

Capital Markets Master Plan development in Africa

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Agenda



- About FSD Africa
- Why Capital Markets Development is important in Africa
- Capital Market Master Plan Development - some key considerations

About us



FSD Africa is a specialist development agency, supported by the UK Government, working to build and strengthen financial markets across Africa

Established in 2012 and supported by UK Government

Purpose

Make

We provide tools and resources to drive large-scale change in financial markets and support sustainable economic development.

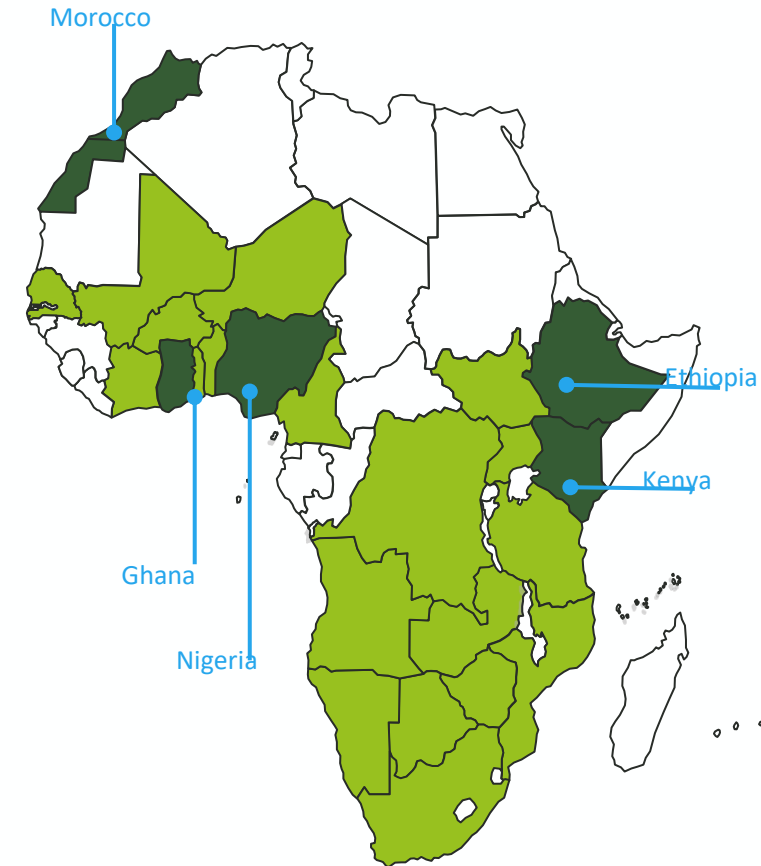
Finance Work

We address financial market failures to bring about growth and opportunity.

for Africa's Future

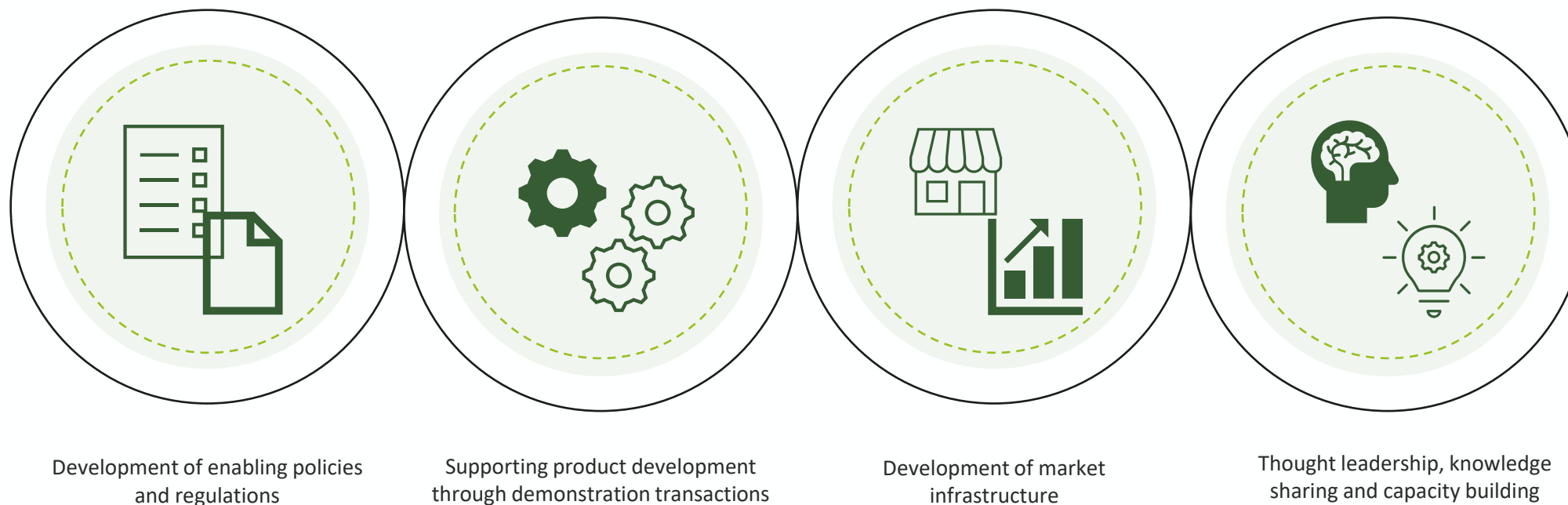
Our business is to help create a sustainable future for Africa's people and its natural environment.

Footprint



Our Capital Markets Development Approach

We develop Africa's capital markets to increase the availability of long-term finance for economic development, to achieve a sustainable future for Africa's people.



"FSD Africa is different because we are an African, neutral, nimble, risk-bearing, hands-on delivery partner"

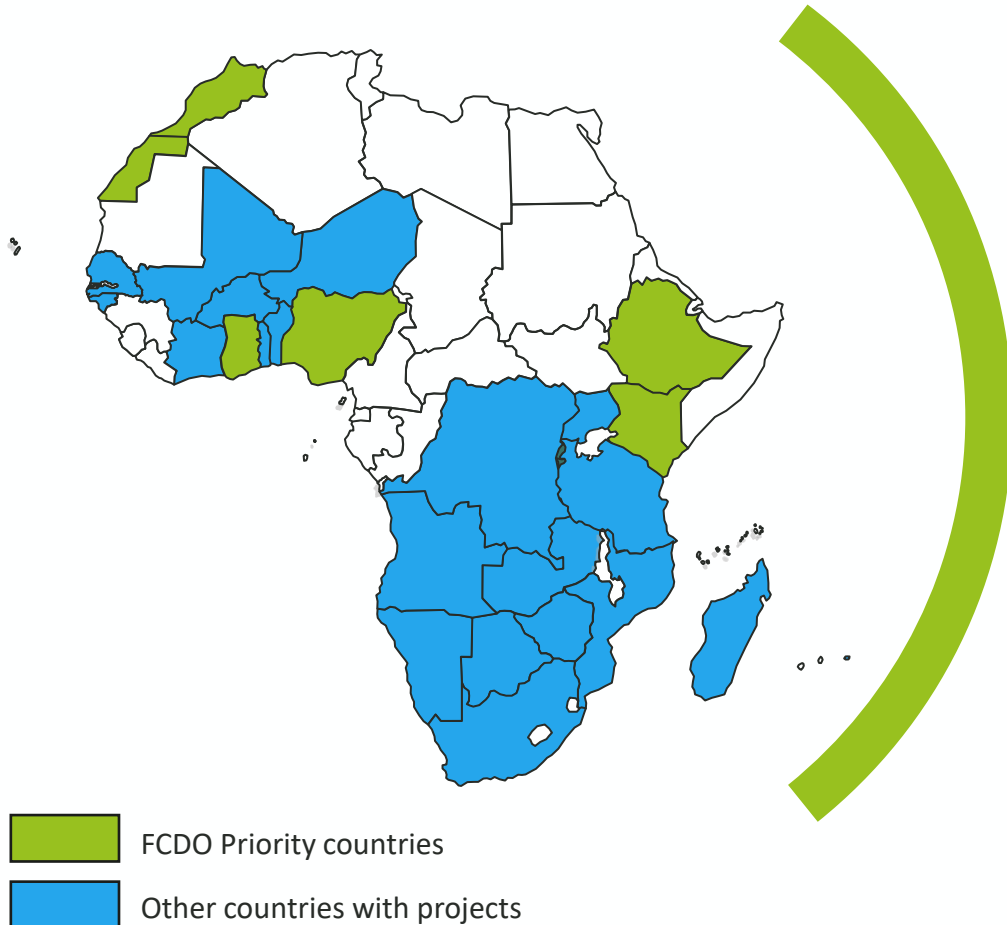
How we do it

We support our partners by drawing on a range of market development instruments.



Our Footprint

Implementing over 60 projects in 33 countries across Africa



Product Development

Green Bonds; Gender Bonds; Islamic Finance; SME Listed Funds; Private Equity & Debt, CISs, REITs, Property Funds

Capacity building

CISI Africa -10 Countries & regions; AVCA Academy, Climate Finance Training (Cambridge, IIED)

Market infrastructure

EABX – Kenya; Frontclear – Africa; Ethiopia CSD; ESX; WAEMU ETP; Credit Enhancement Facilities

Institutional & Regulatory support

Africa Regulator Support (10 countries); AUT (WAEMU), Africa Pension Supervisors Network, Regulatory Development, ICAs & Strategy; master plan development

Data & Knowledge

Toolkits (Green Bonds, Islamic Finance): Long-term Finance project – AfDB & GIZ ; Africa Private Debt Study

Ground-breaking Issuances Supported by FSD Africa

Morocco

First gender bond in Africa
Africa's first green mobility bond

Nigeria

First African green bond
First certified corporate green bond in Africa
First green Sukuk in Africa

Rwanda

First bond issuance by an unlisted entity

Kenya

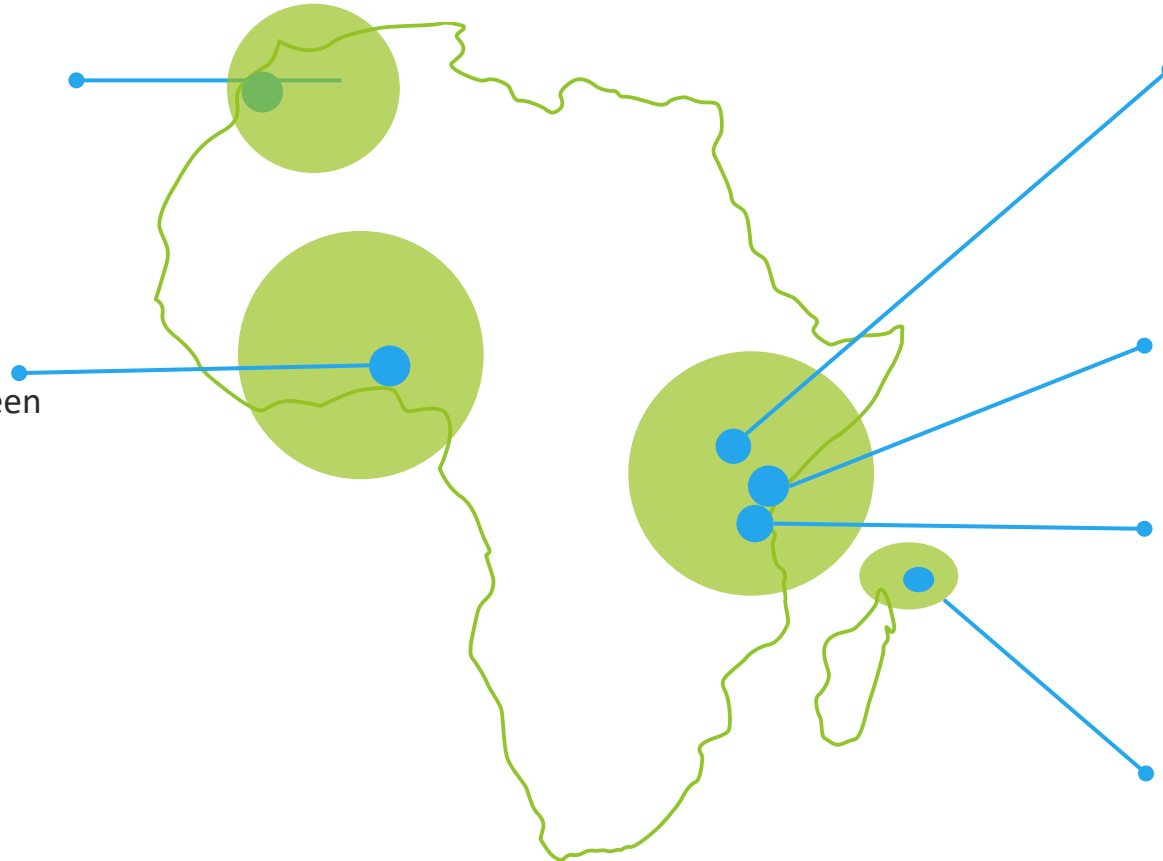
First green bond issuance
First Green REIT in Africa

Tanzania

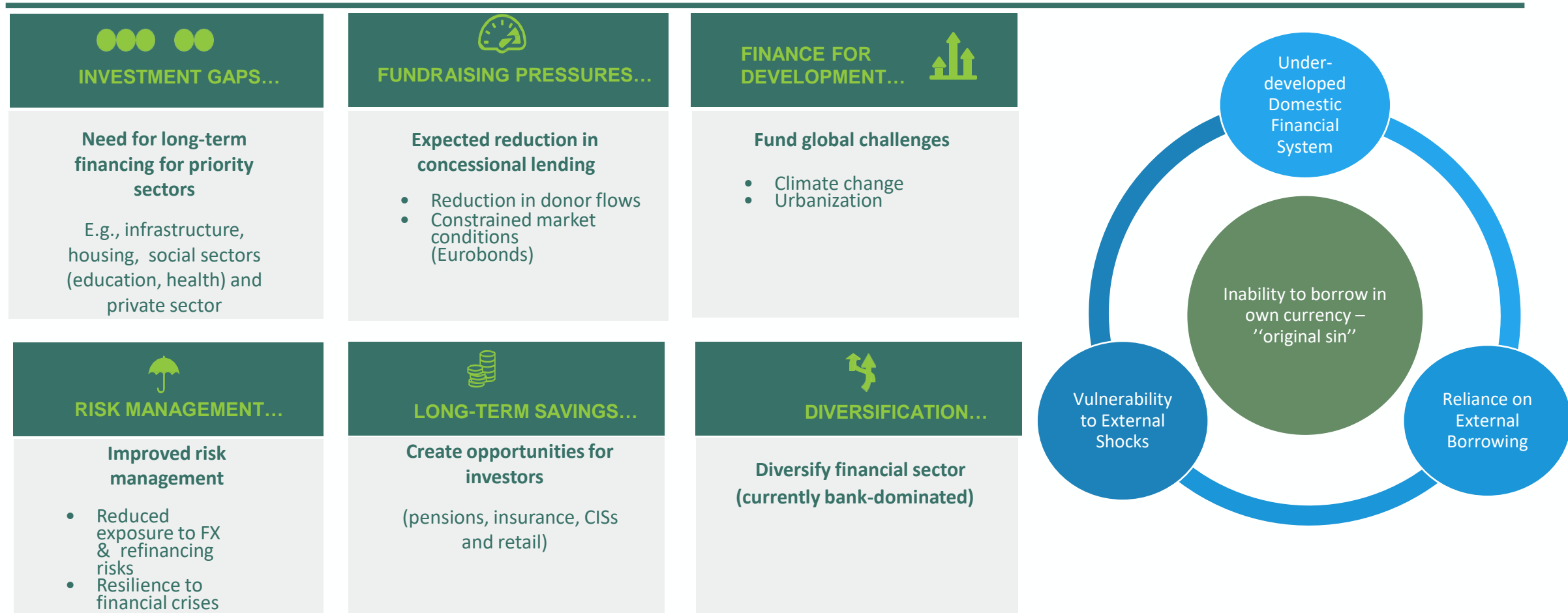
First listed gender bond in Africa

Mauritius

First green bond issuance



Why Do Capital Markets Matter to Africa?



“Drives long-term, productive investment that can create jobs, and drive inclusive private sector-led growth”

Developmental Issues in Capital Markets in Africa

Fiscal dominance - High interest rates

PUBLIC EQUITY MARKETS

- **Small number of listings, high concentration** – major economic sectors unrepresented
- **Low** – but improving liquidity
- **Limited fund raising ability** – limited IPOs – but secondary issues have been more robust.

PRIVATE EQUITY & DEBT MARKETS

- **Fund raising DFI-led**
- **Limited progress towards home-grown industry**
- **Limited exits**
- **Large deal sizes** – SMEs underfunded

GOVERNMENT BOND MARKETS

- **Fragmented issues** – limited benchmarks
- **Low or unpredictable liquidity**
- **Underdeveloped money markets**
- **Settlement risks**

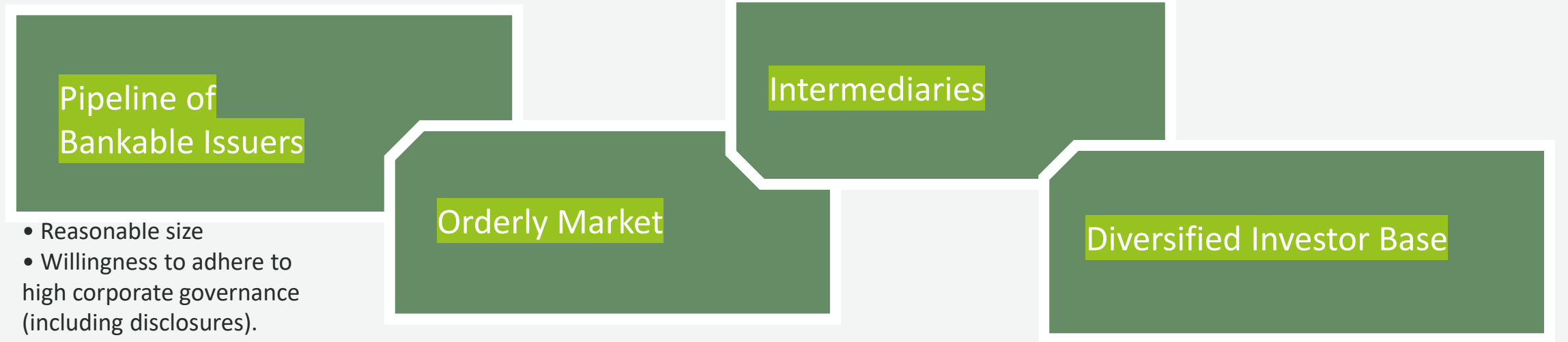
CORPORATE BONDS

- **Bond issuance frameworks** – requirements, speed and cost
- **Highly liquid banks**, disincentive to issue bonds
- **Weak credit culture** – corporates & investors

Weak governance & capacity, supporting institutions, limited scale

4 Building Blocks of Capital Markets

- Competent intermediaries
(Investment Banks, Brokers, Asset Managers)



Pipeline of Bankable Issuers

- Reasonable size
- Willingness to adhere to high corporate governance (including disclosures).

Orderly Market

- Legal & regulatory environment
- Good corporate governance standards
- Efficient market infrastructure
- Low transaction costs
- Appropriate tax regimes
- Availability of market data

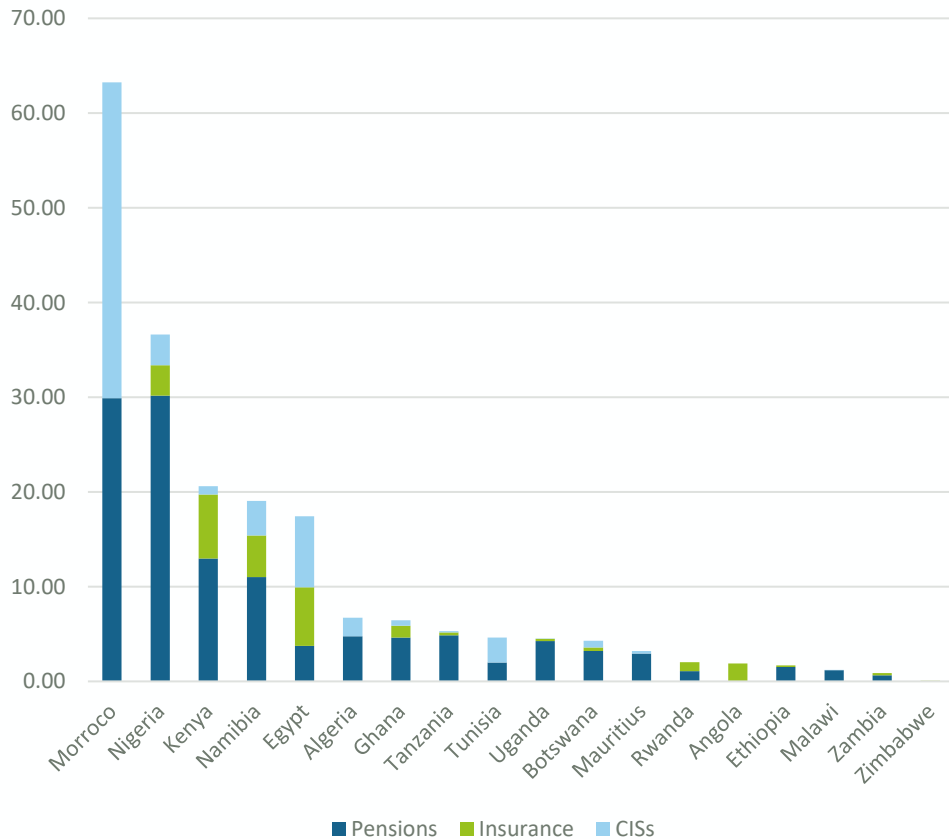
Intermediaries

Diversified Investor Base

- Domestic
- Foreign
- Appropriate investment guidelines (pensions & insurance, etc.)

Institutional assets – an opportunity for leverages private capital

Climate finance for Africa - institutional investor asset base of **\$1 trillion (2022)**



- Demonstration transactions
- De-risking (blended finance and guarantees)
- Development of investment vehicles (i.e., green bonds and funds, green EFTs)
- Addressing ‘short-termism’
- Policy support and networks

Growing GFANZ membership

	April 2021	June 2022
Total number of member firms	160	>500
Financial assets across member firms (USD trillions)	70	>135
Countries represented	23	45

Why is a capital market masterplan important?

- Alignment capital market development to the country's economic development agenda
- Provides a long term systematic plan to develop the capital market holistically thus reducing strain on the banking sector and external debt burden
- Provides strategic direction on capital market development priorities which partners use to determine priority areas
- Effective implementation makes the market internationally attractive and provides more investment options for domestic investors



Important considerations

- Buy in of private and public sector stakeholders is critical
- Implementation of the masterplan is a cross sectoral affair
- Proper sequencing of implementation road map is needed
- Remain nimble and adapt the plan to emerging opportunities and risks





Thank you