



The Investment Climate Facility for Africa



**THE INVESTMENT CLIMATE
FACILITY FOR AFRICA**
Partners In Building the Future

November 2014 Newsletter:

A WORLD OF OPPORTUNITY: FINANCIAL MARKETS IN AFRICA

Foreword from Our CEO

Financial markets have great potential for boosting the growth of the private sector in Africa. ICF is nurturing this potential by helping to strengthen African financial markets so that more businesses and people can benefit from them.

William Asiko - CEO of ICF Africa



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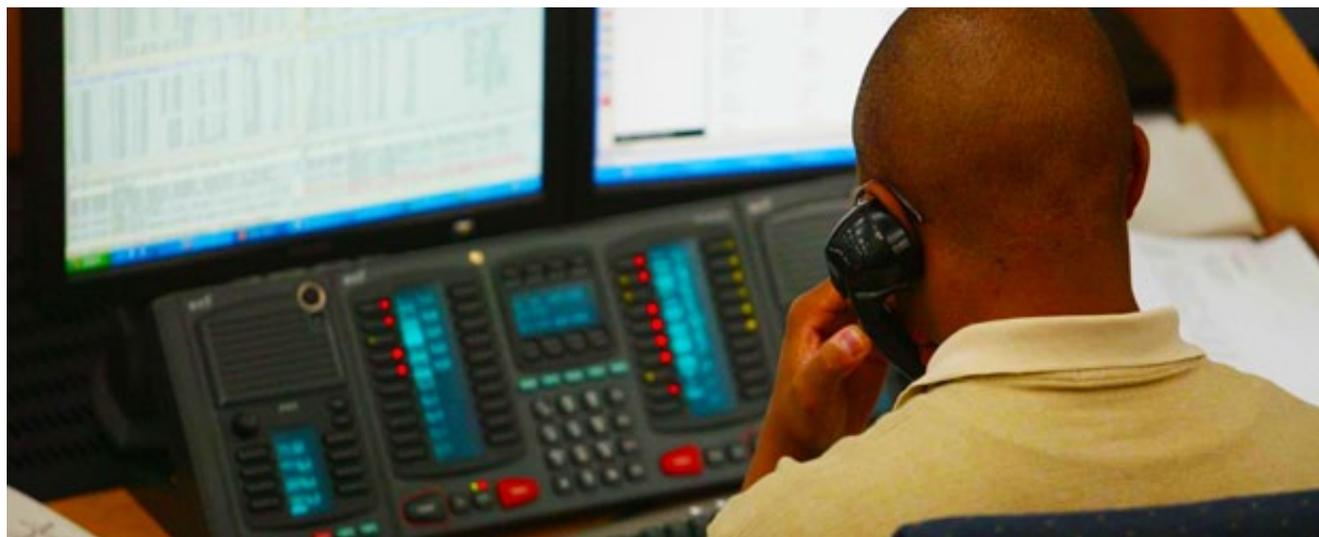
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Financial Markets



Financial markets play an important role in supporting business development. This is especially true in Africa where it is not always easy to access capital for business growth and expansion. Financial markets not only provide an alternate source of capital for businesses, they also increase investor confidence and strengthen the private sector as a whole.

As part of its efforts to improve the investment climate in Africa, ICF helps to strengthen the capacity of financial markets so they can provide the financial resources African businesses need.

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ICF Activity on Financial Markets



Tunisia Stock Exchange Capacity Development

ICF is working with the Government of Tunisia to strengthen professional training and investor education capacities of the Tunis Stock Exchange. This initiative will broaden the investor base and encourage more enterprises, especially small and medium ones, to get listed on the Tunis Stock Exchange so that they can use the capital market as an alternate source of funding.

Already, 12 IPOs have registered in 2013, (compared to 2 in 2012, and 1 in 2011). More than 90 professionals have been trained in Corporate Finance, Asset Management and Islamic Finance. 60 out of 14 candidates have passed the CISI certificate for Corporate Finance.



Ethiopia Commodity Exchange Modernization

ICF is working with the Government of Ethiopia to introduce electronic trading of commodities for Ethiopia Commodity Exchange (ECX). This will make the commodity market more efficient and effective, and will help reduce the cost of trading as well as improve revenues for farmers. Remote Trading Centers will also be established to bring the ECX closer to farmers and other market participants. The project will build the capacity of ECX stakeholders to ensure sustainable knowledge management.

The introduction of an online trading platform as well as Remote Trading Centres is expected to increase liquidity and capital mobilization by facilitating access to ECX, reduce costs, increase capacity and competitiveness of various stakeholders.

It is expected that the cost of trading per member at peak season will go down from US\$ 2,000 to US\$ 600, and the time for a trading transaction will go down from 6 days to 1 day.

The Ethiopia Commodity Exchange (ECX) aims to improve the efficiency and effectiveness of Ethiopia's commodity market by introducing an online platform for trading, as well as establishing Remote Trading Centres.

Pan-Africa Financial Sector Task Force

A Financial Sector Task Force was established in partnership with ICF investors to look at improvements required to remove obstacles which prohibit private sector access to financial markets.

The objective of the Task Force is to identify and advise ICF on 'ready to implement' projects that will remove barriers to access.

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Understanding The Role Of Stock Exchange Development In Africa

Over the last 12 years, the average Gross Domestic Product (GDP) per capita in 14 of Africa's 16 most-competitive economies has grown from US\$681 to US\$1,810, according to a February 2014 report by PricewaterhouseCoopers (PwC) titled The Africa Financial Services Journal. By 2020, this figure is expected to rocket to US\$7,320 and PwC predicts this should increase the proportion of people who make use of financial market institutions, such as stock exchanges.

Stock exchanges offer great alternative funding systems to businesses in Africa. However, it is vital to remove obstacles to developing these financial market institutions before these benefits can be truly realised.

One such example of the increased financial market sophistication on the continent is the planned launch of The African Stock Exchange in 2015, the first pan-African stock exchange,

which will partner with the Deutsche Börse Group to share technology and expertise.

Aigboje Aig-Imoukhuede, First Vice-President of the Council of the Nigerian Stock Exchange, spoke at a Johannesburg Stock Exchange seminar in September 2014 about the importance of capacity building in financial markets. “Capacity building, as a conceptual approach to development, focuses on understanding the obstacles that inhibit people, businesses and governments from realizing developmental goals.”

With the expected increase in financial markets across Africa in the near future, it is vital that stock exchange shareholders are provided with the necessary skills and knowledge to participate.



One such financial institution that is already capacity building and creating public and stakeholder awareness of the opportunities it offers is the Tunis Stock Exchange (TSE). Since 2011, ICF has partnered with the TSE to promote stock literacy, improve the training capacity of the Tunisian Stock Market Training Institute (TSM TI) and broaden the geographic scope of its interventions. As part of the project, over 100 professionals have already been trained in Corporate Finance, Asset Management and Islamic Finance. In addition to this, 70 journalists have received training and two virtual trading games have been used to train stakeholders in the stock market.

The project is also expected to create local and regional awareness of the opportunities TSE can provide for businesses as an alternative funding option, especially for Small and Medium Enterprises (SMEs).

“Exchanges are particularly important in the provision of long-term financing, as they help with mobilizing resources and directing the flow of savings and investments to businesses that over time are best at the accumulation of capital and the production of goods and services,” Aigboje Aig-Imoukhuede said.

There is also another added benefit of building the capacity of the TSE as the project should also help improve stock exchanges in several other French-speaking countries. The joint ICF and TSE initiative is in the process of sharing knowledge and training materials with exchanges in Cameroon, Morocco, and the West African Monetary Union’s stock exchange.

Providing people with financial market skills and building stock exchange capacities will give people and businesses access to the financial resources that are needed as stepping stones to greater levels of development that will, as Aig-Imoukhuede puts it, change the continent’s economic narrative from “Africa Rising” to “Africa has arrived”.

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"ICF support helped Rwanda Revenue Authority to modernize its Tax System to address the concerns of the private sector in tax filing and payment processes. Now secure online filing of tax returns can be done from anywhere, making it easier and more convenient for the tax payer."

- Richard Tusabe, Commissioner General,
Rwanda Revenue Authority



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In Next Month's Edition... Looking Back

2014 has seen unprecedented growth and development on the continent. In next month's newsletter, we plan to look back and highlight important projects, developments and themes that have made 2014 a success.

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