

Press Releases

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Finance Experts Conduct Landmark Capital Markets Debate

Addis Ababa, 1 April 1997: African Ministers of Finance, central bank governors and finance experts today conducted their first ever debate on capital markets developments at the Headquarters of the United Nations Economic Commission for Africa (UNECA).

The Sixth Session of the Conference of African Ministers of Finance, in its second day, has had the benefit of interaction between some of the top policy makers from the World Bank, IMF, African Development Bank (ADB), the World Trade Organization (WTO) and leaders from major stock markets in the USA, Europe and Africa.

To date Africa has 16 stock exchanges. Most are less than 10 years old. Sub-Saharan markets are more recent, 8 of them having been established in the last 8 years. These include Botswana (1989), Ghana(1990), Malawi (1995), Mauritius (1989), Namibia (1992), Swaziland(1990),Zambia (1995).

The conference noted that new markets were likely to emerge in such countries as Uganda, Angola, Madagascar and Mozambique.

A regional exchange could also evolve in Cameroon for the central Africa sub-region. The Abidjan Stock Exchange may assume a sub-regional status to serve Francophone West Africa States.

African markets have made significant progress. Improvements have been recorded in such indicators as market capitalization and trading value --which grew by 73.5% and 152.7% respectively in the 5 years ending 1995.

Moreover, a number of African markets have continued to make impressive price advances, falling within the top 10 best performing markets in US Dollar terms. In 1995, Cote d'Ivoire was the best performing global market. Six of the best ten performing markets led by Kenya were African.

Interest in African markets is clearly rising as several investment funds with focus on Africa have been established in the last few years. Among them the African Investment Fund, Alliance Capital (an American investment company), Robert Fleming (a British merchant bank), and the Overseas Private Investment Corporation.

"That interest has been basically driven by reforms, growth in some countries and the economic prospect of the region", said Mr. Akamiokhor, Director-General of the Nigerian Securities and Exchange Commission.

The Conference is well aware that these positive developments notwithstanding, African markets are relatively small, illiquid, indeed at the rudimentary stage of development.

The total number of listings in African markets -- at under 2,000 --is barely 10 per cent and less than 5 percent of emerging markets and world listings respectively. Egypt and South Africa control 60% of listings and, with Nigeria, account for about

75% of total listings on the continent. India, with its 6,000 listed companies is three times the size.

These figures illustrate the fact that the limited number of listings and the small size of the companies simply do not provide enough choice for investors.

A contributory factor is the tendency for African businesses to remain within families. The problem is worsened by the trend of envisaged privatization of state-owned enterprises -- particularly public utilities--as well as the education of local entrepreneurs.

Experts agreed that measures that governments could take to hasten the maturity of African stock exchange markets include:

- strengthening the legal and regulatory framework
- establishing a proper institutional framework (the existence of certain financial institutions is vital for the functioning of a capital market and the financial market as a whole
- training of markets intermediaries.

Creating the enabling environment for investment, both domestic and foreign is very crucial for the development of African economies. This last must also include an efficient capital markets in which investors are protected.

Participants in the session included: Chateau de Baylon, vice minister of Finance, Mauritius; Dr Lemma W. Senbet, University of Maryland; Leon Naka, Chairman, Abidjan Stock Exchange; Eric Postel of Pangaea Partners, U.S.A.; Arnold Ekpe, Chief Executive Officer, ECO Bank, Togo; George Akamiokhor, Director-General, Securities and Exchange Commission of Nigeria; and Stephen Starnes, Managing Director, Van Eck Global, Prudential Securities Incorporated.

Another panel session deliberated on: Challenges of the African Debt Problem (see Press Release No. 6).

The conference ends tomorrow, with a wrap-up of panel discussions, presentation of the rapporteurs' reports, adoption of the report of the meeting of intergovernmental group of experts, and adoption of the conference resolutions and declaration on Africa's Debt, Emerging Capital Markets, Financial Sector Reforms and Growth and Development Finance.

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