CHAPTER 4

TAPPING INTO THE POTENTIAL OF AFRICAN MARKETS

In other parts of the world, financial markets (also known as "capital markets") complement bank finance as another source of financing to the private sector. But in Africa, except in South Africa, financial markets are small and undeveloped, largely dominated by commercial banks, with few investment banks and underdeveloped capital markets. Some 28 African countries have stock exchanges, in contrast to 1989, when only five had them (with limited equity and bond market trading). But today's stock exchanges in Africa remain underdeveloped, with small market capitalizations, few listed companies, and less liquidity than exchanges in other emerging economies. The proceeds raised from initial public offerings (IPOs) in Africa between 2014 and 2019 reached $27.1 billion, less than 1.4 per cent of global IPO proceeds during that period.

Capital markets offer a gateway for investors—both retail individuals and institutional investors—to participate in the financial economy. They enhance the connection of savers and borrowers outside traditional banks that serve retail and corporate customers. Capital markets provide not only an alternative for additional private sector fund raising, but also an alternative to regular bank deposits for investors to save and to gain returns.

In addition to capital markets, private investments, crowdfunding platforms and other alternative methods of financing are gaining momentum. Currently, Africa represents less than 1 per cent of worldwide private equity markets, but this can be expected to change given the increasing interest of private equity funds in the continent. The value of private equity fundraising in Africa increased to $2.7 billion in 2018, up 10 per cent from 2017. The total transaction value in the global crowdfunding market was $6.9 billion in 2019 and is expected to grow 14.7 per cent a year between 2019 and 2023. The African bond market is also growing, with a total value of $500 billion in 2019 (RisCura, 2020).

The underdevelopment of African financial systems constricts credit for firms, especially for small and medium sized enterprises (SMEs), and produces low investment rates. The ratio of credit to the economy is very low in Africa, averaging less than 30 per cent of GDP, compared with 138 per cent in the East Asia and the Pacific region. The low level of credit in Africa shows the limited services financial institutions provide the private sector. But the new African Continental Free Trade Area (AfCFTA) provides great opportunities for African capital markets to expand by creating enlarged markets, economies of scale, increased competitiveness and more opportunities to invest in African markets and firms. Those factors will attract more investment for higher productivity.

Even so, the COVID-19 pandemic is an external shock. It creates a stress test for the hoped-for gains and opportunities of the AfCFTA and the deepening of African capital markets.

EQUITY MARKETS IN AFRICA AND OPPORTUNITIES FOR THE PRIVATE SECTOR

Turning to equity markets is often a natural step for businesses at their maturity in the corporate life cycle. Those markets serve as a fundraising platform for businesses that require large amounts of capital to expand and as a sales vehicle to let entrepreneurs lower their stake in the business. Participating in equity markets often provides a business with higher name recognition, which also gives it access to the public debt markets. And equity market reporting regulations ensure that businesses report their results prudently, adhering to generally accepted accounting principles, which align a business with its domestic and international peers to truly gauge its financial performance.

Equity markets, whose traditional participants are local investors and the businesses that list on the exchanges, also provide international investors an opportunity to enter a local market and take stakes in companies they find attractive. Other participants include investment banks (which aid businesses in getting listed), institutional investors and fund managers—such as asset managers (which further democratize investment) and hedge funds (which provide greater liquidity)—and businesses that want to engage in mergers and acquisitions by purchasing publicly available stocks. Each of these participants has a unique role in enhancing the breadth and depth of a well-functioning equity market, one that provides enough liquidity for stock prices to reflect the intrinsic value of a company and enough opportunity for investors to profit from their investments. None of this would be possible without the most common and traditional type of equity market—the stock exchange.

STOCK EXCHANGES

Although stock exchanges in Africa are less developed than those in other emerging economies, they present an opportunity for the African financial service sector to grow into the existing space. Growth is anticipated as financial inclusion and financial literacy increase and a growing middle class demands more advanced and innovative savings products.

"Equity markets, whose traditional participants are local investors and the businesses that list on the exchanges, also provide international investors an opportunity to enter a local market and take stakes in companies they find attractive"

Stock exchanges currently exist in 28 African countries. The oldest are the Egyptian Exchange, the Johannesburg Stock Exchange, the Casablanca Stock Exchange, the Zimbabwe Stock Exchange and the Nairobi Securities Exchange (**TABLE 4.1**). There are two regional stock exchanges, the Bourse Régionale des Valeurs Mobilières (BRVM) in West Africa and the Bourse des Valeurs Mobilières de l'Afrique Centrale (BVMAC) in Central Africa.

In developed economies, stock markets finance the economy by allowing domestic firms to raise funds, and they mobilize domestic savings by offering a variety of instruments for investors to diversify their savings. In developing and emerging economies two constraints of stock exchanges are the limited diversity of financial instruments and the limited number of listed stocks. The financial instruments available in African financial markets are equity shares and government bonds, except in South Africa, where derivatives are also traded. With a limited number of companies and investment vehicles

TABLE 4.1 AFRICAN STOCK EXCHANGES WITH A MARKET CAPITALIZATION OF MORE THAN $1 BILLION

COUNTRY	EXCHANGE	HEADQUARTERS	DATE OF CREATION	MARKET CAPITALIZATON (US$ MILLIONS)
Botswana	Botswana Stock Exchange (BSE)	Gaborone	1989	5,048
Egypt	Egyptian Exchange (EGX)	Cairo/Alexandria	1883	40,683
Ghana	Ghana Stock Exchange	Accra	1990	11,506
Kenya	Nairobi Securities Exchange	Nairobi	1954	23,000
Malawi	Malawi Stock Exchange	Blantyre	1995	1,870
Mauritius	Stock Exchange of Mauritius	Port Louis	1988	6,800
Morocco	Casablanca Stock Exchange	Casablanca	1929	71,100
Namibia	Namibia Stock Exchange	Windhoek	1992	2,540
Nigeria	Nigerian Stock Exchange	Lagos	1960	76,613
Rwanda	Rwanda Stock Exchange	Kigali	2008	3,589
South Africa	JSE Limited	Johannesburg	1887	1,036,689
Sudan	Khartoum Stock Exchange	Khartoum	1994	1,249
United Republic of Tanzania	Dar es Salaam Stock Exchange	Dar es Salaam	1998	7,337
Tunisia	Bourse de Tunis	Tunis	1969	9,501
Uganda	Uganda Securities Exchange	Kampala	1997	7,804
Zambia	Lusaka Stock Exchange	Lusaka	1994	6,223
Zimbabwe	Zimbabwe Stock Exchange	Harare	1948	21,660
West African Economic and Monetary Union Countries	Bourse Régionale des Valeurs Mobilières	Abidjan, Côte d'Ivoire	1998	12,486

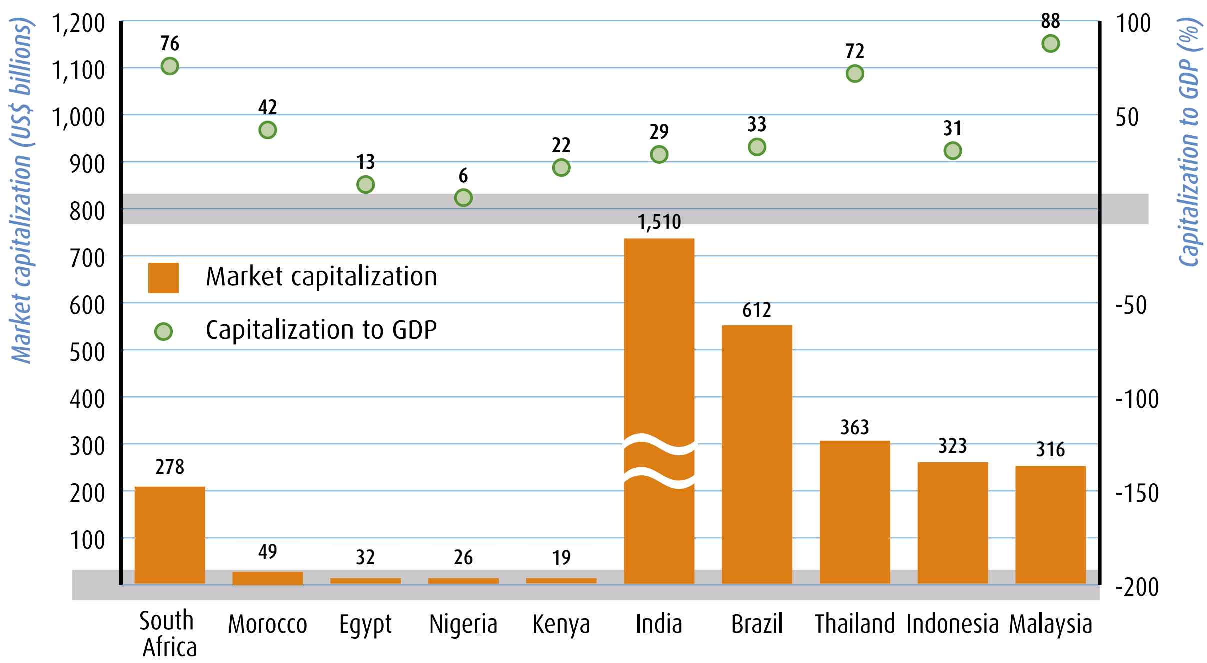
Source: Based on most recent data as of 2019–2020 from respective stock exchange websites.

listed and illiquidity partly due to fixed-quotation methods (which do not provide real-time stock price updates), stock markets in Africa attract few investors.

Except the Johannesburg Stock Exchange (JSE) in South Africa, the major exchanges in Africa are less capitalized as a percentage of GDP than markets in comparable emerging economies (**FIGURE 4.1**). The JSE is capitalized at the same level in relation to the size of the economy as other active emerging market exchanges—such as the Stock Exchange of Thailand and Bursa Malaysia.

High transaction costs, which include brokerage commissions, exchange fees and clearing and settlement fees, also prevent the further development of stock exchanges. In many developing markets around the world, transaction costs are below 1 per cent of the value of the trade. Explicit trading costs in Indonesia, Peru and Thailand are 0.68, 0.46 and 0.57 per cent, respectively. In developed markets, the cost is even lower, with Germany charging 0.32 per cent and the United States, 0.26 per cent (Ghosh, 2007). But African exchanges (except the JSE) charge well over 1 per cent, with Uganda charging the most, 4.1 per cent, and Rwanda the second most, 3.4 per cent (Anyazawa, 2020).

FIGURE 4.1 MARKET CAPITALIZATION OF THE TOP FOUR STOCK EXCHANGES IN AFRICA AND OTHER EMERGING MARKETS



Note: Excludes all secondary listings. GDP data for 2018, market capitalization data as of 31 March 2020.

Source: FactSet.

The main problems encountered in African stock exchanges are lengthy listing procedures, binding and difficult listing conditions, high transaction costs, lack of knowledge about stock markets and, in some exchanges, lack of transparency. Fixed quotation methods also disincentivize trades and market makers—financial firms, such as hedge funds, that trade at high frequencies and volumes on narrow pricing gaps.

South Africa (JSE) and Egypt (EGX) have the first and second most liquid exchanges in Africa—JSE, with an average daily turnover of $1.4 billion in 2019, and EGX, with $35 million. The Casablanca Stock Exchange (CBSE), with an average daily trading value of $13 million in 2019, and the Nigerian Stock Exchange (NSE), with $11 million, are also dynamic. Between 2018 and 2019, turnover on African exchanges fell due to a challenging macroeconomic environment that affected many listed state-owned enterprises. For instance, liquidity on the EGX decreased by 43 per cent between 2018 and 2019.

LISTING REQUIREMENTS

Stock exchanges often require that businesses meet certain thresholds before being listed. The listing requirements, which vary according to standards set by each exchange, typically measure the size of the firm and profitability of the security to be listed, as well as the financial viability of the issuing company. The size of the firm is defined by its annual income or market capitalization, and the profitability of the security by the number of shares already issued on exchanges. For instance, the Johannesburg Stock Exchange requires a minimum subscribed capital of 50 million rands, and the Nigeria Stock Exchange 50 million Nigerian naira. The EGX requires firms to have 5 million publicly traded shares outstanding with a collective market value of at least 50 million Egyptian pounds.

Businesses must also align their accounting practices with the regulations set forth by the stock exchange or regulatory authority. They are required to adhere to certain management rules to ensure that the listing benefits the business and public retail investors who purchase shares once they are listed. These requirements aim to develop a good capital market for all participants and to maintain the reputation and visibility of the exchange.

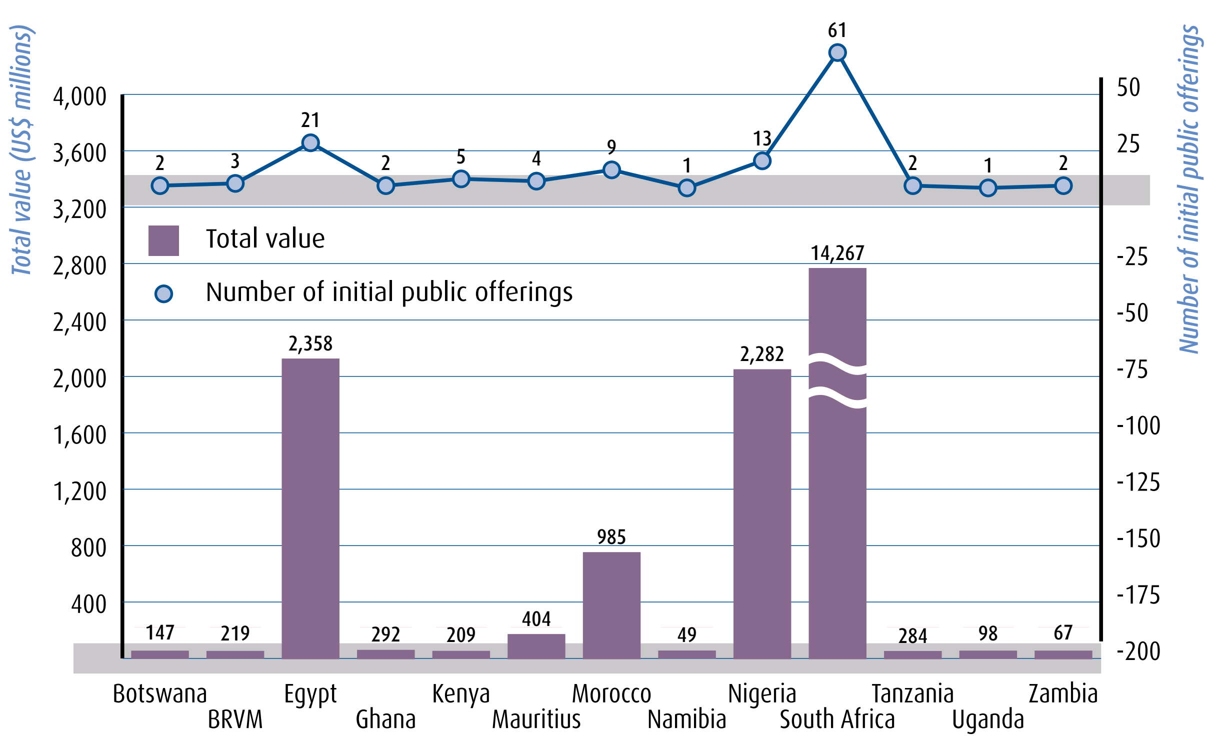
Profit and size requirements often focus stock exchanges on large businesses with a track record of profitability. But in recent years African stock exchanges have started setting up secondary boards to offer not-yet-profitable smaller companies and start-ups an opportunity to access equity markets for fund raising. The JSE's AltX (Alternative Exchange market) for small and mid-sized issuers has less stringent requirements than the main board. Conditions for smaller issuers listing on the AltX include appointing a designated adviser ("DA") and executive financial director, having a share capital of at least 2 million rands, producing a profit forecast for the remainder of the financial year and having the public hold at least 10 per cent of each class of equity securities. These smaller businesses can grow, reach the main exchange board listing requirements, and graduate to take advantage of the larger main board.

INITIAL PUBLIC OFFERINGS IN AFRICA

In an initial public offering (IPO) a private company offers its shares to the public and formally lists itself on a public stock market, connecting it with the wider financial system. A functioning IPO market requires investment banks to help generate interest and connect companies with potential investors. To maximize the funds raised, IPOs may react to market sentiment and the economic outlook, with companies speeding up or delaying the offering. This adaptability makes the IPO market volatile.

The JSE, EGX and NSE were the most active markets in Africa for IPOs between 2014 and 2019, raising a combined $18.9 billion (87 per cent of the total value of all IPOs in Africa in that period) (**FIGURE 4.2**). South African IPOs alone represented more than 65 per cent of the capital raised on African exchanges. The consumer services, financial services, real estate and telecommunications sectors were the drivers of the African IPO market, with consumer services accounting for 24 per cent and financial services for 19 per cent of total IPO value from 2014 through 2019.

FIGURE 4.2 INITIAL PUBLIC OFFERINGS BY SELECTED AFRICAN EXCHANGES, 2014–2019



Source: S&P Capital IQ.

The overall African IPO market declined 67 per cent in value in 2019 due to stagnation on the JSE, where IPO fundraising dropped 77 per cent in value. But the North African exchanges in Egypt and Morocco experienced 18 per cent increases in IPO activity. And the resumption of IPO activity on the Nigeria Stock Exchange (after there were no new listings between 2014 and 2018) has enhanced African IPOs. With more than 1,200 public offerings completed in 2019, the African IPO market represented 1.4 per cent of the $1.2 trillion worldwide value of IPOs. African markets are expected to experience more capital raising activity as exchanges continue to meet their commitment to capital requirements due to such changes as the Basel III regulatory framework.

INNOVATIONS IN AFRICAN EQUITY MARKETS

In recent years, many equity markets worldwide have adopted innovations to attract more investors (both private and public). Some of those innovations can bring more liquidity and depth to African equity markets, and hence can enable increased investments.

Historically, most stock exchanges were not-for-profit organizations owned by their members. In a new trend the industry is adopting alternative governance structures to the traditional mutual or cooperative model. The transformation of an exchange into a for-profit shareholder-owned company is referred to as “demutualization.” It is generally associated with greater liquidity and a more efficient stock exchange (Abukari and Otchere, 2019).

In Africa, the Johannesburg Securities Exchange (JSE) was the first to demutualize, in July 2005. The Nairobi Securities Exchange demutualized in 2014, followed by the Botswana Stock Exchange in 2018. In March 2020, the Nigerian Stock Exchange announced the approval by its members of the demutualization of the bourse to create a shareholder-owned company, turning the exchange into a limited liability company and renaming it Nigerian Exchange Group Plc, (they had passed the requisite resolutions to allow for demutualization in 2017). This latest reform aims to attract new listings, diversify the exchange’s revenue streams, and generate more profits. The global demutualization trend is likely to continue across the continent. It will bring more transparency and inclusiveness to stock exchange management.

Specific compartments can be set up within a stock exchange to allow companies that do not meet listing requirements. These new compartments target SMEs and specific sectors, and they can be coupled with a support programme for SMEs. The ELITE programme of the London Stock Exchange is a good example (**BOX 4.1**). ELITE helps companies gain access to capital, dedicated to those with a solid business model, a clear growth strategy, and a need for medium-term financing. Its innovative approach includes a training programme, marketing assistance and a dedicated community platform giving access to the financial community. ELITE is open to any financing opportunity, allowing access to private investment and debt products.

Transaction costs and fees are relatively expensive in Africa, mainly due to high brokerage commissions. Other trading costs include exchange fees (for clearing and settlement), securities transfer tax and other fees. The cost of trading on African exchanges can exceed 4 per cent of the value of the share that is traded (as in Uganda and Zimbabwe),

BOX 4.1 ADOPTION OF THE ELITE PROGRAMME BY THE CASABLANCA STOCK EXCHANGE AND THE WEST AFRICAN ECONOMIC AND MONETARY UNION’S STOCK EXCHANGE

The London Stock Exchange’s ELITE programme has recently been adopted by the Casablanca Stock Exchange and the BRVM (the West African Economic and Monetary Union’s stock exchange). They have set up compartments dedicated to SMEs. In Morocco, more than 70 companies are enrolled with the programme, and 20 are certified, meaning they were able to raise capital on the market at the end of 2018. In addition, the Casablanca Stock Exchange and the Moroccan Capital Market Authority agreed on a fast-track initiative to accelerate the access of ELITE-certified companies to the capital market.

The BRVM initiated a compartment for SMEs in December 2017. To help companies obtain access to this market segment, the BRVM ELITE LOUNGE programme began in March 2018. The programme started with 10 fast-growing SMEs and had 30 companies as of June 2019.

making short-term trading very expensive and thus reducing liquidity on exchanges. In all African markets except Kenya, Nigeria, Seychelles and South Africa, brokerage commission fees account for a substantial portion of the cost of trading. The high fees applied by brokers is due in part to the limited number of licensed brokers, which limits competition among them, and the low volume of trading on most African exchanges, which forces brokers to increase the fees on each trade to cover their costs. In general, exchanges set an upper limit for fees to companies for admission and issuance of securities. But at the BRVM and the Stock Exchange of Mauritius transaction fees are a percentage of the transaction value with no upper limit (except for government securities in Mauritius), which can dissuade investors and companies seeking to conduct a large transaction and so hamper the building of market depth. Technology could lower transaction costs in many of these markets.

Many stock exchanges across the continent have modernized their trading systems by moving towards automated clearing and settlement. They include the Botswana Stock Exchange, the Ghana Stock Exchange and the Nairobi Securities Exchange. In 2013 the Nigerian Stock Exchange adopted the Nasdaq X-Stream trading platform. In October 2019 the Johannesburg Stock Exchange partnered with Trading Technologies International, a global provider of high-performance professional trading software, infrastructure and data solutions, to allow all derivative products listed on the JSE Derivatives Market to be traded using the TT platform.

Most stock exchanges in Africa are small in market capitalization and number of listings. An initiative aims to create a regional stock exchange in Central Africa like the one in West Africa by merging the BVMAC and the Douala Stock Exchange. It will help create economies of scale and scope to increase the size, depth and liquidity of the stock market.

Where possible, countries should coordinate regional efforts to mutualize their strengths. For instance, in West Africa the West African Capital Markets Integration Council (WACMIC) created a cross-border capital market in which a passport mechanism for brokers will coordinate with a single stock exchange listing system for companies. The passport will allow a registered broker in any of the jurisdictions to trade on the other stock exchanges, while the single listing will allow a company to be listed on a single stock exchange with its stock available for transactions by all brokers in the defined area. The passport system can start on a regional basis within the existing regional economic communities, with the Economic Community of West African States (ECOWAS) a prime example (**BOX 4.2**). Similar initiatives and discussions to link financial markets are ongoing in the East African Community (EAC).

BOX 4.2 THE WACMIC INITIATIVE IN THE ECOWAS REGION

The West African Capital Markets Integration Council (WACMIC) was inaugurated on 18 January 2013 as the governing body for integrating capital markets in the Economic Community of West African States (ECOWAS). The overarching objectives of the council are to establish a harmonized regulatory environment for issuing and trading financial securities across the West Africa region, and to develop a common platform for cross-border listing and trading of such securities. WACMIC is comprised of the directors general of the region's securities commissions and the chief executive officers of the securities exchanges in the eight West African Economic and Monetary Union (WAEMU) countries, Cabo Verde, Ghana, Nigeria and Sierra Leone.

The council is tasked with designing the policy framework and managing the process that will facilitate the creation of an integrated capital market in West Africa. Specifically, the council is to:

- Supervise the capital market integration programmes.
- Set up standards and validate all work by the technical committees.
- Coordinate relevant stakeholders, such as ECOWAS, WAEMU and the West African Monetary Institute.
- Monitor and assess the preparedness of the member states for the integration process.
- Source funds and other resources for the implementation of capital market integration.
- Monitor standards and compliance after integration.

The work carried out under the auspices of WACMIC will lead to the integration of financial markets in three major phases:

- Sponsored access trading (brokerage firms).
- Common passport for qualified West African brokers in the ECOWAS.
- Establishment of a common trading platform in the region.

DEBT MARKETS IN AFRICA AND THE NEED TO CROWD IN THE PRIVATE SECTOR

Debt markets include government bonds and corporate bonds. In 2019, African governments issued over $200 billion in sovereign bonds (denominated in local or foreign currency), compared with more than $700 billion issued by China, the biggest bond market among emerging markets and the third biggest bond market globally. Local currency bonds make up 78 per cent of outstanding debt in Africa. Bond purchasers generally prefer medium-term bonds (maturity averaging 5.1 years). The higher proportion of local currency bonds over hard currency bonds reduces the risk of debt unsustainability, reduces exposure to currency exchange risks and increases governments' ability to manage their balance of payments in case of a distress scenario. The growing local currency bond market has increased appetite among local investors (predominantly banks, private self-administered funds and pension funds), currently the majority holders of government securities in Africa. For instance, in South Africa, the biggest bond market on the continent, local investors hold 62 per cent of government bonds.

In most African countries the ratio of bonds outstanding to GDP is below 40 per cent, indicating a low exposure to credit risk. Three countries have relatively high bonds-outstanding-to-GDP ratios: Egypt (60 per cent), South Africa (51 per cent) and Mauritius (47 per cent). The high concentration of debt outstanding in South Africa is due to its relatively stable and liquid market and its former investment-grade rating, which gave it a competitive advantage from the point of view of an investor assessing risks. Investment-grade country ratings are Baa3 (Moody's) or BBB– (S&P and Fitch's) and above, while non-investment-grade country ratings are Ba1 or BB+ or below. Only two countries in Africa, Botswana and Morocco, currently have an investment-grade credit rating. Before South Africa's credit downgrade in March 2020, around 35 per cent of the debt outstanding in Africa was rated Baa3, with South Africa accounting for most investment-grade debt. Egypt accounts for much of the 61 per cent of outstanding debt below investment grade (RisCura, 2020).

"The higher proportion of local currency bonds over hard currency bonds reduces the risk of debt unsustainability, reduces exposure to currency exchange risks and increases governments' ability to manage their balance of payments in case of a distress scenario"

EMERGENCE OF THE CORPORATE BOND MARKET IN AFRICA

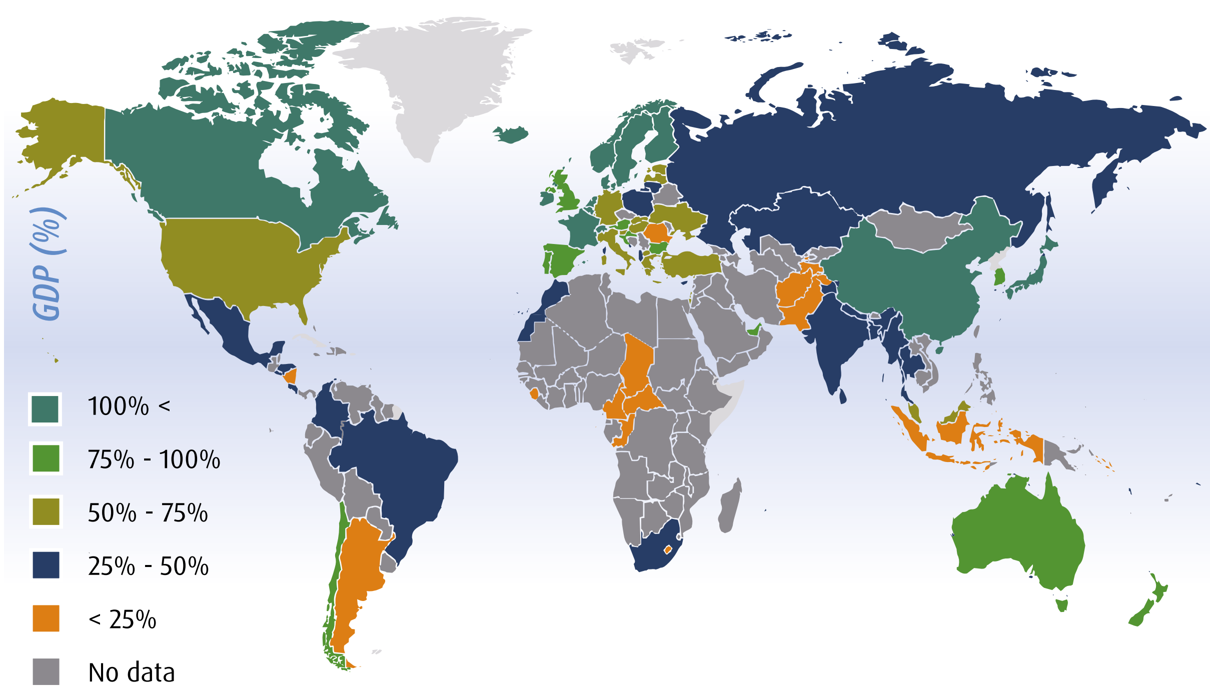
Although the debt market in Africa is dominated by the sovereign bond market, which accounted for more than 80 per cent all issuances in 2019, a corporate bond market is timidly emerging, with South African companies accounting for more than 40 per cent of corporate bond issuances in 2019. Although some countries are developing local corporate bond markets by raising millions through Eurobonds (bonds denominated in a currency not of the issuer's country, generally US dollars or euros), the corporate bond market on the continent is dwarfed by the sovereign bond market and remains underdeveloped, with very low capitalization.

African corporate debt market capitalization is small compared with that in other emerging and advanced markets. For instance, in 2018 the capitalization of China's corporate debt market was estimated at 154 per cent of GDP and that of the US market at 75 per cent. But in Africa, Mauritius had the highest corporate-debt-to-GDP ratio, 49 per cent, followed by South Africa (38 per cent) and Morocco (38 per cent) (**FIGURE 4.3**). The global capitalization of the investment-grade corporate debt market reached $10 trillion in 2019, up from $2 trillion in 2001. The corporate bond market has two types of bond quality: high-grade (or investment-grade) debt and high-yield debt. The high-yield bond market affords riskier firms the chance to raise debt financing. Despite the funding potential of bond markets for businesses, the digitalization of bond markets in Africa is in its infancy, and more is needed to harness the advantages of these markets.

Debt markets and their instruments are generally perceived as less risky than equity markets and stock purchases. Debt holders are compensated before equity investors in the bankruptcy hierarchy. But debt products have limited upsides, since their returns are dictated by their coupon (interest) rate when issued. So, debt instruments, being more predictable, match the risk profile of more risk-averse investors. Debt market participants desire a guaranteed return over a defined time. Insurance companies, pension funds and some sovereign wealth funds are prime examples of institutional participants in debt markets. The deepening of debt capital markets with appropriate market mechanisms—a sound regulatory framework, transparent management structures and a safe business environment—present great opportunities for African pension funds. Those funds hold an estimated $700 billion in assets, currently mostly invested in government or term deposit securities with low returns on investment, while little goes into African financial markets. And retail investors, particularly those closer to retirement who prefer less risk, may also choose to invest more in debt market products.

Financing private sector development in Africa depends on issuing new instruments through such bond markets. Training capital market participants and promoting collaborations between local corporations and global investment banks are

FIGURE 4.3 GLOBAL CORPORATE DEBT MARKET CAPITALIZATION
(PER CENT OF GDP, 2019)



Note: Total stock of loans and debt securities issued by non-financial corporations as a share of GDP.

Source: Adapted from IMF Global Debt Database, December 2019.

needed to capture the opportunities. The recent success of government bond issues in many African countries evinces the huge potential of such instruments. And growing global demand by yield-starved investors (particularly in emerging markets) combined with more investment-grade corporate bond issues will be key to the growth of the African corporate debt market.

> "Financing private sector development in Africa depends on issuing new instruments through such bond markets. Training capital market participants and promoting collaborations between local corporations and global investment banks are needed to capture the opportunities"

INNOVATIONS IN DEBT MARKETS AND OPPORTUNITIES FOR INCREASED LIQUIDITY

Debt markets have transformed plain bonds and regular debt into a variety of debt products to adjust risk profiles and tenors to those desired by investors. They have also improved liquidity and raised short-term funding for African firms. Zero-coupon bonds, asset-backed securities, and collateralized mortgage obligations are examples of non-generic debt products. Unlike traditional bonds, zero-coupon bonds do not pay periodic coupons, but are issued at steep discounts, so the value of bond rises to its face value as it approaches maturity. Zero-coupon bonds are promoted for their relative affordability, their guaranteed yield if the investor holds the bond to maturity and their relative ability to immunize—that is, to minimize interest risk by calibrating the maturity of the portfolio to fit the time horizon of the investor. Investors often view a corporation that issues coupon-paying bonds as being in good financial health.

Asset backed securities (ABS) are securities backed by loans (such as home equity loans, automobile loans and student loans), leases or instalment contracts on personal property, receivables (such as credit card receivables or remittance receivables) or royalties. The creation of an ABS entails three processes: collateralization, special purpose vehicle (SPV) and securitization. Collateralization means issuing loans that are each backed by collateral to provide protection against default. The collateralized loans are then placed in an SPV. A bankruptcy trust is then created to decouple the trust from the bankruptcy risk of the investment bank managing the SPV. Securitization pools the various loans in the trust into a sellable security or securities. Cash flows from the loans are then used to pay investors who purchased the securities. ABSs provide benefits unobtainable from conventional secured debt, such as allowing financial institutions to make new loans from otherwise illiquid assets (loans) and pooling and issuing loans that could not be sold individually.

Collateralized mortgage obligations (CMOs) and collateralized debt obligations (CDOs) allow investors to purchase loans taken out by retail banking customers—further expanding traditional banks' lending capacities. While the CMO market is generally underdeveloped in Africa, South Africa has a burgeoning securitization market other African countries can learn from. The asset securitization market in South Africa emerged when the then-United Building Society issued a R250 million mortgage-backed security in November 1989 and when Sasfin floated a R60 million issue backed by instalment rental loans in 1991. In the early 2000s four collateralized CDOs were issued in the South African market. In 2000 Rand Merchant Bank (RMB) collaborated with Morgan Stanley to originate a R3.9 billion CDO. In 2002 based on the success of that issue, RMB collaborated with Goldman Sachs to issue a R2.9 billion CDO. Three of the four deals illustrated in **BOX 4.3** were collaborations between South African banks and international investment banks. The lesson is that African firms do not have to reinvent the wheel. They can tap into the experience of global investment bank giants to develop their asset securitization markets.

A repurchase agreement (repo) is a simultaneous agreement for the sale and repurchase of an underlying security on different settlement dates. It entails the acquisition of funds through the sale of securities with the simultaneous claim to repurchase the securities at an agreed price and interest rate at a specified date within a fixed time. A slight discount is often demanded by the lender—the spread between the repo price and the spot price.

Globally, about $2-$4 trillion in repurchase agreements are traded each day (Cheng and Wessel, 2020). In Africa in 2016, CNBC reported a record repurchase agreement deal of $25 million between two banks (**BOX 4.3**). The size of the global repo market underscores its role in providing liquidity for market participants. Besides the dealer banks, money market mutual funds and hedge funds are major players in the repo market. Most central banks also use repos to conduct monetary policy, thus enhancing the size of the repo market and further contributing to market liquidity.

BOX 4.3 AFRICAN REPURCHASE DEALS

There is little data on Africa repo market since it is undeveloped—in most countries, virtually non-existent. So, there are very few success stories on repo transactions on the continent, especially outside South Africa.

But a success story worth highlighting is a $25 million repo transaction between the Commercial Bank of Africa and Standard Bank of South Africa, reported by CNBC in 2016. In this deal, the Commercial Bank of Africa used Kenyan government bonds as collateral to secure $25 million from Standard Bank. This was the first deal of this kind ever in East Africa. The deal had a tenor of one year. It enabled the Commercial Bank of Africa to stabilize its balance sheet. The deal contributed immensely to developing the money market in Africa.

Most African countries lack organized repo markets, so efforts are needed to build and grow them. Training central banks and investors on the mechanisms of repo transactions can help establish strong repo markets. The International Capital Market Association (ICMA) is forging several collaborations to build the capacities of potential participants in repo markets. It has worked with partners in Kenya and Nigeria to train the staff of central banks, commercial banks and capital market regulators. Such collaborations and capacity-building drives should be extended to other parts of Africa to ensure continent-wide repo market evolution and revolution.

OTHER OPPORTUNITIES FOR PRIVATE FINANCING

COMMODITY EXCHANGES

Commodity markets and exchanges offer a marketplace for basic products (mainly from agriculture, mining and oil) to be traded and can help developing a futures market and prices for such futures products. They enhance the efficiency of selling and buying commodity products, allowing countries to enhance their trade capabilities. They help farmers access finance and give fund managers a way to provide greater liquidity and participate in price formation. The major buyers of commodities are also major participants in commodity markets: food, industrial and petrochemical firms use these markets to purchase commodities at guaranteed prices.

In Africa, commodity exchanges are small, underdeveloped and unable to meet the growing needs of producers. Although African countries are dominant global producers of many agricultural and natural resource goods, the goods are traded or have their prices quoted on exchanges outside the continent. So, opportunities for price discovery, access to finance, hedging opportunities and market information are limited for African farmers and small businesses in those sectors (Umeano, 2017). The development and deepening of commodity exchanges are constrained in Africa by the lack of enabling laws, the lack of infrastructure (warehousing, transportation and processing plants), ill-designed government interventions, competition from commodity boards and commodity markets' inability to attract the mainstream financial sector. Even so, a few

TABLE 4.2 SELECTED COMMODITY EXCHANGES IN AFRICA

EXCHANGE	LOCATION	DATE OF CREATION	MARKET	TRADED COMMODITIES	INSTRUMENTS
South African Futures Exchange (SAFEX)	Sandton	1995	Agriculture	Grains	Spot and futures
Abuja Securities and Commodity Exchange (ASCE)	Abuja, Nigeria	1998	Agriculture	Maize, millet and sorghum	Spot and futures
Africa Mercantile Exchange (AfMX)	Nairobi, Kenya	2005	Agriculture and energy	Ore, oil, sugar and coffee	Futures and options
Ethiopia Commodity Exchange (ECX)	Addis Ababa	2008	Agriculture	Coffee, sesame grains, beans, maize and wheat	Spot
Mercantile Exchange of Madagascar (MEX)	Antananarivo	2011	Agriculture, metals and energy	Wheat, grains and metals	Spot and futures
Nairobi Coffee Exchange (NCE)	Nairobi, Kenya	2012	Agriculture	Coffee	Spot
East Africa Exchange (EAX)	Kigali, Rwanda	2013	Agriculture	Maize, beans, coffee and rice	Spot and futures
Ghana Commodity Exchange (GCX)	Accra	2018	Agriculture	Maize, soya and sorghum	Spot and forward
Agricultural Commodity Exchange for Africa (ACE) Auction Holding Commodity Exchange (AHCX)	Lilongwe, Malawi	2004	Agriculture	Beans, maize, groundnuts, rice, soya, peas, sorghum and sunflower	Spot and forward

Source: Based on compilation from various sources, including the websites of the exchanges.

commodity exchanges in Africa are worth highlighting, such as the Ethiopian Commodity Exchange, which traded 92,239 tons of commodities worth 4.6 billion birr (about $14.2 million) in January 2020 (Ethiopian Commodity Exchange, 2020) (**TABLE 4.2**).

PRIVATE INVESTMENT MARKETS

Private investments include private equity and venture capital. Private equity funds purchase a majority or controlling stake in a target company, while venture capital funds finance start-ups with high growth potential through a significant but generally non-controlling stake. These funds provide management and technical assistance that can add value to target firms, intending to exit at a higher valuation than they entered. With venture capital, many firms shy away from any form of financing that requires giving up an equity interest and ceding some decision-making control.

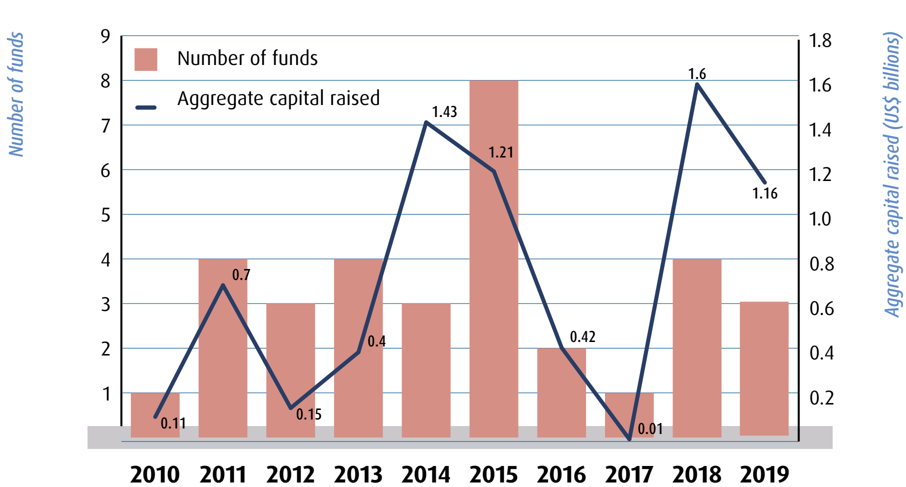
The number of deals in Africa increased from 158 in 2014 to match its 2013 historic high—186—in 2018 (**TABLE 4.3**). Overall, 1,022 private investment deals took place in Africa from 2013 to 2018 for a total value of $25.7 billion. Over the same period, private investment fundraising on the continent amounted to $17.8 billion. The median size of final closed funds is $123 million. The total value of private equity funds raised increased to $2.7 billion in 2018 from $2.4 billion in 2017, indicating investor confidence in Africa's private equity industry.

TABLE 4.3 VALUE AND NUMBER AND AFRICAN PRIVATE INVESTMENT DEALS, 2013–2019

	2013	2014	2015	2016	2017	2018	2019H1
Value of deals (US$ billions)	4.1	7.8	2.5	4	3.9	3.5	0.7
Number of deals	186	158	158	163	171	186	79

Note: 2019H1—most recent provisional data available at half year.
Source: 2018 Annual African Private Equity Data Tracker.

FIGURE 4.4 AFRICAN PRIVATE CAPITAL FUNDRAISING,

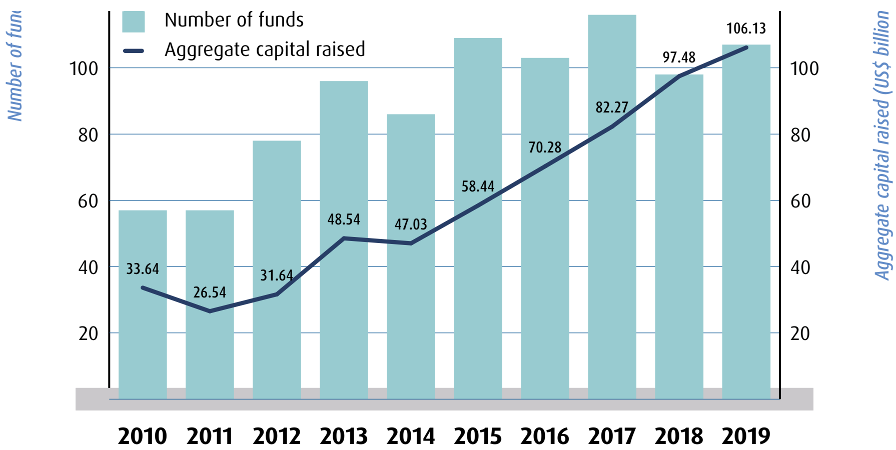


Source: Based on data from Preqin (2020)

In 2019 $106 billion in private capital was raised worldwide, but only $1.1 billion in Africa, with the continent representing only 1 per cent of the world total (**FIGURE 4.4**, **FIGURE 4.5**). Private capital funds in Asia ($2.9 billion) were more than twice the size of those in Africa in 2019. In venture capital specifically, China's information technology start-ups attracted approximately $81 billion in 2018, 32 per cent of globally invested venture capital, compared with 47 per cent attracted by start-ups in the

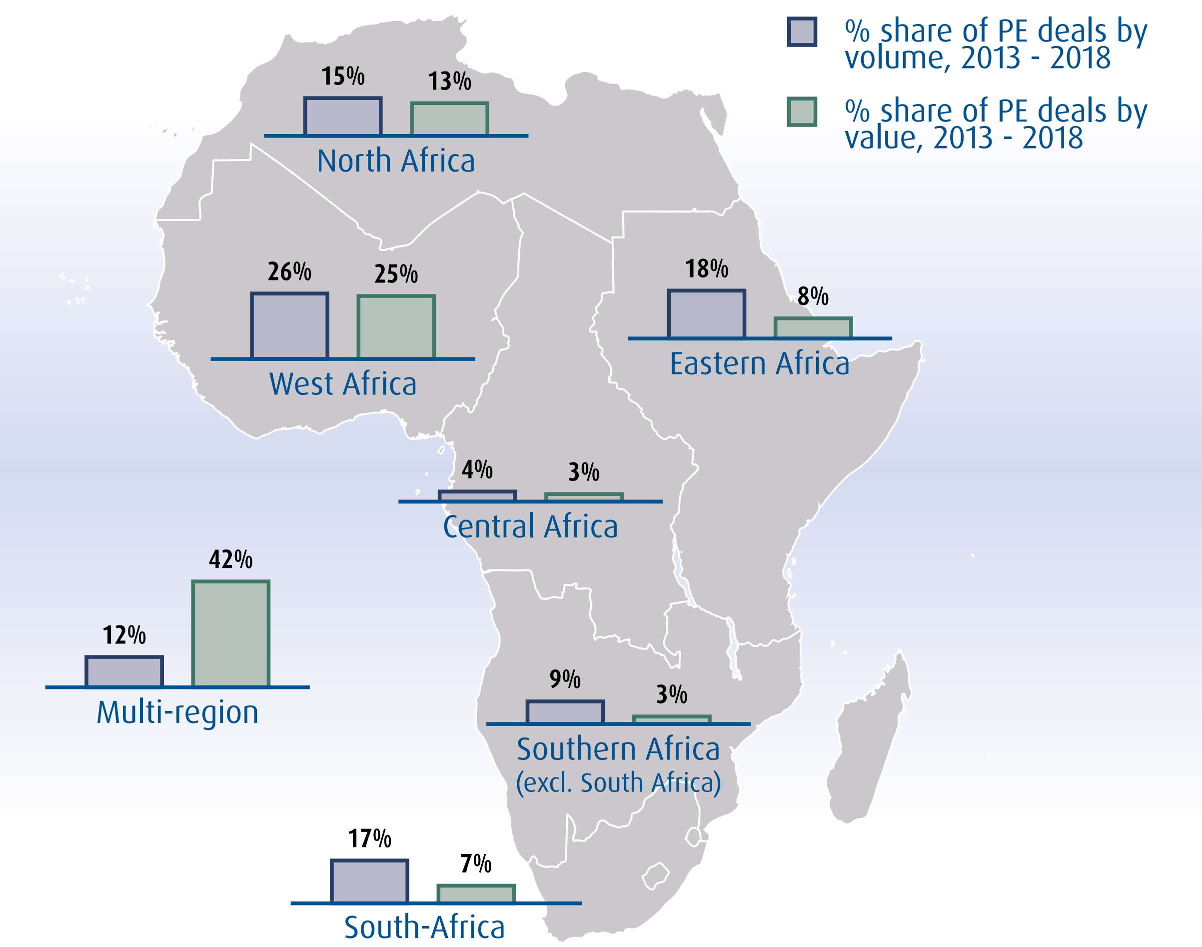
United States (Bain and Company, 2019). The distribution of investments by African private equity funds on the continent shows that the deals are concentrated mainly in West and North Africa (**FIGURE 4.6**), with the top receivers of private equity investment being Egypt, Ghana, Kenya, Nigeria and South Africa.

FIGURE 4.5 GLOBAL PRIVATE CAPITAL FUNDRAISING, 2010–19



Source: Based on data from Preqin (2020).

FIGURE 4.6 SHARE OF AFRICAN PRIVATE INVESTMENT DEALS BY REGION, 2013–18



Source: Annual African Private Equity Data Tracker (2018).

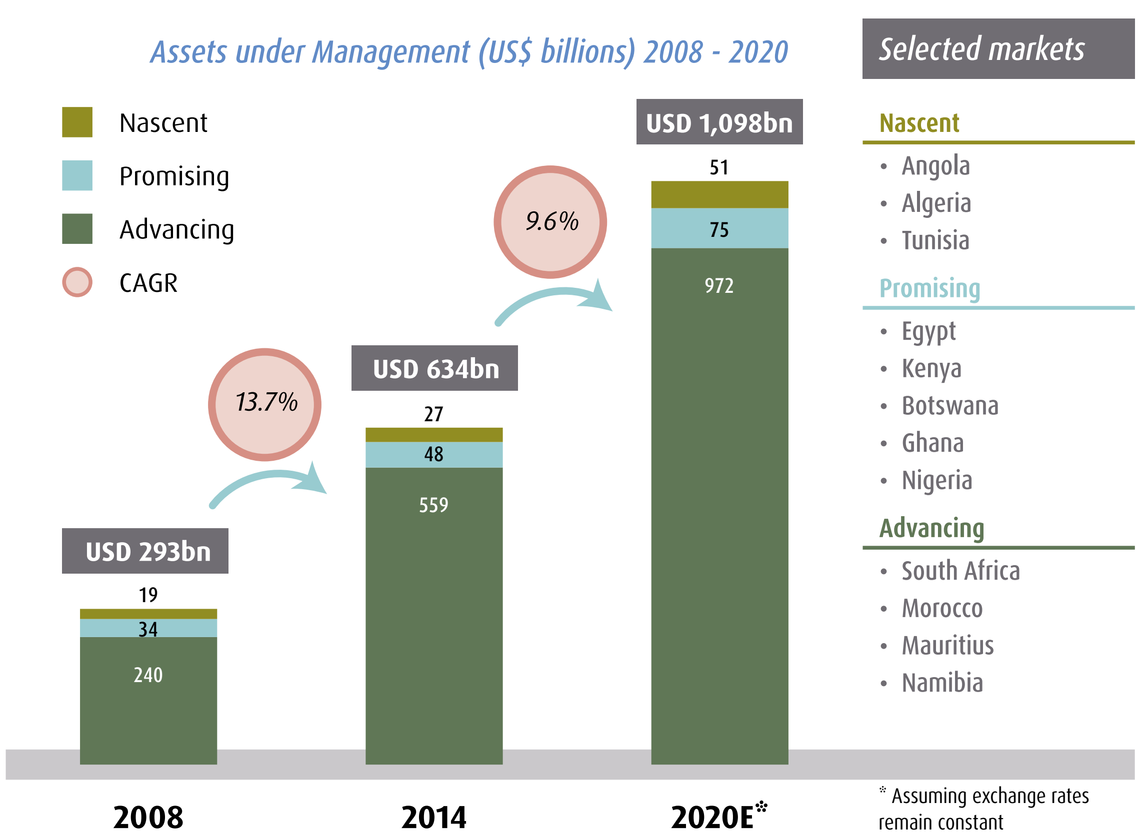
COLLECTIVE INVESTMENT VEHICLES AND MUTUAL FUNDS

Many African exchanges, to enhance their development, have introduced new financial instruments such as mutual funds and other collective investment vehicles. These funds purchase stocks in many different companies and issue shares in the funds—allowing investors to buy stakes in multiple companies through one fund share. Investing in mutual funds offers investors a high degree of diversification and immunizes against company-specific risk.

Mutual funds operate in markets in Botswana, Kenya, Mauritius, South Africa and United Republic of Tanzania. The literature predicts a positive relationship between stock market returns and mutual fund flows in developing and emerging countries (Oh and Parwada, 2007). An increase in mutual fund flows can increase the size and depth of stock exchanges in Africa. The value of assets under management in collective investment schemes or mutual funds in Africa is growing fast (**FIGURE 4.7**). The projected value in 2020 is $1.1 trillion, up from $293 billion in 2008. Exchange traded funds (ETFs), a type of mutual fund, are listed on stock exchanges and offer even lower transaction costs and fees, attracting more individuals and so further democratizing investing in the stock market. ETFs can cover stocks, commodities, debt instruments and other alternative investments, further expanding the breadth of investments for investors.

Asset management companies will rise, serving as platforms for investors to purchase mutual funds. Many global asset managers also monitor the components of a mutual fund on behalf of individual investors—since investors are unlikely to do so.

FIGURE 4.7 EVOLUTION OF ASSETS UNDER MANAGEMENT IN MUTUAL FUNDS IN AFRICA, 2008–20



CAGR: Compound annual growth rate

Source: Africa Asset Management (2020).

Infrastructure funds—generally traded on a stock exchange—are a unique innovation to help finance infrastructure. In an infrastructure fund, an asset manager monitors and facilitates cash flow transfers to create a fund that invests in or provides funding for a specific piece of infrastructure, promising certain cash flows (from tolls or other fees) to the investors for a specified period. Infrastructure funds are often used to finance ground transportation networks, telecommunication infrastructure networks and even airports and seaports.

> "Infrastructure funds are often used to finance ground transportation networks, telecommunication infrastructure networks and even airports and seaports"

FINANCIAL MARKET PRODUCTS FOR INDUSTRIALIZATION

FINANCING AGRO-INDUSTRY IN AFRICA

African agricultural productivity has been hampered by underinvestment, poor governance, climate change, lack of mechanization and low levels of irrigation, among other factors. The continent holds more than 60 per cent of the world's arable land but contributes less than 2 per cent of global output. African agricultural output remains 95 per cent rain-fed, even though irrigated agriculture generates 3.5 times the yield and return on investment. In Africa, less than 5 per cent of government budgets are allocated to agricultural development, and traditional financing mechanisms such as taxes and bank loans have made little impact in addressing the needs of the sector. Transforming agriculture in Africa will require increased private investment in agricultural productivity value chains, scaling up agricultural innovation and an agricultural development–enabled infrastructure environment creating linkages with transport, energy, water and information and communications technology.

Africa's growing population, emerging middle class, rising food prices and increasing value of the food market (projected to reach $1 trillion by 2030) present investment opportunities for the private sector in both farmland and agribusiness. Agricultural and agribusiness investments are increasingly taking the forms of private equity and venture capital business models. There are currently more than 80 investment funds financing agriculture and agribusiness (including SMEs) in Africa, with an estimated combined capital of close to $20 billion (some investments may be multi-sector). Despite the increasing interest of private equity funds in investing in African agribusiness, the sector remains underfunded due to various factors that compromise investors' returns. These include corruption, bureaucracy, weak logistics, inadequate infrastructure and limited value addition, and they reduce the competitiveness of the sector. Combined with the fragmented and undynamic nature of many African markets and the shallow depth of African capital markets, such factors make it difficult for many private equity funds to find exit options.

But private equity funds themselves are overcoming these challenges, for example by extending the lifetime of the fund, providing non-financial (physical) capital through equipment leasing, or partnering with development finance institutions. And by leveraging capital to local businesses in the agricultural sector, private equity funds support the development of domestic agribusiness value chains—the linkage between primary agricultural production and agro-industry—and strengthen the capacity and performance of firms they invest in. They thus contribute to the growth of the agricultural sector and the development of the private sector. According to Equity for Africa, for every $10 invested in agricultural processing, local businesses add one smallholder farmer to their supply chain (Ghosh and Revilla, 2007).

PRIVATE FINANCING FOR MANUFACTURING IN AFRICA

African manufacturing sector dynamics are also uneven. Although the sector has been growing faster in Africa than in other regions, it remains concentrated in a few countries, with Egypt, Morocco, Nigeria and South Africa accounting for about 70 per cent of manufacturing value added.

Financing for manufacturing has mainly been domestic bank lending and foreign direct investment (FDI) concentrated in a few countries—Egypt, Ethiopia, Kenya, Morocco, Nigeria, United Republic of Tanzania and Zambia—that have relatively high ratios of manufacturing financing to GDP. Manufacturing is the second most attractive sector for FDI, after oil and gas (Otchere et al, 2016). In Ethiopia for example, about four-fifths of FDI flows to the country are destined for the manufacturing sector. This concentration aligns with the country's strategy to attract more FDI into productive sectors such as manufacturing, promote the growth of domestic firms and crowd in more local private investment. The development and financing strategy followed by Ethiopia and other large manufacturing markets in Africa mirror China's experience in its early stages of industrialization.

But the Chinese industrial strategy included a mix of protectionism, export promotion, integration and upgrading of light manufacturing into global value chains (GVCs) and investment in capital- and technology-intensive sectors such as automotive and aeronautic industries. Many African manufacturing markets have focused their strategies on clothing export industries rather than diversify into equipment and other value chain intermediaries or invest in more knowledge-intensive sectors. That approach has reduced many African countries' competitiveness, especially compared with Asian and Latin American countries, and has further limited their ability to transition to more complex or higher-tech industries.

Even so, the transition of China and other Asian leading manufacturing markets to higher-technology- and knowledge-based industries has created a vacuum in light manufacturing. African countries, to take advantage of that vacuum, can shift labour, capital and entrepreneurship towards building a competitive and dynamic industrial base.

The prospects of industry in Africa also present opportunities to attract private investment and deliver private sector development. The potential growth of industry is projected to leverage $666.3 billion in business-to-business spending

BOX 4.4 DERIVATIVES MARKETS AND THEIR POTENTIAL IN AFRICA

Derivatives markets serve critical roles in many financial markets. They enhance market efficiency, diversify the array of financial instruments to manage risk and assist in price discovery. In developed markets, derivatives markets help to bring more participants in and enable more complex investment strategies, promoting more trades for equities, debt and commodities.

Derivatives markets would accelerate the development of non-bank financial institutions. Private funds and insurance companies could invest in more types of financial instruments because they could purchase derivatives to mitigate risks. For example, combining a stock purchase with options would create a collar that limits the upside and downside, allowing firms seeking lower risk to invest anyway in riskier underlying assets such as equities.

Presently in Africa only JSE has a derivatives market. In 2018 it was ranked among the 20 largest derivatives markets globally, with 192 million contracts traded. Further developments in financial markets are necessary for African derivatives markets to flourish. African stock exchanges must modernize their trading systems, reduce settlement lag times and transaction costs and implement continuous quotation methods. Well-functioning derivatives markets could deepen and broaden African financial markets and provide high growth potential for the financial services sector.

> "The prospects of industry in Africa also present opportunities to attract private investment and deliver private sector development"

on manufacturing and transfer 100 million labour-intensive manufacturing jobs from China to Africa (Signe, 2018). To nurture industry increased investment will be required in productivity, transport infrastructure, electricity supply and skilled labour. Creating a business-enabling environment and addressing some of the obstacles to firms, such as a lack of bankable projects, low value addition and undeveloped value chains, will be critical to mobilize private investment in manufacturing in Africa.

Kenya is worth highlighting. It has adopted policy initiatives to liberalize the private financial service market, increased productivity through value chain development and enhanced skills and innovation. These steps have attracted private finance for manufacturing and promoted industrial growth and advancement. Kenya is one of the few African countries with a fairly strong industrial manufacturing sector in both size/annual output and competitiveness for investment. The manufacturing sector in Kenya accounts for about 20 per cent of GDP and contributes more than 12 per cent of formal employment. Close to 90 per cent of financing in the sector is from domestic bank lending. Kenya has a diversified industrial manufacturing sector including dairy, textiles, chemicals, furniture, leather goods, pharmaceuticals, motor vehicles and fabricated metals.

Kenya's example of financial service liberalization is paramount for Africa continent-wide, particularly in relation to the opportunities to be raised by liberalization under the AfCFTA. Financial services is one of the service sectors the AfCFTA prioritizes for upfront liberalization (together with tourism, transport, communications and business services). Member states are expected to offer market access and national treatment to foreign financial service providers. When implemented, such commitments will lead to an elimination of current barriers. Since such barriers mainly come in the form of regulations, member states will need to undertake regulatory reforms as they implement the AfCFTA.

As liberalization dismantles entry barriers, foreign financial institutions will find opportunities to provide more diversified financial products, creating greater competition. This will lead to financial development through increased economies of scope, as financial service consumers demand more sophisticated products and services. Possible economies of agglomeration will reveal opportunities to blend in private capital from other sources, deepening the African capital market. From the demand side, businesses needing capital to expand beyond their domestic confines to the larger AfCFTA market will have access to more and, down the line, cheaper financial products and services. The greater private financing will support various sectors of the economy, including manufacturing and services. So, better financial market integration will have knock-on effects in further manufacturing sectors and throughout the economy, if the full potential of the AfCFTA is attained.

Furthermore, additional barriers to capital markets will be lifted under a protocol on investment to be negotiated in phase II of the AfCFTA. The investment protocol is expected to set up continental rules creating a common investment area. The free movement of capital will thus complement the three freedoms enshrined in the AfCTFA—free movement of goods, services and people—allowing financial services to move freely in the continental space and so relieve supply side constraints that have left the manufacturing and service sectors underfinanced.

If these positive knock-on effects are to gain traction, measures to remedy market failures reducing financial market competition will be required, including clear competition regulation and an oversight body. Otherwise unfair competition skewing opportunities towards a few vested financial sector operators could unduly concentrate market power and so divert the benefits of liberalized financial services expected for consumers and other operators.

In addition, regulations protecting consumers, especially in the realm of digitalized financial services, will be required.

To underpin these, the AfCFTA is to incorporate a protocol on competition and, later, a protocol on e-commerce regulating digital (financial) trade transactions, which will set out a coherent legal framework complementary to maximizing the positive effects of liberalized financial services on private capital in Africa.

THREAT OF COVID-19 TO AFRICAN FINANCIAL MARKETS

The impact of the COVID-19 outbreak on financial markets around the world started in early February 2020 with uncertainty and increased volatility across all markets, including equity markets, stock exchanges and debt markets. Equity markets entered the period of extreme COVID-related stress with about 30 per cent loss on market value, while stocks started declining in major exchanges—with the S&P 500 tumbling 4.4 per cent and the Dow Jones Industrial Average dropping 4.4 per cent—during the first weeks of the outbreak. In some advanced economies and emerging markets, equity and debt markets started to rebound following announcements and implementation of fiscal stimulus packages, central bank corporate credit facilities and other policy measures to support the economy.

Although the global integration of African capital markets remains low except for the emerging markets such as Egypt and South Africa, contagion from the global panic and stock slump in world markets will affect major African capital markets such as Egypt, Mauritius, Morocco, Nigeria and South Africa with:

- Irregularities in the commodity markets as demand recovers slowly while prices keep fluctuating.
- Collapses of equity prices and increased demand for bonds with higher yields.
- Declines in market capitalization.
- Downgrading by rating agencies.
- Currency risks and massive capital flight.

For instance, the main index of the Egyptian Stock Exchange, EGX30, declined by more than 30 per cent in February–March 2020. In some countries, the depreciation of local currencies against the strengthening US dollar had negative impacts on trade balances (with weak trade activity and reduced export revenues) and debt (with increased servicing costs of dollar-denominated or foreign-linked bonds). The depreciation combined with the drying up of domestic and external financial revenue sources and challenges to African governments seeking to borrow in an uncertain and less well capitalized global market. These factors contributed to record increases in government bond spreads—the difference between yields on bonds issued by a country and yields offered by governments with AAA ratings—of more than 700 basis points since February 2020 (Papadavid and Velde, 2020).

As the virus continued spreading and countries instituted confinement measures to contain it, slowing economic activity and increasing risk perception, investors started pulling out of developing markets. Capital flight from developing markets was $59 billion between February and March 2020, more than double the capital flight recorded during the 2008 financial crisis. (UNCTAD, 2020).

Continued uncertainty regarding lockdowns, re-opening and economic recovery, combined with currency depreciation and the recent downgrade of major African economies to below investment grade by credit rating agencies, will further affect African equity and debt markets. As of 1 May 2020, equity analysts had adjusted revenues for major public companies in Africa down by 24 per cent from previous consensus estimates, and profits by 12 per cent, since the beginning of the year. Although the cost of debt has fallen in developed markets, it is rising in developing markets, reducing the liquidity of the financial service sector. Notably, Eurobond-dependent countries with depreciating currencies face even higher effective costs of debt. Countries with high exposure to Eurobonds such as Angola, Côte d'Ivoire (in the public and private sectors) and Ghana are at risk of default, complicating efforts to deal with the pandemic.

CONCLUSION

This chapter has examined various types of financial markets that can provide financing for the private sector and enhance financial participation and inclusion in Africa. A well-developed system of financial markets can benefit both private sector constituents that need funding and investors—who get more choice and opportunity to provide funding to the private sector and to the government. Properly structured, a capital market can also allow sovereign bonds to be issued in the local currency, if there is enough domestic demand, reducing foreign exchange risk for sovereign issuers.

But for capital markets to become well developed requires that many financial service sector participants—asset managers, insurance companies, investment banks, sovereign wealth and pension funds, and other institutional investors—have to participate in the monitoring, price regulation and transfer functions allowing investors to invest. Against this backdrop, harmonized continental rules stipulating common obligations and rights for this panoply of players would permit a standardized and streamlined approach to overseeing African financial markets and support their functioning. The AfCFTA could be instrumental in advancing such rules through service trade liberalization, as well as adopting an investment protocol, to ensure the free movement of capital and investment. These steps would help the financial service liberalization, to which member states have committed, gain traction and would bolster Africa's financial integration and deepening.

Stock exchanges, even nascent ones, can receive support and stimulus from local governments. For example many governments in other regions have partially privatized state-owned enterprises (SOEs) by listing a minority stake in the SOE on an exchange to align it with international reporting standards and to share its profits with retail investors (Estrin and Pelletier, 2018). The December 2019 listing in Riyadh of 1.5 per cent of Saudi Aramco's outstanding shares for $25.6 billion allowed the Saudi Arabian government to access funding while maintaining control of the company. Partial privatizations could reduce financing gaps for many African states.

Even so, financial markets bring risks. Stock exchanges and their investors have been shown to be motivated by price jumps when earnings are released, prioritizing short-term over longer-term profits. And tax treatment and accounting regulations that require companies to record their research and development expenses as they occur might discourage companies from research and development needed to keep profits high. That risk needs to be managed so companies do not lose their competitive edge to more innovative firms. The success of financial markets relies on the stability and reliability of their regulatory institutions.

Capital markets can attract foreign investors, bringing in valuable foreign direct investment to further develop the private sector. FDI can also ease takeovers and mergers—allowing underperforming or non-performing firms to be taken over by those able to compete. But attracting FDI for such purposes depends on creating a regulatory environment that foreign investors, particularly asset management companies in higher-income countries, would want to invest in and offering them risk-adjusted returns they are willing to take.

Capital markets are simply another way to connect borrowers with savers who are ready to take on more risk as they begin to save for retirement. The growing African middle class will demand more sophisticated financial products and more innovative ways to save—stocks, bonds and other investments—to help them build wealth. The demand for savings vehicles will especially grow as the world population ages and achieves higher levels of education. For Africa getting ahead of the demographic curve will be key to sustainable development.

"Capital markets are simply another way to connect borrowers with savers who are ready to take on more risk as they begin to save for retirement"

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