

# Summary Proceedings: Donor Workshop on Bond Market Development in Africa

*AfDB Temporary Relocation Agency (ATR)*

*30 March 2009 – 31 March 2009*

*Tunis, Tunisia*



AFRICAN DEVELOPMENT  
BANK GROUP



*Partnership for  
Making Finance  
Work for Africa*

## **Introduction**

There has been a considerable response by African governments, the private sector and the donor community to develop African bond markets, largely working, in several instances, in isolation of each other. Therefore, the identification of ongoing and planned bond market initiatives would help avoid duplication of efforts devoted to bond market development and facilitate the identification of potential synergies among donors, governments and the private sector.

Within the African Financial Markets Initiative (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.

The workshop had two objectives: first to review, discuss and enhance the draft studies on bond market development in African countries. Second, to identify possible areas of cooperation among donors on ongoing and future bond market development initiatives and lastly, to agree on focus areas, critical to the development of domestic bond markets, and which will form part of the discussions at the AfDB Annual Meetings in May 2009.

The workshop was attended by donors, MDBs and development agencies with a vested interest in the development of bond markets in Africa. These included the World Bank, ESMID/IFC, European Investment Bank (EIB), the International Monetary Fund (the IMF), the German Technical Cooperation (GTZ), Organisation for Economic Co-operation and Development (OECD) and SeerTrade/USAID. It also included African Development Bank staff from the Finance Department (FTRY), Regional Integration and Trade Department (ONRI), Legal Department (GECL), Regional North (ORNB) and Governance, Economic and Financial Management Department (OSGE).

This document is prepared as a summary to the discussions and provides recommendations from the Donor Workshop on Bond Market Development in Africa. The workshop was held at the African Development Bank's Temporary Relocation Agency in Tunisia, on the 30<sup>th</sup> to the 31<sup>st</sup> of April.

## **The Recommendations from the Donor Workshop**

The workshop was organised in seven sessions in which the consultants who prepared the mapping studies presented their findings, highlighting the key areas identified as critical to the development of domestic bond markets. Lead discussants from the donor community presented their own experiences, with other participants commenting in the open discussions. At the end of the workshop, the following recommendations were formulated:

## **General recommendations**

**Recommendation 1:** The participants welcomed the work done by the AfDB on taking stock of work on developing bond markets in Africa. African countries should be encouraged to share success and failures with regard to bond market development, underlining the role of leading practices compared to best practices. This will require an objective and quantitative classification of countries by level of bond market development leading to sequencing and a possible roadmap for bond market development. More work still needs to be done with regard to transparency and disclosure on sovereign bond issuances, identification and recording of contingent liabilities as well general debt management issues.

**Recommendation 2:** The participants stressed the importance of generating, availing and managing information on bond market development in Africa. It was agreed that there is a need to disseminate the results of the mapping study more widely and this could be done within the framework of the MFW4A development network. To build on the donor discussions and broaden dialogue, another capital markets event was proposed for early next year, which would include donors, MDBs, regional institutions, public and private market participants. The suggested objective of the event is to determine the impact of the financial crisis on domestic bond markets and assess the impact of flows in Africa. For meaningful discussions, it was suggested that countries be clustered according to level of development. The AFMI was encouraged to further forge networks with public and private institutions, including its continued coordination with the OECD.

## **Initiatives dedicated to bond issuance**

**Recommendation 3:** Given the high number of countries dissatisfied with the primary dealership (PD) systems, the participants recommended that a study be undertaken to analyse the successes and failures both in African middle income and lower income countries and highlight the necessary prerequisites for the success of the PD system.

**Recommendation 4:** One of the major obstacles to corporate bond issuance is the costs related to credit ratings. The participants offered a proposal for donors to encourage and support credit ratings for sovereign and non-sovereign issuers.

**Recommendation 5:** The workshop proposed a study on secondary markets initiatives, with a comparison between over-the-counter trading and stock exchange trading. The creation and the calculation of African bond market indices should also be considered to encourage transparency and trading.

## **Broadening and diversifying the investor base**

**Recommendation 6:** The participants noted that to diversify the investor base, commercial banks and Central Banks should be included as major role players in the process. Central Banks are key as they monitor the financial systems infrastructure and their role should be expanded but not to a point where it affects coordination with debt management offices. The workshop suggested studies on (i) how to engage commercial banks to create collective investments funds, (ii) investment guidelines for non-bank

financial institutions across the continent, and (iii) additionality and management of foreign investors participating in bond markets. The role of retail investor schemes should also be investigated. Further, in the AMU/ECOWAS region, it was suggested that the role of Islamic bonds as investment products for investors should be addressed.

### **Settlements (payment) systems infrastructure**

**Recommendation 7:** The participants recognised that well-functioning payment and settlements systems are the backbone of bond market development. They proposed a stocktaking study on the current state of payments and settlements systems in Africa. Other initiatives that require funding include the harmonisation of regulatory frameworks between payment systems blocks and funding of mutual recognition or passport systems as in the East African Community.

### **Creating an effective regulatory and supervisory framework for bond market development**

**Recommendation 8:** Sound regulatory frameworks ensure efficient and transparent bond markets, while reducing systemic risk and protecting market participants. There are a number of initiatives already in place to improve regulatory frameworks. However, enforcement of market regulations has been a point at issue. The participants recommended that planned initiatives should include capacity building for regulators and should also take cognisance of the outcomes from the April 2009 G20 Meeting. The role of government as both regulator and participant in the bond markets should be clearly defined.

### **Promoting Regional Initiatives**

**Recommendation 9:** The Partnership for Making Finance Work for Africa (MFW4A) has been asked to follow up on whether the best approach to the development of bond markets in Africa is through the regional approach or at national approach, given that African countries are at different levels of development. Participants recommended the regional approach; although it runs the risk of being subject to the political whims and so it is important to take account of the political economy considerations. Of importance will be to distinguish between regional initiatives and regional integration. In most cases, policy makers should be encouraged to harmonise regulatory frameworks with mutual recognition as in the European Union, where possible.

# Summary of the Discussions in the Donor Workshop on Bond Market Development in Africa

## Session 1: Initiatives dedicated to bond issuance

**Lead discussants:** Pierre van PETEGHEM (AfDB), Richard TEICHMEISTER (EIB); Hans BLOMMESTEIN (OECD)

Session 1 was divided into two parts:

Session 1a took stock of the recent progress and initiatives related to bond sovereign issuance across the continent, as well as the necessary steps for successful bond issuance infrastructure, such as: (i) primary market structure, (ii) creation of benchmark yield curves, and (iii) developing secondary markets including primary dealers and reviewing transaction taxes.

Session 1b reviewed initiatives aimed at encouraging the development of supranational and corporate bond markets and included discussions on (i) developing credit information infrastructure (including credit ratings), basic credit information and related infrastructure (ii) costs of issuance and transaction costs (iii) common infrastructure between national, supranational and corporate bond markets (iv) incentive structure for supranational and private sector bond markets.

From the results of the Mapping Study, it was evident that most of the countries in the Regional Economic Communities (RECs) were involved in several projects related to bond issuance. In the SADC and COMESA, corporate bond issuance is inhibited by competition from banks as well as lack of credit information. The following comments were made by Keith Jefferis:

- Credit rating costs were deemed prohibitive so that only large corporates could afford having a credit rating.
- Corporates were rated according to a reference scale, which requires six bond issuances that would make up a local credit rating.

He recommended that MDBs and Donors should consider kick-starting the credit rating process including through subsidizing the costs for credit ratings.

The lead discussants presented the aspects of AfDB and EIB's supranational issuances in developing and emerging economies. Richard Teichmeister commended the AfDB for the important work undertaken and which forms the basis of the discussion. Both presenters highlighted that issuances in these countries are for lending in local currency. Limited liquidity and stringent regulatory requirements were one of the main impediments to issuing in most African countries. Although the EIB has been quite successfully issued in Eastern Europe for the last 13 years, the same strategies cannot be applied in Africa given that the issuer's legal capacity has to be recognised by local legislation, ill-fitting disclosure rules and access to local money markets.

Hans Blommestein provided a brief overview of the current issuance conditions in Europe, pointing out the lack of distinction between OECD countries and African countries relating to increased net borrowing requirements. Most OECD countries have changed their debt management strategies, and some countries will be issuing in foreign currency for the first time. This year will see a new record for debt issuances, increased competition on sovereign issuances and competition among the supranationals and increased government guaranteed bank bonds. Issuance techniques have also changed with increased flexibility and predictability, introduction of auction fees, mini-tenders, and increase in the number of syndications and private placements.

The open discussions considered the following:

- Strategic objective in developing local bond markets and why the development of the corporate debt market should be encouraged.
- Strategic issuances for African countries – is it necessary for African countries to issue long term debt?
- Diversity of African countries and development partners should take into account the stages of development for each country, therefore the development of bond markets in Africa is quite complex and no “one size fits all”. African countries should be encouraged to learn from each other. One country’s solutions and successes could be modified and implemented in other countries.
- With supranational issuances, what is the value added to countries taking the credit risk? The different IFIs that issue in Africa contribute to the savings of the countries. However, the possible crowding out of other issuers was a concern.
- The banks hitherto excess liquidity can no longer be assured with the financial crisis. Corporates will require alternative sources of funding. Therefore, bond issuances by utilities, commercial banks and subnationals/ parastatals should be encouraged as alternatives source of funding
- The development of bond markets goes hand-in-hand with the development of institutional investors.
- The interbank market plays an important role in the development of the secondary market. The OTC market allows for large trades while the stock exchange acts as a reporter of information. For bond trading, the role of the value of trading through a stock exchange should be revisited.
- In some countries, primary dealership systems have failed. Although there is a danger of collusion when primary dealers are present, it is not yet evident in Africa.
- While it is helpful to take a regional perspective there is considerable diversity within the regions. Going forward it may be helpful to classify countries by “stages of development”.

## **Session 2: Broadening and diversifying the investor base**

**Lead discussant:** Evans OSANO (IFC/ESMID)

The session covered initiatives focused on broadening and diversifying the investor base in the following areas: (i) managing the role of commercial banks, (ii) reforming and improved regulation of the contractual savings sector (pension funds and life insurance companies), (iii) collective investment funds, and (iv) encouraging foreign investors, (v) promoting retail investors (vi) certification standards for Investment advisors.

Evans Osano provided an overview of the ESMID East Africa components. He further highlighted the importance of commercial banks as investors in the bond markets, given the size of their balance sheets. However, he pointed out that the commercial banks were not active in creating and promoting collective investments schemes. In East Africa, the contractual savings market is dominated by statutory funds (NSSF). Pension funds are the major investors in long term assets, with limited participation from retail investors. Regulation is focused on investment advisors dealing directly with the public; hence ESMID has designed a regional certification programme.

The main points of discussion were:

- Long-term investments in Africa are in land and property.
- Commercial banks are crucial in creating contractual savings, not only in low income countries but also middle income countries as well. Development partners with policy makers need to formulate a new incentive structure for commercial banks to encourage them to participate in collective investment schemes.
- The role of commercial banks as primary dealers should be assessed for example in Egypt where the PD system is bank-dominated but does not work well.
- Is the development of the retail sector a luxury for African countries? Should the creation of the retail investor base be considered in the initial stages of development of bond markets, or are retail bonds only products for developed and sophisticated markets?
- Although the retail investor segment is fairly stable, participants pondered on what is the realistic way to have a cost-effective retail investor sector. Indeed the distribution channel is an important factor to be considered in diversifying the investor base, especially when one considers retail investors.
- Retail investors need to have a systematic approach to their development and not to do it in a piecemeal manner.
- The regulatory framework is geared to protecting the retail investment sector which at times holds back bond market development.
- Regulation for pension funds needs to be revisited to assess whether it is too lax or too stringent, thus having a negative impact on the development of the investor base.
- The role of Central Bank should be expanded as they can intervene in the markets to prevent bubbles (in times of increased savings). This will depend on the scope and the size of the market.

- To also prevent bubbles created by excess savings, institutional investors should be allowed to invest offshore. Although this has foreign exchange implications in certain countries.

### **Session 3: Settlements (payment) systems infrastructure**

**Lead discussants:** Marlene KANGA (AfDB); Bill GORMAN (USAID)

This session reported on the steps taken by African countries to improve and adopt efficient depository and settlements/ payments systems.

The AfDB is involved in two projects in the WAMZ and WAEMU regions, financing the SWIFT and RTGS systems. Both projects have components based on harmonisation and promotion of regional economic integration. Marlene Kanga stressed areas for collaboration in harmonising regulatory frameworks, technical assistance and capacity building, and stock taking on the current state of settlements and payment systems across the continent.

Bill Gorman proposed a new approach with a system that would not require any harmonisation of regulation between countries, but will enable an electronic book transfer, with each market's settlements and payments system connected to the regional settlements and payments system. This system will ensure cross border trading and traders will be able to trade in their domestic currency. Countries will depend on each other, with a back up servers in other regional member countries.

The discussions highlighted the following issues:

- The settlements and payments system are fragmented at national level. Market participants should first consider the consolidation of systems at national level before discussing the integration of systems at regional level. The “mutual recognition system” and the passport system used in the East African Community (EAC) should be explored by the other economic regions.
- The first step to a regional settlements and payments system should be harmonisation.
- A regional settlements and payments system may result in political risk, where each country wants to preserve its sovereignty and would like to have its own settlements and payments system.
- Political support is important. The two regional projects funded by the AfDB had political back up at national level.
- The obstacle to the proposal of the SeerTrade system is capital controls. Politics may also rule out what may otherwise be a rational approach i.e. the SeerTrade system proposal.
- Some participants wondered how the safety of the system can be guaranteed.

## **Session 4: Creating an effective regulatory and supervisory framework for bond market development**

**Lead discussant:** Christian MULDER (IMF)

The session focused on the ongoing initiatives to enhance the bond market infrastructure, including: (i) enhancing the regulatory framework (ii) adequacy of procedures for the protection of investors (iii) openness and transparency of markets (iv) auditing and accounting standards.

In all regions, the common themes were skills shortages and the need for capacity building for regulators. At some level, there is prioritisation of regulatory reforms, leading to improved information systems and transparency of financial transactions.

Christian Mulder (IMF) provided insight on a number of issues to be tackled for creating an effective regulatory and supervisory framework. These include, protection of investors through enforcement of contracts, market transparency and access and openness, macroeconomic information for governments and financial reporting for corporates.

The observations from the discussions were:

- Some African countries have no regulation at all. In countries where there is regulation,, the fragmentation of regulatory powers is prevalent. Also where regulators also undertake market development it is difficult to get the balance right between market development and regulation.
- The regulatory environment has improved. However, one should consider coordination issues when there is a single regulatory for primary and secondary markets.
- Several countries have a withholding tax but it only becomes a problem only when foreign investors are involved.
- Differential taxes exist, even in the most developed countries such as the US. However, countries should strive for tax neutrality over time.
- Regular reporting is important for information dissemination and transparency. Countries should be encouraged to include Automated Quotation Systems as part of their reporting systems. This will also facilitate the dissemination of information.

## **Session 5: Promoting Regional Initiatives**

**Lead discussants:** Gabriel MOUGANI (AfDB), Bill GORMAN (USAID)

The session reported on the progress of ongoing regional bond market initiatives. Given that the WAEMU and CEMAC countries shared common currencies, the regionalisation of the bond markets is more advanced compared to other regions. The EAC and the SADC recently embarked on regional initiatives, while in the AMU, regional initiatives are still in a conceptual stage. There were two lead discussants; Gabriel Mougani (AfDB) and Bill Gorman (SeerTrade/USAID).

Mr. Gorman built on his earlier proposal of a new approach to regionalisation suggested in Session 3. He argues that an already existing USAID system could be used to integrate national systems and donors could build a regional database and have a regional broadcast.

Mr. Mougani highlighted the potential areas for cooperation, which include the following:

- Strengthening of ownership on the part of RMCs
- Ensuring strong governance frameworks for regional institutions, and
- Ensure adequate capacities at regional institutions.

The open discussions stressed the following:

- There should be a clear distinction between regional solutions and regional integration. Regional integration has a political connotation to it.
- Small countries should be encouraged to opt for regional solutions given the benefits from economies of scale.
- A unified regulatory system, where possible, should be the first step to implementing regional solutions.
- Within regional integration, initiatives move at the speed of the slowest and there should be an enforcement mechanism by which members can be sanctioned.
- There was also some discussion on who the main drivers of regional integration are and whether there is a business case for it.

## **Session 6: Towards better partnership and coordination**

Stefan Nalletamby summarised the key points made during the discussions under the different themes, highlighted areas for further research and help formulate the nine recommendations.

The participants also shared their ongoing initiatives.

The IMF and the World Bank are working closely together on:

- Medium-term debt management guidance, which follow a 7-step plan
- Regional technical assistance centres
- Supranational issuances, where there is scope for coordination amongst IFIs.

The AfDB is funding projects in West Africa on regional settlements and payments systems and in Mozambique on regulatory and pension reforms. The Mozambican project is co-funded by the IMF, the World Bank Group, GTZ and USAID.

The AFMI will present the recommendations of the donor workshop to public and private market participants at the African Capital Markets Seminar on the 10<sup>th</sup> of May. The aim of this seminar is to get feedback and response from African countries as well as introduce the creation of multi-disciplinary working groups.

# Donor Workshop on Bond Market Development in Africa<sup>2</sup>

*AfDB Temporary Relocation Agency (ATR)*

*30 March 2009 – 31 March 2009*

*Tunis, Tunisia*

## AGENDA

### Day 1: 30 March 2009

- |               |   |
|---------------|---|
| 08:30 – 09:00 | <b>Registration</b>   |
| 09:00 – 09:05 | <b>Welcome remarks</b><br><i>Stefan NALLETAMBY, Coordinator (MFW4A)</i>   |
| 09:05 – 09:10 | <b>Opening address</b><br><i>Thierry de LONGUEMAR, Vice-President (AfDB)</i>  |
| 09:10 – 09:20 | <b>Presentation on the African Financial Markets Initiative (AFMI)</b><br><i>Nontle KABANYANE, Coordinator (AFMI)</i> |
| 09:20 – 09:30 | <b>Introductions of the outcomes of the Mapping Study</b><br><i>Jennifer MOYO, Consultant (MFW4A)</i>                 |

### **Session 1: Initiatives dedicated to bond issuance**

#### **PART: A**

This session will take stock of the recent progress and initiatives related to bond issuance across the continent, as well as the necessary steps for successful bond issuance infrastructure, such as: (i) primary market structure, (ii) creation of benchmark yield curves, and (iii) developing secondary markets including primary dealers and reviewing transaction taxes.

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<sup>2</sup> The workshop will discuss the results of the bond market mapping study, jointly funded by the African Development Bank and USAID.

## **PART: B**

This session will review initiatives aimed at encouraging the development of supranational and corporate bond markets and will include (i) developing credit information infrastructure (including credit ratings), basic credit information and related infrastructure (ii) costs of issuance and transaction costs (iii) common infrastructure between national, supranational and corporate bond markets (iv) incentive structure for supranational and private sector bond markets.

09:30 – 09:45

### **Discussion: AfDB's issuance experience**

*Pierre van PETEGHEM (AfDB)*

09:45 – 10:00

Tea Break

10:00 – 10:45

### **Presentation of results of the Mapping Study**

*Keith JEFFERIS (SADC & COMESA), Emanuel ZAMBLE BI (AMU & ECOWAS), Simplot KWENDA (CEMAC)*

10:45 – 12:00

### **Open discussions**

Lead discussant(s):

*Richard TEICHMEISTER (EIB); Hans BLOMMESTEIN (OECD)*

Moderator:

*Stefan NALLETAMBY (MFW4A)*

12:00 – 14:00

Lunch Break

## **Session 2: Broadening and diversifying the investor base**

This session will cover initiatives focused on broadening and diversifying the investor base in the following areas: (i) managing the role of commercial banks, (ii) reforming and improved regulation of the contractual savings sector (pension funds and life insurance companies), (iii) collective investment funds, and (iv) encouraging foreign investors, (v) promoting retail investors (vi) certification standards for Investment advisors.

14:00 – 14:30

### **Presentation of results of the Mapping Study**

*Keith JEFFERIS (SADC & COMESA), Emanuel ZAMBLE BI (AMU & ECOWAS), Simplot KWENDA (CEMAC)*

14:30 – 15:15            **Open discussions**  
Lead discussant(s):  
*Evans OSANO (IFC/ESMID)*

Moderator:  
*Hans BLOMMESTEIN (OECD)*

15:15 – 15:30            Tea Break

### **Session 3: Settlements (payment) systems infrastructure**

This session will report on steps taken by African countries to improve and adopt efficient depository and settlements/ payments systems.

15:30 - 16:00            **Presentation of results of the Mapping Study**  
*Keith JEFFERIS (SADC & COMESA), Emanuel ZAMBLE BI (AMU & ECOWAS), Simplot KWENDA (CEMAC)*

16:00 – 16:45            **Open discussions**  
Lead discussant(s):  
*Marlene KANGA (AfDB); Bill GORMAN (USAID);*

Moderator:  
*Thomas MÜLLER (GtZ)*

### **Session 4: Creating an effective regulatory and supervisory framework for bond market development**

This session will focus on the various ongoing initiatives to enhance the bond market infrastructure, including: (i) enhancing the regulatory framework (ii) adequacy of procedures for the protection of investors (iii) openness and transparency of markets (iv) auditing and accounting standards.

16:45 – 17:15            **Presentation of results of the Mapping Study**  
*Keith JEFFERIS (SADC & COMESA), Emanuel ZAMBLE BI (AMU & ECOWAS), Simplot KWENDA (CEMAC)*

17:15 – 18:00      **Open discussions**  
Lead discussant(s):  
*Christian MULDER (IMF)*

Moderator:  
*Thomas MÜLLER (GtZ)*

**Day 2: 31 March 2009**

**Session 5: Promoting Regional Initiatives**

This session will report on progress of ongoing regional bond market initiatives.

09:00 - 09:30      **Presentation of results of the Mapping Study**  
*Keith JEFFERIS (SADC & COMESA), Emanuel ZAMBLE BI (AMU & ECOWAS), Simplot KWENDA (CEMAC)*

09:30 - 10:15      **Open discussions**  
Lead discussant(s):  
*Gabriel MOUGANI (AfDB), Bill GORMAN (USAID)*

Moderator:  
*Evans OSANO (IFC/ ESMID)*

10:15 – 10:45      Tea Break

**Session 6: Towards better partnership and coordination**

10:45 – 11:45      Mapping the way forward through identified areas of cooperation and multi-disciplinary working groups  
*Stefan NALLETAMBY (MFW4A)*

11:45 – 12:00      Official closing  
*Stefan NALLETAMBY (MFW4A)*

## **Opening Address by Thierry de Longuemar**

**Vice President of Finance,  
African Development Bank**

Ladies and gentlemen;

Let me take this opportunity to welcome you all to the African Development Bank.

Today we gather in what Charles Dickens once called “*the best of times, and the worst of times...*” The financial crisis was initially labelled as “*a crisis of the developed world*” given the loose credit extension and the sophisticated financial instruments used to leverage financial services institutions’ balance sheets. It has become more apparent that the impact of the financial crisis has moved to the shores of the most vulnerable economies, including Africa. The latest impact of the second round effects include, a downward trend in commodity prices, a continued fall of most African stock markets and depreciation of currencies, rising unemployment and reduced activity, worsening fiscal and current account balances in a majority of African countries.

In recognition of the long term impact on African economies, African Finance Ministers and central bank Governors, met in Tunis, just over four months ago, to discuss the impact of the financial crisis. In the final communiqué the African Development Bank was called upon to intensify its capital markets programmes. This message was carried through at the first Committee of 10 (C10) Meeting in Cape Town, South Africa, at the beginning of this year. Earlier this month, at the IMF meeting in Dar-es-Salaam, President Kaberuka reiterated the importance of the developing bond markets as part of the efforts to improve domestic resource mobilisation.

Therefore, the current financial crisis presents an opportunity for African countries to commit to the development of resource mobilisation from domestic capital markets.

The benefits of an efficient domestic bond market are numerous and well-known, as they provide both private and public borrowers access to cheaper and longer term financing; this in turn assists governments in funding their development programs on more attractive terms and allows the African private sector to fund their long term expansion and development needs at competitive levels.

Deep and liquid domestic bond markets ensure long-term debt in local currency and contribute to assisting countries smooth out cyclical financial demands, weathering international economic cycles.

Furthermore, hand in hand with increased regulation, developed domestic bond markets provide investors an opportunity to participate in and to add further capital to the economic development of Africa.

It is with this in mind, that we are now sitting at a cross roads, where we are obligated to be innovative, knowing fully well that if we don’t seize this opportunity, our inaction and that of African countries would result in reversing the macroeconomic successes of the last decade. This cannot be allowed to happen.

The African Development Bank has always looked to position itself as a major player in advancing the development of the financial sector, and in particular the bond markets in Africa. The Bank's dedicated effort in the development of African bond markets is two-fold: firstly, under the two key strategic areas of the Medium Term Strategy, namely, private sector development and governance; and secondly, through a strategic decision to issue in local currency in African bond markets. The first domestic issue by a supranational was in the South African market in 2007. The Bank has also issued in the Ugandan shilling, Botswana Pula, Nigerian naira, Tanzanian shilling, Kenyan shilling and the Ghanaian cedi. It is this continued involvement in African bond markets that will ensure a broadened investor base and fuel interest in other issuances that offer African currency exposure.

In the wake of the financial crisis, the response of the Bank in the short-term is through two facilities to provide relief to African countries. First, the Trade Finance Facility, where it has pledged US\$1bn to address the severe contraction in availability of trade finance in Africa. Second, the Emergency Lending Facility - US\$1.5bn in total will be used as a multi-purpose non-concessional fund, providing support to eligible countries and non-sovereign operations.

The longer term proposal from the Bank includes the African Financial Markets Initiative (AFMI) as a contribution to a more comprehensive and holistic response, to further develop and deepen African bond markets. The initiative has several key objectives, the principal ones being: (i) to contribute to the development and deepening of local currency bond markets by providing alternative sources of long-term capital to borrowers, (ii) to contribute to the widening of the investor base to enable more effective domestic resource mobilisation, and (iii) to create a permanent forum for discussion and provision of technical assistance on domestic bond market issues. Within this framework, a mapping study was conducted, covering on-going bond market development initiatives and activities at regional and country level. We are grateful for the role played by the Partnership for Making Finance Work for Africa and the funding provided by USAID for the COMESA and SADC study.

Studies such as these, give a better understanding of the status of bond market development in Africa. They provide tools for closer collaboration with countries, to draw up well articulated development plans and to formulate stronger prioritisation.

Let me conclude by noting that the financial crisis of today provides a new opportunity to act comprehensively and as a collective for the long-term, rather than selectively and separately in the short-term. Addressing challenges and obstacles to domestic bond market development is even more critical today than ever before, for the future of this continent. Therefore, we should be appreciative of the role that we are given.

The discussions and the outcomes from this workshop will be presented to Regional Member Countries at this year's African Capital Markets Seminar, in Dakar, Senegal. While this workshop is not intended to conclude with a declaration, I look forward to the shared observations and deliberations that will emerge from here.

Thank you for your kind attention.

## List of Participants

**Bill Gorman**

Seer Trade/ USAID

**Cecilia Akintomide**

African Development Bank (AfDB)

**Charles Muthuthi**

African Development Bank (AfDB)

**Christian Mulder**

International Monetary Fund (IMF)

**Emanuel Zamble Bi**

Consultant/ BVRM

**Evans Osano**

ESMID/ International Finance Corporation (IFC)

**Gabriel Mougani**

African Development Bank (AfDB)

**Guus Heim**

European Investment Bank (EIB)

**Hans J. Blommestein**

Organization for Economic Co-operation and Development (OECD)

**Hassatou N'sele**

African Development Bank (AfDB)

**Janaiba Johm**

African Development Bank (AfDB)

**Jennifer Moyo**

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**Omesiri Akpofure-Idris**

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**Pierre van Peteghem**

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**Richard Teichmeister**

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