

Concept Note

African Capital Markets Seminar

“Promoting African Bond Markets through Enhanced Cooperation and a Conducive Regulatory Framework”

Organised by the African Development Bank, in collaboration with the Partnership for Making Finance Work for Africa

Dakar, 10 May 2009

Introduction

The current financial crisis has not only affected the financial sector in Africa, but its impact is also being transmitted to the broader economy as a result of declining export revenues and sudden reversal in private capital flows, which hitherto have helped finance long-term investments. Furthermore, there are budgetary concerns, arising from the probable reduction in aid assistance, coupled with limited access to international capital markets.

In light of the deteriorating fiscal space of African countries, there is an urgent requirement for governments to mobilise resources from domestic capital markets to help meet their budget shortfalls. Deep and liquid domestic bond markets will ensure long-term debt in local currency and contribute to assisting countries smooth out cyclical financial demands, thus weathering international economic cycles.

Rationale

Having recognised the importance of domestic resource mobilisation, which was reiterated at the Tunis Ministerial Conference, the AfDB launched the African Financial Markets Initiative (AFMI) in February 2008, as part of its contribution to the development of capital markets in Africa. This initiative aims to contribute to the medium to long-term development and deepening of domestic bond markets. This will be through enhancing the domestic bond market infrastructure and investing in local currency-denominated debt, thereby improving the long-term resilience of African financial systems and ensuring sustainable domestic resource mobilisation.

Within the AFMI framework, the AfDB conducted a bond market study, co-funded by USAID through the Partnership for Making Finance Work for Africa. The study provides an assessment of the level of development of African bond markets and a comprehensive snapshot of existing initiatives dedicated to bond market development. As a result of the study, development partners were able to identify existing and planned bond market initiatives, including potential synergies, in order to avoid duplication of efforts.

As a prerequisite to sustainable development of bond markets, a sound regulatory framework is required for prudential oversight of the financial markets, products and participants, while promoting greater transparency and risk management, through an improved balance sheet approach to public debt management.

Inputs and participation from regional member countries is critical for the success of the AFMI, as it will ensure co-operation, South-South collaboration and knowledge sharing.

The AFMI proposes the establishment of several multi-disciplinary working groups as platforms for regular forums for policy dialogue and technical assistance, to cover specific bond market development areas.

Objectives of the seminar

This will enable participants to share experiences and explore policy options for developing efficient bond markets, including:

- (i) Discussing the results of bond market mapping study and the need for sustainable development of domestic resource mobilisation through the AFMI, and other avenues such as South-South collaboration and regional initiatives;
- (ii) Facilitating sharing of knowledge and approaches adopted by countries to develop bond markets in their regions;
- (iii) Discussing the effectiveness and transparency of regulatory frameworks as part of an enabling environment for issuers and investors.

Expected outcomes

The expected outcomes include:

- (i) identification of areas requiring further research and analytical work on bond market development;
- (ii) knowledge-sharing and identification of potential capacity building gaps and needs related to bond market development; and
- (iii) strengthening of policy dialogue on regulatory issues.

Format of the seminar

The event will be jointly hosted by the AFMI and FTRY, in collaboration with the Partnership for Making Finance Work for Africa (MFW4A). It will be divided into two sessions. During the first session, moderated by the Coordinator of the Partnership for Making Finance Work for Africa, the VP of Finance will present the objectives of the AFMI and provide a summary of the findings of the bond market study. This will be followed by presentations from three RMCs, offering their experiences.

The second part of the seminar will focus on the different regulatory frameworks in Africa, assessing whether they promote and enhance greater transparency or undermine transparency and thereby curb investment appetite. The FTRY team will moderate this session, which will include presentations from an investment bank, an African institution with issuance experience in African capital markets and regulators from two RMCs.

The draft programme is attached hereto.

Participants

The seminar is targeted at 150 representatives from African Central Banks, Ministries of Finance, Regional Associations, Donors, MDBs, development agencies, private sector market participants and AfDB Bank Staff.

Language of the Seminar

There will be simultaneous interpretation services available in both English and French.

Date and Venue of the Seminar

The seminar will be held at the AfDB Annual Meetings in Dakar, Senegal on the 10th of May 2009.

Contact

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Draft AGENDA

Session 1	Sustainable domestic resource mobilisation through domestic bond market development <i>This session will draw on the experiences of various African countries to review initiatives dedicated to bond market development on the continent. It will enable participants to discuss whether the establishment of multi-disciplinary working groups at regional level is a means to better knowledge-sharing and collaboration.</i>
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| 14:00 – 14:15 | Welcome remarks and presentation on the African Financial Markets Initiative (AFMI)
<i>Vice-President Thierry de LONGUEMAR, African Development Bank</i> |
| 14:15 – 14:25 | Harmonising legal and regulatory frameworks to facilitate regional domestic bond market development – the East African Community experience
<i>Mr. Stephen KABOYO, Deputy Director, Financial Markets Department, Bank of Uganda</i> |
| 14:25 – 14:35 | The impact of the payments systems reforms on bond market development in the WAEMU region – successes and challenges.
<i>Mr. Mamadou SEREME, Adjoint au Directeur des Services Bancaires, BCEAO</i> |
| 14:35 – 14:45 | Creating an efficient financial markets infrastructure to stimulate bond trading
<i>Mr. Gabriel FAL, Chief Executive Officer, CGF Bourse</i> |
| 14:45 – 15:15 | Open discussion
<i>Moderator: Stefan NALLETAMBY</i> |

Session 2

Transparency and accountability through effective debt market regulation

This session will stimulate discussion on the prevailing regulatory environment in African debt markets by assessing whether the regulatory frameworks promote and enhance greater transparency, reduce systemic risk, and protect investors. It will also consider what measures should be taken by African countries to improve their regulatory frameworks.