note that this is the direction they are headed. One such example is Ghana's National Pensions Regulatory Authority, which released new guidelines for incorporating ESG into its investment decisions in 2021. These included a provision to discount up to 5% of a pension scheme's assets under management invested in green bonds from its maximum allocation for securities.

Some exchanges, such as the EGX, have placed a greater emphasis on gender equality. In July 2021 the EGX raised the percentage of women's representation on the boards of directors of companies that are listed on the exchange and operate in non-banking financial activities to 25%, or at least two members. The EGX, the American University in Cairo and TheBoardRoom Africa – a community of female executives – also provide an annual Board Diversity Index which assesses the performance of listed companies across 11 African countries on gender equality at the board and senior executive level. The Casablanca Stock Exchange, for its part, established a 30% mandatory minimum rule for women's representation on boards.

Part 4: Promoting Sustainability

Financing the UN SDGs

The continent's capital markets are beginning to attract investors who are looking for alternative asset classes. Many exchanges are developing products, guidelines and frameworks around sustainable finance aligned with international standards, with innovative financial tools that enable institutional investors to allocate capital towards green and inclusive growth, in line with the UN Sustainable Development Goals (SDGs). Sustainability bonds have prevailed as the preferred vehicle for these ambitions, with green bonds the most popular subtype.

The FMDQ Securities Exchange of Nigeria, for example, launched its green exchange in November 2021, while the government of Ghana is aiming to establish a green exchange in 2022, with support from the International Finance Corporation. The Ghanaian exchange has a five-year target of $5bn in green bond sales from Kenya, Nigeria and Ghana to fund clean energy projects. Meanwhile, South Africa has embedded a sustainability segment within its main board for bond issuances over the medium to long term.

African authorities are also engaging in international forums to benefit from shared experiences and ensure economic and institutional regional differences are taken into account. Several capital markets authorities – including the Central Africa Financial Market Supervisory Commission, and the relevant authorities from Morocco, Nigeria, Ghana, Egypt and South Africa – are members of the Sustainable Banking and Finance Network. As part of their membership, they are assessed annually according to the network's three-pillar methodology on their progress. Egypt and South Africa were critical to the creation of the UN Sustainable Stock Exchanges initiative, which as of mid-2022 had 16 African members.

The Marrakech Pledge for Fostering Green Capital Markets in Africa was launched at the UN COP22 meeting in 2016, under the leadership of the Moroccan government. The 20 signatories to the pledge – representing 26 countries, 10 regulators and 10 stock exchanges from all over Africa – have made voluntary commitments to develop a more robust sustainable finance ecosystem.

- Sub-Saharan Africa will need **$574bn** per year through to 2030 in order to finance the UN SDGs
- Sub-Saharan Africa will need **$50bn** annually for climate adaptation in agriculture, power and urban infrastructure
- The World Bank estimates **$783bn** in climate investment opportunities in sub-Saharan Africa over 2016-30
- Africa accounts for **3.8%** of global greenhouse emissions
- The continent comprises **3%** of climate finance flows

Infographic source: *Brookings Institution*

Green Bond Markets

Availability of sustainable finance products, 2021

	Green bonds	Other sustainable bonds	Green/sustainable equities	Sustainable ETFs	Sustainable mutual funds
Egypt	✕				
Ghana		✕		✕	
Kenya	✕	✕	✕		✕
Mauritius	✕	✕	✕		
Morocco	✕	✕	✕		✕
Namibia	✕				
Nigeria	✕				
Seychelles		✕			
South Africa	✕	✕		✕	

Infographic source: *Absa Africa Financial Markets Index 2021*

The labelled bond market surpassed $1trn in issuances in late 2020, of which sub-Saharan Africa constituted 0.1%. Although the continent's green bond market is underdeveloped compared to other regions, issuances have seen an upward trend in recent years. Between 2018 and 2021 there were 11 green bonds issued with a total origination value of $2.4bn, exceeding the $2bn raised by 15 green bonds in the prior 11 years.

South Africa leads, with a 61% market share by value, with four countries responsible for almost all issuances. Proceeds from bond sales primarily fund clean energy (35%), building (28%) and transport (18%) projects.

In addition to governments, municipalities and corporations, multilateral development banks are also active market participants. The African Development Bank issued $2.6bn in green bonds between 2013 and 2019, according to the Environmental Finance Bond Database. Morocco received the lion's share to finance 10 energy efficiency and solar energy projects.

On the supply side, the scale and broader slowdown of the equity capital markets and perceptions about regional risk undermine segment growth. There are relatively few verified green projects and assets in the region, and many are too small to attract a significant investor base. Demand, meanwhile, is hampered by limited awareness of green instruments and evidence of a so-called green premium, or "greenium", implying lower yields than non-green bonds with similar characteristics.

The third-party verification and certification critical to investor confidence are costly and controlled by global service providers. As the segment looks to spur growth, disseminating knowledge to potential issuers, developing local accreditation capacity and establishing clear guidelines will be important signposts.

Regulators are rolling out frameworks and programmes to ramp up private participation, stimulate activity and instil investor confidence in the market. Kenya now offers tax exemptions for interest earned on green instruments, while Zambia has reduced the registration fees for such products by 50%. South Africa, for its part, launched a Green Finance Taxonomy in 2022, aligned with that of the EU, requiring a mandatory external review for the issuer and verifiers to access the sustainability segment.

In Nigeria, FMDQ partnered with FSD Africa in 2018 on a three-year green bond market development drive centred on local certification capacity-building. It has trained more than 500 professionals to date, and is in the process of licensing Africa's first green accreditor.

Given the need to finance the infrastructure gap sustainably and the increasing receptiveness of stakeholders to the funding capacity of green financial products, the multitude of new issuances in the pipeline paints a positive outlook for the market and its potential to accelerate progress towards the UN SDGs in Africa.

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Integration Initiatives

Countries across Africa have been advancing initiatives to build regional capital markets in partnership with international financial institutions. These efforts are aimed at establishing a larger market, becoming more attractive to investors, improving financial infrastructure and diversifying offerings.

WEST AFRICA: The West African Capital Markets Integration Council (WACMIC) was inaugurated in 2013 as the governing body in the Economic Community of West African States (ECOWAS). WACMIC aims to establish a harmonised regulatory environment for the issuance and trading of financial securities across the region, and comprises the commissions and securities exchanges of the West African Economic Monetary Union, Ghana, Nigeria, Sierra Leone and Cape Verde.

In December 2020 it received a grant of $850,000 from the Capital Markets Development Trust Fund administered by the African Development Bank (AfDB) to initiate regulatory harmonisation and build capacity to handle cross-border investments. Following implementation of the WACMIC framework, an environment for the issuance and trading of financial securities across the region will be established beyond the Bourse Régionale des Valeurs Mobilières (BRVM). A passport mechanism within a single listing system will allow registered brokers in each jurisdiction to trade on other stock exchanges, and companies can be listed on one exchange but remain available for transactions by all brokers in the area.

NORTH AFRICA: In general, North African exchanges have more joint initiatives with other regions – such as the Middle East and West Africa – than they do with other exchanges in the region. Attempts at promoting regional integration have been relatively scarce to date. However, one example came in May 2017, when the Tunis Stock Exchange and the Casablanca Stock Exchange signed a memorandum of understanding to improve cooperation across information exchange, training and technical assistance, and dual-listing development.

At the same time, though, Morocco has been continuing to develop strong relationships with exchanges in West Africa. For instance, in 2016 the Casablanca Stock Exchange hosted the eighth meeting of WACMIC. The following year the president of Morocco's Capital Market Authority and the director-general of the Casablanca Stock Exchange paid a working visit to the headquarters of the BRVM, in Abidjan. The Casablanca Stock Exchange's ongoing involvement in the region reflects Morocco's commitment to promote linkages between North and West African markets for co-development.

Viewpoint

Eugene Cissé Kouoh,
Managing Director,
ASCA Asset Management

Central Africa has now effectively launched portfolio management services and UCITS. However, there is a slight difference when compared to our counterparts in the West African Economic and Monetary Union, as those countries have already developed a legislative framework for the deployment of UCITS.

Some of the provisions regulating the placement of financial products on the market and the instruments used are currently being clarified in the Central African Economic and Monetary Community, while other rules do not yet exist, such as for the securitisation of receivables through mutual funds, venture capital and specific listing activities. Therefore, several reforms are being conducted on both the legal and tax fronts. Fortunately, the mentioned elements are being integrated into the regulation framework, so it is highly probable that all necessary reforms to the capital markets framework will be completed towards the end of 2022.

In terms of the broader region, a higher degree of integration among stock markets through the reinforcement of operations across Morocco, Nigeria, Kenya and South Africa could ensure an effective transfer of skills and best practices. Such collaboration is necessary to position African financial markets among global leaders.

Integration Initiatives

Egypt, for its part, has built solid relationships with stock exchanges in the Middle East. The Egyptian Exchange is part of the Arab Federation of Exchanges (AFE). It is chaired by Mohamed Farid Saleh, who is also the head of the Egyptian Exchange. AFE's mission is to provide an international reference for Arab financial markets by providing opportunities for cooperation among members; knowledge transfer at conferences; and coordination on the development of regulations.

EAST AFRICA: Rwanda, Uganda and Tanzania merged their stock markets through a decade-long automation project that culminated in the Capital Markets Infrastructure (CMI) platform in 2020. Burundi launched its stock exchange that same year and is now a member of the CMI. The CMI allows investors to trade their stocks electronically across borders via brokers with sponsored membership in the market where they want to buy stocks. The cross-listing of shares in the East African Community (EAC) has increased private capital flows. The total market capitalisation of cross-listed shares in the EAC stands at about $2.9bn, with the Nairobi Stock Exchange accounting for more than 95%. The remainder is split between the Dar es Salaam Stock Exchange and the Uganda Stock Exchange. All cross-listed companies are headquartered in Kenya.

SOUTHERN AFRICA: The Southern African Development Community (SADC) has a 25-year history of integration efforts. Starting in the 1990s SADC members embarked on various initiatives to improve coordination and integration in the financial sector, with a view to attracting capital inflows and enhancing domestic savings. The Committee of SADC Stock Exchanges (CoSSE) was founded in 1997 to make the securities markets more attractive to regional and international investors, while mobilising capital to alleviate inequalities between bigger and smaller exchanges. CoSSE oversees securities exchanges in Botswana, Eswatini, Malawi, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Zambia and Zimbabwe.

CoSSE has made some progress on interconnectivity through the SADC Brokers' Network. SADC also established the Protocol on Finance and Investment in 2006. In part, it encouraged members to expand their exchanges and harmonise listing requirements. In 2012 CoSSE established three subcommittees to further its priorities: the Legal and Secretariat Working Committee, the Market Development Working Committee, and the Capacity Building and Visibility Working Committee.

CENTRAL AFRICA: Central Africa is moving towards regional integration, as evidenced by the Bourse des Valeurs Mobilières de l'Afrique Centrale (BVMAC). The BVMAC is a regional stock exchange based in Douala, Cameroon that serves Cameroon, the Central African Republic, the Republic of the Congo, Gabon, Equatorial Guinea and Chad. It was created by the Economic and Monetary Community of Central Africa (Communauté Economique et Monétaire de l'Afrique Centrale, CEMAC) in June 2003 and its first listing took place in 2008. In 2019 the Douala Stock Exchange merged with the BVMAC to form a single stock market for CEMAC, with Cameroon having a separate market until that point. The BVMAC headquarters moved from Libreville, Gabon to Douala two years prior, in 2017.

Case Study

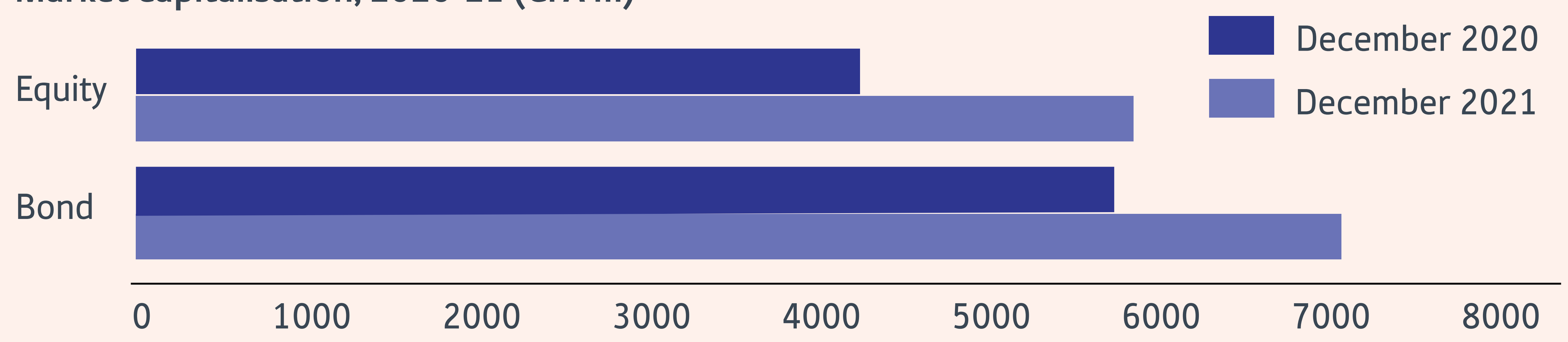
CGF BOURSE

CGF Bourse is a Senegal-based investment and brokerage firm founded in 1998 that offers financing and investment solutions to private and public entities. CGF Bourse has been selected to participate in the African Exchanges Linkage Project initiated by the African Securities Exchanges Association and the African Development Bank to further facilitate cross-border securities trading.

Recent policy developments seek to activate the domestic savings pool and instil an investment culture among residents in UEMOA. The availability of diverse investment vehicles is central to this agenda. In line with this goal, CGF Bourse provides instruments such as stocks, bonds and secondary market products, while its subsidiary CGF Gestion – which creates and manages undertakings for collective investment in transferable securities – offers more than 20 mutual funds designed around various themes, investment strategies and risk profiles. In addition, CGF Gestion offers company savings plans with tax advantages that enable employees to build up additional savings for retirement.

The retail market's minor share of West Africa's investment volume points to considerable growth potential. CGF Bourse plans to tap into this by popularising financial products across income groups. As of end-2021 it was one of two entities authorised and operational to execute online trading on the Bourse Régionale des Valeurs Mobilières. The brokerage also leverages the CGF Access digital platform to extend its reach and allow clients to manage their portfolio, make deposits, execute stock market transactions and access financial information remotely.

Market capitalisation, 2020-21 (CFA m)



2021 performance

- Assets under management +22%
- Brokerage value +19%
- Financial institution brokerage +20%
- Value of CGF mutual funds +73%

Viewpoint

Marie Odile Sène Kantoussan, Managing Director, CGF Bourse

Significant developments are under way in the region, including greater prospects for small and medium-sized businesses, as well as technological innovation among market players in preparation for the various development and integration programmes in the pipeline that should contribute to boosting the appetite of regional and international investors.

The year 2022 will be marked by diligent compliance work, as several long-awaited regulations will take effect in January 2023, including rules related to prudential ratios, and capital and asset allocation requirements. New regulations will formalise the use of products such as *sukuk* (Islamic bonds), real estate funds and green bonds, although the lack of standardised rules has not stopped their rollout in recent years.

Countries should mobilise West Africa's resources to finance the region's real economies instead of fixating on international financing as the sole recourse. The industry can incentivise domestic investment and attract healthy capital inflows if it is equipped with a broader product range, has the ability to work with longer maturities and implements technological solutions that help to elevate the customer experience.

AELP Overview

The African Exchanges Linkages Project (AELP) is the flagship integration initiative of the African Securities Exchanges Association (ASEA), designed to connect the continent's leading exchanges and boost cross-border investment flows, thereby advancing the African Union's Vision 2063 directive on the free flow of investment and capital. The project began in 2020 with funding from the AfDB and a grant from the Korea-Africa Economic Cooperation Trust Fund.

The project is designed to align with the objective of the African Continental Free Trade Area (AfCFTA) to establish a single and liberalised market; facilitate the movement of capital and people; support investment; and deepen the economic integration of the continent. Taking a gradual approach to reducing barriers, the first step of integration under the AELP enables cross-border securities trading between participating exchanges using local sponsors. At the final stage, AELP envisions the cross-border raising of capital and easier initial public offerings for African businesses that aspire to expand operations beyond their national borders.

The AELP Link platform – the order-routing technology that allows brokers in one jurisdiction to send investors' orders to an executing broker in another market – became operational in July 2021. The pilot phase of the AELP was launched following this development, linking an initial seven stock exchanges and some 30 brokers.

AELP's Pilot Phase

- **7** stock exchanges
- **14** countries
- **1055** African companies
- **$1.2trn** market cap
- **95%** of market cap of all African exchanges

The pilot phase started with seven stock exchanges before opening to all ASEA members

BRVM	Bourse Régionale des Valeurs Mobilières
	Johannesburg Stock Exchange
	Egyptian Exchange
	Casablanca Stock Exchange
	Nigerian Stock Exchange
	Nairobi Securities Exchange
	Stock Exchange of Mauritius
	The Ghana Stock Exchange and the Botswana Stock Exchange have since been added

Phases of Integration

- current phase — **Phase 1: Rollout and widespread adoption of AELP Link platform to enable brokers to send orders and receive trade confirmations**
- **Phase 2: Onboard new exchanges and more brokers**
- **Phase 3: Identify legal and regulatory obstacles, and work with local exchanges to remedy them**
- **Phase 4: Establish framework for rules, guidelines, agreements and dispute resolution**
- **Phase 5: Share research and data on investment opportunities**
- **Phase 6: Pan-African capital raising**

Infographics source: *ASEA*

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AELP Challenges

Risk of activity pooling in the largest markets: The region's economies vary considerably in terms of size and liquidity. The risk of capital flowing to the largest and most liquid exchanges at the expense of smaller ones creates a dilemma for many countries when the fundamental allure of the AELP is channelling investment to economies that need it. Local authorities desire a level of certainty that investment outflows from their jurisdiction will be compensated with corresponding inflows.

Lack of information on opportunities: Cross-border investment flows on the scale visualised by the AELP can only materialise if intermediaries are familiar with the opportunities that exist outside of their jurisdiction and present these to their clients as a means of diversifying their investment portfolios. Brokers will play a key role in building linkages and filling information gaps, yet intermediaries often times do not have access to the market data necessary to take a position. Digital order placement through the AELP Link platform will partially address the problem; however, the volume of cross-border investment will still largely depend on individual brokers' efforts to educate and convince counterparts to divert funds to new jurisdictions.

Differences in exchange rate policy & capital account liberalisation: Priorities and approaches in regulating currencies and money markets vary from country to country, reflected in divergent exchange rate policies and varying degrees of capital account liberalisation. These different regulations can weaken the profitability of investments and deter investors from investing in markets they cannot exit during a downturn without significant losses. This concern comes against the backdrop of relative macroeconomic and currency volatility.

The lack of an interoperable system for payments and settlements across central banks complicates the payment of dividends to investors investing in markets other than their own

The settlements must be of a certain size to make the foreign exchange risk account for those bearing it

The Pan-African Payment Settlement System (PAPSS) seeks to address this issue, yet exchange rate policy differentials constitute a challenge for both PAPSS and the AELP

Harmonising the legislative base: Incorporating different legal systems under a framework with common approaches is an essential, albeit complicated, component of the harmonisation needed to further the integration agenda. Countries have inherited divergent legal systems, which have implications for convergence and the effectiveness of the rule of law. As a result, the pace and extent of harmonisation inevitably rests with the preferences of the least flexible jurisdiction of a working group.

Regulatory limits of institutional investment: With regional financial markets overwhelmingly driven by institutional investors – namely, pension funds and insurance firms – regulatory limits on the level of non-domestic investment that such entities are allowed to carry out inevitably constrains the extent of cross-border flows envisaged under the AELP. According to Thapelo Tsheole, CEO of the Botswana Stock Exchange, countries need to allocate a portion of their pension funds to investment in other African markets in order to resolve this challenge.

AELP Opportunities

A larger, deeper & more liquid market: The AELP has the potential to improve the depth and breadth of African capital markets by helping investors spot investment opportunities across markets, which should stimulate the innovation of financial product offerings and foster greater regulatory harmonisation and central bank collaboration on the continent. As the barriers between capital markets are removed, stock exchanges can take advantage of economies of scale and become more attractive destinations for international investment flows.

Wider pool of financial resources: By enabling pan-African investment flows, the AELP can open up a wider pool of financial resources for the continent's infrastructure and energy transition needs. It will also allow countries in the region to raise the funds required to finance large-scale projects through regional resources rather than purely international sources of capital.

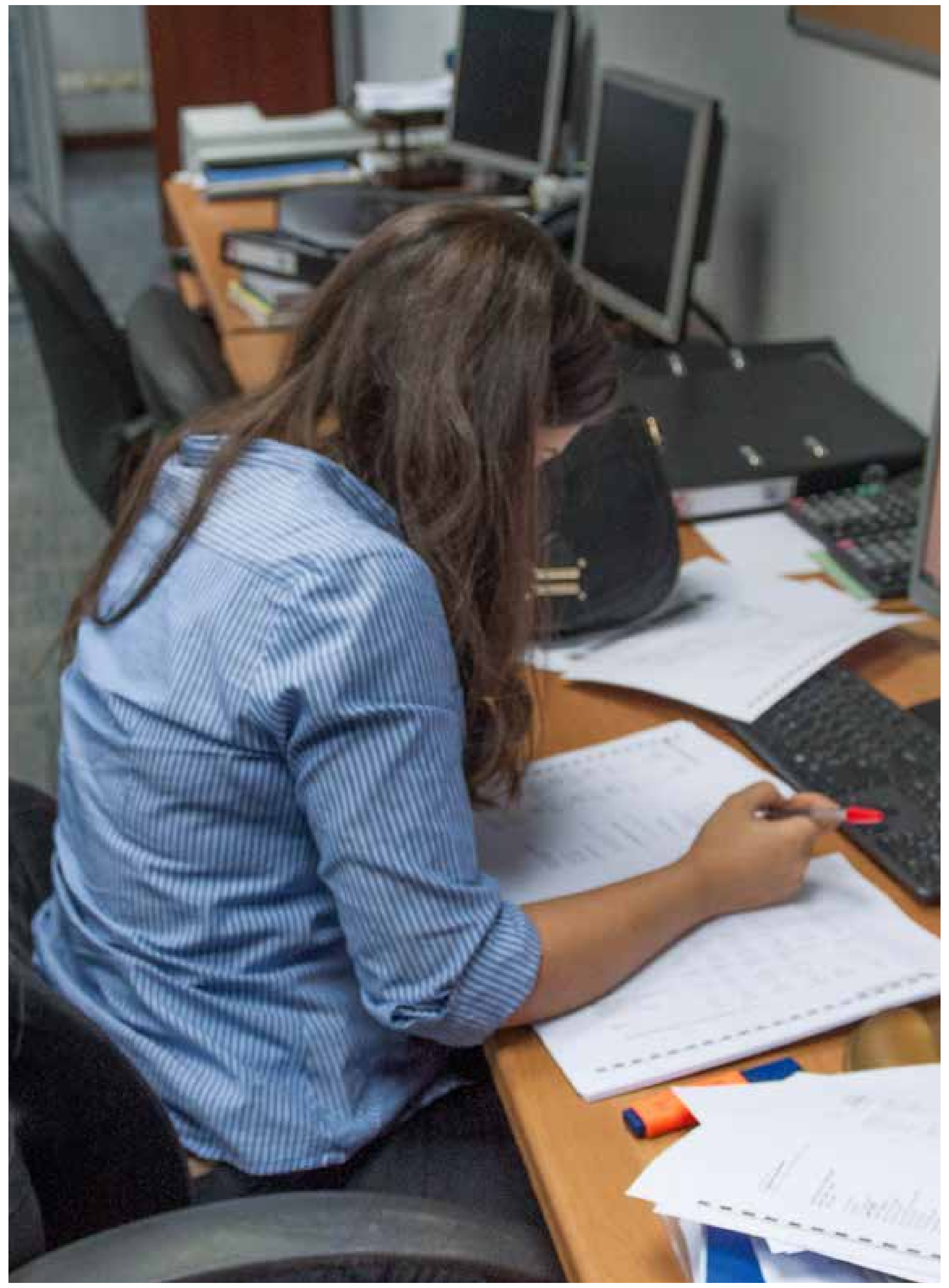
Reduced transaction & operational costs: The project will provide a one-stop shop for entry into the most substantial African markets, cutting down on transaction and operational costs for investors. The harmonisation of regulations anticipated in later stages of the AELP will address the root causes of relatively high costs in intra-African capital flows.

Improved visibility & enhanced return on investment: The availability of market data will improve under the project, in turn enhancing the visibility of investment opportunities and reducing the risks associated with investing in African markets for domestic and global institutional investors. As brokers and other financial market actors become more familiar with opportunities in different jurisdictions, individual countries' investment in other African economies will flow into the continent's most promising and profitable businesses.

Reduced risk exposure for the investor community: For African institutional and retail investors, the AELP will enable portfolio diversification with assets from different markets, rather than full exposure to the vagaries of the equity and fixed-income markets of a single given country. Diversification will reduce risk and increase potential returns for investors, alleviating the lingering confidence problem that prevents the region's stock exchanges from reaching a larger investor base.

Capacity-building & communication: By linking financial markets and operators at different stages of maturity and establishing formal stakeholder engagement platforms, the AELP will encourage participants to upgrade their capacity to capture greater market share, build up human capital resources and develop technological infrastructure.

Enhanced capital-raising options for the private sector: In its later stages, the AELP has the potential to support African companies in raising capital through issuances across multiple jurisdictions, which should spur increased domestic and foreign institutional investor participation in African capital markets.



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Case Study

PAPSS Pan-African Payment & Settlement System

The lack of an interoperable payment system has been a bottleneck for trade and investment on a continent with more than 40 currencies. The African Continental Free Trade Area (AfCFTA) is expected to establish a single market with a GDP of $33.4trn, which is forecast to double by 2050 as a result of a higher volume of trade-related transactions.

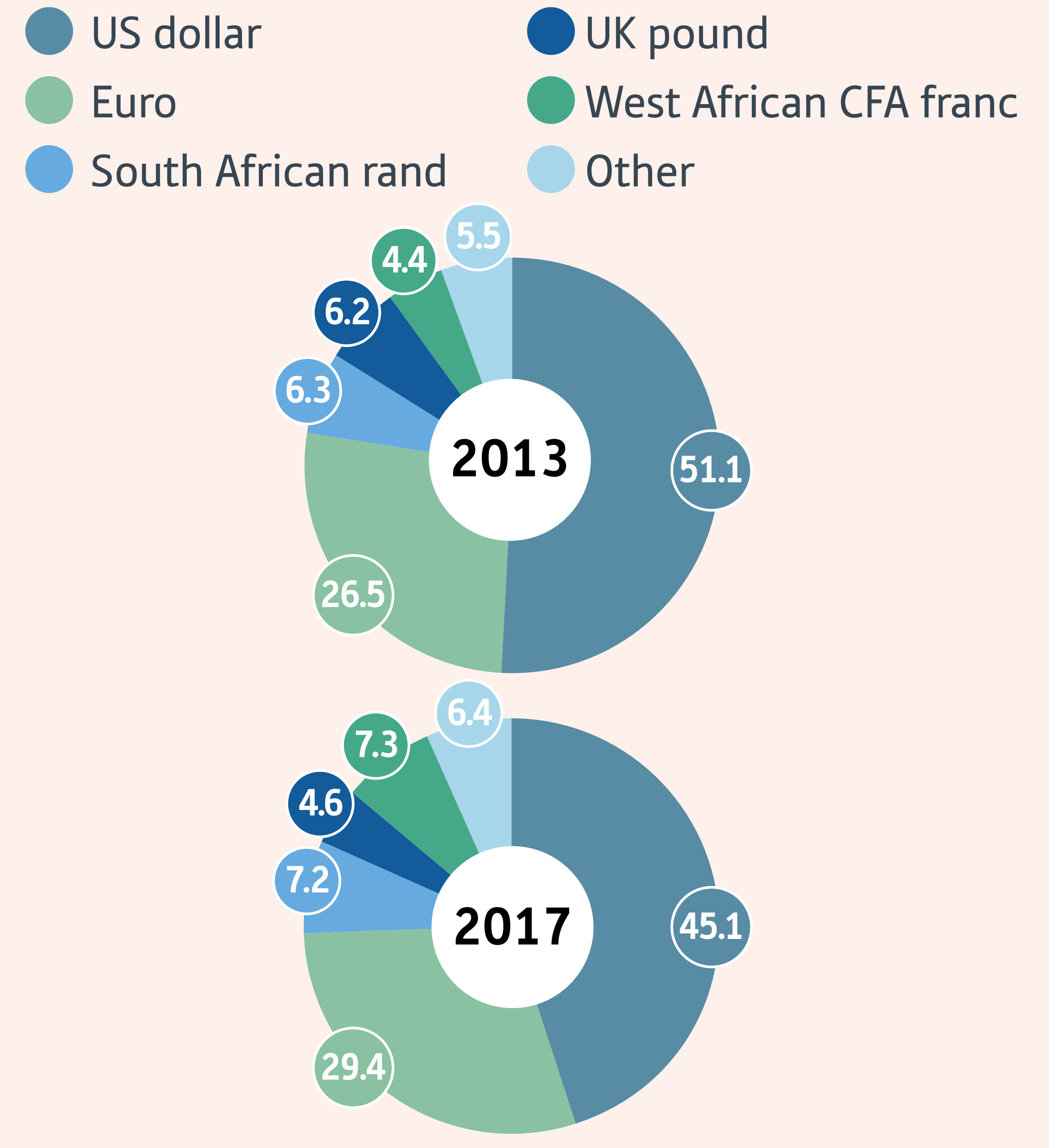
Developed by the African Export-Import Bank (Afreximbank) in collaboration with the African Union (AU) and the AfCFTA Secretariat, the Pan-African Payment and Settlement System (PAPSS) is a cross-border centralised financial market infrastructure adopted as a primary instrument for the implementation of the AfCFTA. The platform supports instant payments between entities in participating countries, allows for trade in local currencies, carries out validation checks on payments and guarantees settlement by the central banks involved. "PAPSS establishes several key design principles to ensure that its operations complement the removal of trade barriers and support the fulfilment of AfCFTA's ambitions," Mike Ogbalu, CEO of PAPSS, told OBG.

> "Once it begins to operate at scale, the Pan-African Payment and Settlement System should save African countries an estimated $5bn annually by reducing charges and delays"

By allowing instant payments, PAPSS reduces the delay and time variability of cross-border payments, which can improve the predictability and availability of working capital for businesses. According to Ogbalu, the platform will encourage small and medium-sized enterprises and financial technology firms to co-create solutions. The platform also addresses the need to solicit third currencies for transactions in the originating or recipient country. PAPSS allows multilateral net settlement among participating central banks, enabling them to reduce their foreign exchange holdings and lower liquidity requirements for commercial banks. In this sense, Afreximbank's $3bn settlement and overdraft guarantee will ensure that settlement finality always takes place. Importantly, PAPSS can significantly reduce transfer costs. "More than 80% of intra-African payments are processed through Europe or the US, resulting in high transfer and compliance costs," Ogbalu noted.

The commissioning of PAPSS in 2021 followed a successful pilot with instant live transactions carried out in the countries of the West African Monetary Zone. The network is rapidly growing, with more than 35 financial institutions onboarded as of April 2022. Once it begins to operate at scale, PAPSS should save African countries an estimated $5bn annually by eliminating the need for foreign exchange and reducing charges and delays. PAPSS aims to link to all African economies by the close of 2023.

Currencies used for cross-border payments, 2013 vs 2017 (%)



Implications for the AfCFTA

The development and harmonisation of Africa's capital markets could not only bolster investment in local stock exchanges, but also facilitate pan-African trade flows and alleviate non-tariff barriers to trade – the potential welfare gains of which would be significant. Indeed, it is expected that deeper and stronger integration will reduce costs associated with continental trade by lowering the cost of financing, payment transactions and investment movements.

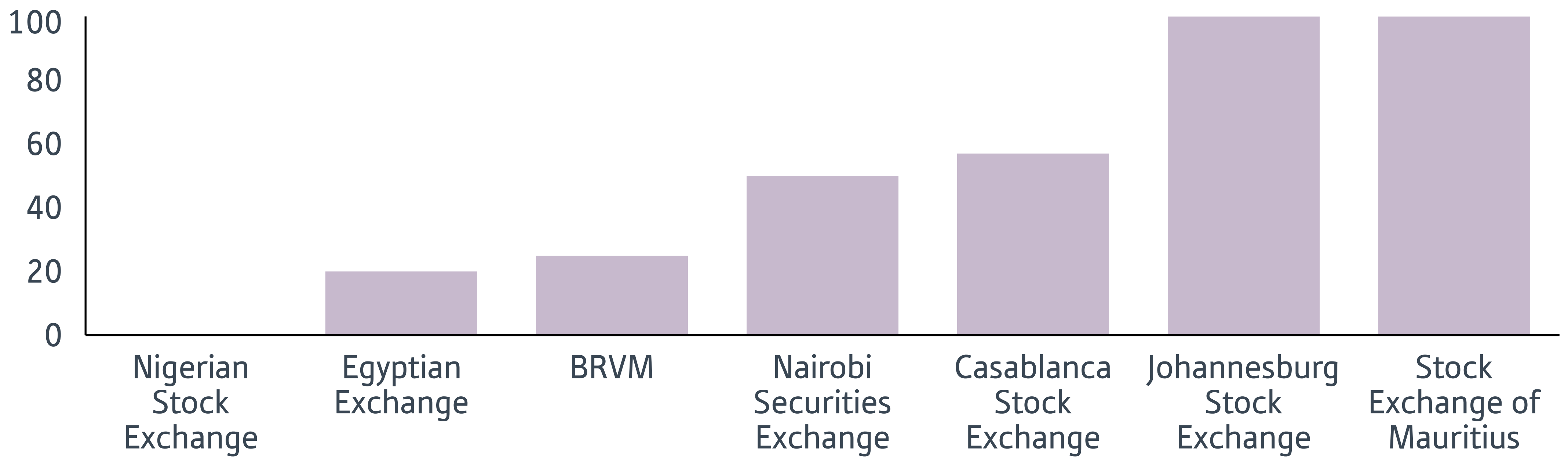
Africa's vast infrastructure gap – and most notably, its needs across the transport, logistics and utilities sectors – must be urgently addressed so as not to restrict or hinder the large anticipated increase in trade volume under the AfCFTA in the years through to 2030.

Investment to facilitate the development of these sectors has increased in recent years, reaching roughly \$130bn-170bn per year by 2018. However, this has left an annual financing gap on the order of \$68bn-108bn, according to the AfDB. Stock exchanges can help to mobilise a large portion of this amount and contribute to alleviating Africa's persistent infrastructure financing gap.

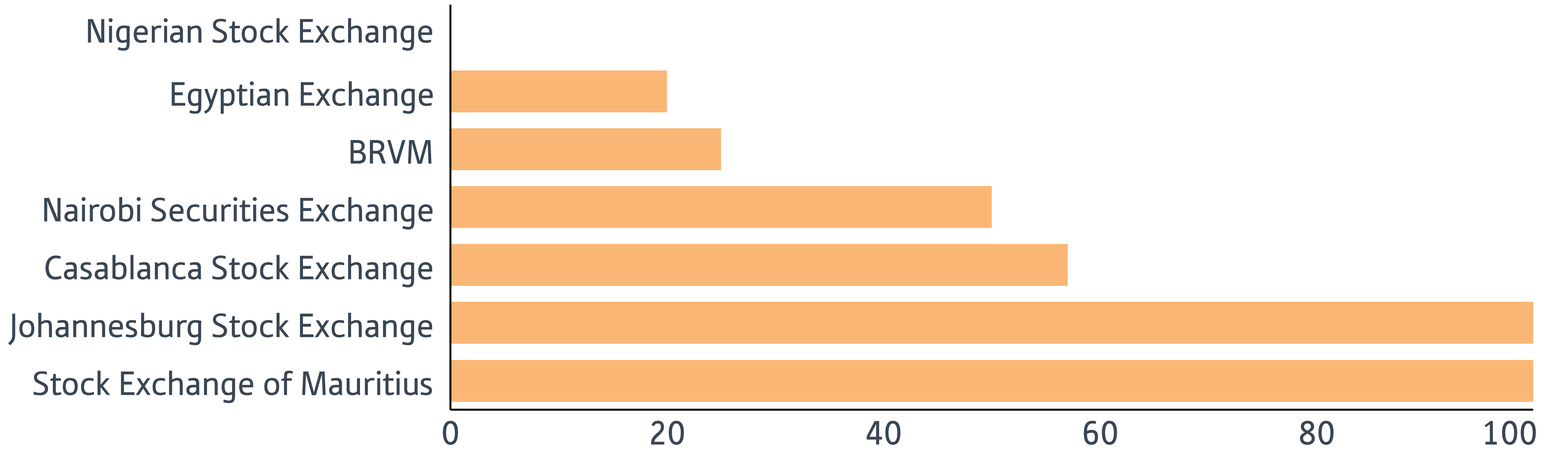
Some of the chief obstacles to reaching the full potential of the AfCFTA are inadequate infrastructure, poor trade logistics networks and volatile financial markets – factors that can harm trade expansion more than tariffs. Well-developed capital markets can attract investors with varying risk profiles and sensitivities, and provide the long-term finance needed for private companies to play their part in removing hurdles.

At the same time, African countries need to mobilise additional resources to recover from the economic effects of the Covid-19 pandemic and implement the AfCFTA, as well as strengthen social protection frameworks to address adverse distribution effects that may arise from the removal of trade barriers. Part of the fiscal space to cover these needs could come from revenue mobilisation through stock exchanges.

Respondents by market who invest abroad (%)



Respondents who have relationships with brokers in other African markets (%)



**2020 survey by ASEA of 50 respondents*

Graphs source: *ASEA*

Part 6: Outlook

Future Prospects

The immediate outlook for individual exchanges remains tightly linked to the overall economic outlook. Despite a slow rollout of vaccinations in Africa, the global recovery from the Covid-19 pandemic yielded relatively positive initial predictions for regional growth in 2022.

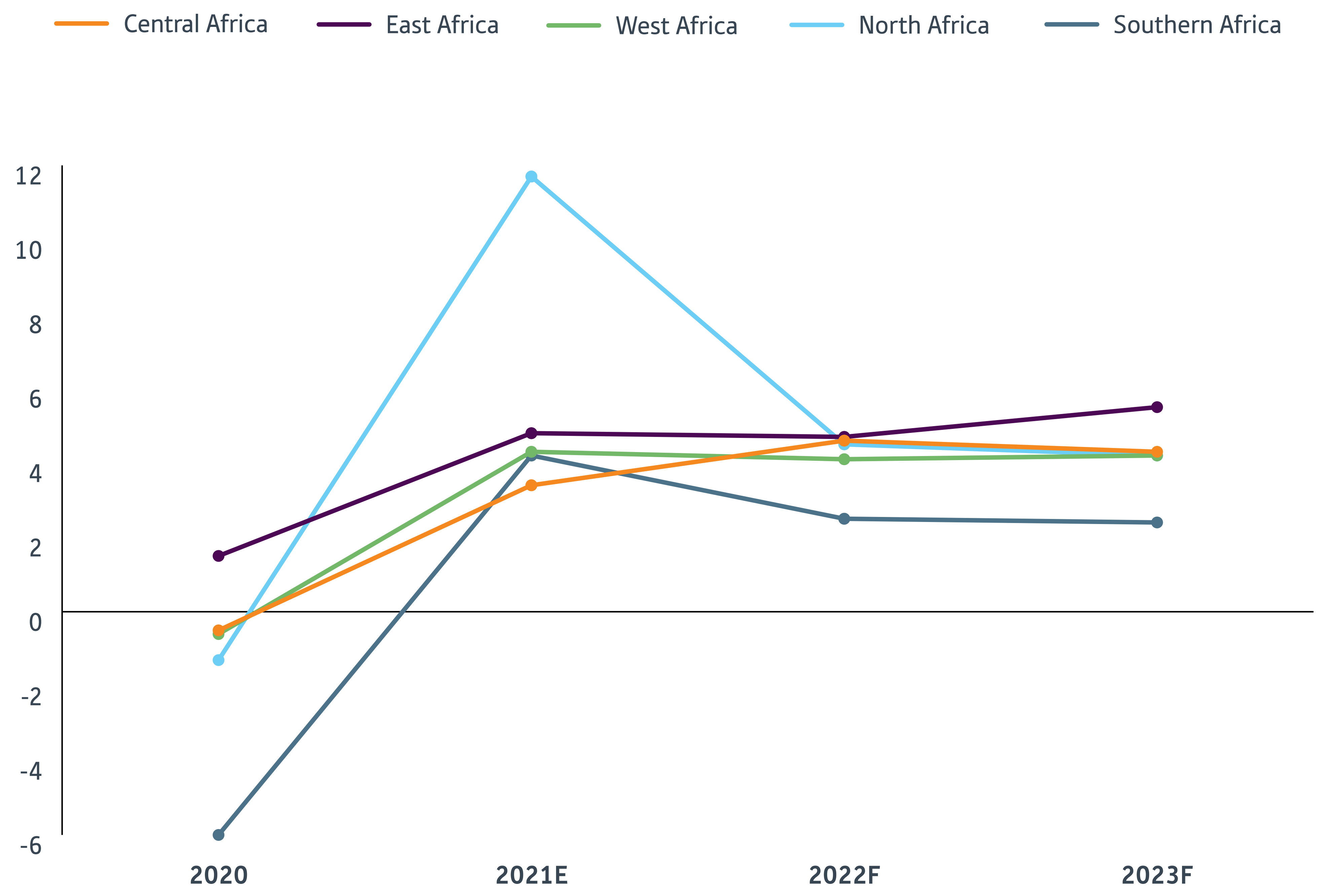
However, in light of Russia's invasion of Ukraine and its impact on global investment and commodity markets, forecasts for the continent have been scaled back. In May 2022 the African Development Bank adjusted its projection for GDP growth on the continent from 7% to 4.1%. Decreasing private consumption, supply chain challenges, reduced global trade and commodity price volatility are all likely to weigh on the economic output of individual countries, which will trickle through to equity and bond markets.

However, despite these short-term challenges and the Covid-19 pandemic's impact on virtually every exchange on the continent, the long-term outlook for exchanges in Africa is strong.

Over the last few decades the number and size of exchanges have grown rapidly, and this trend is unlikely to halt or reverse. Capital markets still play a relatively minor part in terms of providing capital for the development of African economies, but they are expected to play an increasingly important role – particularly as countries face the need to finance their immediate recovery and build resilience.

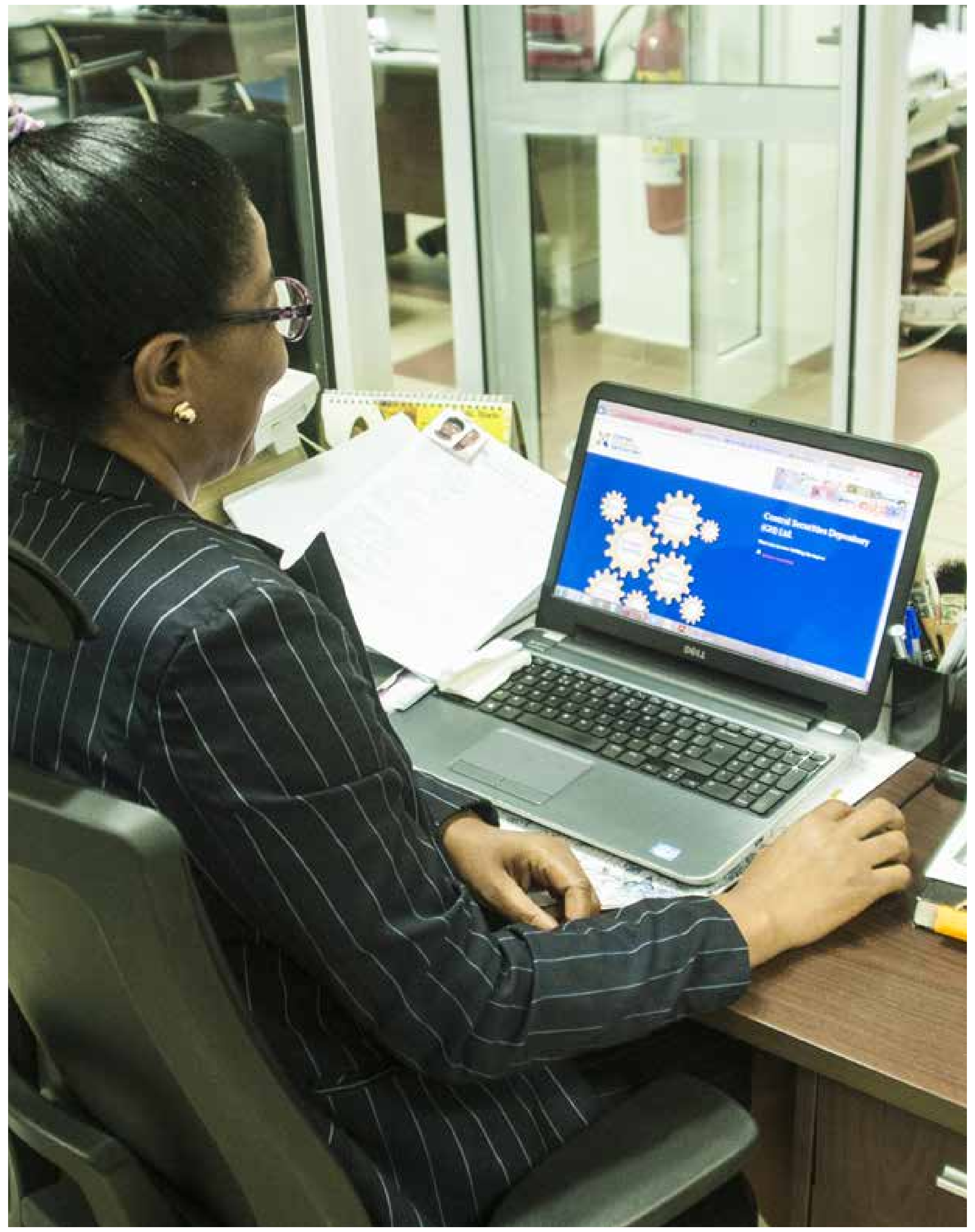
Foreign investors have increasingly recognised opportunities in African markets over recent decades, in no small part thanks to major improvements achieved in exchanges' governance frameworks, transparency and efficiency. Despite localised and temporary setbacks related to economic headwinds, stock market indicators demonstrate continued optimism about Africa as an investment destination. Expectations remain buoyed by a steadily improving regulatory environment, rapidly accelerating technological and digital advances, and ongoing regional integration.

Real GDP growth, 2020-23F (%)



Graph source: *AfDB African Economic Outlook 2022*

Long-Term Planning



To guide more deliberate development of their capital markets, a number of countries have developed master plans in recent years. A common thread among these multi-year plans, which are usually prepared in collaboration with the major domestic exchanges, is the desire to ensure that exchanges help drive the economic growth and development of domestic economies.

Ghana launched its three-phase, 10-year Capital Markets Master Plan in 2020, which was developed jointly by the Ministry of Finance and the Securities and Exchange Commission. The ultimate stated goal of the plan – the first of its kind in the country – is to provide "a deep, efficient, diversified and well-regulated capital market with a full range of products attractive to domestic and international investors".

The strategy has four strategic pillars. The first is to improve the diversity of investment products and the liquidity of the securities market. The government aims to achieve this by building the trust and confidence of issuers, investors and other stakeholders. The second pillar seeks to deepen the investor base and the penetration of capital markets products. The third pillar involves strengthening infrastructure and improving market services, with the goal of boosting market integrity and the accessibility of Ghanaian securities for local and international investors. Lastly, the plan seeks to reinforce regulation, enforcement and market confidence.

Zambia also recently initiated its first 10-year capital markets master plan, which has five focus areas: enhancing the government bond market, supporting other traditional security markets, developing new and innovative products and markets, promoting capacity-building and strengthening the regulatory environment.

Kenya, for its part, developed its 10-year capital market master plan in 2014. While the initial plan runs through to 2023, the Capital Markets Authority (CMA) decided to revise the plan in the wake of the pandemic. The plan aims to mobilise savings and stimulate investment in support of its Vision 2030 development plan. Trends precipitated by the pandemic that prompted the revision include technological developments and changing priorities as a result of economic disruptions. The new plan seeks to make asset classes such as private equity and debt capital more accessible in order to attract more local investment. There is also a greater emphasis on environmental, social and governance (ESG) factors and green financing, borne out of the need to raise capital for nature conservation and climate adaptation. The CMA also seeks to capitalise on technological advances by developing mobile and web-based portals.

In December 2021, in a similar move to the Kenyan effort, the Nigerian Securities and Exchange Commission (SEC) announced a revision to its capital markets master plan, which runs from 2015 to 2025. While the revised strategy had yet to be launched as of 2022, the SEC noted that key aspects of the update will include ways to capitalise on innovations in financial technology and digital assets.

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Challenges and Opportunities

MACROECONOMICS

Challenges: The pandemic has left many countries and capital markets vulnerable to external forces. Russia's invasion of Ukraine has complicated recovery efforts, and economic headwinds are expected to result in continued market volatility and low liquidity.

Opportunities: Some countries have experienced a stronger recovery than others, with more robust projected growth in Rwanda, Senegal, Morocco and the Seychelles, among others. In practically all countries with an active securities exchange, governments are recognising the importance of strengthening exchanges to tap into a key source of development and recovery funding.

TECHNOLOGICAL ADVANCES

Challenges: Due to insufficient funding, smaller exchanges in particular still lag behind international exchanges when it comes adopting the latest technologies. As a result, the cost and complications of trading on African exchanges and listing companies remain comparatively elevated.

Opportunities: The pandemic drove a digital transformation which many exchanges have leveraged to their advantage. Mobile and online applications and information portals are improving access to capital markets and ease of trading in most countries with an active securities exchange.

REGIONAL INTEGRATION

Challenges: Particularly within the African Exchanges Linkage Project, there is a risk of activity pooling into the largest, most liquid exchanges at the expense of smaller markets. There also remain significant variations across countries in terms of operational regulation and legislation.

Opportunities: Integration will result in deeper, more liquid markets with a larger pool of financial resources. Costs are expected to go down, and the visibility of investments is likely to increase.

SUSTAINABILITY

Challenges: Many exchanges continue to have weak local certification capacity and a lack of reliable data. Global standards sometimes do not align with local conditions or government targets.

Opportunities: International investors are increasingly interested in alternative asset classes that can finance sustainable development, climate-adaptation projects and other ESG targets. Exchanges like the Johannesburg Stock Exchange (JSE) and the Egyptian Exchange are taking advantage of these opportunities with products like green bonds.

INVESTOR BASE

Challenges: A weak local investor base has long characterised many African exchanges, and progress remains slow on the smaller markets, limiting liquidity and contributing to volatility.

Opportunities: Southern African countries have already capitalised on a large domestic pension fund industry, and other countries such as Uganda and Nigeria see significant potential in this sphere. Technological improvements are also helping to drive increased local retail investor participation.

LISTINGS

Challenges: Many countries struggle to attract new listings. In some markets, particularly the JSE in South Africa, there has been a recent exodus of companies. Others have had an initial public offering drought for several years.

Opportunities: Governments are eyeing state-owned enterprises, which offer an opportunity to engage local investors. Some regulators have also started forcing large private companies to list on local exchanges. Small and medium-sized boards offer an opportunity to help develop smaller businesses into companies that could eventually list on the main exchange.

6 Key Takeaways

1

Exchanges were heavily affected by the pandemic, but a recovery is starting to take shape. The crisis underlined the need to build resilience and the urgency of diversifying the investor base. Some countries have had limited success mobilising capital from local institutional investors, but pension funds remain a major untapped market.

2

Stock market integration across the region has been accelerating, driven in part by improved trade integration under the African Continental Free Trade Area. The African Exchanges Linkages Project is also poised to improve the depth and liquidity of capital markets and foster investment flows among participating exchanges in the region.

3

Increasing demand for more sustainable investment products has created significant momentum on many African exchanges. The larger markets on the continent are leading the way in terms of encouraging sustainability and environmental, social and governance (ESG) reporting, but smaller exchanges are also starting to follow suit.

4

Technological improvements have gradually helped to improve the efficiency and attractiveness of larger exchanges on the continent, while at the same time, the pandemic has accelerated the digital transformation of smaller exchanges.

5

There are major opportunities to expand the retail investor base for virtually all African stock exchanges. Although technology is helping to enable this trend, many markets still need to invest in ongoing efforts to improve financial literacy in their respective societies.

6

To stem the stagnating or declining number of listings on equity exchanges in the region, a number of countries are looking to take advantage of opportunities for the privatisation of state-owned enterprises, though these efforts remain localised.

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BERNARDO BRUZZONE
Regional Editor, Africa

KARINE LOEHMAN
Managing Director, Africa

RIK MOORS
Lead Researcher

EMILIE WILSON
Project Director

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